

# TSC Auto ID Technology Co., Ltd.

## Risk Management Policies and Procedures

### Chapter I General Provisions

Article 1. In order to establish the sound risk management system, manage business stably to move toward the corporate sustainable development goals and improve the risk management system, the Company establishes the Risk Management Policies and Procedures (hereinafter referred to as the “Policy and Procedure”) in accordance with the “Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies” formulated by the Taipei Exchange

Article 2. The Policy and Procedure refer to the basis for the execution of risk management by various departments of the Company. Unless otherwise provided by laws or the Company’s regulations, the Company's risk management and execution shall follow the Policy and Procedure.

### Chapter II. Risk Management Policy and Scope

Article 3. The Company’s risk management policy is specified as following:

- I. Construct an effective risk management structure, shape risk management culture, improve risk management awareness, and implement risk management.
- II. Establish sound risk identification, measurement, supervision and control mechanisms to control risks within the extent acceptable by the Company, achieve the goal of rationalizing risks and rewards, increase the Company’s value, and achieve the Company’s sustainability.

Article 4. The Company’s risk management policy covers all risks potentially encountered in the course of business activities, defines the risk categories related to the Company’s business according to the principle of materiality, such as Environment, Social, Governance and Others, and identifies, measures, prevents, controls and monitors internal and external potential risks.

## Chapter III. Risk Management Organizational Framework and Responsibilities

Article 5. The Company's risk management organizational framework includes the Board of Directors, Sustainable Development Committee, Risk Management Group and various departments.

### I. Board of Directors

The Board of Directors is the highest decision-making unit of the Company's risk management, which authorizes the risk management policies and important risk management systems, and supervises the implementation of risk management systems to ensure the effective operation of the risk management mechanism.

### II. Sustainable Development Committee

The Sustainable Development Committee assists the Board of Directors in execution and supervision of the risk management functions and takes charge of the review on various risk management issues.

### III. Risk Management Team

The Risk Management Team is set up under the Sustainable Development Committee to assist the Sustainable Development Committee in performing its risk management functions. The Risk Management Team is responsible for overall risk management, including presentation of risk management reports, integration and coordination of cross-departmental co-risk management issues, announcement and communication of important risk management matters, and execution and followup of the risk management resolutions delivered by the Board of Directors of Sustainable Development Committee.

### IV. Various departments

The personnel of various departments are identified as the direct units for initial discovery, assessment, and control of risks. Various department heads are responsible for compiling and implementing relevant business risk management, and proposing corresponding risk response strategies subject to changes in the internal and external environment.

## Chapter IV. Risk Management Procedure

Article 6. The risk management procedure consists of risk identification, risk analysis, risk assessment, risk response, and risk supervision and report.

Article 7. Risk identification: Various departments shall identify possible sources of risks within their business scope and assess potential risks, and the reasons and likelihood of their occurrence. Risk identification is intended to comprehensively identify the potential risk events that might make it impossible for the Company to achieve its goals, cause losses to the Company, or pose negative impacts, using feasible analytical tools and methods, based on past experience and information, and by taking into consideration the internal and external environmental risk factors.

Article 8. Risk analysis: Various departments analyze the identified risk events subject to the circumstances, use qualitative and quantitative measurement standards to judge the possibility of the occurrence, and judge the impact posed by the consequence on the Company, as the basis for subsequent determination of the priority of the control over the risk appetite (risk tolerance).

Article 9. Risk assessment: The degree of risk determined based on the risk analysis results shall be compared with the Company's acceptable risk threshold and then the risks shall be prioritized as the basis for subsequent determination of the response measure options.

Article 10. Risk response: Various departments shall adopt various risk response strategies against the risks which are beyond the acceptable risk threshold.

Article 11. Risk supervision: Various departments shall supervise the process of risk identification, analysis, assessment and response to ensure that risk management can achieve the expected goals.

Article 12. In order to fully record the risk management procedures and their execution results, the Risk Management Team shall compile the results and report them to the Sustainable Development Committee and Board of Directors on a regular basis.

Article 13. With respect to the Company's risk management implementation, if the department personnel on the first line of defense discover a risk, they shall immediately inform the department head of the same, and also judge the severity of the risk in accordance with the risk management procedures, and take relevant risk management measures. If the risk is considered material, it shall be reported to the Risk Management Team to convene a meeting to discuss and resolve the responsive measures.

Article 14. The Company shall disclose the related information as the competent authority's requirements, and also in the annual report, on the Company's website and in the risk management-related information.

## Chapter V Miscellaneous

Article 15. The Policy and Procedure shall be enforced upon approval as resolved by the Board of Directors. The same shall apply where the Policy and Procedure are amended.

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