

TCC Group Holdings  
Risk Management Policy

Effective date as set by the Board of Directors: August 13, 2024

### **Chapter 1: Policy and Purpose**

Article 1: To enhance the corporate governance of the TCC Group Holdings and establish sound risk management operations, this policy is formulated to ensure the sustainable operation of the Company and its subsidiaries (hereinafter referred to as the Company). The Company is committed to board-level participation and systematic management. By using qualitative or quantitative management methods to evaluate the potential impacts of various operational activities on the Company's operations, and reduce the possible risks to an acceptable range, and achieve the goal of rationalizing risk and reward.

Article 2: The policy is established by the Company in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" issued by the Financial Supervisory Commission, and the relevant provisions of the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies" jointly formulated by the Taiwan Stock Exchange and the Taipei Exchange. The aim is to establish a comprehensive risk management system, ensure stable business operations, and move towards the goals of corporate sustainability and development.

### **Chapter 2: Risk Management Objectives**

Article 3: The objective of the Company's risk management is to manage various risks that may affect the achievement of corporate goals through a comprehensive risk management framework. By integrating risk management into operational activities and daily management processes, the following objectives are achieved:

1. Achieve corporate objectives
2. Enhance management efficiency
3. Provide reliable information
4. Effective resource allocation

### **Chapter 3: Risk Management Policy**

Article 4: Upholding the principle of sustainable operation, the Company continuously monitors internal and external issues, assesses climate change risks, and responds to the high uncertainty of climate and significant global issues by implementing operational impact analysis. The Company regularly reviews the operation of its risk management mechanisms to protect stakeholders and fulfill social responsibilities.

#### **Chapter 4: Scope of Risk Management**

Article 5: The Company's risk management encompasses corporate governance, environmental protection, and social inclusion. Based on the scope of business, it identifies and manages risks in four major areas: strategic, operational, climate, and financial. It is in compliance with relevant laws and regulations, which guide the identification, analysis, assessment, response, monitoring, reporting, and disclosure of significant risk impacts. These shall include, but are not limited to, the following items:

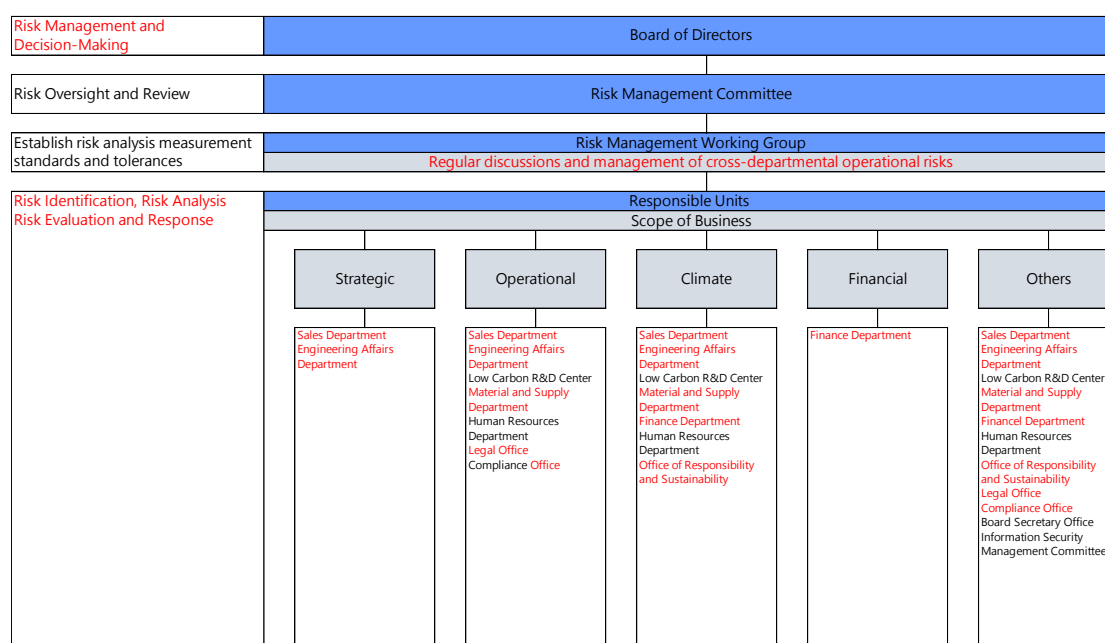
1. Strategic Risk: The risk of incurring losses due to errors in business strategy.
2. Operational Risks: Including changes and amendments in regulations, market structure and demand, industry development and competition, talent recruitment, product and raw material prices, production and manufacturing, and product research and development.
3. Climate Risk: In response to the impacts of climate change, such as flooding, typhoons, droughts, and high temperatures on business operations, it is essential to identify the risks and opportunities of climate change to develop corresponding risk response measures, assess operational impacts and financial implications, and clearly disclose information related to climate change.
4. Financial Risks: Inflation, financing, investment, liquidity management, exchange rates, interest rate hedging, taxation, credit, leasing, and significant capital expenditures, etc.
5. Other Risks: Risks are not covered by the aforementioned categories but could potentially cause significant losses to the company such as biodiversity risk, information security risk, compliance risk, antitrust risk, integrity risk, geopolitical risk, and other emerging risks.

#### **Chapter 5: Risk Management Organization**

Article 6: The organization and responsibilities related to risk management within the TCC Group Holdings are as follows:

### Risk Management Organizational Structure

The risk management organization of TCC Group Holdings is composed of the Board of Directors, the Risk Management Committee, the Risk Management Working Group, and various responsible units. The Risk Management Committee shall be convened at least once a year and may be held additional meetings as needed.



The responsibilities and roles of each level of the risk management organization are as follows:

#### 1. Board of Directors

- (1) Approve risk management policies and framework.
- (2) Ensure alignment of operational strategy with risk management policy.
- (3) Ensure the establishment of an appropriate risk management mechanism and risk management culture.
- (4) Supervise and ensure the effective operation of the overall risk management Mechanism.

- (5) Allocate and assign the appropriate resources sufficiently to ensure effective risk management operations.

## 2. Risk Management Committee

- (1) Review risk management policies, and frameworks, and regularly assess their applicability and implementation effectiveness.
- (2) Approve risk appetite (risk tolerance) and guide resource allocation.
- (3) Ensure the risk management mechanism can adequately handle the risks faced by the company and integrate it into the daily operational processes.
- (4) Approve the prioritization and classification of risk controls.
- (5) Review the implementation of risk management, propose necessary improvement suggestions, and report to the Board of Directors at least once a year.
- (6) Execute the risk management decisions of the Board of Directors.

## 3. Risk Management Working Group

- (1) Formulate risk management policies and framework.
- (2) Formulate risk appetite (risk tolerance) and establish qualitative and quantitative measurement standards.
- (3) Analyze and identify the sources and categories of company risks, and regularly review their applicability.
- (4) Compile and submit a report on the company's risk management implementation at least once a year.
- (5) Assist and supervise the execution of risk management activities in various departments.
- (6) Coordinate cross-departmental interactions and communications for risk

management operations.

- (7) Execute the risk management decisions of the Risk Management Committee.
- (8) Plan risk management-related training to enhance overall risk awareness and culture.

#### 4. Responsible Units

Including the Sales Department, Engineering Affairs Department, Low Carbon R&D Center, Materials and Supply Department, Office of Responsibility and Sustainability, Finance Department, Human Resources Department, Legal Office, Compliance Office, General Affairs Department, Board Secretary Office, and Information Security Management Committee, responsible for identifying and analyzing related risks, and proposing improvement and monitoring plans to implement risk mitigation.

### **Chapter 6: Risk Management Procedures**

Article 7: The company's risk management process includes risk identification, risk analysis, risk appetite formulation, risk assessment, risk response, and risk monitoring, review, and reporting. Each functional organization evaluates potential and emerging risks by considering the frequency of occurrence, impact severity, and level of control. The process is effectively executed in accordance with the risk management mechanisms.

#### 1. Risk Identification

Risk identification shall employ various feasible analytical tools and methods, such as process analysis, scenario analysis, and surveys. Based on past experiences and information, and considering internal and external risk factors as well as stakeholders' concerns. Conducting a comprehensive identification of potential risk events that may prevent the company from achieving its objectives, cause losses, or have negative impacts shall. This shall be processed through both "bottom-up" and "top-down" analytical discussions, integrating strategic and operational risks. The evaluation shall be based on a risk matrix to assess the likelihood of various events occurring and their impact on operations.

#### 2. Risk Analysis

The primary focus is to understand the nature and characteristics of identified risk events, analyze their probability of occurrence and degree of impact, and calculate the risk value accordingly.

### 3. Risk Appetite Formulation

Based on the risk appetite (risk tolerance), discuss and determine the corresponding risk levels for each risk value, as well as the risk response methods for each risk level. This will serve as the basis for subsequent risk assessment and risk response.

### 4. Risk Assessment

Risk assessment involves comparing the results of risk analysis with the risk appetite to determine which risk events that need to be prioritized. This serves as a reference for selecting subsequent response measures.

Each responsible unit shall plan and implement subsequent risk response plans according to the risk levels and based on the results of the risk analysis and the risk appetite approved by the Risk Management Committee, .

Relevant risk analysis and assessment results shall be accurately documented and submitted to the Risk Management Committee for approval.

### 5. Risk Response

Develop relevant action plans in response to risks, ensure all relevant personnel fully understand and implement these plans, and continuously monitor the implementation of relevant plans to ensure that the risks undertaken to achieve the objectives are within the risk appetite.

### 6. Risk Monitoring, Review, and Reporting

The Risk Management Committee shall assess and monitor the quality of overall risk management to ensure that various risks remain within controllable limits. The committee may require the Risk Management Task Force to establish risk management indicators and objectives based on management needs. The Risk Management Working Group, along with relevant personnel from various responsible units, shall continuously monitor these indicators, report in a timely

manner, and create and retain relevant records for proper archiving. This includes risk identification, risk response and monitoring, sources of related information, and risk assessment results within the risk management process. The Risk Management Working Group shall present a risk control operation report to the Risk Management Committee at least once a year. If significant exposures are discovered that threaten financial, operational conditions, or regulatory compliance, appropriate measures shall be taken immediately and reported to the Board of Directors.

## **Chapter 7: Enhancing Risk Awareness**

### **Article 8: Establishing Risk Awareness**

To establish risk awareness and enhance the understanding of risk management policies, processes, and risk identification among senior executives, Unit Managers, and employees of TCC Group Holdings, the company will periodically conduct risk management education and training sessions or promote awareness through the internal electronic bulletin system. Additionally, risk management will be incorporated into the performance evaluation criteria for senior executives, Unit Managers, and employees.

Article 9: Employees can proactively identify risks and provide feedback. Proposals and reports on other potential internal and external risks within the organization can be presented during regular meetings. With the approval of the unit supervisor and the Risk Management Committee, these risks will be incorporated into the company's relevant risk matrix to optimize the risk management system.

## **Chapter VIII: Supplementary Provisions**

Article 10: This risk management policy shall be implemented upon approval by the Board of Directors, and the same shall apply to any amendments.