

GlobalWafers Co., Ltd.

Risk Management Organizational Structure and Operation Status

● Risk Management Policies and Procedures

In response to the rapidly changing management environments and to ensure the Company's stable management and sustainable development, GlobalWafers has formulated the "Risk Management Policy" and "Risk Management Guidelines" in 2015. In 2021, the Company has integrated the relevant information and redefined the "Risk Management Policies and Procedures", which was approved by the Audit Committee and subsequently approved by the Board of Directors for implementation, in order to establish an effective risk management mechanism, assess and supervise risk-bearing capacity, monitor risk exposure status, determine risk response strategies, and monitor the adherence to risk management procedure.



The Company's risk management procedure includes the risk identification, risk measurement, risk monitoring, risk report, and response to risks. Through the effective implementation of this risk management procedure, the Company consistently implements its risk management strategies.

● Scope of Risk Management

In general, the risks faced by the Company can be classified into the following seven main types, as described in the following:

Risk Type	Risk Detail (including but not limited to the following risk items)
Hazardous Risk	Risk of major natural or man-made disasters (such as a typhoon, earthquake, fire or chemical leakage and pandemic infectious disease, etc.) that may cause company loss.
Operational Risk	Risks of disruptions to normal business operations caused by uncertainties in the production and management processes. such as over-concentration in sales or procurement, supply chain management, intellectual property protection, information security, talent recruitment and retention, occupational safety and health, corporate image creation and maintenance, etc.

Financial Risk	Credit risk, market risk, liquidity risk, operating risk, and investment risk, etc.
Strategy Risk	Risk of loss due to business strategies, including over-concentration in one single region or customer base, production line impact, industry competition, and mergers and acquisitions, etc.
Compliance Risk/ Contract Risk	Compliance risk refers to risk arising from noncompliance with relevant laws and regulations of the competent authority. Contract risk refers to potential losses resulting from contracts that lack legal validity due to issues such as unauthorized actions, omissions, vague terms, or inadequate provisions.
Environmental Risk	Environmental risk includes issues related to greenhouse gas emission management, carbon credit management and energy management associated with the response to climate change and natural disaster. It also includes risks related to compliance with international and local environmental protection laws or environmental impact assessment requirements, such as air pollution, wastewater, noise, toxic substance discharge management.
Other Risks	In addition to the aforementioned risks, any other risks shall be managed through appropriate risk control procedures based on the nature of the risk and the extent of its impact.

● Risk Management Organizational Structure

- I. Board of Directors: It serves as the Company's highest risk management supervisory unit, the Board of Directors aims to ensure legal compliance according to the overall business strategy and environment, promote and implement the Company's overall risk management, and clearly understand the risks faced by the Company's operations, supervise and ensure risk management effectiveness, and take the ultimate responsibility for risk management. The above risk management-related matters are supported and supervised by the Audit Committee.
- II. Senior Management: It is responsible for planning and executing the Board of Directors' risk management decisions and coordinating cross-departmental risk management interactions and communications to reduce strategic risks.
- III. Functional Units: functional units are responsible for analyzing, managing, and monitoring related risks within the subordinate units and ensuring that risk control mechanisms and procedures are effectively implemented.

IV. Internal Audit: It is an independent unit under the Board of Directors to assist the Board of Directors in supervising and executing the risk management mechanisms, to inspect the implementation and control of risk response by each functional unit, and to also provide suggestions for improvement in risk monitoring.

● **Implementation of Risk Management**

The Company's risk management implementation is operated based on the risk management three-level work allocation structure.

Risk Management Level	Risk Management Operation
Tier-1 Responsibility	Each functional unit or business handler shall be the Risk Owner for the business handled, and it must execute the operations according to the internal control system of relevant business and internal regulations, and also serves as the first line of defense in identifying, assessing, and controlling risks.
Tier-2 Responsibility	Supervisors or designated personnel of each functional unit or the assigned risk management personnel of the functional unit shall be responsible for the risk management of the relevant businesses. It shall review the operation rules or operation manuals according to the actual business operations, and shall pay attention to the latest regulations, revisions, or amendments issued by competent authorities and business-related circulars. Revisions to internal regulations shall be made when necessary.
Tier-3 Responsibility	Senior management must review the integrity of the Company's risk management-related mechanisms, supervise risk management implementation and effectiveness, and report to the Board of Directors periodically.

- ✓ Monthly regular meeting discussion: The Company convenes various management meetings periodically on a monthly basis, and the responsible head of each department may propose relevant topics in the meeting for discussion.

- ✓ Collection of relevant topics annually: During the execution of annual plan at the end of each year, the responsible unit of each department shall collect the topics concerned by the internal/external stakeholders and measure whether relevant topics cause/provide risks/opportunities to the Company. For topics listed as risks/opportunities, corresponding strategies and implementation plans shall be proposed, and the implementation status shall also be tracked during the management review meetings convened once semi-annually.
- ✓ Report to Audit Committee and Board of Directors annually: The Company's "Sustainability Development Committee" reports the aspects of environment, society and corporate governance material topics related to the operations of the Company and related risk management to the Audit Committee (consisting of four independent directors) and the Board of Directors annually.

● 2024 Risk Management Implementation Status

In 2024, the Company performs operations according to the aforementioned risk management:

- ✓ Relevant topics proposed were discussed during the monthly regular meetings.
- ✓ During the management review meetings in January and July, 2024, risk items and strategy implementation status proposed by each unit for the previous year were tracked. In addition, during the annual planning period of September to December 2024, each unit collected and assessed the risk items and strategies for the next year.
- ✓ To implement the risk management mechanism, the Company's "Sustainability Development Committee" reports the promotion status related to corporate sustainable development to the Board of Directors periodically (once annually), and also reports material topics of environment, society and corporate governance related to the Company's operation as well as related risk management operations and implementation status to the Audit Committee (consisting of four independent directors) and the Board of Directors (the last reporting date was May 7, 2024). The report content includes the summarization of the ESG risk topics identified by the Company for the current year, and is also submitted to the Audit Committee and the Board of Directors to receive feedback and guidance. The risk topics identified by the Company include "environmental aspect: risk of climate change, risk of environmental protection; social aspect: risk of occupational safety and health, risk of labor health, risk of labor-management relationship; corporate governance aspect: various risks related to management and

investment, challenges to internal and external stakeholder relationship maintenance and communication, enhancement of Board functions, and risk of legal compliance” and three main new emerging risks - geopolitical risk, energy transition risk and information security risk.

- ✓ The Company continues to focus on the climate change response and control, and according to the TCFD framework, the Company selects climate risk topics, in order to establish risk management policy for effective identification and measurement assessment, supervision and control of risks as well as to adopt specific action plans, thereby reducing the impact of relevant risks. The Company has further established the Sustainable Operation Subcommittee under the “Sustainability Development Committee” in order to handle the planning and review of the Company's climate change vision, policies and goals, to manage climate change risks and opportunities, and to review the implementation status as well as to discuss future plans serving as an important reference for formulating the Company’s sustainability strategies. In addition, the Company’s environmental performance and goals, climate change topic response and control as well as relevant affairs are also reported to the Board of Directors quarterly (the last reporting date to the Board of Directors was November 5, 2024).
- ✓ To enhance the risk concept of employees of the group and to implement the concept of risk control in daily business management operations, the Company has also organized risk management education and training. In 2024, the Company organized the “Information Asset Collection and Risk Management Methodology” (a training duration of 2 hours), “Digital Risk Associated with Generative AI” course (a training duration of 3 hours) and also organized a total of three sessions of “Corporate Information Security Awareness Education and Training” (training hours of 2 hours for each session), and the total number of participants was 1,226. The education and training courses discussed risk management from the corporate sustainability aspect, and introduced practical case studies in risk management to enhance the Company’s risk awareness and implementation capability.