

# Risk Management Policy and Procedure Regulations

## Article 1. Purpose

These regulations are enacted in order to improve the company's corporate governance, maintain shareholders' equity, safeguard business sustainability, and ensure the effective, complete, and reasonable risk management of Zyxel Group and its subsidiaries while we implement our business strategies and reach our targets.

## Article 2. Goals

Zyxel Group's management philosophy needs to be aware in regards to risk management and also integrate it into our business strategies and organizational culture. Implement systematic and institutionalized management policies to identify, analyze, and evaluate the risk management mechanism effectively, control various risks, and establish correspondent mitigation policies, effectively control the enterprise's risk, and mitigate the effects posed by the risks to related stakeholders accordingly.

## Article 3. Risk Management Policy

Zyxel Group's risk management policy serves as the ultimate risk management policy of the Company. Various risk types are defined based on the Company's overall business policy. We hereby establish a risk management mechanism dedicated to early identification, precise measurement, effective supervision, and strict control. The Company uses its best efforts to prevent possible losses and continues adjusting and improving the mechanism in response to the changes in internal and external environments, in order to increase shareholders' interests and the Company's value.

## Article 4. Risk Management Organizational Structure and Responsibilities

Zyxel Group's risk management-related organization and responsibilities are stated as follows:

### 1. Board of Directors

For the risk management organization, the Board of Directors serves as the ultimate governance and decision-making body to authorize the risk management strategies and policies based on the overall business strategies and business environment.

### 2. Audit Committee

The Audit Committee subordinated to the Board of Directors is responsible for reviewing,

approving, and supervising the enactment and implementation of risk management policies.

### **3. Risk Management Group**

The risk management group is set up subordinated to the "Sustainability Committee of the Zyxel Group". It serves as the unit responsible for risk management. Its role includes establishing risk management-related policies and procedures and coordinating related departments to identify, analyze, evaluate, manage, and supervise risks to implement the risk management policy as authorized by the Board of Directors.

Convene the risk management group meeting at least once a year to discuss the Company's implementation of risk management and report the risk evaluation and risk management results for the previous year to the Board of Directors.

### **4. Responsible Units of Group Members**

Each unit shall support and execute the risk management operations. The unit supervisor shall be responsible for the first-line risk management, analysis, and control of the related risks it involves, and provide feedback on improving the risk plan to the risk management group in order to ensure valid implementation of the risk control mechanisms and procedures.

### **5. Audit Office**

The audit office audits the risk management-related policies and implementation periodically, supervises the internal controls, reports their observations to the Board of Directors, and follows up on corrective actions.

## **Article 5. Risk Management Policy**

According to the risk management procedure, it is necessary to first verify the business and strategic goals, and establish the risk management directions and then review various risk trend reports to verify the opportunities and risks across the industry and economic trends, and also combine the Company's own risk profiles to identify the potential risk exposure to the business goals.

Conduct risk matrix data analysis on the potential frequency, impacts, and levels of controllability of these risks; rate and manage the risks by comparing the acceptable levels of these risks and risk analysis results to decide the risk treatment plan and policy; and record, communicate, inquire, control, and review throughout the process. The risk management procedures include:

**1. Risk Identification**

Identify the potential risks to business goals based on the risk profile.

**2. Risk Analysis**

Conduct risk matrix data analysis on the potential frequency, impact, and levels of controllability of these risks in a quantitative manner.

**3. Risk Evaluation**

Decide the acceptable risk level and compare it with the analysis results.

**4. Risk Countermeasures**

Consider the feasibility, cost, and gain, and then decide the risk treatment plan and policy.

**5. Risk Rating Management**

Low risks shall be controlled by various units. High and middle risks shall be included into the company management meeting report.

**6. Risk Control**

Self-assess the effectiveness of risk controls and have the risk management group monitor for continuous improvement.

**Article 6. Risk Categories**

The risk categories include corporate governance, economic, environmental, and societal dimensions: covering operations, finance, information security, market, environment, climate changes, and other business-related factors.

**Article 7. Creation of Awareness**

Perform risk management educational training and promotional activities from time to time in order to raise awareness of risk management.

**Article 8. Information Disclosure**

To disclose the information related to risk management on the Company's website and in the Company's annual report per the competent authority's requirements.

**Article 9. Amendments to Risk Management Policy**

The risk management unit of Zyxel Group shall review the Risk Management Policy each

year and study the development of international and domestic risk management systems, in order to discuss and improve the policy, and also improve the risk management results.

The Regulations shall be enforced upon approval of the Audit Committee and also the Board of Directors. The same shall apply when the Regulations are amended.

**Article 10.** The Regulations were established on November 3, 2021.