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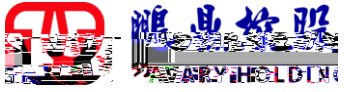
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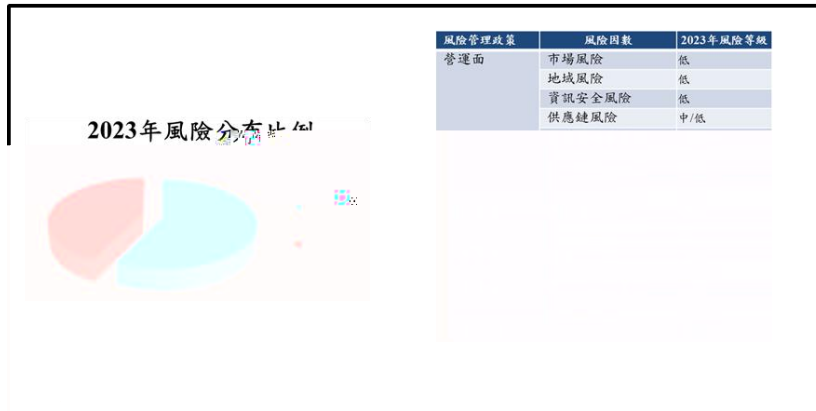
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## 2023年風險檢核結果



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## 2023年同階任務圖



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# Avary Technology Holding Limited

## 2023 Implementation Result of Risk Management (Updated: March 2024)

### Risk Management Policy

To ensure the company's sustainable business operations and progress towards the goal of sustainable development, Risk Management is conducted through the analysis of internal and external environments, the policy defines four major risk management facets: operational, strategic, financial, and hazard pillars. To determine the risk level of each pillar, there are a total of 14 risk factors, and the process of identification, assessment, control, and supervision is clearly documented. Furthermore, to review the status of each aspect, the PDCA cycle (Plan, Do, Check, Act) is utilized for daily measurement.

To uphold the principle of sustainable development, the company evaluates emerging risks in accordance with the Global Risk Report and other international standards. Three long-term risks highlighted this year are "Structural changes in the labor market," "Global armed conflict and economic downturn," and "Misinformation and disinformation."

According to the Risk Management Policy, the implementation results in 2023 were reported to the Board of Directors and the Strategy and Risk Management Committee, respectively, revealing that the company reviews its risk exposure at least twice a year.

### Organizational Structure of Risk Management

- I. The Chief of Staff is the highest supervisor of risk management and is responsible for the operations of the risk management organization. The Chief of Staff leads the risk management organization, coordinates the risk management activities, and oversees the participation of surrounding units. The front-line risk management personnel detects, identifies, evaluates, and formulates countermeasures for each risk, and regularly carry out reviews and supervision at risk management-related meetings. In case of different risks, the Chief of Staff may set up a response team according to different events and assign the responsible supervisor to coordinate the response.

The top risk management officer (i.e. Chief of Staff) should be aware of the impact of different types of risks to the Group and ensure the effectiveness of risk management. His/her main responsibility is not only to pay attention to the risks borne by each business unit, but also to consider the effects of the aggregation of various risks from the overall perspective of the company and coordinate cross-departmental communication.

- II. The Company has established the Strategy and Risk Management Committee, which consists of the highest supervisors of each business unit. The Committee supervises improvements to risk controls and identifies and approves the prioritization of risk controls, and is responsible for reporting to the Board of Directors.
- III. The Strategy and Risk Management Project Team operates independently from other operational departments and is responsible for reviewing and assessing the risk management and implementation carried out by frontline personnel across various risks. They shall adopt actions corresponding to the risk category and establish crisis management procedures and conduct drills. The Risk Management Project Team is headed by a regional director as the frontline risk manager, whose main responsibilities include:
  - Ensure that risk information is communicated in a timely and correct manner.
  - Ensure the effective implementation of risk regulations within the relevant units.
  - Depending on the external.
- IV. The responsible personnel of the Strategy and Risk Management Committee, in addition to participating in irregular internal and external risk management-related education and training, will fully implement risk management mindset education for employees and managers starting from 2023. This will be included as a performance evaluation criterion in the annual performance evaluation, in order to deepen risk awareness in daily life education and effectively enhance the promotion and implementation of risk management practices.

## Risk Management Procedure

To improve the risk management function, the Group's risk management is carried out through (1) risk identification, (2) risk assessment, (3) risk control, and (4) risk monitoring and communication to clearly grasp the scope of each risk. Through PDCA (Plan, Do, Check, Act) management measures, we will continue to improve and manage the risk factors to reduce the chance and degree of risk loss, and take appropriate measures to efficiently implement risk management.

- I. Risk Identification:** The company performs risk identification based on the environmental, social, and corporate governance aspects of its operations, where 14 risk factors have been formulated based on the four major aspects defined in the risk management policy, and the management scope includes various risk items at different levels as follows:

<b>Operational</b>	1. Market Risks: Changes in market trends, changes in product demand, changes in raw material prices, customer and supply chain performance risks
	2. Regional Risks: Review of the impact of changes in local political and economic conditions on the operations
	3. Information Security Risks: Information security software and hardware setup, management, maintenance, and personnel education and promotion and other related matters of operation maintenance and management.
	4.

	12. Financial and Tax Regulatory Risks: Review and response to changes in financial and tax policies in various
<b>Hazardous Events</b>	13. Natural Disaster Risks: Prevention and response capabilities for typhoons, rainstorms, earthquakes, lightning, fires, explosions, epidemics, and infectious diseases (e.g.: COVID-19, SARS, etc.), bird flu, high temperature, heat wave.
	14. Environmental Risks: Impact of long-term natural environmental changes on the company and response: Carbon neutrality and climate change.

- II. Risk Assessment:** All subsidiaries of the company factors it may face, and may use Failure Mode and Effects Analysis (FMEA), or may develop its own identification and evaluation criteria to identify and evaluate the risk levels of different risk items and implement corresponding controls. Based on the risk evaluation, the three characteristic exponent of "severity, frequency, and difficulty of detection" are summarized to express the possibility of risk occurrence and its degree of influence, which are used as reference bases for the subsequent prioritization of risk control and the selection of response measures
- III. Risk Control:** Risks related to the daily operations of each business unit shall be managed by the risk controls of each business unit. For important crisis incidents that are cross-departmental or cross-plant, cross-departmental or cross-plant risk assessment should be carried out. The Chief of Risk Management Executive Committee or a designated representative is responsible for coordinating and negotiating, in order to identify feasible strategies for preventing crisis incidents. The supervisor shall formulate crisis handling procedures and recovery plans according to the crisis incident.
- IV. Risk Monitoring:** In order to address the above areas, it is necessary to regularly review and thoroughly document the results of risk management implementation to understand the effectiveness of risk management strategies and related control operations. The Risk Management Project Team is required to submit an annual plan and progress report to the Risk Management Executive Committee, and hold at least two meetings annually to provide reports and explanations on the implementation results to the Strategy and Risk Management Committee. Internal audit personnel should periodically and irregularly review the risk management procedures and control implementation status at various risk levels and report to the Board of Directors. (The risk management implementation status for the year 2023 was reported to the Board of Directors on March 29, 2024).



## **2023 Risk Management Training**

Risk management training requires the participation of all members, including the board of directors. Regular and ad-hoc internal and external risk management courses are held annually and integrated into the annual performance evaluation criteria for employees and managers. The aim is to deepen risk awareness in daily operations, effectively enhancing the promotion and implementation of risk management in business. In 2023, there are 33 key executives, including e2023, 0s.

## Summary of the 2023 risk implementation results

		<ul style="list-style-type: none"> <li>● In order to increase market share in the consumer electronics industry, it is essential to understand market trends, select high-quality customers and suppliers, and utilize integrated systems for early warning and multi-product layout.</li> <li>● Shifting from cost leadership towards dual advantages (i.e., combining cost leadership and differentiation) via the measures of digital transformation, automation, and manufacturing improvement.</li> <li>● Implementing Business Continuity Management (BCM) plans and conducting drills to identify risks in advance to minimize losses from operational disruptions.</li> </ul>	<ul style="list-style-type: none"> <li>● Customers with high-risk repayment capabilities were reviewed quarterly, and insurance was purchased for hedging purposes. Furthermore, the supply chain was enhanced through a pool of substitute firms.</li> <li>● Digital transformation was conducted to achieve an intelligent factory. In 2023, the differences between peak and average manpower were reduced to 2.5%.</li> <li>● Standard operating procedures (SOPs) were randomly inspected to ensure operational fluency and the ability to respond to crises.</li> <li>● Strengthen the protection of stakeholders' information and privacy rights by offering multiple complaint channels on the website, including in annual reports, sustainability reports, mailboxes, and communication software. This will enhance stakeholders' perception of the company's integrity and improve communication with the public.</li> </ul>
		<ul style="list-style-type: none"> <li>● Assessing cultural differences between each operational unit and the headquarters country.</li> <li>● Region administrative executives are required to dynamically track domestic policies of the operating locations and be attentive to policies regarding foreign investment companies in the host country, ensuring timely reporting.</li> </ul>	<ul style="list-style-type: none"> <li>● Utilizing the CAGE framework to analyze the differences between host country and home country (e.g., flexible leave).</li> <li>● Prepare plans based on daily news that were related to operation in order to response local needs.</li> </ul>

		<ul style="list-style-type: none"> <li>● ISO 27001 was reviewed on an annual basis.</li> <li>● Regular backups of data and recovery drills were conducted. Furthermore, penetration tests were carried out to enhance the ability to cope with cyber-attacks.</li> <li>● Set up backups for the main and auxiliary server rooms.</li> <li>● New employees were required to sign a confidentiality agreement to prevent data leakage.</li> </ul>	<ul style="list-style-type: none"> <li>● Electronic equipment was not allowed in factories; only the devices approved by supervisors were permitted.</li> <li>● Back up important data regularly and create copies on hard drives stored in different locations.</li> <li>● Employees agreed to a confidentiality agreement and will comply with regulations.</li> <li>● Promote information security by using displays in living areas to raise awareness. In 2023, there were over 1,100,000 of exposure.</li> <li>● In 2023, database and system recovery drills were conducted biannually. Furthermore, important data was backed up regularly and stored on tapes.</li> </ul>
		<ul style="list-style-type: none"> <li>● Regularly communicate with suppliers to ensure effective communication channels and platforms.</li> <li>● To improve daily management, regular evaluations and guidance were conducted based on relevant Standard Operating Procedure (SOP) documents (e.g., transportation safety management system, etc.).</li> <li>● Simulate abnormal situations, assess the scope of impact, and communicate across departments to enhance company resilience.</li> </ul>	<ul style="list-style-type: none"> <li>● A total of 336 supplier exchange meetings were held this year. At the global supplier conference held in April, more than 200 manufacturers and over 400 attendees participated.</li> <li>● Reporting channels were established, managed, and adjudicated by a third-party impartial agency.</li> <li>● Sensitivity analysis and stress tests were conducted; records can be found in relevant reports.</li> <li>● Updated information on accounting and tax systems on a monthly basis and manage them accordingly.</li> </ul>



		<ul style="list-style-type: none"> <li>● Qualified suppliers' resource pools were established to mitigate the risk of receiving abnormal or undetectable materials, thus reducing quality risks.</li> <li>● Manage production flow rate and work orders to prevent quality risks resulting from production lead time exceeding the schedule.</li> <li>● Increase the frequency of business visits to suppliers and customers to obtain crucial financial data and monitor inventory levels.</li> <li>● Enhance the verification and inspection of Golden Samples and machine capability limits.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhance the NSRB management and OCAP system to deliver prompt feedback on anomalies.</li> <li>● Conduct simulation verification and perform drop tests on new sample packaging materials to verify the cushioning and protective effects of the packaging materials.</li> <li>● Strengthen the utilization of on-site signage management data to enhance quality and efficiency.</li> <li>● Conduct daily reviews of the MRB system, leakage, and process capabilities.</li> </ul>
		<ul style="list-style-type: none"> <li>● Employees in positions exposed to occupational hazards are required to sign a notification letter regarding occupational hazard factors. This is to ensure their understanding of the hazard factors and preventive measures specific to their position.</li> <li>● Ensure fire alarm systems, automatic fire extinguishing systems, and the establishment of micro fire stations in each park. The micro fire station is equipped with fire jackets, chemical protective suits at all levels, emergency carts, SCBA, etc., and operates smoothly.</li> <li>● Environmental protection business personnel and human resources managers regularly conduct environmental education and training.</li> <li>● Environmental protection laboratory was established and dedicated personnel operate and maintain wastewater and waste gas facilities.</li> <li>● Industrial safety monitoring center were established to monitoring production lines.</li> </ul>	<ul style="list-style-type: none"> <li>● This year, all parks complied with relevant regulations, and no violations of regulations occurred.</li> <li>● All major factories in mainland China have achieved a 100% certification rate for environmental, safety, and health-related management systems, including ISO 14001 environmental management, ISO 14064-1 greenhouse gas verification, ISO 50001 energy management, and more. Additionally, the latest international environmental management system standards have been implemented, such as zero waste to landfill certification and AWS international sustainable water management standard certification.</li> <li>● Shenzhen Park has established the Industrial Safety Monitoring Center, and the construction of the center in various locations will be completed in phases.</li> <li>● The participation rate and passing rate of safety training are both 100%.</li> </ul>

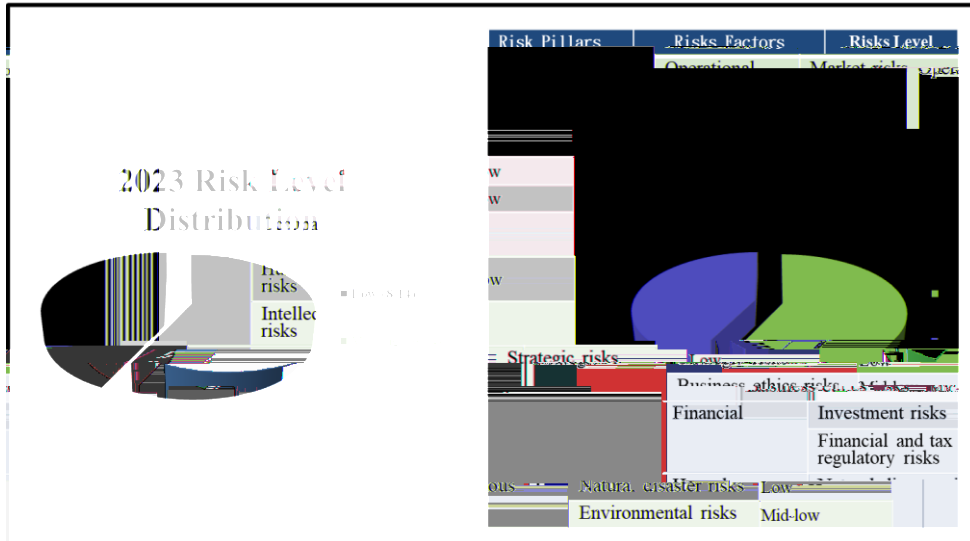
		<ul style="list-style-type: none"> <li>● Establishing a talent pool for the PCB/semiconductor industry and leveraging industry professionals and high-end recruitment resources is crucial.</li> <li>● The "Responsible Business Alliance Code of Conduct" and internationally recognized labor rights principles are regularly updated by the Social and Environmental Responsibility Committee (SER). They are also subject to regular audits by third-party RBA VAP to ensure the protection of employees' labor rights.</li> <li>● In compliance with the privacy policy, educational training is conducted.</li> <li>● Regularly conduct human resources business continuity plans and drills, vigorously promote current recruitment channels, and develop new recruitment channels.</li> </ul>	<ul style="list-style-type: none"> <li>● Encourage employees to participate in company-organized activities and offer incentives for talent retention.</li> <li>● Adjust the employee salary structure in accordance with the salary incentive plan.</li> <li>● Establish an internal recommendation system and utilize the internal application to announce job vacancies, enhancing independent recruitment capabilities.</li> <li>● For basic safety training courses, both the participation rate and the passing rate are 100%.</li> <li>● RBA certification is renewed every two years. This year, both the Shenzhen and Qinhuangdao plants have passed RBA certification, while the Huaian plant will obtain it in 2022.</li> <li>● There are more than 25 industry-university cooperation projects this year.</li> <li>● In 2023, more than 30 industry-university conferences were held, and scholarships were allocated, with over 4,500 attendees.</li> </ul>
		<ul style="list-style-type: none"> <li>● Conduct technical risk assessments before initiating self-owned technology development projects, during the development phase, and prior to sales.</li> <li>● The payment of patent fees for the current year will be monitored. If the payment is not made on time, it will be listed as a priority review case.</li> <li>● After receiving the relevant dispute documents, dedicated personnel will collaborate with the legal department to analyze the case and promptly gather pertinent evidence.</li> <li>● Special management on patent materials.</li> </ul>	<ul style="list-style-type: none"> <li>● The allocation of responsibility for violating the intellectual property rights of others has been included in the essential review clauses of the customer contract.</li> <li>● There were no disputes during the year.</li> <li>● The inventor's personal information is consolidated into a separate storage space, and access permissions are set.</li> </ul>

		<ul style="list-style-type: none"> <li>● Regularly review monthly production capacity targets and compare cost structures for the same period.</li> <li>● The external market business, Field Application Engineering (FAE), and Research and Development (R&amp;D) technology departments regularly communicate with customers on new technology trends and industry developments. Internally, Align meetings are used to report abnormalities within the factory to enhance direct communication.</li> <li>● Examine the scope of impact on raw materials, equipment, products, etc., and develop countermeasures to mitigate risks.</li> <li>● Utilize an allocation model to adjust pricing strategy.</li> <li>● Expand investment plans in Southeast Asia to align with international developments.</li> </ul>	<ul style="list-style-type: none"> <li>● A strategic center was established, and monthly operational meetings were held to monitor market trends and develop group strategies. Biweekly meetings are held to review customer cases, standard operating procedure (SOP) inspection data, and track industry trends.</li> <li>● Increase investments in Southeast Asia by expanding beyond India and initiating a new plant investment plan in Thailand to address global shifts and meet customer demands.</li> <li>● Establish a cost optimization project to implement intelligent management at each workstation and achieve cost efficiency at all stages, from design to mass production, particularly for critical cases, to manage expenses effectively.</li> <li>● Review the disparities in capital expenditure and capacity expansion status with competitors on a monthly basis, and adapt pricing strategies according to customer FCST, FATP assembly plans, etc.</li> </ul>
		<ul style="list-style-type: none"> <li>● Conduct "Sunshine Policy" lectures for major suppliers, agents, customers, and other business contacts.</li> <li>● Courses related to integrity management regulations, internal control of ethical behavior, major information, insider trading and anti-corruption are held regularly every year.</li> <li>● Regulatory authorities regularly review and evaluate internal regulations to ensure compliance with international standards.</li> </ul>	<ul style="list-style-type: none"> <li>● In 2023, we successfully promoted the Sunshine Policy to over 1,000 suppliers and signed more than 1,000 letters of commitment with key suppliers.</li> <li>● Courses on integrity management regulations, ethical conduct, insider trading, anti-corruption, and other related topics were conducted, totaling more than 70,000 teaching hours.</li> <li>● Directors took courses on ESG regulations, insider trading legal norms, and practical case studies.</li> <li>● Review the legality and track record of agents, suppliers, and customers annually.</li> </ul>

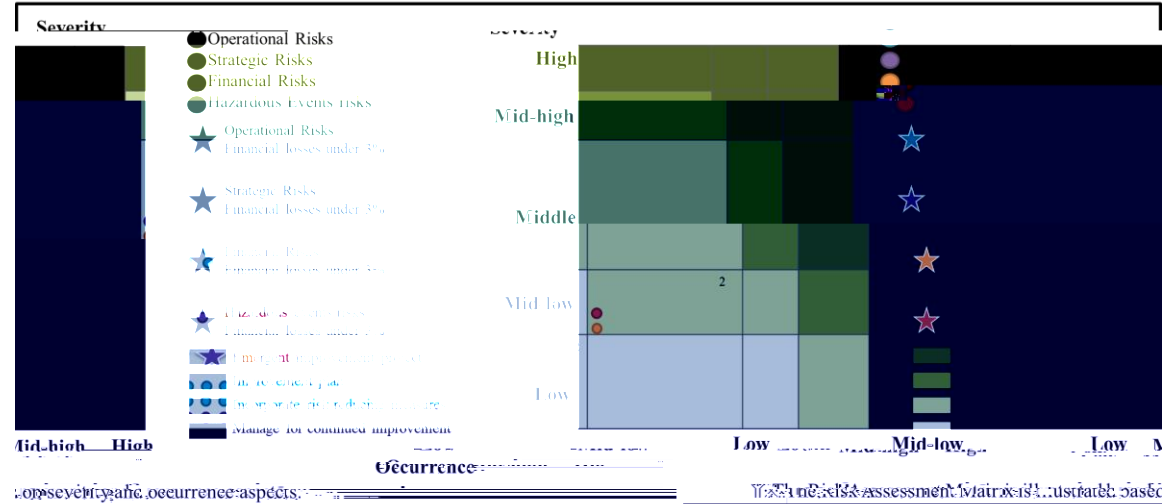


		<ul style="list-style-type: none"> <li>● Through the firm's emergency organizational structure, standard operating procedures (SOPs) for natural disasters and emergency preparation plans are regularly updated.</li> <li>● As global warming becomes increasingly serious, the company has established the Holy Infant Project to ensure emergency supplies are available during periods of high outbreaks.</li> <li>● The firm's Epidemic Prevention Committee holds regular meetings to monitor the prevalence and risks of infectious diseases.</li> <li>● A fire protection system is installed on the factory floor to prevent emergencies, disaster relief, and on-site 8S work is implemented.</li> </ul>	<ul style="list-style-type: none"> <li>● Regularly inspect the water storage capacity of fire pools and domestic pools to promote water conservation.</li> <li>● The industrial safety monitoring center keeps track of changes in the environment around the factory.</li> <li>● Although there was waterlogging in the factory this year, no major disasters were caused by ENSO.</li> </ul>
		<ul style="list-style-type: none"> <li>● According to various customer needs, we categorize products differently, develop corresponding carbon-neutral strategies, and choose the optimal solution through cost analysis and sensitivity testing to meet the diverse requirements of customers.</li> <li>● Establish an off-site backup management system for internal company data.</li> <li>● Continue to speculate and simulate carbon-neutral pathways, and collaborate on cooperative models with stakeholders in the green energy industry.</li> </ul>	<ul style="list-style-type: none"> <li>● We enhanced communication on carbon reduction with over 60 18.34 193.27 reW*nBT/F4269( )-(e)42BDC qa0 g</li> </ul>

## 2023 Risk Management Overview



## 2023 Risk Assessment Matrix



The firm's overall risk self-assessment in 2023 is low. Some of the medium to low-level inspection items mainly involve risks associated with natural disasters and international situations. This year, privacy and business stress tests were added to the relevant business units. The number of inspection items increased from 61 in the previous year to 78. Projects were identified and evaluated in accordance with the management system of each operating unit. The inspection results were plotted in the risk assessment matrix, which further derived four key actions: 1) Emergent Improvement project 2) Improvement Plan 3) Incorporate risk reducing measures 4) Manage for continued improvement. After analyzing the control results in 2023, most of the risk detection items continue to be under ongoing supervision. In order to gain a deeper understanding of the financial implications of each risk factor, a quantitative assessment was conducted to estimate the potential financial losses associated with each risk item, using the previous year's revenue as a benchmark. The results revealed that the firm faced four major risks this year after the review. The risk of potential financial losses is kept below 3%.