Apex International Co., Ltd.
Risk Management Policy and Procedure

(Complying with "Practical Rules of Risk Management for Companies of TWSE and TPEX" (issues by TWSE, no. 1110015360, on 8/Aug/2022) and Article 44 of "Regulations Governing Establishment of Internal Control Systems by Public Companies", here we propose to established the "Risk Management and Procedures")

Article 1 Purpose

In order to set up complete risk management system, stabilize business operation and step forward to sustainable development goals.

Article 2 Applicable Organization

This Policy and Procedure is applicable to the Company and subsidiary which the Group has substantive control over to be principle of risk management implementation.

Article 3 Goals of Risk Management

To management all kinds of risks which will impact the enterprise to approach business targets through a complete risk management structure. Meanwhile, to reach these goals below through embedding risk management into operating activities and routine management processes:

1. Realize enterprise targets;

2. Promote management effectiveness;

3. Provide reliable information;

4. Allocate resources effectively.

Article 4 Principles of Risk Management

By considering laws, regulations, theories and practice, these principles are for practical implementation:

1. Integration: take risk management as part of all activities.

2. Structured and comprehensive: to promote risk management by structured and comprehensive way, to obtain consistent and comparable results.

3. Customized: according to environment, scale, business character, nature of risk and operating activity of the enterprise to formulate appropriate risk management framework and process.

4. Inclusive: to include demand and expectation of stakeholders, to increase and satisfy understanding and expectation to the enterprise from stakeholders.

5. Dynamic: appropriately and timely predict, monitor, control and response changes from inside of the enterprise and external environment.

6. Effective utilization of information: according to history, present information and future trend to be bases of structuring framework of risk management. Besides, provide information to stakeholders timely and clearly.

7. Personnel and culture: promote importance to governance and management departments on risk management. Promote integral awareness and culture of risk management of the enterprise through complete education system for personnel of each level in order to make risk management as part of corporate governance and routine operations.

8. Continuous improvement: through learning and experiences, improve risk management and relative processes continuously.

Article 5 Risk Governance and Culture

1. It is suggested to consider scale, business character, nature of risks and operating activities to establish complete framework of risk governance and management. Through participation of board, functional committee and high-level management to link risk management to enterprise strategies and targets, decide major risk items, enrich comprehensiveness, prospectiveness and completeness of risk identification. Then promote and develop risk control and response to bottom of departments in order to ensure achievement of corporate strategic targets appropriately.

2. It is suggested to promote top-down risk management culture. Through clear risk management directions from corporate governance department and high-level management, set-up and support risk management section and gradually providing risk-management relative professional trainings to all employees, to embed awareness of risk management to routine decision-making and operating activities which could formulate overall enterprise risk management culture.

3. The enterprise shall emphasize and support risk management, provide appropriate resource to make it operate effectively and be responsible to effectiveness of risk management implementation.

4. The enterprise shall integrate each department's duty and promote the implementation by whole enterprise. Through communication, cooperation and link of every department to implement integral risk management.

Article 6 Organization Structure and Duty

1. Board

    As being the highest governance unit of risk management, duties are:

    (1) Review and define risk management policy, procedure and framework;

    (2) Ensure consistence of operating strategic direction and risk management policy;

    (3) Ensure appropriate risk management mechanism and culture are well established;

    (4) Supervise and ensure the integral risk management mechanism is effective;

    (5) Allocate and assign sufficient and appropriate resource to make risk management effective.

2. Promoting and implementing organization of risk management (the task force).It is implemented by organizing a task-force team as CEO being the convener to integrate major departments and key management team to plan, execute and supervise risk management affairs.

    Duties of the task force are:

    (1) Formulate risk management policy, procedure and framework;

    (2) Define risk appetite (risk tolerance) and establish qualitative and quantitative evaluation standards;

    (3) Analyze and identify sources and types of risks and periodically review the appropriateness;

    (4) Periodically (annually at least) summarize and report practice of risk management implementation;

    (5) Support and supervise execution of risk management activities of each department;

    (6) Cooperate and communicate the cross-department interaction and communication of risk management;

    (7) Execute risk management decision;

    (8) Plan trainings of risk management and promote integral awareness and culture of risk management.

3.   Operating Units

Duties of each department are:

    (1) Be responsible to risk identification, analysis, evaluation and response of each department and establish crisis management mechanism if necessary;

    (2) Periodically provide risk management information to the task force;

    (3) Ensure risk management and relative control processes are effectively implemented in each department to ensure effectiveness of internal control.

4.   Internal Audit Department

Support the board to supervise effectiveness of risk-management relative control procedures and ensure effectiveness of internal control.

Article 7 Risk Management Procedures

1.   Analyze and identify sources and types of corporate risks

The task force is suggested to consider each aspect of sustainable regulations (include climate change) to proceed overall analysis then analyze and identify applicable sources and types of risks and define categories of the enterprise owns. Spread detail discussion based on each type of risks and periodically review the appropriateness.

2.   Risk identification

According to corporate strategic targets and risk management policy and procedure approved by Board, each operating department proceeds risk identification by complying with owned targets and scope of responsibilities. Analytical tools and methods could be taken to support risk identification (such as: procedure analysis, scenario analysis, questionnaire investigation, PESTEL analysis etc.). By considering past experience, information, internal and external risk factors and concerned points of stakeholders, through "bottom-up" and "top-down" analysis and discussion, combine strategic and operating risks then identify potential risk events which may lead the enterprise fail targets, suffer damages or negative impacts from overall aspects.

3.   Risk analysis

Risk analysis is mainly to understand nature and character of identified risk events then to analyze its possibility and impact level to calculate risk value. Each department, for identified risk events, shall calculate the risk value by considering completeness of present control procedures, past experience, practical cases of other competitors etc. Besides, it is suggested that to set up appropriate qualitative and quantitative evaluation standard to be accordance of risk analysis.

4. Risk appetite

The task force is suggested to define risk appetite (risk tolerance) to decide bearable limit of risk. According to risk appetite, to define risk level of each risk value, risk response of each risk level which will be the base of following risk evaluation and risk response.

5. Risk evaluation

Purpose of risk evaluation is to provide base for the enterprise to make decision. Through result of risk analysis and comparing to risk appetite to define priority of risk events which are the base of planning of risk response.

Each department shall accord to result of risk analysis, compare to risk appetite, accord to risk level and implement following risk response plans.

Relative risk analysis and evaluation result shall be well recorded.

6. Risk response

As for risk response, the enterprise shall set up relative plans, ensure relative personnel fully understand and proceed and continuously monitor actual implementation.

The enterprise shall consider corporate strategic targets, perspectives of internal and external stakeholders, risk appetite and usable resource to choose risk response patter and balance realization, cost and benefit of risk response plans.

7. Risk monitor and review

Through risk management and internal audit department's audit plan of auditing compliance effectiveness of internal control, to firmly review whether risk management processes and response plans are well working effectively, include the performance into annual appraisal and report to the Board periodically (annually at least).

Risk management shall be linked to key processes of the enterprise then it could generate benefit of effective supervisory and implementation.

Article 8 Reporting and Disclosure

1. Risk records

Process and result of implementation of risk management shall be recorded, reviewed, reported and restored by appropriate mechanism that includes risk identification, risk analysis, risk evaluation, risk response plan, relative information source and risk evaluation result etc. during the risk management process.

2. Risk reporting

Risk reporting is indispensable part of corporate governance. It is suggested to consider demand and requirement of different stakeholder and specific information, frequency and timeliness of reporting, reporting method, relativeness of information and target and decision to support

management level and governance unit to proceed risk decision making and implement duty of risk management.

The task force shall summarize risk information provided by each department, issue risk management report to the Board periodically and establish dynamic mechanism of management and reporting to ensure and supervise risk management is well implemented.

3. Information disclosure

The Company shall disclose and update these risk management information in official website and Market Observation Post System (MOPS) for external stakeholders to refer:

(1) Risk management policy and procedure

(2) Governance and management organization structure of risk

(3) Operation and implementation of risk management (include reporting frequency and date to the Board and functional committee (if any)).

Article 9 Approval and Revision

This regulation shall be implemented after the Board approve, same as revise.