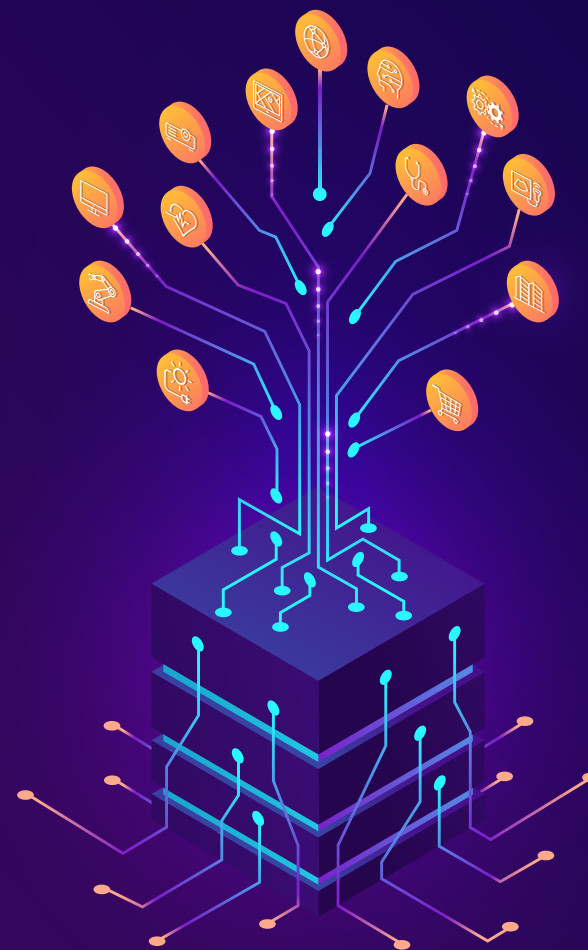


1 Corporate governance

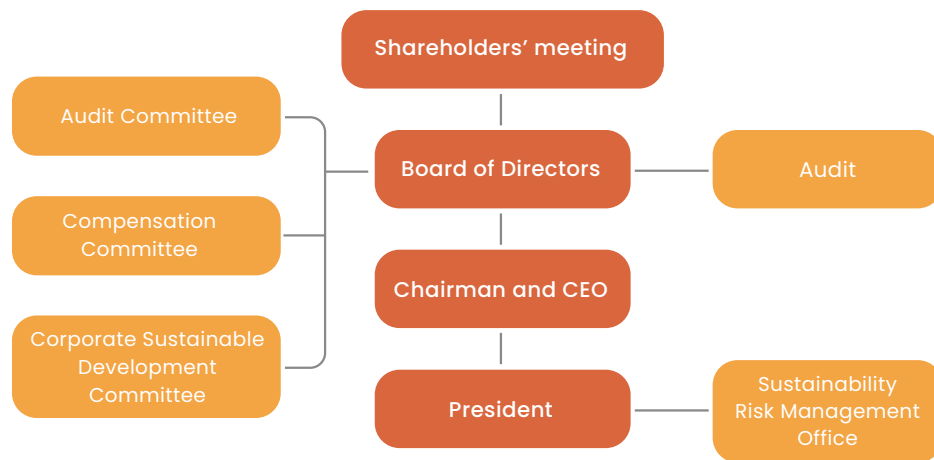
- Organization and Operation of Governance
- Code of Conduct
- Legal Compliance
- Operating Performance
- Risk Management
- Information and Privacy Security
- Sustainable Supply Chain Management
- Customer Satisfaction



Organization and Operation of Governance

Qisda is committed to the protection of shareholder rights and advocates for transparency and fairness when disseminating information. Since the shareholders’ meeting in 2012, the Company has adopted an electronic voting system and a case-by-case voting method for each meeting’s agenda, in order to enhance shareholder attendance at the meeting and make sure the shareholders are able to exercise their rights at the meeting in accordance to the law. At the meeting, we also actively present an overview of our operational and financial performance to the shareholders and receive their inquiries. The Audit Committee, Compensation Committee, and Corporate Sustainable Development Committee have been established under the Board of Directors to assist the directors in reviewing all proposals and ensure the decision-making quality of the Board. These management teams, consisting of experienced and professional managerial officers, not only supervise the activities of the directors, but also facilitate shareholder rights to the fullest extent.

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. In accordance to laws and the Articles of Incorporation, all Board members are elected for a term of office for three years by shareholders through voting at the shareholders’ meeting as per the “Procedures for Election of Directors” . Currently, there are nine members on the Company’ s Board of Directors (including five independent directors) and the average term of office is 5.78 years. Two members of the Board are 51–60 years old, while the other seven members are 61–70 years old. Member of committees operating under the Board 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, restrictions, 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.

According to paragraph 3 of Article 208 of the Company Act, Peter Chen acts as both the CEO of the Company and the chairperson of the Board of Directors. He is expected to oversee the transformation and innovation of the group, as well as leveraging his industry knowledge and innovative leadership mindset through his comprehensive experience in R&D and management to demonstrate the value transformation achievements. He represents the Company externally, effectively coordinates the operations management teams, and leads Qisda’ s transformative value creation through investment and M&A. Qisda’ s transformation is further characterized by the rapid expansion of its medical business, the acceleration of solution development, and the deployment of its network communication business. During the discussion and voting on the proposals at the Board meeting, when a director has a personal interest in the proposal discussed and their involvement may clash with the Company’ s interests, the director should, according to Paragraph 2, Article 206 of the Company Act, avoid taking part in the discussion and voting



Access to annual report:
<https://www.qisda.com/tw/investor/shareholder>





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 chairperson of the meeting. Any conflict of interests at the Board meeting will be disclosed in the corporate governance section of our annual in compliance with the law.

Qisda’s Board meeting is held at least once every quarter to monitor and conduct a thorough

supervision of the Company’ s operations. Guided by a goal to maximize shareholder equity, the Board members abide by their duty of care and of loyalty, exercising their authority, evaluating operations, and making significant decisions in a careful and disciplined manner. To increase the directors’ participation in business operations, the Company has set standards requiring all directors to take part in 80% of Board meetings in person. In 2023, there were seven Board meetings convened, with an average attendance rate of 100%.


Functional Committee

	Description of Duties	Operation in 2023
 <p>Audit Committee</p>	<ul style="list-style-type: none"> Established in 2008, the Audit Committee, consisting of all independent directors as required by local laws and regulations, is subject to the “Audit Committee Charter” formulated by the Board of Directors. It mainly takes on a supervisory role, conducting close inspections of 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 overviews, etc., are made to the Audit Committee members by the accountants (every six months), the internal audit unit (quarterly) and the risk management, legal affairs, finance, and accounting units (irregularly). This way, the Audit Committee members can ensure the validity of our corporate governance and maintain information transparency for investors, thereby protecting the shareholders’ equity. 	<ul style="list-style-type: none"> In 2023, 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 this reporting year have been disclosed in the “Operational Status of the Audit Committee” section of our 2023 Annual Report. Details regarding the status, topics and results of its communication have been disclosed in the “Investor Relationship – Committee – Communication Status of Independent Directors and Internal Audit Officer with CPAs” page of our official website.
 <p>Compensation Committee</p>	<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 duty of care and loyalty as per fiduciary laws, and submit the suggestions to the Board of Directors for discussion. It holds meetings at least twice a year; the meeting can be convened at any time when necessary. The principles of responsibility, reasonable basic compensation, and factors such as industrial risks; the duties of persons in charge, directors, and independent directors; and the operational scale of the Company etc. are taken into consideration to measure the performance of the Company’ s top management, deciding how much compensation they should receive. The distribution of compensation is then subject to approval by the Compensation Committee and the Board of Directors, and is reported during the shareholder’ s meeting as a proposal independent from the stakeholders’ opinions. Related information about the compensation received by top management such as the Board of Directors and managers has also been appropriately disclosed for all the stakeholders to understand the connection between the compensation to high-level executives and corporate ESG performances. 	<ul style="list-style-type: none"> In 2023, there were four Compensation Committee meetings convened, with an average attendance rate of 100%. The Company’ s compensation policies and the implementation highlights and operational status of the Compensation Committee this year has been disclosed in the corporate governance section of our 2023 Annual Report and the “Investor Relationship – Committee – Operational Status of the Compensation Committee” page of our official website.



The introduction of Board members in the Investor Relationship section of the Company’ s website:
<https://www.qisda.com/tw/investor/governance/director>



Description of Duties	Operation in 2023
<div data-bbox="152 242 389 817" style="background-color: #f4a460; border-radius: 15px; padding: 10px; display: flex; align-items: center; justify-content: center;">  <div style="text-align: center; margin-left: 10px;"> <p>Corporate Sustainable Development Committee</p> </div> </div> <ul style="list-style-type: none"> ● The Company established the Corporate Sustainable Development Committee in 2023 to ensure the Board of Directors develops and abides by the “Sustainable Development Best-Practice Principles.” The Committee is the decision-making and supervisory unit for work related to the sustainable development of the Company, covering three major domains: the environment (E), society, social (S), and corporate governance (G). This enables the Board of Directors to perform its duty to protect the rights and interests of the Company, employees, shareholders, and stakeholders. It holds meetings at least once a year; the meeting can be convened at any time when necessary. ● The Corporate Social Development Committee handles information disclosure in accordance with relevant laws, regulations, and the Company’ s Corporate Governance Best-Practice Principles. In preparation for corporate sustainable development reports, they adopt internationally recognized standards or guidelines to disclose the promotion and current status of sustainable development, thus ensuring the implementation of corporate governance. 	<ul style="list-style-type: none"> ● The Company has convened one Corporate Sustainable Development Committee meeting in 2024 with a 100% attendance rate. ● Annual work objectives and operations related to the Company’ s sustainable development are disclosed in the corporate governance section of our 2023 Annual Report and the “Investor Relationship-Committee-Operational Status of the Corporate Sustainable Development Committee” section of our official website.

Election and Diversity of the Board Members

It is specified in our Articles of Incorporation that a candidates nomination system has been adopted for the election of directors, and it is set forth in Article 20 of our “Corporate Governance Principles” that diversity will be considered when deciding 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 basic criteria and values including but not limited to age, gender, nationality, culture, 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 (22.22% of the Board) and five independent directors (55.55% of the Board). the Company’ s specific management targets of diversity policy: two female directors, more than half 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 + Risk Management Background

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
Director		●	Representative of AU Optronics Corporation: Shuang-Lang (Paul) Peng	Male	Taiwan		●	●		●		●		●	20 Industrials
Director		●	Representative of AU Optronics Corporation: James CP Chen	Male	Taiwan	●		●		●					20 Industrials
Director	●		Representative of BenQ Foundation: Joe Huang	Male	Taiwan		●	●		●				●	25 Consumer Discretionary
Independent Director		●	Charles Yen	Male	Taiwan		●	●				●	●		40 Financials
Independent Director		●	Jyuo-Min Shyu	Male	Taiwan		●		●		●			●	45 Information Technology
Independent Director		●	Liang-Gee Chen	Male	Taiwan		●		●		●			●	45 Information Technology
Independent Director		●	Chiu-Lien Lin	Female	Taiwan		●					●			40 Financials
Independent Director		●	Shu-Chun Huang	Female	Taiwan	●		●		●	●	●		●	45 Information Technology

- The director did not serve as a senior manager of the Company in 2023.
- 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 2023 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 2023.
- 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 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 2023.
- 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 our annual report.

In 2023, Qisda continued to be ranked among the top 6%–20% in the 10th Corporate Governance Evaluation, having already completed an external performance evaluation of the Board of Directors. In 2024, we will continue keeping track of new indicators of corporate governance with an eye to improve both the corporate governance system and 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, thus improving the knowledge our highest governance body possesses in relation to economic, environmental, and social issues. In 2023, the Board members received up to 9.7 hours of continuing education per person on average, with 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 a 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 2023, we completed the internal performance evaluation of the Board and the functional committees. The completion rate of self-evaluation exceeded 99%, reflecting the overall operational efficiency of our Board of Directors. The evaluation results have been reported to the Board in Q1 2024. Additionally, 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 at least once every 3 years as well as being evaluated internally at the end of each year. In 2021, the Company commissioned the Taiwan Governance Association, an independent external evaluation institution, 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 an online self-evaluation, a review of relevant written documents, and an on-site visit completed on September 27, 2021. The persons evaluated included the Chairman, three independent directors, the Corporate Governance Officer, and the Audit Officer. The Company plans to conduct another external performance evaluation in 2024. 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

As of 2023, the Company has decided to establish a long-term compensation plan for the Chairman and CEO, President, and other senior managerial officers, not only rewarding them for their management performance in relation to financial indicators, but also their ESG performance (performance indicators related to corporate governance, social engagement, and environmental sustainability). The plan grants long-term rewards and compensation based on the achievement of 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.



The ESG performance achievements of the Chairman and CEO, President and other senior managerial officers in 2023 are as follows:

Compensation System for the Directors and Managers	Environment (E)	Society (S)	Corporate Governance (G)
Goal	Implementation of the pathway to carbon net zero	Enhancement of social engagement and sustainable influence	Improvement of the ESG rating results both in Taiwan and abroad
Description	With 2021 as the base year Scope 1 and Scope 2 GHG emissions: 106,672 tCO _{2e}	Internal Improvement of the employees' participation Engagement survey in 2021: Average score: 4.55 points (out of 6 points)	Increase EPS Be selected in international sustainability rating events or continue to improve in DJSI
Achievements in 2023	Result: Achieved Goal: GHG emission reduction by 10% (10,667 tons) Actual Performance: 51.1% reduction (54,502 tons)	Result: Achieved Goal: An average employee engagement score of 4.6 Actual performance: 4.62 points	Result: Achieved Goal: Be selected by AREA or improvement by 5 points or a place higher in DJSI Improve of one of the indicators and achieve bonus points in the domestic Corporate Governance Evaluation Actual Performance: (1) DJSI improved from 67 points to 81 points, advancing 2 places in ranking. (2) Qisda was selected by AREA (-Asia Responsible Enterprise Awards) for 2 awards
2024	GHG emission reduction by 20%	Average employee engagement score 4.65	Be selected by AREA or improvement by 5 points or a place higher in DJSI Improve of one of the indicators and achieve bonus points in the domestic Corporate Governance Evaluation
2025	GHG emission reduction by 30%	Average employee engagement score 4.7	Be selected by DJSI or MSCI or improve by 5 points or a place higher in DJSI Improvement of one of the indicators and achieve bonus points in the domestic Corporate Governance Evaluation
2030	GHG emission reduction by 60%	Average employee engagement score 5.0	Be selected by DJSI Improve of one of the indicators and achieve bonus points in the domestic Corporate Governance Evaluation

Code of Conduct

The rate of the employee code of conduct training remained 100% in 2023.

Policy and Commitments

Ethical management is a business' most basic social responsibility, as it is beneficial to the operations and long-term development of a company. Unethical behaviors not only bring loss to a company but also leads to a low level of morality among 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 cause the overall operational environment to 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," "Code of Ethics for Board of Directors and Managers" and "Anti-corruption and Anti-bribery Policies" have been formulated. These all act as reference for every employee to keep in line with. Content of the aforementioned policies cover regulations relating to 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 regulations regarding donations and sponsorships, it is explicitly stated in the Code of Conduct that the Company will not make any direct or indirect

political contributions, 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 2023, Qisda did not provide any political contributions, but still maintaining the employees' entitlement to civil rights.

Management Procedures

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 overseeing the development and implementation of the ethical management policies and related preventive programs. Also, upon the Board' s resolution, Qisda authorized 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 and 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 will be given to the Board in Q1 2024, and the related information has been disclosed in the corporate governance section of the 2023 Annual Report and the Company' s website.

Connection of Code of Conduct to Performance Bonus

Since 2023, compliance with the Code of Conduct has been added to the performance evaluation system (as shown below). From now on, employees' compensation and performance evaluation are directly associated with the Code of Conduct.

Performance evaluation system – Evaluations based on the Code of Conduct

Article	Behavioral standards	Content
1	Integrity and self-discipline	Understand and comply with the company's standards of integrity. The business handled by the company has accurate records and is responsible for the correctness of its own business-related records, information and data.
2	Compliance	Comply with the laws and company regulations of your country or region.
3	Personal Information Protection	Respect the privacy and intellectual property rights of employees and customers. Protect the personal information and intellectual property rights of all shareholders, consumers, distributors, suppliers, business partners and colleagues.
4	International Norms	In the process of business execution, fully follow international trade laws and relevant norms of international industry alliances, and pay attention to the human rights impact caused by business development.
5	Risk Identification	Identify relevant risks in daily work. (ex : safety, progress, quality, etc.)
6	Risk Assessment	Assess the likelihood and severity of known internal and external changes that impact the achievement of goals in daily work.(ex : extent of delay or damage.)
7	Risk Response	For potentially significant risks to take contingency and mitigation actions. (ex : sea to air, training, passing on manufacturers, overtime, substitute materials, multiple suppliers, process improvement, etc.)
8	IT Security	Ensure awareness of the importance of IT security, abide by the company's IT regulations during business execution. Protect the confidentiality, integrity, and availability of the company's information assets through computer and network security knowledge.
9	Information Security	Understand and follow the company's information security policy to protect the confidentiality, integrity, and availability of the company's information assets and to avoid internal or external deliberate or accidental threats.
10	Network Security	Understand and follow the company's network security and network resource access security management to protect the security of data transmission and system communication in daily work.

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 to the employees through email, for example, to remind them that no external presents can be accepted, 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. Existing employees are given online training on the Code of Conduct (including anti-corruption) on an annual basis; the employee training completion rate was 100% in 2023. Thanks to the training and dissemination with respect to the code of conduct, there were no violations of the ethical management principles in 2023.

Percentage of Communication and Training on the Code of Conduct*

Area	Employee Category	Number of Participants	Completion rate
Taiwan	Direct Labor	201	100%
	Indirect Labor	1,309	100%
Suzhou, China	Direct Labor	4,162	100%
	Indirect Labor	958	100%
Vietnam	Direct Labor	877	100%
	Indirect Labor	114	100%
Total		7,621	100%

* The contents of the Code of Conduct were communicated to the employees in the form of training by October 31, 2023. A total of 7,621 employees participated in the training.

Besides the communication with and training of employees with regard to ethical conduct, we have sent letters disseminating anti-corruption messages to all the members of the Board of Directors (currently 7 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 send a letter of "Qisda Ethics Promotion" to our suppliers on an annual basis. The letter was sent to about 8,614 suppliers in 2023 to achieve our goal of zero incidents of corruption. In 2023, the Company did not receive any whistleblowing reports from the suppliers.

Report and Suggestion Communication Mechanism

The Company has established the "Whistleblowing and Complaint Handling Regulations" and the President mailbox; corresponding announcements on our website have been made concurrently. For serious inappropriate behaviors that violate internal policies relating to integrity, conflicts of interest and avoidance, fair trade, bribery and illegal payments, or any illegal or improper treatment, we have a complete set of procedures for whistleblowing reports and the communication of suggestions. When anyone or any matter is found to be non-compliant with the spirit of integrity or the regulations under the Ethical Corporate Management Best-Practice Principles, employees may send messages directly to the President through the President mailbox to get such cases handled by the company's senior management. 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 investigation reports. Once the facts are confirmed, cases are handed over to the Personnel Evaluation Committee for further processing. Qisda strictly guarantees the confidentiality of the whistleblowers, ensuring their safety and protecting them from revenge attacks. In 2023, the Company did not receive any whistleblowing reports.

Category of Code of Conduct/ Number of Valid Cases	2020	2021	2022	2023
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

Explanation of the Principles of Punishment and the Zero-Tolerance Policy

According to Qisda' s Code of Conduct, we will take on a zero-tolerance policy when dealing with any violations of the code and investigate whistleblowing reports in a timely manner. Depending on the severity of the circumstances, the employee concerned may receive verbal admonitions or warnings in writing. For more severe violations, employees can be dismissed in accordance to local laws and the employment contract. They will also be punished and asked for reparations as dictated by law.

- 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 is yet to be any non-compliances with the requirements of our Code of Conduct.



Legal Compliance

Qisda's operating bases are located 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 and anti-harassment, environmental protection, health and safety, fire protection, intellectual property right protection, anti-insider trading, anti-competition, human rights protection, etc. In order to ensure internal regulations adhere to changes in policy, a control system has been set up. Relevant dedicated units implement the compliance according to laws and regulations, and review legal changes to correspondingly adjust or arrange new communication and training on internal legal compliance. It thereby supports the departments to perform their duties in accordance to the law, and takes auditing measures to make sure that the performance of duties is in line with relevant requirements.

All the employees of Qisda must participate in the communication and training on legal compliance escalating our business performance through interdepartmental collaboration. Internally, we ask our employees to maintain ethical integrity in an active manner, and improve occupational health and safety by providing a safe, healthy and pollution-free work environment. In terms of the entire product life cycle, we proactively reduce the use of environment-related substances, not only abiding by environmental regulations but also constantly mitigating our impact on the environment. Meanwhile, we carry out our internal anti-trust law compliance plans through education and training for new hires, newsletters, online training courses, and dissemination posters. In 2023, 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 responsibilities regarding personal data protection. Qisda did not have any significant violations or fines in 2023*

* Definition of a significant violation: Any single incident that results in (1) a fine of more than NT\$2 million or (2) restrictions imposed by the government or a regulatory agency or public institution on the activities or operations of the organization. Non-significant violations: Due to insufficient records of employee work hours, the company was fined in 2022 (fines range from NT\$20,000 to 300,000). Qisda has improved their attendance system since the violation, and has not had any further violations in 2023.

Operational Performance

Financial Performance

In 2023, as the global economy has yet to fully recover and customers have adjusted their inventories, Qisda's consolidated revenue was NT\$203.6 billion, which was NT\$36.2 billion less than that of the previous year. The consolidated operating profit totaled NT\$5 billion, and the consolidated post-tax profit was NT\$4.5 billion; the net profit attributed to the owners of the parent was NT\$3 billion, and the EPS after tax was NT\$1.51.

The following table details Qisda's operational performances in the past four years. This information has been disclosed in the financial highlights section in the Company's annual report and consolidated entities covered in the Company's consolidated financial statements have been disclosed in our 2023 financial statements. According to laws and regulations,

2023 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 company in Taiwan	75.4 billion	
B. Economic Value Distribution			
b	Operating cost	71.8 billion	
c	Employee compensation and welfare	3.4 billion	Employment expenses
d	Payment of interests or allocation of dividends	4.48 billion	Net amount of interest expense of NT\$550 million; dividends of NT\$3.93 billion allocated to the shareholders
e	Tax	140 million	Income tax
f	Investment in communities	N/A	
Economic Value Retained=A-b			
Total economic value retained		-4.4 billion	

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 2023, Qisda's companies and the plant in China received a tax credit of NT\$120 million as per laws and regulations.

Qisda's Operational Performances in the Past Four Years *

Unit: NT\$ million

Item \ Year	2020	2021	2022	2023
Operating revenue	191,702	225,961	239,837	203,595
Gross operating profit	26,827	32,557	34,561	33,076
Operating profit (loss)	6,613	7,361	5,852	5,011

Tax Governance

The Company implements tax governance and executes regular trading principles pursuant to the letter and spirit of local tax laws of the countries where our operating bases are located. The tax policy is approved by the Chairman. The Company does not engage in radical tax planning or participate in tax avoidance schemes that lack legitimate business purposes. Additionally, we refrain from utilizing tax havens or secrecy jurisdictions for tax avoidance activities. 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 and the financial department of each major subsidiary is responsible for the tax governance of their respective companies. All the significant transactions and decisions of the Company are planned pursuant to local tax laws and agreements, and whether regular transactions meet local tax laws is verified regularly at each operating base. If the competent taxation authority has questions about any transactions of the Company or significant subsidiary, the tax department of the

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

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

Disclosure of Tax Information in Recent Two Years

Unit: NT\$ thousand

Item \ Year	2022	2023	Average tax rate in global electronics industry
Earnings before Tax	16,623,301	6,319,740	
Reported Taxes	5,544,231	1,803,661	
Effective tax rate (%)	33.35%	28.54%	22.5
Cash Taxes Paid	2,308,616	5,404,706	
Cash tax rate (%)	14.69%	85.52%	24.35

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

Description: The effective tax rate of the Group in 2022 and 2023 were higher than the average tax rate in the global electronics industry. The 2022 cash tax rate was lower than the average tax rate in global electronics industry, because Qisda and its subsidiaries applied for relevant investment credits for the deduction or exemption of other taxes payable under the Statute for Industrial Innovation and applied for appropriate tax preferences and subsidies based on the business type of each company. The 2023 cash tax rate was higher than the average tax rate in global electronics industry, because the income tax expense on the disposal of overseas subsidiaries in 2022 was paid in 2023.

Risk Management

Since 2005, Qisda has formulated 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, management goals are set and performance indicators are routinely followed up on. Furthermore, risks that are likely to have negative influence on our operating goals are regularly identified, assessed, handled, reported, and monitored every year. By implementing 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 and the risk management mechanism is incorporated into the routine operations.

Corporate Risk Management

Risk Management Policies and Governance Structure

Qisda has established risk management policies and procedures that have been approved by the Board of Directors as the highest guiding principle of the Company’s risk management. The Board of Directors, serving as the top decision-making unit for the Company’ s risk management, plays a role in ensuring our operational strategies are consistent with the risk management policies, overseeing the operation of the risk management mechanism and verifying its effectiveness. We have five independent directors specializing in 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, and ensures that the risk management mechanism and resource allocation can constitute an effective response to the risks we face. The Audit Committee also reports to the Board on the implementation of risk management on a regular basis.

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 effectively identify, assess, handle, report and monitor the significant risks that can impact our business survivability in a timely manner, and raise the employees’ awareness of risks.
- Instead of having “zero” risks, our goal is to optimize risk management costs by achieving the greatest profit under the acceptable risks.

Risk Governance Structure



Risk Management Structure and Procedures

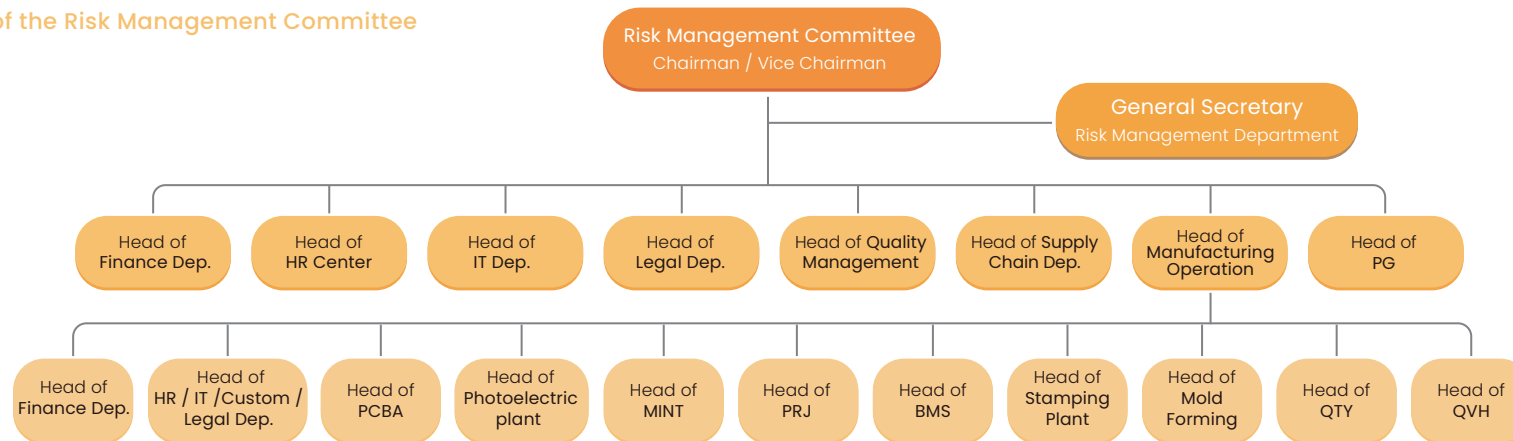
In June 2005, Qisda established the inter-departmental Risk Management Committee (RMC) to pursue the Company's goal of sustainable development and operation through consistent risk management based on four categories: strategy, finance, operation, and damage. With the President serving as the committee chair, the Sustainability & Risk 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, and sets annual targets and risk performance indicators of Qisda, incorporating the risk management mechanism into the routine operations.

Qisda has established three lines of defense for risk management. First, each operating unit implements risk control in daily work. For example, the procurement, sales, and factory units work together to regularly monitor inventory levels and hold review meetings to reduce excess inventory or avoid the impact of material shortage on production and shipment. In addition, according to the emergency notification management regulations, when the severity of an accident reaches a predetermined standard, a notification and contact procedure shall be implemented to reduce the occurrence of the accident or prevent it from worsening. As the second line of defense, the Risk Management Committee analyzes the annual Top 3 risk items according to the procedure, identifies the factors of each risk item, sets Key Risk Indicators (KRIs) and their contents, and regularly collects and monitors change in KRI values to achieve the



risk warning function. The last line of defense is annual internal audits. The Audit Office draws up an annual audit plan with reference to the annual RMC Top 3 risk items and the material risks identified every year. It performs relevant audits on a regular basis and conducts an overall internal control assessment every year to ensure that the control guidelines are implemented within monitoring coverage of the daily operation. The Audit Committee conducts risk governance, reviews the effectiveness of risk management, and regularly reports the implementation of risk management to the Board of Directors. In addition, annual external audits are conducted to reduce operational risks, such as the quality management unit ISO9001/ISO13485/QC08000. Simultaneously, we plan to complete the ISO 31000 external verification in 2025.

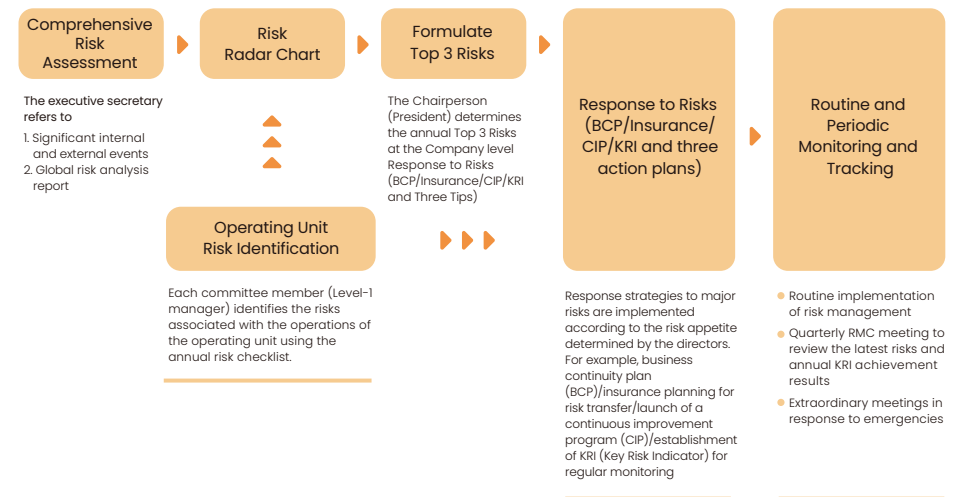
Organization of the Risk Management Committee



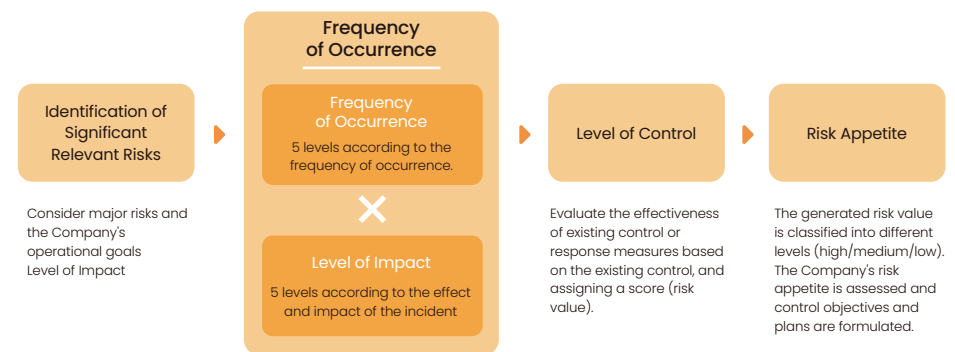
In addition, The Sustainability & Risk Officer is appointed to be the executive secretary of risk management to identify potential risks based on internal and external matters, prepare risk radar charts, arrange risk management meetings, conduct quarterly follow-ups to the risk targets, stay on top of the implementation of improvement plans, and facilitate interdepartmental communication. The operations of the Risk Management Committee are 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.

The Risk Management Committee meets quarterly; extraordinary meetings may be held if any matters of concern arise. The Committee conducts a comprehensive assessment and analysis every year. It refers to the global risk reports of domestic and foreign professional institutions and focuses on climate-related, human rights, nature-related, and biodiversity risk issues. Simultaneously, the Committee considers the impact on the Company's operations to determine the annual Top 3 risk items at the Company level. Each committee member performs risk identification (frequency of impact, scope of impact) and formulates risk countermeasures (degree of control) for relevant issues within the unit using the annual risk checklist to identify material risks. It takes comprehensive consideration of risk items that have a greater impact on the Company's operations and conducts risk responses, such as the business continuity plan (BCP)/insurance planning for risk transfer/the launch of a continuous improvement program (CIP). The Committee establishes quantifiable Key Risk Indicators (KRIs), considers significant internal and external events occurring in the past, assesses their impacts on the Company based on risk topics of different natures, and determines the risk appetite. The results are reviewed at the RMC meeting upon approval of the Board of Directors. Also, the Committee reviews significant issues, legal changes, abnormal incidents, etc., occurring both locally and abroad in the meetings to propose effective countermeasures and thus ensure that the organizational goals can be achieved. In the case of COVID-19, for example, it is estimated at the meeting that production capacity will be seriously impacted when over 30% of employees on the production line test positive for COVID-19, in turn impacting the shipment and sales for the month. For this reason, the risk appetite will be set so that the numbers of employees contracting COVID-19 and taking time off does not exceed 30%. At the same time, three action plans are formulated as countermeasures and strategies. A total of 10 Risk Management Committee meetings were convened in 2023, including 4 regular meetings and 6 extraordinary meetings. (These were convened individually at overseas operation locations).

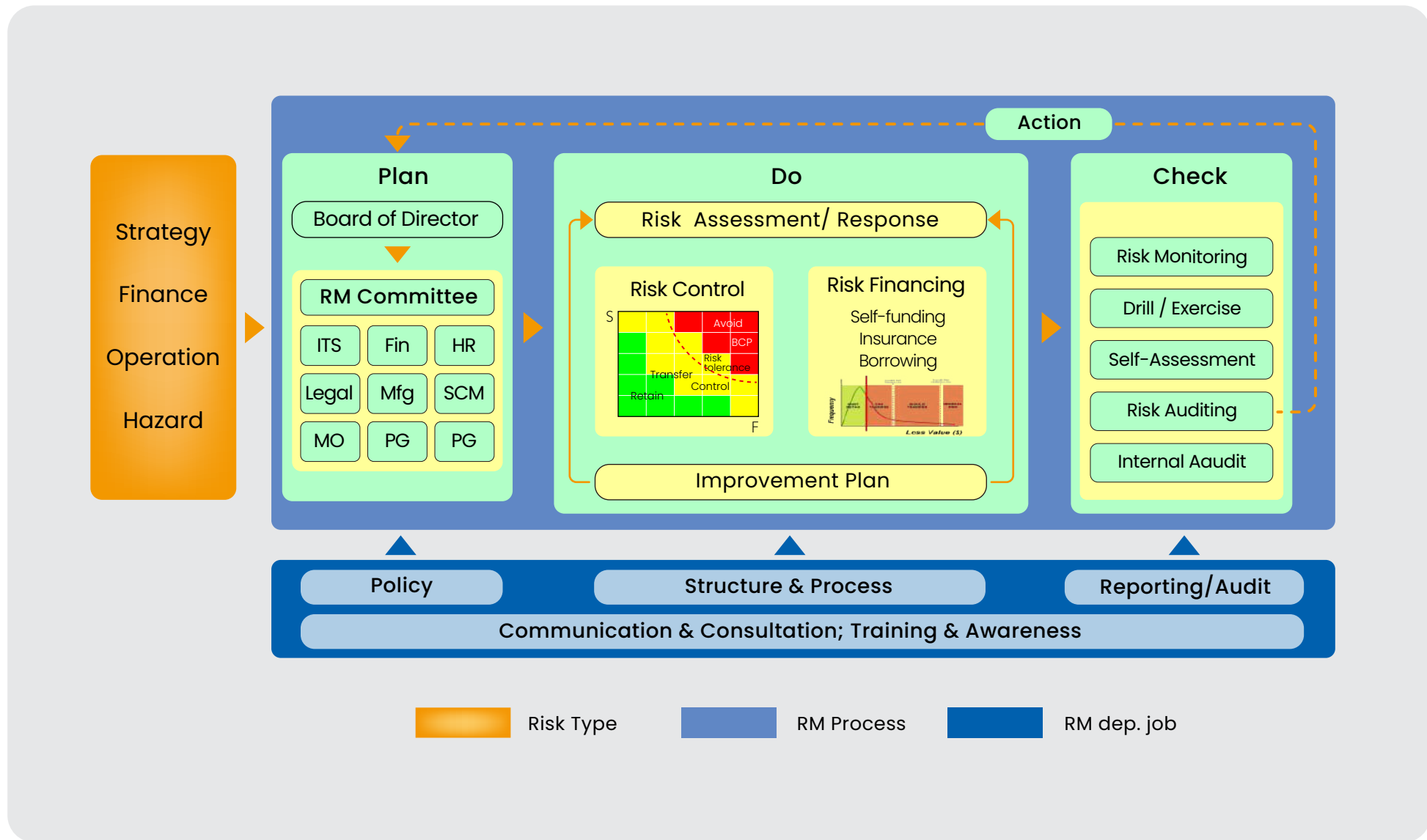
Risk Control Process



Risk Appetite Determination Process



Risk management structure



Risk Management Structure and Procedures

Risk Category	Focus	Sensitivity Analysis	Stress Testing	Countermeasures
Non-financial Aspect	Risk of business interruption due to significant statutory notifiable diseases	Percentage of infected employees	90% of the production capacity of Qisda is in China. In light of government regulations, such as the zero-COVID policy, which may impact the Company's operations, the RMC continues to pay attention to the epidemic through weekly and extraordinary meetings, thus maintaining the Company's operations and production capacity.	<p>If the weekly number of confirmed cases exceeds 30%, it may affect the normal production and shipment.</p> <p>Procurement of sufficient pandemic prevention supplies; taking self-tests to slow the spread risk of COVID-19; implementation of various pandemic prevention measures. RMC holds temporary or weekly pandemic prevention meetings to monitor and respond accordingly.</p> <ol style="list-style-type: none"> 1. Prohibit visits to other sites or floors for conversation purposes (telephone/video conferences were used to facilitate communication 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. Prohibition of unnecessary visit; negative COVID-19 certificate required for necessary visit.
Financial Aspect	Bad debt/credit risks	Quick collection of accounts receivables to reduce the risk of bad debt	Inability to obtain sufficient credit insurance limit from customers, which affects shipments, or unable to receive payment on time, which has a negative impact on sales.	<p>If the bad debt ratio is higher than 0.06%, the Company's irrecoverable accounts receivables will increase, which will directly reduce the Company's net profit and affect the financial health, credit rating, borrowing cost, and financing ability. In addition, the bad debt ratio higher than what is expected may cause investors to worry about the Company's future profitability.</p> <ol style="list-style-type: none"> 1. Arrange credit insurance to diversify risks. 2. To monitor and reduce risks, annual KRIs and three tips are determined at the RMC meeting, and follow-ups and reviews are conducted at the quarterly RMC meeting: <ul style="list-style-type: none"> • New customers cannot obtain the insurance limit and need to provide other guarantees or advance receipts before shipment. • The insurance limit is insufficient due to an increase in the transaction volume of the existing customer. It is necessary to obtain the insurance limit, and the shipments are carefully assessed based on the type of customer and the payment status. • The existing customer does not have sufficient insurance limit because the insurance company adjusts down the limit, and it is required to control the shipment within the insurance limit, or the customer shall be requested to pay the receivables that have insufficient insurance coverage earlier.

Qisda has established risk management mechanisms at different levels based on the severity (sensitivity) of non-financial and financial impacts. Non-financial impacts cover employee health and safety, environmental safety and health regulations, and the Company's reputation; Non-financial impacts cover the risks of significant accidents and disasters, labor disputes, information security, and equipment abnormalities. Once risks of different levels occur, in addition to the established contingency plans, emergencies are reported through the RMC organizational structure. The senior executives make top-down decisions and relevant execution units carry out damage and disaster reduction actions to minimize negative impacts. For example, in 2023, in response to the emergencies such as the Russian-Ukrainian war, the Israeli-Palestinian conflict, and the Panama Canal drought, the sales and procurement units investigated the impact these events had on upstream and downstream supply chains and responded immediately to ensure that the shipment, incoming material, and production were safe. In the face of the ever-changing environment and world situation, global emergent and unexpected challenges are frequent. After sensitivity assessment, we adjust risk management measures and improve response capabilities for possible material risks to the organization to ensure the sustainable operation of the Company.

Risk Identification Results

In 2023, Qisda's Risk Management Committee identified 34 key risks with the risk radar chart and the risk checklist, and set key risk indicators that could be quantified. Categories include:

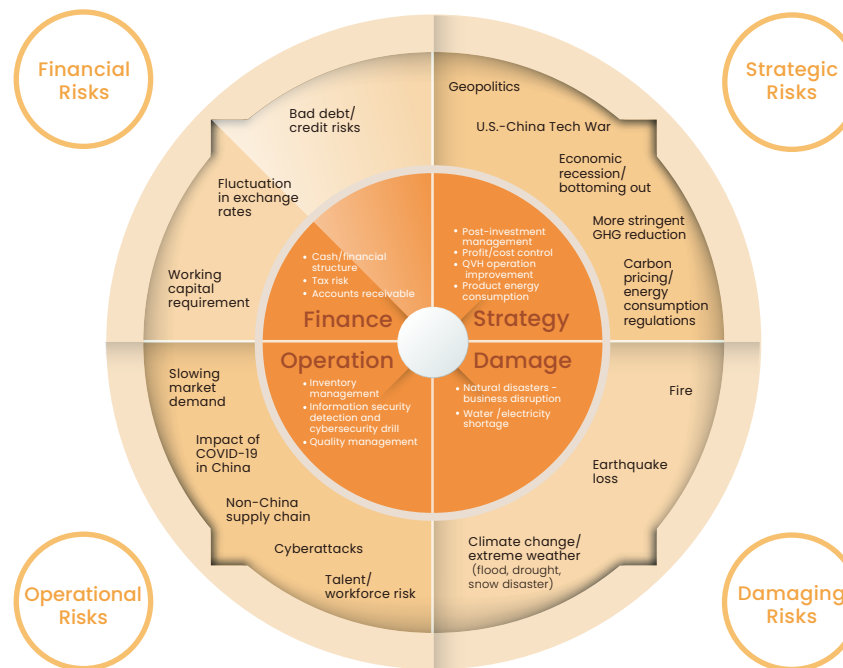
- Finance:** The risk of increase in the financial debt ratio (syndicated loans) must be < 100%;
- Management:** Compliance with climate change regulations in various countries and the requirements of new green product regulations, control of costs, and prevention of significant impacts to the shipment of products.

In addition to the major global risk of climate change, there are also risks such as geopolitics, the Israeli-Palestinian conflict tense US-China relations, and exchange rate fluctuations. These indirectly cause supply chain disruption, demand decline, and inventory increase, bringing significant impacts on corporate operations. Each unit has set control objectives and contingency guidelines in an effort to minimize the impact on the Company's operations.

Due to the slowdown in global demand for electronic products and the impact of international inflation, the KRI Accuracy Rate in 2023 decreased to* 82%. KRI items that do not meet the standards continue to be controlled by the Risk Management Committee in 2024 to strengthen contingency plans and reduce the impact on the Company's operations.

* The formula for calculating the KRI accuracy rate is the number of KRI items that meet the target in the current year divided by the total number of items in the current year x 100%. In 2023, there were a total of 34 KRIs, of which 28 reached the goals. As such, the accuracy rate was calculated to be 82%.

Qisda's 2023 Risk Radar Chart for Risk Identification



2023 Top 3 Risk

- Strategic risks**
For example
 - Declining demand
 - Profit/cost control
 - Ramp up speed of QVH operation
- Operational risks**
For example
 - Impact of COVID-19 in China
 - Information security risk/detection and cybersecurity drill
 - Quality Risk
- Financial risks**
For example
 - Accounts receivable
 - Tax risk
 - Financial structure

Business Continuity Management System (BCMS)

In accordance with the framework of ISO 31000 risk management principles and guidelines, Qisda assesses the potential impact of various risks on corporate operations to implement corporate governance, achieve sustainability goals, and protect stakeholder rights. The Company's risk management framework and business continuity management system are based on three major approaches, namely: identification and prevention before an accident, loss control and mitigation during the accident, and recovery and transfer after the accident. The Risk Management Committee defines the significant risks, simulates risk scenarios, and assesses the impacts of these risks on the organization's operations. Business continuity plans (BCP) are developed based on the risk scenarios, and updates of risk scenarios and drills are continually carried out to ensure that the organization can keep working through disruptions that may impact the Company's operations. This ensures the impact of risks can be mitigated when risks occur and operations can return to normal as soon as possible.

In addition, the Company's Business Continuity Management System (BCM) takes reference from the ISO 22301 guidelines to formulate BCPs in response to material risk scenarios. We identify and control risks before an accident occurs, limit losses when an accident occurs, and quickly resume the provision of products and services after an incident occurs. The scope covers information, procurement, factory, and human resources, such as ISO27000, ISO28000, ISO45001, ISO14001, and SA8000. Furthermore, we have set up a joint defense mechanism centered around Qisda and covering more than 170 companies thereunder, integrating the loss prevention resources of the Group and enhancing their emergency response capabilities through discussions on projects at regular meetings, information integration, and sharing of practical experience, in order to reach the target of risk control. In 2023, the Qisda Group convened 6 regular meetings in total, making emergency responses, business continuity plans, CSR/ESG, and education on risk management culture accessible to employees of companies under the Group through a platform. Via educational training and practical drills, the Group has developed rapid crisis response and handling capabilities. The mechanism of sharing resources, information, and experience has enabled the Group and the companies to have robust prevention and management measures in place before the risk events happen as well, reducing the occurrence 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 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 cope 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' risk awareness 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 as quickly as possible. All the BCPs are described in "Crisis Management Manual" and act as guidelines for the Company when incidents of significant impact occur.

In the event of a global outbreak of COVID-19, the Risk Management Committee has convened multiple extraordinary meetings from February 2020 to March 2023 to closely monitor the global pandemic and prevent it from affecting corporate operations. We also followed the policies of the CECC and adjusted the Company's response instructions in a timely and active manner. Our employees, except for those on the production lines and

in 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 direct contact among employees with partitions in meeting rooms and the 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 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. At the beginning of 2023, the Company continued to monitor the number of confirmed cases of COVID-19 to prevent the number of confirmed cases from exceeding 30% at the same time consequently affecting production and shipment. This was set as the KRI target for the factories. In addition to the quarterly RMC review, an extraordinary meeting at the Group level was convened for monitoring purposes. We have actively implemented epidemic prevention and control to reduce the spread of the infection, effectively controlling the infection rate to under 10%. During the three-year period, all units of the Company acted in line with the pandemic prevention measures to ensure the sustainable operation of the Company.

In addition, in response to the expansion of the mass production scale of the Vietnam Plant, the implementation of the operation continuity plan was completed in 2023 to further identify the risks in the organization, establish a BCP team, provide relevant training for members, allocate corresponding resources, and implement fire safety management. Fire drills were conducted to strengthen the operational resilience after the disaster and minimize the impact.

Risk Culture

To secure Qisda' s corporate culture of risk management, the Company has incorporated various risk management indicators into the daily management performance, and included Qisda Top 3 risks in KPIs for measurement. For example

1. Revenue and profit are one of the important strategies for risk control. Therefore, each department sets revenue and profit as a KPI target accounting for 60% of the overall performance to ensure that the Company's overall operating performance meets the target.

2. To control the Company's information security, the IT department has set operational disaster recovery as a KPI to avoid operational risks and ensure that the operating system can be restored within 6 hours after a system attack.

As for general employees, the ability to identify and respond to risks is also included in the behavioral standards section of their performance evaluation. All employees are subject to the performance evaluation once every six months, and the performance bonus is paid with reference to the achievement of their KPIs.

Further, we provide risk-related education and training on a regular basis. In 2023, online and on-site education and training on the culture of risk management was delivered to all 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 7,621 employees in the Company, and their online training hours totaled 7,621 hours; 100% of employees attended this training. 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 understand and respond to the needs of the employees.

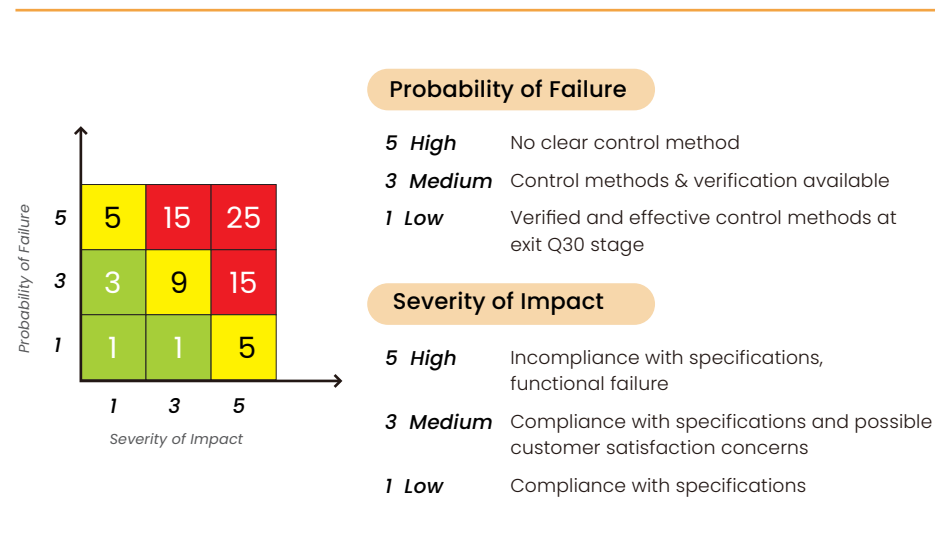
Qisda’s products undergo risk management assessment during the process of design; this will be recorded in the documents of design. The engineers also have to measure the risk impact in relation to each requirement for engineering change, if any. In the future, we will continue to enhance the employees’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

In addition, regarding the GDPR, we regularly invite consultants to give courses every quarter to share the most recent developments in international privacy laws and regulations. We also invite each unit to put forward the incidents encountered at work for discussion, in order to strengthen and clarify concepts for the employees and thereby reduce the risk of violation noncompliance. Qisda must follow the seven major stages of the internal “New Product Development Procedure” during the product development process (conception, planning, design, trial production, engineering trial, trial production, and mass production) to control the design change factors in the product development process and ensure product quality. Risk is incorporated into the development process and the NUDD Checklist (New, Unique,

Difference, Difficult) is used to identify high, medium, and low risks in product design to effectively control and reduce risks. For some specific products, risk management assessment reports and risk management files are prepared during the planning stage. The risk management reports and risk review records cover the contents of the risk management plan, intended use, hazard identification, risk analysis, risk control, residual risk assessment, and post-production information. (Note: Qisda internal rule QTY0-0B-007 “New Product Development Procedure” ; Qisda internal rule QTY0-0B-008 “Q System Technical Data Management Procedure” , Document Nos. Q10-108 Risk Management File & Q20-208 Risk Management File & Q20-208 Management Report)

Long-term Emerging Risks

Qisda’s Risk Management Committee has identified the long-term material risk issues in Q4 2023, among which emerging risks regarding information security and extreme weather events were analyzed and countermeasures were taken as followed:



Risk Category
Operational risk
Risk Item
There are various methods of cyberattacks, and emerging technologies such as AI are used to exacerbate the complexity and damage of such attacks.
Description of Risk
As artificial intelligence (AI) and machine learning (ML) technologies mature, hackers leverage new technologies to optimize their operation modes, increase the speed and power of attacks, and expand the impact of the information security incidents.

Impact on the Operations

1. The cyberattack caused interruption of the Company's operating system, making production and shipment impossible.
2. Risk of data theft and breach
3. Risk of impairment of goodwill

Countermeasures

Monitoring is performed through third-party cyber security risk management systems, such as Security Scorecard; information security system risk analysis is performed consistently.

Formulate corporate information security policies in accordance with the ISO 27001 international information security standard, pay attention to laws and regulations, conduct annual risk self-assessments, and implement control and solutions for high-risk issues.

Introduce a vulnerability scanning mechanism to scan the vulnerabilities of each system at least once every two weeks to ensure the security of the Company's systems.

Regularly perform system restoration drills and back up data to a remote location every day.

Require third-party service providers to sign contracts and comply with confidentiality and network security regulations.

Regularly organize information security online education courses and email social engineering drills for all employees to enhance their information security awareness and incorporate this into daily operations.

Risk Category

Strategic risk

Risk Item

With the advent of flexible work mode and diverse job options, it may be challenging to recruit and retain suitable talent and workforce.

Description of Risk

The sudden and unstable global situation has shifted production centers and transformed values, causing a labor supply-demand imbalance. Workers now prioritize work-life balance, freedom, and flexibility. With intensifying tech competition, the Company is actively transforming, increasing the demand for key talents. The Company faces rising labor costs and the need for new talents.

Impact on the Operations

Impact on business operations:

- The Company's future development and product design must be implemented and developed by outstanding key talents to create competitiveness. Without key talent, no company can compete.
- Insufficient labor productivity makes it impossible to fulfill orders. This will reduce the Company's revenue.

Countermeasures

Construct a friendly work environment and a comprehensive wage and welfare system to create a happy workplace.

Improve employee's capabilities and plan learning in all aspects. This includes strengthening relevant knowledge and skills, such as the trend of AI transformation.

To solve the manpower gap, we promote the digital transformation plan to introduce artificial intelligence and automation into the production line. We also encourage the application of RPA (robotic process automation) to solve the problem of the declining labor force.

Encourage employees to perform job rotation, which not only facilitates employee growth, but also achieves talent retention and makes the organization stronger.

Optimize the recruitment process, attract suitable talents more effectively, and quickly respond to market change. For example, through industry-academia collaboration and campus recruitment, we help new employees get to know the Company and join the team earlier.

The corporate culture emphasizes teamwork, respect, and diversity, and we actively demonstrate a positive company image. We adhere to the principle of sustainable management.

Information and Privacy Security

Information and Privacy Security

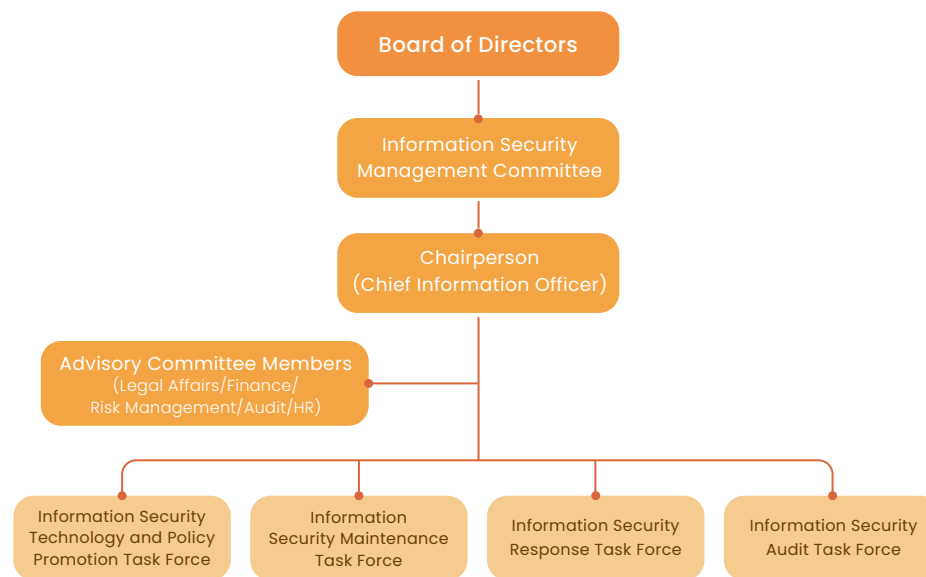
To protect the confidentiality, integrity, availability, and legality of IT assets from intentional or accidental threats posed internally or externally, and to ensure the business continuity of the Company, we have developed the corporate information security policy in accordance with ISO 27001, the international information security standard, and passed and obtained the ISO 27001 certification in August 2020; the certificate was renewed upon expiration after passing the reexamination in July 2023. The certified scope covers 100% of Qisda's operations and key systems. Conversion to the ISO 27001:2022 version is expected to be carried out in 2024.



Link to our information security policy: <http://portal/pdf/%E8%B3%87%E8%A8%8A%E5%AE%89%E5%85%A8%E6%94%BF%E7%AD%96.pdf>

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 chair (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 management performance, information security issues, and directions to the Board/Audit Committee at least once a year. Reporting for 2023 was completed in November.

Organizational Structure of Information Security Governance



The Company's independent director, Allen Fan, graduated from National Taiwan University with the bachelor's degree in electrical engineering, and was formerly an executive in an industry related to information security, such as the President of Microsoft Taiwan and the Vice President of HP. Another independent director, Jyuo-Min Shyu, graduated from UC Berkeley with the doctoral degree in electrical engineering and computer sciences, and has formerly played a role in deciding the national information security regulations and development as the Minister of Science and Technology of ROC. These two independent directors provide guidance and suggestions with regard to the Company's information security policy based on their relevant experience.

Information Security Risk Management

To reduce information security risks, Qisda acts in accordance with the information security policy, ensuring a good information security management mechanism through multiple approaches such as implementing operations management and other key measures for data protection, as well as raising awareness of data 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 every two weeks, so that our system safety is guaranteed and no sensitive information will be leaked due to system vulnerabilities. Also, we arrange a system recovery drill every year and make remote backups of ERP data every day.

For the information security management of suppliers, the cyber security risk management system, SecurityScorecard, has been adopted to analyze ten major risk categories, including cyber security, robustness of the network naming scheme, 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 an overall SecurityScorecard score of 95 or above (out of 100; the average score in the industry is 85); the score has been maintained at 95 in the past three years.

The following important projects related to information security were introduced or implemented in 2023:

1. SOC (Security Operations Center): Integrate and manage cyber security information in different circumstances, conduct emergency response to information security incidents in accordance with the control mechanism, and integrate and analyze security incidents to ensure information security.

2. Red team drills: Perform the drill at least once every six months to help the Company discover vulnerabilities in information security and verify detection and response capabilities, so as to continuously strengthen and improve the Company's information security protection capabilities.
3. PAM (Privileged Access Management): Access security policy for privileged accounts, used to control, supervise, protect, and audit privileged identities and activities in the enterprise IT environment.

With the establishment of the information security management system (ISMS), Qisda has developed and periodically reviewed relevant indicators based on the information security policy, and continues to enhance the Company's information security control mechanism, reducing information security risks through the PDCA system.

Information Security Policy Measurement Indicators

<p>Information Security Control on the Internet</p> <ul style="list-style-type: none"> • Check the user accounts of the production operating systems • Perform spot checks on settings concerning system security of the production systems and PCs (incl. laptops, public computers, workstations, and file hosts) • Review and check the firewall rules 	<p>Data Access Control</p> <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 made within the scheduled period • Retain the records of personnel entering and leaving the computer rooms and give appropriate authorization
<p>Response and Recovery Mechanism</p> <ul style="list-style-type: none"> • Assess the risks, and put forward and implement an improvement plan within one month • 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 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 	<p>Audit and Dissemination</p> <ul style="list-style-type: none"> • Review the 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

Raising Awareness of Information Security Protection

As part of Qisda's information security management system, we conduct annual reviews of each regulation, evaluating and making relevant adjustments to our internal information security regulations to ensure compliance with local laws. The relevant information is then disseminated to the employees. We also request that our suppliers observe regulations regarding non-disclosure and cyber security when entering into agreements with third-party service providers. Aside from the basic information security-related training

received by newcomers, we also aim to lower the risk of employees accidentally clicking on malicious emails by regularly holding social engineering drills over email, and providing educational training for related information security knowledge regarding the sending and receiving of emails. In 2023, all the employees passed the email social engineering drill. 2,038 employees took part in online information security education and professional information security courses, amounting to a total of 2,217 training hours. With such arrangements, we improve the employees' awareness of information security, and ensure that the concept of information security is integrated in daily operations.

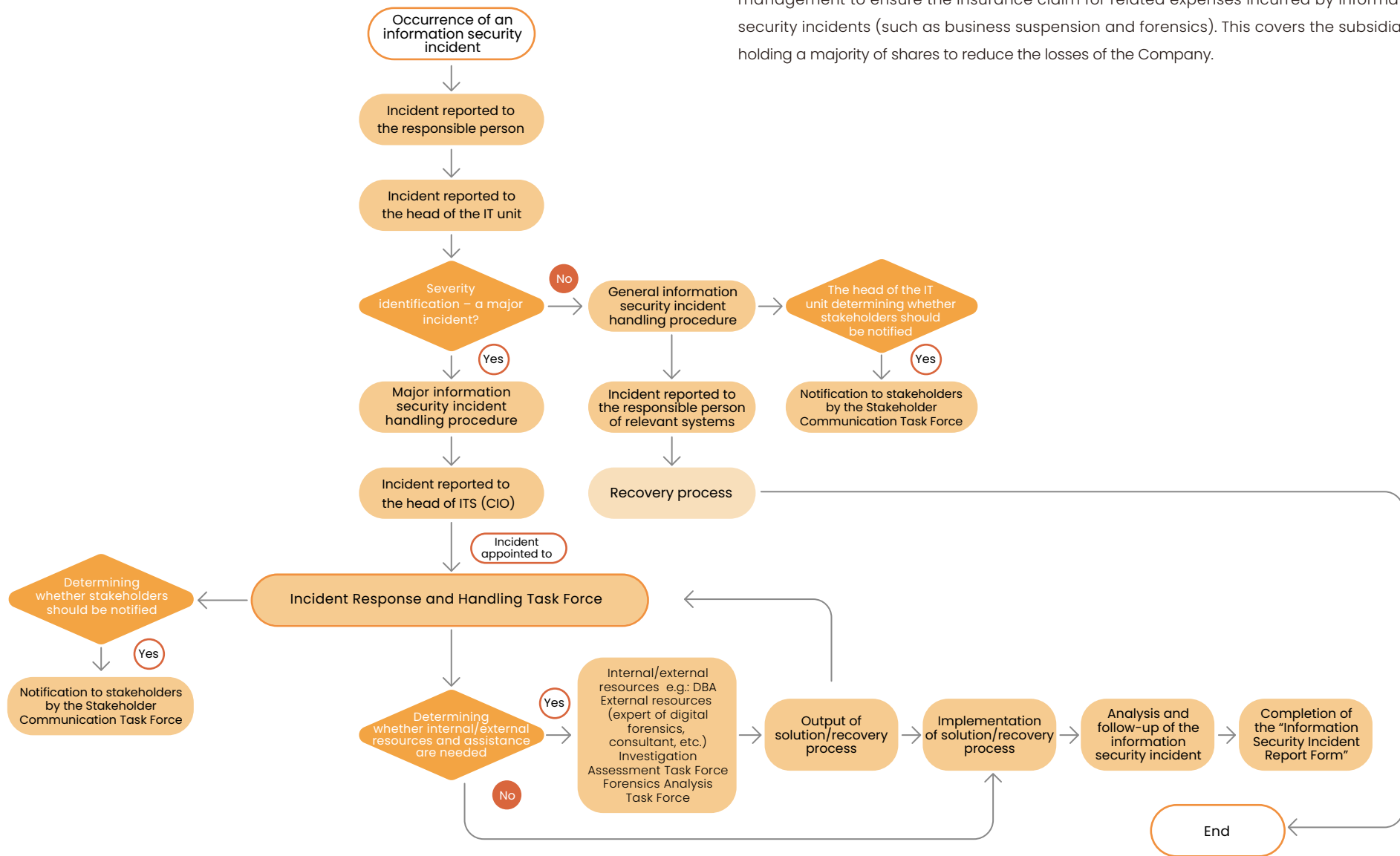


2023 Training	Course Name	Target (Department and Category)	Number	Hours	Coverage
Information Security Officer	[BSI] NIST CSF Cybersecurity Framework Lead Auditor training	Information Security Department - Information Security Officer	1	40	100%
	[ECIH] EC-Council Certified Incident Handler Course	Information Security Department - Information Security Supervisor	1	24	100%
	[SSCP] SSCP Systems Security Certified Practitioner Course	Information Security Department - Information Security Supervisor	1	40	100%
	[CISSP] CISSP Certified Information Systems Security Professional Course	Information Security Department - Information Security Supervisor	1	40	100%
	[CCISO] EC-Council CCISO Certified Chief Information Security Officer Course	Information Security Department - Information Security Supervisor	1	40	100%
General Staff	Major Information Security Incidents, Information Security Awareness Outreach, Social Engineering Security, Ransomware, Information Security Trends 2023	All	2033	1	100%

Information Security Reporting and Handling Process

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 ISMS, Qisda has enhanced the SOP and organized a series of drills to improve the emergency response process. We will continue to conduct simulations 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 2023.

Information Security Incident	No. of Cases in 2023	Goal for 2024
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

IT operation continuity plan

The purpose of disaster recovery is to restore the system to a normal or acceptable operating level quickly using the disaster recovery mechanism when a natural disaster, human negligence, or malicious damage brings about damage to the information system. This will ensure the sustainable operation and operation continuity of the organization.


Qisda developed a unified operation continuity plan in 2021 so that all systems use a standardized plan format. We also began to implement the operational continuity plan twice a year for critical systems and once a year for non-critical systems, and recorded the process to verify the feasibility of the plan and procedure. Internal information security audit items and regular progress tracking have been incorporated in the plan.

Privacy Protection

Qisda values and strives to protect privacy and personal data. Referencing to local laws and regulations related to privacy protection at each operating location along with the EU "General Data Protection Regulation (GDPR)," we have established privacy policies to protect all personal data. We also required the subsidiaries, joint ventures, suppliers, contractors, external consultancies and subcontractors to comply with the policies in the hopes of protecting the rights of the personal data owner.

For private information collected and used for business needs, Qisda has set specific criteria relating to data collection/management of collected data/reasons for use and scope of personal data, as well as restrictions for sharing, cross-border transfer, a data protection system and the data retention period to make sure that personal data and the right to privacy is protected. At the same time, we include the right to privacy in the scope of risk management. The Risk Management Committee implements monitoring and management based on the policy of risk management, and controls risks by including the overall system in the scope of internal control. If there are any questions about the privacy policy, please direct it to the specified responsible unit. To protect the rights of a personal data owner, or if there are any opinions or questions related to the right to privacy, please file the complaint or report by calling (03) 359- 8800, faxing to (03) 359- 9000, or emailing to Grace.Wu@qisda.com.

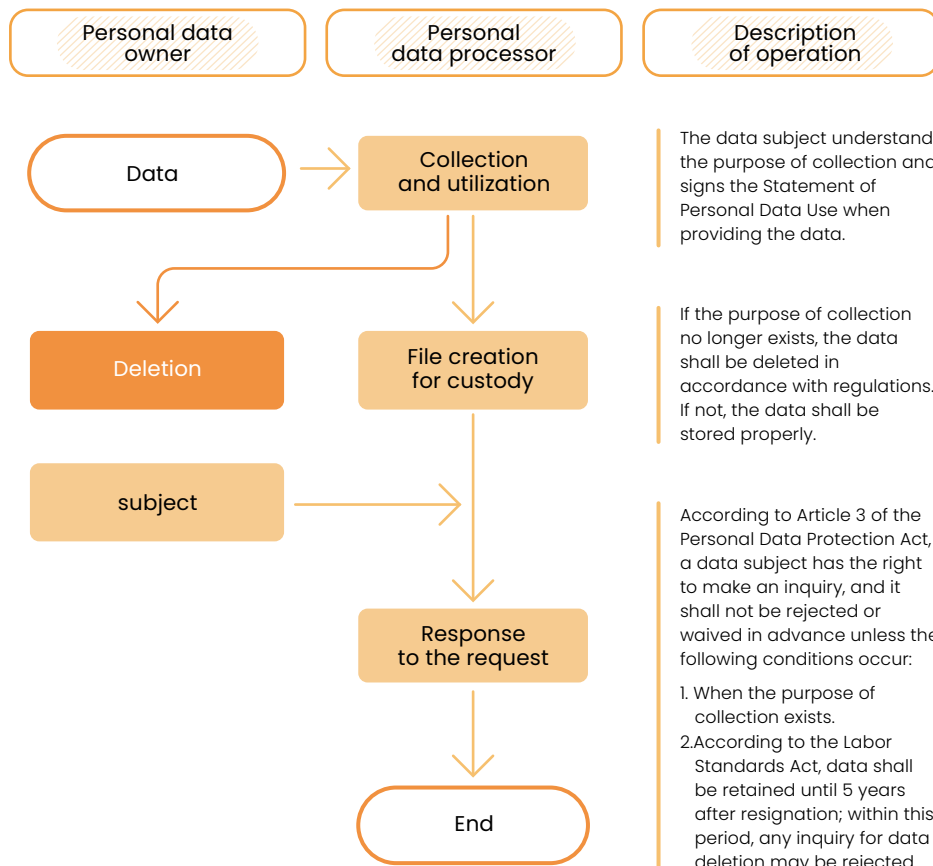
In 2023, Qisda provided two courses about the right to privacy with the titles of (1) Personal Data Protection Act and (2) GDPR_Manual for Personal Data Protection and Management respectively. Every worker had to participate in the courses, which were also an essential part of training for new employees. Taking 2023 as an example, there were 122 new employees and the total privacy training time was 122 hours.

 Number of complaints about personal data leaks	2020	2021	2022	2023
	External agency	0	0	0
Customer reflection	0	0	0	0

To ensure the effectiveness of current management methods, we regularly verify whether there are any incidents of data loss occurring each year. Should there be any, we will launch a full-range review. In 2023, no complaints were received due to the occurrence of incidents related to data loss or leak. We only utilize the collected data within the scope where it is necessary and do not use the personal data twice.

Process of Personal Data Processing and Reporting

Personal Data Processing Flowchart

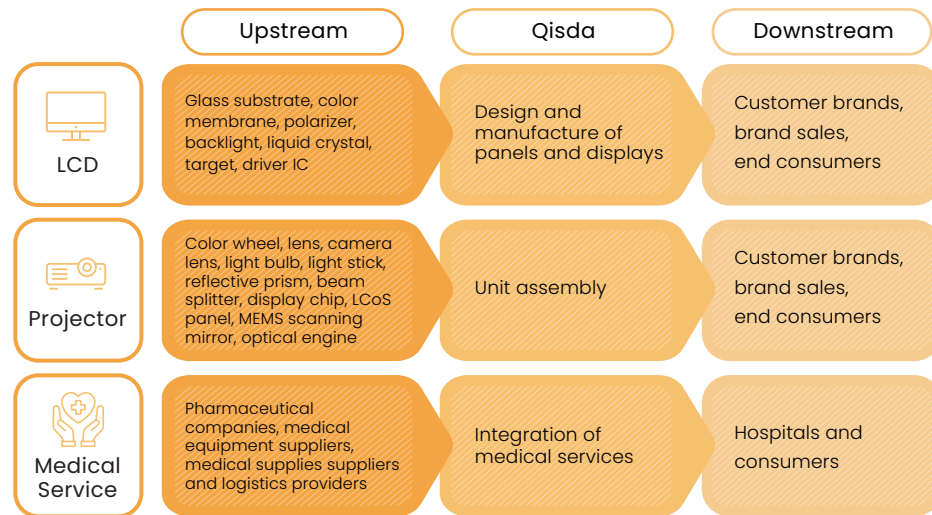


Sustainable Supply Chain Management

Based on the premise of closely interconnected global industries and the desire to meet customer demands, suppliers have become Qisda's most crucial partners. As the head of the Grand Fleet, Qisda bears the responsibility for leading the supply chain towards a sustainable future. Therefore, we have established a systematic sustainability management mechanism for the supply chain. Internally, we raise the level of supply chain management and improve the management process; externally, we stimulate the suppliers' sustainability actions and performance to create mutual benefits and co-prosperity in the industrial chain together. We are committed to move alongside the suppliers towards the vision of "Bringing Enjoyment 'N Quality to Life."

As an ODM/OEM, Qisda provides services for electronic products, such as consumer electronics, commercial electronics, industrial and medical electronics, and those related to daily application. We focus on three aspects as our main business: LCDs, projectors, and medical services. Upstream mainly refers to the suppliers of different types of parts, components and equipment, while downstream mainly refers to customer brands and end consumers.

Qisda Industry Chain



Overview of Supply Chain

The headquarters of Qisda is located in Taiwan. Our suppliers are located all around the world, including Taiwan, Japan, China/Hong Kong, Singapore, South Korea, Malaysia and Vietnam. Overall, we had 986 suppliers in 2023. With a selection mechanism (removing the customers and spot dealers with a transaction amount of less than NT\$1 million), there are finally 703 Tier 1 suppliers. We categorize our suppliers based on the different products they provide: panels, electronics components, mechanical parts, packaging materials, and consumables. We selected a total of 328 significant first-tier suppliers of 2023 with conditions related to significant suppliers. Also, investigating general situation of non-first-tier suppliers to properly manage sustainability risk in the supply chain. In 2022, we controlled the conditions of a total of 127 non-first-tier suppliers.

- **Supplier:** Referring to product-selling suppliers.
- **Definition of a significant suppliers:** A significant suppliers is a single supplier that provides key materials, is ranked top 95% in terms of procurement amount, and leads in technologies. Customers, spot dealers and suppliers with a transaction amount of less than NT\$1 million are not included.
- **Definition of a high-risk supplier:** We perform risk assessment on the suppliers based on four major aspects: "sustainability action," "labor," health and safety" and "environment." High-risk suppliers are then identified according to the comprehensive assessment

Overview of Tier 1 Suppliers in 2023 (Region)

Asian countries	China	Taiwan	Japan	Others	Subtotal
Number of suppliers	521	127	17	26	691
American countries	USA	Canada		Others	Subtotal
Number of suppliers	3	1		0	4
European countries	Germany	Italy	Switzerland	Others	Subtotal
Number of suppliers	4	2	1	1	8
Total					703

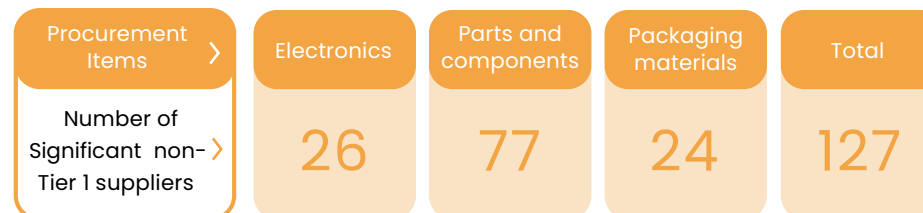
Overview of Significant Non-Tier 1 Suppliers in 2023 (Region)

Asian countries	China	Taiwan	Japan	Malaysia	Singapore	Subtotal
Number of suppliers	109	17	0	0	0	126
European countries	Germany					Subtotal
Number of suppliers	1					1
Total						127

Number of Tier 1 Suppliers and Proportion of Proportion of Procurement in 2023

Product	Asia	Europe	America	Subtotal
Panel				
Number of Tier 1 suppliers	22	0	1	23
Number of Significant Tier 1 suppliers	16	0	1	17
Percentage of Significant Tier 1 suppliers (%)	2.28%	0.00%	0.14%	2.42%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	9.84%	0%	0.01%	9.85%
Electronics				
Number of Tier 1 suppliers	208	4	3	215
Number of Significant Tier 1 suppliers	103	1	3	107
Percentage of Significant Tier 1 suppliers (%)	14.65%	0.14%	0.43%	15.22%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	30.34%	0.02%	3.76%	34.13%
Parts and components				
Number of Tier 1 suppliers	375	3	0	378
Number of Significant Tier 1 suppliers	173	1	0	174
Percentage of Significant Tier 1 suppliers (%)	24.61%	0.14%	0.00%	24.75%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	41.95%	0.06%	0%	42.01%

Type and Number of Critical Non-Tier 1 Suppliers in 2023 (Product)

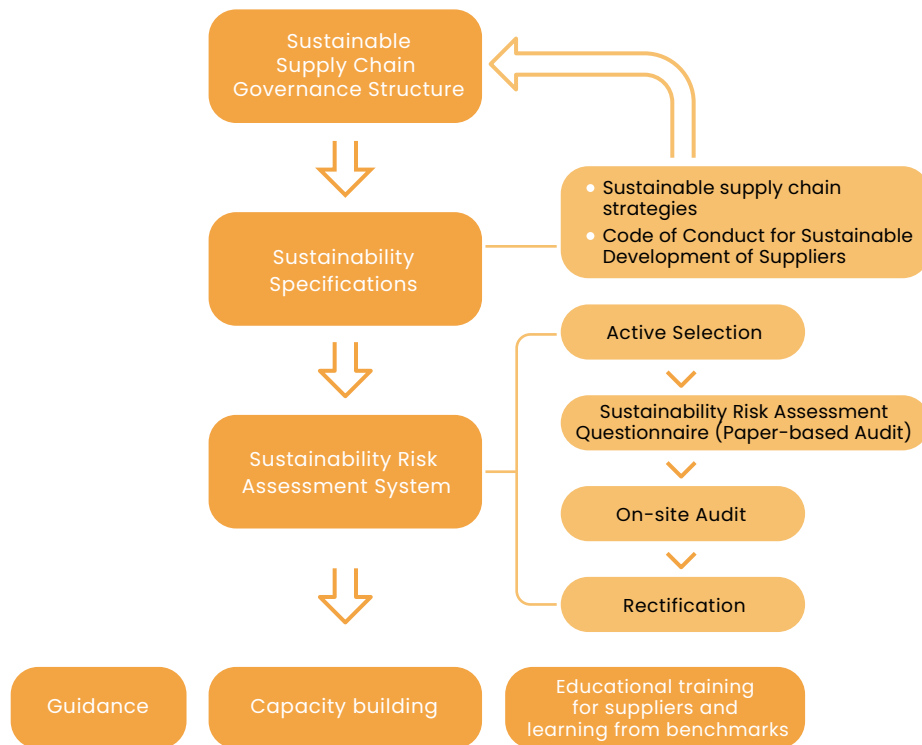


Product	Asia	Europe	America	Subtotal
Packaging materials				
Number of Tier 1 suppliers	54	0	0	54
Number of Significant Tier 1 suppliers	21	0	0	21
Percentage of Significant Tier 1 suppliers (%)	2.99%	0.00%	0.00%	2.99%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	5.81%	0%	0%	5.81%
Consumables				
Number of Tier 1 suppliers	32	0	1	33
Number of Significant Tier 1 suppliers	9	0	0	9
Percentage of Significant Tier 1 suppliers (%)	1.28%	0.00%	0.00%	1.28%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	0.64%	0%	0%	0.64%
Total				
Number of Tier 1 suppliers	691	7	5	703
Number of Significant Tier 1 suppliers	322	2	4	328
Percentage of Significant Tier 1 suppliers (%)	45.80%	0.28%	0.57%	46.66%
Percentage of Significant Tier 1 suppliers in procurement amount (%)	88.59%	0.08%	3.77%	92.44%

Framework for Sustainable Supply Chain Management

Qisda has a framework for sustainable supply chain management. First, we explicitly notify the suppliers about the sustainability specifications and require them to ensure compliance with relevant requirements. Second, we assess sustainability risks in different aspects through the sustainability risk assessment system for suppliers, and review the risks that the supply chain faces. Finally, we address and rectify the identified issues. In addition to enhancing important strategies for the future development of Qisda and the industry, we give guidance to supply chain to build capacity with relevant information, hoping that we can progress alongside the suppliers and move forward towards a sustainable future.

Framework for Sustainable Supply Chain Management



Governance Structure

Qisda continues to focus on the development and management of the supply chain. Not only do we report the daily management performance in the quarterly ESG Committee meeting, but the Chief Sustainability Officer also reports the implementation results and performance of the sustainable supply chain to the Board of Directors annually. Simultaneously, the Board of Directors guide and make decisions for the development of the sustainable supply chain to make sure that the management of the sustainable supply chain complies with the Company's sustainability strategies.

Organizational and Management Structure of the ESG Committee



Supplier Sustainability Management Process

Qisda has initiated a four-stage supply chain sustainability management process to implement the sustainable supply chain strategy. We conduct supplier guidance and capacity-building programs to ensure that suppliers meet our standards and requirements. Additionally, we have established a reward and elimination mechanism directly linked to suppliers' sustainability performance to enhance their overall compliance and improvement. By incorporating ESG-related indicators into regular evaluations, we have been creating a virtuous cycle in supplier chain management.

Compliance with Sustainability Standards

Suppliers must understand and follow the “Corporation Code of Conduct for Sustainable Development of Suppliers” and complete signing of the “Code of Conduct for Sustainable Development of Suppliers”

ESG Risk Investigation

- **Proactive screening:** Qisda has established evaluation criteria for new suppliers and proactively screens suppliers to reduce potential risks. Our assessment factors include ESG, operational-related factors, country of location, industry-related, and product-related risk factors to ensure the stability and sustainability of the supply chain.
- **Independent risk assessment:** The Company conducts a self-assessment of risks through the “Supplier Sustainability Risk Assessment Questionnaire(SAQ)” to further identify high-risk suppliers.

Sustainability Audit Assessment and Validation

- **Paper-based Audits:** We send the “Supplier Sustainability Risk Assessment Questionnaire (SAQ)” and require suppliers to complete it and submit relevant supporting materials to complete the paper risk assessment.

The SAQ covers four main aspects: “sustainability action” , “labor” , health and safety” and “environment.”

- **On-site audit:** To confirm the status of supplier risks, we plan to confirm the risks with four methods such as paper-based audit, on-site second-party audit, on-site third-party audit and assessment based on industry relevant standards to further control the suppliers’ sustainability risks
- **Sustainable supply chain strategy:** As the highest guideline for Qisda’s sustainable actions, our strategies not only cover quality, speed, innovation/technical, delivery, and cost, but also include corporate sustainability (ESG). We continue striving for the overall sustainable value of the supply chain.

Guidance and Rectification

- **Deficiency Management:** Regarding deficiencies identified during audits, suppliers are required to create corrective action plans within a specified timeframe. Additionally, we offer improvement suggestions and guidance for prompt resolution.
- **Supplier capacity building:** Qisda implements supplier capability improvement projects to enable suppliers to continuously improve their sustainability capabilities. We collaborate on each project for more than half a year and invest relevant resources in the hope of advancing in the sustainability performance of our suppliers through these efforts.
- **Reward and elimination mechanism:** Through relevant evaluation mechanisms, Qisda identifies suppliers with outstanding sustainability performance and increases the procurement proportion from these suppliers. Moreover, we give them a priority for adopting new products. We eliminate suppliers with disappointing performance to promote overall progress and growth of the entire industry chain.

Qisda’ s Training for Internal Personnel

Qisda requires all procurement staff to undergo sustainability-related education and training each year, including courses on understanding the RBA Code of Conduct and SA8000 Social Accountability Standards, ethics training, educational training for intellectual property management and specifications, information security, health and safety, and risk management. These courses enable the procurement staff continue improving the professional capabilities that sustainability information requires, and further apply these to sustainable supply chain management. Our purpose is to ensure that the procurement staff are able to put their skills to good use in the process of supplier selection, regular evaluation, sustainability risk assessments, high-risk supplier identification, audits, guidance and improvement.

With respect to the aforementioned sustainability-related education and training courses, there were a total of 1,397 procurement staff who should participate in the training in 2023, all of whom had completed the courses, meaning that 100% of the procurement staff were covered in the training. The total training hours reached 1,147.5 hours.

Sustainability Specifications

Sustainable Supply Chain Strategies

In order to steadily move towards the net zero goal by 2050, Qisda firmly believes in the

importance of promoting sustainable supply chain management. Therefore, Qisda has formulated a set of sustainable supply chain strategies related to quality, speed, innovation/technical, delivery, and cost, aiming to amplify the overall sustainable value of the supply chain.

Code of Conduct for Sustainable Development of Suppliers

With reference to relevant international specifications and initiatives including the RBA Code of Conduct, SA8000 social accountability standards, the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the Ten Principles of the UN Global Compact, Qisda has established the “Code of Conduct for Sustainable Development of Suppliers” that includes labor, health and safety, environment, ethics and management systems. In terms of environmental management, we have also established and published Commitment to No-Deforestation and Biodiversity to lessen impact on the environment. We require that all suppliers understand and obey the content of the “Code of Conduct for Sustainable Development of Suppliers” . Also, we take the suppliers’ implementation status into consideration of procurement decisions. In 2023, the signing rate of the Code of Conduct for Sustainable Development of Suppliers was 99.7%. Simultaneously, Qisda requires the suppliers to develop their own specifications/Code of Conduct regarding sustainability and communicates our requirements to upstream supply chain for ensuring the sustainability across our value chain.

Aspects of Qisda’s “Corporation Code of Conduct for Sustainable Development of Suppliers”

Labor	Health and Safety	Environment	Ethics	Management System
<ul style="list-style-type: none"> ○ Human rights risk ○ Freedom to choose an occupation ○ Child labor and Young workers ○ Working hours ○ Wages and Benefits ○ Humane Treatment ○ Non-discrimination/Non-harassment ○ Freedom of Association and Collective Bargaining ○ Layoff 	<ul style="list-style-type: none"> ○ Occupational safety and industrial hygiene ○ Emergency Preparedness ○ Occupational Injury and Illness ○ Physically Demanding Work and Machine Safeguarding ○ Sanitation, Food and Housing ○ Communication and Grievance 	<ul style="list-style-type: none"> ○ Permits and Reporting ○ Pollution Prevention and Resource Reduction ○ Hazardous Substance ○ Solid Waste and Air Emissions ○ Water Management ○ Material Restrictions ○ Energy Consumption and Greenhouse Gas Emissions ○ Biodiversity 	<ul style="list-style-type: none"> ○ Business Integrity ○ No Improper Advantage ○ Disclosure of Information ○ Intellectual Property ○ Fair Business,Advertising and Competition ○ Whistleblower protection ○ Responsible Sourcing of Minerals ○ Information Security and Privacy 	<ul style="list-style-type: none"> ○ Commitment,Accountability and Responsibility ○ Risk Management and Improvement Objectives ○ Training, Communication and Grievance ○ Assessments, Corrective Action, Documentation and Records ○ Supplier Responsibility

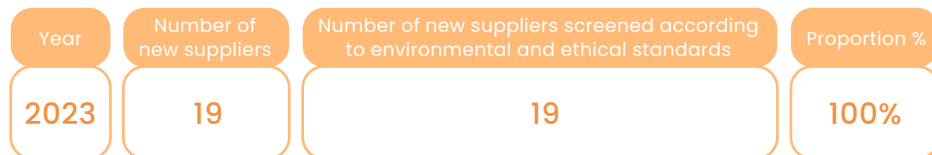
Sustainability Risk Assessment System

Proactive Screening

We appreciate that supplier sustainability performances may indirectly affect Qisda's reputation and even bring potential risks. Therefore, we have established evaluation criteria for new suppliers and proactively screens suppliers to reduce potential risks. Our assessment factors include ESG, operations-related factors, country of location, industry-related, and product-related risk factors. When significant international events occur, we also conduct investigation and assessment on affected regions, industries and supply sources to secure the stability and sustainability of the supply chain.

Item	Content
Environmental	Carbon footprint investigation, investigation of five persistent, bio-accumulative and toxic (PBT) chemicals under the US Toxic Substances Control Act (TSCA), ISO 14001 or relevant environmental management procedures
Social	Human rights and ethics, labor rights
Governance	Education and training on financial status, operational competitive edge, and occupational safety and health.
Operation related	Basic data, product information, major customers, production and equipment status, investment, and product planning
Country of location	Status of the supply (whether affected or not) in the located region, conflicts between countries (military coup related problems), local policy constraints, natural disasters and epidemic
Industry of location	RBA Code of Conduct assessment, sustainability risk assessment, parts and components suppliers, human resources agency, on-site service providers
Product of location	procurement fee, supply category, no legal documents related to restriction of hazardous substances, conflict mineral investigation

Furthermore, we use environmental and social standards to screen new suppliers. In 2023, we recognized a total of 19 new suppliers and all of them were screened according to environmental and social standards.



Sustainability Risk Assessment Questionnaire (Paper-based Audit)

In order to continuously control the conditions of sustainability risks in the supply chain, we continue to distribute the Supplier Sustainability Risk Assessment Questionnaire (SAQ) to first-tier and non-first-tier suppliers and require them to fill out the questionnaire with submitting relevant evidence to complete independent risk assessment. We hope to identify and manage high-risk suppliers by collecting the SAQ and relevant written information. The SAQ covers four main aspects: "sustainability action" , "labor" , "health and safety" and "environment" with a total of 58 questions. In 2023, a total of 455 questionnaires were distributed to significant suppliers (including first-tier and non-first-tier suppliers), and 455 questionnaires were responded with a 100 % response rate.

2023 "Supplier Sustainability Risk Questionnaire" Survey Overview

significant Tier 1 Supplier	Number of suppliers investigated	328
	Number of suppliers completed	328
	Completion rate (%)	100%
Number of significant non-Tier 1 suppliers	Number of suppliers investigated	127
	Number of suppliers completed	127
	Completion rate (%)	100%

On-site Audit

To confirm the status of supplier risks, we created four ways of risk identification, including paper-based audit, on-site second-party audit, on-site third-party audit and assessment based on industry relevant standards to further control the suppliers' sustainability risks. In 2023, we primarily conducted paper-based audit, on-site second-party audit, and industry standards (such as the RBAVAP) to evaluate supplier sustainability.

Audit method	Description
Paper-based audit	Assessing the risk status of suppliers based on the response data of the "Supplier Sustainability Risk Assessment Questionnaire" .
On-site second-party audit	On-site supplier audits conducted by Qisda or other appointed consultants.
On-site third-party audit	On-site audits conducted by an independent third-party verification institution
Industry standards	Conducting paper-based audits or on-site audits according to industry or regulations

In 2023, we completed the "Supplier Sustainability Risk Assessment Questionnaire" survey of 703 suppliers, including 328 significant first-tier suppliers and 47 high-risk suppliers. Qisda completed the first-tier high-risk supplier sustainability audit of 46 high-risk suppliers (one supplier did not act for the survey). Based on the sustainability audit results of first-tier high-risk suppliers, the statistics on deficiencies in four main aspects (sustainability action, labor, health and safety, and environment) are divided into Major Non-Conformance and Minor Non-Conformance. During the audit, no major non-conformance was found among the first-tier high-risk suppliers. Most of the minor non-conformances were related to the sustainability, accounting for 42.1% of the total non-conformances, followed by the non-conformance of 22.8% in terms of the labor, 19.3% of health and safety, and 15.8% of the environment.

Statistics of Non-conformance in Audits for Tier 1 Suppliers in 2023

	Sustainability action	Labor	Health and safety	Environment
Percentage of major non-conformance	0%	0%	0%	0%
Percentage of minor non-conformance	42.1%	22.8%	19.3%	15.8%

Non-Conformance and Corrective Plan Regarding deficiencies identified during audits, suppliers are required to create corrective action plans within a specified timeframe. Additionally, we offer improvement suggestions and guidance for prompt resolution. In 2023, Qisda gave guidance to 46 first-tier high-risk suppliers for rectifying non-conformances.

Non-conformance Improvement Actions for Supplier Audits in 2023

Aspect	Topic	Corrective Action
Sustainability action	Transparency	Plan and write a sustainability report
	Anti-corruption related policies/code of conduct	Amend or update relevant policies and procedures
	Information Security	Amend or update relevant policies and procedures
	Operational risk management	Establish an emergency response plan
	Sustainable Supply Chain Management	Expand supplier investigation items; amend or update relevant policies and procedures
	Responsible procurement	Establish a due diligence system
Labor	Human Rights Risk Assessment	Establish a human rights risk assessment system
	Human rights policy	Formulate human rights policies; implement regular education and training.
	Working hours management and communication channels	Amend or update relevant policies and procedures; establish corresponding communication channels
Health and safety	Occupational Health and Safety Management System	Amend or update relevant policies and procedures
	System management	Establish corresponding communication channels
	On-site operations management	Conduct statistics on occupational injuries and diseases; enforce the wearing of personal protective equipment; strengthen education and training.
Environment	Environmental management system	Regularly maintain the permit documents required for operational activities
	Energy	Assess the use of renewable energy.
	Hazardous substances	Amend or update relevant policies and procedures
	Water resources	Establish wastewater management procedures
	Waste	Implement waste recycling; entrust registered waste disposal contractors to dispose of waste.

Guiding Our Suppliers Toward Sustainability

Educational Training for Suppliers

In line with our commitments along with the goal of collaborating with the alliance and reducing carbon with the supply chain partners, the BenQ Qisda Group has specially established the “Workshop for ESG Sustainability Action” Through the BenQ Foundation’s platform, we hire professional lecturers to open educational training and courses which start with GHG inventory. We have arranged 18 sessions of online educational training courses on ISO 14064-1 with 6 hours for each session in 2023 for all suppliers to participate. By the end of 2023, the training on GHG inventory has attracted 696 suppliers, thereby enhancing their capabilities of inventorying GHG emissions. We help the suppliers set up carbon reduction targets, manage energy effectively and implement actions for carbon reduction in the hope of facilitating our movement towards the goals of energy saving and carbon reduction, working together to make the world better.

Benchmark Learning of Suppliers

During the Meeting for reducing carbon emissions together, Qisda invited chairpersons of benchmark suppliers, which were “major panel manufacturers” , to share their extensive practical experiences in energy saving and carbon reduction, including:

- 1. Green design:** Adding green elements in the stages of raw material sourcing, manufacturing, design and recycling.
- 2. Organization promoting:** Processes and ideas of long-term deployment such as the establishment of the CSR committee in 2013 and the Sustainability Headquarters and appointment of the Chief Sustainability Officer in 2018.
- 3. Green business opportunities:** Subsidiaries’ actual performance in transforming crises into opportunities. For example, the subsidiary that specializes in wastewater recovery begins to conduct carbon inventory and management for other companies while AI relevant digital technologies are used to help companies improve manufacturing processes and efficiency, further achieving energy saving and carbon reduction.

By inviting benchmark suppliers to share their excellent performance and experiences, Qisda enable all suppliers continue learning and growing together.

Suppliers' Capacity Building

To facilitate continuous growth of suppliers in sustainability, Qisda has implemented supplier capability improvement projects. Each project lasts for more than half a year and involves the investment of relevant resources, in the hope of improving the sustainability performance of our suppliers through these efforts.

Project Timeline and Operation	Capacity Building
<p>Name of Capacity Building Project</p> <p>Supplier’s Capability of Carbon Inventory</p> <p>Relevant educational training, guidance and communication has been implemented since July 2022, aiming to cultivate the suppliers’ capability to perform GHG inventory. During this period, Qisda’s project leader has helped confirm the GHG emissions inventory results of each supplier in 2021, and assisted the suppliers in planning the GHG inventory and third-party verification schedules for 2023. This is to accompany the suppliers during relevant processes and establish their capabilities for future needs.</p>	<p>Assistance for three suppliers in capacity building in terms of GHG inventory</p>
<p>Name of Capacity Building Project</p> <p>Continuous Improvement Program</p> <p>In the first half and second half of the year 2023, we assisted suppliers in the 6-month Continuous Improvement Program (CIP program). Qisda and suppliers worked together to analyze the causes of problems, formulate improvement strategies, implement improvement measures, and evaluate the benefits of projects. These actions not only optimize Qisda’s existing practices, but also enhance the problem-solving capabilities of suppliers.</p>	<p>A total of 24 suppliers (12 suppliers in the first half of 2023 and another 12 in the second half) have participated in the process improvement, such as advancing operational efficiency, improving product design, and enhancing customer satisfaction with products.</p>

Supplier Reward and Elimination Mechanism

Qisda has built a supplier rewarding and elimination system to encourage suppliers to move towards sustainable development. Through related evaluation mechanisms, Qisda identifies suppliers with exceptional sustainability performance and increases the procurement proportion from these suppliers. Moreover, we give them a priority for adopting new products. We eliminate suppliers with disappointing performance to promote overall progress and growth of the entire industry chain.

Evaluation mechanism:

Dimensions of evaluation: quality, innovation/technology, speed/response, delivery, cost leadership, and ESG. Serving to select and manage the suppliers, this mechanism has 5 levels ranging from A (over 90 points) to E (lower than 60 points). ESG relevant factors include sustainability, health, labor, environment and green products, which occupy 11.4% in grading.

Frequency: Twice a Year

Reward Mechanism

Reward measures: According to the evaluation results, excellent suppliers ranked Level A may have a higher proportion in procurement and priority in the adoption of new products after being confirmed by the review team.

Elimination Mechanism

For the suppliers rated Level D or below, we not only reduce their proportion in procurement depending on the situation, but also require them to devise improvement plans and perform stricter incoming inspections. The elimination mechanism is as follows:

- The suppliers rated Level D (or below) twice in a row will be required to undergo the supplier selection and management operation again at the discussion meeting of the evaluation. Based on the results, discussions over whether the suppliers shall be disqualified for future collaborations with Qisda will be made.
- The suppliers rated Level E twice in a row will be disqualified for future collaborations at the discussion meeting of the evaluation.

KPI Goals for Sustainable Supply Chain and the Performance Achievement

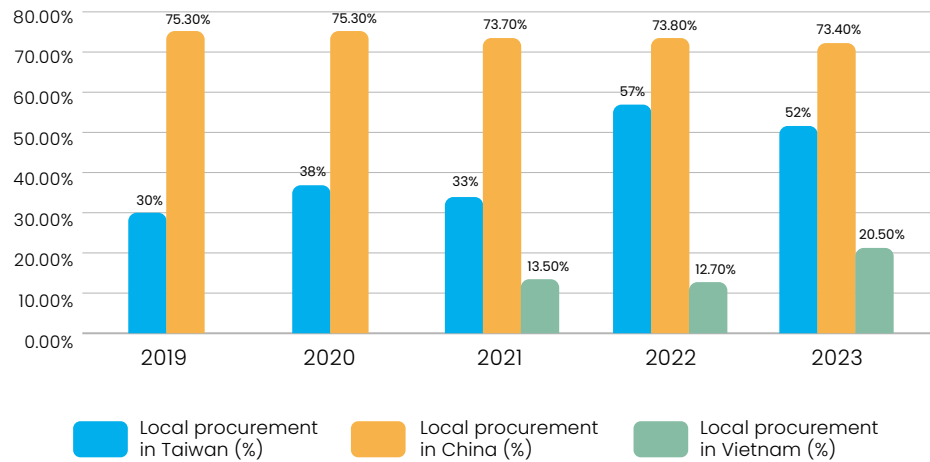
Sustainable Supply Chain KPIs	2023	
	Performance	Goal
Proportion of suppliers surveyed with Supplier Sustainability Risk Questionnaire (%)	100%	95%
Number of suppliers surveyed with the Supplier Sustainability Risk Questionnaire	703	667 suppliers
Audit ratio of significant high-risk suppliers (%)	97%	90%
Significant high-risk supplier audit	46 suppliers	42 suppliers
Guidance on the improvement for audited supplier deficiency	46 suppliers	46 suppliers
Supplier capacity building	24 suppliers	24 suppliers
Percentage of paper survey of new suppliers' behavior in terms of human rights, environment, and labor (%)	100%	100%
Percentage of new suppliers engaged in conflict minerals paper survey (%)	100%	100%

Reasons for significant high-risk suppliers not meeting the audit standards: There was one supplier failed to cooperate in the inspection.

Local procurement

Qisda is committed to the corporate philosophy that "The purpose of business is to create value and contribute to society in a sustainable manner to make a positive impact" . As a leader of conglomerate, we are pledged to improving the resilience of the supply chain and striving for sustainable development together with the entire supply chain to realize the vision of "Bringing Enjoyment ' N Quality to Life" . It is our responsibility to work with suppliers to build a supply chain that respects the environment, human rights, safety, health, and sustainable development. Qisda strives to implement local procurement to establish a closer cooperative relationship with suppliers and improve supply efficiency and support local economic development. Based on the procurement ratio of Qisda in 2023, the local procurement ratio of Qisda in China was 73.4%, the local procurement ratio in Vietnam was 20.5%, and the local procurement ratio in Taiwan was 52.2%.

Local Procurement Percentage (Chart)

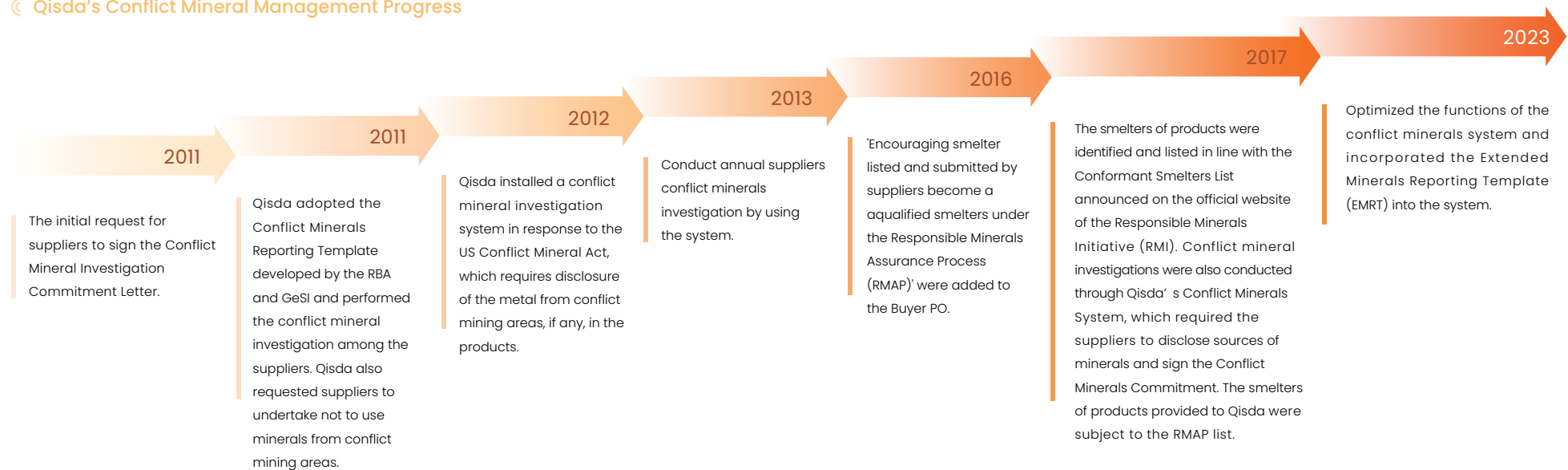


Region	Type of Procurement	2020	2021	2022	2023
Taiwan	Local procurement (%)	38%	32.8%	57%	52.2%
	Non-local procurement (%)	62%	67.2%	43%	47.8%
Mainland China	Local procurement (%)	75.3%	73.7%	73.8%	73.4%
	Non-local procurement (%)	24.7%	26.3%	26.2%	26.6%
Vietnam	Local procurement (%)	N/A	13.5 %	12.7%	20.5%
	Non-local procurement (%)	N/A	86.5%	87.4%	79.5%

Conflict Minerals Management

The armed forces of the Congolese and surrounding countries often use the mining of 3TIG (tantalum, tungsten, tin, and gold) as a source of income, which becomes the capital of the armed forces and causes major bloody conflicts in the region. Since conflict minerals can lead to human rights abuses and environmental damage, if a company producing electronic

Qisda's Conflict Mineral Management Progress

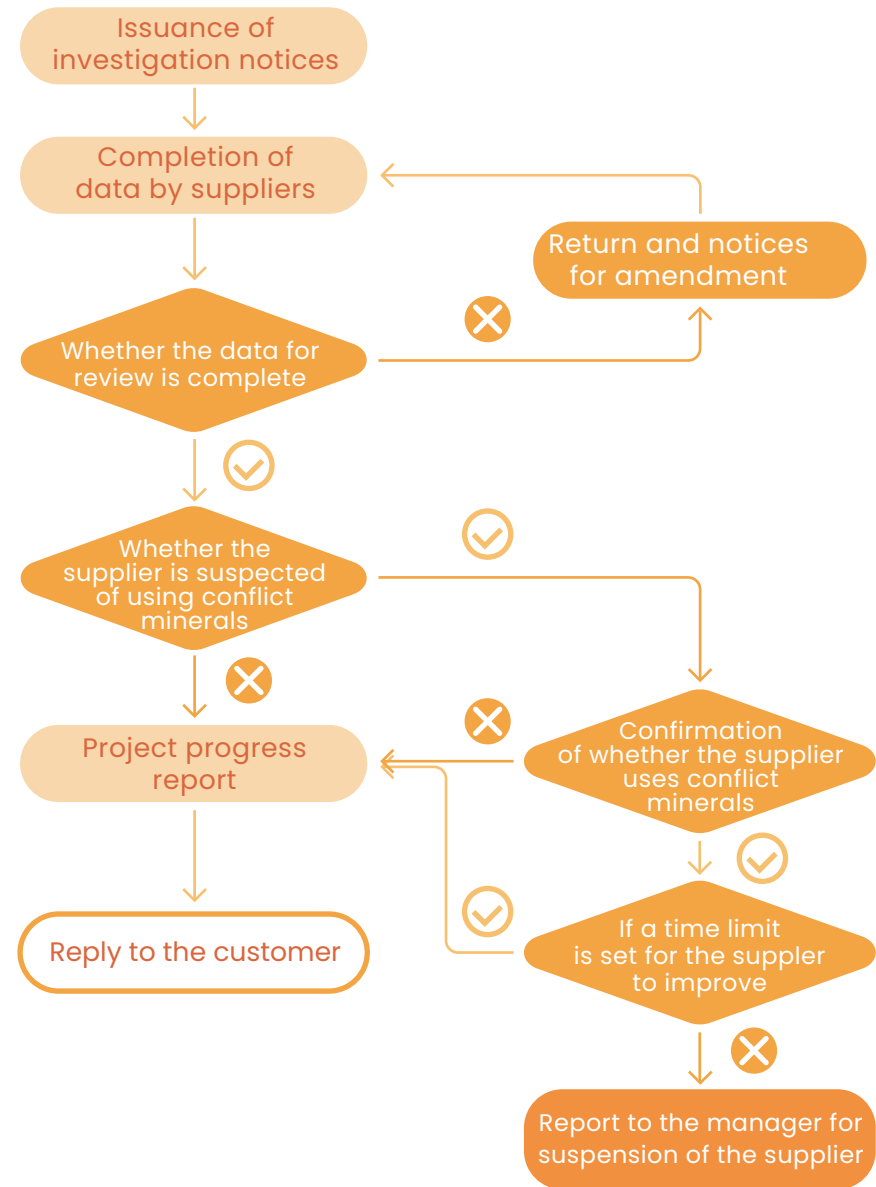


these conflicts. Therefore, the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI) have required their members to implement the responsible procurement procedures to ensure that their metal procurement procedures are in line with social and environmental responsibilities. The "Conflict-free Smelter Program", "Conflict Minerals Reporting Template" and Extended Minerals Reporting Template (EMRT) are developed accordingly. They request their members and suppliers to investigate and disclose the sources of the conflict minerals such as gold (Au), tantalum (Ta), tungsten (W), tin (Sn), cobalt (Co), and mica commonly used in electronic products for the supply chain and avoid using the minerals from conflict regions.

Being a global citizen, Qisda supports the boycott activities of the international society for conflict minerals and establishes the Qisda Conflict Mineral Commitment. In addition, we refer to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas of the Organization for Economic Cooperation and Development and work with the suppliers to perform conflict mineral investigations in order to prevent direct or indirect purchase of the conflict minerals by the suppliers.

We have developed an internal management procedure. After reviewing, we will return the documents to suspected suppliers for confirmation. If a supplier confirms the use of smelters not listed under the Responsible Minerals Assurance Process (RMAP), they are required to submit an implementation plan and will be informed of relevant risks. In 2023, a total of 336 suppliers were investigated. By signing the Code of Conduct for Sustainable Development of Suppliers, we ensure compliance with the OECD's relevant requirements for conflict minerals. In 2023, the proportion of suppliers signing the Code of Conduct for Sustainable Development of Suppliers was approximately 99.7%.

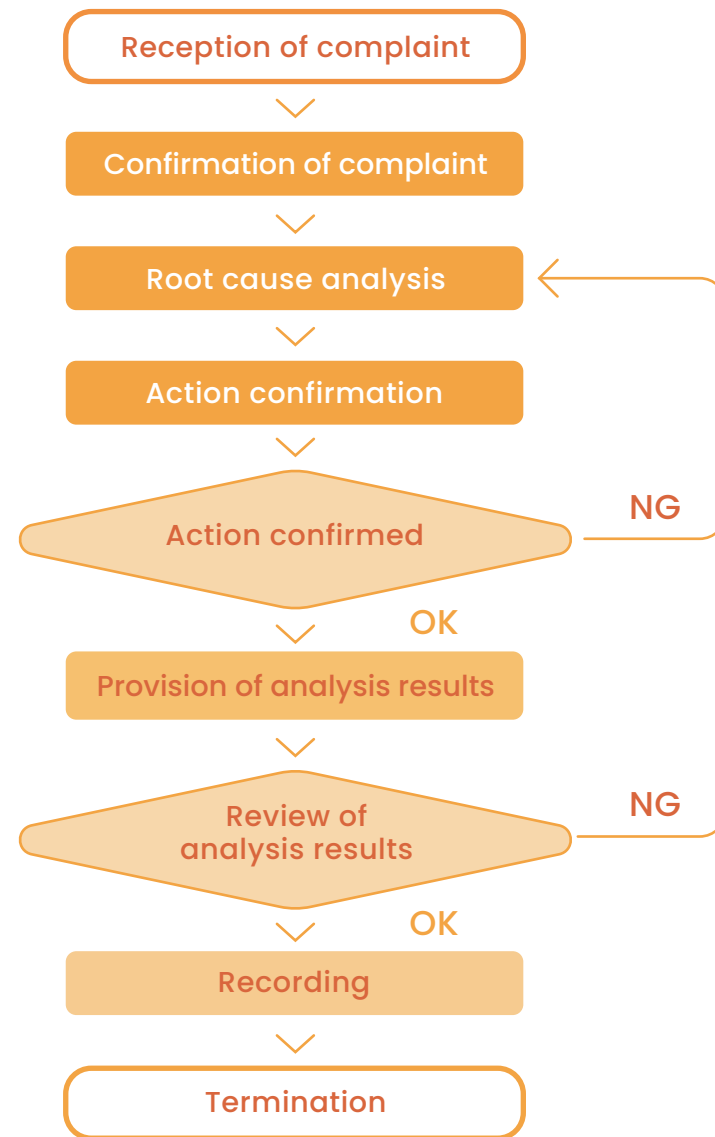
Implementation Process of Conflict Mineral Investigations



Customer Satisfaction

With the enhancement of the satisfaction of our customers and business partners as a top priority, Qisda has conducted surveys through questionnaires to learn about the customers' and our business partners' scores for our commitment to delivery time, costs, technology, quality, customer service, related regulations, and overall evaluation. This allows us to constantly ensure that the customer's demands are met. To promptly respond to and meet the various demands from the customers, Qisda has set up a Customer Service Division (CSD) to listen to the voice of customers and solve their problems. The customers can provide feedback through the communication mailbox on the Company's website. In 2023, we received one question about the contents of the ESG report, and we had given a reply and closed the case within 24 hours.

Customer Commitment



Customer Satisfaction Survey

To ensure that the customer demands are understood and satisfied, Qisda carries out a full-scale customer service satisfaction survey during January and July every year. The CSD sends notification emails to the contact persons of each customer, inviting them to give ratings on Qisda's questionnaire survey system. The rating results are collected by the CSD and then delivered to the responsible departments, which then work with high-level executives to review the customer feedback according to the survey results, and thereby work out improvement measures for the enhancement of product and service quality. Qisda scored 94 points in average according to the customer satisfaction survey results for each product line in the first half of 2023, showing that Qisda's performance on customer service and satisfaction had won the great recognition from customers.

Customer Satisfaction in the Most Recent 4 Years

	2020	2021	2022	2023	Goals for 2023
Customer satisfaction score (points)	> 95	95	96	94	93
Customer coverage rate (%)	> 100	100	100	100	100

Customer Satisfaction Survey Results (Points) in the First Half of 2023

