Zhen Ding Technology Holding Limited

Risk Management Policy

Article 1 Objectives

To implement the concept of corporate sustainable development and align with international trends, the company established the Risk Management Policy to promote sustainable operations and mitigate operational risks, ensuring the stability and continuity of business activities.

Article 2 Scope

This policy applies to risk management operations at all levels of the company and its subsidiaries.

Article 3 Organization Structure

(1) Audit and Risk Committee (Supervised by the Board of Directors): Composed of all independent directors, risk experts oversee the risk management mechanisms to effectively address the risks faced by the company. Furthermore, the audit professionals provide independent assurance regarding the effectiveness of risk management and compliance processes.

(2) Risk Management Executive Division (supervised by the Audit and Risk Committee): The division comprises top executives from each business unit, with the Director of the Chairman's Office serving as the convener to support and oversee the implementation of risk management activities across various departments. This role also promotes the Board of Directors' risk management policy to enhance the risk governance culture.

(3) Risk Management Executive Task Force (supervised by the Risk Management Executive Division): Responsible for establishing the company's risk management policies and related standards, assisting various business units in implementing risk management-related operations, and summarizing and reporting the situation to the Risk Management Executive Division.

Article 4 Responsibilities of Risk Management

(1) Board of Directors: Accountable for approving risk management policies, procedures, and frameworks, as well as supervising the alignment of goals between operational strategies and risk management.

(2) Audit and Risk Committee: Risk experts oversee the risk management

mechanisms to effectively address the risks faced by the company. Furthermore, the audit professionals provide independent assurance regarding the effectiveness of risk management and compliance processes. Duties include the following:

a. Review risk management policies, procedures, and frameworks according to risk management strategy by the Board of Directors.
b. Review the implementation of risk management, provide necessary recommendations for improvement, regularly assess the applicability and execution of the process, supervise the risk management mechanism to effectively address the risks faced by the company, and report to the board of directors at least once a year.

(3) Business Units and Functional Departments:

a. Responsible for identifying, analyzing, assessing, and responding to risks within each business unit and functional department, and establishing relevant crisis management mechanisms when necessary.
b. Ensure that the risk management and associated control procedures of the department are effectively implemented in accordance with the risk management policy.
c. Regularly provide risk management information to the Risk Management Executive Task Force.

(4) Risk Management Executive Task Force:

a. Establish risk appetite (tolerance levels) and develop qualitative and quantitative measurement criteria.
b. Analyze and identify sources and categories of company risks, and reviewing their applicability regularly.
c. Compile and submit reports on the company's risk management implementation.
d. Assist and supervise the implementation of risk management activities in departments.
e. Coordinate risk management operations involve interdepartmental communication and interaction.
f. Implement risk management decisions made by the firm.
g. Plan risk management training courses to enhance overall risk awareness and culture.

Article 5 The Process of Risk Management

To enhance the function of risk management, the firm clarified the scope of each risk aspect via risk identification, risk assessment, risk control, and risk supervision. Based on the results generated from this process, measures are implemented to prevent and reduce risks with limited resources.

(1) Risk Identification: To effectively understand each risk factor, the four risks aspects are as follows:

a. Strategic Aspect

1) Comply with laws, regulations, and any subsequent changes.
2) National policy development.
3) Changes in technology and industrial markets.
4) Competitive advantages in research and development
5) Market demand and expansion of production capacity.
6) Responsibility on social and environmental trends.

b. Financial aspect

1) Interest rates, exchange rates, inflation, deflation, taxes, mergers, and acquisitions.
2) Policies that engage in high-risk, high-leverage investments, lending funds to others, endorsement guarantees, and derivatives transactions, the primary factors contributing to profits or losses, as well as future risk mitigation strategies.
3) Strategic investment.

c. Operational Aspect

1) Integrity of customers, suppliers, compliance and procurement status.
2) Information security.
3) Intellectual property rights.
4) Talent Recruitment and incentives.
5) Corporate identity.
6) Home and host country's political and economic situation.
7) Occupational health and safety
8) Development and quality assurance of product and services.

d. Hazardous events aspect

1) Natural disasters such as earthquakes and fires.
2) Climate change.
3) Water and electricity supply.

(2) Risk assessment

After analyzing and identifying the risk factors that each business unit may face within the scope of defined risk management, we then analyze the impact of these events by considering their likelihood and potential impact on the company, forming the basis of our risk management approach.

(3) Risk control and supervision

a. Risks associated with the daily operations of each business unit are managed and executed by the respective units.
b. For significant cross-department or factory-area crisis events, a thorough risk assessment involving multiple departments or factories will be conducted. Director of the Chairman's Office or their designated representative will be responsible for leading and negotiating, identifying feasible strategies to prevent the crisis event, and formulating crisis management procedures and recovery plans based on the crisis event.
c. The board's audit unit conduct internal audit at least once a year. In addition, the firm implement external audit at least twice a year.

Article 6 Implementation

This management policy will take effect after approval by the Board of Directors, even if it is revised. This management policy was established on 28 December, 2021, first revision on 12 March, 2024 and second revision on 26 December, 2024.