

## **Darfon Electronics Crop.**

### **Internal Audit Organization, Operation, and Execution**

#### ● **Internal Audit Organization**

- I. The company's internal audit is an independent unit directly subordinate to the board of directors. The appointment and dismissal of the internal audit supervisor should be approved by the Audit Committee, submitted to the resolution of the board of directors, and applied to the provisions of Paragraph 4 of Article 4 of Regulations Governing Establishment of Internal Control Systems by Public Companies. The appointment, removal, evaluation, and compensation package of internal auditors shall be signed by the audit supervisor and reported to the chairman for approval.
- II. The company's internal audit unit consists of five staffs, including the dedicated internal audit personnel, the supervisor of internal audit, and the subordinates.
- III. The qualifications of the company's internal audit personnel meet the statutory competency requirements, and they continuously enhance their professional knowledge and skills through ongoing education.
- IV. In addition to reporting to the Audit Committee and the board of directors during regular meetings, the company's audit also reports to the chairman and the Audit Committee every month or when necessary.

#### ● **Operation of Internal Audit**

- I. The company establishes an internal control system in accordance with laws and regulations. The Auditorial Room has formulated internal audit implementation guidelines based on the internal control system. These guidelines are used to execute and measure the effectiveness and compliance of the current internal control system and operational procedures. The scope of the audits covers all operations of the company and its subsidiaries. The main focus of the audit work includes the following aspects:
  - i. Formulating audit plans based on the identified risks and submitting them to the board of directors for approval before execution.
  - ii. Examining whether the company's policies and regulations are followed and promptly providing management with information about any existing deficiencies or potential risks.
  - iii. Verifying the correctness of information maintenance and controlling in various operations, as well as the timeliness, effectiveness, and accuracy of information reporting.
  - iv. Evaluating and assisting in improving the effectiveness and efficiency of the design and operation of various internal control systems of the company and its privately offering subsidiaries.

- v. Evaluating the appropriateness of operational methods and procedures formulated by each unit and assessing whether the responsible managers effectively supervise to prevent violations.
- vi. Reviewing the self-inspection results of the internal control system conducted by each unit and significant subsidiaries of the company, along with discussing the improvement of internal control deficiencies and abnormal incidents discovered by the Auditorial Room, as recommendations to the company's board of directors and general manager for issuing a basis for the internal control declaration.
- vii. Conducting relevant project audits as needed.
- viii. Completing the Internet information system declaration operation for the prescribed matters within the time limit specified by the competent authority.

After conducting audit operations according to the audit plan, the internal audit personnel will report the audit results to the management level in compliance with the law so that they can understand the existing deficiencies or potential risks, as well as the implemented improvement status. Any identified internal control system deficiencies and abnormal incidents discovered during the audit process need to be tracked, and tracking reports should be made at least quarterly until they are completely resolved so as to confirm that relevant units have taken timely and appropriate measures to address the issues.