

## 2.2 Risk Management and Response

### 2.2.1 Risk Management Mechanism

In response to external risks and opportunities in its business operations, Taipower constantly strives to effectively identify risk factors and develop rapid and effective response strategies. To strengthen risk management, the Risk Control Center was established, consisting of expert teams from the generation, nuclear, transmission, and distribution systems. The center monitors critical risks, enhances supervision and control based on risk levels, and works to prevent large-scale power outages from occurring. Furthermore, Taipower promotes energy transformation and decarbonization at the power source, power grid, and on the demand side. This includes increasing gas usage, reducing coal dependency, expanding green energy, and introducing zero-carbon fuels such as hydrogen and ammonia co-firing. Taipower also strengthens power grid engineering and establishes energy storage systems while implementing strategies such as demand response and energy conservation. The aim is to gradually achieve the goal of net-zero emissions in the power sector. Taipower will continue to implement risk control measures and enhance risk awareness among its personnel. It will employ a rolling process of risk identification, assessment, review, and response to mitigate potential risks and reduce operational risks.

### Risk Management Steering Committee

In Taipower's risk management structure, the Chairman acts as a supervisor, the President acts as a committee director and the Risk Management Commission operates as a task force. The Commission is composed of the CEOs from the four major divisions (Power Generation, Nuclear Power, Transmission System, and Distribution & Service) and their VPs and the Chief Engineers/Administrators from the four major systems (Strategic Administration, Financial Resources, Construction & Engineering, and Digital Development). The Chief Engineers/Administrators are also members of the commission. The Vice President in charge of the Department of Corporate Planning also serves as the executive secretary with a deputy executive secretary that assists with the relevant staff and administration of the Commission.

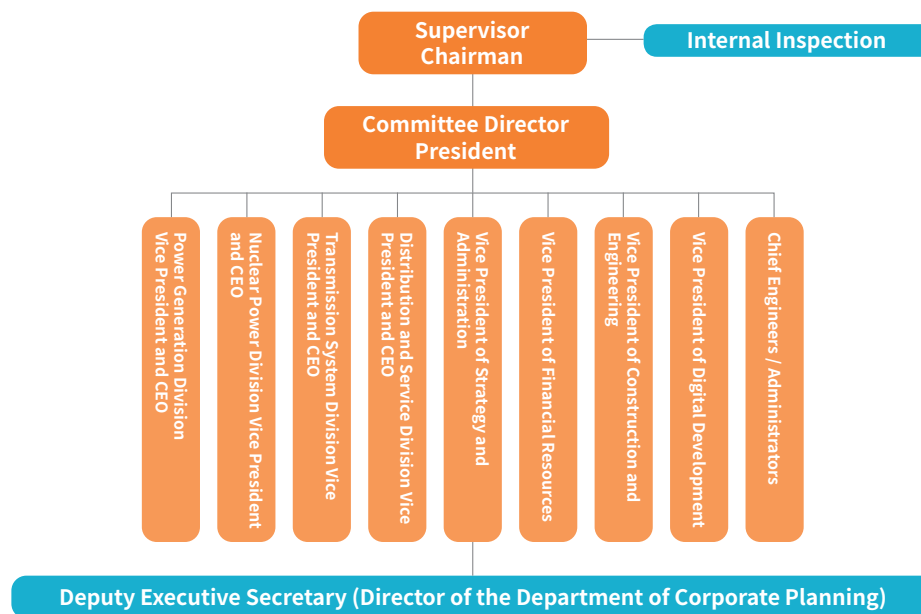
The Risk Management Commission has established a risk management implementation plan, including corporate level risks, unit level risks, an auditing mechanism, employee training, and other management mechanisms. The plan integrates the design and implementation of internal controls for each operation. The commission submits reports to the Board of Directors on the implementation of the project annually. The Board of Directors and the management department of Taipower have established a division of authority and responsibility between the Board of Directors and the management department, and other related regulations are implemented accordingly.

### Risk Management Policies

Taipower has established four risk management policies as guidelines for organizational risk management. They are as follows:

- ✓ Provide the necessary resources to establish, maintain and continually improve the effectiveness of the risk management system in order to reduce operational risks.
- ✓ Promote risk management organization and the implementation of risk assessment, risk management, risk monitoring and risk communication.
- ✓ Ensure that employees have the ability to perform risk management, create a supportive work environment, and shape a risk-managing culture.
- ✓ Strengthen communication between staff and stakeholders, raise staff awareness of risk management and thoroughly implement related policies.

### Taipower's Risk Management Organization Structure

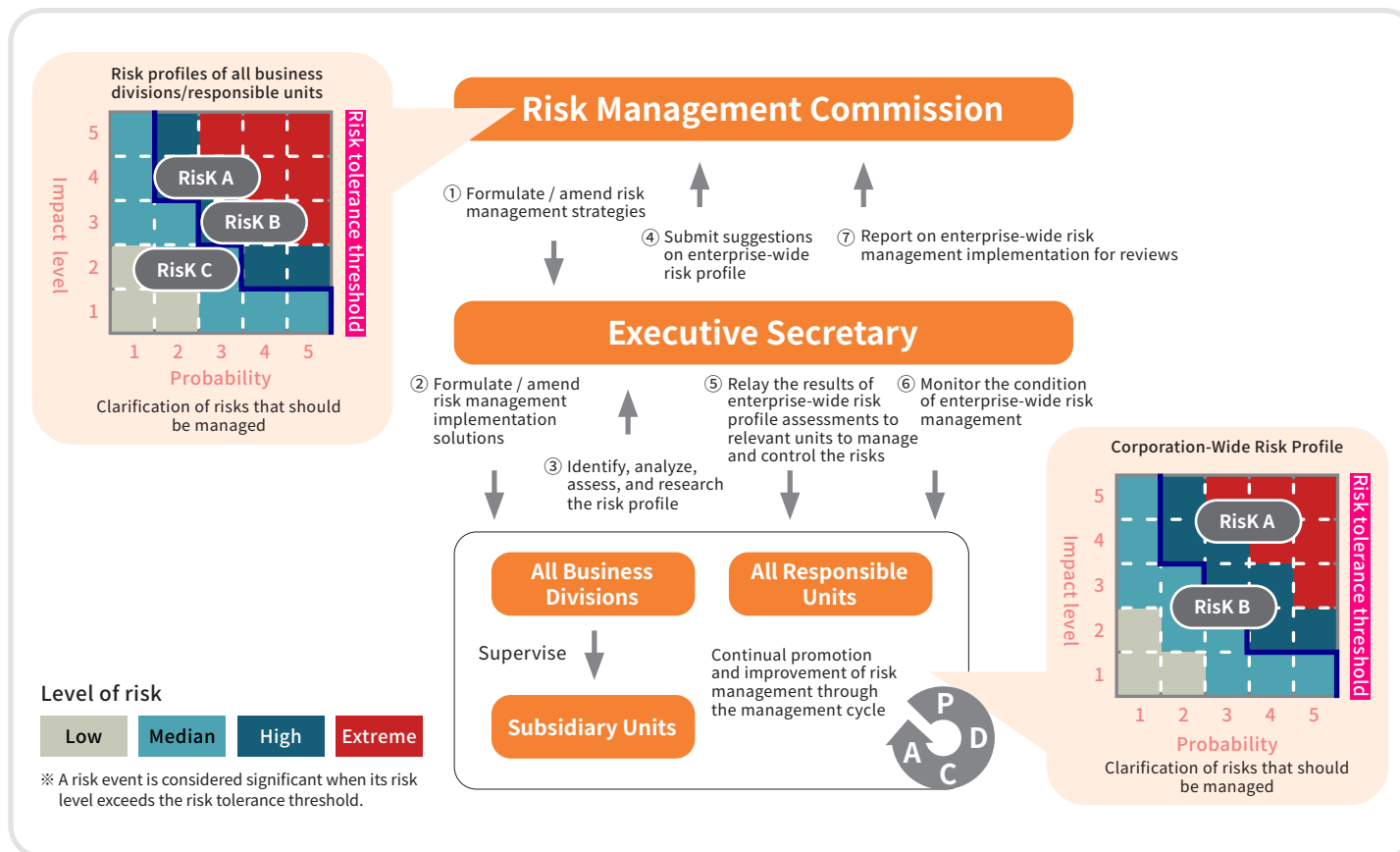


## Risk Management Process

Taipower's risk management process begins with strategies established by the Risk Management Commission. Subsequently, the Department of Corporate Planning formulates corresponding risk management implementation solutions to be delivered to relevant first-tier units before they are analyzed and included in the Company's risk profiles. These risk profiles are then compiled by the Department of Corporate Planning into a company-wide risk profile to be submitted to the Risk Management Commission for review. After the review, the Risk Management Taskforce relays the results of the review back to all supervisory units for risk control.

The Department of Corporate Planning is also responsible for monitoring company-wide risk management status and reporting its implementation results periodically to the Risk Management Commission. Each year, the Department of Corporate Planning reports on risk handling and control results. These reports are reviewed by the Risk Management Commission. Risk management policies are reviewed and revised for the next year based on changes to internal and external environments.

### Risk Management Commission



## Risk Control Center ▶▶

Taiwan experienced power outages on May 13 and May 17, 2021, and less than a year later, another major outage that affected 5.49 million households occurred on March 3, 2022. These incidents highlighted the inadequacy of current risk management and control measures. As a response, Taipower established the "Risk Control Center" with General Manager Wang Yao-Ting as the Chief Risk Officer. The center brings together experts from the power generation, nuclear energy, power supply, and distribution systems to form a risk management team. This team aims to identify critical risks from a broader perspective, identify potential risk factors that could affect cross-system operations, power generation, supply, and distribution. They will then implement risk mitigation measures based on risk levels and progressively strengthen the supervision and control of power supply operations to prevent the recurrence of large-scale power outages.



### Daily risk operation item inspections

The Risk Control Center conducts a daily inventory of risk operation items reported by various units for the upcoming one to three days. This is achieved through daily meetings for discussion and confirmation by the risk control team. Additionally, communication software without time or space limitations is utilized to ensure 24/7 comprehensive control, including nights and holidays, to ensure the safety and reliability of the power system. This means that in addition to the existing on-site unit control, risk operations are also simultaneously reported to Taipower's headquarters departments responsible for nuclear energy, power generation, power supply, distribution, as well as the Risk Control Center.



### Rigorous communication mechanisms across units and systems

The on-site units assess work tasks that are deemed to have a lower level of risk significance. Under the supervision of the Risk Control Center, if they identify hidden high-risk factors that are interconnected with cross-system or cross-unit risks, the risk significance level of the respective task is elevated. The Risk Control Center plays a pivotal role in coordinating various systems or units and rigorously examining process workflows. When necessary, adjustments to the operation schedule may be requested to mitigate hidden risks that could have lateral implications. For instance, when operating the 345kV ultra-high voltage power lines, the management and supervision levels are increased to prevent human errors. Additionally, a controlled operation mode, such as the implementation of gas-insulated switchgear, is introduced, along with more advanced measures. The Risk Control Center oversees the comprehensive operation and inspection processes, before, during, and after work procedures. With the current rigorous risk control system in place, incidents similar to the one at the Hsinta Power Plant can be prevented from happening again.



### Enhanced Training and Active Supervision

The Risk Control Center plans to implement regular and ad hoc dual audits. The regular audits include daily risk control meetings to review risk control forms and management actions. Monthly, there will be at least four on-site audits conducted by the Risk Control Center, and a large-scale joint audit will be conducted once every six months. Ad hoc audits are further divided into project-based and focus-based audits. Project-based audits target specific issues or units, such as at the Hsinta Power Plant after its major incident. Focus-based audits are conducted on specific topics or units as deemed necessary.



### Recognizing Exemplary Risk Management and Demonstrating Commitment to Stable Power Supply

The primary focus of the Risk Control Center in the first phase of this year will be on ensuring the grid security of the 345kV ultra-high voltage lines and the Science Parks. In the second phase, the scope will expand to include the 161kV, 69kV lines, and the risk management status within the internal transformer departments of the regional divisions. Furthermore, in response to business needs, Taipower's Generation, Power Supply, and Distribution divisions are expected to establish new risk control departments. Consequently, each division will strengthen its supervisory and auditing efforts towards risk management practices in various plants and departments.



## 2.2.2 Risk Assessment and Identification

In conducting risk identification and analysis, Taipower will take the following factors into consideration:

1. Issues that pertain to Taipower's stakeholders
2. Material topics that affect the Company's operations or safety
3. New policies or changes due to major incidents
4. Incidents tracked by the supervising agency or affairs that the competent authorities have deemed to warrant specific attention

### Risk Incidents and Countermeasures ▶▶

Taipower uses its risk assessment mechanism to monitor potential risks. When an incident is classified as extremely high risk, it will be listed as a top priority. Incidents classified as high-risk are the second priority and may require specific plans so that necessary resources are provided to ensure they are fixed. Risks at the medium level are simply monitored continually by the relevant departments. Low-level risk indicators are handled in accordance with the Company's general procedures.

In 2022, Taipower identified 13 risk events. Each risk event has its own risk scenario and corresponding control measures planned in advance. The effectiveness of control measures and their risk changes are reviewed on a continuous basis to improve the effectiveness of prevention beforehand and response afterward. Through this systematic risk management, Taipower is able to analyze risks and sustainability issues, strengthen risk awareness, master opportunities, and move toward its vision of sustainability.

Risk Category	Risk Identified
Power Supply Operation Risks	<ul style="list-style-type: none"> <li>• Critical power infrastructure security and resilience compromised</li> <li>• Short-term imbalance between supply and demand</li> <li>• Medium and long-term major power generation projects behind schedule</li> <li>• Medium and long-term major transmission and substation projects behind schedule</li> </ul>
Environment and Climate Change Risks	<ul style="list-style-type: none"> <li>• Impact of environmental pollution</li> <li>• Lower-than-expected carbon emission reduction</li> </ul>
Legal Compliance and Issue Risks	<ul style="list-style-type: none"> <li>• Severe safety and health accidents</li> <li>• Negative news expansion</li> <li>• Violation of major regulation</li> <li>• Outbreaks of labor-management disputes and employee protests</li> </ul>
Strategic and Financial Risks	<ul style="list-style-type: none"> <li>• Accrual of losses resulting in greater impacts to the Company's operations</li> <li>• Insufficient cultivation of core technology</li> <li>• Failure of protection in the information system</li> </ul>

### Processes to Remediate Negative Impacts ▶▶

In order to enable stakeholders to raise concerns and seek remedies for potential and actual negative impacts caused by Taipower, including those related to human rights, Taipower has established an effective, accessible, fair, and transparent complaint mechanism. Stakeholders can submit complaints through multiple channels, including the user feedback mailbox on the official website, the 24/7 customer service hotline at 1911, and the Taipower APP.

To assist employees in solving difficulties that cannot be resolved by other administrative systems, Taipower has set up a Personnel Difficulties and Matters of Grievance Processing Committee and formulated Guidelines for Processing Matters of Grievances Concerning Working Personnel. Please refer to section 7.2.2 Labor-Management Communication and Collective Bargaining for further information.

Taipower has committed to putting an end to sexual harassment. To create an environment that is safe from sexual harassment for all Taipower employees and visitors, Taipower formulated Guidelines for Measures of Prevention, Complaint, Investigation, and Punishment of Sexual Harassment. In addition to continuing to disseminate information on sexual harassment and its prevention to all units, Taipower has set up a grievance channel. The dedicated Sexual Harassment Complaint Review Commission (hereinafter referred to as the Review Commission) is responsible for handling sexual harassment complaints. The structure, procedures, and grievance channel for the Commission are as follows:

### Employee Grievance Channel

Grievances Handling Commission	Commission Structure	Procedures
Personnel Difficulties and Matters of Grievance Processing Committee	<ul style="list-style-type: none"> <li>• The Vice President in charge of human resources serves as the Chairman of the Commission, while the head of relevant headquarters units and the Power Labor Union appoint equivalent representatives as committee members. Each unit's taskforce shall be convened by the unit supervisor, and its members shall consist of three to six relevant department heads from the unit. The corresponding labor union branch of the unit will appoint an equivalent number of employee representatives as members.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees may file a complaint with their unit's processing taskforce. Upon receipt of a case, each processing taskforce shall first investigate the facts and promptly communicate with the parties concerned to resolve the matter. If the taskforce is unable to resolve the problem or the party concerned does not accept the results, the case shall be referred to the Grievances Handling Commission.</li> <li>• A case processed by the handling committee shall not be filed again within two years.</li> </ul>
Sexual Harassment Complaint Review Commission	<ul style="list-style-type: none"> <li>• The Review Commission consists of eleven members. The President shall appoint the Vice President in charge of human resources to serve as the Chairman of the Commission.</li> <li>• The remaining ten members shall be employed or appointed concurrently from the Company's first-level executives, social justice figures, representatives of non-governmental organizations, experts and scholars, and the female members shall be no less than one-half.</li> </ul>	<ul style="list-style-type: none"> <li>• After a complainant or his/her representative files a complaint to the Company's Review Commission, the complaint will be sent to the member on duty that month for immediate confirmation of acceptance within three days. Within three days of the acceptance, the Chairman of the Commission shall designate a special task force to conduct an investigation.</li> <li>• Upon completion of the investigation, an investigation report will be submitted to the Review Commission for deliberation. The investigation shall be completed and a resolution shall be made within two months (with a one-month extension as necessary) from the day following acceptance. Both parties shall be notified.</li> </ul>
<p>Taipower Sexual Harassment Grievance Channel</p> <p>The Company is subject to sexual harassment complaints through the following contact channels:                      Grievance hotline: (02) 2366-7730                      Grievance e-mail: a960601@taipower.com.tw</p>		