

Implementation of Risk Management in 2024

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 information technology and cybersecurity.

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)

- 1.1 **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.
- 1.2 **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 "prioritized 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 2024, the annual risk management process was initiated by the Corporate Development Department, and the Task force of Risk Management identified a total of 55 important risks based on the internal and external environment. After ranking these on the risk matrix, Executive Leadership Team selected 20 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 information technology and cybersecurity.

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 2025.

In 2024, 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 2024 risk management was reported to the Audit Committee in October 2024 and the Board Meeting of Directors in November 2024.

For climate-related risks, the Company reported the progress of climate-related risk assessment to the Audit Committee in October 2024, and reported to the Board Meeting of Directors in May 2024 and Nov 2024 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 2024 on the implementation of information security risks.

Summary of 2024 Prioritized Risks

No.	Category	Risk	Control Measures	Management Objective/ Target	Execution Result
1	Strategic risk	*Change in tariffs or subsidy policies on EVs and tire products across countries	<input type="checkbox"/> Implement flexible product portfolio adjustment strategies. <input type="checkbox"/> Focus on target markets and monitor market dynamics.	<input type="checkbox"/> Achieve annual sales volume budget.	<input type="checkbox"/> Achieve annual sales volume target and continue leveraging sales strategies and product portfolios.
2	Strategic risk	*Global supply chain disruptions due to geopolitical or other factors	Synthetic Rubber Division (SRD) <input type="checkbox"/> Utilize hedging trade terms. <input type="checkbox"/> Continue expanding sales in China and the Asia region. Advanced Materials Division (AMD) <input type="checkbox"/> Adjust inventory at local warehouse. <input type="checkbox"/> Leverage pricing strategies to mitigate cost impacts. Operations Division (OPs) <input type="checkbox"/> Place orders in advance. <input type="checkbox"/> Coordinate optimal shipping routes and adapt flexibly.	Synthetic Rubber Division (SRD) <input type="checkbox"/> Achieve annual sales volume budget. Advanced Materials Division (AMD) <input type="checkbox"/> No supply disruption and pass on increased costs through pricing. Operations Division (OPs) <input type="checkbox"/> Prevent significant impacts on product deliveries due to supply chain disruptions.	Synthetic Rubber Division (SRD) <input type="checkbox"/> Achieve annual sales volume target and continue to proceed as planned. Advanced Materials Division (AMD) <input type="checkbox"/> Adapt to market dynamics and pass on some costs through pricing strategies. Operations Division (OPs) <input type="checkbox"/> Achieve management target and continue to proceed as planned.
3	Strategic risk	*Industry over-capacity – further by SIS	<input type="checkbox"/> Continue driving the new products commercialization	<input type="checkbox"/> Achieve sales targets for high-premium products	<input type="checkbox"/> Ongoing progress in product development and sales plans.

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		competitors in China	<input type="checkbox"/> with key accounts. <input type="checkbox"/> Expand the application scope of SIS products.	applications.	
4	Strategic risk	*Continued slow growth in China economic	<input type="checkbox"/> Adapt dynamic pricing and optimized product portfolio strategies.	<input type="checkbox"/> Achieve annual sales volume budget.	<input type="checkbox"/> Align with market dynamics, ongoing progress in product development and sales plans.
5	Operating risk	*Chemical leaking incident at plant site	<input type="checkbox"/> Enhance process safety management and equipment maintenance. <input type="checkbox"/> Implement maintenance operations and contractor safety management.	<input type="checkbox"/> No moderate or severe environmental incidents occurred. <input type="checkbox"/> Achieve annual production targets.	<input type="checkbox"/> One moderate environmental incident with corrective measures implemented. <input type="checkbox"/> Meet management targets and proceed as planned.
6	Geo-regional and industry risk	Uncertainty in government regulatory measures (e.g., air or water controls)	<input type="checkbox"/> Ensure regulatory compliance and stay updated on government measures. <input type="checkbox"/> Incorporate seasonal government measures into production planning.	<input type="checkbox"/> Achieve annual production targets.	<input type="checkbox"/> Meet management targets and proceed as planned.
7	ESG related risk	Uncertainty in Taiwan's Carbon Fee Pricing	<input type="checkbox"/> Collaborate between production and sales to optimize cost management. <input type="checkbox"/> Utilize pricing strategies to	<input type="checkbox"/> Achieve annual sales profits budget.	<input type="checkbox"/> Carbon fee implementation announced for 2025; current year profits remain unaffected.

No.	Category	Risk	Control Measures	Management Objective/ Target	Execution Result
			mitigate impacts.		
8	Financial risk	Extended high interest rate	<input type="checkbox"/> Adjust the currency and tenor of loans. <input type="checkbox"/> Opt for medium-term borrowing instead of short-term borrowing.	<input type="checkbox"/> Plan capital requirements by anticipating interest rate hikes <input type="checkbox"/> Net interest expense as a percentage of revenue	<input type="checkbox"/> Achieve management targets by planning and controlling the ratio of net interest expense.
9	R&D and intellectual properties management risk	Leakage of R&D confidential information	<input type="checkbox"/> Enhance employees training and confidentiality awareness. <input type="checkbox"/> Strengthen IT monitoring and database management.	<input type="checkbox"/> Implement IP-related training for R&D employees and regularly promote confidentiality and security. <input type="checkbox"/> Regularly review database access rights.	<input type="checkbox"/> Conduct internal employee training and regular confidentiality counseling. <input type="checkbox"/> Review access rights and continuously enforce confidential information management.
10	Information technology and cyber security risk	Hackers invading the company's information systems	<input type="checkbox"/> Continuously update system firewalls, protection software, and Security Operation Center (SOC) monitoring <input type="checkbox"/> Regular backup and carry out data recovery drills.	<input type="checkbox"/> Zero information security incidents. <input type="checkbox"/> 100% success rate in data recovery drills.	<input type="checkbox"/> No information security incidents and continuous monitoring and protection. <input type="checkbox"/> Annual data recovery drill for critical hosts with 100% recovery success rate.

Note: "*" is for immediate action risk.