

Implementation of Risk Management in 2021

To manage and control all TSRC's risk, the Company formulated the "Policy of Risk Management" as a guideline, which clearly and standardized principles of risk management, responsibilities, and operation mechanisms. The company also formulated the "Procedure of Risk Management" for implementation on related operation of all risk management.

TSRC's organizational structure of risk management including Board of directors as a top institution of governance and performing supervision of the status of the Company's risk management, and TSRC's Executive Leadership Team (CEO and heads of all functional units) is responsible for the management of all items of risk management. Task force of Risk Management implemented projects and items of risk management. The members of the task force are from all related function unit to provide relative assistance.

TSRC's risk management process includes risk identification, risk assessment, risk ranking, risk response, control and disclosure to manage and reduce the possibility and impact of risks. The scope of risk management includes various risks such as strategic risk, financial risk, operational risk, risk of cyber security and information technology.

Since 2017, TSRC execute control of risk management systematically through identification, assessment, ranking, and taking countermeasures and disclosure for the risk management of the group and its subsidiaries every year. The process is as follows:

1. Risk Identification (The first quarter of each year)

Since 2017, TSRC has identified 135 related risks by referring to general risk map of industry benchmark. Besides, in response to the rapid changes in the external environment, TSRC will identify new risk every year based on the external environment and the Company's operational needs.

2. Risk assessment, Risk Ranking, and Countermeasures (The second quarter of each year)

- 2.1 **Risk Assessment:** According to the identified risks, assess the possibility and impact of the risk, and use quantitative and qualitative standards to show the impact on the Company with a matrix.
- 2.2 **Risk Ranking:** After completing the risk assessment, TSRC's management team will divide them into the first level (high), the second (medium), and the third level (low) based on the results of the risk assessment. According to the priority of the Company's operations, the Company select the "risk on priority" of the year from the first (high) and second (medium) risks.
- 2.4 **Risk Response:** Regarding the "risk on priority", TSRC analyzes whether it has effective management actions. When there is no management action

for the risk or the existing management actions are insufficient, the Company will take immediate action to improve it.

3. Implementation, Review and Improvement of risk management (the third to fourth quarters of each year):

The Company review the implementation of risk management and report the results of the implementation before the end of the first quarter of the following year. Furthermore, the Company review and revise the risk management process in accordance with the risk management process and results of the current year to ensure the effectiveness of TSRC's risk management

Besides current 125 risks, the changes in the external environment will be taken into consideration in 2021 such as "Covid-19 risk" and "climate change risks" being added. After sorting by the group's risk matrix, TSRC management team has selected 41 risks on priority, and analyze the effectiveness of its management actions. Finally, the Company identified 7 risks for immediate action and formulate risk management actions, which are continuously implemented by relevant departments, and they are expected to be reported to TSRC's management team before the end of the first quarter of 2022.

In 2021, the Executive Leadership Team reported quarterly business reports to the Board of Directors every quarter. In addition to report operating conditions, it also provided supplementary explanations for special operating conditions or risk. Through reporting, directors can understand the operating status timely. Besides, the Company consider the importance of cyber security continually. The implementation of cyber security risks will be extraordinarily reported to the Board of Directors in May 2021.

Regarding climate change risks, TSRC proceed the Climate-related Financial Impact Assessment (TCFD) in 2021. The Company adopt the framework of TCFD (Recommendations of the Task Force on Climate-related Financial Disclosures) to conduct financial disclosures related to climate change to analyze, climate risk identification and financial quantification, and disclosure of the impact of climate change on TSRC and the corresponding directions and countermeasures. The core elements of the TCFD are governance, strategy, risk management, indicators and goals. The related information of TSRC's TCFD, please refer to [TCFD information](#) on the Company's website.