

NAN	PAO	Nan Pao Resins Chemical Co., Ltd.	Issue No.	
Edition	1.1	Risk Management Policies and Procedures	Issued on	
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1. Purpose: To ensure the sound operation, sustainable development, and corporate governance of our company, and to establish an effective risk management mechanism for enhancing operational control, we have formulated this Risk Management Policy and Procedures in accordance with Article 44 of the 'Guidelines for the Establishment of Internal Control Systems for Public Companies' and relevant provisions of the 'Practical Guidelines for Risk Management of Listed and Over-the-Counter Companies.' This will serve as the basis for the implementation of risk management across various units.
2. Scope: The scope of application of these risk management policies and procedures covers the Company's subsidiaries and other group companies with substantial control capabilities.
3. Definition: None.
4. Authority and Responsibilities: The Company's risk management policy and procedures are revised by the executive members of the risk management team.
5. Content:
  - 5.1. Risk Management Policy

In accordance with the overall operational policies of the company, various risks are defined within acceptable risk limits to prevent potential losses, enhance shareholder interests and corporate value, achieve optimal resource allocation, and formulate the following policies:

    - A. Construct and maintain an effective risk management framework to ensure the integrity of risk management operations.
    - B. Cultivate a risk management culture, enhance risk management awareness, and comprehensively implement risk management.
    - C. Establish a comprehensive risk management process to control risks within the company's acceptable limits, achieve the rationalization of risk and return objectives, and enhance corporate value.
  - 5.2. Risk Management Scope

The company's risk management encompasses four major dimensions related to its operations, including environmental safety, information security, legal compliance, and corporate governance. This primarily includes strategic risk, operational risk, financial risk, information risk, compliance risk, integrity risk, and other emerging risks (such as climate change, biodiversity, forestry, water, or infectious disease-related risks). The company adheres to relevant laws and regulations, identifying, analyzing, assessing, responding to, and monitoring and reviewing the significant impacts of these risks.
  - 5.3. Risk Management Framework and Responsibilities

The primary organizational structure and responsibilities for risk management within the company are outlined as follows:

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#### 5.3.1. Board of Directors

The Board of Directors serves as the highest governance unit for risk management, with the following key roles and responsibilities:

- (1) Approval of risk management policies, procedures, and frameworks
- (2) Ensuring alignment of operational strategic direction with risk management policies
- (3) Ensuring the establishment of appropriate risk management mechanisms and a risk management culture
- (4) Overseeing and ensuring the effective operation of the overall risk management mechanism
- (5) Allocating and assigning sufficient and appropriate resources to ensure effective risk management operations

#### 5.3.2. Audit Committee

The Audit Committee is responsible for overseeing risk management-related operational mechanisms, with the following key roles and responsibilities:

- (1) Reviewing risk management policies, procedures, and frameworks and regularly assessing their applicability and effectiveness
- (2) Approving risk appetite and guiding resource allocation
- (3) Ensuring that the risk management mechanism adequately addresses the company's faced risks and integrates into daily operational processes
- (4) Approving the prioritization of risk control and risk levels
- (5) Reviewing the execution of risk management, providing necessary improvement recommendations, and reporting to the Board of Directors at least annually
- (6) Implementing risk management decisions made by the Board of Directors.

#### 5.3.3. Risk Management Team

The Risk Management Team is the responsible unit for driving and executing risk management within the company, with the CEO serving as the convener. It is responsible for planning, executing, and overseeing risk management-related matters. The organizational structure falls under the Strategic Management Department and reports to the Audit Committee. Key roles and responsibilities include:

- (1) Formulating risk management policies, procedures, and frameworks
- (2) Establishing risk appetite and developing qualitative and quantitative measurement standards
- (3) Analyzing and identifying sources and categories of company risks, regularly reviewing their applicability
- (4) Annually consolidating and reporting the company's risk management execution to the Audit Committee
- (5) Assisting and overseeing the implementation of risk management activities in various departments
- (6) Coordinating interdepartmental interaction and communication for risk management operations
- (7) Implementing risk management decisions of the Risk Management Committee
- (8) Planning relevant training to enhance overall risk awareness and culture

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#### 5.3.4. Operating Units (Various Functions/Departments)

The top executives of each functional unit are responsible for risk management, with key roles and responsibilities including:

- (1) Responsible for risk identification, analysis, assessment, and response within their respective units, establishing crisis management mechanisms when necessary
- (2) Regularly reporting risk management information to the risk management promotion and execution unit
- (3) Ensuring the effective implementation of risk management and related control procedures within their units, in compliance with risk management policies

#### 5.3.5. Internal Audit Department

As an independent unit under the Board of Directors, the Internal Audit Department, in accordance with this risk policy, procedures, and various risk management systems, formulates an annual audit plan. It independently audits the effectiveness of risk management activities and provides improvement suggestions. Periodically, audit results are reported to the Board of Directors to help ensure the proper management of key operational risks and the effective operation of internal control systems.

#### 5.4. Risk Management Procedures

5.4.1. The company's risk management process includes risk identification, risk analysis, risk assessment, risk response, and risk monitoring and review.

##### 5.4.2. Risk Identification

Operating units identify risks based on the company's strategic objectives and the risk management policies and procedures approved by the Board of Directors. This involves assessing short, medium, and long-term goals and business responsibilities within their units. The identification process considers past experiences, information, internal and external risk factors, stakeholder concerns, etc. Through 'bottom-up' and 'top-down' analyses, combining strategic and operational risks, potential risk events that could prevent the company from achieving its objectives or cause losses or negative impacts are comprehensively identified.

##### 5.4.3. Risk Analysis

The Risk Management Team analyzes the identified risk events for their probability and impact. Appropriate quantitative or qualitative measurement indicators are established as the basis for risk analysis. A risk appetite is formulated and submitted to the Audit Committee for approval to determine the company's acceptable risk limits.

##### 5.4.4. Risk Assessment

The Risk Management Team, along with relevant personnel from operating units, compares the results of risk analysis with the effectiveness of existing controls, considering the approved risk appetite by the Audit Committee. They prioritize and rank risks, deciding which ones need priority attention, and plan and execute subsequent risk response strategies based on the risk level. The results of risk analysis and assessment should be accurately documented and submitted to the Audit Committee for approval.

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#### 5.4.5. Risk Response

The Risk Management Team, in coordination with relevant personnel from operating units, considers the company's strategic objectives, internal and external stakeholder perspectives, risk appetite, and available resources. They choose risk response strategies or implement risk mitigation plans, establishing preventive, contingency, crisis management, and business continuity plans as needed. This ensures that risk response measures effectively control risks, achieving a balance between realizing objectives and cost-effectiveness.

#### 5.4.6. Risk Monitoring and Review

To ensure the continuous effectiveness of the risk management process and related risk measures, risk management indicators should be established. The Risk Management Team, along with relevant personnel from operating units, should continually monitor, timely report, and maintain relevant records.

### 5.5. Risk Reporting and Disclosure

5.5.1. The process and results of risk management execution should be recorded, reviewed, and reported through appropriate mechanisms, with proper documentation for reference.

5.5.2. The Risk Management Team should consolidate risk information provided by various units, regularly produce risk management-related reports for submission to the Audit Committee and the Board of Directors, and disclose relevant information as required by regulatory authorities, ensuring continuous updates.

### 5.6. Revision of Risk Management Policy

The Risk Management Team should annually review the content of this risk management policy and procedures. They should also remain attentive to the development of domestic and international corporate risk management mechanisms, using this information to assess and improve the risk management framework implemented by the company to enhance corporate governance effectiveness.

5.7. After review and approval by the Audit Committee, this risk management policy and procedures are submitted to the Board of Directors for final approval. Any revisions follow the same process.

6. Supplementary provisions: None.

7. Reference documents: None.

8. Amendment record:

8.1. Edition 1.0 approved and issued by the Board of Directors on December 17, 2020

8.2. Edition 1.1 approved and issued by the Board of Directors on November 09, 2023