

Implementation of Delta Group Risk Management Policy

1. Organization of Risk Management

- A. The Board of Directors of the Company as the highest risk governing body is responsible for supervising that Delta Group ("Group") is compliance with laws, promoting and implementing the overall risk management of the Group.
- B. The Audit and Risk Committee assists the Board of Directors in supervising the implementation and effectiveness of risk management.
- C. The CEO and the COO review the effectiveness of the Risk Management Implementation Committee's implementation and guide the allocation of resources when there are insufficient resources.
- D. Risk Management Implementation Committee, convened by the Group Chief Financial Officer, guides and formulates various risk management policy organizations, procedures, structures and risk appetites.
- E. Heads of each business group (BG Heads), heads of each functional unit (Operating Units) and heads of each region (Region Heads) accept the guidance of the members of the Risk Management Implementation Committee to carry out the implementation of risk control activities and set up sub-committees in different regions according to the situation.
- F. From the perspective of the internal controls system, the internal audit department is responsible for auditing the implementation of risk management. Risk Management Implementation Committee may set up relevant contingency teams according to different incidents and assign different responsible officers to co-ordinate the response.

2. Purpose of Risk Management and Responsibility for Risk Management

The purpose of the Delta Group Risk Management Policy ("Policy") is to reduce various risks to a tolerable and controllable range through identification, analysis, appetite, evaluation, response, supervision and review, and report of potential risks from the perspective of the Group by qualitative or quantitative management methods, as well as to provide a reference for developing operational strategies. The Policy has been formulated to achieve the Group's strategic goals in a reasonable manner, protect Group's core values, and create opportunities.

- A. The role of the Board of Directors:
 - a. To approve the risk management policy, procedure, and organization;
 - b. To approve the risk appetite (risk tolerance);
 - c. To ensure that the risk management policy is consist with the operational strategy;
 - d. To ensure that establishment of a proper risk management mechanism and risk management culture;
 - e. To ensure that effective operation of the Group's risk management mechanism;
 - f. To ensure the adequate and appropriate resources is allocated and designated to ensure the effective operations of risk management.
- B. The role of the Audit and Risk Committee:
 - a. To review the risk management policy, procedures and frameworks;
 - b. To review the risk appetite (risk tolerance);
 - c. To supervise the alignment of risk management policies with operational strategic directions;

- d. To supervise the establishment of appropriate risk management mechanisms and risk management culture;
 - e. To oversee the effective operation of the overall risk management mechanism.
- C. The role of the CEO and the COO:
 - a. To examine the risk management policy;
 - b. To examine the risk appetite (risk tolerance);
 - c. To examine the alignment of risk management policies with operational strategic directions;
 - d. To guide the establishment of appropriate risk management mechanisms and risk management culture;
 - e. To guide the allocation of resources when there are inadequate resources.
- D. The role of the Risk Management Implementation Committee:
 - a. To devise the risk management policy, procedures, and structure;
 - b. To determine the risk appetite (risk tolerance) and develop qualitative and quantitative metrics;
 - c. To allocate and designate the appropriate and adequate resource to ensure the effective operations of the risk management and report to the CEO and the COO on a regular basis; when there are inadequate resources, the CEO and the COO guide the allocation of resources.
 - d. To ensure the risk management mechanism is able to address adequately risks faced by the Company and incorporate the mechanism in day-to-day operating procedures;
 - e. To determine the priority order and risk level of risk control;
 - f. To examine the enforcement of risk management and propose necessary recommendations for improvement; to report to the CEO, the COO, the Audit and Risk committee and the Board of Directors on a regular basis for the of management of major risk;
 - g. To enforce the risk management policy of the Board of Directors and to deliver the risk management information in a timely and accurate manner;
 - h. To determine the risk levels and suggest response plans according to the changes in the external environment and internal strategies;
 - i. To design risk management related training programs to enhance overall risk awareness and culture;
 - j. To analyze and identify sources and types of the Company risks and review the relevant applicability on a regular basis.
- E. The role of the Operating Units:
 - a. To be responsible for identification, analysis, and assessment of, and response to, risks of the unit to which it belongs, and create the relevant crisis management mechanism where necessary;
 - b. To present risk management information to the Risk Management Implementation Committee on a regular basis;
 - c. To ensure effective enforcement of risk management and relevant control procedures of the unit to which it belongs, to ensure compliance with the risk management policy.

3. Implementation of Risk Management

- In conjunction with the Dow Jones Sustainability Index (DJSI) and with reference to ISO 31000, COSO-ERM, and “Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies” promulgated by Taiwan Stock Exchange, the Board of Directors acknowledged a risk report on July 31, 2024, and approved the amendments to the Company’s “Group Risk Management Policy”, including optimizing the Group’s risk organizational structure, clarifying and standardizing the risk management responsibilities of the governance layer as well as the three lines of defense, and confirming the Group’s short-to-medium (1~2 years) risks and medium- and long-term (3~5 years) emerging risks, to improve the risk management process.
- The Company engaged Marsh Insurance to conduct enterprise risk management in 2024 to identify the Company’s major risks and establish a risk radar, which is an extension of the maturity assessment of enterprise risk management in 2023. After being reviewed and voted by top management, the Company’s short-term risks are mainly geoeconomics, geopolitical, supply chain/manufacturing localization, strategic changes after US post-election and cross-border compliance issues; medium- and long-term risks (emerging risks) include geopolitics/economy, AI business opportunities, supply chain fragmentation, cross-border compliance, green trade wars, and competition for strategic resources. Based on the above-mentioned risk issues, the Company has established a risk map and developed risk identification technology to identify and rank the major risks that affect the Company’s operating objectives, and will carry out risk treatment to ensure the risk level is lower than risk appetite, monitor risks in real time, and review them in the Risk Management Implementation Committee. The process is expected to be completed in 2025 and report the implementation results to the Audit and Risk Committee and the Board of Directors.
- The Company has launched risk related projects-compliance management mechanism and business continuity management in 2024, and these projects are expected to be completed in 2025.