

Evergreen Steel Corporation

Risk Management Policies and Procedures

Chapter 1 General Principles

Article 1 Purpose

To enhance corporate governance, establish a sound and comprehensive risk management system, and implement a risk management mechanism, ensuring the company's normal operations and sustainable development, these "Risk Management Policies and Procedures" are specially formulated.

Chapter 2 Risk Management Organizational Structure and Roles and Responsibilities

Article 2 Organizational Structure and Roles and Responsibilities

1. The Board of Directors is the company's highest-level supervising unit of risk management, overseeing the effective operation of the risk management mechanism.
2. The Supervisory Department coordinates all responsible units to identify and assess risk factors according to their respective scope of duties, and establish a risk management mechanism to implement risk management policies, monitor management flow, convey risk management information, and handle risk management related issues.
3. The Auditing Department conducts a risk management audit on related operations of risk management policies and procedures, ensuring effective operations of risk management.

Chapter 3 Risk Management Flow

Article 3 Risk management flow includes risk identification, risk evaluation, risk response, risk monitoring and control, and information and communication.

1. Risk Identification

To manage risks, it is necessary to first identify and analyze the operating environment and potential risks in operations, and judge and categorize current and potential risks, identifying the nature of risks as references for further risk evaluation, monitoring and control, and management. The sources of risks can be roughly categorized and defined below:

(1) Operational Risks

- a. Industry Risks:

The steel structure industry is a labor/capital-intensive industry; however, manufacturing technologies are not too different, and the entry barrier is low, resulting in many smaller factories and the risk of fierce market competition.

b. Human Resource Risks:

The steel structure industry has long faced the problem of a labor shortage; Taiwan has an ageing population and labor shortage. Moreover, the steel structure industry is a 3K industry, and the severe labor shortage will affect development of the whole industry.

(2) Financial Risks

- a. Interest Rate Risk: The main risk comes from long-term loans with floating interest rates.
- b. Exchange Rate Risk: Business activities using foreign currencies result in risk of fluctuating exchange rates.

(3) Inflation Risks

Materials prices account for a significant share of the costs, and inflation will lead to fluctuations in raw materials prices, increasing the costs and thus affecting P&L.

(4) Procurement and Sales Concentration Risks

- a. Procurement Concentration Risk: Relying on specific raw material suppliers may lead to risks of raw material supplies and price monopoly.
- b. Sales Concentration Risk: Steel structure engineering is order-based production, requiring large investments and selling to a specific group of customers, resulting in the risk of sales concentration.

(5) Occupational Safety and Health Risks

Non-compliance with occupational safety and health related laws and failure to provide compliant and necessary safety and health facilities and management measures, leading to risks of personnel safety and health hazards.

(6) Information Risks

Risks resulting from control, operations, and lost backups of information systems, such as risks of OS malfunctions, deliberate sabotage, infiltration, and interference with the equipment and network.

(7) Environmental and Climate Change Risks

Risks of management measures to deal with global/regional natural disasters or major infectious diseases, climate change, and environmental protection. Legal compliance

review is required and non-compliance amended to meet legal and regulatory requirements.

2. Risk Evaluation

Each responsible unit identifies potential risks and formulates appropriate evaluation methods as the basis of risk management implementation.

- (1) Risk evaluation includes risk analysis and assessment; through analysis of likelihood of risk events and degree of negative impact, evaluation of the impacts of a risk on the company is carried out; results are referenced for ensuing prioritization of risk monitoring and control and selection of response measures.
- (2) For quantifiable risks, meticulous methods and techniques of statistical analysis shall be adopted for analysis and management.
- (3) Other risks that are difficult to be quantified at the moment are evaluated through qualitative methods. Qualitative evaluation of risks refers to describing through words the likelihood and level of impact of a risk.

3. Risk Response

After evaluating (analysis and assessment) and summarizing risks, each responsible unit adopts an appropriate response plan and response measures for the risks it faces, to lower the risks to acceptable levels.

4. Risk Monitoring and Control

Responsible units are in charge of the monitoring and control of risk management flow.

5. Risk Disclosure and Communication

The Supervisory Department is responsible for coordinating risk monitoring and control of all responsible units, reporting risk management information and response measures in a timely way to senior executives, and submitting the report to the Board of Directors.

Chapter 4 Supplementary Provisions

Article 4 These Policies and Procedures shall be implemented upon approval by the Board of Directors.

Any amendments shall be processed accordingly.

“Evergreen Steel Corporation Risk Management Policies and Procedures” History

1. Formulated May 9, 2022.