



# Responsible Governance

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# Corporate Governance

## » Board of Directors

BenQ Materials has established its corporate governance structure and implementation practices in accordance with the ROC Company Law, the Securities and Exchange Act, and other relevant laws and regulations. Under the Board of Directors, there is currently an Audit Committee and a Compensation Committee, both of which are composed of all independent directors. All directors, including independent directors, are elected by shareholder vote.

The Board of Directors of BenQ Materials is the highest governance unit and is responsible for directing corporate strategy, overseeing management, operations, and arrangements of the corporate governance system. It is accountable to the Company and the shareholders' meeting and exercises its powers and functions in accordance with the provisions of the Act, the Articles of Incorporation, or the resolution of the shareholders' meeting.

In accordance with Article 26-3, Paragraph 8 of the Securities and Exchange Act, BenQ Materials has established the "Rules of Procedures of the Board of Directors' Meetings." Relevant matters are conducted in accordance with the rules and regulations, and the Board of Directors meets at least four times per year. Six meetings of the Board of Directors of BenQ Materials will be held in 2022.

Please refer to the Corporate Governance chapter in the BenQ Materials Annual Report.

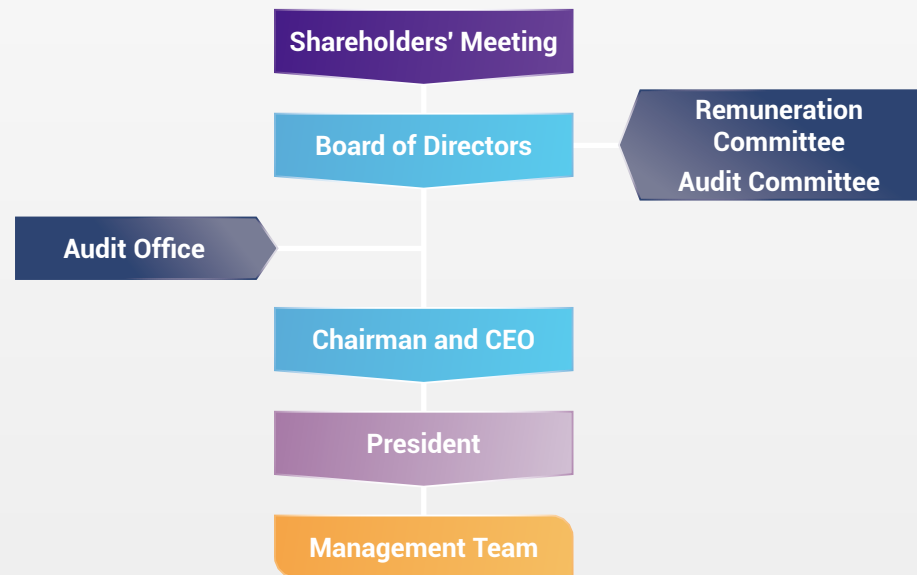


### • Composition and Method of Election

In addition, Article 20 of the Corporate Governance Code stipulates that the composition of the Board of Directors shall take into account diversity. However, the number of directors who are also managers of the Company shall not exceed one-third of the total number of directors. Appropriate diversity shall be formulated in accordance with the actual operation, style, and development needs.

In 2022, there will be 11 directors, including 5 independent directors. One director and one independent director will retire, one male independent director will be newly appointed, and one female independent director will also be newly appointed but will resign in the same year. All directors have at least 5 years of relevant working experience in business, legal, finance, accounting, or the Company's business.

The Chairman of BenQ Materials serves as the Chairman of the highest governance unit and also holds the position of Chief Executive Officer. The main reason for his senior management role is to enhance operational efficiency and decision-making while strengthening the independence of the Board of Directors. The company has actively been training suitable candidates internally.





• Diversification scenarios

To implement the diversity policy, BenQ Materials expects to have at least one female director to continuously enhance the functions of the Board of Directors and strengthen the oversight function.

Name <small>Note1</small>	Title	Gender	Seniority of Independent Director			Professional Knowledge or Skill			Age			Employee Identity <small>Note2</small>	Sustainability roles
			Less than 3 years	3~9 years	More than 9 years	Industrial Sector	Academic Sector	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	●			●	●	●			●		

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



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### • Key Issue Communication

BenQ Materials' highest governance unit holds regular meetings to discuss and invite units such as accountants, internal auditors, legal and finance, risk control, etc., to report and answer questions to independent directors regarding the recent financial statement audit, internal audit results, litigation cases, financial business overview, and other information. This allows independent directors to assist investors in ensuring the credibility of corporate governance and information transparency, in order to safeguard shareholders' rights.

Board members and senior management maintain close communication. In addition to regular meetings, the company's management also regularly reports on the company's important sustainable development initiatives to the Board of Directors, in order to gather relevant opinions from the Board. The related annual work focus and operations are disclosed in the "Board of Directors Operations" and "Audit Committee Operations" sections of BenQ Materials' 2022 annual report.

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

### • Conflict of Interest

During discussions and voting on board meeting agenda items, if a director has a personal interest that may harm the company's interests, the provisions of Article 206, Paragraph 2, of the Company Law, applying the provisions of Article 178 regarding conflict of interest, shall be followed. The director shall not participate in the discussion and voting of the agenda item. When necessary, the Chairman of the Board will instruct another director to act as a proxy for the meeting chair. Furthermore, the annual report shall disclose the names of directors involved in relevant agenda items, the content of the agenda items, and the reasons for the need to avoid conflicts of interest. Additionally, information regarding cross-shareholdings with interested parties, the presence of controlling shareholders, and related party transactions shall be disclosed in the annual report to prevent or mitigate potential conflicts of interest. In 2022, there were four incidents of conflict of interest, and the directors, committee members, and executives involved refrained from participating in the discussions and voting of the respective agenda items. Details of the conflict of interest cases at the board level can be found in the corporate governance section of the annual report.

In compliance with regulatory amendments to corporate governance guidelines and significant information processing and prevention of insider trading operations, BenQ Materials implemented measures to prohibit insiders from trading securities based on undisclosed material information. This includes controls on stock trading by insiders upon the receipt of the company's financial reports or related performance information, such as directors refraining from trading their stocks during a closed period of thirty days before the announcement of annual financial reports and fifteen days before the announcement of quarterly financial reports.

### • ESG Training for the Board of Directors

Every year, the Board of Directors and members of the management team are scheduled to undergo continuous training on economic, environmental, social, and other relevant issues to enhance their knowledge as the highest governance unit. In 2022, the ESG training program covered topics such as sustainable supply chain management, low-carbon management, integrity in business, information security, and corporate governance. A total of 13 training sessions were conducted, with each session lasting for 3 hours, resulting in a cumulative training duration of 39 hours. For more details, please refer to the [2022 BenQ Materials Annual Report \(p.26\)](#).

#### » Audit Committee

The BenQ Materials Audit Committee was established on November 16, 2007, following approval at an extraordinary shareholders' meeting. The Audit Committee is composed of all independent directors, with a minimum of three members, to comply with regulatory requirements. The most recent term of the committee commenced in June 2022 after the election.

The Audit Committee convenes regularly, with meetings held on a quarterly basis and a minimum of four meetings per fiscal year. In 2022, a total of five meetings were conducted. For detailed information on the attendance of committee members and other relevant details concerning the Audit Committee, please refer to the disclosures in [the BenQ Materials Annual Report](#) or [the official BenQ Materials website](#).

#### » Remuneration Committee

The BenQ Materials Remuneration Committee was established on October 25, 2011. As of December 31, 2022, three independent directors have been appointed as members of the Remuneration Committee. The most recent term of the committee commenced in June 2022 after the election.

The Remuneration Committee holds at least two meetings annually and may convene additional meetings as necessary. In 2022, a total of two meetings were conducted. The committee diligently fulfills its duties in accordance with applicable laws and faithfully submits its recommendations to the Board of Directors for discussion.

The Remuneration Committee assists the Board of Directors in evaluating the compensation levels of the company's directors and executives and their alignment with the company's performance. It also determines the dividend allocation ratio and provides recommendations on executive and company compensation policies. Based on the industry competitive environment, company performance, and benchmark market trends, the committee establishes a company-level compensation strategy. Relevant information on the compensation of the Board of Directors and senior management, including executives, is appropriately disclosed in the company's annual report to ensure that all stakeholders have a comprehensive understanding of the relationship between executive compensation and company performance.



## » Board of Directors Performance Evaluation

On May 6, 2019, the Board of Directors approved the "Board of Directors Performance Evaluation Method" which establishes that the Board of Directors should conduct an annual self-evaluation of its performance, as well as an external evaluation once every three years. BenQ Materials completed the self-evaluation of the Board of Directors by the end of 2022 and reported the evaluation results to the Board in February 2023. The average self-evaluation score of the directors reached 98 points, and the average attendance rate of the Board in 2022 was 100%. The overall operation of the Board was in good condition. For more details, please refer to [the BenQ Materials annual report](#).



## » Internal Audit

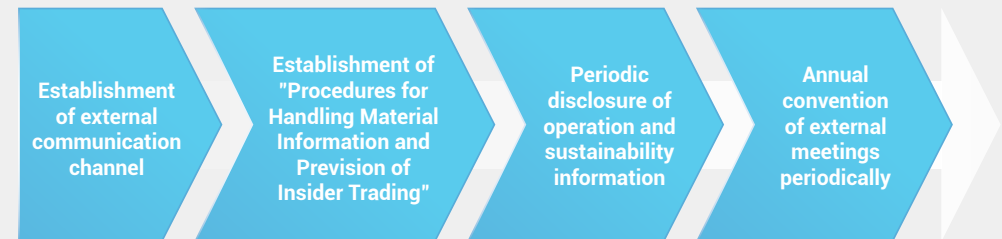
BenQ Materials has an internal audit department that assists the Board of Directors and management in examining and reviewing the deficiencies in the internal control system and measuring the effectiveness and efficiency of operations. It provides timely improvement recommendations to ensure the continuous and effective implementation of the internal control system. The annual audit plan is drafted and submitted to the Board of Directors for approval. After the audit, an audit report is issued and approved by the Chairman, and it is sent monthly to the independent directors for review. The head of internal audit regularly reports the audit activities to the Audit Committee and the Board of Directors.

The appointment and dismissal of internal audit personnel at BenQ Materials is approved by the Chairman upon submission by the head of internal audit. Performance assessments of internal audit personnel are conducted twice a year in accordance with the "Performance Assessment Management Regulations" and are reviewed by the head of internal audit before being approved by the Chairman. The appointment and dismissal of the head of internal audit follow the "Audit Committee Organization Regulations" and "Board of Directors Meeting Rules" and must be submitted for approval by the Audit Committee and the Board of Directors. Salary and compensation for internal audit personnel are submitted to the Chairman for approval in accordance with the "Compensation Management Regulations" by the Human Resources Department.

## » Shareholders' Rights and Interests

BenQ Materials has established effective communication channels for external stakeholders to ensure that shareholders and investors can access and understand the company's operational information in a timely manner. The "Investor Relations" and "ESG" sections on the company's website serve this purpose. To safeguard shareholder equality and maintain fairness in securities market trading, BenQ Materials has formulated the "Handling of Material Information and Prevention of Insider Trading Procedures." These procedures ensure the proper handling and disclosure of material information, prevent improper information leaks, and are communicated to all employees to ensure their understanding of the relevant agreements and rules. The company strictly prohibits insiders from trading securities based on undisclosed material information.

In response to the encouragement from stock exchanges to enhance communication frequency and increase operational transparency with investors, BenQ Materials held corporate briefings and participated in external investor conferences a total of five times in 2022. These initiatives aim to foster better communication and provide investors with a deeper understanding of the company's operations.



## » Governance Executive Compensation Strategy

To incentivize the management team to create long-term shareholder value and attract, retain, and develop talented individuals, MediaTek has established a compensation strategy as its foundation. The fixed salary, variable compensation, and benefits for the senior management are all designed in accordance with the compensation policy set by the Remuneration Committee, and are discussed and approved within the committee.

The salary of the senior management is determined by referencing annual market survey reports, taking into consideration the overall company performance, individual achievements, and contributions as the basis for rewards. Additionally, to implement the company's sustainability initiatives, the effectiveness of sustainability projects is included as part of the annual performance goals based on respective responsibilities. The weightage of sustainability goals ranges from 5% to 10%, and the overall assessment is conducted by the Remuneration Committee. After the final review of the rewards, they are submitted to the Board of Directors for approval.





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## » Regulatory Compliance

### • Compliance Status

BenQ Materials has established a Legal and Regulatory Affairs department and implemented a contract review system. It requires that all external documents from various departments be reviewed by legal personnel to ensure compliance with relevant domestic regulations and international standards in terms of labeling and marketing practices. The responsible units regularly monitor government announcements regarding relevant regulations. If there are updates or the introduction of new regulations, the responsible units manage and distribute company-wide announcements.

In 2022, there were a total of five government penalty incidents, resulting in a cumulative fine of NTD 165,258. The detailed breakdown of these incidents is as follows: [provide specific details about each incident.

Penalty Item	Penalty Description	Num	Penalty Amount (NT\$)	Improvement Measures
Violation of Article 89, Paragraph 3 of the Income Tax Act	Failure to declare and withhold tax vouchers within the specified period for the fiscal year 2021-2022	2	63,926	Split the items for withholding tax into domestic and overseas, and clearly classify the declaration deadlines.
	Foreign migrant workers leaving the country prematurely without declaring and withholding tax vouchers within the specified period	2	1,332	Adjust the withholding month and regularly review the residence permits of foreign colleagues.
Due to violation of Article 6, Paragraph 1 of the Occupational Safety and Health Act, and pursuant to Article 43, Paragraph 2 of the same Act	the personnel involved in the injury incident at the Yunlin factory were subject to a suspended penalty	1	100,000	Please refer to <a href="#">section 7-5 for safety improvement.</a>

Note: A single fine of \$1 million or more is considered a material breach. The above events have been annualized based on the actual time of payment in 2022.

### • EU Medical Device Regulations

The EU Medical Device Regulation (MDR) (EU) 2017/745 aims to regulate the medical devices entering the European Union economic area. It officially came into effect on May 25, 2017, replacing the EU Medical Device Directive 93/42/EEC (MDD) and elevating the directive to a regulation level. The transitional period was set for three years. Under the MDD, products with valid certificates issued could have a certain grace period after the official implementation of the EU Medical Device Regulation. If there are no significant design or intended use changes, the final expiration date of this grace period is May 26, 2024.

Due to the COVID-19 pandemic, the Official Journal of the European Union published Regulation 2020/561 in 2020, postponing the implementation date of the MDR from May 26, 2020, to May 26, 2021. On March 20, 2023, Regulation (EU) 2023/607, amending the MDR, was announced and immediately came into effect. It allows for an extension of the MDR transition period until December 31, 2027 (for Class III and Class IIb implantable devices) or December 31, 2028 (for Class IIa, Class I, and Class Im devices) under specific conditions specified in the regulation.

At present, BenQ Materials has already implemented the quality system requirements of the new regulation and plans to obtain MDR approval for its products within the mentioned transition period.





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## Business Performance

In 2022, BenQ Materials recorded a consolidated annual revenue of NT\$15.54 billion, representing a decrease of 9.51% compared to 2021. The consolidated operating profit for 2022 was NT\$697 million, showing a decrease of 28.7% compared to 2021. However, the consolidated net income for 2022 was NT\$1.285 billion, which was a 32.5% improvement over 2021. The earnings per share (ESP) for 2022 were NT\$4.04. Detailed operational results and financial highlights can be found in the 2022 Annual Report.

In 2022, BenQ Materials proactively engaged in a refinancing project through a syndicated loan, complying with the sustainable loan requirements set by the consortium banks (including ESG loan conditions related to environmental protection, social responsibility, and corporate governance). BenQ Materials achieved the relevant ESG indicators and received corresponding interest rate incentives from the syndicate banks. Together with the consortium banks, BenQ Materials fulfills its corporate social responsibility and creates sustainable corporate value.



### Historical Revenue and Profit

Unit: NT\$ million	2018	2019	2020	2021	2022
Operating income	12,764	13,943	15,050	16,482	15,540
Operating cost	10,914	11,801	12,776	13,425	12,462
Gross profit	<b>1,850</b>	<b>2,142</b>	<b>2,274</b>	<b>3,057</b>	<b>3,078</b>
Operating expense	1,411	1,788	1,726	2,079	2,382
Marketing expense	595	880	870	1,050	1,174
Management expense	223	222	216	270	321
Research and development expense	641	686	640	759	887
Other	-49	0	0	0	0
Operating profit	<b>440</b>	<b>354</b>	<b>547</b>	<b>977</b>	<b>697</b>
Non-operating income (expense)	-67	-19	-38	231	1,058
Net income before tax	<b>372</b>	<b>334</b>	<b>510</b>	<b>1,208</b>	<b>1,755</b>
Income tax expense	47	78	114	238	470
Net profit	<b>325</b>	<b>257</b>	<b>396</b>	<b>970</b>	<b>1,285</b>
Other comprehensive profit or loss after tax - net	-45	-39	-49	-21	34
Total comprehensive profit or loss	<b>281</b>	<b>218</b>	<b>347</b>	<b>949</b>	<b>1,319</b>
Earnings per share	<b>1.02</b>	<b>0.80</b>	<b>1.23</b>	3.03	4.04



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## Tax Governance

BenQ Materials, in response to the international trend of tax governance, adheres to the principles of integrity and operates in compliance with tax regulations, striving for sustainable development. We have established tax governance principles and assigned responsibilities to relevant units for implementation, reporting to the management level. This ensures the effective functioning of our tax management mechanism, safeguarding the interests of the company and its investors. In 2022, the income tax expense amounted to NT\$470 million, accounting for 3.03% of the total 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 in overseas regions while complying with tax regulations worldwide. To effectively manage tax risks, tax risk management has been incorporated into BenQ Materials' risk management plan. The Risk Management team regularly reports to the Audit Committee on the company's risk environment, key areas of risk management, risk assessment, and mitigation measures. For more detailed information on risk management, please refer to Section 3-5 Risk Management or consult BenQ Materials' annual report.

### » Tax Management

BenQ Materials considers the Board of Directors as the highest decision-making and supervisory body for tax governance. It collaborates with relevant senior management to develop tax governance strategies and conducts regular monthly reviews to ensure responsiveness to emerging risks. The Finance Department is responsible for tax management, with the Chief Financial Officer serving as the top executive in tax management. Day-to-day tax management is carried out by the Accounting Manager, who is assisted by qualified and experienced tax professionals in fulfilling BenQ Materials' tax obligations. Additionally, BenQ Materials strengthens its expertise through professional services provided by external tax consulting firms.

### » Tax Payment Status

Unit : NTD thousands

Income Tax Related Information	2021 year	2022 year
Profit Before Tax	1,198,417	1,481,351
Income Tax Expense	226,862	185,681
Effective Tax Rate on the Books	18.9%	12.5%
Payment of Income Tax	123,510	143,583
Effective Cash Tax Rate	10.3%	9.7%

Note 1: Income tax information is primarily disclosed for Taiwan.

Note 2: Effective tax rate on the books = Income tax expense for the year / Profit before tax for the year; Effective cash tax rate = Payment of income tax for the year / Profit before tax for the year.





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# Ethical Management

## » Code of Conduct

In 2015, BenQ Materials established the "BenQ Materials Co., Ltd. Code of Conduct" which was approved by the Board of Directors. The company also developed an "Enterprise Integrity Manual," and all board members and employees are required to sign the "Integrity Declaration." Integrity is the core value of the company, and it is reflected in various aspects such as the formulation of regulations, education and promotion, complaint mechanisms, and integrity risk assessment. The relevant departments are responsible for these matters and provide annual reports to the Board of Directors on the implementation status.

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.

To enhance smooth communication with suppliers, BenQ Materials has established channels for communication and complaints, as well as implemented various systems to strengthen communication efficiency and information transparency. The procurement orders explicitly state the principles of integrity and ethical cooperation, and suppliers are required to sign a commitment to integrity. In the event of any violations, contracts may be terminated, and the supplier may be permanently excluded from further cooperation.



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	2019 Number of Trainees	2020 Number of Trainees	2021 Number of Trainees	2022 Number of Trainees
New employee integrity course	0.5	Required course for all new employees	350	364	361	478
Code of ethical conduct online course	0.25	All employees are required to complete the online course	791	1,894	1,756	1,695
Insider training prevention course	2	Course is opened periodically for supervisors and employees of relevant works	44		76	101
Trade secret law educational promotion	2	Course and educational promotion is provided to supervisors and employees of relevant works through electronic newsletters of the Company periodically	47	Note	Note	82

Note: Course was canceled due to pandemic, and it was changed to internal announcement and educational promotion.

## » Complaint Mechanism

When violation of integrity and ethics is found to true, complaint can be filed via the complaint channel. After receiving a complaint case, the responsible unit shall activate the investigation procedure. The responsible personnel (including Audit Office) shall form the committee to conduct investigation, and assess whether the case shall be submitted to the Personnel Evaluation Committee formed by crossdepartment supervisors for review according to the severity of violation and the level of personnel involved. After it is verified to have the likelihood of causing material damage to BenQ Materials, the committee will prepare report and inform the Audit Committee in writing. There was no compliant case causing penalty of the company in 2022.

Internal Complaint Channel  
(Human resource)



Director  
supervisor



Human resource  
supervisor



Auditor



President's  
mailbox



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# Risk Management

BenQ Materials established the Risk Management Committee (RMC) in 2010, focusing on the risk management system and risk transfer planning in corporate governance. The committee formulated the vision and policies for risk management, analyzed strategic risks, financial risks, operational risks, and hazard risks from both internal and external perspectives. They conducted risk identification assessments, improvement plans, and regular management reviews to effectively manage risks that exceed the risk tolerance level, aiming to build BenQ Materials into a resilient enterprise capable of withstanding risks.

In 2020, the Board of Directors approved the "Risk Management Policy and Procedures" in line with the "Corporate Governance Best Practice Principles for Listed and OTC Companies" issued by the Taiwan Stock Exchange on August 8, 2022. The revised policy and procedures were completed and approved by the Board of Directors for the first time in 2023.

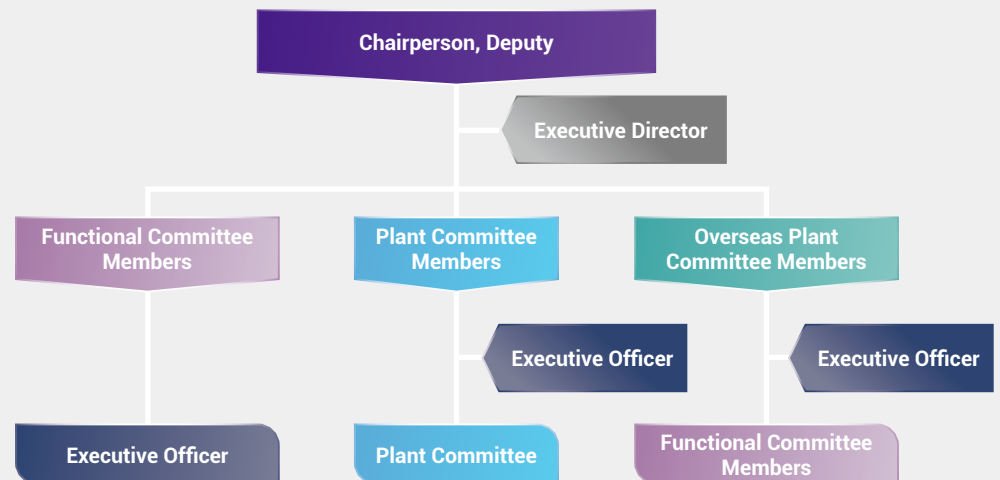
## » Risk Management Policy

- To ensure the sustainable operation of the company, a Risk Management Committee should be established to regularly identify, assess, handle, report, and monitor risks that may have a negative impact on the company's operational objectives.
- Risks should be identified and controlled before incidents occur, losses should be minimized when incidents happen, and prompt recovery of product and service provision should be ensured after incidents. For significant risk situations identified by the Risk Management Committee, business continuity management plans and emergency response manuals should be developed and regularly updated.
- For risks that do not exceed the risk tolerance level, the cost of risk management should be considered, and different management tools can be used to address them. However, this does not apply if the risks have a negative impact on employee safety, result in non-compliance with laws and regulations, or have a negative impact on the company's reputation.



## » Organizational Structure and Operation of the Risk Management Committee

The Risk Management Committee of BenQ Materials consists of the Chairman and CEO, General Manager serving as the Chairperson/Vice Chairperson, and the CFO concurrently serving as the Secretary-General (Risk Management Unit). The heads of each operational unit also serve as committee members. The committee reports regularly to the Board of Directors and the Audit Committee. The Board of Directors, Audit Committee, Risk Management Committee, Risk Management Unit, and operational units each have their respective risk-related responsibilities. For more information on the operational status of risk management, please refer to the official [website of BenQ Materials](#).





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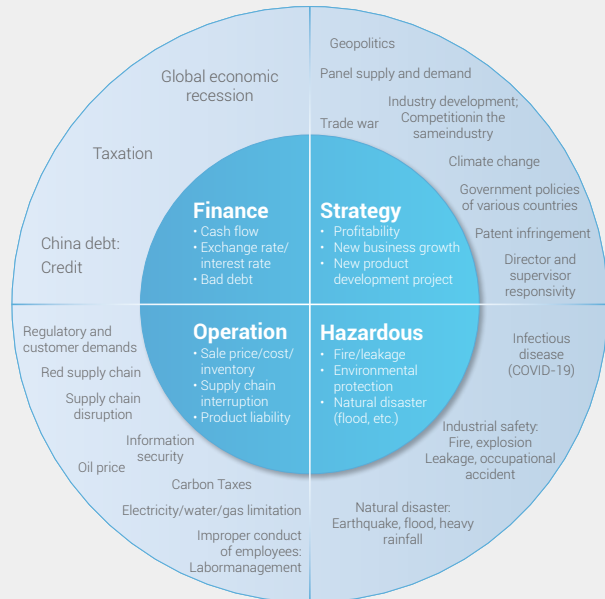
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## » Risk Management Operation

The risk management operation of BenQ Materials involves the identification, analysis, assessment, and management of all negative events that may impact the achievement of the company's operational objectives. These events are categorized into four major risk categories: strategic, operational, financial, and hazard risks, with consideration for emerging risks and classification based on the nature of the issues. Risk radar charts are generated based on risk identification, analysis, and assessment to facilitate management. Each operational unit formulates risk response strategies based on the annual company-level risk improvement objectives, internal risk identification and assessment results within the unit, and other potential operational impact events. Regular management review meetings are held 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 them. In 2022, two risk management review meetings were held, managing a total of 30 risk improvement plans, including nearly 20 medium to long-term improvement plans that will continue in 2023.

In response to the risk of climate change, BenQ Materials follows the Task Force on Climate-related Financial Disclosures (TCFD) framework. The company has conducted risk and opportunity identification and assessment, developed response plans for significant risks, and implemented a total of 19 adaptation action plans in the short, medium, and long term. This information was reported to the Audit Committee and the Board of Directors on November 1, 2022. For more details, [please refer to section 5-2 on climate change management.](#)



## » Business Continuity Planning (BCP)

In the event of situations identified as significant risks by the Risk Management Committee, each department is required to jointly develop a business continuity plan (BCP) to proactively address unexpected accidents. This includes the ongoing identification and assessment of risks, as well as the implementation of preventive measures and improvements to mitigate potential losses and ensure the rapid recovery of products or services in the event of an incident.

BenQ Materials has established BCPs for various accidents, including fire, earthquake, flood, strike, infectious diseases (such as influenza and major infectious diseases like COVID-19), supply chain disruption, brand reputation, environmental incidents causing work stoppage, and information security interruptions. To ensure the effectiveness of these BCPs, an annual review of the plans is conducted.

In response to the global COVID-19 pandemic, BenQ Materials has implemented measures in accordance with government policies. As we move towards coexisting with the virus, we have experienced a transitional period, but fortunately, it has not affected the company's revenue. In 2022, a total of 51 operational continuity plan meetings were held for the Suzhou and Wuhu factories in relation to infectious diseases. These meetings covered various aspects, including pandemic monitoring, internal epidemic response teams, supplier reporting and management, mechanisms and activation for workforce rotation, resource preparation and upgrades in terms of information, capacity backup plans at the factory level, supply mechanisms, and maintaining smooth communication channels with customers.

## » Risk Management Education and Training

To enhance risk awareness and culture, the Risk Management Unit conducts regular risk education and training programs. In 2022, a total of 18 sessions were held, during which various topics related to risk management were shared. Additionally, the Chairperson and Vice Chairperson of the Risk Management Committee provide periodic risk reminders to incorporate risk considerations into operational activities and decision-making processes. These efforts aim to foster a risk-conscious environment within the organization.





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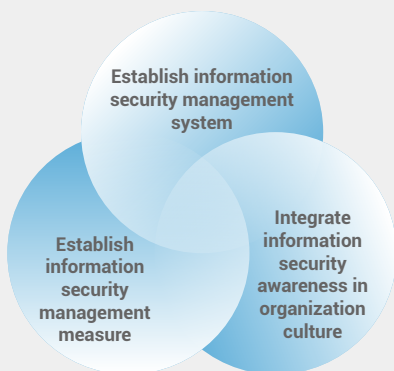
# Information Security

## » Information Security Policy

BenQ Materials has established a secure and reliable computerized operating environment to ensure the security of computer data, systems, equipment, networks, and the smooth operation of business activities. In accordance with regulations such as the Cybersecurity Management Act, Personal Data Protection Act, Copyright Act, Electronic Signature Act, as well as referencing international information security standards (ISO 27001), the company has formulated the "Information Security Policy and Procedures" and developed the "Cybersecurity Operation Guidelines" based on this framework. Continuous attention is given to cybersecurity issues, and plans are implemented to strengthen security measures, including the procurement of advanced antivirus software, establishment of global security networks for joint protection, cybersecurity audits, upgrading internal operating systems, and patching vulnerabilities. To instill the importance of information security in the company, regular cybersecurity education and training sessions, as well as cybersecurity drills, are conducted to integrate a culture of cybersecurity awareness into the organization.

## » Information Security Committee and Responsible Unit

BenQ Materials established the "Information Security Management Committee" in 2021 and appointed a Chief Information Security Officer (CISO) and a security representative (security manager) to strengthen the information security management mechanism. In response to information security trends and the policy requirements of the Financial Supervisory Commission (FSC), the company has designated one "Information Security Officer" for information security operations. In addition, in January 2022, the "Infrastructure and Security Department" was newly established, and in 2023, one "CISO" and one "security manager" were respectively appointed



## » Information Security Management

In addition, BenQ Materials has implemented risk assessment procedures, established and implemented relevant regulations to properly protect information assets, and determine the risk levels of information assets. Through the results of risk assessments and internal meetings, measures are formulated to effectively reduce, transfer, eliminate, or accept risks. In 2021, BenQ Materials completed the implementation project for ISO 27001, and in 2022, ISO 27001 certification was obtained. The relevant documents have been recorded in the company's document management system (DMS). In order to maintain the validity of the certificate, an external audit by BSI was conducted in February 2023.

The scope of ISO 27001 certification includes the data centers at the Taoyuan, Longke, and Yunlin plants in Taiwan, as well as the ERP, FEOL MES (Front End of Line Manufacturing Execution System), and FlowER (BPM) systems. In addition, in 2022, security guidance was implemented in the mainland China plant, and an internal security audit was conducted in December.

### Information Security Management System Construction Goal

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

## » Information Security Risk Assessment

Based on the information security risk assessment and management procedures, BenQ Materials has defined the risk values for Taiwan and mainland China in 2022 and has implemented improvement plans for high-risk areas. In 2023, a reassessment of the information security systems in Taiwan and mainland China will be conducted, with an expected completion in the third quarter of 2023.







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## » Information Security Management Measures

### • Hardware Protection

- Equipment Inspection: Regular inspections are conducted on important systems and equipment, and maintenance contracts are signed with vendors to ensure the condition of the equipment.
- Establish Data Backup Mechanism: A backup system has been implemented to perform daily backups of servers and databases. Additionally, high availability (HA) mechanisms have been established for critical equipment.

### • Network Security Protection and Monitoring

BenQMaterials has developed the "Website Information Security Management Inspection Specification." Since 2021, vulnerability scanning and patching operations have been conducted on important system servers and websites. In 2022, the scanning scope was expanded to include network devices and increased the number and frequency of scans for system servers to enhance overall system security strength.

- Security Protection: Quarterly vulnerability scanning and patching improvement operations are conducted on systems and network devices. It is required to perform updates before the system goes online to avoid issues with outdated versions during regular scans.
- Monitoring Mechanism: In 2022, a cybersecurity check-up was conducted on devices, servers, and networks. This included malicious program scanning, event analysis and response, and firewall policy review. Improvement plans were proposed for each recommendation, and tracking was carried out.

### • Information Security Incident Response Plan

- Annual Disaster Drills: In 2022, a disaster drill was conducted for the ERP system to strengthen the company's disaster response capabilities and minimize losses in the event of an incident.

### • Information Security Education and Training

- Internal Education and Training: Every October is designated as Information Security Month at BenQMaterials. In 2022, online information security courses were provided to all employees, while middle and senior-level executives received information security lectures. Information security awareness activities such as videos, comics, interactive games, posters, and email announcements were organized to enhance the overall staff's awareness of information security. The entire company underwent online information security education and training in 2022, achieving a pass rate of 88%. The pass rate for information security lectures targeted at senior executives reached 80%, demonstrating improved training outcomes compared to the previous year.
- External Education and Training: In 2022, external information security consultants were engaged to provide "Cybersecurity Awareness and Education" sessions, aiming to strengthen the risk awareness of middle and senior-level executives and ensure the integration of information security concepts into daily operations. Information security personnel also completed information security certification courses (IEC 62443-2-1) to enhance their expertise in the field.

### • Social Engineering Drills

Starting from April 2021, monthly electronic mail social engineering drills have been conducted to provide education and training to employees regarding email communication and related information security knowledge. The goal is to reduce the risk of employees clicking on malicious emails and enhance their awareness of email security. In the social engineering drills of 2022, the realism of the emails was strengthened, resulting in an email open rate and link click rate ranging between approximately 5% to 10%. Through continuous awareness campaigns and personnel training, the rate of accidental clicks has steadily decreased.

### • Supplier Security Management

In April 2022, for the first time, information security risk assessments were conducted for 84 suppliers across various business groups. This evaluation not only provided external risk reference for the company but also offered information security guidelines to the relevant vendors. The aim was to enhance the overall security maturity and reduce potential risks associated with the suppliers.

### • Information Security Insurance

BenQMaterials has been insured for enterprise information security risk management since December 2020. The insurance coverage includes expenses related to cybersecurity incidents such as operational disruptions, incident response, and recovery costs. Majority-owned subsidiaries are also included in the coverage to minimize losses in the event of an incident. The information security insurance has been consistently maintained in 2022.

## » Information Security Planning

On the institutional level, BenQMaterials follows the ISO 27001 international standard to establish enterprise information security policies. In April 2022, the company obtained the ISO 27001 certification and is planning to transition to the new ISO 27001:2022 version in 2023. Various information security quantitative indicators have been established to continuously strengthen and improve the security management mechanism, enhancing the ability to respond to and handle security incidents.

On the technical level, the company has implemented a Security Operation Center (SOC), Endpoint Detection and Response (EDR), and Managed Detection and Response (MDR). These measures help establish real-time event detection and response mechanisms, strengthening proactive and reactive security capabilities.

Regarding personnel's awareness of information security, regular company-wide information security education and training, as well as email social engineering attack drills, are conducted to continuously enhance the security awareness of all employees. The goal is to ensure that information security concepts are integrated into daily operations. Efforts are being made to expand these practices to suppliers as well. Through security assessments and supplier education and training, the company aims to assist suppliers in enhancing their security capabilities and establish a protective network throughout the entire supply chain.