

NAN	PAO	Nan Pao Resins Chemical Co., Ltd.	Issue No.	
Edition	1.0	Risk Management Policies and Procedures	Issued on	
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1. Purpose: In order to ensure the essence of the company's risk management system, this policy and guiding principles are formulated to implement the risk management check and balance mechanism and improve the efficiency of risk management division of labor.
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. Risk Management Structure and Responsibilities:
 - 3.1. Board of Directors

The board of directors of the company is the highest unit of risk management policy, responsible for approving, reviewing and supervising the company's risk management policy, ensuring the effectiveness of risk management, and taking the ultimate responsibility for risk management.
 - 3.2. Audit Committee
 - 3.2.1. Regularly listen to the reports of the company's risk management team and supervise the company's implementation of risk management.
 - 3.2.2. Suggest improvements to the design of risk management policies and procedures.
 - 3.2.3. Deliberation of the case submitted by the risk management team to the board of directors for discussion.
 - 3.3. Risk Management Team

The risk management team is the authority responsible for the implementation of risk management, mainly responsible for the monitoring, measurement and evaluation of corporate risks and other executive-level affairs.

The organizational structure of the Risk Management Team is subordinate to the Strategy Management Office and reports to the Audit Committee. The responsibilities are as follows:

 - 3.3.1. Assist in formulating the company's risk management policy.
 - 3.3.2. Ensure the implementation of the risk management policy approved by the Board of Directors.
 - 3.3.3. Present a risk management report to the Audit Committee at least once a year.
 - 3.3.4. Other matters related to risk management.
 - 3.4. Relevant units (functions/departments of the company):

The heads of functional units are responsible for risk management, and are responsible for analyzing and monitoring relevant risks within their subordinate units to ensure the effective implementation of risk management mechanisms and procedures.
4. Execution of risk management

The execution of risk management is carried out in accordance with the three-level division of labor structure of risk management.

 - 4.1. First Line Responsibilities:

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The head of each unit or the person who undertakes the business and the person responsible for the risk of undertaking the business shall execute the business in accordance with the internal control system and internal norms of the relevant business, and be the unit directly under the initial risk discovery, assessment and control.

4.2. Second Line Responsibilities:

The head of each function/department or the assigned risk management personnel of the function/department shall be responsible for the risk management of the relevant business, and shall review the operation rules or operation manuals according to the actual business operation, and shall pay attention to the latest legal additions announced by the main authority (Amendments) and business-related letters and orders, and may add (amend) relevant internal norms when necessary.

4.3. Third Line Responsibilities:

The company's risk management team needs to review the integrity of the company's operation, strategy, finance, information security and climate change and other major risk management related mechanisms, and should really monitor the relevant risks of each unit in accordance with this policy and related risk management measures.

5. Risk Management Process

In order to reduce the impact on the company's operations when a risk event occurs, the risk management team conducts pre-crisis risk assessment for important crisis events, identifies feasible strategies to prevent crisis events, and formulates crisis handling procedures and recovery plans according to crisis events. ; For specific cross-plant critical crisis events, the general manager is responsible for commanding and internal coordination, so as to shorten the company's response time to crisis events, and actively communicate with stakeholders related to crisis events.

5.1. The risk management process includes: risk identification, risk measurement, risk monitoring, risk reporting and risk response.

5.2. Risk identification:

In order to manage risks, the Company should firstly identify those risks that may be faced in the course of operation. Generally speaking, there are various internal and external factors that affect the occurrence of risks, or risk factors; in order to effectively grasp, it is advisable to adopt various feasible analysis tools and methods, through bottom-up or top-down discussion and analysis, Integrate past experience and predict the situation that may occur in the future, and identify and classify them as a reference for further measurement, monitoring and management of risks.

5.3. Risk measurement:

After each functional department of the company identifies the risk factors that it may face, it should formulate appropriate measurement methods to serve as the basis for risk management.

5.3.1. Risk measurement includes risk analysis and evaluation, which is to understand the impact of risks on the company through the analysis of the possibility of risk events and the degree of negative impact when they occur, as a follow-up to formulate risk control management. The priority order and the reference basis for the selection of response measures.

5.3.2. For quantifiable risks, adopt more rigorous statistical analysis and technology for analysis and management.

5.3.3. For other risks that are currently difficult to quantify, they are measured in a qualitative way. The qualitative measurement of risk refers to the description of the risk to express the possibility of risk occurrence and the degree of its impact.

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5.4. Risk monitoring:

Each functional unit should monitor the risks of its business, and relevant departments should propose countermeasures, and submit the risks and countermeasures to the risk management team.

5.5. Risk Reporting:

In order to adequately document the risk management process and the results of its implementation, the risk management team shall report the risk status to the Audit Committee at least once a year for management reference.

5.6. Risk Response:

After evaluating and summarizing risks, each functional department should take appropriate response measures to the risks faced. Possible measures for risk response are as follows:

5.6.1. Risk avoidance: taking measures to avoid various activities that may give rise to risks.

5.6.2. Risk reduction: measures are taken to reduce the impact and/or likelihood of occurrence of a risk.

5.6.3. Risk sharing: transfer part or all of the risk to others. Such as insurance.

5.6.4. Risk taking: no action is taken to change the likelihood of the occurrence of the risk and its impact.

6. When to perform a risk assessment

6.1. Periodic Assessment: Each unit shall perform a risk assessment procedure in the fourth quarter of each year.

6.2. Irregular assessment: When the following situations occur, conduct risk assessment for operating procedures and information assets within the scope of change.

6.2.1. Changes in the company's operating structure

6.2.2. Affected by changes in relevant laws and regulations

6.2.3. Changes in operating procedures or scope of services

6.2.4. When the relevant stakeholder groups report

6.2.5. Major quality or environmental and occupational safety incidents occur

7. Risk Assessment Procedure:

7.1. The risk management team shall notify all departments by email to conduct risk assessment before mid-November each year.

7.2. The heads of each department shall assign personnel according to actual needs to be responsible for various risk assessment and management matters.

7.3. The person in charge of risk management of each department should follow the steps in 5.2 to consider the company's current environmental situation, identify relevant stakeholders, and identify possible risks based on the company's strengths, weaknesses, opportunities and threats, and conduct risk analysis and assessment. , developed risk response countermeasures, and completed the "Risk Assessment Management Record Form".

7.4. The "Risk Assessment Management Record Form" completed by each department should be reviewed by the department head before the end of November each year, and then submitted to the risk management team for consolidation.

7.5. The risk management team shall compile the results of each department and submit it to the Headquarters of Strategic Management for approval in December of each year.

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7.6. The results of the risk assessment and countermeasures shall be reported to the operation management meeting in the first quarter of the following year and the audit committee meeting.

8. Evaluation of the implementation of risk management

The internal auditors will evaluate whether the risk management is effectively implemented to ensure the implementation and compliance of the system.

9. Disclosure of Risk Information

In addition to disclosing relevant information in accordance with the regulations of the competent authority, the company should also disclose information related to risk management in the annual report and the company's website.

10. Revision of Risk Management Policy

The risk management team shall review the content of this risk management policy every year, and keep an eye on the development of international and domestic risk management systems, so as to review and improve this policy, so as to enhance the effectiveness of the company's risk management implementation.

11. These risk management policies and procedures have been reviewed and approved by the Audit Committee and submitted to the Board of Directors for approval. The same applies to amendments.

12. Supplementary provisions: None.

13. Reference documents: None.

14. Amendment record:

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