**DELPHA CONSTRUCTION CO., LTD.**

# Risk Management Principles

## Chapter I – General Provisions

**Article 1. Purpose**

To strengthen corporate governance and establish a sound risk management mechanism, this Principles is enacted to keep various operational risks within acceptable levels and to optimize the balance between risk and return.

**Article 2. Scope**

This Principles and its procedures apply to risk management operations at all levels of the Company.

## Chapter II – Risk Management Organization and Administration

**Article 3. Organization and Responsibilities**

1. Responsible Authority

(1) The Audit Committee is the highest decision-making unit responsible for establishing an effective risk management mechanism and shall assume overall responsibility for risk management.

(2) The Audit Committee shall formulate and revise this Principles in accordance with the overall business strategy and operational environment.

2. Management Unit

(1) The heads of each department shall serve as members of the Company's Risk Management Task Force, which is led by the General Manager as its highest-ranking officer. The Task Force is responsible for detecting, identifying, and assessing various risks, formulating appropriate response measures, and regularly reviewing and supervising implementation during meetings to ensure compliance with this Principles.

(2) Personnel relevant to the risk topics under discussion shall attend the meetings as required.

(3) In managing risks, attention should be paid not only to the risks borne by individual departments but also to the cumulative effects of such risks from a company-wide perspective.

(4) The Audit Unit shall be responsible for auditing the implementation of risk management within the internal control system.

**Article 4. Risk Management Procedures**

To enhance the effectiveness of its risk management, the Company adopts a structured approach comprising risk identification, risk assessment, risk control and supervision, and risk communication. Through this process, the Company seeks to clearly define the scope of various risks and implement appropriate measures to ensure their proper management, thereby enabling efficient allocation of limited resources to risk-related tasks.

1. Risk Identification

(1) Strategic and Operational Risks: Rising operational costs, supplier replacement, labor safety, and litigation or non-litigation risks.

(2) Financial Risks: Foreign exchange, bad debts, taxation, inflation, financing, investment, dividend distribution, interest rates, leasing, and major capital expenditures.

(3) Environmental and Occupational Safety Risks: Market shifts, policy changes, and climate change.

(4) Information Security Risks: System malfunctions and information security protection.

(5) Legal Risks: Non-compliance with laws and regulations, employee misconduct, and personal data breaches.

2. Risk Assessment

Risk assessment is carried out by the risk management unit, which analyzes and identifies potential risk factors, the likelihood of risk events occurring, and the severity of their adverse impacts. The assessment serves as the basis for the Company's risk management decisions.

3. Risk Control and Supervision

(1) Routine operational risks are managed by each department in accordance with internal control systems and related policies.

(2) For major cross-departmental crisis events, the General Manager or designated personnel shall lead and coordinate efforts, identify feasible preventive strategies, and establish response procedures and recovery plans.

(3) Any deficiencies identified during risk control and supervision shall be reported through appropriate channels in accordance with regulations.

4. Risk Communication

(1) Except for other provided herein, the Company shall conduct its risk management operations in accordance with internal control regulations and the relevant policies and procedures of competent authorities.

(2) The risk management unit shall regularly report the status of risk management operations to the Board of Directors.

## Chapter III – Disclaimer

### Article 5. Grounds for Disclaimer

Proper implementation of risk management can undoubtedly bring significant benefits and enhance the Company's operational effectiveness. However, in practice, unpredictable and force majeure variables may still arise—such as insufficient reference data, human error in decision-making, cost-benefit considerations in risk responses, mistakes or negligence, employee collusion, intentional fraud, or abuse of power or override of controls by senior executives. These factors may prevent the complete elimination of risks despite best efforts.

## Chapter IV – Supplementary Provisions

### Article 6. Implementation

This Principles shall be approved by the Chairperson, reviewed by the Audit Committee, and adopted by resolution of the Board of Directors prior to implementation. The same procedure shall apply to any amendments.

This Principles was enacted on November 11, 2021.

The first amendment was made on November 10, 2023.