

WPG Holdings Limited

Risk Management Policy and Guiding Principles

Approved by the Board of Directors on January 26, 2016

Chapter I General Provisions

Article 1 The Purpose of the Formulation

The Risk Management Policy and Guiding Principles (hereinafter referred to as “the Principles”) are established to ensure the completeness of the risk management system of the Company and its subsidiaries (hereinafter referred to as “WPG Holdings”), to implement the risk management and balancing mechanism, and to improve the performance of risk management task allocation. To manage risk, the business strategy and organizational culture that focus on risk management should be designed and an overall risk management system shall be established for joint participation, promotion, and implementation by the Board of Directors, management of all levels, and employees of WPG Holdings. It is a procedure that should be complied with by all levels. From the Company’s overall perspective, through a series of activities such as identification, evaluation, monitoring, response, and report of potential risks and by qualitative and quantitative management methods, all risks that may be faced in operating activities will be maintained within a tolerable scope. Such procedures shall also serve as a reference and basis for the establishment of operating strategies in order to reasonably ensure the achievement of WPG Holdings’ strategic targets.

Chapter II Risk Management Organization Structure and Duties

Article 2 Risk Management Organization Structure

1. To establish the risk management system of WPG Holdings, the Board of Directors of the Company shall formulate risk management policy and guiding principles as guidelines for the implementation of risk management by WPG Holdings.
2. The Audit Committee of the Company shall, in accordance with the "Audit Committee Charter" adopted by the Board of Directors, supervise the formulation and implementation of WPG Holdings risk management policy and develop risk management monitoring indicators as authorized by the Board of Directors.
3. To effectively plan, supervise and implement WPG Holdings risk management system, the CEO of the Company shall set up risk management unit, and the subsidiaries shall, by group, set up risk management unit responsible for related management matters.
4. The Boards of Directors of each subsidiary shall, in accordance with the provisions of this policy and guiding principles, formulate risk management

procedures or implement relevant management measures in accordance with the characteristics of individual industries.

5. Risk management is not the sole duty of the risk management unit or person, all functions/departments/units/person in charge of business within WPG Holdings have their corresponding responsibilities and matters to be coordinated to implement the overall risk management of WPG Holdings.

Article 3 Risk Management Duties

(A) The role of the Board of Directors

The Board of Directors shall recognize the risks to the operations of WPG Holdings (e.g., hazard risk, operational risk, financial risk, strategic risk, compliance/contract risk, and other operational-related risks), ensure the effectiveness of risk management and take ultimate responsibility for risk management.

The Board of Directors' management of risks shall not only pay attention to the risks undertaken by individual units but also consider the effect of the compilation of various risks from the perspective of WPG Holdings as a whole.

(B) Audit Committee

1. Periodically listen to reports from the convenor of the Risk Management Team and supervise the implementation of risk management by WPG Holdings.
2. Provide suggestions for improvement regarding the design of risk management policies, systems, processes, monitoring indicators, and others.
3. Review matters for discussion submitted by the risk management unit of WPG Holdings to the Board of Directors.

(C) Risk Management Organization of WPG Holdings

The Risk Management Team is the decision-making unit for risk management activities. The convenor is the CEO of the Company, the members are the CEOs of all groups, and the Company's risk management unit is the Executive Secretary. Its duties are as follows:

1. Risk Management Team
 - (1) Formulate risk management operation procedures as the basis of implementation by all units of WPG Holdings.
 - (2) Approve risk response strategies and action plans.
 - (3) Review the progress and results of the risk response action plan.
 - (4) Convene Risk Management Team meeting and approve the risk management report. Requirements for the operation of the Risk Management Team:

- a. Frequency of meetings: The Risk Management Team should convene a meeting semi-annually to discuss the Company's risk management status and may convene an ad-hoc meeting when necessary.
- b. The agenda shall include the followings:
 - i. Confirm the follow-up of resolutions from previous meetings
 - ii. Reporting matters, shall at least include:
 - (i) The implementation status of the risk management plan
 - (ii) The measurement results of risk management indicators
 - (iii) Report and review of the handling of major risk incidents
 - iii. Any internal and external issues that may affect the implementation of risk management, such as regulatory changes.
 - iv. Annual review results of risk management policies and related procedures.
 - v. Any possible opportunities for improvement of risk management.
 - vi. Other discussions.
 - vii. Extemporaneous motions
- 2. The CEO of the Company
 - (1) Report the results of risk management implementation to the Audit Committee.
 - (2) Host Risk Management Team meeting.
 - (3) Provide relevant resources required to establish, implement, and operate the risk management system.
- 3. The CEOs of all groups
 - (1) Coordinate the group's risk management activities.
 - (2) Approve the group's risk management report.
 - (3) Provide relevant resources required by the group to establish, implement, and operate the risk management system.
- 4. The Company's risk management unit

The Company's risk management unit is primarily responsible for the promotion, collection, analysis, consolidation, and reporting of risk management activities, and assists the Risk Management Team in driving decisions. The duties of the Company's risk management unit are as follows:

 - (1) Responsible for designing, building, promoting, coordinating, and maintaining the risk management system.

- (2) Submit risk management relevant reports to Risk Management Team.
- (3) Launch the assessment operations for the level of risk exposure and risk concentration of WPG Holdings.
- (4) Propagate risk management-related provisions and plan relevant educational and training courses.
- (5) Track risk management plans and report to the CEO, pay attention to external risk information and provide to all units and the CEO as a reference.

5. Risk management unit of all groups

- (1) Work with the Company's risk management unit to promote risk management activities and report on management results.
- (2) Undertake the risk management work assigned by the group's CEO.

(D) The Board of Directors of each subsidiary

Supervise risk management operations of each subsidiary.

(E) All relevant units (the Company's management units, group/regional functions/departments)

The heads of each functional unit are the first-line personnel of risk control to implement risk management, reporting, and improvement processes.

- 1. Promote and implement risk management operations within the department.
- 2. Supervise and report the improvement status of the Risk plan.

Chapter III Risk Management Process

Article 4 Risk Management Process

The risk management process includes risk identification, risk evaluation, risk monitoring, risk report, and risk response. As shown in Diagram 1.

1. Risk Identification

To manage risk, the first task is to identify the risks that one may face in the course of operation. Generally, the occurrence of risk is impacted by various internal and external factors, which are referred to as “risk factors.” To have effective control, it is advisable to use various feasible analysis tools and methods through a bottom-up or top-down discussion, compiling risk situations based on past experience and predicting those that may happen in the future. These risks shall be identified and categorized and serve as a reference for further evaluation, monitoring, and management of risk. The risk factor types are as follows: governance risk, compliance risk, strategic risk, operational risk, reporting risk, etc.

For effective control, risk factors are generally divided and defined as follows:

- (1) Definition of risk: the definition of risk in the Principles is any uncertainty to the operating objectives of WPG Holdings that may result in loss or damage but may also create opportunities.
- (2) Risk appetite is the consensus of WPG Holdings on risk and serves as the highest guideline for operational decisions, day-to-day operational activities, and risk management.
 - a. Level 1 (Unaccepted): WPG Holdings does not accept any occurrence of sustainable business risks, compliance risks, ethical conduct risks, and employee safety risks. Priority will be given to such risks by investing appropriate and adequate resources for improvement and control, and all staff is required to comply with the relevant controls and practices in their day-to-day operations.
 - b. Level 2 (Accepted but required to control): Besides the above-mentioned risks, reasonable resources will be invested for monitoring and controlling risks at an acceptable level through control mechanisms and response measures.
 - c. Level 3 (Accepted and preferred): WPG Holdings bravely accepts the risks from promoting innovation or growth in business strategy in exchange for opportunities or profits. Resources will be actively invested in such risks, which still need to be monitored and controlled at an acceptable level through sound assessment reports, implementation plans, and control mechanisms.

2. Risk Evaluation

After identifying potential risk factors, proper evaluation methods shall be established as the basis for risk management.

- (1) Risk evaluation includes risk analysis and assessment; the former refers to an analysis of the level of potential negative impact and probability of occurrence of risk incidents to understand the impact of the risks on the Company. The latter compares this impact with pre-setting and the result is used as a reference to determine the subsequent priority of risk control, and the response measures.
- (2) Risk evaluation may be measured through quantitative, qualitative, or semi-quantitative analysis; level of effectiveness is the main consideration.
- (3) The requirement of various business operation's operating procedures, operating authorization, documents control procedures and certificates control procedures may be used to evaluate whether the operations are in compliance with the control procedures.

3. Risk Monitoring

Risk improvements and any possible excessive risk exposure should be monitored and managed as follows:

- (1) The deficiencies found in risk monitoring should be reported through dedicated channel in accordance with the regulations.
- (2) The subsequent offline monitoring may be conducted by self-assessment. As to the scale of the depth, the breadth, or the frequency, it should take into account the importance of risk, the impact of response measures, and the content of the company's risk management control methods, with special emphasis on various exceptions which are not in compliance with the regulations.

4. Risk Reporting

To fully record risk management procedures and the implementation result, the Company, and its subsidiaries should periodically report risk profile to its Board of Directors as a reference for management. The reports can be designed and prepared according to following needs:

- (1) To show if the management procedure is properly executed.
- (2) To show if there is a systematic way to identify and analyze risks.
- (3) Record risk profiles and develop them into a knowledge base for company management.
- (4) As a reference for decision-making of risk management and the formulation and approval of measures.
- (5) As a reference basis for the attribution of responsibility.
- (6) To facilitate the implementation of risk monitoring and assessment operations.
- (7) To share and communicate risk management information.

5. Risk Response

After the assessment and compilation of risks, it is advisable for each functional department to undertake proper response measures against the risks that they encounter.

The risk response measures are as follows:

- (1) Risk avoidance: Adopt measures to avoid the activities that may cause any risks.
- (2) Risk reduction: Adopt measures to lower the impact of the risk and (or) the possibility of occurrence.
- (3) Risk sharing: Transfer all or part of the risk to another person, such as through insurance.
- (4) Risk bearing: No measure undertaken to change the probability of risk and its impact.

Chapter IV The Implementation of Risk Management

Article 5 The Implementation of Risk Management

The implementation of risk management is in accordance with a 3-level risk management task allocation structure.

1. First-line responsibilities:

Each head of unit or staff in charge of the relevant business, as Risk Owner, shall follow the internal control system and internal regulations of the relevant business, serving as the direct unit with initial detection, assessment, and control of risks.

2. Second-line responsibilities:

Each functional/departmental head or the assigned functional/departmental risk manager is responsible for risk management of the relevant business and shall review the operating rules or operating manuals in accordance with the actual operation of the business and shall pay attention to latest (revised) legislations and applicable letters published by the competent authority. Relevant internal regulations shall be added (revised) as required.

3. Third-line responsibilities:

The Company's risk management unit shall review the completeness of the Company's major risk management-related mechanisms, such as hazards, operations, finance, strategy, and compliance, and shall duly follow the Policy and relevant risk management regulations to monitor relevant risks of each unit.

Article 6 The Assessment of Risk Management Implementation

The internal auditors shall assess whether the risk management has been effectively implemented to ensure complete compliance and implementation of the system.

Chapter V Disclosure of Risk Information

Article 7

In addition to disclosing relevant information in accordance with the regulations of the competent authority, it is also advisable for the Company to disclose information related to risk management in its annual report and company website.

Chapter VI Supplementary Provisions

Article 8 Amendments to Risk Management Policy

The risk management unit of the Company shall review the provisions of the Risk Management Policy and pay attention to the international and domestic development of the risk management system at any time to review and improve the policy accordingly and to increase the risk management execution performance by WPG Holdings.

Article 9

The Risk Management Policy shall be reviewed and approved by the Audit Committee and then implemented upon approval by the Board of Directors. The same procedure shall apply when the Policy is to be amended.

Diagram 1

