

Sercomm Corporation Policy and Procedures for Risk Management

Article 1 Purpose

In order to comprehend and manage the internal and external environmental risks that the Group may encounter in its operations, this Risk Management Policy and Procedure (hereinafter referred to as "the Procedure") is hereby established. The purpose of the Procedure is to reduce various risks to an acceptable level through activities including identification, assessment, monitoring, and communication of potential risks, as well as to enhance crisis response capabilities. The Procedure aims to provide reasonable assurance for the achievement of strategic objectives.

Article 2 Scope

The Procedure is applicable to risk management operations at all levels within the Group.

Article 3 Organizational Structure and Responsibilities

The organizational structure of risk management comprises the Board of Directors, the Management Committee, the Corporate Governance Officer, the Audit Office, and several risk management units. Their responsibilities are as follows:

- I. Board of Directors: As the highest decision-making body for risk management, the Board of Directors shall approve the overall risk management policy, based on the overall business strategy and environment, and bear the ultimate responsibility for its effective implementation.
- II. Management Committee: The President shall serve as the Chair of the Committee, with the Vice Presidents of each department and the Presidents of each subsidiary serving as members. Committee members shall all be responsible for reviewing reports from risk management units, handling the establishment, assignment, and removal of these units, and overseeing the implementation and coordination of overall risk management.
- III. Corporate Governance Officer: Report the Group's implementation of risk management to the Management Committee.
The scope of authority is as follows:
 - (1) Handle matters in relation to the board meetings and shareholders' meetings according to law.
 - (2) Keep minutes at the board meetings and shareholders' meetings.
 - (3) Assist in the appointment of directors and continuing education.
 - (4) Provide information required for the directors to conduct business.
 - (5) Assist the directors in regulatory compliance
 - (6) Supervise and report corporate risk management operations.
 - (7) Other matters stipulated in the Articles of Incorporation or contracts.
- IV. Audit Department: Prepare and implement the annual audit plan, including all legally required items; review self-evaluation reports issued by various units.
- V. Risk Management Units: Include various divisions within the Group and cross-divisional risk management committees; these units shall be responsible for implementing relevant risk management procedures and providing necessary self-evaluation and risk evaluation reports.

Article 4 Scope of Management

To effectively identify risk factors, a comprehensive risk classification framework with clear functional divisions has been developed. This framework ensures coverage of all risk types and identifies the scope of risk management based on materiality:

- I. Strategic Risks
 - (I) Political and economic development
 - (II) Technology and industry changes
 - (III) R&D and competitiveness
- II. Operational Risks
 - (I) Customer and market changes
 - (II) Quality deficiency
 - (III) Insufficient production capacity
 - (IV) Supply chain disruption
 - (V) Information technology security
 - (VI) Contracts
 - (VII) Intellectual property infringement

- (VIII) Talent retention
- (IX) Corporate image
- (X) Ongoing operational risks
- (XI) Investment management
- III. Financial Risks
 - (I) Exchange rates, interest rates, and inflation
 - (II) Regulatory changes
 - (III) Customer credit
 - (IV) Deterioration of the Company's financial indicators
- IV. Event Risks
 - (I) Workplace safety and disaster response
 - (II) Climate change and environmental laws and regulations
 - (III) Other significant risks

Article 5 Risk Management Units: Include various divisions within the Group and cross-divisional risk management units (see table below); these units shall be responsible for implementing relevant risk management procedures and providing meeting minutes.

I. Strategic Risks

Scope of Risk Management	Meeting Name	Risk Management Committee/Responsible Unit	Convener	Frequency
(I) Political and economic development	Monthly meeting of the Management Committee	Management Committee	President & CEO	Every month
(II) Technology and industry changes	Seminar on Trends in Product Technology	Product and Technology R&D Committee	Chief Technology Officer	Every quarter
(III) R&D and competitiveness	Key Product Development Progress Meeting			Every month

II. Operational Risks

Scope of Risk Management	Meeting Name	Risk Management Committee/Responsible Unit	Convener	Frequency
(I) Customer and market changes	Weekly meeting of the Management Committee	Management Committee	President & CEO	Every week
(II) Quality deficiency	Quality Control Management Meeting	Production & Sales Quality Management Committee	Chief Operating Officer	Every month
(III) Insufficient production capacity	Production & sales coordination meeting	Production & Sales Quality Management Committee	Chief Operating Officer	Every month
(IV) Supply chain disruption	Inventory Meeting	Materials Center	Head of Materials Center Chief Operating Officer	Every week
	Production & sales coordination meeting	Production & Sales Quality Management Committee		Every month
(V) Information technology security	Information Security Meeting	Information Security Committee	Chief Operating Officer	Every 6 months
(VI) Contracts	Weekly meeting of the Legal Division	Financial Management Division	Chief Financial Officer	Every week
(VII) Intellectual property infringement	Patent Meeting	Research and Development Division	Chief Technology Officer	Every week
(VIII) Talent retention	Weekly HR meeting	Human Resources Division	Head of Human Resources	Every week
(IX) Corporate image	Media interview Corporate briefing	President Office	Spokesperson	Irregular Every 6 months

(X) Ongoing operational risks	Business Management Meeting	Management Committee	President & CEO	Every week/month
(XI) Investment management	Weekly meeting of the Financial Management Division	Financial Management Division	Chief Financial Officer	Every week

III. Financial Risks

Scope of Risk Management	Meeting Name	Risk Management Committee/Responsible Unit	Convener	Frequency
(I) Exchange rates, interest rates, and inflation (II) Regulatory changes (III) Customer credit (IV) Deterioration of the Company's financial indicators	Weekly meeting of the Financial Management Division	Financial Management Division	Chief Financial Officer	Every week

IV. Event Risks

Scope of Risk Management	Meeting Name	Risk Management Committee/Responsible Unit	Convener	Frequency
(I) Workplace safety and disaster response (II) Climate change and environmental laws and regulations	Occupational Safety and Health Meeting	Environmental, Safety, and Health Committee	Director of Zhunan factory	Every quarter
(III) Other significant risks	Business Management Meeting	Management Committee	President & CEO	Irregular

Article 6 Evaluation and Monitoring

The Board of Directors shall assign risk management scopes to the appropriate units based on practical division of labor; responsibilities shall be adjusted as needed in the event of organizational changes.

Risk management units, as the foundation for effective risk management, shall analyze and assess potential risk factors in accordance with the Company's risk evaluation management procedures, in order to understand their impact on the Company and develop appropriate response measures.

Article 7 Management Operations

- I. The Group emphasizes comprehensive risk control by all employees, implementing layered prevention measures, and ensuring accurate and timely risk information transmission for effective frontline management.
- II. The heads or designated personnel of each risk management unit shall be responsible for second-line management. They shall ensure the effective implementation of risk regulations and efficiently allocate resources, propose response and recovery plans for risk events, consult external experts as needed, and report to the Business Management Committee for decisions. This shall ensure continuous improvement and control of key factors to reduce the likelihood and impact of risks.
- III. The review and control of various management processes shall be conducted in accordance with the Procedure and the Company's current operational regulations,

as well as the relevant regulations of competent authorities.

- IV. Internal auditors shall assess whether relevant risk management actions have been effectively taken to ensure the proper implementation and compliance of the Procedure.

Article 8 Reporting and Information Disclosure

In addition to complying with regulatory requirements, the Company also discloses relevant risk management information in the annual report and on its website.

Article 9 Implementation

These Procedures hereof come into force after being ratified in board meetings, and the same shall apply to any revisions.

These Procedures were established on November 13, 2020.