

Leadership

Vision of governance: Having more than 50% revenue from highly value-added business by 2027

Corporate governance is fundamental to the operation of a company. Qisda is committed to disclosing information about the corporate governance and enhancing the transparency of management performance, while making efforts to improve the revenue and actively achieve value transformation with the operation guidelines of “optimization of existing businesses”, “expansion of medical business”, “acceleration of smart solution development”, and “deployment of network communication business.”

Regarding the risks of operations, the Company has managed to reduce the risks and bolster the risk response capabilities through risk control. Meanwhile, the organizational activities have been promoted and supervised in accordance with domestic and international regulations to ensure the development as a robust organization and further protect the rights of stakeholders.

Outlook

Transformation based on the four operation guidelines

For the optimization of existing businesses: Continuous in-depth development of advanced technology with comprehensively enhanced technological capabilities and strict quality control;

For the medical business: Expansion of channel deployment and service scope to maintain considerable growth;

For the smart solutions: Expansion of the core businesses to satisfy the customers' demand;

For the network communication business: Expansion of the telecom market and deployment of LEO satellites for more 5G business opportunities.

Based on (1) “value expansion” to deploy new businesses with market potential and in which we have competitive advantages, and
(2) “efficiency improvement” to improve the overall business performance, we are devoted to increase the overall profitability and carry out value transformation so that the Group achieves common good, growth and synergy.

Corporate governance

Business performance

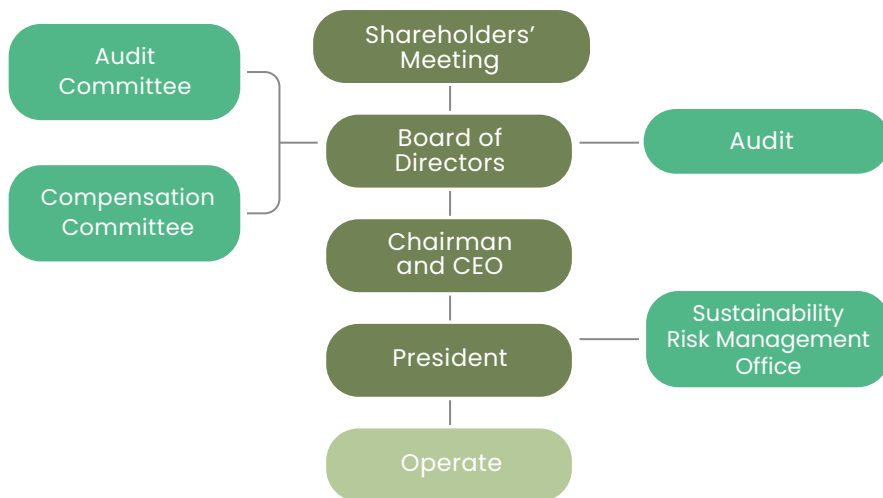
Risk management

Corporate Governance

Organization and Operation of Corporate Governance

Qisda has been committed to the protection of shareholder rights and advocated transparency as well as fairness in terms of information dissemination. Since the shareholders' meeting in 2012, the Company has adopted the electronic voting system and case-by-case voting method for the meeting's agenda, in order to enhance the shareholder attendance at the meeting and make sure the shareholders exercise their rights at the meeting legally. At the meeting, we also actively present our operational and financial overview to the shareholders and receive their inquiries. The Audit Committee and the Compensation Committee has been established under the Board of Directors to assist the directors in reviewing the proposals and ensure the decision-making quality of the Board. Meanwhile, our management team consisting of experienced and professional managerial officers is also involved to jointly facilitate the shareholder rights to the fullest extent possible.

Organizational Structure of Corporate Governance



Structure and Operation of the Board of Directors

The Board of Directors serves as the top decision-making unit of Qisda. All the Board members are elected for a term of office for three years by all the shareholders through voting at the shareholders' meeting as per the "Procedures for Election of Directors" in accordance with the laws and the Articles of Incorporation. Currently, there are seven members in the Company's Board of Directors (including three independent directors), excluding the honorary chairman who has an average term of office for 7.7 years. One of the members is 51-60 years old, while the other six members are 61-70 years old. For the committees subordinate to the Board, the members thereof are nominated and selected upon the Board's resolution according to their respective organizational regulations. The independent directors all comply with the professional qualifications, work experience requirement, restriction and independence of independent directors with concurrent positions under the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." The Chair is elected by the directors who all have more than five years of work experience related to business, legal affairs, finance, accounting or other operations essential to the Company.

Qisda's Chairman and CEO, Peter Chen, serves as the Chair of the Board of Directors according to Paragraph 3, Article 208 of the Company Act. During the discussion and voting on the proposals at the Board meeting, when a director has a personal interest in the proposal discussed and might impair the Company's interests, the director shall, according to Paragraph 2, Article 206 of the Company Act, avoid taking part in the discussion and voting of the proposal in compliance with the rules of conflicts of interest avoidance under Article 178 of the Act. When necessary, the Chairman will appoint another director to serve as the chairman of the meeting. Any conflict of interest at the Board meeting will be disclosed in the corporate governance section of our annual report of the year according to the regulations.



Inquiry of annual report:
<https://www.qisda.com/tw/investor/governance/director>



Functional Committees

	Audit Committee	Compensation Committee
Description of Duties	<ul style="list-style-type: none"> Established in 2008, the Audit Committee, consisting of all the independent directors pursuant to the laws and regulations, is subject to the "Audit Committee Charter" formulated by the Board of Directors. It mainly plays the role of auditing, prudently inspecting the operation implementation status of the Company and the Board of Directors. The committee meets at least once a quarter. Reports and inquiries regarding the audit status of the latest financial statements, internal audit results, major lawsuits, financial and business overview, etc., are made to the Audit Committee members by the accountants (every six months), internal audit unit (quarterly) and units of risk management, legal affairs, finance and accounting (irregularly). This way, the Audit Committee members can ensure the validity of our corporate governance and information transparency for the investors, thereby protecting the shareholders' equity. 	<ul style="list-style-type: none"> The Company established the Compensation Committee in 2011 and had the Board of Directors develop the "Compensation Committee Charter", in order to boost corporate governance and enhance the compensation system for our directors and managers. The Compensation Committee members exercise the due care of a good administrator, faithfully perform the relevant duties as per laws, and submit the suggestions to the Board of Directors for discussion. It holds the meeting at least twice a year; the meeting can be convened at any time when necessary. Based on the consideration of the industrial risks, the duties of the person in charge, directors and independent directors, and the operational scale, etc., of the Company, and under the principles of correspondence with responsibility as well as reasonable basic compensation, the distribution of the compensation to our employees and directors is subject to the approval of the Compensation Committee and the Board of Directors, and reported at the shareholders' meeting as a proposal independent from the stakeholders' opinions. Such distribution can be a method of measuring the management performance of the Company's top management. The related information about the compensation to our top management such as the Board of Directors and managers has also been appropriately disclosed for all the stakeholders to fully understand the connection between the compensation to high-level executives and corporate ESG performances.
Operation in 2022	<ul style="list-style-type: none"> In 2022, there were six Audit Committee meetings convened, with an average attendance rate of 100%. The relevant implementation highlights and operational status of the Audit Committee in the year have been disclosed in the "Operational Status of the Audit Committee" in our 2022 Annual Report. As for the status, topics and results of its communication, the details have been disclosed in the "Investor Relationship - Committee - Communication Status of Independent Directors and Internal Audit Officer with CPAs" of our official website. 	<ul style="list-style-type: none"> In 2022, there were four Compensation Committee meetings convened, with an average attendance rate of 100%. For the Company's compensation policies and the implementation highlights and operational status of the Compensation Committee in the year, the information has been disclosed in the corporate governance section of our 2022 Annual Report and the Investor Relationship - Committee - Operational Status of the Compensation Committee" of our official website.

Election and Diversity of the Board Members

It is specified in our Articles of Incorporation that the candidate nomination system shall be adopted for the election of directors, and it is set forth in Article 20 of our "Corporate Governance Principles" that diversification shall be taken into account for the composition of Board of Directors. The number of directors concurrently serving as the Company's managers should not exceed one-third of the overall number of directors, and the Company should, according to the operations, business type and development needs, formulate an appropriate diversity policy in consideration of the basic criteria and values including but not limited to age, gender, nationality, culture, and of the professional expertise and skills (i.e. professional background, professional skills and industry experience).

Currently, there are two directors who are also the employees of the Company (accounting for 28.57%) and three independent directors (accounting for 42.86%), which corresponds to our specific management targets of diversity policy: more than one-third of the Board members as independent directors, and less than one-third of the Board members concurrently serving as managers.



The Investor Relationship section of the Company's website: <https://qisda.com/tw/investor/shareholder>



Diversity of the Board Members

Title	Concurrently an Employee	Independence of Non-executive Director	Name	Gender	Nationality	Age		Professional Background and Ability						GICS Level Industry Experience	
						51-61	61-70	Business Management	Academic Research	Industrial Knowledge	Information Technology	Venture Capital	Finance and Accounting		Sustainable Development
Chairman	●		Peter Chen	Male	Taiwan		●	●		●		●		●	25 Consumer Discretionary
Honorary Chairman		●	K.Y. Lee	Male	Taiwan		●	●		●				●	25 Consumer Discretionary
Director		●	Representative of AU Optronics Corporation: Shuang-Lang (Paul) Peng	Male	Taiwan		●	●		●		●		●	20 Industrials
Director	●		Representative of BenQ Foundation: Joe Huang	Male	Taiwan	●		●		●				●	25 Consumer Discretionary
Independent Director		●	Allen Fan	Male	Taiwan		●	●			●	●			45 Information Technology
Independent Director		●	Charles Yen	Male	Taiwan		●	●				●	●		40 Financials
Independent Director		●	Jyuo-Min Shyu	Male	Taiwan		●		●		●			●	

Note 1: The independence of the external directors is examined using the following criteria, with at least four of the nine indicators and at least two of the first three indicators required to be met.

- The director did not serve as a senior manager of the Company in 2022.
- The director and his/her family member(s) did not accept more than US\$60 thousand from the Company or any of the subsidiaries thereunder in 2022 unless otherwise permitted by the US SEC 4200 clause.
- None of the director's family members were employed by the Company or any of the subsidiaries thereunder as senior managers in 2022.
- The director is not a consultant of the Company or the management team, and has no conflict of interest with consultants of the Company.
- The director has no conflict of interest with the Company's major customers or suppliers.
- The director has not entered into any service contract with other companies or their executives.
- The director has no conflict of interest in non-profit organizations whose main sources of revenue are donations from the Company.
- The director was not employed and did not serve as a partner of the Company's external auditor in 2022.
- The director has no conflict of interest with the independent operations of the Board of Directors.

Note 2: The information about the educational background, experience, term, concurrent positions in other companies, Board meeting attendance rate, shareholders with control, etc., of the Company's Board members has all been disclosed in the section of Corporate Governance Operation in our annual report.

In 2022, Qisda continued to be ranked among the top 6%–20% in the 9th Corporate Governance Evaluation, with the external performance evaluation of the Board of Directors already completed. In 2023, we will go on keeping track of the revolutionary indicators of corporate governance with an eye to improving the corporate governance system and the evaluation results.

Evaluation of Board Performance

In compliance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, every director of Qisda engages in continuing education for at least 6 hours per year so that the highest governance body possesses the knowledge in relation to economic, environmental and social issues. In 2022, the Board members received up to 6.7 hours of continuing education per person on average, with the courses covering information security governance, sustainability information disclosure, and sustainability risk management. For the details of the continuing education, please refer to our annual report/corporate governance report.

To ensure corporate governance and enhance the function of the Board of Directors, Qisda passed the “Rules for Performance Evaluation of Board of Directors” in 2018, specifying that the performance evaluation of the overall Board of Directors, individual directors and functional committees shall be carried out internally at the end of each year, and externally at least once every 3 years.

At the end of 2022, we completed the internal performance evaluation of the Board and the functional committees. The completion rate of self-evaluation exceeded 99%, reflecting the good overall operational efficiency of our Board of Directors. The evaluation results have been reported to the Board in Q1 2023. Meanwhile, it is stipulated in our Rules for Performance Evaluation of Board of Directors that the performance shall be evaluated by an independent external professional institution or an external group of experts and scholars for at least once every 3 years as well as being evaluated internally at the end of each year. In 2021, the Company commissioned the independent external evaluation institution, Taiwan Corporate Governance Association, to evaluate the performance of our Board of Directors. The evaluation was made based on eight dimensions: composition, guidance, authorization, supervision, communication, self-discipline, internal control and risk management of the Board; the methods of evaluation included online self-evaluation, review on relevant written documents, and the on-site visit on September 27, 2021. The persons evaluated included the Chairman, three independent directors, the Corporate Governance Officer and the Audit Officer. The performance evaluation results of the Board of Directors were received on

October 6, 2021 and reported to the Board on November 12, 2021; also, the relevant external evaluation results have been disclosed in the “Board of Directors Performance Evaluation” on our official website.

Compensation System for the Directors and Managers

In addition to the financial indicators, the Company has decided to establish a long-term compensation plan for the Chairman and CEO, President and other senior managerial

Compensation System for the Directors and Managers	Environment (E)	Society (S)	Corporate Governance (G)
	Goal		
Description	Implementation of the pathway to carbon net zero	Enhancement of social engagement and influence in sustainability	Improvement of the ESG rating results in Taiwan and abroad
2023	With 2021 as the base year Scope 1 and Scope 2 GHG emissions: 106,672 tCO ₂ e	Internally: Improvement of the employees' participation Engagement survey in 2021: Average score: 4.55 points (out of 6 points)	Being selected in international sustainability rating events or continuous improvement in DJSI Improvement of one of the indicators and effort for bonus points with relevant questions in the domestic Corporate Governance Evaluation
2024	GHG emission reduction by 10%	Average employee engagement score: 4.6	Being selected by AREA or improvement by 5 points or a place higher in DJSI Improvement of one of the indicators and effort for bonus points with relevant questions in the domestic Corporate Governance Evaluation
2025	GHG emission reduction by 20%	Average employee engagement score: 4.65	Being selected by AREA or improvement by 5 points or a place higher in DJSI Improvement of one of the indicators and effort for bonus points with relevant questions in the domestic Corporate Governance Evaluation
2030	GHG emission reduction by 30%	Average employee engagement score: 4.7	Being selected by DJSI or MSCI or improvement by 5 points or a place higher in DJSI Improvement of one of the indicators and effort for bonus points with relevant questions in the domestic Corporate Governance Evaluation
2030	GHG emission reduction by 60%	Average employee engagement score: 5.0	Being selected by DJSI Improvement of one of the indicators and effort for bonus points with relevant questions in the domestic Corporate Governance Evaluation

officers for their management performance starting from 2023. Connected to the ESG performance (performance indicators in relation to corporate governance, social engagement and environmental sustainability), the plan grants long-term reward and compensations based on the achievement status of such ESG performance indicators every year. The compensation of the President, for example, is expected to constitute 0%–10% of his overall annual remuneration according to his target achievement status.

> Code of Conduct

Policy and Commitments

Ethical management is the primary corporate social responsibility. It is helpful to the operation and long-term development of a company. Unethical behaviors not only bring loss to a company but also lead to low level of morality of the employees and distrust in the relationships with customers and business partners. Lobbying, bribery and other illegal behaviors might subsequently occur, which would impair the corporate governance system and make the overall operational environment deteriorate. To turn the mission of “dealing with the customers, suppliers, creditors, shareholders, employees and general public with integrity” into the core corporate culture of Qisda, we have passed the “Corporate Governance Best-Practice Principles”, “CSR Best-Practice Principles”, “Code of Ethics for Board of Directors and Managers” and “Ethical Corporate Management Best-Practice Principles” upon the Board’s resolution in May 2015. The new “Ethical Corporate Management Best-Practice Principles” were supervised and approved by the Board of Directors in November 2020, with some provisions added as per the requirements of the Taiwan Stock Exchange. Meanwhile, the “Code of Conduct”, “Employee Code of Conduct” and “Anti-corruption and Anti-bribery Policies” have been formulated. These are all reference for every employee to keep in line with. The foregoing policies cover the regulation of integrity, anti-corruption and bribery, discrimination and harassment, conflicts of interest, anti-trust, management of conflicts of interest, insider trading and money laundering, intellectual property rights, data protection, environmental protection, health and safety, human rights protection, etc. For the regulation of donations and sponsorships, it is explicitly stated in the Code of Conduct that the Company shall not make any direct or indirect political contribution, that the engagement in political events shall be strictly subject to local regulations and careful assessment, and that the donations and sponsorships shall not be a disguised form of bribery. In 2022, Qisda did not provide any political contributions, but still maintained the employees’ entitlement to civil rights.

The new “Ethical Corporate Management Best-Practice Principles” were supervised and approved by the Board of Directors in 2020. The rate of the employee code of conduct training remained 100% in 2022.

Management Procedures

Regarding the practice of management, the Company has formed a dedicated unit for ethical business management to ensure the thorough management of ethical business, and organized the Ethical Management Implementation Task Force in compliance with the “Ethical Corporate Management Best-Practice Principles” approved by the Board of Directors. The members of the task force are the professional personnel in the fields of human resources, risk management and auditing; they are responsible for the development and implementation oversight of the ethical management policies and related preventive programs. Also, upon the Board’s resolution, Qisda authorize the ESG Committee, in which the Chairman, Peter Chen, serves as the committee chair, to supervise and manage the progress of our corporate sustainable business activities (including ethical business), and take charge of the proposal and implementation of corporate sustainability policies, systems or related management guidelines as well as the concrete promotional plans.

Since 2015, the committee has regularly reported the implementation status of CSR and ethical management of the year to the Board (at least once a year) to discuss relevant issues with the directors. The most recent report on the implementation status of CSR and ethical management was given to the Board in Q1 2023, and the related information has been disclosed in the corporate governance section of the 2022 Annual Report and the Company’s website.

Qisda’s Code of Conduct is disclosed on the Company’s internal website and communicated to the employees through regular training every year. All the employees are required to meet the requirements of the Code of Conduct; their fulfillment in this aspect is connected to personal performance and incorporated into the scope of performance evaluation as part of the reference for remuneration.

Communication and Training on the Code of Conduct

Qisda’s Code of Conduct is disclosed on the home page of the Company’s internal website. When important festivals such as Lunar New Year are coming or when necessary,

the Company also sends newsletters reminding that no external presents shall be accepted, for example, to the employees through email, increasing their awareness of observing the standard.

Every new employee must agree to observe the Company's Ethical Corporate Management Best-Practice Principles by signing the employment contract when coming on board. As for the existing employees, they are given online training on the Code of Conduct (including anti-corruption) on an annual basis; the employee training completion rate was 100% in 2022. Thanks to the training and dissemination with respect to the Code of Conduct, there was no violation of the ethical management principles in 2022.

Percentage of Communication and Training on the Code of Conduct*

Region	Employee Category	Number of Employees	Completion Rate
Taiwan	Direct Labor	251	100%
	Indirect Labor	1409	100%
Suzhou, China	Direct Labor	7931	100%
	Indirect Labor	1323	100%
Vietnam	Direct Labor	298	100%
	Indirect Labor	219	100%
Total		11,431	100%

Besides the communication with and training of employees with regard to ethical conduct, we have sent anti-corruption promotion letters to all the members of the Board of Directors (currently seven members) on a regular basis since 2014, and anti-corruption clauses have been added to the contracts entered into with our business partners. In addition, we regularly send a letter of "Qisda Ethics Promotion" to our suppliers every year. The letter was sent to about 1,268 suppliers in 2022 to achieve our goal of zero corruption incidents. In 2022, the Company did not receive any whistleblowing reports from the suppliers.

* The contents of the Code of Conduct were communicated to the employees in the form of training by October 31, 2022. A total of 11,431 employees participated in the training.

Report and Suggestion Communication Mechanism

The Company has established the "whistleblowing channel and investigation procedure" and the President mailbox; relevant announcement has been made on our website as well. For serious inappropriate behaviors that violate the principles of integrity, conflicts of interest and avoidance, fair trade, bribery and illegal payments, or any illegal or improper treatment, we have a complete set of communication procedures for whistleblowing reports and suggestions. When finding anyone or any matters non-compliant with the spirit of integrity or against the regulations under the Ethical Corporate Management Best-Practice Principles, the employees may send messages directly to the President through the President mailbox for the top supervisor to handle such cases. The employees and external stakeholders (e.g. suppliers, customers) can also file (anonymous) reports or complaints via the integrity mailbox (Integrity@Qisda.com) in Mandarin, English or other local languages. The Audit Officer is responsible for accepting the whistleblowing reports in relation to integrity, and the dedicated unit will launch investigations and compile the investigation reports. Once the facts are confirmed, the cases are handed over to the Personnel Evaluation Committee for further process. Qisda strictly guarantees the confidentiality of the whistleblowers, making sure of their safety and protecting them from revenge attacks. In 2022, the Company did not receive any whistleblowing reports.

Category of Code of Conduct/Number of Valid Cases	2019	2020	2021	2022
Number of whistleblowing reports regarding violation of Code of Conduct (related to ethics)	0	0	0	0
Corruption or bribery	0	0	0	0
Discrimination or harassment	0	0	0	0
Customer privacy/personal data protection	0	0	0	0
Conflicts of interest	0	0	0	0
Money laundering or insider trading	0	0	0	0
Fair competition	0	0	0	0
Trade secrets	0	0	0	0
Others	0	0	0	0
Number of valid cases (with violation of business ethics confirmed after investigation)	0	0	0	0

Principles of Punishment:

All the employees of the Company must comply with the government laws and the regulations related to employee code of conduct. When any of the following circumstances occurs, the concerned person shall be subject to dismissal, verbal admonition or written warning depending on the severity of the circumstance.

- A. Violating the Company’ s policy
- B. Asking others to violate the Company’ s policy
- C. Failing to promptly report the non-compliance found or suspected
- D. Failing to cooperate in the investigation conducted for possible non-compliance with a certain policy
- E. Taking revenge on the employee who reported the non-compliance

In order to effectively make sure that all the employees adhere to the ethics of the Code of Conduct, Qisda has accepted RBA VAP and SA8000 external audits on a regular basis at our manufacturing sites around the world. Since the first implementation of third-party audit in 2006, there has not been any non-compliance with the requirements of the Code of Conduct so far.

› **Legal Compliance**

Qisda has operating bases all over the world. We fully comply with the laws and regulations in Taiwan and different countries, and have established relevant policies and by-laws accordingly, with the scope covering personal data protection, confidentiality, anti-bribery, anti-discrimination, environmental protection, intellectual property right protection, anti-insider trading, anti-unfair competition, labor protection, etc. In order to ensure the introduction of internal compliance policies, a control system has been set up. A dedicated legal compliance unit reviews legal changes on an irregular basis, and correspondingly adjusts or arranges new education and training on internal legal compliance. It thereby supports the departments to properly perform their duties as per laws, and takes auditing measures to make sure that the performance of duties is in line with relevant requirements.

All the employees of Qisda pursue the legal compliance policies, escalating the performance of implementation through interdepartmental collaboration. Internally, we ask our employees to maintain ethical integrity in an active manner, and improve occupational safety and health by providing safe and healthy work environment and preventing pollution. In terms of the entire product life cycle, we proactively reduce the use of environment-related substances, not only abiding by the environmental regulations

but also constantly mitigating our impact on the environment. Meanwhile, we fully carry out the anti-trust law compliance plan internally through education and training for new hires, newsletters, online training courses and dissemination posters. In 2022, the Company faced no lawsuits on antitrust grounds. In addition, the Company has taken response measures for the EU General Data Protection Regulation (GDPR), such as education and training, impact analysis of the laws and regulations that the relevant departments are involved in, and so on. The project teams have implemented and set up applicable legal compliance mechanisms like management procedures or templates of forms and documents. Also, we have tracked and paid attention to the legal development trends of personal data protection laws in different countries to stick to the responsibility of personal data protection. In 2022, no significant fines for legal violations were imposed upon Qisda.*

› **Information Security**
Information Security Policy/Organization

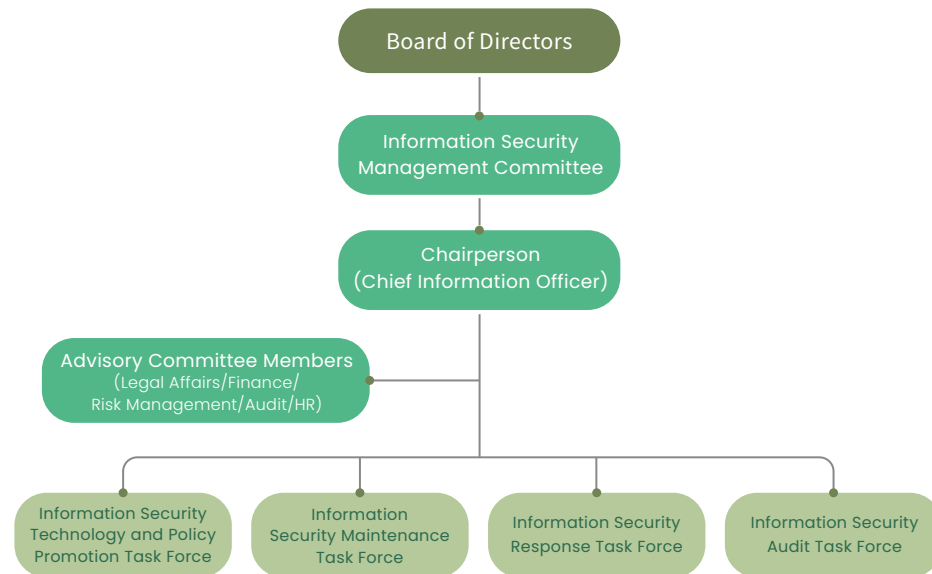


* Significant fine* is defined as a fine of over NT\$2 million.

To protect the confidentiality, integrity, availability and legality of IT assets from intentional or accidental threats posed internally or externally, and to ensure the business continuity of the Company, we have developed the information security policy in accordance with ISO 27001 and obtained the ISO 27001 certification. The certified scope includes all the operating systems and key systems of Qisda.

To achieve better implementation of information security management, Qisda has formed the Information Security Management Committee to take charge of the overall information security risk management. The committee consists of the President, top-level executives of different units, and the Chief Information Officer. With the President acting as the convener and the Chief Information Officer as the chairperson (Chief Information Officer: Li-Wen Huang), it is responsible for the regular discussion and review of the Company's information security plans and response measures, etc. The Information Security Management Committee meets every six months, reports the management performance to the Chairman or the President every quarter, and reports the information security management performance, information security issues and directions to the Board/Audit Committee at least once a year.

Organizational Structure of Information Security Governance



The independent directors of our company, Mr. Fang Cheng-Ju, graduated from the Department of Electrical Engineering at National Taiwan University. He has previously served as the President of Microsoft Taiwan and Vice General Manager of HP (Taiwan) in the information security industry. Mr. Hsu Juei-Min, our other independent director, holds a Ph.D. in Electrical Engineering and Computer Science from UC Berkeley. He has also served as the Minister of the Ministry of Science and Technology of the Republic of China and was involved in formulating national cybersecurity standards and development. Both independent directors contribute their relevant expertise in guiding and advising the company's cybersecurity policies.

Information Security Risk Management

To reduce the information security risks, Qisda has taken several actions at the same time in accordance with the information security policy to ensure a good information security management mechanism, including implementing management and key measures for information security, and raising the awareness of information security protection. In terms of the prevention of information security incidents, the vulnerability scanning system has been introduced for regular vulnerability scanning of each system at least once two weeks, so that our system safety is guaranteed and no sensitive information will be leaked due to system vulnerability. Also, we arrange a system recovery drill every year and make remote backup of ERP data every day.

For the information security management of suppliers, the cyber security risk management system, SecurityScorecard, has been adopted to analyze the ten major risk categories, including cyber security, robustness of network name system, vulnerability repair, endpoint security, IP credit rating, and app security. The information security system risks are thus monitored and continuously analyzed. We have set the target of maintaining the overall SecurityScorecard score of 95 or above (out of 100; average score in the industry: 85); the score has consistently been 95 in these three years.

With the establishment of the information security management system, Qisda has developed and periodically reviewed the information security indicators based on the information security policy, and continued to enhance the Company's information security control mechanism as well as reducing information security risks through the PDCA system.

Information Security Policy Measurement Indicators

<h4>Information Security Control on the Internet</h4> <ul style="list-style-type: none"> - Check the user accounts of the production operating systems - Perform spot checks on the settings concerning system security of the production systems and PCs (incl. laptops, public computers, workstations, and file hosts) - Review and check the firewall rules 	<h4>Data Access Control</h4> <ul style="list-style-type: none"> - Have all the employees sign the non-disclosure agreement - Check the user accounts of the production AP - Request that any changes to the application systems shall be subject to authorization and be made within the scheduled period - Retain the records of personnel entering and leaving the computer rooms and give appropriate authorization
<h4>Response and Recovery Mechanism</h4> <ul style="list-style-type: none"> - Assess the risks, and put forward and implement an improvement plan within 1month - Report the information security incidents (if any) within the specified period - Arrange drills for continuous operation and review the availability of the fundamental equipment in computer rooms and of the perimeter network on a regular basis every year - Annually perform vulnerability scanning and put forward an improvement plan for critical vulnerabilities within two months 	<h4>Audit and Dissemination</h4> <ul style="list-style-type: none"> - Review the documents of information security management system once a year - Have all the contracted, dispatched and temporary workers hired by the Company sign the relevant documents such as the information security policy agreement - Give IDL workers appropriate education and training on information security as per regulations

Awareness-raising of Information Security Protection

Implementing the information security management system of Qisda, we review each regulation and make evaluations of as well as adjustments to our internal information security regulations on a regular basis every year, to ensure the legal compliance and effectiveness; the relevant information is disseminated to the employees. In terms of the suppliers, we request that when third-party service providers enter into agreements they will observe the regulations regarding non-disclosure and cyber security. Besides the basic information security-related training when newcomers join us, we regularly hold email social engineering drills, performing educational training for related information

security knowledge regarding email delivery and receipt to lower the risk of their clicking malicious emails by mistake. In 2022, 2,130 employees took part in the email social engineering drills for general and information security personnel, online information security education for all employees, and professional courses on information security; their training hours totaled 2,739 hours. With such arrangement, we improve the employees' awareness of information security, and ensure that the concept of information security is woven into daily operations.

Information Security Insurance

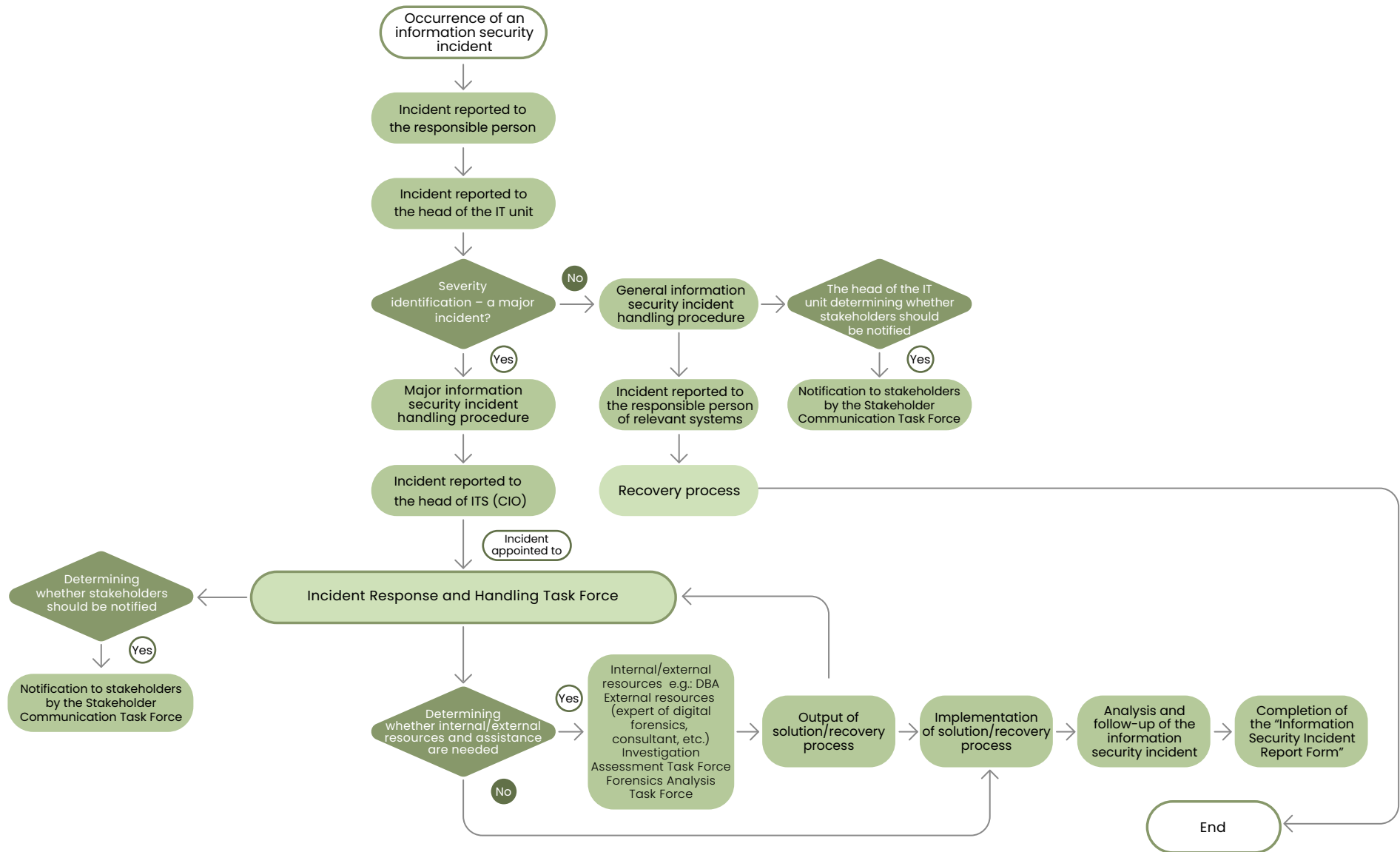
Since July 2017, Qisda has applied for the insurance for enterprise information security risk management to ensure the insurance claim for related expenses incurred by information security incidents (such as business suspension and forensics). This covers the subsidiaries holding a majority of shares to reduce the losses of the Company.

Measures for Significant Information Security Incidents

During the establishment of the information security management system, Qisda has enhanced the SOP and drills of internal emergency response process. We will continue to conduct simulation drills for different information security attack incidents with related personnel participating in the drills, in order to ensure that we can kick off the emergency process when the incident happens and effectively lower the response time and losses on the Company. No information security incident took place in 2022.

Information Security Incident	No. of Cases in 2022	Goal for 2023
No. of violation cases related to information or cyber security	0	0
No. of data leaks	0	0
No. of customers and employees impacted by data leaks	0	0
Amount of fines imposed for cases related to information or cyber security (NT\$)	0	0

Information Security Reporting and Handling Process



Operating Performance

Expansion of our business territory based on the four operation guidelines: optimization of existing businesses, rapid expansion of medical business, acceleration of solution development, and deployment of network communication business

Consolidated revenue having set new records for 5 consecutive years

Qisda has been engaged in the transformation in recent years and formed an alliance with hidden champions around the resource platform of the Group. This idea is recognized by many domestic listed and OTC companies and attracts them to join the alliance. Hence, Qisda had a consolidated revenue rising to a new record high in the recent five consecutive years in the face of the impact of COVID-19 pandemic, challenges in supply chain, rising global trade war jitters and other uncertain conditions. In 2022, we devoted ourselves to the expansion of the business territory based on the four operation guidelines.

- 1. Optimization of existing businesses:** Our two major product lines, namely display and projector, continued to produce steady results and stay in the leading positions. The display segment outperformed the other companies in the overall industry and ranked second in the world. We kept moving towards professional display and medical display of high-end quality and high ASP. Our DLP projector also ranked top 2 in the world, continuing to play a leading role.
- 2. Rapid expansion of medical business:** Qisda steadily expanded the deployment in the medical field in 2022. The revenue in this aspect exceeded NT\$20 billion, the Nanjing BenQ Medical Center was rated as a general hospital of the highest level (i.e. Tier 3, Grade A), and the two medical centers in Suzhou and Nanjing operated well, with constant improvement made in the quality and management of medical care services for smart health operations. Regarding the medical equipment and channel expansion, we obtained the medical device permit license of Malaysia for the BenQ Qflux Dialyzer produced by BenQ Dialysis Technology Corp in 2022, which made our deployment in the five countries in Southeast Asia complete. At the same time, we continued to expand our market in China. We were devoted to the one-stop services in the manufacturing and sales channel of dialyzers, dialysis solution, and disinfectant, and invested in TCI GENE to explore the future business opportunities of precision medicine together.



Management focuses in 2022 and management plans in 2023

Qisda formed an alliance with hidden champions around the resource platform of the Group.

- 3. Acceleration of solution development:** To provide more complete IT (Information Technology) and OT (Operational Technology) deployment, we marched towards the goal of becoming a total software and hardware service system integration provider. The consolidated revenue from intelligent solutions in 2022 was maintained to be more than NT\$30 billion. Qisda continued to provide services in the six intelligent vertical markets that meet the requirements of non-contact and cloud transformation under the pandemic. We aggressively explored the business opportunities of cloud market and cloud and local integration, assisted the manufacturing industry in the enhancement of automation, and even created a solution that incorporated all the online and offline channel platforms for smart catering industry, satisfying the customer requirements.
- 4. Deployment of network communication business:** The revenue of our network communication business reached NT\$30 billion in 2022. In consideration of the growing importance of network communication in the future technology life, we provided total broadband services integrated with wired and wireless networks through our subsidiaries Alpha Networks, Hitron Technologies, and IDT.

For 2023, despite the uncertainty factors of inflation, rate hikes, wars and geopolitics, etc., in the economic environment, there are long-term opportunities such as automation enhancement and digital transformation acceleration as well. Qisda will continue to focus on the four operation guidelines, looking forward to further improvements and creation of long-term values. Our plans include:

- 1. Optimization of existing businesses:** We will keep on strengthening our global leading positions for displays and projectors, with the product deployment aimed at the high-end quality, high-resolution and high-value applications.

2. **Rapid expansion of medical business:** The BenQ Medical Centers will keep pursuing the goal of becoming the top China-based private-owned hospitals. The channel deployment will be the priority of our medical equipment business, especially the deployment in Asia and emerging countries. We are also devoted to the development of in-house products and technologies such as ultrasound, hemodialyzer and intraoral scanner. Our expansion of the professional medical management field will be focused on product and service development in four major domains: smart health, medical services, medical equipment and consumables, and hemodialysis. Meanwhile, we will carry on the expansion of medical industry alliances via win-win merger or strategic partnership collaboration models.

3. **Acceleration of solution development:** We will continue to horizontally integrate the internal technologies and channels for our smart business to meet various vertical market demands. Further, we will more keenly integrate the resources of the invested companies such as DFI and Partner Tech to deliver a business synergy, connect with MetaAge in the IT field, and connect with Ace Pillar for its top international agent brands in the OT field, offering customers the best smart solutions, assisting customers with digital transformation, and meeting the requirements for cloud and information security protection.

4. **Deployment of network communication business:** With networking as the core, we will offer the products and services needed by the customers, expand private 5G enterprise networks actively, develop the business opportunities of LEO satellites and space industry, and provide seamless and rapid total broadband services.

Qisda maintains competitive advantages with innovation and technology development. Averagely speaking, the Company invests around 2%–3% of the revenue in the R&D of products and innovative ideas every year; a total of 1,199 patents around the world are currently obtained.

Financial Performance

In 2022, Qisda' s consolidated revenue was NT\$239.8 billion, which was NT\$13.9 billion more than that of the previous year. The consolidated operating profit totaled NT\$5.9 billion, and the consolidated post-tax profit was NT\$11.1 billion; the net profit attributable to the owners of the parent was NT\$8.3 billion, and the EPS after tax was NT\$4.20.

Please refer to the following table for Qisda' s operational performances in the past four years. The information has been disclosed in the section of financial highlights in the Company' s annual report as well. As for the consolidated entities covered in the Company' s

consolidated financial statements, they have been disclosed in our 2022 financial statements. According to laws and regulations, tax preferences such as tax exemption or investment tax credits are applicable to Qisda' s capital increase or investment in machinery, equipment and R&D. In 2022, Qisda' s companies and the plant in China received a tax credit of NT\$260 million as per the laws and regulations.

2022 Economic Value Distribution of Qisda' s Parent Company in Taiwan

Unit: NT\$

Item	Amount	Note
A. Direct Economic Value Generated		
a Revenue of the parent in Taiwan	101.9 billion	
B. Economic Value Distribution		
b Operating cost	96.6 billion	
c Employee compensation and welfare	4 billion	Employment expenses
d Payment of interests or allocation of dividends	5.47 billion	Net amount of interest expense of NT\$550 million; dividends of NT\$4.92 billion allocated to the shareholders
e Tax	130 million	Income tax
f Investment in communities	N/A	
Economic Value Retained=A-b		
Total economic value retained	5.3 billion	

Qisda' s Operational Performances in the Past Four Years*

Unit: NT\$ million

Item \ Year	2019	2020	2021	2022
Operating revenue	169,754	191,702	225,961	239,837
Gross operating profit	23,050	26,827	32,557	34,561
Operating profit (loss)	6,228	6,613	7,361	5,852

* This is the consolidated income statement with IFRS adopted; this table includes all consolidated entities of our consolidated financial statements.

› Tax Governance

The Company implements tax governance and executes regular trading principles pursuant to local tax laws of the countries where our operating bases are located. The Company does not take radical tax plans, and is not involved in any tax avoidance or tax break based on a tax structure without real business purposes. We improve the transparency of information by disclosing tax information to stakeholders in our financial reports and local tax returns. The tax department is responsible for the tax governance of the Company. The financial department of each major subsidiary is responsible for the tax governance of the subsidiary concerned. All the significant transactions and decisions of the Company are planned pursuant to local tax laws and agreements. Whether regular transactions meet local tax laws is verified regularly at each operating base. If the competent taxation authority has questions about

▮ Disclosure of Tax Information in Recent Two Years

Item \ Year	2021	2022	Average tax rate in global electronics industry
Net profit before tax	12,992,346	16,623,301	
Income tax expense	2,509,489	5,544,231	
Effective tax rate (%)	19.32%	33.35%	22.5
Income taxes paid	2,067,882	2,442,084	
Cash tax rate (%)	15.92%	14.69%	24.35

Note: The average tax rate in global electronics industry is derived from the data published by S&P Global.

Description:

Qisda and its subsidiaries applied for relevant investment tax credits as per the Statute for Industrial Innovation for the deduction or exemption of other taxes payable, and applied for applicable tax preferences based on the business types of the respective companies. Therefore, the effective tax rate in 2021 and the effective tax rate and cash tax rate in 2022 of the Group were lower than the average tax rate in global electronics industry.

Company forms a project team to communicate with local taxation authorities about tax related issues. In addition, the Company submits the country-by-country report of the previous year pursuant to laws and regulations at the end of the year and conducts secondary filing in the Netherlands for the taxation authorities of the countries other than Taiwan to use.

› Participation in Policies

Qisda has voluntarily participated in cross-industry and cross-sectoral associations, groups or organizations. By building good collaborative relationships or becoming a member, we drive the communication between and development of industries, and continue to focus on corporate mergers and acquisitions, industrial development, technological innovation, corporate governance, environmental sustainability, and other important issues*. In 2022, Qisda participated in around 30 international and domestic associations, with the expense totaling NT\$2.27 million. From 2019 to 2022, the accumulated expense was NT\$7.77 million in total. During the participation in the external organizations, the Chairman of Qisda, Peter Chen, has served as the Chairman of the Taiwan Mergers & Acquisitions and Private Equity Council (MAPECT) since 2022. He not only maintains a complete environment for mergers, acquisitions and private equity investments in Taiwan, but also strives to enhance relevant laws and systems, provide the competent authority with suggestions on policies, and widely communicate and cooperate with relevant international organizations.

Moreover, in response to the significant international initiatives and the impact of climate change, Qisda has actively invested resources to cooperate with climate action organizations in Taiwan and abroad, such as joining the RE100, the Science Based Targets initiative (SBTi), the Taiwan Climate Partnership, and the CommonWealth Magazine Sustainability Council in 2022. We commit ourselves to the comprehensive use of renewable energy by 2040, and intend to reach the goal of net zero by 2050, in the hope of keeping up with international trends and realizing the goal of sustainable operation.

* Qisda has paid attention to material issues and participated in associations and organizations to influence public policies. However, we maintain political neutrality and do not contribute to political activities. In the past four years (2019–2022), the Company had not made any political contributions, and had no expenses related to national elections or referendums.

Corporate M&A and industrial development	With an operational scope covering the ICT industry, medical business, smart solutions and other businesses, Qisda has actively transformed and grown through investments, mergers and acquisitions. The industrial development related associations that we joined in 2022 include:		
	Taiwan Mergers & Acquisitions and Private Equity Council (MAPECT)	●	●
	Taiwan Electrical and Electronic Manufacturers' Association	●	
	Taipei Computer Association	●	
	Institute for Biotechnology and Medicine Industry	●	●
	Taiwan Medical and Biotech Industry Association	●	●
	Taiwan Automation Intelligence and Robotics Association	●	●
	Information Management Association	●	
	Digital Solutions Multimedia Asia (DSMA)	●	●
	Association of Service Industries, Taiwan	●	

Technological innovation	Qisda has obtained leading positions in the global display and projector industries. Thus, we participated in relevant associations to promote technological innovation and international standards, including:		
	VESA	●	
	HDMI LA	●	
	MHL	●	
	HDBaseT Alliance	●	
	GMDN Agency	●	
	Taiwan Internet and E-Commerce Association	●	
	TPSA	●	
Smart Display Industrial Alliance (SDIA)	●		

Corporate governance	Attaching importance to shareholder rights and transparent governance, Qisda joined the following corporate governance related associations:		
	Taiwan Association of TWSE/TPEX Listed Companies	●	●
	Taiwan Industry Holding Association	●	
	Institute of Internal Auditors, R.O.C	●	
	Taiwan Stock Affairs Association	●	
Taiwan Independent Director Association	●	●	

Environmental sustainability	Qisda has actively taken climate actions in the hope of leading the partners in the supply chain and of the Group to implement green operation. The environmental sustainability related associations that we joined include:		
	Taiwan Association of TWSE/TPEX Listed Companies	●	
	Taiwan Industry Holding Association	●	●
	Institute of Internal Auditors, R.O.C	●	
	Taiwan Stock Affairs Association	●	
Taiwan Independent Director Association	●		

Others	Qisda has valued human capital, industrial design and other issues. Hence, we participated in relevant activities of or held a post as a director in the following groups and organizations:		
	Management Intelligence Sharing Association	●	
	Artificial Intelligence Foundation		●
	Taiwan Design Research Institute		●
Taiwan Renaissance Platform	●		

Risk Management

Since 2005, Qisda has framed risk management policies and established the Risk Management Committee (RMC) in accordance with the ISO 31000 Risk Management–Principles and Guidelines. With importance placed on the systematic operation of risk management, the vision and policies for risk management are established, the management goals and performance indicators are set for constant follow-up, and the risks that are likely to have negative influence on our operating goals are regularly identified, assessed, handled, reported and monitored every year. By these measures, we effectively control the risks that exceed the Company’ s risk tolerance. Meanwhile, management tools are utilized to ensure the optimization of total risk management cost.

Vision for Risk Management

- The Company is committed to the continuous provision of products and services to create long-term values for the customers, shareholders, employees and society.
- In terms of risk management, a systematic organization and risk management procedures are required to timely and effectively identify, assess, handle, report and monitor the significant risks that can impact our business survivability, and raise the employees’ awareness of risks.
- Instead of having “zero” risks, the aim of risk management is the optimization of risk management cost by achieving the greatest profit under the acceptable risks.

Corporate Risk Management

Risk Management Policies and Governance Structure

In 2020, Qisda established the risk management policies and procedures upon the Board of Directors’ approval as the Company’ s highest guidelines for risk management. The Board of Directors, serving as the top decision-making unit for the Company’ s risk management, plays a role in ensuring the consistency between the directions of our operational strategies and the risk management policies, and overseeing and making sure of the effective operation of the overall risk management mechanism. We have three independent directors with respective specialties of financial and governance risk management, IT risk management

and information security risk management. The Audit Committee assists the Board of Directors in risk governance; it reviews the policies, procedures and implementation of risk management to keep track of the effectiveness of risk management, checks the risk appetite, ensures that the risk management mechanism and resource allocation are helpful for the comprehensive response to the risks we face, and reports to the Board on the implementation of risk management on a regular basis.

Management Structure of Risk Governance



Risk Management Structure and Procedures

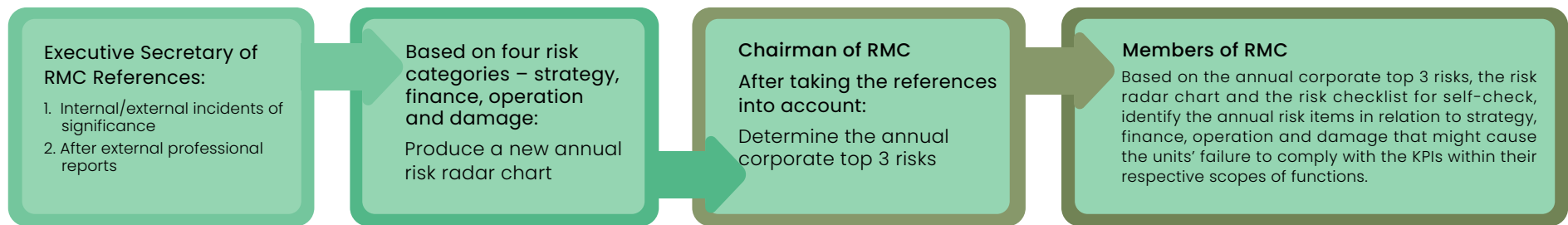
In June 2005, Qisda established the cross-functional Risk Management Committee (RMC) to pursue the Company’ s goal of sustainable development and operation through the continuous risk management based on four categories: strategy, finance, operation and damage. With the President serving as the committee chair, the Sustainability Risk Control

Officer serving as the vice chairman, and the top-level executives of different units acting as the committee members, it discusses and determines the risk management strategies, decides on the risk appetite (risk tolerance), and sets annual targets and risk performance indicators of Qisda, incorporating the risk management mechanism into the routine operations.

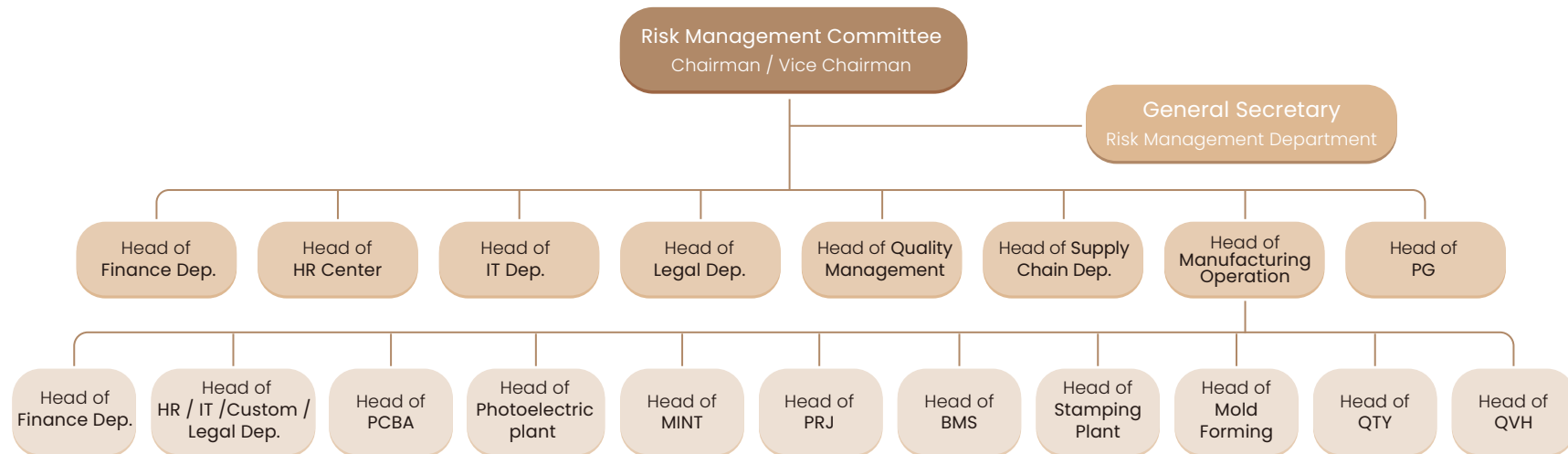
In addition, the Sustainability Risk Management Office is appointed to be the executive secretary of risk management to identify the potential risks based on the internal and

external matters, prepare risk radar charts, arrange risk management meetings, conduct quarterly follow-ups to the risk targets, stay on top of the implementation of improvement plans, and play a role as a coordinator in the interdepartmental communication. The operation of the Risk Management Committee is supervised by the Audit Committee/Board of Directors; a report on the implementation of risk management is submitted to the Audit Committee/Board of Directors every year.

Process of potential risk identification:



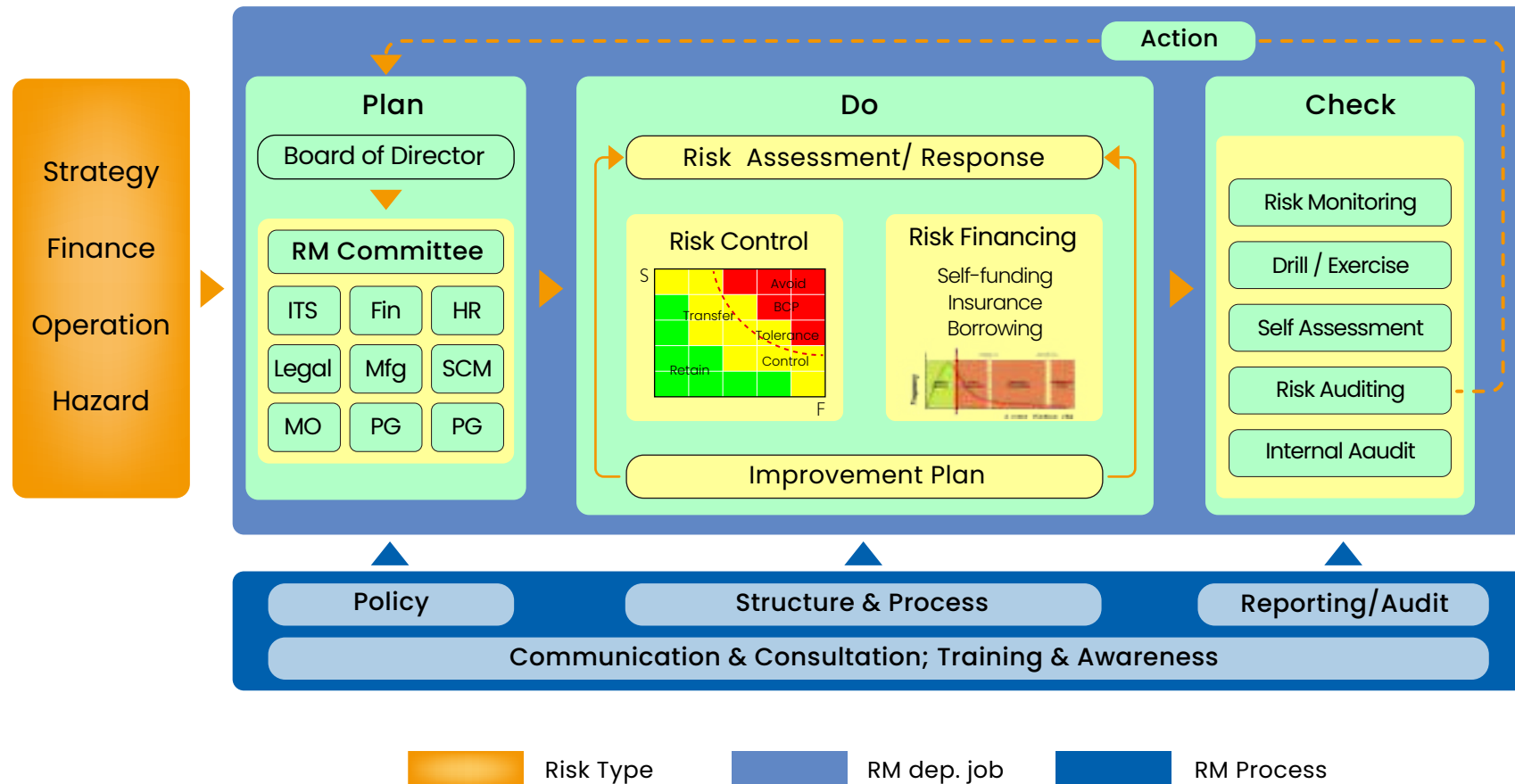
Organization of the Risk Management Committee



The Risk Management Committee meets quarterly; temporary meetings may be held if there are any important matters. The Chairman of RMC determines the annual significant risks at corporate level, while the committee members identify the risks within their respective units and develop corresponding strategies, set key risk indicators (KRIs) that can be quantified, conduct follow-ups on a quarterly basis for management, regularly review the risk exposure to look into the effectiveness of risk management for improvement, so that the organization

goals can be achieved. Also, the committee reviews the significant issues, legal changes, abnormal incidents, etc., domestic and abroad in the meetings to propose effective countermeasures. In 2022, a total of 52 Risk Management Committee meetings were held, including 4 regular meetings and 48 temporary meetings (the overseas operational sites held their meetings separately).

Risk management structure



Risk Management Structure and Procedures

Risk Category	Focus	Sensitivity Analysis	Stress Testing	Countermeasures	
Non-financial Aspect	Risk of operational disruption due to COVID-19	Percentage of infected employees	90% of Qisda' s production capacity relies on the plants in China. In the light of the local government' s Zero-COVID policy, the RMC met on a weekly basis to keep track of the status of infection so that our production capacity would not be impacted.	If the percentage of infected employees every week exceeded 30%, the production and shipment might fail to go normally.	Procurement of sufficient pandemic prevention supplies; active rapid self-tests to slow the spread of COVID-19; implementation of various pandemic prevention measures; weekly pandemic prevention meetings and quarterly RMC reviews. 1. No visits to other sites or floors for conversation allowed (using telephone/video conferences instead) 2. Shift adjustments/shift work pattern/WFH *7 days fully implemented (by site) 3. Staggered people flow for internal control 4. Provision of meal boxes in place of the food in the cafeteria 5. Reception service closed 6. WFH arrangement for non-production units
Financial Aspect	Risk of the Company' s utilization of funds	Risk of increase in the financial debt ratio (syndicated loans)	A financial debt ratio (syndicated loans) > 100% implied a breach of syndicated loan agreement that could lead to cross default and cause the long-term and short-term banking facilities to be frozen and repaid.	An increase by 7Y in financial liabilities could result in an increase by 1% in the financial debt ratio (syndicated loans)	1. Disposal of non-core long-term investments or idle assets 1 Long-term investments reviewed to speed up the disposal of non-core shareholdings Fixed assets reviewed to speed up the disposal of idle assets 2. Annual KRIs for the RMC developed, with the RMC review conducted quarterly

Qisda has set the following risk categories based on the levels and types of emergency reporting, and developed different management and reporting mechanisms with reference to the level of severity (sensitivity) of non-financial and financial impacts. The analysis of high, moderate and low sensitivity in relation to the risk types is provided below. To keep up with the ever-changing environment and international trends, the review is made once every two years to ensure that the regulations regarding emergencies are suitable to the current status. In addition to the regular education and promotion of risk culture for all employees each year, we have the secretaries of different units apply the emergency reporting rules at all times based on the RMC organizational structure. In 2022, in the face of the Russo-Ukrainian War, COVID-19 lockdowns, natural disasters in different countries and other emergencies, all relevant units were required to investigate whether the operations would be impacted, and report timely according to the emergency reporting standards (financial amount). Moreover, with regard to the major statutory infectious diseases, the Group has, in line with the

governmental zero-COVID policy, introduced strict pandemic control measures, and held weekly meetings to report on the impacts on operations based on the financial aspect (whether the suppliers are not able to provide materials and thus impact the manufacturing, or whether the products can' t be delivered to customers due to the lockdowns) and non-financial aspect (percentage of infected personnel and pandemic prevention measures of the Group) for unceasing monitoring.

In terms of the other on-site emergencies, such as abnormalities of production equipment or occupational injuries, or the port strikes in the West Coast of the US and Germany, all the relevant units have immediately checked the situations, reported on the hazards to employees' health and asset loss caused by human errors through the emergency reporting procedures, and taken consequent loss reduction measures to minimize the damage and loss of the Company' s employees and finance.

Risk Category	Sensitivity Analysis	Financial/ Non-financial
Hazards to employees' health	High	Non-financial
Impact of human error accidents on the operations	High	Financial
Impact of natural accidents on the operations	Moderate	Financial
Impact of system/information security matters on the operations	Moderate	Financial
Asset loss caused by human errors	High	Financial
Asset loss caused by natural disasters	Moderate	Financial
Non-compliance or frauds	High	Financial
Lawsuits	Low	Financial
Environmental hazards	High	Non-financial
Major statutory infectious diseases	High	Non-financial
Corporate image	High	Non-financial

Risk Identification Results

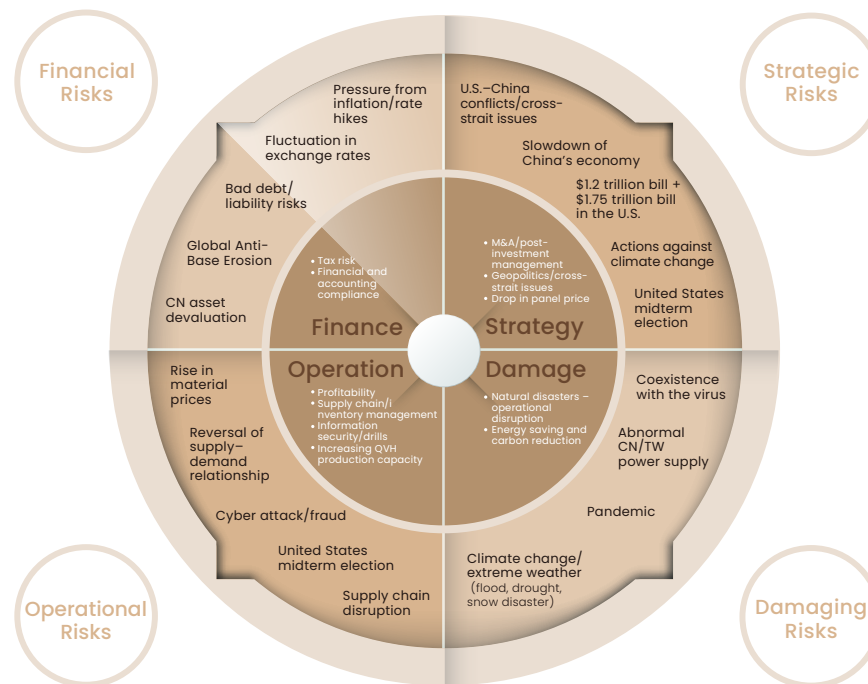
In 2022, Qisda' s Risk Management Committee identified 33 key risks with the risk radar chart and the risk checklist, and set key risk indicators that could be quantified. The categories include:

- 1. Financial category:** The risk of increase in the financial debt ratio (syndicated loans) must be < 90%;
- 2. Managerial category:** When the PG operation is suspended due to the COVID-19 infections, the infection rate in the Company during the time (in a single week) shall not be >30%; etc.

Besides the major global risk of COVID-19 pandemic, the risks of geopolitics, rising inflation, USD appreciation and climate anomaly-related disasters have led to the declining demand, increasing inventory, pressure of supply chain transfer, and higher operational complexity, having enormous impact on the corporate operation. The relevant units have provided the targets of control and response instructions to reduce the operational impacts with no efforts spared.

Owing to the impact of sluggish global demand for electronic products, the KRI preparation rate in 2022 was 86.5%. For the items that didn' t match the KRIs, the RMC will keep on controlling them in 2023, and enhance the response programs to reduce the impact on the Company' s operation.

Qisda' s 2022 Risk Radar Chart for Risk Identification

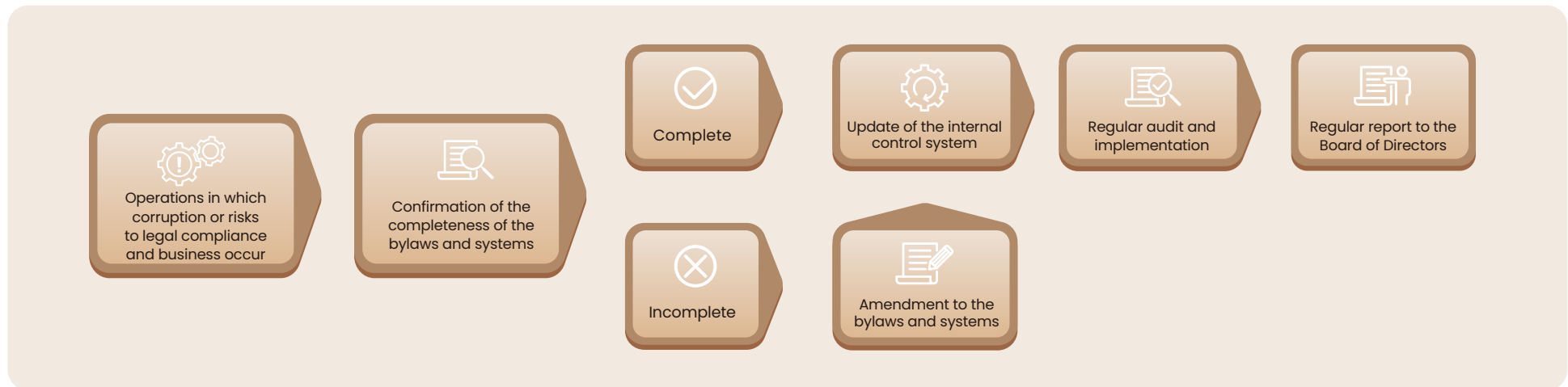


Risk Management and Internal Control/Audit

Qisda has an independent internal audit unit, namely the Audit Office, subordinate to the Board of Directors. The unit acts in compliance with the internal control system, and has, based on the said system, developed the Rules for Implementation of the Internal Audit according to which it implements the current control system and procedures, and measures the effectiveness thereof and the compliance therewith. It presents the reports to the Audit Committee and the Board of Directors not only in the routine meetings, but also in each month or whenever necessary.

For the procedures of the daily operating activities, the Company has devised appropriate an internal control mechanism for the operations that might have potential risks related to corruption, legal compliance and business. The Risk Management Committee identifies

Internal Audit Process



the risks of corruption, the HR unit arranges related training, and the audit unit makes sure of the adoption and establishment of relevant mechanisms, in order to reduce and prevent corruption or any potential risks to legal compliance and business operation. The audit unit periodically evaluates the management effectiveness of the internal control mechanism, collects the suggestions on the potential risks (including fraud and corruption) from high-level executives of different departments, formulates appropriate audit plans and performs relevant audits accordingly. The unit also reports the audit results to the Audit Committee and the Board of Directors every year so that the management can keep track of the current status of corporate governance and reach the goal of management. Also, we carry out 100% internal control risk assessments and audits for the three operational sites in Taiwan, Suzhou (China), and Vietnam on a regular basis. The focuses of the assessments and audits include three major issues: financial reporting, procurement operations and sales operations. There were no major corruption risks and incidents found. In 2022, inspections were constantly enhanced pursuant to relevant laws and regulations to implement legal compliance.

> Business Continuity Management System (BCMS)

For Qisda' s risk management, the three pillars – identification and prevention before the

accident, loss control and reduction during the accident, and recovery and transfer after the accident – are applied as the fundamental core of the corporate risk management structure and business continuity management system. The Risk Management Committee defines the significant risks, simulates the risk scenarios, and assesses the impacts on the organization' s operations. Business continuity plans (BCP) are developed based on the risk scenarios, and the updates of risk scenarios and drills are continually carried out to ensure that the organization can keep working despite any operational impact. By this way, it is ensured that the impact can be mitigated and the operations can be back to normal as soon as possible when the risks occur.

Moreover, the operational scope of the Company' s business continuity management system (BCMS) covers the entire Qisda Group, including more than 170 companies thereunder. We have accordingly set up the joint defense mechanism centering on Qisda, integrating the loss prevention resources of the Group and enhancing the Group' s emergency response capabilities through the discussions on projects at regular meetings, information integration and sharing of practical experience, in order to reach the target of risk control. In 2022, the Qisda Group convened 10 regular meetings in total, introducing the emergency responses, business continuity plans, CSR/ESG, and education on risk management culture for all employees into the companies under the Group through the platform. Via educational

training and practical drills, the Group and the companies have developed rapid crisis response and handling capabilities. The mechanism of sharing resources, information and experience has enabled the Group and the companies to have great prevention and management before the risk events happen as well, reducing the occurrence rate of accidents from the very beginning.

Structure of Qisda corporate risk management and BCMS



Implementation Results of Business Continuity Management Plan

Since 2004, Qisda has successively updated and developed business continuity plans (BCPs) for different scenarios based on the international trends, legal requirements, internal changes in and adjustments to the Company’s product lines, and topics that the customers are concerned over, with a view to coping with urgent and material risk events. To boost the employees’ familiarity with how to carry out the plans, BCP drills are performed on a periodic basis. The scenario planning and repeated practice of countermeasures under a variety of simulated scenarios help enhance the employees’ awareness of risks and response capabilities. This way, the Company can rapidly implement the plans when any risk event occurs, achieving the target of bringing the operations back to normal immediately. All the BCPs are described in the “Crisis Management Manual” as the major guidelines of the Company when incidents of significant impact occur.

Since the CECC lowered the epidemic alert level from Level 3 to Level 2 in July 2021, Taiwan has progressively entered the phase of coexisting with the virus. However, in the light of the lockdown in Shanghai from the beginning of 2022 and the pandemic peak in Taiwan from April, the Company has constantly convened the RMC pandemic prevention meetings to

follow the policies of the CECC and adjust the Company’s response instructions in a timely and active manner. With an eye to preventing the spread of pandemic that could impact our operations, our employees, except for those of the production lines and R&D, have adopted the WFH pattern since April 2022, with their rapid self-test results reported every week. We have encouraged the replacement of physical meetings with online ones, reduced the direct contact among employees with partitions in meeting rooms and cafeteria, required the incoming suppliers and visitors to take rapid tests, etc., to keep the weekly percentage of infected and isolated employees below 5%. In May 2022, we managed to have a hotel become our own quarantine hotel through the integration of the Group resources and the collaboration with relevant government units, meeting the needs of our employees (including migrant workers) for isolation of confirmed cases to lower the risk of pandemic so that our operations would not be impacted too hard. During the period, the medical business of the Group not only leveraged the strength of the alliance to provide the Group’s companies with sufficient pandemic prevention supplies, but also expanded the market share actively, showing significant operational growth superior to other product types and the highest profitability and revenue growth rate.

Risk Culture

To secure Qisda’s corporate culture of risk management, the Company has incorporated various risk management indicators into the daily management performance. For example, in order to enhance the senior management and the general managers’ awareness of risk management, we require the critical risk management factors to be included in their KPIs for measurement, and the relevant performance bonus will be distributed with reference to the achievement status of KPIs. As for the general employees, the risk items are also covered in the behavioral indicator evaluation of performance target management, and all the employees are subject to performance evaluation once every six months.

Further, we provide risk-related education and training regularly. In 2022, online and on-site education and training on the culture of risk management were delivered to all the employees. The vision and procedures of the Company’s risk management were disseminated, and the content focused on the three main phases – “prevention and detection before the matter,” “impact reduction during the matter,” and “claim and recovery after the matter” – to improve the employees’ understanding of risk management. There were 6,924 employees in the Company, and their online training hours totaled 6,924 hours; the coverage rate was 100%. For other high-risk items, we also arranged relevant training sessions or drills to heighten the employees’ awareness of risks; the training topics included, among others, the BCP drills for

fire and earthquake, information security risks, employee integrity risks (e.g. insider trading, corruption risks), GDPR risks, occupational health and safety (earthquake and fire safety), and safety at work.

Whenever the employees find any identifiable, existing or potential risks during the life in the Company, they may make immediate or early reports through the President mailbox, 2885 platform, secretary of their unit, employee representatives, HR contact person, gate guard, risk management unit, etc., to avoid and prevent any accidents and disasters. If they have any problems with their work, they can also check the contact information of all responsible units announced by the Company, report and handle the problems right away via multiple channels such as phone calls/MVPN, email and communication software (Skype/Teams/Line/WeChat/Messenger), and follow up the matter until the case is closed. With such procedures, the problems can be solved and the risks can be minimized. Meanwhile, labor-management meetings in which the Company engages in face-to-face

conversation with the employee representatives are held periodically to know and response to the needs of the employees.

Qisda’s products are subject to the risk management assessment during the process of design, which will be recorded in the documents of design. The engineers also have to measure the risk impact in relation to each requirement for engineering change, if any. In the future, we will continue to enhance the employees’ awareness and culture of risks through a diversity of innovative methods.

Long-term Emerging Risks

Qisda’s Risk Management Committee has identified the long-term material risks in Q4 2022, among which the emerging risks with regard to EU’s cancellation of exemption for energy-consuming 8K TVs and the falling demand in response to the market trends

Risk Category	Risk Item	Description of Risk	Impact on the Operations	Countermeasures
Strategic risk	Legal requirements on the power consumption of products	<ul style="list-style-type: none"> According to the updated requirements of the EU in March 2023, high-end TVs no longer enjoy an exemption, and the overall maximum level for power consumption has become lower. All the 8K TVs will be leaving the Europe market; TVs above the level of 4K, if not aligned with the standards, are not allowed to be sold in the EU market either. After the new energy efficiency regulations are put into effect in the next year, Samsung, LG and Sony will probably have a falling market share for their high-end TVs, or even face the prohibition of all their sales for the worst condition, which will impact the important export channel significantly and further endanger the operation of panel manufacturers such as AUO and Innolux. With the global emphasis on ESG, it is expected that the monitoring and control by customers and regulations of different countries over high power-consuming products will become increasingly strict. 	<ul style="list-style-type: none"> The product might fail to satisfy the international regulations of low power consumption mark and the customers’ requirements, which will definitely impact the sales orders and the stakeholders’ impression of us. 	<ul style="list-style-type: none"> Pay active attention to relevant energy regulations in different countries, carry out transformation and improvement of products and technologies, and increase products with energy saving marks year by year. Include the regular reviews of the legal compliance with other countries’ regulations in the RMC_KRIs. Make the safety unit provide education, training and information exchange conferences on a periodic basis. Have the relevant units constantly follow the status of related risks and response in a timely manner.
Operational risk	Operational risk to the Vietnam Plant	<ul style="list-style-type: none"> In recent years, major enterprises have gradually transferred their premises due to the political and economic conditions around the world, and Vietnam, the Southeast Asia and India have thus become the battlegrounds. As the quantity of plants and the speed of scale expansion of other companies in the electronics industry have notably increased in Vietnam, there will be challenges in terms of the sophistication of management system and the level of local manufacturing. If Qisda’s third production site, Vietnam Plant, intends to increase the models and numbers of production machines in response to the pressure from the customers and the market demands, whether our Vietnam Plant have qualified talents and how to respond to the Vietnam government’s adjustments to regulations regarding the new industries will be the problems to take into account. 	<ul style="list-style-type: none"> Labor shortage: A lack of talents in the electronics manufacturing industry will impact the steadiness of production quality and the expansion of the Company’s operation. Regulations: New regulations might 	<ul style="list-style-type: none"> Labor shortage: Provide the employees with education and training to develop talents that can alternately support the personnel of different plants. Regulations: Keep track of relevant governmental regulations on a regular basis, make active adjustments whenever necessary, and coordinate the production capacity based on the strengths of our plants in China, Taiwan and Vietnam without affecting the operation and shipment of the Company.