

3.3 Risk Management

The Company's risk management process includes risk identification, risk analysis, risk assessment, risk response, and continuous monitoring and improvement, all of which are ongoing processes for effective management.

Based on the characteristics and impact of various risks generated by operations, significant policies, endorsements, guarantees, fund loans, and bank financing of the Company are all subject to evaluation and analysis by appropriate responsible departments before execution based on resolutions of the Board of Directors. The Auditing Office also formulates its annual audit plan based on risk assessment results and implements it effectively to ensure oversight and control of risk management implementation.

Major Risk Categories	Risk Management Responsible Unit(First Mechanism)	Risk Review and Control Mechanism (Second Mechanism)	Risk Decision-making and Oversight (Third Mechanism)	Response Measures
Company Overall Strategy and Objective Risks	Top Management	Business Review Meetings		<ol style="list-style-type: none"> At the end of each year, review the performance of the current year and set the direction for implementing the strategy goals for the following year. Monthly business review meetings to review and control the achievement status of the company's overall strategic objectives and risk response measures. Immediate response to potential risks affecting goal achievement through weekly executive meetings. Hold at least one Board meeting per quarter to review the achievement status of the company's overall strategic objectives. For risks associated with unmet goals, decide on response and handling measures.
Market Risks	Department of Business Management	Business Review Meetings	<p>※Response and Handling by Highest Decision-making Body: Board of Directors</p> <p>※Unit Responsible for Monitoring and Tracking Risk Matters: Audit Office</p>	<ol style="list-style-type: none"> Competitive action for new product development: Understand and match the direction of existing customer development in order to increase the sales opportunities of new product lines. In accordance with the Company's internal control system of the sales cycle to regulate the operations of all relevant departments to reduce the order and accounts receivable process risk management, customer credit risk assessment and control operations.
Regulatory Compliance and Control	Management Department	Business Review Meetings Board of Directors		<ol style="list-style-type: none"> The Company has set up the "Environmental Safety and Health Regulations and Requirements Identification Management Measures," and the regulation checking personnel conducts the environmental safety and health related regulations checking every month. Since 2016, it has been extended to the checking of the related laws and regulations of finance, industry and commerce, personal data, and labor, in order to confirm the legal compliance status and to improve the operation with no delay. The Company has established the "Contract Review Management Regulations," which stipulates the authority to audit and the audit procedures. The Company employs a legal advisor and a dedicated legal staff of the GSK Group to provide counseling services on various contracts, agreements and legal matters.

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Information Risks	President's Office	Business Review Meetings	※Response and Handling by Highest Decision-making Body: Board of Directors ※Unit Responsible for Monitoring and Tracking Risk Matters: Audit Office	<p>The Company has formulated standard operating procedures such as “Information Operation Management Regulations”, which applies to: application system development and maintenance, data access, backup mechanism, virus and network intrusion protection, server room installation, uninterrupted power supply system, and access control system. Control measures are taken in accordance with company standards, and authorized access control is implemented.</p> <p>The management structure of information security management, information security policy, specific management programs, and resources invested in information security management are described on pages 52-55.</p>
Financial Risks	Budget Committee Management Department	Business Review Meetings Board of Directors		<ol style="list-style-type: none"> 1. Liquidity Risks: The Company maintains stable profitability and sufficient operating funds, with no significant bank borrowings. We will continue to maintain cash equivalents and fixed deposits not less than monthly revenue. 2. Interest Rate Risks: The company mainly uses operating funds to repay long-term and short-term loans. When there are short-term funds, the Company primarily invests in high-liquidity short-term notes and fixed deposits to safeguard principal and maintain liquidity. 3. Exchange Rate Fluctuation Risk: The Company constantly monitors exchange rate fluctuations when utilizing foreign currency short-term borrowings for importing steel. It uses exchange rate hedging tools and negotiates price adjustments with customers whose business is significantly affected by exchange rate fluctuations. 4. Inflation Risks: The Company will continuously monitor changes in inflation and adjust the procurement inventory of raw materials accordingly. We will also implement improvement proposals to reduce costs and increase efficiency. 5. Other Financial Risks: The Company does not engage in high-risk, high-leverage investments, or derivative transactions. In 2023, the Company did not provide endorsements or guarantees for others, nor did it extend loans to others. The Company has established the “Procedures for Fund Lending and Endorsement Guarantees,” and relevant operations are conducted in accordance with the prescribed procedures.
Personnel Risks	Management Department	Business Review Meetings		<p>To respond to changes in demographics, migrant worker risks, and declining birth rates:</p> <ol style="list-style-type: none"> 1. The Company continues to collaborate with universities and colleges to provide training for newly recruited personnel. 2. Continue to promote the optimization of production lines, and implementation of TPS and TPM to improve production efficiency. 3. Evaluate and implement automation of various equipment and production lines to reduce personnel requirements.

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Environment, Safety and Health Accident Risks:	Safety Management Office Environmental Security System Committee	Business Review Meetings Occupational Safety and Health Committee		<ol style="list-style-type: none"> 1. The Company has obtained verification for environmental, safety, and health management systems, such as ISO 14001 and CNS 45001 (ISO 45001). The internal TPM environmental and safety subcommittee continues to promote system operations, set objectives, and implement programs to reduce environmental and occupational safety risks. 2. For emerging infectious disease response risks (e.g., COVID-19), the response measures are explained on page 113.
Climate Change Risks	Energy System Committee Greenhouse Gas Inventory Committee TCFD Promotion Committee	Business Review Meetings Occupational Safety and Health Committee Sustainability Committee	<p>※Response and Handling by Highest Decision-making Body: Board of Directors</p> <p>※Unit Responsible for Monitoring and Tracking Risk Matters: Audit Office</p>	<ol style="list-style-type: none"> 1. On December 21, 2021, the Board of Directors approved the establishment of the “TCFD Promotion Committee” under the Sustainability Committee to utilize the TCFD framework to construct the Company’s climate risk identification process. After discussions by the Promotion Committee and key members regarding climate risks and opportunities, the “Fine Blanking & Tool 2023 Climate-Related Financial Disclosure Report” was compiled and summarized. For details, please refer to section 6.1 Climate Change. 2. Although the Company has not yet been included as a target under the greenhouse gas reduction regulations, plant No.1 and No.3 of the Company are energy-intensive users, and the main greenhouse gases are energy-related indirect emissions (Category 2) mainly from electricity, accounting for about 83%. Since 2015, the Company has implemented the ISO 50001 Energy Management System and established the Energy Implementation Committee to carry out various energy management action plans with a goal of achieving at least 1% energy savings annually. At the same time, the Company conducts greenhouse gas emissions inventories and indirectly reduces greenhouse gas emissions through the promotion of ISO 50001 energy projects to mitigate climate change risks. 3. Many governments are considering implementing carbon taxes or energy taxes, which will increase the prices of raw materials and energy required for production over the years. These factors will raise production costs for companies. The Company will continue to monitor changes in domestic and foreign regulations, understand regulatory trends, and make preparations in advance to reduce potential financial costs.