



Title	Risk Management Policies and Procedures		
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1. Purpose:

In order to strengthen the Company's risk management system, enhance the risk management capabilities, and achieve the goal of sustainable business operations, we hereby establish these regulations in accordance with the "Practical Guidelines for Risk Management in Listed and OTC-Listed Companies" for compliance.

2. Scope:

These regulations apply to all levels of management and organizational units within our company and its subsidiary companies.

3. Responsibilities:

3.1 Administration Department is responsible for amending these regulations.

4. Process: None.

5. Content:

5.1 Risk Management Objectives

The objectives of enterprise risk management aim to manage various risks that may affect the achievement of corporate goals through a comprehensive risk management framework. This is achieved by integrating risk management into operational activities and daily management processes to realize corporate objectives, enhance management efficiency, provide reliable information, and effectively allocate resources.

5.2 Risk Management Principles

5.2.1 Integration: Consider risk management as an integral part of all activities.

5.2.2 Structured and Comprehensive Approach: Approaching risk management in a structured and comprehensive way for consistent and comparable results.

5.2.3 Customization: Tailor risk management frameworks and processes to the specific environment, scale, business characteristics, risk nature, and operational activities of the enterprise.

5.2.4 Inclusivity: Take into consideration the needs and expectations of stakeholders to enhance their understanding and meet their expectations of enterprise risk management.

5.2.5 Dynamism: Appropriately and promptly anticipate, monitor, grasp, and respond to changes in the internal and external business environment.

5.2.6 Effective Information Utilization: Utilize historical, current information, and future trends as the foundation for constructing risk management and provide information to stakeholders in a timely and clear manner.



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5.2.7 Personnel and Culture: Elevate the importance of risk management within governance and management units and enhance the overall risk awareness and culture of the organization. Consider risk management as an integral part of corporate governance and daily operations, achieved through comprehensive risk management training mechanisms at various levels of staff.

5.2.8 Continuous Improvement: Continuously improve risk management and related operational processes through learning and experience.

5.3 Risk Governance and Culture

5.3.1 Establish a comprehensive risk governance and management framework based on the company's size, business characteristics, risk nature, and operational activities. Engage the board of directors, functional committees, and senior management in connecting risk management with the company's strategy and objectives. Identify significant risk areas within the company, enhance the comprehensiveness, forward-looking nature, and completeness of risk identification results, and cascade risk control and response down the organization to reasonably ensure the achievement of corporate strategic goals.

5.3.2 Promote a top-down risk management culture by incorporating risk management awareness into daily decision-making and operational activities. This is accomplished through clear risk management statements and commitments from governance units and senior management, the establishment and support of risk management units, and the provision of risk management-related professional training for all employees, shaping a comprehensive corporate risk management culture.

5.3.3 Risk governance and management units should prioritize and support risk management, providing appropriate resources to ensure effective operation and taking responsibility for the effective functioning of risk management.

5.3.4 Promote the integration of risk management across the company's various units, with collective efforts in its implementation. Effective risk management is realized through communication, coordination, and collaboration among units, ensuring the implementation of risk management across the entire business.

5.4 Risk Management Organizational Structure and Responsibilities

5.4.1 Board of Directors; It is the highest decision-making body for risk management within the Company. The Board is responsible for approving the Company's risk management policies, procedures, and framework. It ensures alignment between operational strategies and risk management policies, as well as the establishment of appropriate risk management mechanisms and a risk management culture. The Board supervises and ensures the effective operation of the overall risk management mechanisms, along with the allocation of sufficient and suitable resources for effective implementation of risk management.

5.4.2 The Company's Audit Committee acts as the Risk Management Committee and is responsible for overseeing the operational mechanisms related to risk management. Its duties are as follows:



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- 5.4.2.1 Review the risk management framework, including risk management policies, procedures, and structure, as well as the major risks undertaken by the Company to achieve its objectives and their severity.
- 5.4.2.2 Examine the Company's risk profile, including key risks, risk tolerance, and measures taken to mitigate risks.
- 5.4.2.3 Evaluate the effectiveness of the Company's risk management system and its integration into the company's daily operational processes.
- 5.4.3 President's Office: This unit is responsible for promoting, planning, overseeing and executing risk management-related matters. Its responsibilities are as follows:
 - 5.4.3.1 Formulate risk management policies, procedures, and framework.
 - 5.4.3.2 Establish risk tolerance and develop criteria for qualitative and quantitative measurement.
 - 5.4.3.3 Analyze and identify sources and categories of business risks, and periodically assess their applicability.
 - 5.4.3.4 Regularly (at least annually) compile and report to the Board of Directors on the Company's risk management implementation status.
 - 5.4.3.5 Assist and supervise the execution of risk management activities across departments.
 - 5.4.3.6 Promote interdepartmental coordination and communication for the implementation of risk management.
 - 5.4.3.7 Implement risk management decisions made by the Audit Committee.
 - 5.4.3.8 Plan training on risk management to foster a culture of risk awareness.
- 5.4.4 Responsibilities of each operational unit are as follows:
 - 5.4.4.1 Responsible for identifying, analyzing, assessing, and responding to risks within their respective units, and establishing relevant crisis management mechanisms when necessary.
 - 5.4.4.2 Make regular reports of risk management information to the unit in charge of promotion and execution of risk management.
 - 5.4.4.3 Ensure the effective implementation of risk management and related control procedures within their units to comply with the risk management policies.
- 5.4.5 Audit Department: The Audit Department is responsible for internal control assessment and internal audits, supervision and timely recommendations of improvement measures.



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5.5 Sources and Categories of Risks

The risk management promotion and execution unit conducts comprehensive risk analysis based on the company's size, industry, business characteristics, operational activities, and considerations related to sustainability (including climate change). They identify the applicable sources and categories of risks, define the company's risk categories, conduct specific risk scenario identification for each risk category, and periodically review their applicability. The summarized sources and categories of risks are as follows:

- 5.5.1 Strategic Risks: These include risks related to overconcentration in a single region, customer concentration or influence from major customers, industry concentration, and mergers and acquisitions.
- 5.5.2 Operational Risks: These encompass risks such as concentrated sales, centralized procurement, intellectual property protection, legal compliance, talent recruitment and retention, and the shaping and maintenance of the corporate image.
- 5.5.3 Financial Risks: These refer to market risk, credit risk, liquidity risk, and operational risk.
- 5.5.4 Information Risks: These involve the potential risk of compromising the confidentiality, integrity, and availability of the Company's information assets. The risks include unauthorized access to information, inability to ensure the accuracy and completeness of information content and processing methods, and potential losses due to the inability for authorized users to access information and related assets in a timely manner.
- 5.5.5 Compliance Risks: These are risks associated with non-compliance with relevant regulations, contractual ineffectiveness, overstepping boundaries, regulatory non-compliance, loose terms, or other factors that may result in the inability to enforce contractual obligations and potential financial or reputational losses.
- 5.5.6 Integrity Risks: The occurrence of dishonest behavior may lead to negative internal culture, unwarranted loss of funds, reduced operational efficiency, and even business prohibition or loss of operating rights.
- 5.5.7 Climate Change and Environmental Risks: These include risks related to greenhouse gas emission management, energy management, and issues arising from climate change and natural disasters. It also encompasses the need to comply with international and local environmental laws and regulations, such as air, water, waste, noise emissions management, or environmental impact assessment requirements that may impact the Company.
- 5.5.8 Other Emerging Risks: These refer to risks not falling into the aforementioned categories. When other risks arise, appropriate risk management and mitigation procedures should be established based on the risk's characteristics and impact.



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5.6 Risk Management Procedures

The risk management procedures include risk identification, risk analysis, risk assessment, risk response, and the monitoring and evaluation mechanisms.

5.6.1 Risk Identification

5.6.1.1 Each operational unit should conduct risk identification based on the Company's strategic objectives and the risk management policies and procedures approved by the Board of Directors. This should be done in relation to the unit's short, medium, and long-term goals and business operations.

5.6.1.2 Risk identification should involve the use of various feasible analysis tools and methods (such as process analysis, scenario analysis, surveys, PESTLE analysis, etc.). It should take into consideration past experiences and information, as well as internal and external risk factors and stakeholder priorities. Through both "bottom-up" and "top-down" analyses and discussions, combining strategic and operational risks, each operational unit should comprehensively identify potential risk events that could lead to the Company failing to achieve its goals, causing losses, or having a negative impact.

5.6.2 Risk Analysis:

The primary focus of risk analysis is to understand the nature and characteristics of the identified risk events, assess their probability of occurrence and impact, and calculate the risk value. Each operational unit should analyze the identified risk events, taking into account the completeness of existing control measures, past experiences, industry cases, and other relevant factors to assess the probability of occurrence and impact of these risk events for risk value calculation.

5.6.2.1 Standards for Risk Analysis:

The risk management promotion and execution unit should develop appropriate standards for quantitative or qualitative measurement using the Company's risk characteristics as the basis for risk analysis. Qualitative measurement standards involve expressing the probability of occurrence and impact of risk events through word descriptions. Quantitative measurement standards involve using specific and calculable numerical indicators (such as days, percentages, amounts, people, etc.) to express the probability of occurrence and impact of risk events.

5.6.2.2 Risk Appetite:

The risk management promotion and execution unit formulates risk appetite (risk tolerance) and submits it to the Audit Committee for approval to determine the risk limits that the Company can tolerate. Based on the risk appetite, the unit should then assign each risk a corresponding risk rating and types of risk response corresponding to each rating. These decisions serve as the basis for subsequent risk assessment and risk response.



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5.6.3 Risk Assessment

- 5.6.3.1 The purpose of risk assessment is to provide the Company with a basis for decision-making. By comparing the results of risk analysis with the risk appetite, risks that should be prioritized are determined and they serve as a reference for selecting subsequent responses.
- 5.6.3.2 Each operational unit should, based on the results of risk analysis and in alignment with the risk appetite approved by the Audit Committee, plan and execute subsequent risk response strategies according to the risk rating.
- 5.6.3.3 Relevant results of risk analysis and assessment should be accurately documented and submitted to the Audit Committee for approval.

5.6.4 Risk Response

- 5.6.4.1 Action plans should be developed for risk response to ensure that the personnel involved fully understand and execute them for continuous monitoring of the implementation status of these action plans is essential.
- 5.6.4.2 The Company should consider its strategic objectives, internal and external stakeholder perspectives, risk appetite, and available resources when deciding on risk response strategies. This ensures that risk response plans strike a balance between achieving objectives and cost-effectiveness.

5.6.5 Risk Monitoring and Review

- 5.6.5.1 Each department should monitor the risks associated with their respective business operations. When the level of risk exceeds their risk tolerance, the relevant departments should propose response measures and report the risks and response measures to the senior management.
- 5.6.5.2 It is essential to conduct a thorough review of the risk management process and the effectiveness of risk-related response measures. The results of these reviews should be integrated into performance evaluation and reporting.
- 5.6.5.3 Risk management should be integrated with key processes within the organization to effectively monitor and enhance the benefits of risk management implementation.

5.7 Risk Reporting and Disclosure

- 5.7.1 Risk Records: The process and outcomes of risk management execution should be documented, reviewed, and reported through appropriate mechanisms. These records are archived for future reference. They include the risk identification, risk analysis, risk assessment, risk response measures, relevant information sources, and risk assessment outcomes in the risk management process.



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5.7.2 Risk Reporting

5.7.2.1 Risk reporting is an integral part of corporate governance. The specific information requirements of different stakeholders, reporting frequency and timeliness, reporting methods, and the relevance of information to organizational goals and decision-making should be taken into account. In turn, this assists senior management and governance units in making relevant risk decisions and fulfilling their risk management responsibilities.

5.7.2.2 The risk management promotion and execution unit should consolidate the risk information provided by various units, regularly issue risk management-related reports to the Audit Committee and the Board of Directors, and establish a dynamic management and reporting mechanism to effectively supervise the implementation of risk management.

5.7.3 Information Disclosure: Listed and OTC-Listed Companies should disclose the following risk management-related information on their company website or <https://mops.twse.com.tw> to provide external stakeholders for reference and ensure continuous updates.

Specific items for disclosure include:

5.7.3.1 Risk management policies and procedures.

5.7.3.2 Risk governance and organizational structure.

5.7.3.3 Risk management operations and execution status (including the frequency and dates of reporting to the Board of Directors).

5.8 Revision of Risk Management Policies and Procedures: President's Office should review the content of these regulations annually and keep a close eye on domestic and international developments in mechanisms of corporate risk management. This will help in evaluating and improving the risk management framework implemented by the Company to enhance corporate governance effectiveness.

5.9 After being reviewed and approved by the Audit Committee, these regulations should be submitted to the Board of Directors for approval and implementation. The same process applies when making revisions.

6. Related regulations: None

7. Forms used: None