



## **Risk Management Methods and Procedures**

### **Article 1 Risk management policies**

To implement corporate governance duties, maintain sustainable operations, and control the internal and external economic, social, and environmental risks that the Company faces, each department must act within its authority to identify and clarify risks with the potential to disrupt corporate operations or sustainable development. Latent risks shall be monitored and preventive measures shall be implemented in order to strengthen risk management, enhance systematic response capabilities, and achieve risk control objectives, thus maintaining shareholders' rights and interests, raising competitiveness, and establishing a foundation for the Company's sustained operations and development.

### **Article 2 Purpose**

The Company carries out risk management when it recognizes a potential threat to operations in order to effectively identify and clarify risks, manage responses, monitor preventive measures, and organize reporting procedures. To strengthen prevention and introduce systematic strategies and management measures to counter risks, the Company formulated these Methods.

### **Article 3 Risk management organizational framework and responsibilities**

#### **A. Board of Directors:**

The Board of Directors is the highest unit at the Company that is responsible for risk management guidance. The Board's risk management objectives include upholding compliance with laws and regulations as well as promoting and implementing the Company's overall operational risk management goals. A clear understanding of the risks that could impact sustainable operations is needed for effective risk management.

#### **B. Operational management meetings:**

The president or operational managers convene management meetings or operational meetings to review, approve, and manage each departmental plan or project as well as to carry out risk analysis and response command.

#### **C. Audit units:**

An independent department affiliated with the Board of Directors that is responsible for internal audits, supports the Board and management in inspections and reviews to uncover deficiencies in internal control mechanisms, thus balancing operational results and efficiency while providing timely improvement recommendations. These measures ensure the continued implementation of internal control mechanisms and are a basis for related reviews and amendments.

D. Responsible department:

While carrying out everyday duties, personnel from each responsible department shall serve as the first line of defense in risk management. They shall analyze, monitor, and prevent risks that are related to their departments while ensuring that risk control mechanisms and procedures are effectively implemented.

**Article 4 Risk management categories**

A. Strategic risks:

(a) Technological innovation and industrial trends, (b) Changing market needs, (c) Technical R&D process and competitive trends, (d) Policy or regulatory changes, (e) Global politics and economic circumstances

B. Operational and management risks:

(a) Clients and suppliers honoring agreements, (b) Protection and use of intellectual property rights, (c) Management of talent recruitment and development, (d) Information security, (e) Corporate image

C. Financial risks:

(a) Exchange rates, interest rates, taxation, inflation, and other fluctuations, (b) Strategic investments, (c) Banking and financial management

D. Harmful incident risks:

(a) Natural disasters or climate change, (b) Water and electricity supply, (c) Communicable disease impacts

E. Other risks: Risks not listed above that could cause major losses to the Company.

**Article 5 Risk management procedures**

A. The Company's risk management includes the following: risk identification, risk measurement, risk monitoring, risk response, risk reports, and risk disclosure.

(a) Risks that are within their scope of authority.

(b) Risk measurement: After each responsible department identifies potential risks, the department shall formulate suitable measurement methods to serve as a basis for risk management.

(c) Risk monitoring and control: Each responsible department shall monitor potential risks that are within their scope of business. When the degree of risk is high enough to damage the Company, the responsible department shall propose response strategies and report the risk and related response strategies in operational management meetings.

(d) Risk response: After each responsible department evaluates and summarizes risk information, the department shall adopt suitable response measures, such as risk

identification explanation, analysis reports, and implementation of response control proposals.

- (e) Risk reporting and disclosure: The Company shall regularly report risk conditions to the Board of Directors to be used as a reference when making management decisions, implementing risk management procedures, and assessing implementation results.

B. Three levels of risk management and control response procedures:

- (a) Responsible department: Personnel from each responsible department shall identify potential risks that are within their scope of authority then carry out assessments, formulate response and control proposals, and issue reports.
- (b) Operational management meetings: The president or operational managers convene management meetings or operational meetings to implement risk analysis and response for operational plans or projects, as well as to carry out analysis and response command for each risk reported by responsible departments.
- (c) Board of Directors: Based on risk category, responsible departments shall implement risk management measures. All Company personnel shall engage in comprehensive risk control and risk prevention in order to effectively carry out risk management. Material risks that could impact the Company's operations or sustainable development shall be regularly reported to the Board of Directors (at least once per year) by the president or operational managers.

- C. Audit units are responsible for monitoring responsible departments for compliance to their level of authority and related management methods and procedures, in order to ensure that all employees are sufficiently aware of risk management and effectively carry out duties.

- D. When there are uncertainties that pose a significant risk to business operations or sustainable development, the responsible unit shall convene related departments for examination and enlist external consultants when needed to evaluate risks, recommend preventive measures, and take actions.

### **Article 6 Enforcement**

These Risk Management Methods and Procedures, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.