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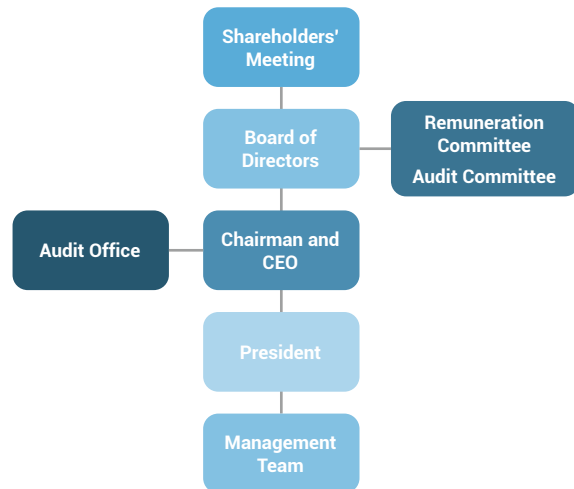


Corporate Governance

Board of Directors

BenQ Materials establishes its corporate governance structure and practices according to the Company Law of the Republic of China, the Securities and Exchange Act, and other relevant laws. Under the Board of Directors, the corporate governance organization currently includes the Audit Committee and the Remuneration Committee, both of which are composed of all independent directors, and all directors (including independent directors) are elected by shareholder votes.

The Board of Directors of BenQ Materials is the highest governing body responsible for guiding company strategy, supervising management, overseeing various governance operations and arrangements, and being accountable to the company and shareholders' meeting. According to Article 26-3, Paragraph 8 of the Securities and Exchange Act, BenQ Materials has established the "Board of Directors Meeting Rules," and related matters are handled in accordance with these rules. The Board meets at least four times a year. In 2023, the Board of Directors of BenQ Materials held four meetings. Please refer to the Corporate Governance Report in [the BenQ Materials Annual Report P.3](#) for details.



Name	Title	Gender	Seniority of Independent Director			Professional Knowledge or Skill				Age			Employee Identity <small>Note 2</small>	Sustainability roles
			Less than 3 years	3-9 years	More than 9 years	Corporate Management	Academic Sector	Industry Knowledge	Legal, Financial, Accounting Background	50-60 years old	61-65 years old	66-70 years old		
Chieh-Chih Chen	Chairman	Male				•		•			•			Serve as the Chair of the ESG Committee, responsible for overseeing and coordinating committee decisions and actions.
Kun-Yao Li	Director	Male				•		•				•		
Chi-Hung Chen	Director	Male				•		•			•			
Jia-Ray Liu	Director	Male				•		•		•			•	Serve as the Vice Chair of the ESG Committee, ensuring effective implementation of committee decisions and actions.
Wen-de Li	Director	Male				•		•			•			
Fu-Hai Yeh	Independent Director	Male		•		•		•					•	
Yu-Yang Lu	Independent Director	Male		•				•					•	
Gong Wang	Independent Director	Male	•			•	•	•					•	
Jun-lin, Liu	Independent Director	Male	•					•		•				

Note 1: Eleventh term; Note 2: Stakeholder (Employee) representative.

Composition and Method of Election

The Articles of Incorporation of BenQ Materials specify that the election of directors (including independent directors) adopts the candidate nomination system and is handled in accordance with the Company Law and the Securities and Exchange Act. Additionally, Article 20 of the Corporate Governance Code stipulates that the composition of the Board of Directors should consider diversity, and the number of directors concurrently serving as company managers should not exceed one-third of the board seats. The 2023 Board members include a total of 9 directors (including 4 independent directors), with one new independent director who is currently the Vice President of the Taipei Branch of China Medical University Hospital, possessing experience in medical services and other work experience, while the remaining directors all have more than 5 years of business, legal, financial, accounting, or other necessary business experience required by the company.

The Chairman of BenQ Materials is the chairman of the highest governing body and concurrently serves as the CEO. The main reason for holding both positions is to enhance operational efficiency and decision-making execution, thereby strengthening the independence of the Board. The company has actively trained suitable candidates internally. Additionally, the Chairman closely communicates with each director about the company's operations and planning to implement corporate governance.

Diversity Status

To implement the diversity policy, BenQ Materials plans to increase one female director by 2025 to continuously enhance the functions of the Board and strengthen its supervisory functions.

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Key Issue Communication

The highest governing body of BenQ Materials holds regular meetings to discuss key issues, inviting accountants, internal auditors, legal and financial departments, and risk control units to report to and consult with independent directors on the latest financial statement audits, internal audit results, litigation cases, financial and business overview, etc. This allows independent directors to assist investors in ensuring the credibility of corporate governance and information transparency, thereby protecting shareholder rights.

Board members and senior management maintain close communication. In addition to regular meetings, the company's management also regularly reports the implementation of important sustainability development actions to the Board, collecting relevant opinions from the Board. The key annual work priorities and operational conditions are disclosed in the 2023 BenQ Materials Annual Report under "Board of Directors Operations" and "Audit Committee Operations."

- Accounting Department: Quarterly financial statements
- Audit Department: Quarterly internal audit report
- Risk Management Department: Regular annual reports
- Information Security Department: Regular annual reports
- Intellectual Property Department: Regular annual reports
- ESG-related departments: Regular annual reports

Conflict of Interest Avoidance

When discussing and voting on proposals, if a director has a personal interest that may harm the interests of the company, the director shall abstain from discussing and voting on the proposal according to Article 206, Paragraph 2 of the Company Law, which refers to Article 178 of the same law on conflict of interest avoidance. If necessary, the Chairman will instruct another director to act as the meeting chair. Additionally, the annual report will disclose information about the directors with conflicts of interest, the proposal contents, and the reasons for conflict of interest avoidance. Information on cross-shareholding with stakeholders, controlling shareholders, related party transactions, etc., is disclosed in the annual report to avoid or mitigate potential conflicts of interest. In 2023, there were three instances of conflict of interest avoidance, where directors, committee members, and managers did not participate in the discussion and voting on the proposals. Details are provided in the annual report's corporate governance section.

ESG Training for the Board of Directors

Every year, the Board and management team members undergo continuous training on economic, environmental, and social issues to enhance the knowledge of the highest governance unit. In 2023, ESG courses covered sustainable supply chain management, low-carbon management, integrity management, information security, corporate governance, and other sustainability issues. Details can be found in [the 2023 BenQ Materials Annual Report](#) (P.26).

Audit Committee

The Audit Committee of BenQ Materials was established on November 16, 2007, after being approved by the shareholders' extraordinary meeting. The Audit Committee should be composed of all independent directors, with no fewer than three members to comply with regulatory requirements. The most recent term began after the re-election in June 2022.

The Audit Committee holds regular meetings quarterly, with at least four meetings per year. In 2023, the committee held four meetings. Attendance details of each member and other relevant information about the Audit Committee can be found in the disclosures of the BenQ Materials Annual Report or on [the BenQ Materials website](#).



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Remuneration Committee

The Remuneration Committee of BenQ Materials was established on October 25, 2011. As of December 31, 2023, four independent directors have been appointed to the committee.

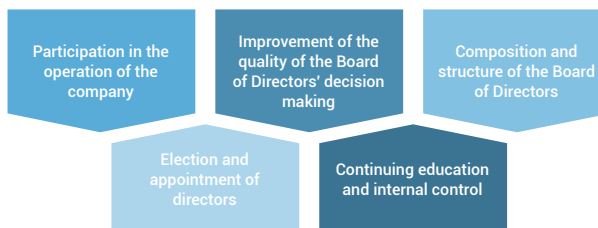
The Remuneration Committee meets at least twice a year and can convene additional meetings as needed. In 2023, the committee held two meetings. The committee exercises due care and loyalty in performing its duties and submits its recommendations to the Board for discussion.

The Remuneration Committee assists the Board in evaluating the link between the remuneration levels of directors and managers and the company's operational performance, determining the bonus allocation ratio, and making recommendations on managers' remuneration and the company's compensation policies. The committee constructs company-level compensation strategies based on industry competitive environment, company operational performance, and benchmark market trends. Information on the remuneration of directors and senior management is appropriately disclosed in the company's annual report, ensuring that all stakeholders fully understand the relationship between senior management compensation and company performance.

Board of Directors Performance Evaluation

On May 6, 2019, the Board approved the "Board Performance Evaluation Method," stipulating that the Board should conduct an annual self-evaluation of the Board and its members. Additionally, an external evaluation is conducted every three years. BenQ Materials completed the Board self-evaluation at the end of 2023, and the evaluation results were presented to the Board in February 2024. The average self-evaluation score for directors was 98.9 points, with an average attendance rate of 100% for Board meetings in 2023, indicating good overall operation. For details, please refer to [the BenQ Materials Annual Report](#) P13、P14。

Five Main Aspects of Internal Self-Evaluation of the Board of Directors



Internal Audit

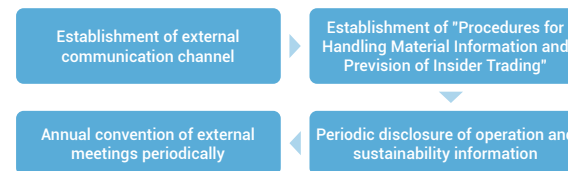
BenQ Materials has an internal audit office that assists the Board and managers in examining and reviewing the deficiencies in the internal control system and evaluating operational effectiveness and efficiency, providing timely improvement recommendations to ensure the continuous effective implementation of the internal control system. The annual audit plan is submitted to the Board for approval, and audit results are documented in audit reports approved by the Chairman and sent monthly to independent directors for review. The internal audit supervisor regularly reports audit activities to the Audit Committee and the Board.

The appointment and removal of internal audit personnel are approved by the internal audit supervisor and the Chairman. Performance evaluations are conducted twice a year according to the "Performance Evaluation Management Method," reviewed by the audit supervisor and approved by the Chairman. The appointment and removal of the internal audit supervisor are handled in accordance with the "Audit Committee Organizational Rules" and "Board Meeting Rules" and must be reported to and approved by the Audit Committee and the Board. Compensation and remuneration are proposed by the Human Resources Department and approved by the Chairman.

Shareholders' Rights

BenQ Materials has established comprehensive external communication channels through the "Investor Relations" and "ESG" sections to ensure shareholders and investors can obtain and understand the company's operational information in real time. To protect shareholder equality and maintain fairness in securities market transactions, the company has established "Major Information Handling and Insider Trading Prevention Procedures" to ensure the handling and disclosure of major information and to prevent the improper disclosure of information. All employees are informed of the relevant agreements and rules. The company prohibits insiders from trading securities using non-public information.

In response to the stock exchange's encouragement for listed companies to increase communication frequency with investors and enhance operational transparency, BenQ Materials held and participated in a total of four institutional investor conferences in 2023.



Governance Executive Compensation Strategy

The foundation of BenQ Materials' compensation strategy is to incentivize the management team to create long-term shareholder value, attract, retain, and cultivate outstanding talent. The overall remuneration and benefits of senior management are designed according to the compensation policies established by the Remuneration Committee and are regularly discussed and approved by the committee.

The salaries of senior management are determined based on annual market survey reports and the company's overall operational performance, personal performance, and contributions. To implement the company's sustainable-related plans, the effectiveness of sustainability project execution is included in the annual performance goals within the responsibilities of each manager, with a minimum weight of 5%. The overall performance scores are comprehensively evaluated by the Remuneration Committee, and the final remuneration is reviewed and approved by the Board.

Note: For environmental and green product indicators, please refer to [2-1 Sustainability Development Goals](#).





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Regulatory Compliance

Compliance Status

BenQ Materials has established legal and regulatory departments and set up a contract review system, requiring that all external documents from each department be reviewed by legal personnel to ensure compliance with relevant domestic laws and international standards for labeling and marketing. Relevant regulations are regularly tracked by responsible units based on government announcements. If there are updates or new regulations, the responsible units will manage and issue company-wide announcements.

In 2023, there were a total of 10 government penalty incidents, with fines totaling NT\$359,879. The detailed situations are as follows:

EU Medical Device Regulations

The EU Medical Device Regulations (MDR) (EU) 2017/745 aim to regulate medical devices entering the European Economic Area. It came into effect on May 25, 2017, replacing the EU Medical Device Directive 93/42/EEC (Medical Device Directive MDD), elevating the directive to regulation level with a transition period of three years. Products certified under 93/42/EEC (MDD) have a certain grace period after the MDR comes into effect, provided there are no significant changes in design or intended use, with the final expiration date of this grace period being May 26, 2024.

Due to the impact of the COVID-19 pandemic, the Official Journal of the European Union published Regulation 2020/561, postponing the MDR's implementation date from May 26, 2020, to May 26, 2021. On March 20, 2023, the MDR amendment Regulation (EU) 2023/607 was published and came into effect immediately, extending the MDR transition period from May 26, 2024, to December 31, 2027 (for Class III and Class IIb implantable devices) or December 31, 2028 (for Class IIa, Class IIb, Class Is, and Class Im devices) for medical devices meeting specific conditions outlined in the regulation.

BenQ Materials has currently implemented the quality system requirements of the new law and plans to complete the MDR certification approval for products within the above transition periods.

Incident	Improvement/Prevention
Construction of a new auxiliary mechanical room (outdoor battery formation room) at Yunlin Plant 2 began without timely construction commencement declaration.	he plant administration stated that communication with relevant units is ongoing and that construction can only commence after the building permit application is completed. Starting construction prematurely will result in fines.
Yunlin Manufacturing Plant 1 began demolition work prematurely, violating building regulations.	The plant renovation project requires 10 months of planning and application time (design, review, building permit, major pipeline installations, and construction commencement application) after finalizing the layout to avoid further penalties.
Yunlin Manufacturing Plant 1 began preliminary construction to change the design, adding Eneos machine and mixed crystal machine space setup plans.	The process should apply for a building permit after completing the planning, or conduct interior renovation changes after obtaining the use permit to avoid further penalties.
The Taoyuan City Government Labor Inspection Office conducted document checks and spot-checked the IDL/DL working hours and salary calculations at the back-end plant from 2022 to 2023. They found one instance each of direct personnel working overtime and indirect personnel working overtime without overtime pay.	<p>For direct personnel working overtime:</p> <ul style="list-style-type: none"> The Human Resources Department compiles and issues overtime statistics monthly. The system provides real-time overtime lists to supervisors for immediate management. Factory supervisors adjust work and supplement manpower. <p>For indirect personnel not reporting overtime:</p> <ul style="list-style-type: none"> Reiterate overtime application principles and processes. The Human Resources Department regularly provides abnormal attendance lists to supervisors to confirm if overtime needs to be reported and cares about the working conditions of employees with long working hours.
A batch of medical packaging feeding bags imported from China had false origin labels.	The feeding bags were imported from China in July last year. Due to supplier operational issues, this batch has been returned and destroyed, and the product sale has been terminated, preventing further incidents.
When applying to change the factory registration responsible person at the Tainan Yongke Plant in 107, the change of the medical device business responsible person was not applied for simultaneously.	In the future, if any medical device company joins, a comprehensive review will be conducted, and changes will be made simultaneously.
The Vision Care Reservation Network was reported for violating the Communication Transaction Law; without the first purchase, customers should first confirm the specifications at a physical store and sign a paper contract before making online reservations.	<ol style="list-style-type: none"> Discuss with the cooperating platform Cyberbiz vendor: Establish a consumer first paper sales contract at convenience stores. Develop other legal sales channels for medical devices. Temporarily close the Kilo reservation network until the above measures are completed.
One foreign income withholding process in 2022 was not reported within the stipulated deadline; further investigation revealed five domestic income tax withholding errors in 2022.	Adjust ERP settings and custom reports, triggered by the system to remind and lock withholding amounts to avoid future occurrences.

Note: A single fine amounting to over 1 million is considered a major violation; the above incidents are settled annually based on the actual payment time in 2023.

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Business Performance



In 2023, BenQ Materials' annual consolidated revenue was NT\$17.13 billion, an increase of 10.2% compared to 2022; the 2023 consolidated operating profit was NT\$592 million, a decrease of 15.1% compared to 2022; and the 2023 consolidated net profit after tax was NT\$504 million (earnings per share after tax was NT\$1.29). For other detailed operational results, please refer to the financial overview section of the annual report P.44.

In 2023, BenQ Materials continued to actively comply with the sustainability-linked loan regulations of syndicated banks (including related ESG loan conditions such as environmental protection, social responsibility, and corporate governance). BenQ Materials achieved relevant ESG indicators and received corresponding interest rate concessions from the syndicated banks, jointly fulfilling corporate social responsibility with the banks and creating sustainable corporate value.

Financial subsidies from the government: In 2023, the company received equipment and industry innovation-related subsidies, significantly higher than in previous years.

Historical Revenue and Profit

Unit: NT\$ million	2019	2020	2021	2022	2023
Operating income	13,943	15,050	16,482	15,540	17,128
Operating cost	11,801	12,776	13,425	12,462	13,925
Gross profit	2,142	2,274	3,057	3,078	3,183
Operating expense	1,788	1,726	2,079	2,382	2,591
Marketing expense	880	870	1,050	1,174	1,311
Management expense	222	216	270	321	341
Research and development expense	686	640	759	887	939
Other	0	0	0	0	0
Operating profit	354	547	977	697	592
Non-operating income (expense)	-19	-38	231	1,058	39
Net income before tax	334	510	1,208	1,755	631
Income tax expense	78	114	238	470	127
Net profit	257	396	970	1,285	504
Other comprehensive profit or loss after tax - net	-39	-49	-21	34	-26
Total comprehensive profit or loss	218	347	949	1,319	478
Earnings per share	0.80	1.23	3.03	4.04	1.29

Disclosure of Government Subsidies Information

Unit: NT\$ million	2019	2020	2021	2022	2023
Tax Exemptions and Credits	-	-	-	-	-
Investment Subsidies and R&D Grants	37	12	18	20	68
Policy Incentives	-	-	-	-	-
Other Government Financial Subsidies	-	-	-	-	-
R&D Expenditure as a Percentage of Revenue	4.92%	4.25%	4.61%	5.71%	5.48%



Tax Governance

In response to international trends in tax governance, BenQ Materials adheres to the principle of integrity in business operations, complies with tax laws, and pursues sustainable development. The company has established tax governance principles, executed by the responsible units and reported to the management to ensure the effective operation of the tax management mechanism, thereby protecting the interests of the company and investors. The 2023 income tax expense was NT\$56 million, accounting for 0.3% of annual revenue.

Tax Governance Principle

- 1 Tax strategies adhere to the tax regulations and the underlying principles of tax legislation in all operating jurisdictions.
- 2 Transactions between related parties are conducted in accordance with the arm's length principle and comply with the internationally recognized transfer pricing guidelines published by the Organization for Economic Cooperation and Development (OECD).
- 3 Financial reporting information is transparent, and tax disclosures are handled in accordance with relevant regulations and guidelines.
- 4 Tax havens or tax planning practices are not utilized for the purpose of tax avoidance.
- 5 Profits generated by the company are not transferred to low-tax jurisdictions.
- 6 A relationship of mutual respect is established with tax authorities based on trust and information transparency.
- 7 Tax implications are taken into consideration in significant company decisions.
- 8 The operational environment is analyzed, and tax risk assessments are conducted using management mechanisms.



Tax Risk Management

BenQ Materials operates and expands its business overseas while complying with the tax laws of various countries. To effectively manage tax risks, tax risk management has been incorporated into BenQ Materials' risk management plan. The risk management organization regularly reports to the Audit Committee on the company's risk environment, key points of risk management, risk assessment, and mitigation measures. For more details on risk management, please refer to [3-5 Risk Management](#).

Tax Management

BenQ Materials' Board of Directors is the highest decision-making and supervisory body for tax governance. Together with relevant senior management, the Board formulates tax governance strategies and conducts regular monthly reviews to ensure responsiveness to emerging risks. The Finance Department is the responsible unit for tax management, with the Chief Financial Officer serving as the highest supervisor of tax management. Daily tax management is executed by the accounting supervisor, with assistance from qualified and experienced tax professionals. Additionally, BenQ Materials enhances its expertise through professional services provided by external tax consulting firms.

Tax Payment Status

Income Tax Related Information	2021 year	2022 year	2023 year
Profit Before Tax	1,198,417	1,481,351	470,695
Income Tax Expense	226,862	185,681	56,343
Effective Tax Rate on the Books	18.9%	12.5%	12%
Payment of Income Tax	123,510	102,005	27,767
Effective Cash Tax Rate	10.3%	6.9%	5.9%

Note 1: Tax situations are primarily disclosed in Taiwan.

Note 2: Book effective tax rate = current year income tax expense ÷ current year profit before tax; Cash effective tax rate = current year paid income tax ÷ current year profit before tax.

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Ethical Management

Code of Conduct

In 2015, BenQ Materials established the "Integrity Management Code of Conduct for BenQ Materials Co., Ltd.," which was approved by the Board of Directors. The company also created the "Corporate Integrity Manual," and all Board members and employees are required to sign the "Integrity Declaration." The company's spirit is based on integrity as a core value, with responsibilities for rule-making, education and promotion, complaint mechanisms, and integrity risk audits assigned to relevant departments, which report their implementation status to the Board annually.

To enhance smooth communication with suppliers, BenQ Materials has established communication and complaint channels, along with several systems to strengthen communication efficiency and information transparency. The procurement order specifies the principles of integrity and cleanliness in cooperation, requiring suppliers to sign an integrity commitment. In case of violations, the contract may be terminated, or the supplier may no longer cooperate with the company permanently.

Promotion Work Item	Responsible Department	Execution Method
Regulation establishment and educational promotion	Human Resource Division	Employee Code of Ethical Conduct" emphasizing the ethical management culture has been established, and the 'Regulations for Disciplinary Actions for various violation events have been specified
Assessment and Inspection of integrity risk	Human Resource Division	Enhance each operation process, implement responsibility allocation, and reduce occurrence of fraud through system control.
Handling of violation of ethics	Senior supervisors form the Major Disciplinary Committee to perform review	For major violation of integrity, the execution status is reported to the Board of Directors according to relevant regulations and operation procedure



Whistleblowing mailbox for violation of ethical conducts
Integrity@BenQMaterials.com

Integrity Education Promotion and Training

In 2022, BenQ Materials continued to promote integrity through training programs, including online courses on the Code of Conduct, integrity training for new employees, insider trading prevention courses, and dissemination of regulations on trade secrets. A total of 2,356 people-time participated in these training sessions.

Course Name	Number of Hours Z(Hrs)	Course Description	2021 Number of Trainees	2022 Number of Trainees	2023 Number of Trainees
New employee integrity training	0.5	Required course for all new employees	361	478	385
Online course on code of conduct	0.25	All employees are required to complete the online course	1,756	1,695	1,624
Insider trading prevention course	2	Course is opened periodically for supervisors and employees of relevant works	76	101	123
Training on trade secret regulations	2	Course and educational promotion is provided to supervisors and employees of relevant works through electronic newsletters of the Company periodically	Cancelled due to the impact of the pandemic, replaced with internal announcements and promotions.	82	124

Complaint Mechanism

The Human Resources Department of BenQ Materials has established whistleblower and whistleblower protection regulations, assigning dedicated personnel to handle different issues. If the reported incident involves general employees, it should be reported to the department supervisor. If it involves directors or senior executives, it should be reported to the Audit Committee. In 2023

Internal Complaint Channel (Human resource)

Director supervisor	Human resource supervisor	Auditor	President's mailbox



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Risk Management

In 2010, BenQ Materials established the Risk Management Committee (RMC), focusing on the risk management system and risk transfer planning in corporate governance. The committee sets out the risk management vision and policies, analyzes internal and external strategic risks, financial risks, operational risks, and hazard risks, and conducts risk identification and evaluation, improvement plans, and regular management reviews to effectively manage risks exceeding the risk tolerance. The aim is to build BenQ Materials into a resilient company capable of withstanding risks.

In 2020, the Board of Directors approved the "Risk Management Policy and Procedures." On August 8, 2022, the Taiwan Stock Exchange Corporation issued the "Practical Guidelines for Risk Management of Listed and OTC Companies" (Letter No. 1110015360), and the first Board meeting in 2023 completed the revisions and approval.

Risk Management Policy

- To ensure the company's sustainable operation, a Risk Management Committee should be established. It should regularly identify, evaluate, manage, report, and monitor risks that may negatively impact the company's operational goals.
- Risks should be identified and controlled before an incident occurs, losses should be minimized when an incident happens, and the provision of products and services should be quickly restored afterward. For major risk scenarios identified by the Risk Management Committee, an operational continuity plan and emergency response manual should be formulated and regularly updated.
- For risks that do not exceed the risk tolerance, the cost of risk management may be considered, and different management tools may be used to address them. However, if there are negative impacts on employee safety, violations of laws and regulations, or negative impacts on the company's reputation, this is not applicable.



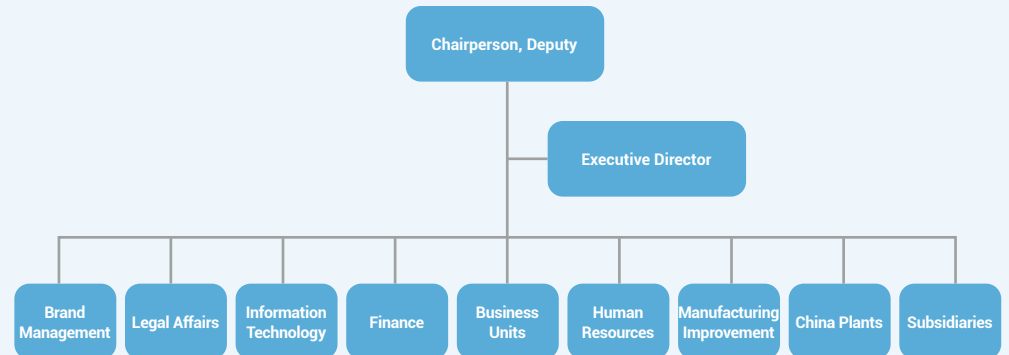
Organizational Structure and Operation of the Risk Management Committee

BenQ Materials' Risk Management Committee is chaired by the Chairman and CEO, with the General Manager as the Vice Chairman, the CFO as the Chief Secretary (Risk Management Unit), and primary supervisors of each operational unit as committee members. The committee regularly reports to the Board and the Audit Committee annually. The Board, the Audit Committee, the Risk Management Committee, the Risk Management Unit, and the operational units each have specific risk responsibilities. For more details on risk management operations, please refer to the [BenQ Materials website](#).

Risk Governance Committee Structure



Risk Management Committee





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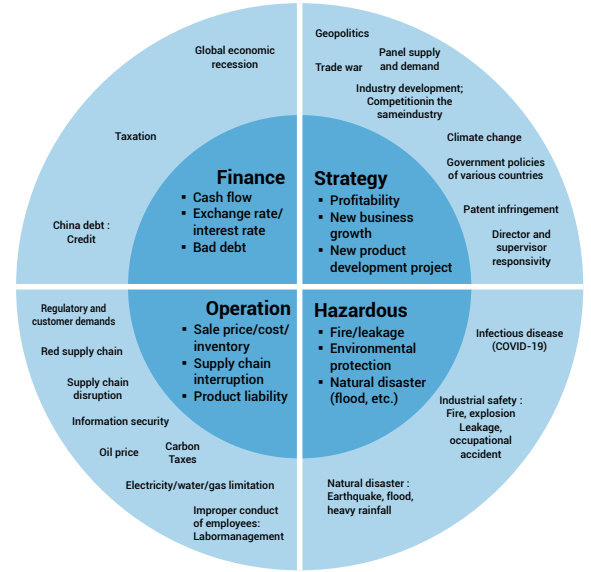


Risk Management Operation

All negative events that affect the achievement of company operational goals are classified into four major risk categories: strategic, operational, financial, and hazard risks (including considerations of emerging risks, categorized and summarized based on the nature of the issues). These risks are managed using a risk radar chart generated through risk identification, risk analysis, and risk assessment. Each operational unit formulates risk response strategies based on the annual company-level risk improvement goals, internal risk identification and assessment results, and other events that could potentially impact operations.

Management review meetings are held regularly every six months to report, discuss, supervise, and review the effectiveness of risk management. The overall operation is supervised by the Audit Committee and the Board of Directors, with annual reports presented to the Audit Committee and the Board of Directors. In 2023, two risk management review meetings were held, covering a total of 31 risk improvement plans, nearly half of which are medium to long-term improvement plans that will continue into 2024.

In response to climate change risks, following the Task Force on Climate-related Financial Disclosures (TCFD) framework, risk and opportunity identification and assessment have been conducted, along with planning responses to significant risks. A total of 25 adaptation action plans have been implemented in the short, medium, and long term. (For details, see section 5-2 Climate Change Management). On November 2, 2023, a report was presented to the Audit Committee and the Board of Directors.



Business Continuity Planning (BCP)

For scenarios identified as significant risks by the Risk Management Committee, each department must jointly develop a Business Continuity Plan (BCP) to manage unexpected incidents. This involves regular identification, risk control assessments, and preventive improvements or measures. Additionally, the plan includes strategies for loss mitigation during incidents and the rapid recovery of product or service provision after an incident.

BenQ Materials has established BCPs for fire, earthquakes, floods, strikes, infectious diseases (such as influenza and major new infectious diseases like COVID-19), and information security interruptions. To ensure the effectiveness of the BCPs, the plans are reviewed and updated annually.

Risk Management Education and Training

To enhance risk awareness and culture, the Risk Management Unit regularly conducts promotions or reminders. In 2023, a total of 17 articles were shared, and the Chairperson and Vice Chairperson periodically issued risk reminders to integrate risk management into operational activities and business decisions.





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Information Security Policy

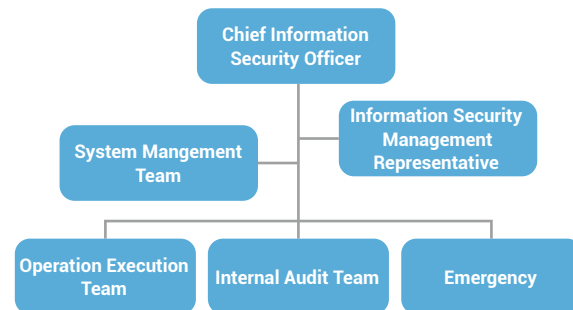
BenQ Materials establishes a secure and reliable computerized operating environment, ensuring the safety of computer data, systems, equipment, and networks, and maintaining normal operations. According to the Cyber Security Management Act, Personal Data Protection Act, Copyright Act, Electronic Signatures Act, and international information security standards (ISO 27001), BenQ Materials has established "Information Security Policies and Procedures." These policies are followed to formulate "Information Security Operational Guidelines," continually focusing on information security issues, planning response measures, and strengthening the procurement of information security protection hardware and software, including new antivirus software updates, global security network joint protection, information security health checks, internal operating system upgrades, and vulnerability patches. To embed the importance of information security policies into the company's culture, regular information security education and training and security drills are held.



Information Security Management Organization

In 2021, BenQ Materials established the "Information Security Management Committee" and appointed a Chief Information Security Officer (CISO) and an Information Security Representative (dedicated Information Security Manager) to strengthen the information security management mechanism. To respond to information security trends and the policy requirements of the Financial Supervisory Commission, the company has assigned one dedicated Information Security Personnel, and in January 2022, established the "Infrastructure and Information Security Department." In 2023, the company separately appointed a Chief Information Security Officer and a dedicated Information Security Manager.

Information Security Management Committee Organizational Chart



Information Security Management System

To properly protect information assets, BenQ Materials implements risk assessment procedures, formulates and enforces relevant regulations to determine the risk level of information assets. Based on the results of risk assessments and internal meetings, the company decides on risk handling measures to effectively reduce, transfer, eliminate, or even accept the risk. In 2021, BenQ Materials completed the ISO 27001 implementation project and achieved ISO 27001 certification in 2022. Relevant documents are registered in the company's Document Management System (DMS). To maintain the validity of the certification, a re-audit by an external organization (BSI) is planned for February 2024.

The scope of ISO 27001 certification already covers major production plants in Taiwan and mainland China, as well as the ERP, FEOL MES (Front End of Line Manufacturing Execution System), and Flower (BPM) systems. In addition to the aforementioned data centers and systems, the company plans to further extend the principles of ISO 27001 to the smart factory and advanced equipment development department's machine vision division in 2024.

Information Security Management System Construction Goal

1	Implement information security
2	Protect customer data and company's intellectual property output
3	Enhance information security event response capability
4	Achieve information security measurement indicator

Information Security Risk Assessment

BenQ Materials defines the risk values for Taiwan and mainland China in 2022 based on the information security risk assessment and management procedures and arranges improvement plans for high-risk items. In 2023, the company will re-evaluate the information security systems in Taiwan and mainland China, completing the assessment in the third quarter of 2023. Two high-risk issues were identified and incorporated into risk management operations, with improvement plans expected to be initiated in 2024.



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Information Security Management Measures

Hardware Protection

- **Equipment Inspection:** Maintenance contracts are signed with vendors for important systems and equipment, and regular inspections of equipment status are conducted.
- **Establish Data Backup Mechanism:** A backup system has been set up, performing daily backup operations for servers and databases. In addition, a high availability (HA) mechanism has been established for important equipment.

Network Security Protection and Monitoring

BenQ Materials has established "Website Information Security Management Inspection Standards." Since 2021, vulnerability scanning and patching operations have been carried out on important system hosts and websites. In 2023, the scanning scope was expanded to include more network equipment and system hosts and increased scanning frequency to enhance overall system security strength.

- **Security Protection:** Quarterly vulnerability scanning and patching improvement operations are conducted on systems and network equipment. Systems must be updated before going online to avoid outdated versions before regular scans.
- **Monitoring Mechanism:** In 2023, information security health checks were conducted on equipment, hosts, and networks, covering malicious program scanning, incident analysis and response, and firewall policy review. Improvement plans were proposed and tracked based on recommendations.

Information Security Incident Response Plan

- **Regular annual disaster drills:** In 2023, ERP system disaster drills were conducted to enhance disaster response capabilities and reduce losses during incidents.

Information Security Education and Training

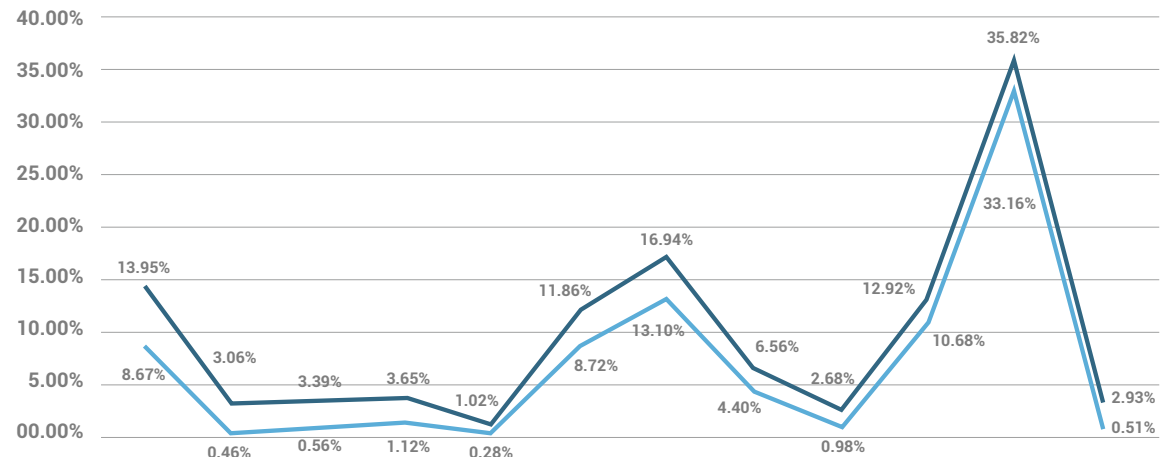
- **Internal Training:** October is BenQ Materials' Information Security Month. In 2023, online information security courses were conducted for all employees, information security lectures were held for middle and senior managers, posters were displayed, and email announcements were made to strengthen the information security awareness of all employees. In 2023, the company's online information security education and training had an 88% pass rate, with a 60% pass rate among senior managers. To improve the pass rate among senior managers, information security lectures are planned to be included as a mandatory course for senior managers in 2024, with active promotion of related courses to increase the pass rate.
- **External Training:** To strengthen the information security risk awareness of middle and senior managers, in 2023, external information security consultants conducted information security awareness promotion sessions to ensure that information security concepts are integrated into daily operations. Information security personnel completed certification courses (IEC 62443-2-1, ISO 27017 & 27018, ISO 27001).

Social Engineering Drills

Since April 2021, monthly email social engineering drills have been conducted to educate employees on information security knowledge related to email handling, aiming to reduce the risk of employees mistakenly clicking on malicious emails and strengthening email security awareness.

In 2023, the social engineering drills enhanced the realism of the emails. Subsidiaries were included in the drills, and the realism of the emails was adjusted. Continuous promotion and personnel training led to a significant decrease in the error rate in Q1 2024.

Open Rate Trend



	Nov.	Dec.	Jan.	Feb.	Mar.	Jul.	Oct.	Jan.	Apr.	Aug.	Nov.	Jan.
Email Open Rate	13.95%	3.06%	3.39%	3.65%	1.02%	11.86%	16.94%	6.56%	2.68%	12.92%	35.82%	2.93%
Link Click Rate	8.67%	0.46%	0.56%	1.12%	0.28%	8.72%	13.10%	4.40%	0.98%	10.68%	33.16%	0.51%



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Supplier Information Security Management

In 2023, information security risk assessments were conducted on the top 10 suppliers for each product business, totaling 71 suppliers. This provided external risk reference for the company and also offered information security guidelines to related suppliers to enhance overall information security maturity and reduce potential corresponding risks.

Supplier Information Security Evaluation

Each business unit ranks suppliers based on procurement amounts, with the top 10 undergoing self-assessment. A total of 71 suppliers were required to return assessments. The supplier information security self-evaluation guidelines provide weighted scores based on various item evaluation results, classifying the suppliers' information security management status as follows:

- **A+ (Excellent):** Suppliers have a complete and effectively operating information security management system, weighted score $\geq 90\%$.
- **A (Good):** Suppliers have a complete information security management system, weighted score $\geq 80\%$.
- **B (Average):** Suppliers have initially established an information security management system, weighted score $\geq 60\%$.
- **C (Needs Improvement):** Suppliers have not implemented any information security management system, weighted score $< 60\%$.

The overall information security evaluation score is 73, with an average score of B (Average), showing improvement over the previous year. Information security guidelines are provided for C (Needs Improvement) suppliers for reference.

Information Security Insurance Arrangements

Since December 2020, BenQ Materials has been insuring corporate information security risk management insurance to cover related costs incurred during information security incidents (such as business interruption, incident response, and recovery costs). The insurance coverage includes majority-owned subsidiaries to reduce losses during incidents. The company continued to insure information security insurance in 2023.



Information Security Planning

On the institutional side, the company follows the ISO 27001 international information security standards to formulate corporate information security policies. In April 2022, it obtained ISO 27001 certification. In 2024, the company plans to implement the new ISO 27001:2022 version and achieve certification in 2025. Additionally, various quantitative information security indicators are established to continuously strengthen and improve the information security management mechanism, enhancing response measures and emergency response capabilities for information security incidents.

On the technical side, the company plans to implement Multi-Factor Authentication (MFA), Security Operation Center (SOC), Endpoint Detection and Response (EDR), and Managed Detection and Response (MDR) in 2024 to establish secure multi-factor authentication for enhanced login security. The company also aims to strengthen pre-incident and in-incident handling capabilities through real-time event detection and response mechanisms.

On the personnel information security awareness side, the company regularly conducts company-wide information security education and training and email social engineering drills to continuously enhance the information security awareness of all employees. These measures ensure that information security concepts are integrated into daily operations and gradually extend to suppliers. Through information security assessments and supplier education and training, the company helps suppliers improve their information security capabilities, establishing a protective network for the entire supply chain.