

Wistron Corporation
Risk Management Policies and Procedures

Article 1 Scope of Application

This risk management policies and procedures (PP) applies to Wistron Corporation and its subsidiary companies (collectively, “Wistron”, “we”, “our”, “us” or “the Company”) where engaged in risk assessment and management.

Article 2 Purpose

To ensure the Company and its subsidiaries’ sustainable development, the Company follows the management and internal control systems at all levels to manage risks during daily operations. The Company is also committed to assessing the potential impacts of each risk on the operations of the Company through the participation of the Board of Directors and systematic management. This PP is established to implement corporate governance, achieve the sustainable business goals, and protect stakeholders’ rights.

Article 3 Accordance

The Company has formulated this PP under the relevant provisions of the ‘Regulations Governing Establishment of Internal Control Systems by Public Companies’ issued by Financial Supervisory Commission R.O.C. and ‘Risk Management Best Practice Principles for TWSE/TPEX Listed Companies’ issued by Taiwan Stock Exchange (TWSE) to establish an effective risk management mechanism for assessing and monitoring its risk-taking capability, current exposure to risk, as well as determining risk response strategies and compliance with risk management procedures.

Article 4 Risk Management Objectives

The Company’s risk management objectives are to manage all types of risks that may affect the achievement of its objectives through a comprehensive risk management framework. And to achieve the following objectives by incorporating risk management into its operational activities and daily management processes.

- I. Achieving operational objectives
- II. Enhancing management effectiveness
- III. Providing reliable information
- IV. Effective resource allocation

Article 5 Scope of Risk Management

The Company’s risk management covers the four major areas, which are corporate governance, environmental protection (including climate and natural resources), social prosperity, and value innovation related to the Company’s operations. It includes strategic risks, operational risks, financial risks, information risks, legal compliance risks, integrity risks, other emerging risks (e.g., climate change, biodiversity, forests, water, or infectious disease-related risks), etc. The Company identifies, analyses, evaluates, responses and monitors, and reports and discloses significant risk impacts in accordance with relevant laws and regulations.

Article 6 Risk Management and Sustainable Operations Policies

Through establishing, implementing, and maintaining a proactive risk management mechanism, the Company keeps abreast of internal and external issues and environmental changes, solidifies operational impact analysis, and develops the ability to respond effectively and resiliently to relevant challenges. In addition, the Company will continue to optimize its employee training, performance management, risk evaluation, forewarning, and public disclosure mechanisms to effectively manage the risks associated with its operations and establish a risk management culture.

Article 7 Company Risk Management Structure

- I. The Board of Directors possesses the highest responsibility for the Company’s risk management, approves risk management policies and related regulations, oversees the overall implementation of risk management, and ensures effective risk control.
- II. Audit Committee: The Committee is responsible for assisting the Board in its risk management responsibilities. A risk management team is established under the Committee, with the Chief Financial Officer as the convenor. The risk management team conducts a comprehensive assessment of the Company's operational and emerging risks; and report the risk management operation status to the Audit Committee and the Board semi-annually.
- III. Risk Management Team: Members come from the top manager of each unit to ensure that the business units implement the risk management system. One staff in each unit staff is assigned as a risk management executive to implement the risk management procedures with relevant staff from each business unit.
- IV. Risk Management Office: Members assigned by the convenor of the Risk Management Team, the Office handles tasks assigned by the convenor of the Risk Management Team and assists the Risk Management Team in establishing, promoting, maintaining, and reviewing the risk management mechanism.

V. Audit Office: The Audit Office is an independent unit under the Board of Directors. It prepares an annual audit plan following this PP and the various risk management systems, conducts independent audits and provides recommendations on the effectiveness of risk management activities, and reports audit results to the Board of Directors regularly to help ensure that critical operational risks are appropriately managed, and the internal control systems are operating effectively.

Article 8 Risk Management Procedures

The Company's risk management procedures include risk identification, risk analysis, risk evaluation, risk response and monitoring, and risk reporting and disclosure.

I. Risk Identification

The Risk Management Team of the Audit Committee identifies critical and emerging risks in four areas: corporate governance, environmental protection (including climate, and natural resources), social prosperity and value innovation, following the materiality principle, the Company's strategic objectives and the risk management PP approved by the Board of Directors. A comprehensive corporate and operational risk identification exercise should be conducted at least once a year and reported to the Audit Committee. Each risk area includes, but is not limited to, operational risk, market risk, legal compliance risk, information security risk, environmental risk, climate change risk, biodiversity risks, forest risks, water risks, and other risks related to operations. Risk management tools are used to identify potential risk events that may lead to the failure to achieve the Company's objectives, cause losses, or have negative impacts based on experience, information, consideration of internal and external risk factors, stakeholder concerns, etc., and through "bottom-up" and "top-down" analysis.

II. Risk Analysis

The risk appetite and risk tolerance of the identified risks should be considered for a comprehensive assessment as a basis for management.

- (a) Analyze the likelihood of the occurrence of risk events and the extent of their impact to assess the influences of the risk on the Company and use it as a reference for the subsequent prioritization of risk control and response measures.
- (b) For quantifiable risks, statistical analysis methods and techniques should be used for data management.
- (c) For other risks that are difficult to quantify, the probability of occurrence and the severity of the risk shall be analyzed qualitatively (e.g., textual description).

- (d) Risk appetite: the total amount and type of risk the Company is willing to assume to achieve its strategic objectives. The Company will prioritize allocating appropriate and sufficient resources to improve and control risks beyond those it is willing to bear. In addition, the Company will require compliance with relevant control rules and practices in its daily operations to monitor and manage risk factors actively.
- (e) Risk tolerance: The overall risk the organization can bear or the maximum capacity to handle the risk.

III. Risk Evaluation

Based on the results of the risk evaluation and the effectiveness of existing internal controls, the risk management executive will work with the relevant staff of each business unit to rank the risk items according to the risk appetite and risk level approved by the risk management team and determine the risk items that need to be prioritized and used as a reference basis for the selection of response measures to be formulated subsequently. The relevant risk analysis and evaluation results shall be recorded and submitted to the risk management team for approval.

IV. Risk Response and Monitoring

Risk management executives and relevant staff of each business unit shall select risk response measures or implement risk mitigation plans based on the Company's strategic objectives, internal and external stakeholder perspectives, risk appetite, and available resources. The response plan should possess the abilities to prevent, react, manage crises, and ensure operation sustainability. So that risk response can effectively control risks and strike a balance between achieving objectives and cost-effectiveness.

Risk management indicators should be established and continuously monitored by the risk management executive and relevant staff of each business unit to ensure that all types of risks are under control. The risk management team should be informed promptly, and appropriate records should be made and maintained.

V. Risk Reporting and Disclosure

To implement ethical management and corporate governance and to enhance information transparency in response to stakeholders' expectations, the risk management process and its results should be documented, reviewed, and reported through appropriate mechanisms, and adequately retained for reference. The mechanisms include risk identification, risk analysis, risk evaluation, risk response and monitoring. The risk management team shall submit a risk management operational status report to the Audit Committee and the Board semi-annually. The Company's PP, risk management organization, and annual risk management related operations and implementations should be publicly and continuously updated in the annual report, official website, or ESG report.

Article 9 Implementation and Amendments

This PP was approved by the Board of Directors and are effective as amended.

This PP was established on December 23, 2021.

The 1st amendment was made on December 23, 2021.

The 2nd amendment was made on December 22, 2022.

The 3rd amendment was made on May 11, 2023.