

Feng Tay Enterprises Co., Ltd.

Risk Management Policy

1. Purpose

In order to ensure the completeness of the company's risk management system, the purpose of the policy here is to ensure the effectiveness of managing the company operations in the face of internal and external risk factors while ensuring the achievement of operational targets.

2. Risk management organization structure & responsibilities

- (1) Board of Directors: The board of directors is the highest level in the company's risk management hierarchy. By compliance with local jurisdiction and regulation, supervise the company's long term operating policy, regularly checking in high risk areas, and clearly understand the risks facing by the operation, in order to ensure the effectiveness of risk management.
- (2) Audit Committee: One of the main purpose of this committee is to supervise the management and control of the company's existing or potential risks, evaluate the effectiveness of the policies and procedures of the company's internal control system, and review the Company's internal audit department and certified public accountant, and also the management's periodic reports, include risk management and legal compliance.
- (3) Compensation Committee: Professionally and objectively evaluate the salary and compensation policy and system of the company's directors and managers, and make suggestion to the board of directors, as their reference on the decision making. Compensation committee should not guide directors and managers to engage in behaviours that exceed the company's risk appetite in pursuit of compensation.
- (4) Internal Audit: Based on the risk evaluation report to formulate the annual audit plan and to ensure the implementation, and also submit the audit report and follow up report to the audit committee. In addition, the internal audit department shall review the GMO's summary of "self-assessment reports" prepared by all departments, and based on the deflection of internal control system found by internal audit department, together with improvement of abnormal matter to summarize and state the current year "Report of self-evaluation of internal control system" to audit committee, then report the "Internal Control System Statement" to be approved in the board of directors meeting.
- (5) The Management of Every Business unit and Functional Unit (Operation Review Meeting /Management File Review): Every business unit should be reviewed by CD / GM of the unit and management supervisor to examine recent operation failure and abnormal cases / marketing change / law alteration / competitors that are related to SMD / finance / purchasing / general affairs issues, and consider the appropriation of each [working environment – management regulations / salary schemes / organization structure and their roles and responsibilities / authorization & delegation / meeting system / factory layout / machinery purchasing] and [HRP] in order to seek direction and upgrade performance to a higher level. Holding EO / RGM / holding's monitors and up should participate in the review for guidance and indicating operation blind spot. During the meeting, Factory GM should review the items that the subordinate "must improve." [SMD includes: working environment (lighting / ventilation / temperature / noise / cleanliness) / occupational injury / fair evaluation / salary structure (compared to other factories) / grievance / team building / communication / discipline, etc.].

3. Scope of risk management

In order to implement the detection, analysis and identification of relevant risk matters in the field of risk management, the company focuses the aspect of corporate governance, environment, society and economy, and summarized the source of risks as follows:

- (1) Operational Risk: Includes strategy, market, launch of new products and new techniques, sales concentration, quality, damage of reputation, raw material supply chain and lack of innovation, etc.
- (2) Corporate Governance Risk: Includes the effect of supervising operational strategies, appointment and dismissal of management team, the effect of structure of salary and rewards, the effectiveness of design and implementation of internal control system, structure and efficacy of Board of Directors and information disclosure and transparency, etc.
- (3) Human Resources and Employee Relations Risk: Includes ~~risk of~~ source and development of talents, distribution of human resource, production planning, employee relations (ER), employee rights and harmony in employee relations, etc.
- (4) Financial Risk: Includes ~~risk of~~ cash flow, variation of interest rate and exchange rate, inflation, inventory management, land tax and misjudgement in financial decision, etc.
- (5) Legal Risk: Includes risk that may infringe on the rights and interests of the company or fail to comply with relative legal laws and regulations, etc.
- (6) Information Security Risk: Includes cyber-attack, virus threats and improper management of systems, equipment service and access rights, etc.
- (7) Environmental and Occupational Hazard Risk: Includes risk of climate changes and natural disasters (example: management of greenhouse gas emissions, management of carbon rights, management of energy, etc.), management of water resources, management of waste, occupational safety and health and mismanagement of the working environment, etc.
- (8) Other Risks: Includes uninterrupted operations, emergency response or political changes in the country of operation or global political changes and other risks that are not listed above, which can cause a huge loss to the company.

4. Risk Management Procedure

The company's risk management procedure includes: risk identification and measurement, risk control and response, communication and reporting.

(1) Risk Identification and Measurement

The management of each business unit and functional unit analyze the company's current operation environment, potential risk and possible impacts towards the operations, identify the risk towards company's strategy and goal, and compare the risk analysis results against the company's risk appetite, then rank the risk accordingly as the next step to risk response and control. The head of each business unit and functional unit should assist in the identification of risk factors and risk control, identify the possibility of risk occurrence and confirm the effectiveness of implementation, conduct relevant risk assessments, and formulate countermeasures and conduct reviews

(2) Risk Control and Response

The management of each business unit and functional unit continuously monitor the implementation of the effectiveness of risk response and control to respond to changes in the environment and manage risks timely.

- A. After assessing and summarizing the risks, the head of each business unit and functional unit should guide and approve the priority of risk monitoring, and supervise the continuous improvement of the risk response of their business units and functional units.
- B. For cross-organizational risks, risks that are difficult to quantify costs, or sudden risks, the head of each business unit and functional unit should conduct risk communication across functional organization according to the nature and severity of the risk, and promote each business unit and functional unit strengthens the risk monitoring and taking necessary response measures.
- C. The management of each business unit and functional unit should formulate risk response and business continuity plans, plan major crisis response and drills, and formulate relevant policies and procedures.
- D. Each business unit and functional unit shall implement and execute the risk response plan and continuously improve the effectiveness of the risk response plan.

- E. The responsible unit under each business unit and functional unit should incorporate the effectiveness of risk monitoring into the annual self- assessment review of internal control.
- F. The selection of a risk response plan should consider the strategic goal, views of internal and external stakeholders, risk appetite and available resources, in order to achieve a balance between achieving goals and cost-effectiveness.
- G. Internal audit must continuously supervise the implementation of internal control system to ensure the continuous and effective implementation of the internal control system and serve as a basis for reviewing and revising internal control system.

(3) Communication and Report

The operation status of company's risk management to be reported to the board of directors by the head of business unit and functional unit at least once a year.

5. Risk Disclosure

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

6. Implementation

The risk management policy has been implemented after the approval from the board of directors on 2022/11/10, the first amendment was on 2024/8/13, the same shall apply to any amendment thereto.

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