

Taiflex Scientific Co., Ltd.

Risk Management Policies and Procedures

Article 1 Purpose

Risk management policies are formulated and comprehensive risk management systems, procedures and methods are established for an effective implementation of business strategies in order to achieve the corporate objectives of Taiflex Scientific Co., Ltd. and its subsidiaries (collectively referred to as the "Company"). The “Risk Management Policies and Procedures” are drawn up to ascertain both qualitative and quantitative risk factors as references in formulating business strategies through systematic and methodical management approaches, thereby enforcing corporate governance and achieving the goal of sustainable operation.

Article 2 Risk Management Policies

The Company’s risk management policies serve to identify risks associated with achieving the corporate objectives, establish and raise risk management awareness and level of execution, constantly keep abreast of internal and external issues as well as changes in the environment and mitigate potential losses to contain risks within a tolerable level. The Company can thus safeguard the interests of its customers, employees and other stakeholders in order to boost shareholder value and achieve optimal allocation of corporate resources.

Article 3 Structure of Risk Management Organization

1. Board of Directors

The Board of Directors is the highest decision-making authority for risk management within the Company. It monitors the effective implementation of risk management mechanisms and delegates the Chairperson to be the convenor of risk management planning in coordinating and directing the promotion and implementation of risk management plans.

2. Sustainable Development Committee

According to the Company’s Sustainable Development Committee Charter, the Sustainable Development Committee is responsible for reviewing the adequacy of risk management policies and the structure thereof, drafting major risk management strategies (e.g., risk appetite and risk tolerance) as well as managing significant risk issues. It also supervises the execution of improvement mechanisms and regularly reports the implementation status of risk management to the Board of Directors.

A “Corporate Governance and Risk Management” Task Force (hereinafter referred to as the “Task Force”) was set up under the Sustainable Development Committee to assist with fulfilling the Committee’s duties associated with risk management. The

Task Force is in charge of formulating and amending the Company's "Risk Management Policies and Procedures" as well as carrying out and refining company-wide risk management tasks. It regularly holds meetings and reports the implementation status of risk management to the Sustainable Development Committee.

3. Management within individual business and functional units

The President and managers of individual business and functional units shall assist with risk factor identification and risk response strategies in different levels of organizational management system to facilitate the efficiency of command, coordination, self-assessment and execution within the risk management organization. They shall also conduct relevant risk assessments regularly as well as draft countermeasures and perform reviews in operational meetings.

Article 4 Scope of Risk Management

The Company attaches great importance to the environmental, social and corporate governance issues concerned by the stakeholders. Based on the scale, industry, business characteristics and operating activities of the Company as well as considerations for various aspects in sustainable development (including climate changes), the following risks are analyzed and identified.

1. Strategic risk

The impact of strategies formulated with consideration to internal and external environment, global political and economic trends, national policies, competitors and limited resources on business operation.

2. Operational risk

Including but not limited to the impact of changes in industry prospects or major political and economic policies both at home and abroad on sustainable operation.

3. Financial risk

Including the risks of fund-raising or financing, investment or merger and acquisition, liquidity, interest rate, exchange rate, inventory, credit, lending, endorsement and guarantee, derivative trading and financial decision-making.

4. Information risk

The risk of losses due to improper or failed internal operation procedures, personnel and systems or external incidences, including business interruption caused by damage to assets and equipment, leakage of trade secrets and system failure.

5. Compliance risk

The risk of significant losses resulting from damage to business reputation due to non-compliance with laws and regulations, failure to timely respond to changes in

laws and regulations, improper signing and execution of legal documents or where the contracts are not legally binding, conducts outside of the required authority, incomplete sets of rules, omission in clauses or other factors.

6. Integrity risk

The risk of an enterprise not fulfilling its civic responsibilities due to violations of laws as a result of failing to execute the core value and business philosophy which are important to the corporate culture or failing to comply with ethical standards and implement integrity management in the performance of job duties.

7. Other emerging risks

Risks not listed in the proceeding paragraphs, including climate risk, natural hazard risk and major external hazard risk.

Article 5 Risk Management Procedures

Management within individual business and functional units regularly carries out risk identification, risk analysis, risk evaluation, risk response as well as monitoring and reviewing mechanisms within the risk management scope stipulated in the Procedures with consideration to the probability of occurrences and level of impact during the internal operational meetings. Management also reports regularly to the Task Force under the Sustainable Development Committee. The Task Force compiles aforementioned reports and routinely details the implementation status to the Sustainable Development Committee for the latter to report to the Board of Directors regularly.

1. Risk identification: Each business and functional unit shall perform risk identification for its short, medium and long-term objectives as well as its business functions in accordance with the Company's strategic objectives and the risk management policies and procedures approved by the Board of Directors.
2. Risk analysis: Risk analysis focuses on understanding the nature and characteristics of risk events identified and analyzes the probability of their occurrences and level of impact. For risk events identified, each business and functional unit shall analyze the probability of their occurrences and level of impact by considering the integrity of current control measures, past experience, industry cases, etc. in order to calculate the value at risk.
3. Risk evaluation: Prioritize risk events by comparing the risk analysis outcome with risk appetites and formulate execution plans based on risk levels as references for the subsequent selection of risk responses. Risk analyses and evaluation outcome shall be accurately recorded and retained.

4. Risk response: Enterprises shall incorporate strategic objectives, standpoints of internal and external stakeholders, risk appetites and resources available in determining the risk response plans and sequence for the risk responses to maintain a balance between achieving the objectives and cost-effectiveness. They shall ensure thorough understanding and execution among related personnel and continuously monitor the implementation of relevant solution plans.
5. Monitoring and reviewing mechanisms: The Task Force shall thoroughly review whether the risk management processes and relevant countermeasures continue to operate effectively, and incorporate the review outcome with performance evaluations and reporting items in order to effectively monitor and enhance the benefits of implementing risk management policies and procedures.
6. Risk record: The processes of executing risk management and the resolutions thereof shall be recorded, reviewed and reported through proper mechanisms and well retained for future reference.

Article 6 Risk Reporting and Disclosure

The Task Force shall compile internal risk management data and regularly issue reports concerning risk management to the Sustainable Development Committee and the Board of Directors, thereby closely supervising the effective implementation of risk management.

The Company shall disclose relevant information in accordance with requirements from the competent authorities and disclose information pertaining to the implementation of risk management on the corporate website or annual reports.

Article 7 Implementation and Amendment

The Procedures were established on October 25, 2022. The Procedures and any amendment hereto shall take effect after being approved by the Audit Committee and the Board of Directors.