

Shinkong Synthetic Fibers Corporation

Risk Management Policy and Procedures

(Approved and Revised by the Board of Directors on August 6, 2024)

Article 1 (Scope of Application)

These Risk Management Policy and Procedures (hereinafter referred to as the “Policy and Procedures”) shall apply to Shinkong Synthetic Fibers Corporation (hereinafter referred to as the “Company”) and its subsidiaries.

Article 2 (Purpose)

The purpose of this Policy is to establish risk management policies and procedures to assist the Company and its subsidiaries in managing risks and enhancing their risk management capabilities. The primary objectives are risk prevention and control, in order to avoid the occurrence of major losses and accidents.

Article 3 (Basis)

This Policy and Procedures are formulated in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” promulgated by the Financial Supervisory Commission and the “Risk Management Best Practice Principles for TWSE/TPEX Listed Companies” issued by the Taiwan Stock Exchange Corporation. An effective risk management mechanism is established to assess and monitor risk tolerance, current risk exposure, determine risk response strategies and risk management procedures, and make timely revisions as necessary.

Article 4 (Risk Management Objectives)

The Company’s risk management objectives are to manage various risks that may affect the achievement of operational objectives through a sound risk management framework, and to appropriately integrate risk management into operational activities and daily management processes, in order to achieve the following objectives:

1. Achieve operational objectives.
2. Enhance management effectiveness.

3. Provide reliable information.
4. Allocate resources effectively.

Article 5 (Scope of Risk Management)

The Company's risk management covers various aspects of risks related to corporate operations, including "strategic and operational risks," "financial risks," "legal compliance and integrity risks," "climate change risks," "information risks," and "other emerging risks." In compliance with relevant laws and regulations, the Company adopts procedures such as identification, analysis, assessment, response, monitoring, and reporting to appropriately mitigate the impact of major risks.

Article 6 (Continuous Risk Management Policy)

Adhering to the principle of sustainable operation, the Company establishes, implements, and maintains a continuous risk management mechanism to promote the revision and implementation of internal and external risk management policies, procedures, and measures, strengthen risk management capabilities, and regularly conduct self-assessments and continuous improvements to corporate systems. Through continuous risk education and training, performance management, risk assessment, early warning notifications, and public disclosure mechanisms, the Company effectively monitors overall operational risks and fosters a risk control culture.

Article 7 (Risk Management Organizational Structure)

1. The highest authority responsible for risk management in the Company is the Board of Directors. In accordance with the Risk Management Policy and Procedures, the Audit Committee supervises the implementation of risk management.
2. A Risk Management Execution Task Force shall be established, and relevant departments may be invited as necessary to participate in evaluating the implementation of risk management for various risk categories. The Task Force shall assist the Committee in evaluating risk management strategies. The President shall serve as the convener (executive member) and shall convene the risk management responsible unit to evaluate the implementation of risk management across various risk categories.
3. The risk management responsible unit shall designate dedicated risk management personnel, responsible for executing risk identification, analysis, assessment, and response measures, and for assisting the Task Force in establishing, promoting, maintaining, and improving the risk management mechanism.

Article 8 (Risk Management Procedures)

The Company's risk management process includes risk identification, risk analysis, risk assessment, risk response and monitoring, and risk reporting and disclosure.

1. Risk Identification

Based on the principle of materiality, corporate strategic objectives, and the Risk Management Policy and Procedures approved by the Board of Directors, the Risk Management Execution Task Force shall identify key risks related to "strategic and operational risks," "financial risks," "legal compliance and integrity risks," "climate change risks," "information risks," and "other emerging risks." A comprehensive enterprise-wide risk identification shall be conducted at least once a year and reported to the Board of Directors. Risk identification shall utilize risk management tools and be based on past experience, information, internal and external risk factors, and stakeholder concerns to identify risk events that may affect the achievement of the Company's objectives.

2. Risk Analysis

For identified risks, careful consideration shall be given to risk tolerance and risk-bearing capacity as a basis for management, including:

- (1) Analyzing the likelihood and severity of risk events to assess their impact on the Company, serving as a reference for prioritizing risk management and response measures.
- (2) For quantifiable risks, analytical methods and technical measurements shall be adopted to implement data-based management.
- (3) For risks that are difficult to quantify, qualitative methods (such as descriptive analysis) shall be used to analyze the likelihood and severity of risk events.
- (4) Risk appetite: the total amount and types of risks the Company is willing to assume in order to achieve strategic objectives. For risks exceeding the Company's risk appetite, appropriate and sufficient resources shall be prioritized for improvement and control, and relevant control regulations shall be observed in daily operations.
- (5) Risk tolerance: the overall level of risk or the maximum risk-handling capacity that the Company can bear.

3. Risk Assessment

Based on the results of risk analysis and considering the effectiveness of existing internal controls, risk management personnel shall, together with relevant operating units, rank risks by comparing them against the approved risk appetite and risk levels, determine priority risks for handling, and use such ranking as a reference for selecting response measures. Relevant risk analysis and assessment results shall be properly documented and submitted to the Risk Management Task Force for approval.

4. Risk Response and Monitoring

Based on the Company's strategic objectives, internal and external stakeholder perspectives, risk appetite, and available resources, risk management personnel and relevant operating units shall select appropriate risk response strategies or implement risk mitigation plans. Preventive, contingency, crisis management, and business continuity plans shall be established as necessary to ensure risks are effectively controlled while achieving an appropriate balance between objectives and cost effectiveness. Risk management indicators shall be established to enable continuous monitoring, timely reporting to the Task Force, and proper documentation.

5. Risk Reporting and Disclosure

To enhance integrity management, corporate governance, and information transparency, risk management shall periodically report risk assessment results to the Committee and the Board of Directors, including risk management processes, risk identification, analysis, assessment, response and monitoring, information sources, and assessment outcomes. The Risk Management Execution Task Force shall report annually to the Board of Directors on the status of risk management implementation, organizational structure, and annual operations.

In accordance with this Policy and Procedures, the risk management organization and annual risk management operations and implementation status shall be regularly disclosed and updated in the Company's annual report, website, or corporate sustainability report.

Article 9 (Implementation and Amendment)

These Policy and Procedures shall be implemented upon review by the Audit Committee and approval by the Board of Directors. The same shall apply to any amendments.