

			Revision	1
Document Type	Internal Regulation	Document Title	Page No.	1/7
Document Code		Risk Management Policy and Procedures	Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

Risk Management Policy and Procedures

Article 1 Purpose

These Regulations are specially formulated for the purpose of entering the risk management for the determinant factors that may threaten the company's business operations.

Article 2 Scope and Basis

The scope of risk and the definition of risk types are defined as the main scope of Article 5 of these Regulations.

These Regulations are made under the articles of “Regulations Governing Establishment of Internal Control Systems by Public Companies” which regulated by Financial Supervisory Commission--A public company is advised to adopt appropriate risk management policies and procedures, and establish effective risk management mechanisms, to assess and monitor its risk-bearing capacity, and the current status of risk already incurred, and to determine its compliance with the risk response strategies and risk management procedures.

Article 3 Risk Management Policy

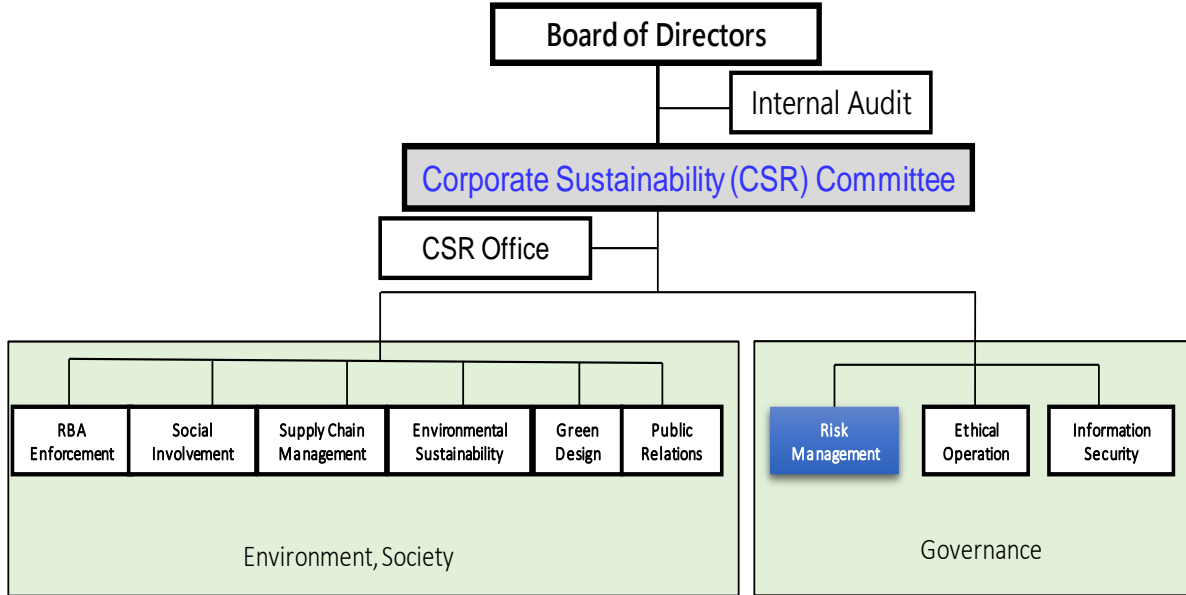
LITE-ON's risk management policy defines risks according to the company's overall business plan. The policy also sets up risk management mechanisms for early identification, accurate assessment, effective supervision, and rigorous control to prevent possible losses and to continue to adjust with improvements of the best possible risk management practices, according to the changes in the internal and external environment, under certain affordable risks.. The goal is to protect the interests of LITE-ON's employees, shareholders, partners, and clients and to create more value and achieve optimal resource allocation for the company.

Article 4 Risk Management Structure and Accountability

			Revision	1
Document Type	Internal Regulation	Document Title	Page No.	2/7
Document Code		Risk Management Policy and Procedures	Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

- Board of Directors: Board of Directors sits at the top of its risk management system. Its mission is to comply with the laws and regulations of the government and to implement and enforce the risk management of the company as a whole. The Board shall have a clear understanding the risks of company operation, maintain the validity of the risk management system, and take the ultimate responsibility for the performance of risk management.
- Risk Management Subcommittee: The Corporate Sustainability Committee (CSR Committee) is a functional committee that LITE-ON places under the Board of Directors. Risk Management subcommittee is under the CSR Committee which is led by the head of the Operation Management Department. The Risk Management subcommittee is the unit responsible for conducting risk management and reporting results of risk management activities twice a year to the Corporate Sustainability Committee.
- Internal Audit: As an independent department under the Board of Directors, which is responsible for the internal control and internal audit. Internal Audit shall submit an annual audit plan according to the risk assessment and report the implementation of the company's risk management to the Audit Committee every year.
- Functional Units: Each functional unit supervisor has the responsibility of risk management, and is responsible for analyzing and monitoring the related risks within the functional unit to ensure that the risk control mechanism and procedures can be effectively implemented.

Document Type	Internal Regulation	Document Title	Revision	1
Risk Management Policy and Procedures			Page No.	3/7
			Date of the First Revision	2020/2/25
			Effective Date	2020/2/26
Document Code				



CSR Committee and Risk Management Subcommittee

Article 5 Risk Management Processes

The risk (including emerging risks) management process covers risk scope identification, risk assessment, risk monitoring, risk reporting and disclosure, and risk response.

- Identification of the Scope of Risk

The Risk Management subcommittee of the CSR Committee conducts risk identification and evaluation of economic (including corporate governance), environmental, social and other aspects related to the company's operations based on the principle of materiality, and divides the risks into eight types, as described below:

Aspect	Risk Type	Risk Description
Economic (including corporate governance)	Market Risk	<ul style="list-style-type: none"> ● Political and Economic: covering domestic and international political, economic, and regulatory requirements and the risk of adverse effects to the company's finance or sales. ● Technology and Industry: covering domestic and international changes in technology and industry and the risk of adverse effects to the company's finance or sales. ● Financial: covering volatility in the company's financial assets or

Document Type	Internal Regulation	Document Title	Revision	1
Document Code		Risk Management Policy and Procedures	Page No.	4/7
			Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

Aspect	Risk Type	Risk Description
		liabilities (including assets and liabilities on and off the balance sheet) due to market risks(interest, exchange rate, stock price, merchandise price and power price, etc.) and the risk of value changes and various losses.
	Operational Risk	<ul style="list-style-type: none"> ● Operational: covering the risk of adverse effects to the company as a result of change of the business model, modification of the organization, excessive concentration of sales/procurement, product elimination, design and quality control for products and services, and management of material risks in business contracts. ● Financial: covering the risks to the company arising from asset valuation, credit standing and solvency risk, liquidity risk, and accounting policies or accounting risk. ● Internal Control: covering risks associated with internal control. ● Intellectual Property: such as patent application and maintenance, intellectual property protection, etc. ● Supply Chain: covering supplier quality, price, delivery date, and CSR issues and the risk of adverse effects to the company. ● Information Security: such as digital information security and general data protection regulations and the risk of adverse effects to the company. ● Public Relations: covering public relations issues, such as brand management, corporate image building and maintenance, and the risk of adverse effects to the company.
	Investment Risk	<ul style="list-style-type: none"> ● Investment: covering risks arising from investment excessive concentration, high risk and highly leveraged investment, derivatives trading, price volatility in financial plans and other short-term investments or risks in management of operational guidelines of long-term subsidiary investment, and the risk of adverse effects to the company.
	Compliance Risk	<ul style="list-style-type: none"> ● Compliance: covering the risk of failure to comply with the laws and regulations, including but not limited to labor laws, the Company Act and securities trading laws, import/export regulations and controls, industrial code of conduct, anti-corruption and antitrust regulations, and potential risks arising therefrom. ● Legal: covering potential risks arising from failure to comply with the laws and regulations or various legal risks that may infringe on the company's rights.
Environmental	Environmental Risk	<ul style="list-style-type: none"> ● Environmental: covering risks related to issues deriving from climate change and natural disaster issues, such as GHG emissions, carbon credits management, and energy management; and risks related to the need to comply with international and local environmental regulations, such as air/water/waste/toxic/noise/emission pollution management or environmental evaluation requirements.
Social	Working Hazards Risk	<ul style="list-style-type: none"> ● Working: covering risks to the company arising from occupational health and safety, management of chemicals, safety and protection and emergency preparedness, and other inappropriate operations or human errors.

Document Type	Internal Regulation	Document Title	Revision	1
Document Code		Risk Management Policy and Procedures	Page No.	5/7
			Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

Aspect	Risk Type	Risk Description
	Human Resources Risk	<ul style="list-style-type: none"> ● Human Resources: covering risks arising from human rights issues related to employees or suppliers, including but not limited to employees-employer relations, child labor, and force labor; and risks arising from talent pool development and management issues such as recruitment, retention, and talent development mechanisms. ● Workplace: covering risks arising from issues related to employee or supplier safety in the workplace.
Other	Other Risks	<ul style="list-style-type: none"> ● Other: referring to risks that are not listed above but will cause the company significant losses, such as emerging risks, major external hazards, model risks, and tail risks following extreme events. Furthermore, adequate risk control and response procedures should be implemented for any other risks depending on the risk attributes and the degree of impact.

Note: The functional units (authorities and responsibilities) related to various types of risk management shall be implemented by the Risk Management Subcommittee after being adjusted and confirmed according to the practice.

- Risk Assessment

The functional units, having identified potential risk factors, should implement adequate assessment methods to provide a basis for risk management.

1. Risk assessment covers risk analysis and evaluation. It analyzes the probabilities of risk incidents and the degree of adverse impact in the event of such an incident. The goal is to evaluate the effects of risks on the company so to provide a basis for deciding priorities in risk control implementation and response selection.
2. Rigorous statistical methods and techniques should be deployed to analyze and manage quantitative risks.
3. Qualitative methods will be used to assess other risks more difficult to quantify. Qualitative risk assessment refers to the description of the probabilities of risks and the degrees of impact.

- Risk Monitoring

The functional units(departments) should monitor risks in their business activities. The departments should propose countermeasures as

Document Type	Internal Regulation	Document Title	Revision	1
Document Code		Risk Management Policy and Procedures	Page No.	6/7
			Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

appropriate, and submit the risks and their countermeasures to the Risk Management subcommittee to be presented in routine meetings of the Corporate Sustainability Committee.

- Risk Reporting and Disclosure

To record risk management procedures and results in detail, the Risk Management subcommittee should update the Corporate Sustainability Committee regularly on relevant risks.

- Risk Response

The functional units, having assessed and summarized the risks, should take appropriate actions in response accordingly.

Article 6 The Implementation of Risk Management

- Risk Management Defense Line

Risk Management Defense Line	Risk Management
First Line of Defense	Each functional unit is the Risk Owner who undertakes the business, and must execute the business in accordance with the internal control system and internal specifications of the relevant business, and is the direct unit for the initial risk detection, evaluation and control. The company emphasizes comprehensive risk control and management of all employees, and usually takes practical measures to effectively manage risk.
Second line of Defense	Each functional unit's responsible supervisor or assigned function/department risk management personnel shall be responsible for the risk management of the relevant business, and shall review the operation rules or operation manuals according to the actual business operation, and shall pay attention to the latest regulations or business-related letters announced by the (government) authority. If necessary, additional revision/amendment to relevant internal specifications may be revised. Each functional unit should propose countermeasures when monitoring the risks found in the business it belongs to and provide the risk and countermeasures to the Risk Management subcommittee, consolidate them and submit them to the CSR Committee. The company should convene units containing authorities, responsibilities and relevant departments to discuss the determination factors/risks that may threaten the business of the

			Revision	1
Document Type	Internal Regulation	Document Title	Page No.	7/7
Document Code		Risk Management Policy and Procedures	Date of the First Revision	2020/2/25
			Effective Date	2020/2/26

	company, and consult with external consultants as necessary to assess risks and make preventive suggestions as soon as possible.
Third Line of Defense	The Chairman of CSR Committee must review the integrity and completeness of the company and its subsidiaries' risk management, financial, strategic, and compliance-related major risk management mechanisms, and should monitor the relevant risks of each unit in accordance with these measures and the related risk management measures.

- **The Implementation of Risk Management**

The examination and control of various risk management procedures, apart from following the company's current regulations and relevant measures, should also be processed in accordance with the relevant regulations of the competent government authority.

Internal auditors conduct assessments for the effectiveness of relevant risk management activities to ensure the implementation and compliance of the system.

Article 7 Risk Information Disclosure

Apart from exposing relevant information in accordance with the regulations of the competent government authority, the company should also disclose relevant information on risk management in the annual report and the company's website.

Article 8 Amendment of Risk Management Procedures

The Risk Management Subcommittee should review the content of these Regulations annually, and pay close attention to the development of international and domestic risk management systems at any time, so as to review and improve these Regulations to enhance the effectiveness of the company's risk management implementation.

Article 9 These Regulations are implemented after the resolution of the Board of Directors is adopted, and the same applies to the revision.

These Regulations shall come into force from February 26, 2020.