Holtek Semiconductor Inc.

Risk Management Methods and Procedures

Article 1

Purpose The risk management policy and procedures are formulated to strengthen corporate governance and reduce the risk that the operations may face and so to achieve the company's stable operation and sustainable development of each unit.

This policy serve as the highestguiding principle for the risk management applicable to the company and its subsidiaries;

This policy serve as the highest guiding principle of risk management, applicable to the company and its subsidiaries; all regulations related to risk management should follow this policy.

Article 2

This policy follows the provisions of Article 44 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies": "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 organizational framework and responsibilities

1. Board of Directors:

The highest decision making unit of Company's risk management that is responsible for approving risk management policy and framework. Establish the Company's risk management culture to ensure the effectiveness of the risk management mechanism.

2. Risk Management Committee:

As the highest risk management steering unit of the Company, it is responsible for formulating risk management policies, planning major risk management matters, and supervising the improvement of risk monitoring.

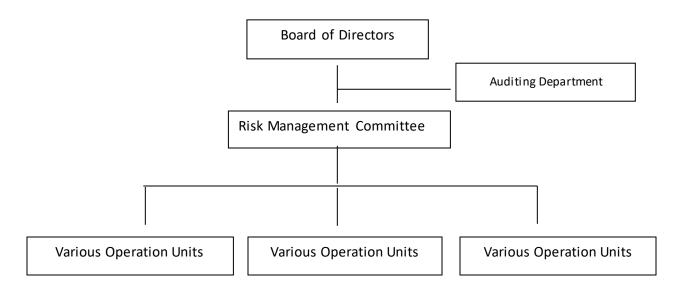
3. Various operating units:

Operating units are responsible for implementing their corresponding risk plans, including risk identification, risk analysis and assessment, risk response and control, and self-supervision. Each operating unit shall report the implementation status of risk management for various risks to the Risk Management Committee on a regular basis and when required by the Risk Management Committee.

4. Audit units:

An independent department affiliated with the Board of Directors that is responsible for internal audits, supports the Board and management in implementing risk management mechanisms, and checks the risk control of each business unit. These measures are the basis for related review and amendments.

Article 3.1 Risk Management Organizational Chart



Article 4 Risk management categories

1. Strategic risks:

- (1) Technological innovation and industrial trends, (2) Technical R&D process and competitive trends, (3) Changing market needs, (4) Policy or regulatory changes,
- (5) Global politics and economic circumstances

2. Operational and management risks:

(1) Clients and suppliers honoring agreements, (2) Protection and use of intellectual property rights, (3) Management of talent recruitment and development, (4) Information security, (5) Corporate image

3. Financial risks:

(1) Exchange rates, interest rates, taxation, inflation, and other fluctuations, (2) Strategic investments, (3) Liquidity and credit risks

4. Harmful incident risks:

(1) Natural disasters or climate change, (2) Water and electricity supply, (3) Communicable disease impacts

5. Other risks:

Risks not listed above that could cause major losses to the Company.

Article 5 Risk management procedures

1. Risk Identification:

Each operation unit shall identify potential risks that are within the scope of the Policy.

2. Risk Analysis and Assessment:

After identifying potential risks, each operation unit shall evaluate the possibility of their occurrence and the severity of their impact on the company by using data, and define risk level and the priority order of risk items.

3. Risk Response and Control:

Based on the results of risk analysis and assessment, each operation unit shall

adopt suitable response plans and implementing policies or procedures, which be integrated with control activities.

4. Risk Monitoring:

- a. Each operating unit shall carry out risk assessment for the risks faced by its operations during the day-to-day business activities, and supervise the overall risk management implementation and coordinated operation.
- b. Audit unit: Responsible for checking that all responsible departments follow the approval authority and related management methods and procedures to ensure the risk management awareness and implementation effectiveness of all employees.
- c. The Risk Management Committee must continuously monitor the effectiveness of each operating unit's implementation of risk response and control to adapt to changes in the environment.

5. Risk report:

The Risk Management Committee regularly reports to the Board of Directors at least once a year in the effectiveness of risk management and the evaluation of the improvement.

Article 6

The Company shall pay attention to the changes of the developments of international and domestic risk management systems, and adjust the company's risk management policy and procedures and control mechanisms to promote risk management effectiveness accordingly.

Article 7 Implement

The policy shall be implemented subject to the approval of the Audit Committee and the Board of Directors. Subsequent amendments shall be effective in the same manner.