

Implementation of Risk Management in 2025

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)

- 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 "Prioritized Risk" of the year from the first (high) and second (medium) risks.
- 2.2 **Risk Response:** Regarding the "prioritized risk", 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 2025, the annual risk management process was initiated by the Corporate Development Department, and the Task force of Risk Management identified a total of 49 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, 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 3 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 2026.

In 2025, 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 2025 risk management was reported to the Board Meeting of Directors in November 2025.

For climate-related risks, the Company reported the progress of climate-related risk assessment to the Board Meeting of Directors in May 2025 and November 2025 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 2025 on the implementation of information security risks.

Summary of 2025 Prioritized Risks

| No. | Category | Risk | Control Measures | Management Objective/ Target | Execution Result |
|-----|----------------|--|---|---|---|
| 1 | Strategic risk | * Structural adjustments and economic volatility in the China market | <p>Synthetic Rubber Division (SRD)</p> <ul style="list-style-type: none"> Maintain key account relationships for business stability. Leverage industry experience to expand overseas markets. <p>Advanced Materials Division (AMD)</p> <ul style="list-style-type: none"> Optimize product mix and focus on high-value applications. | <ul style="list-style-type: none"> Sales volume targets (China Market). | <p>Synthetic Rubber Division (SRD)</p> <ul style="list-style-type: none"> Steady progress; target achieved. <p>Advanced Materials Division (AMD)</p> <ul style="list-style-type: none"> Continued efforts to optimize product mix and sales strategy to mitigate market impact. |
| 2 | Strategic risk | * Rising uncertainty in geopolitical and increasing trade barriers | <p>Advanced Materials Division (AMD)</p> <ul style="list-style-type: none"> Monitor global policy dynamics and trends. Optimize regional sales mix to enhance profitability. Strengthen operational flexibility across global production sites. | <p>Advanced Materials Division (AMD)</p> <ul style="list-style-type: none"> % of sales volume impacted by trade tariffs. | <p>Advanced Materials Division (AMD)</p> <ul style="list-style-type: none"> Active management of global supply and sales allocation to mitigate the impact of trade policy shifts. |
| 3 | Strategic risk | * Supply-demand sever imbalance and | <p>Synthetic Rubber Division (SRD)</p> <ul style="list-style-type: none"> Expand bio-based portfolio to align with client sustainability | <ul style="list-style-type: none"> Annual sales volume budget. | <ul style="list-style-type: none"> Progressing with the product development and sales optimization initiatives. |

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|-----|------------------|--|--|---|--|
| | | competitive dynamics in the BR & TPE markets | goals. <ul style="list-style-type: none"> Develop modified BR solutions to address evolving market demands. Implement continuous process optimization for efficiency gains. Advanced Materials Division (AMD) <ul style="list-style-type: none"> Optimize sales mix and regional profitability. Upgrade assets and focus on high-value products. | | <ul style="list-style-type: none"> Maintained focus on enhancing competitive advantages and operational efficiency within a highly competitive landscape. |
| 4 | Operating risk | The resilience and concentration of key raw material supply chains | <ul style="list-style-type: none"> Secure supply through demand forecasting. Accelerate qualification of alternative sources. Diversify supplier base. | <ul style="list-style-type: none"> Completion of alternative source qualification. | <ul style="list-style-type: none"> Qualification of new supply sources completed as planned; diversification target achieved. |
| 5 | ESG related risk | Supply chain labor rights and regulatory compliance | <ul style="list-style-type: none"> Enforce contract terms and regular audits. Promote ESG and human rights compliance among suppliers. | <ul style="list-style-type: none"> Supplier compliance rate with labor/human rights standards. | <ul style="list-style-type: none"> Ongoing monitoring reflects sustained adherence to human rights expectations; management targets achieved. |

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|-----|---|---|--|--|--|
| | | | <ul style="list-style-type: none"> Conduct human rights due diligence. | | |
| 6 | Financial risk | Interest rate volatility and rising funding costs | <ul style="list-style-type: none"> Adjust the borrowing currency and borrowing period. Increase the mid-term borrowing limits to replace short-term limits. | <ul style="list-style-type: none"> The ratio of net interest expense to total loans. | <ul style="list-style-type: none"> Expense ratio effectively controlled within target. |
| 7 | R&D and intellectual properties management risk | Leakage of R&D confidential information | <ul style="list-style-type: none"> Enhance training for new employees and confidential awareness. Strengthen IT monitoring and database management. | <ul style="list-style-type: none"> Zero incidents of confidential info leakage. | <ul style="list-style-type: none"> No leakage incidents occurred; information protection mechanisms operating normally. |
| 8 | Information technology and cyber security risk | Cybersecurity attacks and system interruption | <ul style="list-style-type: none"> Continuously update system firewalls, protection software, and Security Operation Center (SOC) monitoring Conduct regular backup and recovery drills. | <ul style="list-style-type: none"> Zero major cybersecurity incidents. System availability target (>99.5%). | <ul style="list-style-type: none"> No major cybersecurity incidents occurred and continued to monitor. Drill results confirm system availability meets expectations. |

Note: "*" is the immediate action-needed risk