



AUO Corporation

Risk Management Policy and Procedure

Chapter I. General Provisions

Article 1 Purpose and Basis

In order to achieve the goals for sound business administration and sustainable development, the regulations are established in accordance with the Risk Management Best Practice for TWSE/TPEX Listed Companies and Regulations Governing Establishment of Internal Control Systems by Public Companies.

Article 2 Scope of Applicability

This policy applies to the company and its 100% owned subsidiaries in their operational activities. It should be evaluated from the perspective of corporate sustainability, and relevant operational guidelines should be established in accordance with this risk management policy and procedures. Additionally, it serves as a guiding principle for subsidiaries in formulating risk management procedures aligned with their business strategies.

Investees of which the ordinary shares are wholly owned by the Company directly, or via any subsidiary indirectly.

Article 3 Enterprise Risk Management Goal

The AUO Corporation shall have a sound risk management architecture in place, take into consideration any risks that might affect the achievement of the enterprise's goals, and make any risk that might derive tolerable via the effective identification, analysis, assessment, response, supervision and review mechanisms (risk appetite) when carrying out various business lines, and include the risk management into its operating activities and routine management to achieve the following goals:

1. Achieve the enterprise's goals;
2. Improve the management performance;
3. Provide reliable information;
4. Allocate resources effectively.

Article 4 Enterprise Risk Management Principles

The AUO Corporation shall establish the risk management system in line with the following principles:

1. Integrity: The risk management constitutes a part of all activities.

2. Structuration and comprehensiveness: Promotion of the risk management in a structural and comprehensive manner generates consistent and more comparable results.
3. Customization: Develop an adequate risk management framework and process subject to the enterprise's environment, scale, business characteristics, risk nature and operating activities.
4. Inclusivity: Take stakeholders' needs and expectations into consideration, and improve and satisfy the stakeholders' knowledge and expectations towards the enterprise risk management.
5. Movement: Forecast, monitor, control and respond to changes in the enterprise's internal and external environments adequately and timely.
6. Effective Use of Information: Construct the risk management based on the historical and contemporary information and future trends, and provide the information to stakeholders for reference timely and specifically.
7. People and Culture: Enhance governance and management units' emphasis on risk management, and improve the enterprise's overall risk awareness and culture via the sound risk management training mechanisms applicable to staff at all levels, and make the risk management constitute a part of the corporate governance and routine operations.
8. Continuous Improvement: Continually improve the risk management and related operating procedures through learning and with experience.

Article 5 Review on and Implementation of the Risk Management Policy and Procedure

The AUO Corporation risk management policy defines various risks based on the Group members' overall business policies to establish the risk management mechanisms for early risk identification, analysis, assessment, response, supervision and review, in order to prevent potential losses within the risk appetite. Subject to the internal and external environmental changes, the Group continues to adjust and improve the risk management best practice principles in order to protect the interests of employees, shareholders, partners and customers, increase the company value, and takes the following actions as the ultimate risk management guidelines:

1. The management shall have the risk management awareness and integrate the risk management into the business strategy and organizational culture.

2. It is necessary to establish the risk management and response mechanisms for risk identification, analysis, assessment, response, supervision and review and define the measurement criteria.
3. It is necessary to establish an adequate risk management system and continue to check and ensure that the system is able to manage the risks assumed by the Group effectively when the Group is promoting various business lines.

Chapter II. Risk Governance and Culture

Article 6 Build a Sound Risk Governance and Management Framework

In consideration of the business characteristics, risk nature and operating activities of the AUO Corporation, the Group shall build a sound risk governance and management framework to connect the risk management with the Group's strategies and goals, determine the Company's major risks, improve the comprehensiveness, forward thinking and integrity of the risk identification results, and promote downward and launch the corresponding risk control and response, through the participation by the Board of Directors, functional committees and senior management, and administration of the subsidiaries, in order to ensure the achievement of the Company's strategic goals reasonably.

Article 7 Deepen Risk Culture

The AUO Corporation promotes a top-down risk management culture. By virtue of the specific risk management statement and undertaking provided by the governance unit and senior management, establishment and support of the risk management unit, and organization of the professional training related to risk management for the whole employees, the Group integrates the risk management awareness into its routine decision making and operating activities to form the multi-faceted enterprise risk management culture.

Article 8 Provide Sufficient Resources and Supports

The AUO Corporation risk governance and management unit shall value and support the risk management, provide adequate resources to make the risk management operate effectively, and take the responsibility for effective operation of the risk management.

Article 9 Integration and Coordination

Integration and Coordination In order to promote risk management, the AUO Corporation shall integrate various units' duties within the Group to



have various units work with each other to promote and execute the risk management. The entire business risk management is implemented through the communication, coordination and contact among various units.

Chapter III. Risk Management Organizational Framework and Functions

Article 10 Risk Management Organizational Structure

The AUO Corporation's risk management organization and responsibilities are as follows:

1. Board of Directors

The Company's supreme unit in charge of the risk management refers to the Board of Directors, which is responsible for authorizing the risk management policy and regulations, supervising the risk management implementation status, ensuring the business strategies and directions in line with the risk management policy, ensuring the establishment of adequate risk management mechanism and culture, and distributing and assigning sufficient and adequate resources, in order to keep the risk management operate effectively.

2. "Sustainability and Risk Management Committee" and "Sustainability and ERM Executive Committee"

The Sustainability and Risk Management Committee, under which is the Sustainability and Risk Implementation Committee.

(1) The "Sustainability and Risk Management Committee" is subordinate to the Board of Directors of the Company and establishes the "Sustainability and Risk Executive Committee" under its structure.

(2) The "Sustainability and Risk Executive Committee" reviews and confirms the Group's annual risk management report and reports the results of risk management implementation to the "Sustainability and Risk Management Committee" and the Board of Directors on a regular annual basis.

The main roles and responsibilities of the Sustainability and Risk Management Committee include:

- A. Review of risk management policy, procedure, and framework, and to examine the effectiveness of the risk strategy.
- B. Determining qualitative and quantitative risk capacity as well as optimizing the allocation of resources.

- C. Implementing the Board's risk management decisions, supervising the risk management mechanism of the Company, and review of risk management priorities.
 - D. Review the implementation of risk management, make recommendations on necessary improvements, and making annual reports to the Board of Directors.
3. The " Risk Governance Team " under the "Sustainability and Risk Executive Committee"
- The Company has established the Risk Governance Team, primarily responsible for assisting in the promotion and execution of risk management-related matters. The top executives of each business unit appoint suitable personnel to serve as risk management members, ensuring that operations effectively implement the risk management system.
- (1) Establish and maintain a risk knowledge base and set forth the Group's risk appetite and risk measurement criteria.
 - (2) Compile the Group's risk management execution results and prepare the Group's annual risk management report periodically each year.
 - (3) Coordinate the cross-functional interaction and communication for the risk management operations, and provide necessary supports.
 - (4) Plan the risk management-related training courses.
 - (5) Collect, evaluate, compile and report the information about external risks.

Chapter IV. Risk Management Procedure

Article 11 Risk Management Procedure

The risk management policy shall include the risk management procedure consisting of at least five major elements, such as risk identification, risk analysis, risk assessment, risk response, and risk supervision and review, and specify the procedure and method by which various elements shall be executed.

Article 12 Risk Category

Establish a risk knowledge base that encompasses both internal and external risks, primarily including governance, reporting, strategic planning, compliance, and operations/infrastructure. The scope of risks

includes, but is not limited to, operational, market, environmental, strategic, financial, governance, compliance, and reporting risks.

Article 13 Risk Identification

The personnel dedicated to executing the risk management shall conduct the comprehensive enterprise risk identification on their unit's short-term, mid-term and long-term goals in accordance with the AUO Corporation strategic goals and the risk management policy and procedure authorized by the Board of Directors, and also the Group's risk knowledge base, for at least once per year.

Article 14 Risk Analysis

Each operating unit shall verify the nature and features of the identified risk incidents, and take into consideration the integrity of existing related control measures, past experience, and peers' guiding cases to analyze the probability and impact of the risk incidents and to calculate the VaR.

Article 15 Risk Appetite and Risk Measurement Criteria

The risk appetite refers to the total risks and risk types the AUO Corporation is willing to bear in order to achieve its strategic goals. The AUO Corporation will invest adequate and sufficient resources as the first priority, in order to control and improve the risks beyond its risk appetite, and require the compliance with relevant control requirements and regulations during the routine operations, proactive supervision and control over risk items.

Article 16 Risk Assessment

The risk assessment is conducted in order to provide an enterprise with the basis for decision making. It compares the risk analysis results and risk appetite to decide the risk incident to be resolved as the first priority, as the reference basis for the subsequent preparation of response options. Subject to the risk analysis results, each operating unit shall compare the risk appetite authorized by the "Sustainability and Risk Management Committee" and plan and execute the subsequent risk response programs subject to the risk levels.

Article 17 Risk Response

Decide the risk response strategies based on the risk analysis and assessment results, ensure that the relevant personnel completely understand and execute the results, and continue to monitor the execution of related resolutions. The AUO Corporation considers the Company's strategic goals, internal/external stakeholders' views, risk appetite, available resources and the following circumstances, in order to select the

risk response strategies and approaches:

1. Probability and consequence of the risk.
2. Whether they are compatible with the risk acceptance level.
3. Cost and effect.
4. Probability to achieve the corporate goals.

Select the risk response strategies (avoidance, transfer, control and assumption) and approaches:

1. Risk avoidance: Decide not to engage in or proceed with the relevant operation or activity.
2. Risk transfer: Transfer the risk to a third party, in whole or in part, through re-insurance or in any other manners.
3. Risk control: Take adequate control measures to mitigate the probability of risks and potential impacts posed by the risks.
4. Risk assumption: Not to take any actions to change the probability of risks, but accept the potential impacts posed by the risks.

Article 18 Risk Supervision and Review

The risk supervision and review mechanism shall be expressly defined in the risk management procedure, in order to review whether the risk management procedure and related risk strategies keep working effectively, and include the related review results into the performance evaluation and reports.

The risk management shall be connected with the critical processes in the organization, in order to supervise and improve the risk management implementation results effectively.

Chapter V. Risk Report and Disclosure

Article 19 Risk Record and Risk Report

The risk management execution processes and results shall be recorded, reviewed and reported via some adequate mechanism, and maintained with care, including the information about risk identification, risk analysis, risk assessment and risk response measures, source of related information and risk assessment results.

The “Risk Governance Team” shall compile the Group's risk management execution results and prepare the annual risk management report on a periodic basis each year. The Team will ensure that the risk management organizational system submits the report to the “Sustainability and Risk Management Committee” and the Board of Directors regularly each year.



Additionally, the Team will establish a dynamic management and reporting mechanism through the operation of the risk management organizational system to accurately oversee the effective execution of risk management.

Article 20 Information Disclosure

The following risk management information shall be disclosed on the Company's website or the MOPS, in order to provide external stakeholders with the relevant information for reference. The information will also be updated a periodically. The disclosures shall cover:

1. Risk management policy and procedure;
2. Risk governance and management organizational framework;
3. Risk management operation and execution (including the frequency and date of reporting to the Board of Directors and "Sustainability and Risk Management Committee").

Article 21 This policy and procedure shall be reviewed by the Company's "Sustainability and Risk Management Committee" and implemented after final approval by the Board of Directors. The same applies to any amendments. This policy and procedure was established on October 28, 2020 and approved by the Board of Directors for implementation; the first amendment was approved by the Board of Directors on January 31, 2024, and the second amendment was approved by the Board of Directors on July 31, 2025.