TSC Auto ID Technology Co., Ltd.
Report on Risk Management Operations in 2025

Date of board report: Dec. 26, 2025

The Company has established its "Risk Management Policies and Procedures" in accordance with the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies" formulated by the Taipei Exchange. These procedures were approved by the Board of Directors on November 8, 2024, and serve as guiding principles for risk management to enhance corporate governance. In order to fully document the risk management procedures and their execution results, the Risk Management Group shall compile the results and report them regularly to the Sustainable Development Committee and the Board of Directors.

(1) Risk management scope

The Company defines risk categories related to corporate operations, including Environmental, Social, Governance, and Others, in accordance with the principle of materiality. After each department reviews the Company's characteristics, operations, risk categories, and specific items along with their implications, risk items are identified based on the principle of risk materiality and incorporated into management as listed in the table below.

Risk Category	Risk Items	Risk Name	Risk Implication	Countermeasures
Environmental Protection	**Sustainability Risk**	**Energy Consumption**	Direct or indirect energy usage (e.g., fuel and electricity) in office buildings, factories, or commercial operations may cause excessive energy use and environmental pollution if not properly managed.	TSC continues to identify energy hotspots and evaluate the feasibility of equipment upgrades and replacements to improve energy efficiency and ensure energy management aligns with goals for energy saving, carbon reduction, and environmental sustainability.

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		Improper Waste Management	The raw materials and consumables used in production may generate waste due to production processes or defects. Without robust internal controls or vendor compliance, environmental harm could result.	The Company has established a sound waste classification, recording, and tracking system to ensure all waste is properly handled in accordance with relevant regulations and contractual obligations. TSC also promotes source reduction and resource reuse strategies while actively seeking recyclable materials and technologies.
	Climate Change Risks	**Greenhouse Gas Emissions**	Operational activities directly (office/factory) or indirectly (business operations) emit greenhouse gases, which may impact the environment and worsen global warming.	Annual GHG inventory is conducted based on international standards (e.g., ISO 14064--1), covering Scope 1, 2, and part of Scope 3. Data analysis is used to identify emission hotspots and drive improvements. TSC aims to reduce emissions by 20–40% by 2030 from the base year and includes energy-saving and renewable energy strategies in daily operations. A carbon management digital platform is also implemented to strengthen climate risk management.
	Environmental Risk	**Ecological Destruction**	Operational activities may contaminate surrounding water sources, air, and ecosystems, leading to biodiversity loss.	TSC continuously works to minimize its operational impact on the surrounding ecology by regularly monitoring wastewater, air quality, and noise levels to comply with environmental laws and standards. Pollution control facility maintenance and operational management are also reinforced to prevent the leakage of hazardous substances.
Social Responsibility	**Human Resource Risks**	**Difficulty in Talent Recruitment**	Under a social structure of declining birth rate, aging population, and population outflow, labor shortages have become severe. Recruiting and retaining talent is increasingly difficult for enterprises. Delays in new employee onboarding increase the workload of existing staff, which may impact operations.	TSC Auto ID believes that human capital is the cornerstone of sustainable corporate development and remains committed to recruiting and retaining talent. By valuing human rights, promoting diversity and inclusion, fostering a friendly workplace, and enhancing employee well-being, TSC strives to create a Great Place to Work and achieve the goal of sustainable operations. Specific response measures are as follows: 1. Conduct strategic workforce planning based on the Company's operational direction and develop a

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				comprehensive recruitment plan. and may Perform an annual labor market salary competitiveness analysis in line with the recruitment plan and market trends. 2. Review recruitment efficiency on a monthly basis and evaluate positions with prolonged vacancies. 3. Expand recruitment channels, including job platforms, social media, job fairs, campus recruitment briefings, internship programs, recruitment consultants, and internal referral systems, to broaden the talent pool and attract high-potential candidates. 4. By establishing the official "TSC Career" Instagram account, various recruitment and CSR activities are shared to promote a friendly workplace employer brand image and attract top talent to join. 5. Continuously optimize the interview process by incorporating competency and suitability assessments during interviews to ensure new hires meet job requirements and quickly integrate into the team. 6. Interview experience questionnaires are given to job seekers to gather real-time feedback on their perceptions of the interview process, interactions with interviewers, and job descriptions. This helps the Company identify blind spots in the process and optimize recruitment quality. Real-time feedback and adjustments help enhance corporate image, reduce post-offer rejections and recruitment risks, making the recruitment system more stable, effective, and competitive. 7. If applicants encounter unfair or unethical treatment during the interview process, TSC provides a grievance mechanism and has established procedures for investigation and handling to safeguard all applicants'

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				rights. 8. Continuously enhance effective employee retention measures, including an employee care mechanism to identify and retain staff at risk of resignation. Pair new hires with cross-departmental buddies to support their daily adaptation and conduct an interview 1.5 months after onboarding to understand their adjustment and provide timely assistance. 9. Actively integrate various welfare measures through diversified benefits policies (e.g., offering vacation days superior to industry standards for new hires) to increase job appeal and enhance employees' sense of recognition and belonging toward a happy workplace. 10. Additionally, to meet the diverse life-stage needs of employees, TSC offers parental leave, reduced working hours for childcare, and flexible working hours and the “TSC Family Care Leave” and “Fertility Treatment Leave” – both exceeding legal requirements – to help employees better achieve work-life balance. 11. A comprehensive talent development system is in place. From the start of employment, new employees undergo a three-month onboarding training program to familiarize themselves with the Company’s culture, organizational structure, and core competencies. After the probation period, the Individual Development Plan (IDP) system is introduced, setting a personal development roadmap aligned with organizational goals and individual capabilities. This enables employees to strengthen their professional skills and career planning while achieving the Company’s objectives. 12. The Company conducts annual exit analysis to gain

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				insights into the specific reasons behind employee resignations through resignation interviews, and proactively reviews the findings internally to develop effective solutions.
		Human Rights Violations	Failure to manage human rights issues appropriately or the lack of relevant management regulations may lead to human rights violations such as forced labor, discrimination, exploitation, or suppression of freedom of speech. These incidents can damage the Company's reputation and employee relations, and may also result in broader social inequality or conflict.	TSC Auto ID supports and respects international labor and human rights standards, referencing frameworks such as the International Labour Conventions and the United Nations Universal Declaration of Human Rights. The Company also adopts actions consistent with the Responsible Business Alliance (RBA) Code of Conduct, formulating and implementing policies aligned with business ethics, environmental and social issues, human rights, and other public policy commitments. TSC's Human Rights Policy is published on the Company website. Additionally, the "Human Rights Management Regulations" were established on August 20, 2024, to prevent unequal treatment in the workplace based on gender, nationality, education, or other factors. Specific response measures are as follows: 1. Complying with labor laws to protect employees' legal rights, including legally provisioning retirement funds and maintaining open communication between labor and management to understand and reasonably meet employee needs. An Employee Welfare Committee has also been established to manage various welfare initiatives. 2. In 2024, TSC legally updated its "Workplace Sexual Harassment Prevention, Complaint, and Disciplinary Regulations" and its rules on unlawful workplace conduct. Internal and external reporting mailboxes were integrated, and a dedicated complaint hotline was established to

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				ensure employee safety and provide a secure working environment. 3. The "External Provider Management Procedures" were established, requiring suppliers to sign a "Supplier Code of Conduct Compliance Statement" and adhere to the RBA Code of Conduct. All supplier business activities must comply with the laws and regulations applicable in their operating countries. 4. The organization conducts regular communication, assessments, and audits to identify and evaluate potential human rights risks and implements continuous improvement plans based on the identified risks. 5. To enhance human rights awareness, the Company regularly conducts training and awareness programs for internal employees and supply chain partners on personnel protection issues, promoting the full integration of human rights and sustainability across the value chain.
	Occupational Safety Risk	**Occupational Accidents**	Inadequate workplace safety measures may lead to occupational accidents, causing employee injuries and infringing on their rights. This can result in compensation claims, lawsuits, public scrutiny, and a negative image of the industry.	TSC has implemented and passed ISO 45001 Occupational Health and Safety Management System certification, establishing a systematic risk identification and control process, regularly reviewing potential workplace hazards, and strengthening accident prevention and emergency response mechanisms. In alignment with the RBA Code of Conduct, TSC enforces occupational safety standards covering workplace safety, machine guarding, and emergency response training for all operators and contractors. A Workplace Health and Safety Committee is in place to promote cross-departmental collaboration and employee participation, continually improving the work environment and safety culture. Through training, audits, and reporting

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				mechanisms, TSC raises safety awareness among all personnel, reduces the risk of occupational accidents, and ensures employee health and operational stability.
Corporate Governance	**Operational Risk**	**Deficiencies in Quality and Safety Requirements and Inspections**	If any incidents related to product safety or quality occur, or if there is non-compliance with applicable regulations, it may affect product sales or user health. This could lead to legal liability, fines, or compensation claims, resulting in loss of domestic and international customers and a potential decline in national industry competitiveness.	TSC has established a comprehensive quality management system certified to ISO 9001, ensuring that every stage from product design to manufacturing and delivery adheres to strict quality standards. All products undergo safety and quality inspections in accordance with relevant regulations, with regular monitoring of regulatory updates to ensure compliance with international standards, legal requirements, and customer requirements. Through regular internal and external quality audits, TSC conducts product testing and defect analysis to minimize quality-related risks. The Company also proactively monitors the market to swiftly address potential quality and safety issues, avoiding incidents and maintaining strong customer trust and accountability.
	Information Security Risk	**Sensitive Information Leakage**	In the event of cybersecurity vulnerabilities, or if customer data is disclosed or used without consent, both the Company's and customers' confidential information may be exposed. This may result in privacy violations, legal claims, compensation obligations, and could undermine customer trust and competitive advantage.	To ensure information security, TSC established an Information Security Task Force and, in 2025, implemented the ISO 27001 Information Security Management System. The Task Force is responsible for conducting regular cybersecurity risk assessments and vulnerability scans to ensure system security. The Company also provides employee training on information security to strengthen awareness of data protection and compliance with rules for handling sensitive information. Enhanced data encryption technologies and access control mechanisms are implemented to ensure the security of customer information during storage, processing, and transmission. In the event of a cybersecurity incident, the Company will activate its emergency response plan,

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				immediately notify relevant parties, and take prompt action to minimize losses and customer impact according to ISO 27001 framework.
	Sustainability Risk	**Corporate Corruption and Unethical Conduct**	Failure to uphold principles of ethical business conduct may lead to corruption or bribery incidents, damaging corporate reputation, weakening supply chain and customer trust, and ultimately harming stakeholder interests and Taiwan's global competitiveness.	TSC adheres to the principles of integrity and has established robust anti-corruption and anti-bribery policies, requiring all employees and partners to comply. Regular anti-corruption risk assessments, internal control mechanisms, and whistleblower systems are in place to ensure transparent and ethical business practices. TSC also provides periodic training on ethics and anti-corruption for employees to strengthen compliance and ethical awareness. The Company rigorously enforces all preventive measures to avoid corruption and unethical behavior, safeguarding its reputation and competitive position.
	Supply Chain Risk	**Incomplete Environmental and Social Assessments of Suppliers**	If suppliers are not selected based on comprehensive environmental and social criteria, corporate activities may lead to negative social and environmental impacts within the supply chain. This includes risks such as increased raw material costs, supply chain disruptions, child labor, forced labor, and workplace health and safety violations.	TSC adheres to the Responsible Business Alliance (RBA) Code of Conduct by formulating and implementing its own Supplier Code of Conduct, requiring all suppliers to sign and comply with the standards covering labor conditions, workplace safety, environmental protection, and business ethics. In addition to establishing the Code of Conduct, TSC conducts regular on-site audits to evaluate supplier compliance. Non-compliant suppliers are required to submit improvement plans. These efforts help mitigate social and environmental risks in the supply chain and ensure that supplier operations align with the Company's sustainability objectives and international standards.
	Legal Risk	**Lack of Intellectual**	Failure to manage trade secrets and patent assets effectively may compromise the Company's intellectual	TSC has implemented a comprehensive intellectual property (IP) management system to protect trade secrets, patents, trademarks, and other IP assets. The Company regularly

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		Property Protection	property and negatively impact its market leadership.	assesses related risks to ensure that all IP is properly safeguarded internally. Dedicated legal professionals are responsible for overseeing patent registrations and trademark protections, and for enhancing employee awareness of confidentiality obligations and legal responsibilities. In the event of a potential data breach or infringement, the Company will initiate an emergency response procedure and take legal or other necessary action to protect its intellectual property rights.
Others	**Market Risks**	**Market Competition**	The Company faces various market risks, both domestic and international, including political instability, economic fluctuations, regulatory changes, technological advancements, and industry restructuring. These risks may intertwine and significantly impact overall market competitiveness, operational efficiency, and long-term strategic development.	1. Product perspective • Short-term: Accelerate integration, address product gaps, strengthen competitiveness, build group synergy and standardization, launch integrated core scenario solutions, and complete the product line. • Mid- and long-term: Continue to promote innovation and product upgrades for mobile computers, label printers, and RFID readers. Through comprehensive technological enhancements, the Company actively invests in R&D for hardware and system technologies related to the AI, IoT, and automated identification industries. In addition, it develops cloud solutions, integrated hardware–software products, and system integration services, collaborating with partners to build a unified cloud platform ecosystem. These efforts aim to meet diverse enterprise needs in AIDC applications while ensuring that products offer scalability and flexible configurations to adapt to future developments. At the same time, the Company will continue to uphold its environmental sustainability values by investing in eco-friendly materials, low-carbon printing solutions,

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				and energy-efficient products, aiming to develop products that are energy-saving, recyclable, and have low carbon emissions. By positioning ESG as a core competitive advantage, the Company aims to attract more procurement from international end customers. 2. Marketing perspective • Short-term: In the next one to two years, TSC will deepen its presence in core vertical markets such as retail, logistics, manufacturing, and healthcare. Through scenario-based solutions and success stories, we will strengthen enterprise customers' trust in our product innovation and integration capabilities while capturing growth momentum from large-scale projects. With the integration of DLS, MGN, and Bluebird in place, the Company will fully implement the "One TSC" communication framework. By integrating group-wide brand language, technical content, and marketing tools, we aim to create a consistent and scalable end-to-end solution image. At the same time, we will strengthen our global distribution network by enhancing the core partner program, joint marketing efforts, and standardized solution packages to improve promotion efficiency. Additionally, through international trade shows, TSC Solution Days, and regional insights, we aim to increase brand visibility and accelerate market penetration. • Mid- and long-term: TSC will continue to strengthen its position as a global leader brand. Through investments in multilingual content such as technical white papers, success stories, and ESG narratives, the company will strengthen its professional mindshare within the global

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				AIDC ecosystem and enhance key customers' and strategic partners' recognition of its long-term value. The Group will center its strategy around the "One Brand" initiative and global marketing platform, integrating product lines and regional market resources to build a unified marketing ecosystem. It will also adopt data-driven marketing to enhance promotional precision and accelerate synergies across product lines and markets. Additionally, the Company will continue to strengthen its global distribution ecosystem, enhancing its market cultivation capabilities through standardized cooperation systems, long-term empowerment, and solution tools. Facing trends such as IoT, AI, and smart logistics, TSC will expand its strategic role in key application scenarios, driving technology adoption and enhancing brand influence. Through global brand building and integrated marketing 3. Production perspective • Short term: Focus on optimizing production lines and site allocation to improve manufacturing efficiency and capacity, mitigate the impact of tariffs, and enhance product sales margins and price competitiveness. • Mid- and long term: Continue optimizing production equipment to improve manufacturing efficiency and yield while adopting green manufacturing technologies to reduce energy consumption and waste, thereby achieving sustainable development goals. The solar panel program had completed and successfully connected to the Taiwan Power Company grid, achieving the goal of green energy conservation.

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	Financial and Accounting Risks	1. Credit Risks 2. Liquidity Risks 3. Exchange Rate Risks 4. Interest Rate Risks 5. Price Risks 6. Risk Related to the Application and Changes of Accounting Policies **7.** Taxation Risk	1. Inability to recover receivables from customers, resulting in bad debts 2. Cash flow constraints, leading to inability to pay liabilities 3. Appreciation of the New Taiwan dollar, causing foreign exchange losses 4. Rising interest rates, increasing funding costs 5. The decline in the share price of the invested target resulted in a valuation loss of financial assets. 6. Misstatement of financial statements 7. Increasing the Company's income tax burden	1. Customer credit assessments and accounts receivable management are reinforced, with appropriate credit insurance and collection measures in place to reduce credit risk. 2. TSC strengthens liquidity management through regular cash flow forecasting and risk assessment, and maintains emergency financial reserves. TSC reviews its balance sheet structure regularly to ensure a rational and stable capital framework. TSC also actively maintains close cooperation with banks to secure favorable and stable financing facilities, supporting potential liquidity needs. 3. Use hedging instruments for flexible risk management. 4. Utilize equity instruments to reduce the company's funding costs. 5. Investments in New Taiwan dollar are strategic in nature; therefore, the associated risk is accepted. 6. Work closely with professional financial advisors to ensure financial statements are accurate, transparent, and compliant with relevant accounting standards. 7. Collaborate closely with professional tax advisors to ensure tax handling complies with applicable laws and regulations.

(2) Risk Management Framework and Reporting Mechanism

Board of Directors

- Responsible for approving risk management policies and major risk management systems, and supervising the implementation of risk management systems.

Sustainable Development Committee

- The Sustainable Development Committee assists the Board of Directors in executing and supervising risk management responsibilities and is responsible for reviewing various risk management issues.

Risk Management Task Force

- The Risk Management Task Force is responsible for preparing risk management reports, integrating and coordinating cross-departmental risk management issues, communicating key risk management matters, and implementing and tracking risk management resolutions made by the Board of Directors or the Sustainable Development Committee.

Departments

- Department personnel serve as the first line in identifying, assessing, and controlling risks. Department heads are responsible for compiling and executing relevant business risk management measures and, in response to changes in internal and external environments, proposing corresponding risk mitigation strategies.