

# Zhen Ding Technology Holding Limited

## Implementation of Risk Management in 2022(Date Updated: July 2023)

### Risk Management Policy

To reduce the risks that may be faced by the operations, the Group's "Risk Management Policy" was approved by the Board of Directors on December 28, 2021, as a reference basis for the formulation of business strategies to ensure the long-term sustainable and stable development of the company's business and overall operation. In accordance with the global political and economic development trends and changes, we adhere to the tenet of "long-term attention, sustainable development, and striving for the best", actively implement the policy of "prevention-oriented control of source, full participation for comprehensive control", and fully carry out the principle of "whoever is in charge must be responsible". Risks are defined according to the company's overall business policy, and we have set up risk management mechanisms for early identification, accurate measurement, effective supervision, and rigorous control. Given acceptable risk, the policy prevents possible losses and achieve the goal of optimal resource allocation. The risk management work shall report and explain the implementation results to the board of directors at least once a year. The implementation plan and achievement goals for 2021 have been reported to the board of directors on March 16, 2022 to ensure the long-term, sustainable and stable development of the company's business and overall operations.

### Risk Management organization

1. The Chief of Staff is the top supervisor of risk management, who presides over the operation of the risk management organization and is responsible for supervising the risk identification operation of the Group through the participation of R&D, manufacturing, sales, and peripheral units. The front-line risk management personnel detects, identifies, evaluates, and formulates countermeasures for each risk, and regularly carry out

reviews and supervision at risk management-related meetings. In case of different risks, the Chief of Staff may set up a response team according to different events and assign the responsible supervisor to coordinate the response.

The Chief of Staff, who is the highest-ranking person with responsibility for risk management, should be aware of the impact of different types of risks to the Group and ensure the effectiveness of risk management. His/her main responsibility is not only to pay attention to the risks borne by each business unit, but also to consider the effects of the aggregation of various risks from the overall perspective of the company and coordinate cross-departmental communication.

2.The company has set up a Risk Management Steering Committee, which is composed of the top executives of each business unit, to supervise the improvement and identification of risk control and approve the priority of risk control,and report to the Board of Directors.

3. Members of the Risk Management Committee are arranged every year.Internal and external risk management professional training. From 2023, risk management training and implementation will be included in the annual performance appraisal of supervisors

Unit: trainees	Less than 25 hours of training	26-50 hours of training	51-100 hours of training	More than 100 hours of training
Non-executive Directors	5 persons			
Managers	10 persons	8 persons	3 persons	14 persons

4. The risk management team under the Risk Management Committee operates independently of other operating units to identify potential risks and operational impacts, review the implementation of risk management and control by front-line risk management personnel in each unit, and review the

implementation of risk management by operating units according to risk categories. Take corresponding actions, and at the same time establish crisis management operating procedures and conduct drills. Its main responsibilities include:

- Ensure that risk information is communicated in a timely and correct manner
- Ensure the effective implementation of risk regulations within the relevant units.
- Depending on the external environment and internal strategy changes, determine the type of risk and recommend ways to deal with it.

5. In the internal control system, the audit office is responsible for auditing the implementation and regularly reports on the company's changing risk environment, risk management priorities, risk assessment, and response measures in the audit committee meetings.

## Risk Management Procedures

To improve the risk management function, the Group's risk management is carried out through (1) risk identification, (2) risk assessment, (3) risk control, and (4) risk monitoring and communication to clearly grasp the scope of each risk. Through PDCA (Plan, Do, Check, Act) management measures, we will continue to improve and manage the risk factors to reduce the chance and degree of risk loss, and take appropriate measures to efficiently implement risk management.

## Review the implementation of risk management in 2022 as follows:

### ➤ Summary of the 2022 implementation results

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operations	Market risk	<ul style="list-style-type: none"> <li>● Understand trends, deploy multiple products and customers, and improve the percentage of non-consumer electronics to resist market changes</li> <li>● Track the customer's operating status at all times and select high-quality customers.</li> <li>● To cooperate with the Group's digital transformation project, we are reducing the use of manpower and improving our technical level through our engineering design and manufacturing teams. We are also implementing Amoeba management to reduce waste and shifting our focus to high-profit products.</li> <li>● Reflecting the increase in material costs on labor rates in a timely manner.</li> <li>● We select qualified strategic suppliers and classify materials to comply with the Group's supplier strategy.</li> <li>● Digital transformation/automation/process improvement reduces the number of employees required, and multiple channels are used for recruitment (internal recommendations/agencies, etc.)</li> <li>● The Company actively cooperates with the government's epidemic prevention policies and implements production in multiple locations to respond to the pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>● Periodically review the financial status of customers and offer insurance to customers with payment concerns to mitigate risk.</li> <li>● Regarding the overview of the digital transformation project implementation, peak manpower decreased by 10% compared to 2021, and a 13 work days for every day off schedule was initiated to cope with the shortterm labor shortage.</li> <li>● Reduce losses (FPC target decreased from 5.69% to 4.5%, module decreased from 0.35% to 0.30%) and cost labor rates. New cases reflect the quoted price.</li> <li>● Monitor supplier capacity and factory operations, utilize secondary and tertiary suppliers to share risks, and build partial inventories for high-risk materials.</li> <li>● Appropriately standardized production is adopted to cope with possible risks.</li> <li>● Establish appropriate inventory backups for materials transported across provinces to cope with potential applications due to transportation disruption.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operation	Regional risks	<ul style="list-style-type: none"> <li>● Pay attention to the scale and impact of local religious or cultural events.</li> <li>● Pay attention to the probability of humanitarian crises in the local community.</li> <li>● Pay attention to local economic policies and those in other regions</li> </ul>	<ul style="list-style-type: none"> <li>● Comply with local cultures. Similar cultures do not produce differential risks.</li> <li>● Non-border areas are prosperous economically and the politics are stable, which do not create an impact on the Company's operations.</li> <li>● Continuously track policy and system changes by the central and local governments and provide response measures.</li> </ul>
Operation	Information security risk	<ul style="list-style-type: none"> <li>● Regularly implement ISO27001 reviews every year.</li> <li>● Regularly focus on domestic legal requirements and update the list of related laws and regulations.</li> <li>● Strengthen information security awareness training and social engineering drills.</li> <li>● Regular backups of data and recovery drills</li> <li>● Set up backups for the main and auxiliary server rooms.</li> </ul>	<ul style="list-style-type: none"> <li>● Back up important data regularly and create copies on hard drives stored in other locations.</li> <li>● Access to confidential information must be reviewed and approved by supervisors.</li> <li>● The related operations are regularly reviewed according to the information security internal management procedures.</li> <li>● Install an access management system and uninterruptible power supply system in the IT server room.</li> <li>● Play for 1 month on the lightboxes in the living areas of the Company</li> <li>● Promote information security risk education by using the light boxes in the Company's living areas to incorporate information security risk education in daily operations, resulting in more than 500,000 views from the people in the living area.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operation	Supply chain risk	<ul style="list-style-type: none"> <li>Track market dynamics, conduct regular surveys on the production capacity, location,Track market dynamics, conduct regular surveys on the production capacity, location,and political and economic situations of upstream suppliers, and prepare contingency plans to switch supplier locations or change logistics routes.</li> <li>Improve daily management by conducting checks based on SOP documents such as Logistical Supplier Management ProcedureSI-3B0-138H and Transportation Vehicle Safety Management System SI-3B0-140H.</li> <li>Confirm the scope of impact of abnormal situations, communicate and coordinate across departments, and provide progress updates in a timely manner.</li> <li>Establish a complete supply chain management system</li> </ul>	<ul style="list-style-type: none"> <li>Regular exchanges are held to establish communication channels at all levels.</li> <li>Promote the supply chain Management policy by using the light boxes in the Company's living areas to incorporate the supply chain Management policy in daily operations, resulting in more than 500,000 views from the people in the living area.</li> <li>Conduct warehouse management according to the SOP document Warehouse Material Storage Conditions Guidelines SQ-3B8-198.</li> <li>Improve daily management operations and employee training. Conduct regular drills and random inspections for two-way management.</li> <li>Review the scope of impacts on raw materials,equipment, products, etc. (material number,destination for import and export, origin, etc.),and implement measures to mitigate risks,such as changing logistics routes or replacing the supplier origin.</li> <li>Established proposals for digital transformation and implemented a supplier management system (SCM).</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operation		<ul style="list-style-type: none"> <li>● Development of multiple suppliers for delivery of products with unstable quality</li> <li>● For the supplier delivery/quality abnormality management procedures, conduct business operations according to supplier management related operating standards.</li> <li>● Fully review the plant quality systems, source management, procedural controls, and Material Review Board (MRB) reviews.</li> <li>● Strengthen employee training management, material planning, and equipment maintenance. Increase IE functions and enhance NSRB management.</li> </ul>	<ul style="list-style-type: none"> <li>● Update and review the establishment of a qualified supplier pool at all times.</li> <li>● The management of production progress reviews the shipping operating standards and warehouse management operations from time to time, and regularly conducts discovery training.</li> <li>● Weigh the actual weights of shipments before shipping according to the shipping specifications and cross-check it with the declared weight to avoid errors.</li> <li>● Packaging operation requirements require packaging to be done in accordance with regulations. If downstream customers have specific requirements for packaging size, the size specifications and suppliers must be determined during the sample stage.</li> </ul>
	Quality process risks	<ul style="list-style-type: none"> <li>● We take corresponding preventive measures to fulfill our responsibilities related to epidemic prevention and control, implement epidemic prevention and control measures, establish an epidemic emergency response team, and establish a list of employee addresses and names as well as a white list.</li> <li>● The Company works closely with our customers and partner factories to convey the epidemic prevention and control requirements of each plant, review and update potential risks and corresponding responses, and avoid production disruptions caused by overload.</li> <li>● The real-time adjustment of production plans according to sales priority adjusts the priority of WIP production and feeding plans, reduces sales losses, and develops a capacity cover plan.</li> </ul>	<ul style="list-style-type: none"> <li>● Simulation verification: Drop testing and other tests on packaging materials are conducted when new samples are produced. The inventory dashboard of WMS is provided. If urgent shipment is required and the product needs to be produced on the same day, coordination and communication should be done in advance.</li> <li>● According to the warehouse management operating procedures, inventory and physical stock must match, and daily inventory counts must be conducted for items with changes in part numbers.</li> <li>● If system crashes or other abnormalities occur, the Company coordinates with the information unit for emergency handling and notifies relevant departments at the same time.</li> <li>● At the beginning of a regional epidemic outbreak, the Company increased the ratio of personnel staying onsite for those directly related to production, and established a workfrom-home mechanism for indirect personnel.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operation	Industrial security risk	<ul style="list-style-type: none"> <li>● The Company has established the occupational health management mechanism, which is in charge of the coordination of various occupational health and safety tasks to provide a safe and healthy work environment for the employees.</li> <li>● Established safe manufacturing management mechanisms, stipulated safety principles and policies, implemented legal compliance, and conducted risk analysis and potential problem management for the Company's manufacturing processes.</li> <li>● Establish a central control center to integrate emergency response, emergency command, and safety monitoring in a central command system.</li> <li>● Complete treatment facilities are constructed for both wastewater and exhaust gas, and dedicated personnel are</li> </ul>	<ul style="list-style-type: none"> <li>● Regular testing of the concentration of pollutants in wastewater is conducted daily, with continuous monitoring of water quality. Qualified third-party testing companies are regularly commissioned to conduct tests on wastewater and exhaust gas, with both meeting the standards.</li> <li>● Warning signs and notification cards are posted in all hazardous workshops</li> <li>● Employees undergo physical examinations before, during, and after working a post, and related files are created.</li> <li>● Establish a safety management organization and assign dedicated safety personnel to regularly hold meetings to review safety operations.</li> <li>● Source management: Formulate safety evaluation guidelines for equipment procurement. The various new expansions of the Company strictly comply with occupation safety and other safety laws and regulations of the country.</li> <li>● Construction of waste storage facilities with complete functions, and the</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Operation	Industrial Safety Risk	<p>assigned to operate and maintain the facilities to ensure compliance with emission standards. Establish a dedicated environmental protection laboratory</p> <ul style="list-style-type: none"> <li>● Online monitoring devices are installed to monitor major pollutants in the wastewater and exhaust gas of the main production park. The concentration of emissions is constantly monitored and the system is linked to government agencies.</li> <li>● Engage qualified testing companies to conduct hazardous factor testing in the production environment.</li> <li>● Personnel management: All employees in occupational hazard positions shall sign a hazard notification letter to make them aware of the hazardous factors and preventive measures.</li> <li>● Stipulate and review equipment procurement assessment safety guidelines and the implementation status.</li> <li>● Establish a security management organization, education and training, and implement a two person, 24 hour shift structure.</li> <li>● The main source of noise comes from indoor power facilities, which are isolated by shockabsorbing and soundproofing devices, as well as buildings and walls.</li> </ul>	<p>assignment of dedicated personnel to manage and handle the transfer of waste. The storage facility has complete rainproofing, sun protection, and leakage prevention functions, and is equipped with monitoring devices.</p> <ul style="list-style-type: none"> <li>● All waste is sorted, labeled, and stored in accordance with regulatory requirements and handed over to qualified companies for resource utilization, harm elimination, and other processing.</li> <li>● Transportation vehicles are equipped with GPS positioning systems to monitor their transportation routes. Any deviations will result in timely alerts. Before the cleaning vehicles enter the disposal facility, they are weighed and matched with the weight at the time of exit from the Company to ensure that hazardous waste is not lost during the cleaning process.</li> </ul>
Operation	Human Resources risks	<ul style="list-style-type: none"> <li>● Regularly conduct manpower supply and demand analysis. Continuously focus on the status of the labor market, establishment of a PCB/semiconductor personnel database, and activation of sharing internal and external employees to</li> </ul>	<ul style="list-style-type: none"> <li>● Promote internal recommendations and the "Good Friend" app</li> <li>● Cooperate with cross-industry companies to implement a mechanism for sharing employees. In 2022, the Huaian and QHD factories.</li> <li>● Adjust the salary payment structure and set incentive bonuses for employees</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
		<p>understand the human resources competition and develop corresponding recruitment policies.</p> <ul style="list-style-type: none"> <li>● Plan and review the annual remuneration policies and establish a talent cultivation structure.</li> <li>● Cooperate with cross-industry companies to implement a mechanism for sharing employees.</li> <li>● Establish the “Social and Environmental Responsibility Committee (SER)” and comply with RBA and internationally recognized labor and human rights principles. The Company will regularly conduct human rights due diligence investigations to continuously improve the Company’s systems and complete prevention and recovery measures.</li> <li>● "Measures for Emergency Response to Accidental Injury" to support necessary implementations.</li> <li>● Shaping corporate culture and establishing a talent development system.</li> <li>● To establish good labor relations, the Company has established the promotion of internal communication channels.</li> <li>● To improve the living environment for employees, the Company established the Social and Environmental Responsibility Committee (SER).</li> </ul>	<p>with different job functions.</p> <ul style="list-style-type: none"> <li>● Implement improvements to the living areas and facilities for employees in each plant.</li> <li>● Work safety training and evaluations are organized regularly every quarter to teach employees about self-protection and selfpreservation.</li> <li>● Provide multiple channels for consultation and complaints.</li> <li>● To use living area lightboxes in companys to promote various activities and policies, Promotion was strengthened during the covid-19.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Strategy	Risks related to intellectual property rights	<ul style="list-style-type: none"> <li>Intellectual property rights are stipulated in procurement contracts, eliminating liability for infringement caused by customer designs.</li> <li>Complete the payment of the annual fee for the current year first, and prioritize it for review in the following year. Increase the frequency of system notifications.</li> <li>Create forms that are updated in a timely manner to respond promptly</li> </ul>	<ul style="list-style-type: none"> <li>Review procurement contracts and assist in defining the liabilities of infringement.</li> <li>Provide education and promotion during various meetings to enhance the concepts of intellectual property rights.</li> <li>Regular updates to the control forms</li> <li>Promote intellectual property rights and respecting patents by using the light boxes in the Company's living areas to incorporate the ideas in daily operations, resulting in more than 500,000 views from the people in the living area.</li> </ul>
Strategy	Strategic risk	<ul style="list-style-type: none"> <li>The ONE ZDT platform provides diversified product development and closely follows changes in market trends, providing the basis for developing new products and new technology research and development plans for the Company.</li> <li>In response to changes in the international situation and customer needs, adjust the Groups layout plan</li> <li>Review the development progress of new customer products and technologies each month and monitor the technological trends and decision-making direction.</li> <li>Track market movements and regularly investigate the production capacity/production location/political and</li> </ul>	<ul style="list-style-type: none"> <li>In the face of changes in the international economic situation and prosperity, decentralized production bases continue to evaluate overseas layout strategies</li> <li>The Company's intelligence center constantly tracks market changes, customer demands, competitors, and suppliers, and maintains close interaction with them to determine product direction.</li> <li>The Company prepares budgets and cost control plans based on the logic of sales plan-&gt; production capacity plan -&gt; factory construction plan -&gt; human resource plan to establish a resource investment plan.</li> <li>At the end of each month, the monthly production capacity plan is reviewed and compared to the cost structure of the same period last year. Actual input is monitored daily and settled weekly. At the end of each month, actual input is</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Strategy	strategic risk	<p>economic situation of upstream suppliers.</p> <ul style="list-style-type: none"> <li>● Manager the matters according to the various documents of SOP review.</li> <li>● Monitor and update the pricing strategy according to market changes.</li> <li>● Promoting the shift from cost center accounting to Amoeba management.</li> <li>● Establishing a cost optimization project led by design.</li> <li>● Review and manage various qualification documents according to the SOP documents,including the Supplier Filing Document Operating Procedure SQ-3B0-040,Procurement Management System SQ-2B0-002, and Supplier Audit Operating Procedure SQ-3B0-087.</li> <li>● Continue to strengthen the spirit of Zhen Ding Seven Greens</li> </ul>	<p>compared to the budget target, and a continuous CA-PDCA cycle of checking and optimizing is implemented.</p> <ul style="list-style-type: none"> <li>● New technologies are reviewed and pricing strategies are adjusted in DRI meetings every two weeks. Monthly management committee and DR0 meetings are held to share new technologies, monitor technological trends,and make decisions on technology direction.</li> <li>● R&amp;D, FAE, and sales regularly communicate with customers about new technology trends.</li> <li>● We prioritize the selection of one of the top three companies in the industry as our strategic supplier.</li> <li>● Implement green innovation, green procurement, green production, green logistics, green services, green upgrading, and green living.</li> </ul>
Strategy	Risks of business ethics	<ul style="list-style-type: none"> <li>● The Company promoted the 'Sunshine Policy' to suppliers and signed the 'Integrity Commitment Letter' with our major suppliers.</li> <li>● The Company conducts information security awareness training every year and regularly implements information security audits. We also regularly complete confidentiality and ethical education</li> </ul>	<ul style="list-style-type: none"> <li>● The Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties before conducting business and whether any of them have a history of unethical conduct.</li> <li>● Enhance promotion in online and physical meetings, and organize 332 supplier exchange meetings. The Group advocates the Sunshine Policy of "fairness and</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Strategy	business moral hazard	<p>and training, with an 100% passing rate for the examinations.</p> <ul style="list-style-type: none"> <li>Regularly organize courses related to laws and regulations, update laws and regulations, and conduct promotion for related personnel.</li> </ul>	<p>impartiality, integrity and self-discipline, honesty and cooperation in building an environment that embraces honest and ethical purchasing", and emphasizes the prohibited behaviors the Company's website.</p> <ul style="list-style-type: none"> <li>Promote ethical business information by using the light boxes in the Company's living areas to incorporate the ideas in daily operations, resulting in more than 500,000 views from the people in the living area.</li> </ul>
Finances	Investment risk	<ul style="list-style-type: none"> <li>Closely monitor the financial market conditions, prepare in advance for related operations and financing funds, and maintain adequate equivalent cash turnover as appropriate.</li> <li>Pre-, mid-, and post-investment due diligence management</li> <li>Track the currency markets and control and regulate foreign currency exposures to lower the impact of fluctuations. Choose to deal with large and reputable financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Pre-investment evaluation: Financial/regulatory due diligence investigation. - Investment agreement: Agreed investor protection clauses are established to ensure protection measures in case of risk occurrence. - Post-investment management: Regularly obtain financial reports, operating statements, conduct postinvestment interviews, and participate in Board of Directors and shareholders meetings to promptly understand the business situation and any abnormalities.</li> <li>Diversify banks that we work with and diversify investment targets to avoid concentrated investment.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Finances	Finance and tax risks	<ul style="list-style-type: none"> <li>● Establish appropriate financial indicators,regularly analyze cash, accounts receivable,inventory, and fixed assets, and propose and improve any problems identified in the analysis.</li> <li>● Regularly estimate the corporate cash flow and assess long- and short-term liability matching to appropriately adjust receivables</li> <li>● Pay attention to exchange rate and economic changes, stay informed about policy changes,and adjust the level of working capital as necessary to mitigate the impact on operating costs.</li> <li>● Establish various asset management systems to ensure the safety and utilization efficiency of assets.</li> <li>● Implement the “Customer Credit Risk Management Procedures” and inventory control mechanisms. Classify customers and track the credit status of customers.</li> <li>● Review the liability insurance each year and complete the insurance procedures early to ensure seamless connections.</li> </ul>	<ul style="list-style-type: none"> <li>● Establish various asset management systems to ensure the safety and utilization efficiency of assets.</li> <li>● If a customer exceeds their credit limit or their account is overdue beyond their credit limit threshold, SAP will automatically trigger a credit approval process for their orders.</li> <li>● The Company follows the logic of sales planning, capacity planning, factory construction planning, and human resources planning to ensure the utilization and effectiveness of newly built production capacity.</li> <li>● All factories and equipment are fully insured based on their acquisition cost in the fixed asset register, rather than based on their book value or selective coverage. The total insurance coverage is adjusted quarterly to ensure that it does not fall below the appropriate level.</li> <li>● When renewing the annual coverage of various liability insurances, we use</li> <li>● technology giants and peers in the industry as benchmarks.</li> <li>● Risk managers and insurance brokers doublecheck the insurance expiration dates. Renewal operations are carried out 1-2 months prior to the expiration date to ensure a seamless continuation of coverage.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Hazardous Events	Natural disaster risks	<ul style="list-style-type: none"> <li>● Establish a company emergency organization structure and develop emergency plans for natural disasters according to the SOP.</li> <li>● The Company has established an El Nino project to prepare emergency supplies for high risk periods. Due to changes to the natural environment, the Company shall be able to respond at any time and report the management measures.</li> <li>● Work with the government to prepare and respond to the emergency management procedures.</li> <li>● Daily operations are implemented according to the internal emergency protection measures.</li> <li>● Increase equipment automation and the use of safety protection devices.</li> <li>● Strengthen equipment fire source and hazardous materials management. Inspect the wiring regularly according to the correct procedures.</li> <li>● Organize fire safety drills, and employee infectious disease knowledge promotion and training.</li> <li>● Activity areas for workers and staff members are managed according to the related procedures.</li> </ul>	<ul style="list-style-type: none"> <li>● The Group regularly conducts emergency drills for disasters in all regions, plans and allocates emergency supplies, cooperates with the government, and prepares and responds to emergency management procedures.</li> <li>● Monitor climate change and establish an emergency response team to respond to emergencies according to the SOP at any time.</li> <li>● Establish the Group Epidemic Prevention Committee and hold control meetings each week. The Company shall continue implementing strict controls according to internal rules. Control and management of materials/equipment, and cold chain items in regions severely affected by the pandemic.</li> <li>● For grid management, the Company established employee care teams, provided masks and other protective equipment for free to employees, and fully monitored employee dynamics.</li> <li>● Strengthen employee infectious disease knowledge promotion and training.</li> <li>● Implement personnel flow control, reduce personnel gatherings, and implement preventive measures such as disinfection and vaccination.</li> <li>● Promote natural disaster prevention and handling by using the light boxes in the Company's living areas to incorporate the concepts in daily operations, resulting in more than 500,000 views from the people in the living area.</li> </ul>

Risk categories	Risk factor	Control the implementation plan	Implementation status
Hazardous Events	Environmental risk	<ul style="list-style-type: none"> <li>● Prepare a simulated roadmap for carbon neutrality and carry out SBT carbon neutrality roadmap calculations to connect with different green energy operators in various regions, and establish acquisition plans and collaboration models.</li> <li>● Flood: Conduct evaluations of the altitudes and historic rainfall in different regions. Establish flood gates in the basements. Install sandbags and flood barriers at the gates of the plants. Establish flood pumps in the rain discharge pools and physical walls around the plants. Implement river flow alarms and flash rain warnings.</li> <li>● Predict future water suppliers around the plants using software and plan back up water sources. Install emergency water tanks in the plants to ensure that at least 24 hours of water can be provided. Concurrently, prepare water vehicles to carry water.</li> <li>● Extreme climate: Establish the El Nino project and winter project to prevent heatstroke and implement low temperature protection through good management.</li> <li>● Lightning strike: Identify areas where lightning strikes. Regularly commission third parties to conduct lightning prevention testing. Install grounded lightning rods on every building.</li> <li>● Use RC structures for the walls. Secure the equipment on the rooftops and conduct regular inspections.</li> </ul>	<ul style="list-style-type: none"> <li>● To meet the diverse needs of customers, the product range is divided according to different customer demands, and corresponding carbon neutrality strategies are formulated. Cost analysis is conducted to select the best solution to meet customer needs.</li> <li>● In 2022, we included 85 major suppliers in carbon reduction communication to plan and carry out cooperation projects for energy saving and carbon reduction. We continue to expand the efforts to other suppliers.</li> <li>● Continue to respond to government policies to connect with green energy providers in different regions in acquisition plans and partnerships.</li> <li>● Continue to improve institutional ratings with the goal of improving environmental sustainability, including a rise from fifth to third place in the 2022 IPE rankings and entering the top 50 in the Climate Action CATI Index.</li> <li>● Install suitable waterproof barriers according to the different elevations and historical rainfall of each park.</li> <li>● Use software to predict the average 24-hour water quantity of the water source needed to maintain emergency production in the area where the industrial park is located.</li> <li>● Develop the ZDT carbon neutrality strategy and join the Hengchun Peninsula forest restoration project.</li> </ul>

➤ **2022 Annual Risk Inspection Results**

The four risk aspects are divided into 14 categories of risk factors, a total of 61 risk inspection items. Implement risk management PDCA rolling cycle management conclusions are divided into 4 categories, 1. Immediately improve 2.Improvement plan 3. Indicators and monitoring 4. Supervision. The 2022 implementation results are: 0 immediate improvement response projects, 2 improvement plans to be submitted, 11 indicator monitoring items, and 48 rolling monitoring items.

**2022 Risk Project Distribution Matrix**

