

# Yang Ming Risk Management Policy

## **Chapter 1 General Provisions**

### Article 1 Purpose

In order to allow the company's risk management operations to follow and properly manage risks, this policy is formulated to standardize the standard procedures for risk identification, assessment, decision-making and effect monitoring and improvement, as the company's risk management guidelines and ensure the company's operational goals are achieved.

### Article 2 Definition of risk

Risks are caused by various human-made, natural disasters, climate change, global economic and political situations. Events that will adversely affect the business operation, and the frequency of occurrence and the severity of the risk Severity is used as a measure of risk.

## **Chapter 2 Risk Management Structure and Powers and Responsibilities**

### Article 3 Risk Management Structure and Powers and Responsibilities

1. All business management units/departments (including branches and affiliated enterprises) of the group shall comply with the provisions of the procedures. Cooperate with the implementation of the risk management of its business management work and the group's annual risk assessment operations.
2. The Risk Control Office is responsible for the formulation, revision and abolition of the risk management operating procedures. The procedure book stipulates that it is responsible for the management and control of the company's overall risk level and cross-departmental project risks manage, handle the group's annual risk assessment operation and assist the business management unit to handle the risk assessment related matters.

3. Audit Office: Perform audits on risk management operations to monitor the company's risk management effective operation and execution.

### **Chapter 3 Risk Management Process**

Article 4 The risk management process is from risk identification, risk analysis, risk evaluation to risk decision-making.

1. Risk identification: each unit uses internal control operation cycle analysis, scenario simulation analysis, and consider practical experience (including external information) and the impact on internal and external stakeholders, discover and list all risk factors within the scope of management. The company's risk sources are divided into:

Strategic risk: including resource allocation, business expansion or contraction, market Dynamics, public and investor relations, market environment changes, national policies and politics risk etc.

Operational Risks: sales and marketing, supply chain, employees, information technology, cybersecurity attack host computer poisoning, information room disaster, huge disaster, physical assets, force majeure risks (such as natural disasters, major epidemics and infectious diseases, terrorist attacks), etc.

Financial risk: liquidity and credit, financial statements, taxation, capital structure, etc.

Legal Compliance Risks: Corporate Governance System, Code of Conduct, National Laws and International Regulations, etc.

Climate Change Risk: Risks and opportunities of climate change for business.

2. Risk analysis: analyze the identified risk factors through data statistics and scenario simulation. Analysis and other methods and refer to external information collected from practical experience (such as industry cases or data) to analyze and record loss frequency and magnitude.
3. Risk assessment and response: Risk assessment is based on the established assessment standards, and the risk is divided into frequency and magnitude of losses analyzed in the analysis step are classified and the degree of risk is calculated. Finally, according to this, the risk factors are positioned in the risk matrix, and the response measures to face the risks implement: risk retention, risk transfer, risk avoidance and risk prevention, as a risk decision policy reference.

4. Risk monitoring: The responsible units are responsible for the smooth operation of the risk management process and cooperate with the internal. The external audit achieves the purpose of monitoring, and the results of the annual group risk report should be submitted to the board of directors.

#### **Chapter IV Supplementary Provisions**

The revision of this policy will take effect after the resolution of the board of directors is adopted, and the revision will also be the same.

(This risk management policy has been 2021/05/12 submit to the board of directors for approval)