

## Implementation of Risk Management in 2023

To manage and control TSRC's risk, the Company formulated the "Policy of Risk Management" which was approved by the Board Meeting of Directors on December 2, 2021, as a guideline of risk management 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: Board of directors as a top institution of governance and performing supervision of the status of the Company's risk management, TSRC's Executive Leadership Team (CEO and heads of all functional units) responsible for the management of all items of risk management. Corporate Development Department is organizer, and Task force of Risk Management responsible for implementing 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 9 various risks such as strategic risk, financial risk, operational risk, ESG-related risk, risk of cyber security and information technology.

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 and assessment (The first quarter of each year)

- 1.1 Initiate the annual risk management process and review the implementation of risk response actions in the past year.
- 1.2 To face rapid changes in the external environment, new risks are identified each year based on the environment and the needs of the company's operations. The likelihood of risk occurrence and the degree of impact are evaluated and shown as the matrix.

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

- 2.1 **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.
- 2.2 **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. Action-needed risk and countermeasures (The third quarter of each year)**

3.1 After further assessment of the "priority risks", action-needed risks are identified, and the effectiveness of management and response measures are reviewed.

### **4. Implementation, Review and Improvement of risk management (the 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.

In 2023, the annual risk management process was initiated by the Corporate Development Department, and the Task force of Risk Management identified a total of 78 important risks based on the internal and external environment. After ranking these on the risk matrix, Executive Leadership Team selected 19 Prioritized Risks, which encompass various categories, including strategic risk, geographical and industrial risk, operating risk, financial risk, ESG related risk, R&D and IP management risk, risk of cyber security and information technology.

Subsequently, an effectiveness analysis of the management actions for the selected prioritized risks had been conducted. Furthermore, Executive Leadership Team selected 5 items as action-needed risks from Prioritized Risks for immediate action and formulated risk management actions, which will be continuously implemented by the relevant departments. The results will be reported to TSRC Executive Leadership Team by the end of the first quarter of 2024.

In 2023, quarterly business performance was reported to the Board Meeting of Directors. In addition to reporting TSRC's operations, we will also provide status of risk management or major issue in the operation. Therefore, directors can be informed of the operations in a timely manner. Additionally, the result of 2023 risk management was reported to the Board Meeting of Directors in November 2023.

For climate-related risks, the Company reported the progress of climate-related risk assessment to the Board Meeting of Directors in July and November 2023 respectively based on the principle of TCFD. In addition, considering the increasing importance of information security to the company, we reported to the Board of Directors in November 2023 on the implementation of information security risks.

### Summary of 2023 Prioritized Risks

No.	Category	Risk	Control Measures	Management Objective/ Target	Execution Result
1	Strategic risk	Oversupply in BR market	<ul style="list-style-type: none"> <li>Implement flexible product portfolio adjustment strategy.</li> <li>Focus on target markets and monitor market dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>Annual sales budget.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve sales revenue that exceeds the budget through sales strategies and product portfolios.</li> </ul>
2	Financial risk	Extended high interest rate	<ul style="list-style-type: none"> <li>Adjust the borrowing currency and borrowing period.</li> <li>Increase the mid-term borrowing limits to replace short-term limits.</li> </ul>	<ul style="list-style-type: none"> <li>Forecast the interest rate hike process to plan for capital.</li> <li>The ratio of net interest expenses to revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve management objectives by effectively controlling.</li> </ul>
3	Operating risk	*Uncertainty of the energy price increase in Taiwan	<p><b>Synthetic Rubber Division (SRD)</b></p> <ul style="list-style-type: none"> <li>Implement production and sales plans along with cost control.</li> <li>Implement pricing strategies to reduce financial impact.</li> </ul> <p><b>Advanced Materials Division (AMD)</b></p> <ul style="list-style-type: none"> <li>Reduce the energy consumption per unit in the production process.</li> <li>Implement pricing strategies to reduce financial impact.</li> </ul>	<p><b>SRD</b></p> <ul style="list-style-type: none"> <li>Annual budgeted profit.</li> </ul> <p><b>AMD</b></p> <ul style="list-style-type: none"> <li>Steam consumption reduction target.</li> <li>Develop new process technologies to reduce unit energy consumption.</li> </ul>	<p><b>SRD</b></p> <ul style="list-style-type: none"> <li>Achieve the annual budgeted profit through planning and pricing strategies.</li> </ul> <p><b>AMD</b></p> <ul style="list-style-type: none"> <li>Achieve preliminary reduction targets.</li> <li>Continue the development of new process technologies.</li> </ul>

No.	Category	Risk	Control Measures	Management Objective/ Target	Execution Result
4	Geographical and industrial risk	*Uncertainty of Dashe industrial zone downgrade	<ul style="list-style-type: none"> <li>Continuing to communicate with competent authority along with other local companies.</li> </ul>	<ul style="list-style-type: none"> <li>Stand for the downgrade as a Class A industrial zone.</li> </ul>	<ul style="list-style-type: none"> <li>Regularly discuss with associations and PIAT members for action planning.</li> </ul>
5	Geographical and industrial risk	*Changes in US tariff policies on SBC product	<ul style="list-style-type: none"> <li>Optimizing production efficiency and cost reduction in US site.</li> <li>Developing high value-added new products and applications.</li> </ul>	<ul style="list-style-type: none"> <li>Budgeted production volumes for SIS and SBS in US site.</li> <li>Obtain approvals for new products from target customers.</li> </ul>	<ul style="list-style-type: none"> <li>Stabilize production volume and reduce unit costs.</li> <li>New products have been handed over for testing by global customers and are under the certifications.</li> </ul>
6	ESG related risk	*Uncertainty of carbon pricing in Taiwan	<ul style="list-style-type: none"> <li>Implement reduction measures to decrease process carbon emissions.</li> <li>Develop new technologies for carbon emission reduction.</li> <li>Expand and develop opportunities related to ESG.</li> </ul>	<ul style="list-style-type: none"> <li>Group greenhouse gas reduction targets.</li> <li>Research and develop low-carbon new technologies.</li> <li>Develop products that meet the ESG requirements from customers.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve the annual carbon reduction target.</li> <li>Continuously develop low-carbon new technologies.</li> <li>Co-develop with customers on recycled materials and product applications.</li> </ul>
7	ESG related risk	*The greenhouse gas (GHG) reduction ratio continues to	<ul style="list-style-type: none"> <li>Continuously develop carbon reduction technologies and process improvement solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Group greenhouse gas reduction targets.</li> <li>Group renewable energy usage targets.</li> </ul>	<ul style="list-style-type: none"> <li>Achieve the greenhouse gas reduction results in line with management indicators.</li> </ul>

No.	Category	Risk	Control Measures	Management Objective/ Target	Execution Result
		increase			<ul style="list-style-type: none"> <li>Completed the solar panel installation at the Dashe plant in Kaohsiung.</li> </ul>
8	R&D and IP management risk	Leakage of R&D confidential information	<ul style="list-style-type: none"> <li>Enhance training for new employees and confidentiality awareness.</li> <li>Strengthen IT monitoring and database management.</li> </ul>	<ul style="list-style-type: none"> <li>Implement IP-related and regular security awareness training for R&amp;D employees.</li> <li>Periodically review database access and usage permissions.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct internal employee training and regular security awareness training.</li> <li>Review the access permissions and continue the management of confidential information.</li> </ul>
9	Information technology and cyber security risk	Information system has been hacked	<ul style="list-style-type: none"> <li>Continuously update system firewalls, protective software, and SOC monitoring.</li> <li>Regularly conduct backup and recovery drills.</li> </ul>	<ul style="list-style-type: none"> <li>Zero information security incidents.</li> <li>100% success rate in data recovery drills.</li> </ul>	<ul style="list-style-type: none"> <li>No information security incidents occurred and continued to monitor.</li> <li>Conducted annual critical server recovery drills with a 100% success rate.</li> </ul>