



## **Giant Heavy Machinery Service Corporation**

### **Risk Management Policy**

**Article 1** In order to strengthen corporate governance, ensure the stable operation and sustainable development of Giant Heavy Machinery Service Corporation (hereinafter referred to as this Corporation), and serve as a basis for risk management and execution for all stakeholders, this Policy hereby established and shall be followed.

**Article 2** This Corporation's risk management policy is established based on the overall operational guidelines and defines the risks for each stakeholder within the acceptable risk range. The policy aims to prevent potential losses, increase shareholder value, and achieve optimal allocation of company resources.

**Article 3 Risk Management Organizational Structure and Responsibilities**

1. **The Board of Directors:** The Board of Directors of this Corporation is the highest governing body for risk management, with the goal of complying with laws and regulations, promoting and implementing risk management in the overall operations of the company, understanding the risks faced by sustainable operations, and ensuring the effectiveness of risk management.
2. **President Office:** The President is responsible for organizing and planning the company's overall risk management.
3. **Audit Office:** The Audit Office is an independent department within the Board of Directors, responsible for conducting internal audits to assist the Board of Directors and management in reviewing and verifying the adequacy of internal control systems and measuring the effectiveness and efficiency of operations, and for providing timely improvement recommendations.
4. **Responsible Departments:** The personnel of each responsible department shall be responsible for the first-line risk management in their daily operations, analyze, monitor, and prevent the relevant risks within their department's responsibilities, and ensure that the risk control mechanisms

and procedures are effectively implemented.

#### Article 4 Risk Management Scope

1. Strategic Risk:

- (1) Technology innovation and industry trends
- (2) Changes in market demand
- (3) Research and development progress and competitive landscape
- (4) Changes in policies or regulations
- (5) Global political and economic developments

2. Operational Risk:

- (1) Customer or supplier contract performance
- (2) Intellectual property protection and utilization
- (3) Talent recruitment and development management
- (4) Information security
- (5) Overall corporate reputation

3. Financial Risk:

- (1) Fluctuations in exchange rates, interest rates, rents, taxes, and inflation
- (2) Strategic investments
- (3) Financing and fundraising

4. Hazard Risk:

- (1) Sudden natural disasters or climate change
- (2) Water and electricity supply
- (3) Impact of infectious diseases

5. Other Risks:

Any risk not covered by the above categories that could potentially result in significant losses for this Corporation.

#### Article 5 Risk Management Procedures

1. This Corporation's risk management includes the following processes: risk

identification, risk assessment, risk monitoring, risk response, risk reporting and disclosure.

- (1) Risk identification: The responsible department personnel should identify potential risks within their scope of authority.
  - (2) Risk assessment: After identifying potential risks, each responsible department should establish appropriate assessment methods as a basis for risk management.
  - (3) Risk monitoring: Each responsible department should monitor the potential risks of their business and, when the degree of risk is assessed as potentially harmful, propose response strategies and report the risk and response strategies at the management meeting.
  - (4) Risk response: After evaluating and consolidating the risks, each responsible department should adopt appropriate response measures for the potential risks, such as risk identification clarification, assessment reports, and contingency control plan execution.
  - (5) Risk reporting and disclosure: This Corporation should regularly report the risk situation to the board of directors for management reference and implement the risk management procedures and audit the execution results.
2. The risk management procedures for each type of risk are executed in three levels:
- (1) Responsible departments: The personnel of each responsible department should identify potential risks within their scope of authority, conduct assessments, develop contingency plans, and report them.
  - (2) Management meetings: The management meetings or operational meetings chaired by the president or relevant operational managers are responsible for the risk assessment and adaptation of various operational plans and projects, as well as the evaluation and adaptation

of the risks reported by each responsible department.

(3) Board of directors: The board of directors is the highest decision-making body for the company's risk management, responsible for approving the company's risk management policies, structures, and establishing the company's risk management culture, and has ultimate responsibility for overall risk management.

3. For uncertain factors that may pose a threat to this Corporation's operations or sustainable development, the responsible unit should consult with relevant departments and, if necessary, seek the advice of external professional consultants to assess the risk, propose preventive measures, and take management actions.

Article 6 This Policy shall be implemented upon approval by the board of directors, and any amendments shall be subject to the same approval process.