

AUO Corporation Risk Appetite Statement

To achieve the company's long-term development goals and sustainable operation strategies, this risk appetite statement aims to articulate the types and levels of risk that the company is willing to accept and can tolerate in the pursuit of business growth and innovation. By defining the risk appetite, the company can promote strategic decisions and day-to-day operations while maintaining financial stability, complying with regulatory requirements, and protecting the interests of stakeholders.

This statement also reflects the company's risk culture and serves as an important reference for the Board of Directors, the management team, and all employees when conducting risk assessments and resource allocation. The scope covered by this statement includes areas such as brand reputation, ESG/low carbon initiatives, investment and mergers & acquisitions, finance, production efficiency, innovation and research & development, compliance, cybersecurity, and talent development. It applies to the entire organization and all business units.

AUO Corporation's risk appetite is divided into five levels

級別	説明
Extremely Low (Conservative)	To avoid risks and uncertainties that may increase costs, high-intensity controls are required.
Low (Stable)	Minimize risks, with a preference for safe operational activities.
Medium (Prudent)	Favor cautious operational activities and strategies, with thorough and broad assessments conducted prior to decision-making.
High (Growth-oriented)	If the potential for returns is high, conduct a certain level of assessment of operational activities and strategies.
Extremely High (Aggressive)	Deliberately choose strategies and activities that offer high returns.

Brand Reputation



Risk Appetite : Extremely Low (Conservative)

Maintain a cautious attitude toward risk, emphasizing integrity and fairness to enhance customer engagement and trust, thereby preserving the company's brand value.

Risk Assessment and Management:

Conduct regular and comprehensive risk assessments to identify internal and external threats that may impact brand reputation, and analyze the triggers and impact levels of potential risks. By monitoring social media comments, customer feedback, and industry trends, develop corresponding risk management strategies based on the assessment results, including preventative measures and emergency response plans. This will help mitigate negative impacts on the brand and ensure that risk management strategies can be adjusted in response to market changes, maintaining ongoing brand growth and the stability of its reputation.

Other Matters: None

ESG (Environmental, Social, and Governance) / Low-Carbon initiatives



Risk Appetite : Medium (Prudent)

Willing to undertake moderate risks to continue implementing a flexible and innovative corporate culture, while achieving leading growth in product technologies. The company aims to extend its core competitive advantages towards the development of healthcare, circular economy, and smart retail, envisioning the creation of diverse social values.

Risk Assessment and Management:

Conduct risk assessments prior to making business decisions that affect ESG and decarbonization strategies. Regularly review and update the ESG policies to address the evolving environment and stakeholder expectations.

Other Matters: None

Investment and Mergers & Acquisitions, M&A



Risk Appetite : Medium (Prudent)- High (Growth-oriented)

Focus on mergers and acquisitions related to the company's strategic development, conducting thorough and cautious assessments before making decisions. Willing to undertake a certain level of risk in order to seize opportunities for potential returns.

Risk Assessment and Management:

Consider various methods (such as due diligence) to assess risks across financial, business, compliance, cultural, environmental, and other dimensions, all conducted under the supervision of the Board of Directors. Implement relevant risk control measures before, during, and after mergers and acquisitions.

Other Matters: None

Financial



Risk Appetite : Low (Stable)

Support business growth and investment opportunities while ensuring financial stability. Additionally, seek investment and expansion opportunities that can yield certain returns.

- Tax risk falls under a low-risk appetite, with a commitment to compliant tax payments and tax planning within an appropriate risk range.
- Credit risk falls under a medium-risk appetite, supporting business growth and the development of customer relationships while ensuring that credit risk remains manageable.

Risk Assessment and Management:

Before making financial decisions (such as capital expenditures, financing, mergers and acquisitions, etc.), a comprehensive risk assessment will be conducted, including factors such as market fluctuations, interest rate changes, liquidity risk, credit risk, and tax risk. Particular attention will be given to the potential impacts on the company's financial condition and cash flow.

Other Matters: For investments in financial instruments, the risk appetite is low, with investments limited to fixed deposits or stable-income bonds (referencing the company's procedures for acquiring or disposing of assets).

Production Efficiency



Risk Appetite : Low (Stable)

The overall production operations are willing to undertake low levels of risk while ensuring production stability and product quality, and exploring new technologies and best practices to promote innovation and efficiency in production processes.

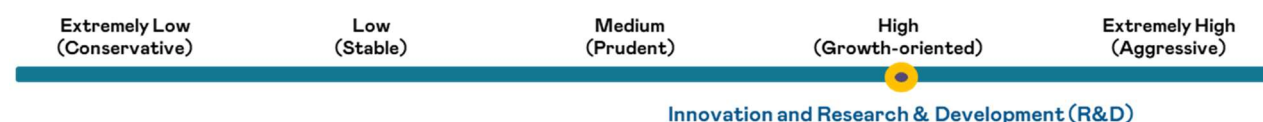
- Production interruption falls under an extremely low risk appetite, with a commitment to ensuring the continuity and stability of the production process.
- Product quality is also categorized as extremely low risk, with all products meeting or exceeding industry standards and customer expectations.
- Supply chain is classified as medium risk appetite, aimed at promoting flexibility and innovation within the supply chain. While ensuring stability and efficiency, efforts are made to actively explore new suppliers and technologies to enhance the competitiveness of the supply chain.

Risk Assessment and Management:

Before making any business decisions that may impact production efficiency (such as equipment upgrades, process improvements, factory relocations, supply chain adjustments, etc.), consider the potential risks of production interruptions, natural disasters, equipment failures, cost fluctuations, and human resource allocation. Particular attention should be given to the potential threats to production processes and their impact on business operations, ensuring that all production activities are within the framework of risk control.

Other Matters: None

Innovation and Research & Development (R&D)



Risk Appetite : High (Growth-oriented)

Willing to invest a certain level of R&D funding and assume potential loss risks to promote innovation and technological advancement. The focus is on developing products and solutions with potential market impact while maintaining flexibility when exploring new technologies and market opportunities.

Risk Assessment and Management:

Before initiating innovation and R&D projects, a risk assessment will be conducted, considering risks such as technical feasibility, market demand, resource allocation, and potential legal and compliance issues. Special attention will be paid to risks related to technical failures, funding investments, and market acceptance during the R&D process. The company will regularly review and update its R&D strategies to respond to the continuously changing technological and market environment.

Other Matters: None

Compliance



Risk Appetite : Extremely Low (Conservative)

The company adheres to the principles of integrity, honesty, and accountability, ensuring compliance with the legal regulations of the countries where it operates. It has established relevant compliance policies to effectively manage legal risks.

Risk Assessment and Management:

In response to various operational conditions, the company assesses and implements relevant compliance measures, such as establishing an "Antitrust Compliance Policy" and an "Antitrust Compliance Manual." In addition to identifying potential high-risk compliance areas and business units through an annual risk assessment mechanism and interviews with senior management, the company strengthens corresponding supervision and prevention mechanisms. Furthermore, it conducts necessary risk assessments to adapt to new operational strategies and changes in external regulations, taking relevant measures to mitigate or manage associated risks.

Other Matters: None

Cybersecurity



Risk Appetite : Low (Stable)

Willing to undertake low levels of cybersecurity risks to support business innovation and digital transformation. While ensuring information security and data protection, the company promotes the adoption of new technologies and the optimization of business processes.

Risk Assessment and Management:

A comprehensive risk assessment will be conducted on network systems and cybersecurity measures, considering potential security vulnerabilities, data breach risks, and compliance requirements, particularly focusing on the potential impact on business operations and customer trust. All technology decisions and cybersecurity strategies will be carried out under the guidance of the Cybersecurity and Personal Data Committee. Additionally, the company will regularly review and update its cybersecurity policies to address the evolving threat landscape.

Other Matters: None

Talent Development



Risk Appetite : Medium (Prudent)

Willing to undertake medium levels of risk to attract, develop, and retain exceptional talent. The company will actively explore innovative talent management strategies and training programs while ensuring the effectiveness and compliance of human resource management.

Risk Assessment and Management:

Before making any business decisions that may impact human resources (such as recruitment, training, organizational restructuring, succession planning, etc.), a risk assessment will be conducted, taking into account potential talent turnover, skill gaps, and market competition. Special attention will be given to the potential impacts on business operations and team morale, ensuring that human resource activities are carried out under the guidance of the company's Personnel Committee / Personnel Development Committee.

Other Matters: None