

2.3 Risk Management

Risk Governance Structure

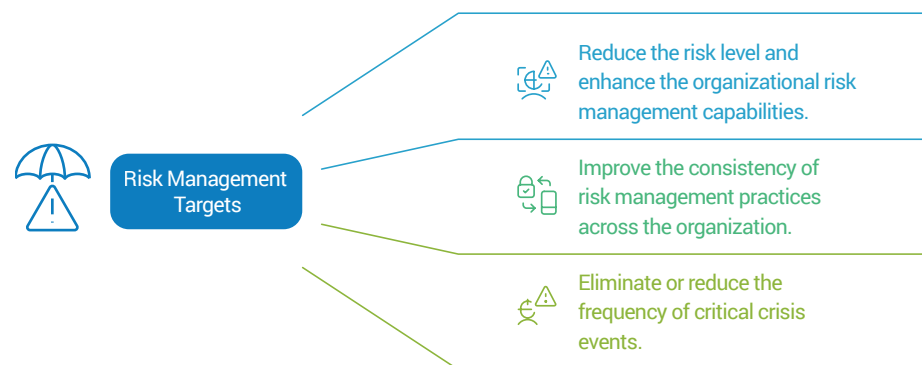
To enhance the Company's operational resilience and support sustainable development, Pihong has established a risk governance structure, with the Group's General Manager serving as the Chief Executive. Through a cross-functional framework, the Company has developed a systematic operating mechanism for managing risk-related matters. In accordance with the Risk Management Manual, risk identification and assessments are conducted across environmental, social, and corporate governance (ESG) topics relevant to business operations. The implementation status and results are reported to the Board of Directors annually to ensure board oversight of the effectiveness and execution of the risk governance mechanism.

The scope of risk governance covers all companies within the Group. Governance members consists of the highest-ranking executives from each business unit, while designated personnel from these units are responsible for executing daily risk management tasks.

Risk Management Policies and Targets

Pihong has established and continues to improve an effective risk management system to fulfill its commitments to customers, protect shareholder interests, ensure a safe and healthy working environment for employees, and advance sustainable operations. For the full policy, please refer to [the Company's Risk Management Manual](#).

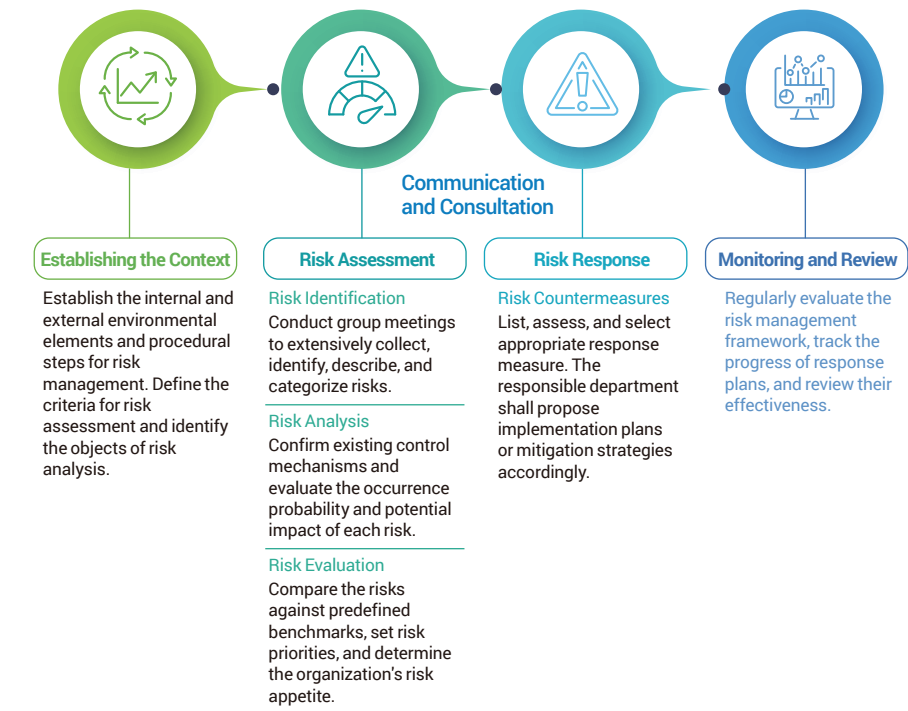
Risk Management Targets



Risk Management Procedures

Risk Identification and Monitoring

Pihong identifies and assesses potential risks and impacts arising from both internal and external environments. In 2024, the Company identified ten key risks across areas such as operations, technology, information security, facilities, supply chain, finance, and human resources. Compare to the previous year, global geopolitical risks and macroeconomic risks were additionally recognized. For each identified risk, Pihong has formulated specific impact response and mitigation measures and designated responsible personnel to oversee their execution. In addition, the Company has established a structured set of procedures, covering early warning, contingency planning, crisis management, and recovery operations. These mechanisms are designed to ensure business continuity and reinforce the Company's ability to operate sustainably.





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Aspect	Type of Risk	Impact on Operations	Mitigation Measures	Business Opportunities
 Environmental (E)	Power and Water Disruptions	Disruptions in electricity and water utilities affect normal operations.	<ul style="list-style-type: none"> Develop emergency response plans to mitigate the impact of power and water disruptions. Install generators, uninterruptible power systems, and assess the introduction of energy storage facilities. Establish in-factory water storage and external water support mechanisms; implement water and energy conservation measures. 	Accelerate improvements in energy and resource efficiency, adopt renewable energy, and establish emergency mechanisms for energy and resource management.
	Environmental and Climate Change Risks	Greenhouse gas emission management. Energy resource management Pollution control including air, water, waste, toxic substances, and noise.	<ul style="list-style-type: none"> Monitor international environmental trends and development protection strategies aligned with operational needs. Conduct disaster prevention monitoring and drills to strengthen emergency response and recovery capabilities. For specific impacts and response strategies, please refer to the "Climate Change Risks and Opportunities" section. 	For potential opportunities, please refer to the "Climate Change Response" section.
 Social (S)	Threat of Major Infectious Diseases	Infectious disease outbreaks may prevent employees from reporting to work and delay material deliveries, causing production line stoppages and failure to meet customer demands.	<ul style="list-style-type: none"> Activate epidemic prevention structure and SOP mechanisms to ensure employees safety and resume operations. Implement remote and off-site working arrangements to mitigate risks. Strengthen supply chain partnership and jointly enforce epidemic prevention measures. 	Restore normal production swiftly and prudently to demonstrate crisis management capabilities, build customer trust, and capture additional business opportunities.
	Occupational Safety Risks	Occupational injuries and public safety incidents disrupt operations and may cause personnel and property losses, potentially leading to factory shutdowns depending on the severity.	<ul style="list-style-type: none"> Identify occupational hazard factors and reduce employee exposure. Raise daily safety awareness and conduct drills; initiate task forces during emergencies or incidents. Strengthen labor-management dialogue and promote harmonious relations. Conduct regular employee health check-ups. 	Reduce and prevent occupational accidents, ensure the safety of personnel and property, and enhance stakeholders' confidence in business continuity.
 Corporate Governance (G)	Global Geopolitical Risks	Political conflicts and instability pose potential threats to operations and the supply chain, including labor market turbulence, exchange rate fluctuations, and currency devaluation.	<ul style="list-style-type: none"> Regularly review geopolitical issues related to operations in Mainland China and partner sites. Develop a command system and production transfer plans; coordinate with key customers. 	Strengthen supply chain resilience, reduce reliance on a single country or supplier, and evaluate partnerships with suppliers in politically stable countries.
	Macroeconomic Risks(Market Demand)	In 2024, global economic downturn risk intensified, particularly as the U.S. and Europe markets showed negative growth momentum and persistent weakness, impacting overall corporate sales.	<ul style="list-style-type: none"> Maintain regular communication with customers regarding sales forecasts. Review capital expenditures and control factory production costs. 	Consolidate and expand core competitiveness, highlight differentiated advantages, and take the lead in advancing dual transformations in green, low-carbon products and the circular economy.
	Ethical Risks	Violations of integrity and conduct principles may result in company losses. In 2024, corruption risk assessment at various plant identified major risks in procurement, such as the acceptance of improper gifts or monetary benefits and the exchange of hospitality expenses for preferential treatment.	<ul style="list-style-type: none"> Require new employees at Pihong to complete training on "Business Ethics and Conduct Guidelines" and to sign an acknowledgment upon completion. Promote the importance and practice of ethical management through periodic education and company-wide advocacy. 	Adhere to the Business Ethics and Conduct Guidelines, and implement integrity-based management across the organization.
	Information Security Risks	Information leaks, data theft, sabotage, or damage from natural disasters may lead to abnormal system performance, disrupt internal and external communications, result in operational losses, and damage the Company's reputation.	<ul style="list-style-type: none"> Conduct biannual off-site data recovery drills to ensure rapid system restoration in case of disasters. Maintain redundant telecom lines for uninterrupted operations. Strengthen encryption and password management. Conduct training to enhance awareness of information security and compliance. 	Build a highly reliable information security management system to prevent communication disruption, data loss, and breaches, thereby earning the trust and support of all stakeholders.
	Financial Risks	<ul style="list-style-type: none"> Changes in interest and exchange rates impact financial income and expenses, affecting leverage and inflation exposure. Tariff barriers may reduce customer orders, increase production costs, and disrupt the supply chain. 	<ul style="list-style-type: none"> Evaluate interest rate exposures and the impact of floating rates. Hedge exchange rate risks naturally; invest short-term funds in safe, liquid, and principal-protected instruments. Avoid high-risk and leverage investments. Improve cash flow through asset disposals and financing. Expand production in Vietnam to reduce trade tariff impacts. 	<ul style="list-style-type: none"> Manage the impact of interest rate and exchange rate fluctuations on assets and cash flow to maintain stable financial operations. Strengthen operational and production flexibility, expand partnerships across the supply chain, and enhance long-term sustainability. Align with government incentives to reinforce R&D and technology capabilities at the Taiwan headquarters and expand production capacity beyond China.
	Supplier Risks	Inability of suppliers to deliver raw materials on time affects normal operations and shipping schedules.	<ul style="list-style-type: none"> Review inventory management and implement a "timely material supply alert system." Set up alternative supplier mechanisms to ensure supply stability. Regularly audit suppliers' BCP and support their risk management capability. 	Strengthen sustainable partnerships with suppliers to meet customer needs and expectations, fostering mutual growth and shared success.



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Organizational Risk Early Warning

Pihong closely monitors changes and risks in both domestic and international business environments. We strictly comply with government regulations and internal policies, and continually strengthen risk control mechanisms. The specific measures are as follows:

Financial Risk Control

The Company adheres to the principle of prudent management and refrains from engaging in high-risk or high-leverage investments. To manage exchange rate risks, we adopt a natural hedging strategies and reduce exposure by securing U.S. dollar-dominated borrowings. Short-term idle funds are primarily invested in liquid, principal-protected bank financial products and fixed-term deposits that balance safety and returns. In addition, to ensure the stability of working capital and long-term capital expenditures, we secure funding through private placements of common stock, the issuance of five-year fixed-rate corporate bonds, and credit facilities from financial institutions.

Operational Risk Control

Recognizing the potential impact of natural disasters and unforeseen incidents on production and employee safety, Pihong adopts proactive prevention and management strategies. We rigorously implements risk management plans and safety protocols to uphold the highest safety standards within the power supply industry.

To mitigate the effects of emergencies such as fires, earthquakes, typhoons, water and power outages, armed conflicts, political unrest, terrorist attacks, food poisoning, statutory infectious diseases, and environmental pollution, the Company has established a comprehensive response mechanism that enables rapid recovery of operations. These measures help minimize financial losses for both the Company and its clients, protect our corporate reputation, and ensure employee safety. Additionally, we also mitigate operational risk through comprehensive insurance planning and consistent insurance premiums, thereby minimizing potential losses and supporting the Company's stable development.

2.4 Information Security

Pihong continuously enhances its information security management framework and strengthens protection capabilities through the Information Security Management Committee. The Committee promotes and implements a range of information security management measures to safeguard the Company's intellectual property and customer data, raise employee awareness, and strengthen risk control mechanisms across the organization.

Information Security Strategy and Governance

To ensure the confidentiality, integrity, and availability of its information assets, Pihong introduced an Information Security Management System (ISMS) by the end of 2023 and obtained ISO/IEC 27001:2022 certification in October 2024. By applying the Plan-Do-Check-Act (PDCA) cycle, the Company continuously refines its security measures, implements information security policies, strengths employee awareness, and adopts advanced cybersecurity technologies. These efforts help mitigate operational and financial risks related to information security threats, enhances the Company's overall resilience, and build customer trust.

Information Security Risk Management

- Information Security Risk Identification and Assessment
- Information Security Risk Management and Countermeasure Formulation
- Compliance with Information Security Laws and International Standards

Multi-Layered Information Security Protection

- Personnel and Physical Security
- Account and Privilege Management
- Information Security Monitoring and Operations
- Network Security
- Endpoint Security
- Data Security
- Cloud Security



Review and Continuous Improvement

- Review and Improvement of Information Security Measures
- Information Security Training and Awareness Promotion
- Monitoring of Information Security Threats and Technological Advancements

Monitoring of Information Security Management Effectiveness

- Continuous Information Security Monitoring
- Quantitative Assessment of Information Security Metrics
- Information Security Threat Simulation Exercise
- Certification Achieved Through External Information Security Audit

