

Zhen Ding Technology Holding Limited

2024 Implementation Result of Risk Management (Updated: January 2025)

Risk Management Policy

In order to enhance oversight, the Board of Directors resolved at its meeting on December 26, 2024, to merge the Audit Committee and the Risk Management Committee into a single entity known as the “Audit and Risk Committee”, which will assist the Board in promoting effective risk management and corporate governance. Additionally, it will report the implementation status to the Board at least once annually to ensure that the company's operations remain stable and aligned with the goal of sustainable development.

Through the analysis of both internal and external environments, the risk management policy delineates four primary facets of risk management: operational, strategic, financial, and hazard pillars. To assess the risk level associated with each pillar, a total of 14 risk factors have been identified, and the processes of identification, assessment, control, and supervision are thoroughly documented. Additionally, the PDCA cycle (Plan, Do, Check, Act) is employed for daily measurement to evaluate the status of each aspect.

With the goal of achieving corporate sustainable development, we examine the potential emerging risk issues that may impact and challenge the Group's operations. We continue to focus on the risks associated with the “Changes in the international political and economic downturn” and “Misinformation and disinformation”. According to the Global Risks Report released by the World Economic Forum on January 15, 2025, the threat posed by conflicts in the international political and economic landscape to corporate sustainable development constitutes the majority of the top 10 emerging risks identified over the past two years. These risks include international armed conflicts, social polarization, inequality, and involuntary migration. Additionally, misinformation and disinformation have emerged as significant risks during this period. This phenomenon is defined as the persistent presence of false information—whether intentional or unintentional—widely disseminated through media networks. Such misinformation significantly alters public opinion and fosters distrust in facts and authority, encompassing issues such as falsification, impersonation, and manipulation (WEF, 2025, pp. 98).

According to the Risk Management Policy, the implementation results for 2024 were reported to the Board of Directors and the Audit and Risk Committee on March 11, 2025. The improvement plan was disclosed and updated for the Sustainability Executive Committee on April 17, 2025.

Organizational Structure of Risk Management

1. Audit and Risk Committee (Supervised by the Board of Directors): Composed of all independent directors, risk experts oversee the risk management mechanisms to effectively address the risks faced by the company.
2. Risk Management Executive Division (supervised by the Audit and Risk Committee): The division comprises top executives from each business unit, with the Director of the Chairman's Office serving as the convener to support and oversee the implementation of risk management activities across various departments. This role also promotes the Board of Directors' risk management policy to enhance the risk governance culture.
3. Risk Management Executive Task Force (supervised by the Risk Management Executive Division): Responsible for establishing the company's risk management policies and related standards, assisting various business units in implementing risk management-related operations, and summarizing and reporting the situation to the Risk Management Executive Division.

Risk Management Responsibilities

1. Board of Directors: Accountable for approving risk management policies, procedures, and frameworks, as well as supervising the alignment of goals between operational strategies and risk management.
2. Audit and Risk Committee:
 - Review risk management policies, procedures, and frameworks according to risk management strategy by the Board of Directors.
 - Review the implementation of risk management, provide necessary recommendations for improvement, regularly assess the applicability and execution of the process, supervise the risk management mechanism to effectively address the risks faced by the company, and report to the board of directors at least once a year.
3. Business Units and Functional Departments:
 - Responsible for identifying, analyzing, assessing, and responding to risks within each business unit and functional department, and establishing relevant crisis management mechanisms when necessary.

- Ensure that the risk management and associated control procedures of the department are effectively implemented in accordance with the risk management policy.
 - Regularly provide risk management information to the Risk Management Executive Task Force.
4. Risk Management Executive Task Force:
- Establish risk appetite (tolerance levels) and develop qualitative and quantitative measurement criteria.
 - Analyze and identify sources and categories of company risks, and review their applicability regularly.
 - Compile and submit reports on the company's risk management implementation.
 - Assist and supervise the implementation of risk management activities in departments.
 - Coordinate risk management operations involve interdepartmental communication and interaction.
 - Implement risk management decisions made by the firm.
 - Plan risk management training courses to enhance overall risk awareness and culture.

Risk Management Procedure

To enhance the risk management function, the Group's approach encompasses (1) risk identification, (2) risk assessment, (3) risk control, and (4) risk monitoring and communication, ensuring a comprehensive understanding of each risk's scope. Utilizing the CAPDCA (Plan, Do, Check, Act) management framework, we will continuously improve and manage risk factors to minimize both the likelihood and impact of potential losses. We will also implement appropriate measures to efficiently execute risk management strategies. In alignment with the principles of sustainable development and our commitment to global citizenship, we will consider changes in the international landscape and the emerging risks identified by the World Economic Forum. We will review the long-term risk issues that the Group may encounter, identify them proactively, and implement suitable regulatory measures to manage risks effectively at all times in response to:

- I. **Risk Identification:** The company performs risk identification based on the environmental, social, and corporate governance aspects of its operations, where 14 risk factors have been formulated based on the four major aspects defined in the risk management policy, and the management scope includes various risk items at different levels as follows:

II.

Operational	1. Market Risks: Based on changes in market trends, product demand, raw material prices, customers and supply chain performance risks.
	2. Regional Risks: Company locations, review the impact of changes in local political and economic conditions on the company's operations.
	3. Information Security Risks: Information security software and hardware setup, management, maintenance, and personnel education and promotion and other related matters of operation maintenance and management.
	4. Supply Chain Risks: The ability to review and respond to supply chain imbalances caused by domestic and international political and economic situations, environmental changes, and so on.
	5. Quality process risk: Prevention and response review of various operational issues in quality management projects such as products, materials, manufacturing, and packaging
	6. Industrial Safety Risks: Hazards to the working environment of employees, including various industrial injuries and fire, explosion, chemical and other environmental pollution treatment and response review.
	7. Human Resource Risks: Review of employment management, employee environment, and welfare issues.
	8. Intellectual Property Risks: Intellectual property risk and response measures, impacts of domestic and foreign policies and legal changes on the company, and response measures.
Strategic	9. Strategic Risks: Corporate development direction, product, price, technology positioning, and supply chain management on the company's operations.
	10. Business Ethics Risks: Review of compliance with laws and regulations, environmental and community responsibilities, protection of company information and property, prevention of bribery, money laundering, and unfair competition.
Financial	11. Investment Risks: Evaluation of internal and external investment environments, effectiveness and investment management.
	12. Financial and Tax Regulatory Risks: Review and response to changes in financial and tax policies in various regions and international financial situations that affect the company's interests.
Hazardous	13. Natural Disaster Risks: Prevention and response capabilities for typhoons, rainstorms, earthquakes, lightning, fires,

Events	explosions, epidemics, and infectious diseases (e.g.: COVID-19, SARS, Bird flu, etc.), high temperature, heat wave.
	14. Environmental Risks: Impact of long-term natural environmental changes on the company and response: carbon neutrality and climate change.

III. **Risk Assessment:** All subsidiaries under the Group comply with the “Strategic Risk Control Procedures”. Each functional unit identifies the risk factors it may face, and may adopt Failure Mode and Effects Analysis (FMEA), SWOT or may develop its own identification and evaluation criteria to identify and evaluate the risk levels of different risk items and implement corresponding controls. According to the risk evaluation, the three characteristic exponent of “severity, frequency, and difficulty of detection” are summarized to express the possibility of risk occurrence and its impact, which serve as a reference for the subsequent formulation of risk control priorities and response measures.

IV. **Risk Control:**

- Risks related to daily operations of each business unit shall be managed by the risk controls of each business unit through rolling CAPDCA.
- For important crisis events that cross-departmental or cross-plant, cross-departmental or cross-plant risk assessment should be carried out. The Chief of Risk Management Executive Committee or a designated representative is responsible for coordinating and negotiating, in order to identify feasible strategies for preventing crisis incidents.
- The supervisor shall formulate crisis handling procedures, recovery plans according to the crisis incident and provide the risks and countermeasures to Risk Management Executive Task Force for review and tracking.

V. **Risk Monitoring:** To effectively address the aforementioned areas, it is essential to conduct regular reviews and maintain comprehensive documentation of the outcomes of risk management implementation. This practice will help assess the effectiveness of risk management strategies and associated control operations. The Risk Management Executive Task Force is mandated to submit an annual plan and progress report to the Risk Management Executive Division. Additionally, the Task Force must hold at least two meetings each year to present reports and provide explanations regarding the implementation results to the Audit and Risk Committee. Internal audit personnel should periodically review the risk management procedures and the status of control implementation across various risk levels, subsequently reporting their findings to the Board of Directors annually. Furthermore, the Group invites third parties for external audits of risk management annually and maintains its certification of ISO 31000:2018 Risk Management.

2024 Risk Management Training:

I. Risk Management Education in 2024

In order to strengthen the risk management culture, we conduct annual education and training related to risk management, which requires the participation of all members, including the board of directors. Regular and ad-hoc internal and external risk management courses are offered each year and are integrated into the annual performance evaluation criteria for both employees and managers. The goal is to enhance risk awareness in daily operations, thereby effectively promoting and implementing risk management practices within the business. In 2024, there are 242 key executives, including members of the board of directors, the Risk Management Executive Division, the Risk Management Executive Task Force, and risk management instructors, who collectively completed a total of 5,423 hours of education. The breakdown is as follows:

Unit: Number of people	0 to 25 hours of training	26 to 50 hours of training	51 to 100 hours of training	Over 100 hours of training
Non-Executive Director	4 people	0 people	0 people	0 people
Responsible personnel	169 people	63 people	5 people	1 people

II. 2024 Awards and Highlights:

- The Group was awarded the *ISO 31000:2018 Risk Management System Certificate*, as well as the *COSO ERM Compliance Report*.
- In 2024, Shenzhen Park received the *Shenzhen Manufacturing Enterprise Quality Control Capability Award* for Excellence in Risk Management.
- On June 14, 2024, the Board of Directors approved the “Risk Whistleblower Reporting and Protection Regulation” to establish a Risk Reporting Center, providing stakeholders with a channel to identify potential risks. Until the end of December 2024, no risk reports were received.
- The risk management instructors' system was launched for the first time in 2024, and a total of 226 risk management instructors have been trained.

III. 2023 Six risk items follow up: According to the analysis results of the risk matrix for 2023, there are six risk projects that fall within the designated indicator monitoring area. The status of tracking implementation for 2024 is as follows:

Risk Item	Risk Factor	Risk Management Policy	Result
Manufacturing Anomalies	Quality Process risk	Operational	In accordance with the “Manufacturing Abnormality Handling Operation Specifications” each business unit and site must establish audit standards based on the system, execution, equipment, safety, and information security aspects. The results must be reported at least once daily to mitigate the risk of manufacturing abnormalities to an acceptable level. In 2023, the customer quality satisfaction rate, with a benchmark of 80 points, reached 89.7% and is projected to increase to 90.2% in 2024.
Insufficient Corporate Diversification	Strategic risk	Strategic	The Management Committee convenes biweekly to formulate and review the company's strategic framework, with over 38 sessions conducted in 2024. The group's annual diversification strategies were outlined as follows. <ol style="list-style-type: none"> The Thailand subsidiary serves as a crucial hub for the Group's expansion into southern markets. The first phase of the factory was completed on August 26, 2024. Its production capacity primarily targets high-end servers, automotive applications, and optical communication technologies, offering advanced RPCB and HDI products. On December 27, 2024, the Group received approval from the Southern Taiwan Science Park Administration for its subsidiary to invest in the Kaohsiung AI Park. This investment aims to enhance the research, development, and production of high-layer and high-density printed circuit boards (HLC-HDI) necessary for AI servers.
Cost Control	Strategic risk	Strategic	The Capital Expenditure Review Committee convenes biweekly to assess the Group's asset expenditure and utilization management, having conducted over 31 meetings in 2024. The committee aims to enhance capital utilization, control costs, and improve operational efficiency.
Operational (asset management) risks	Financial and Tax	Financial	

Risk Item	Risk Factor	Risk Management Policy	Result
	Regulatory risk		
Response to Climate Change	Environmental risk	Hazardous Events	The Group's response to climate change and its path toward carbon neutrality were benchmarked against international organizations, ranking 8th in the IT/ICT industry in the Corporate Climate Action Transparency Index. Additionally, its rating on the CDP climate change questionnaire improved to a B. In pursuit of carbon neutrality, the Group will review the implementation of its targets at least once a quarter, aiming for net-zero emissions by 2050.
The Path to Carbon Neutrality	Environmental risk	Hazardous Events	

IV. Summary of the 2024 risk implementation results

Risk Pillars	Risk Factors	Control Plan	Implementation Status
Operational	Market risk	<ul style="list-style-type: none"> Understand the evolving trends and deploy a diverse range of products for various customers, thereby increasing the proportion of non-consumer electronics to better withstand market fluctuations. Track the business status of customers at any time and identify high-value clients. Collaborate with the group's strategic supplier policy to identify and select qualified, high-quality strategic suppliers, and categorize materials accordingly. 	<ul style="list-style-type: none"> Regularly and irregularly assess the financial status of client companies, evaluate customer solvency more than four times in 2024, and obtain insurance for high-risk customers. To mitigate losses resulting from supply chain disruptions caused by disasters, establish second and third suppliers, enhance risk adaptation strategies, and increase the proportion of local procurement. Randomly inspect the Standard Operating Procedures (SOP) of business operation units to ensure smooth operations and effective crisis response. To accommodate the challenges posed by inadequate transportation, it is essential to maintain a larger inventory for materials transported across provinces. Biweekly meetings are conducted to review client cases, analyze SOP verification data, and monitor industry trends.

Risk Pillars	Risk Factors	Control Plan	Implementation Status
	Regional risk	<ul style="list-style-type: none"> Pay attention to the scale and impact of local religious and cultural activities. Pay attention to the likelihood of local social and humanitarian crises. Pay attention to local and regional economic policies. Pay attention to the local government's response to changes in the international situation. 	<ul style="list-style-type: none"> The Group employs localized recruitment strategies to assist the parent company's employees in integrating and adapting to the local culture. For expatriate employees, the Group offers standardized accommodation and shuttle buses to and from the park, ensuring a safe working environment for all expatriates. It is essential to monitor changes in both central and local policies and systems in order to respond appropriately. Utilize the OLI and PESTLE models to analyze the cultural differences between each operating unit and the parent company. Additionally, establish a flexible political structure to better comprehend these disparities.
Operational	Information Security risk	<ul style="list-style-type: none"> Annually review the group's Standard Operating Procedures (SOP) in accordance with international standards and engage a third-party organization to conduct an ISO 27001 assessment. Regularly conduct data restoration drills, social engineering exercises, and other simulations to mitigate network attacks from malicious third parties. Additionally, hire experts to perform penetration tests on the company on a regular basis. Set up a primary and a standby computer room for backup purposes, and store important data off-site. New employees are required to sign a confidentiality agreement to prevent the leakage of corporate and stakeholder information. Additionally, all outgoing emails must be reviewed by a supervisor before they are sent. Pay attention to the evolution of external threats and ensure that information security technologies are updated and upgraded in a timely manner. The group enhances its firewall and restricts external network access rights for internal personnel to mitigate the risk of hacker or virus intrusions. 	<ul style="list-style-type: none"> In 2024, conduct recovery exercises on systems and databases at least twice; important data will be stored regularly and on tape. Access to confidential information must be authorized by the supervisor. Set up an access control management system and configure the uninterruptible power supply system in the IT room. Daily monitoring of the entry and exit of electronic products and equipment is essential to prevent the leakage of sensitive information. 100% of new employees sign a confidentiality agreement within their first year of employment. Promoting information security education through a daily broadcast platform that reaches over 110 million viewers annually. In 2024, a total of 308,022 cyber threats were successfully blocked, and over 830 threatening emails were intercepted. In 2024, cache scans performed on 115 systems, including 96 high-risk systems within the Group.
	Supply Chain risk	<ul style="list-style-type: none"> Track market trends and regularly assess the production capacity, production locations, and the political and economic conditions of upstream suppliers. Prepare response measures, such as relocating suppliers' production facilities or altering 	<ul style="list-style-type: none"> A total of 336 supplier meetings were conducted in 2024. In 2024, we completed the promotion and signing of the Sunshine Policy for over 1,443 suppliers, achieving a coverage rate of 92%. Dozens of strategic partnerships were established in 2024.

Risk Pillars	Risk Factors	Control Plan	Implementation Status
		<p>logistics and transportation routes, to enhance the company's resilience.</p> <ul style="list-style-type: none"> To enhance daily management, regular assessments and guidance are conducted in accordance with relevant Standard Operating Procedure (SOP) documents, such as logistics supplier management procedures and transportation vehicle safety management systems. Enhance and optimize the supply chain management system. The customs broker implements a secondary review mechanism. All import and export declaration documents and data must undergo a thorough review before being submitted to customs. 	<ul style="list-style-type: none"> In 2024, the Group established an industry map, a spare parts dashboard, and a performance dashboard to monitor raw material supply capabilities in real time. Conduct annual stress tests, and document and compile relevant reports. Monthly connection, updates, and management of accounting and taxation systems. Import and export experts are required to participate in legal and regulatory training at least twice a year. The group has established multiple checkpoints and ports to facilitate mutual support, ensuring stable imports, exports, and supply.
	Quality Process risk	<ul style="list-style-type: none"> Establish and enhance the job certificate assessment mechanism, and implement an electronic system for learning and assessment. Establish a resource pool of qualified suppliers to mitigate the risk of material abnormalities or quality issues that may go undetected. Manage the production flow rate and work orders to mitigate quality risks associated with production exceeding the planned output. If the system experiences an abnormality that cannot be resolved within 72 hours, manual operations will be initiated. Plan ahead to minimize changes to the CCB and simulate the impact on downstream customer applications. Adjust production plans promptly, modify WIP production priorities, and align material input plans with sales priorities. This approach aims to minimize sales losses and develop effective capacity recovery plans. 	<ul style="list-style-type: none"> Enhance the management of the NSRB and the OCAP system, ensuring prompt feedback on any detected anomalies. Conduct simulation verification and drop tests on new sample packaging materials to assess their cushioning and protective effectiveness. Link quality risk education and training to performance to enhance the application of on-site dashboard management data, thereby improving both quality and efficiency. Review the MRB system, leakage, and process capability on a daily basis. Provide suppliers with weekly forecasts to ensure proper material preparation and timely delivery commitments, facilitating effective inventory management. Regular equipment calibration and MSA listing. Holding monthly meetings to manage client case quality, technology, revenue, and development trends.
Operational	Industrial Safety Risks	<ul style="list-style-type: none"> Establish an occupational health management organization to coordinate work related to and health ensuring provide a safe and healthy working environment for employees. Establish a central control center to function as a command hub that integrates emergency response, operational command, and security monitoring. A specialized laboratory for environmental protection has been 	<ul style="list-style-type: none"> All parks have adhered to the relevant regulations this year, and no violations have been reported. All major factories in mainland China have successfully obtained certification for their environmental safety and health management systems, achieving a 100% acquisition rate. This includes certifications for the ISO 14001 environmental management system, ISO 14064-1 greenhouse gas verification,

Risk Pillars	Risk Factors	Control Plan	Implementation Status
		<p>established.</p> <ul style="list-style-type: none"> ● Establish a security management organization, provide education and training, and implement a two-person, 24-hour duty system. ● Employees in positions with occupational hazards are required to sign an occupational hazard notification form to acknowledge their understanding of the associated risk factors and preventive measures relevant to their roles. ● Ensure the installation of fire alarm systems, automatic fire extinguishing systems, and the establishment of micro fire stations in each park. Each micro fire station should be equipped with fire suits, various levels of chemical protection suits, emergency carts, SCBA, and other essential equipment to ensure efficient operation. 	<p>ISO 50001 energy management system, and clean production audits. Additionally, the latest international environmental management system standards, such as zero landfill certification and the AWS international sustainable water management standard certification, have been introduced.</p> <ul style="list-style-type: none"> ● It is essential to engage a qualified testing company to conduct occupational disease hazard factor assessments at least once a year and submit the results to the management department for record-keeping. ● The transport vehicles are equipped with GPS positioning systems to monitor their routes and provide timely alerts in the event of any deviations.
	Human Resource risk	<ul style="list-style-type: none"> ● Establish a talent pool for the PCB and semiconductor industry by effectively utilizing industry professionals and leveraging high-end headhunting resources. ● Regularly update the Responsible Business Alliance (RBA) Code of Conduct and internationally recognized labor and human rights principles for the Social and Environmental Responsibility Committee (SER). Additionally, conduct third-party audits through the RBA's Validated Assessment Program (VAP) to ensure the protection of employees' labor and human rights. ● Regularly conduct education and training sessions in human resources, such as those focused on privacy rights, and implement related drills. Actively promote existing recruitment channels while also developing new ones. ● Establish employee communication hotlines, email addresses, suggestion boxes, and union or employee service centers (both online and offline, utilizing multimedia) to gather employee feedback in a timely manner. ● Collaborate on the group's digital transformation project to minimize manpower usage, implement Amoeba management to reduce losses, and transition to high-profit products. 	<ul style="list-style-type: none"> ● Encourage employees to participate in company events by offering talent retention incentives, such as seniority gifts and points that can be exchanged for rewards. Additionally, adjust the employee compensation structure in accordance with the salary incentive plan, ensuring that hard work is recognized and rewarded. ● Establish an internal referral system and implement the “Hao Peng You” system along with “Ding+” (internal application) to announce job vacancies, thereby enhancing independent recruitment capabilities. ● The participation rate and pass rate for the basic safety training course reached 100%. ● The group obtained RBA certification. ● More than 19 new industry-university collaboration projects were initiated this year. ● Starting in August 2024, the EAP psychological counseling platform will be launched to prioritize the mental health of employees and offer psychological counseling services. ● The Group is undergoing a digital transformation to enhance smart manufacturing. By 2024, the peak workforce is projected to be only 8% above the average workforce, which will help

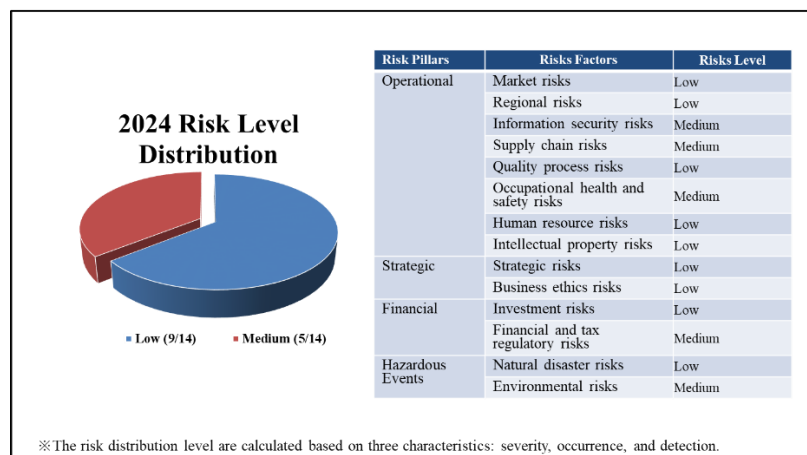
Risk Pillars	Risk Factors	Control Plan	Implementation Status
		<ul style="list-style-type: none"> The Group implements the 3B strategy (Build Talent, Build Elite, Borrow Rotation) along with DEI (Diversity, Equity, and Inclusion) initiatives to enhance its international talent pool. 	<p>reduce sudden labor demand year after year and maintain the stability of the production line.</p>
	Intellectual Property risk	<ul style="list-style-type: none"> The purchase contract clarifies the intellectual property rights and excludes liability for any infringement resulting from the customer's design. Conduct a technical risk assessment before initiating the development of proprietary technology, during the development process, and prior to sales. Monitoring the payment status of patent fees for the current year is essential. If the fees are not paid by the deadline, these cases will be prioritized for review. 	<ul style="list-style-type: none"> The responsibility for infringing upon the intellectual property rights of others has been incorporated into the essential review clauses of the customer contract. The third party is required to manage the information we provide in accordance with the contract and shall not use it for any purposes other than those explicitly entrusted. There are no litigation cases in 2024. The inventors' personal information is systematically collected into a secure storage space, and access permissions are established. The Intellectual Property Unit must investigate and verify the usage and return records of the "Research Record Book" for R&D colleagues who are preparing to depart.
Strategic	Strategic risk	<ul style="list-style-type: none"> A comprehensive and real-time understanding of the international political landscape, encompassing armed conflicts, leadership changes, and policy developments, along with the latest updates from international organizations such as the World Trade Organization (WTO) and the International Labor Organization (ILO). Regularly collect market intelligence, industry insights, and trends related to product and market development. Review the impacted areas related to raw materials, equipment, products, and other pertinent factors, and formulate countermeasures to mitigate potential risks. External market business FAE and the R&D technical department regularly communicate with customers about emerging technology trends and industry dynamics. Internally, any abnormalities within the factory are reported during alignment meetings to promote open communication. 	<ul style="list-style-type: none"> Establish a strategic center and provide updates on the group's latest developments during both regular and ad-hoc management meetings each month to evaluate the effectiveness of the group's strategy. Expand into multiple regions, such as Thailand, in response to shifts in international political and economic conditions, as well as local and industry-specific regulations. The group modifies its pricing strategy by employing the allocation model. The industry analysis team consistently delivers insights on industry trends and market conditions. Review new technologies and conduct product feasibility assessments based on customer needs, while also evaluating potential risks during biweekly DR1 meetings.

Risk Pillars	Risk Factors	Control Plan	Implementation Status
	Business Ethics risk	<ul style="list-style-type: none"> Organize lectures on the “Sunshine Policy” for key suppliers, agents, customers, and other business partners, and implement the “Integrity Commitment” to prevent transactions with individuals or entities that have a history of dishonest behavior. Each year, courses on integrity management regulations, internal control of ethical behavior, significant information, insider trading, anti-corruption, and related topics are conducted for enhancement. Regularly review and evaluate internal regulations to ensure compliance with international standards. 	<ul style="list-style-type: none"> 1,250 new indirect and direct employees completed business rules training, achieving a pass rate of 81%. In 2024, both internal and external education and training programs focused on integrity management were implemented. These programs included new employee orientation, quality management training, professional skills development, management talent training, instruction on integrity management regulations, ethical behavior, internal major information, food safety and hygiene management, accounting systems, internal controls, insider trading, anti-corruption measures, and other related courses. A total of 180,706 hours of training were provided, with over 101,066 participants enrolled in these courses. In 2024, four articles on integrity management were published in the Dingsheng Journal in July, September, October, and November. Ding+ application promote integrity management initiatives on a monthly basis. The Group has received certification for its compliance management system in accordance with ISO 37301:2021. The competent authority has not received any reports of cases or significant legal violations.
Financial	Investment risk	<ul style="list-style-type: none"> Pay close attention to the conditions of the financial market, prepare the necessary operating and financing funds in advance, and ensure that you maintain an adequate amount of liquid cash for operational turnover. Through stress testing, simulate changes in revenue, estimate net cash requirements, and assess whether financing lines are sufficient. Pre-Investment Assessment: Business, Financial, and Legal Due Diligence The investment agreement should incorporate investor protection clauses to establish safeguards against potential risks. Post-Investment Management: Regularly obtain financial and operational reports, conduct post-investment interviews, 	<ul style="list-style-type: none"> Over 42 reputable international banks were connected to diversify risks. Enhance the group's current asset ratio while maintaining a stable cash flow. Regularly submit insurance declarations for account assets. The Group's core business and diversified investment projects are currently stable as of 2024.

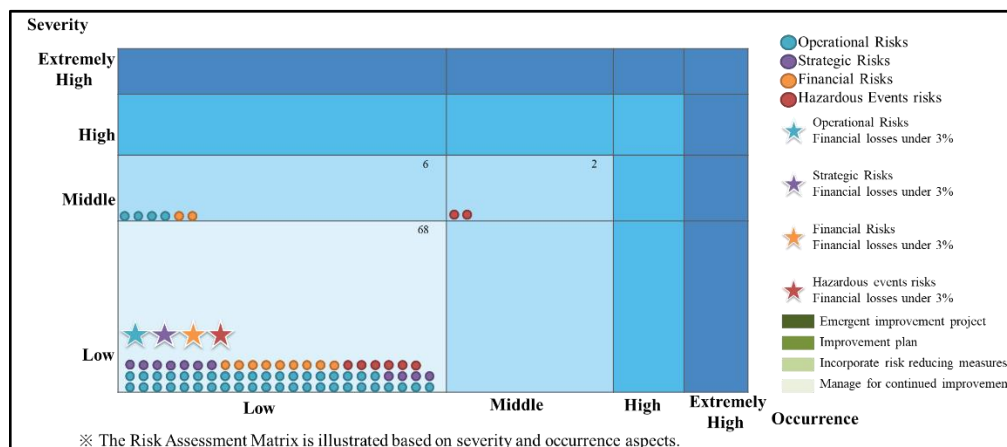
Risk Pillars	Risk Factors	Control Plan	Implementation Status
		participate in board and shareholder meetings, and remain informed about operational conditions and anomalies.	
Financial	Financial and Tax Regulatory risk	<ul style="list-style-type: none"> ● Establish appropriate financial indicators and regularly analyze cash, accounts receivable, inventory, fixed assets, and other relevant metrics. Document any issues identified during the analysis and propose actionable improvements. ● Pay attention to exchange rates and economic fluctuations, understand the impact of various policy adjustments on operating costs, and be prepared to adjust liquidity levels as necessary. ● Establish a diverse array of asset management systems to ensure the security and efficient utilization of assets. ● To prevent inadequate insurance coverage or lapses in coverage, dedicated personnel conduct regular reviews. ● External accountants consistently update their knowledge of financial and tax laws, regulations, and requirements, which they then communicate to internal employees. 	<ul style="list-style-type: none"> ● If the credit limit is exceeded or the account is overdue and exceeds the customer's classification threshold, SAP will automatically initiate the credit issuance review process for the order. ● Through the dual mechanisms of risk management and insurance brokerage, the policy's expiration date and terms are reviewed, and renewal is conducted one to two months prior to expiration to ensure the ongoing effectiveness of the insurance coverage. ● The plant and equipment are fully insured at their acquisition cost, as recorded in the fixed assets inventory, rather than at book value or through selective insurance. The total insured amount will remain sufficient if it is regularly adjusted based on quarterly declarations. ● In response to the implementation of the Global Minimum Corporate Tax Rate (GMCT) policy, the increasing rigor of transfer pricing audits, and the introduction of IFRS S1/S2, we collaborated with accountants to develop suitable plans.
Hazardous Events	Natural Disaster risk	<ul style="list-style-type: none"> ● Pay attention to climate change and establish an emergency response team to adapt Standard Operating Procedures (SOP) as necessary. ● Regularly monitor the water levels in fire water tanks and domestic water tanks, and promote water conservation efforts. ● The Group's Epidemic Prevention Committee holds regular meetings to assess the risks associated with epidemics and infectious diseases. ● Fire protection systems are installed in all factories to prevent emergencies and to implement 8S workplace organization practices. 	<ul style="list-style-type: none"> ● The Group has established the ENSO Project to prepare emergency supplies during peak periods and to implement management measures in response to changes in the natural environment as needed. ● The Industrial Safety Center consistently monitors changes in the factory's surrounding environment. ● Although there was water accumulation in certain areas outside the factory this year, no significant disasters related to the El Niño phenomenon occurred. ● All parks are equipped with emergency pools or external water sources capable of supplying up to 48 hours of water necessary for production and implementing water supply response measures. This year, we held more than five meetings with local governments and drainage companies to address drainage-related issues.

Risk Pillars	Risk Factors	Control Plan	Implementation Status
	Environmental risk	<ul style="list-style-type: none"> ● Collaborate with local governments to enhance climate adaptation capabilities. ● Continue explore speculate model pathways to simulate neutrality, while developing collaborative frameworks models with green energy companies. ● According to various customer needs, we differentiate product categories, develop corresponding carbon neutrality strategies, and identify the optimal solutions through cost and sensitivity testing to address the diverse requirements of our customers. 	<ul style="list-style-type: none"> ● The group collaborates with Chung Hwa University on biodiversity research. ● The group participated in the restoration project in Hengchun, Taiwan. ● Regularly organize environmental protection and energy conservation events, such as beach cleanups, tree planting, and community awareness campaigns, engaging a total of 27,060 participants. ● Establish the ENSO Project and Winter Program to prevent heat-related illnesses, ensure protection against low temperatures, and promote effective management. ● In 2024, Avary Holding received the IPE-CATI ranking of 7th, and the Supply Chain CITI Index entered the top 10. ● Collaborate with key suppliers to achieve an estimated 5% reduction in supply chain carbon emissions by 2025 and a 15% reduction by 2030, while continuing to expand the scope of these initiatives.

2024 Risk Management Overview



2024 Risk Assessment Matrix



In 2024, the group obtained the ISO 31000:2018 Risk Management Certificate and the COSO ERM Compliance Report. Following this, risk identification and assessment were performed, and the overall self-assessment of risk was determined to be low. The frequency and severity of risks (categorized as low, medium, high, or extreme) were measured and plotted on a risk matrix. Based on the results of the matrix, four major initiatives were established: 1) Emergent Improvement Project, 2) Improvement Plan, 3) Incorporation of Risk-Reducing Measures, and 4) Management for Continued Improvement. The 2024 Risk Matrix indicates that most risks are under management for continued improvement, while some medium-risk levels are being monitored by various business units to manage and mitigate their impacts. Risks that require risk-reducing measures will be tracked and reported continuously in 2025. To further understand the financial impact of each risk project, we estimated the potential financial losses associated with each risk factor based on the previous year's revenue. The summarized results indicate that the group's potential financial loss risk, after reviewing the four major risk aspects this year, is controlled within 3%.