TSC Auto ID Technology Co., Ltd.
Report on Risk Management Operations in 2024

Date of board report: December 27, 2024

The Company has established its "Risk Management Best-Practice Principles" with reference to the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies" set forth by the Taipei Exchange (TPEx). These policies were approved by the Board of Directors on November 8, 2024, and serve as guiding principles for the Company's risk management, thereby strengthening corporate governance. In order to fully record the risk management procedures and their execution results, the Risk Management Group shall compile the results and report them to the Sustainable Development Committee and Board of Directors on a regular basis.

(1) Risk management scope

The Company defines risk categories related to its operations—covering Environmental, Social, Governance, and other relevant aspects—based on the principle of materiality. After each department reviewed the Company's characteristics and operations, risk categories, items, and implications s were identified based on the principle of materiality of risk, and the following risk items were incorporated into management.

Risk category	Risk item	Risk Name	Risk implications	Response measures
Environmental protection	Sustainability risk	Energy consumption	The Company's operational activities may directly involve the use of energy such as fuel and electricity in office buildings, factory sites, or indirectly through business activities. If effective energy management is not implemented, it could lead to excessive energy consumption and environmental pollution issues.	TSC identifies energy usage hotspots, evaluates the feasibility of improving and replacing equipment to enhance energy efficiency, and ensures that energy management aligns with energy conservation, carbon reduction, and environmental sustainability goals.

![TSC]

Risk category	Risk item	Risk Name	Risk implications	Response measures
		Improper waste management	Due to the raw materials and consumables used in the production process, waste may be generated through production procedures or manufacturing defects. If the company does not have a comprehensive waste management system in place, or if suppliers fail to handle waste according to regulatory requirements, it may result in negative environmental impacts.	Our company has established a comprehensive waste classification, recording, and tracking management system to ensure that all waste is properly handled in accordance with relevant regulations and contractual requirements. At the same time, we are promoting source reduction and resource recycling strategies, and actively seeking materials and technologies that can be recycled and reused.
	Climate change risk	Greenhouse gas emissions	The Company's operational activities, whether directly involving office buildings, factories, or indirectly related business activities, continuously generate greenhouse gas emissions, which may lead to environmental impacts and contribute to global warming.	Greenhouse gas inventories are conducted annually in accordance with international standards (such as ISO 14064-1), covering Scope 1, 2 and part of Scope 3. Through data analysis, we can identify emission hotspots and promote improvements. TSC has set a 2030 reduction target of 20% to 40% compared to the base year, and has incorporated carbon reduction measures such as energy conservation and renewable energy into its daily operational planning. At the same time, it has introduced a carbon management digital platform to strengthen climate risk management.
	Environmental risk	Ecological destruction	Company operations may result in pollution of nearby water sources, air, and ecosystems	TSC continues to work hard to reduce the impact of its operations on the surrounding ecology and regularly monitors the water quality, air quality

Risk category	Risk item	Risk Name	Risk implications	Response measures
			surrounding the plant area, leading to environmental degradation and the loss of biodiversity.	and noise conditions of the factory to ensure compliance with regulations and environmental standards. At the same time, strengthen the maintenance and operation management of pollution prevention and control facilities to avoid the leakage of harmful substances.
Social responsibility	Human resource risks	Recruitment difficulties	In a societal structure characterized by low birth rates, an aging population, and population outflow, there is a serious shortage of labor talent. Companies face challenges in recruiting and retaining talent, and delays in talent onboarding lead to increased workload for existing employees, which in turn impacts business operations.	TSC Technology firmly believes that human capital is the core cornerstone of corporate sustainable development. It continues to be committed to the recruitment and retention of talents. By emphasizing human rights, diversity and inclusion, a friendly workplace and employee welfare, it creates a great place to work and further implements the goal of sustainable development. The specific response measures are as follows: 1. Conduct strategic human resource planning based on the company's operating direction and formulate a complete recruitment plan. We also conduct an analysis of salary competitiveness in the labor market every year based on recruitment plans and market trends. 2. Review recruitment efficiency monthly and review long-standing unfilled positions. 3. We have added diversified recruitment channels, including job search platforms, social media, job fairs, campus recruitment briefings, internship programs, talent hunting

Risk category	Risk item	Risk Name	Risk implications	Response measures
				consultants and internal referral mechanisms, to expand the source of talent in the labor market and attract a wide range of potential talents to join the team.
				4. We continue to optimize the interview process and add relevant competency and suitability assessments during the interview phase to ensure that new employees can meet job requirements and quickly integrate into the team.
				5. If applicants encounter unfair or unethical treatment during the interview process, TSC provides relevant complaint mechanisms and establishes relevant investigation and handling procedures to protect the rights of all applicants.
				6. Continue to strengthen effective employee retention measures and establish an employee care mechanism to provide early warning to employees who intend to leave and achieve the goal of retaining talent. New employees are paired with peers across departments to provide them with daily needs care, and interviews are conducted with new employees 1.5 months after they join the company to understand their adaptation status and provide timely assistance.
				7. We actively integrate various

Risk category	Risk item	Risk Name	Risk implications	Response measures
				welfare measures and use diversified welfare policies (such as providing new employees with more special leave days than the industry average) to attract more talented job seekers and enhance employees' sense of identity and belonging to a happy workplace. In addition, to meet the life needs of employees at different stages, TSC provides childcare leave, reduced working hours for childcare and flexible work and rest systems to help employees achieve a more effective work-life balance. 8. The company has a complete talent training system. From the time new employees join the company, the company arranges a three-month new employee training program to help them quickly familiarize themselves with the company culture, organizational system and core functions. After the probation period, the company introduces the Individual Development Plan (IDP) system to develop a development blueprint based on personal needs and continuously strengthen professional capabilities and career planning. We conduct regular resignation analysis every year, gain in-depth understanding of the specific reasons for employee resignation through

Risk category	Risk item	Risk Name	Risk implications	Response measures
				interviews, and actively conduct internal reviews based on the interview results to develop effective solutions.
		Human rights violations	Failure to properly manage human rights issues or the lack of relevant regulations may lead to human rights violations, such as forced labor, discrimination, exploitation, or the suppression of free speech. These issues can damage the Company's reputation, harm employee relations, and contribute to social inequality or conflict.	TSC supports and respects relevant international labor and human rights norms, refers to norms including the International Labor Convention and the United Nations Universal Declaration of Human Rights, and takes actions consistent with the Responsible Business Alliance (RBA) Code of Conduct to formulate and implement policies that comply with business ethics, the environment, social issues, human rights and other public policy commitments. Our company's human rights policy has been published on the official website, and on August 20, 2024, we established the "Human Rights Management Regulations" to avoid unequal working environments due to factors such as gender, nationality, and education level. The specific response measures are as follows: 1. In accordance with labor laws, we protect the legal rights and interests of our colleagues, provide retirement funds in accordance with the law, open up communication channels between labor and management, actively understand and reasonably meet the needs of colleagues to achieve a win-win situation for both labor and management, and set up an

Risk category	Risk item	Risk Name	Risk implications	Response measures
				employee welfare committee to handle various welfare matters.
				2. In 2024, we revised the "Regulations on Complaints and Disciplinary Measures for Prevention and Control of Sexual Harassment in the Workplace" and the Code of Unlawful Treatment in the Workplace in accordance with the law, integrated internal and external complaint mailboxes and set up an independent complaint hotline to protect the safety of colleagues and provide a safe workplace environment.
				3. Formulate "External Provider Management Operation Methods" and require suppliers to sign the "Supplier Code of Conduct Compliance Statement" and follow the RBA Code of Conduct. All business operations of suppliers must fully comply with the laws and regulations applicable to the country where they operate.
				4. Identify and assess potential human rights risks through regular communication, evaluation and auditing each year, and promote continuous improvement plans based on the risks.
				5. To deepen human rights awareness, the company regularly conducts education and training and advocacy on issues related to personnel protection for internal

Risk category	Risk item	Risk Name	Risk implications	Response measures
				employees and supply chain partners, and promotes the full implementation of human rights and sustainable responsibilities in the value chain.
	Occupational health and safety	Occupational hazards	If workplace safety regulations are inadequate, resulting in occupational accidents that cause employee injuries and violate employee rights, the Company may face remuneration claims, legal disputes, or public pressure. Such incidents may also damage the industry's public image.	TSC has introduced and passed the ISO 45001 occupational safety and health management system certification, established a systematic risk identification and control process, regularly reviewed potential workplace risks, and strengthened occupational accident prevention and response mechanisms. At the same time, we follow the RBA Code of Conduct and implement occupational safety standards such as work environment safety, machine facility protection and emergency response training, covering all operating personnel and outsourced units. The Company has also set up an Occupational Safety and Health Committee to promote cross-departmental collaboration and employee participation to continuously improve the working environment and safety culture. Through education and training, auditing and reporting systems, we enhance the safety awareness of all employees, reduce the risk of occupational accidents, and ensure employee health and operational stability.

Risk category	Risk item	Risk Name	Risk implications	Response measures
Corporate governance	Operational risk	Quality and safety requirements and inspection failures	In the event of product safety/quality incidents or non-compliance with regulations, it may impact product sales or user health, leading to legal liabilities, fines, and compensation issues. This could result in the loss of domestic and international customers and may also affect the competitiveness of the domestic industry.	TSC has established a comprehensive quality management system and passed ISO 9001 certification to ensure that every link of the product from design, manufacturing to shipment meets strict quality standards. All products are inspected for safety and quality in accordance with relevant regulations to ensure compliance with international standards, all regulations and customer needs. We conduct regular internal and external quality audits, product inspections, tests and defective product analysis to reduce the risk of quality oversight. The company will also proactively monitor the market, respond promptly to possible quality issues and safety risks, avoid any possible quality accidents, and maintain a high sense of responsibility and trust in its customers.
	Cybersecurity risk	Sensitive information leakage	If there is a cybersecurity vulnerability or the unauthorized disclosure or use of customer data without their consent, leading to the leakage of sensitive information from both the company and its customers, it may result in privacy violations. This could lead to legal lawsuits, compensation issues, and potentially	To protect information security, TSC has established an information security team to conduct regular information security risk assessments and vulnerability scans to ensure system security. At the same time, we conduct information security education and training for employees to enhance their awareness of data protection and compliance with regulations on the handling of sensitive data. Enhanced data encryption technology and access control mechanisms have

Risk category	Risk item	Risk Name	Risk implications	Response measures
			damage customer trust and the Company's competitive advantage in the market.	been implemented to ensure the security of customer data during storage, processing and transmission. If a cybersecurity incident occurs, the company will activate the cybersecurity emergency response plan, immediately notify relevant parties and take emergency measures to minimize losses and impact on customers.
	Sustainability risk	Corporate corruption and unethical conduct	Failure to implement ethical management principles, leading to incidents of corruption and bribery, could damage the Company's reputation, impact the response of upstream suppliers, erode customer trust, harm stakeholder interests, and may also affect Taiwan's industrial competitiveness on the global stage.	TSC adheres to the principle of honest business operation, establishes a sound anti-corruption and anti-bribery policy, and requires all employees and partners to comply with it. By conducting regular anti-corruption risk assessments and establishing effective internal monitoring and reporting mechanisms, we ensure that all business activities are transparent and in compliance with ethical standards. In addition, we regularly provide employees with integrity and anti-corruption education and training. Strengthen compliance with laws and regulations and ethical awareness. The company will strictly implement various preventive measures to prevent corruption and unethical behavior and ensure the company's reputation and market competitiveness.
	Supply chain risk	Incomplete supplier	Without comprehensive social and environmental	Alliance standards to develop and implement a supplier code of conduct,

![TSC]

Risk category	Risk item	Risk Name	Risk implications	Response measures
		environmental and social assessment	criteria for selecting suppliers, business activities could cause negative impacts and disruptions to the supply chain, such as increased raw material costs, supply chain interruptions, child labor, forced labor, and workplace health and safety issues.	requiring all suppliers to sign and comply with relevant guidelines covering social responsibility areas such as labor conditions, workplace safety, environmental protection and business ethics. In addition to establishing a supplier code of conduct, we regularly conduct on-site audits of suppliers to assess their compliance and require suppliers that do not meet the standards to provide improvement plans to reduce social and environmental risks in the supply chain and ensure that supply chain operations meet the company's sustainable development goals and international regulatory requirements.
	Legal risk	Lack of intellectual property protection	Failure to effectively manage trade secrets, patent assets, and trademarks may jeopardize the Company's intellectual property, impacting its market leadership position.	TSC has established a comprehensive intellectual property management system and protects intellectual property rights such as trade secrets, patents, and trademarks. Regularly conduct risk assessments on relevant assets to ensure that all intellectual property rights are properly managed and protected internally. Professional legal personnel are responsible for monitoring patent registration, trademark protection and other work, and strengthening employees' confidentiality obligations and legal responsibility awareness. For situations that may involve leakage or infringement, the Company will

Risk category	Risk item	Risk Name	Risk implications	Response measures
				initiate emergency response procedures and take legal or other necessary actions to protect the Company's intellectual property rights.
Others	Market risks	Unfavorable market conditions	The company faces multifaceted risks from both domestic and international sources, including political instability, economic fluctuations, changes in regulatory requirements, technological advancements, and shifts in industrial structures. These risks may intertwine and exert significant influence on the Company's overall market competitiveness, operational efficiency, and long-term strategic development.	We regularly conduct market trend and risk analysis, closely monitor changes in the political and economic environment and regulatory developments, and adjust strategies based on market demand and technological developments. TSC strengthens cooperation with industry and government agencies, and actively participates in policy advocacy and industry standard formulation to adapt to market changes. By establishing a flexible response mechanism, we can ensure that our business model can be adjusted quickly in an uncertain environment and maintain our competitive advantage. Continue to enhance innovation capabilities, meet future challenges and achieve sustainable development through technological and industrial upgrades.
	Financial risk	Unfavorable cash flow	In the course of its operations, the Company must navigate a variety of financial risks and challenges, including: Asset valuation risk, Customer credit and payment risk, Liquidity	Strengthen capital liquidity management, conduct regular capital demand forecasts and risk assessments, and establish an emergency capital reserve mechanism. TSC regularly reviews its asset-liability structure to ensure the rationality and stability of its capital structure. At the

Risk category	Risk item	Risk Name	Risk implications	Response measures
			risk and Accounting policy and standard changes risk. These risks may affect the stability of the capital structure, short-term liquidity, and the accuracy of financial statements, which in turn affects the judgments of investors and other stakeholders.	same time, we actively strengthen our cooperative relationship with banks, strive for preferential and stable financing quotas, and provide reliable financial support for potential liquidity needs. The Company also strengthens customer credit assessment and accounts receivable management, and adopts appropriate credit insurance and collection measures to reduce customer credit risks. For changes in accounting policies, we work closely with professional financial advisors to ensure that financial statements are accurate, transparent, and comply with relevant accounting standards to enhance investor confidence and maintain a sound financial position.

(2) Risk Management Framework and Reporting Mechanism

Board of Directors	• Responsible for approving risk management policies and important risk management systems, and supervising the implementation of risk management systems.
Sustainable Development Committee	• The Sustainability Committee assists the Board in executing and supervising risk management responsibilities and is responsible for reviewing various risk management issues.
Risk Management Team	• The Risk Management Team is responsible for proposing risk management reports, integrating and coordinating cross-departmental common risk management issues, announcing and communicating important risk management matters, and implementing and tracking various risk management resolutions of the Board of Directors or the Sustainability Committee.
All Departments	• Personnel from each department are the direct units responsible for initial risk discovery, assessment and control. Each department head is responsible for summarizing and executing relevant business risk management, and proposing corresponding risk response strategies based on changes in the internal and external environment.