

Risk Type	Evaluation Factors	Potential Risk	Response
Transformation Risk - Policy and Legal	Standards of Laws & Regulations	<ul style="list-style-type: none"> <li>● Restriction of carbon emission</li> <li>● Implementation of carbon pricing policy</li> <li>● Litigation risk of climate adaptation and mitigation measures</li> </ul>	<ul style="list-style-type: none"> <li>● Align with the national-level GHG reduction plan of the National Determined Contribution (NDC) in the countries where the Company's production bases are.</li> <li>● The largest source of GHG emission in the footwear manufacturing industry comes from electricity purchasing. Though the adjustment of national power generation structure resulted in the electricity price change has affected the operational cost, the energy cost has occupied low proportion of operational cost, it is estimated that the cost and profit will not be affected much.</li> <li>● Continue to pay attention and collect the latest regulatory changes in the countries where the Company's production bases are, to avoid the operational risk caused by those changes.</li> </ul>
Transformation Risk - Technology/Markets	Customers' Requirements	<ul style="list-style-type: none"> <li>● Usage of the low-carbon/ Renewable Energy</li> <li>● Improvement and the innovation of the high-efficiency energy</li> <li>● Provision of low-carbon products or services</li> </ul>	<p>Pou Chen has taken following measures to implement the energy-saving and carbon reduction. In terms of overall performance of energy-saving, the average energy consumption per pair in 2019 declined by 3.1% as compared with 2018.</p> <ul style="list-style-type: none"> <li>● <b>Clean and high-efficiency energy:</b> Replace fossil fuel with the supply of steam, bio-fuel, or natural gas. Rectify the steam equipment to electricity equipment gradually.</li> <li>● <b>Improve the energy usage efficiency of the equipment:</b> For energy-consuming equipment, Pou Chen shall cooperate with equipment suppliers to introduce energy-saving machines and</li> </ul>

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			<p>control the procurement, so that the energy usage efficiency can be improved at beginning. Existing energy-consuming equipment shall be gradually replaced based on its service life, or shall conduct the improvement according to the performance analysis</p> <ul style="list-style-type: none"> <li>● <b>Leakage control:</b> For air compressed, steam and other air supply system, the leakage inspection and assessment mechanism shall be introduced. And the leakage target shall be conducted annually to control the leakage rate in reasonable range and avoid the waste of energy.</li> <li>● <b>Implement the management system:</b> Continuously promote the factory energy-saving management, and encourage implementing the ISO 50001 energy management system and ISO 14064 GHG inventory and verification, in order to make sure the energy-saving and carbon reduction effectiveness.</li> </ul>
Transformation Risk - Reputation	Low-carbon Business Reputation	<ul style="list-style-type: none"> <li>● Unable to increase order volume</li> <li>● Unable to obtain ESG investment</li> </ul>	<ul style="list-style-type: none"> <li>● Cooperate with customers' energy-saving and carbon reduction targets and implement related projects in order to meet customers' expectations.</li> <li>● Encourage strategic suppliers to promote energy-saving and carbon reduction measures in order to fulfill corporate social responsibility.</li> <li>● Disclose transparent information relating to the Company's energy-saving and carbon reduction efforts and results through CDP and CSR reports. The Company's CSR report has</li> </ul>

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			<p>been published externally every year since 2014, and has assured by the third-party since 2015.</p>
<p>Physical Risk - Acute</p>	<ul style="list-style-type: none"> <li>● Probability of extreme weather disasters</li> <li>● Financial loss and remedy costs</li> </ul>	<ul style="list-style-type: none"> <li>● Severity of disasters (typhoon, blizzard, heat wave, etc.) result in employee absences from work, damaged plant facilities, energy and material supply disruption</li> <li>● Risk of water scarcity and drought</li> <li>● Risk of heavy rainfall and flooding in the factory area</li> <li>● Risk of government power outage</li> </ul>	<ul style="list-style-type: none"> <li>● Climate risk is taken into considerations for the site selection and construction of a new factory, as well as many designs which help to minimize the impact of climate, such as foundation height, detention basin, cistern, ventilation and cooling system, etc.</li> <li>● In 2019, two new factories in Vietnam and one in Indonesia have planned and designed with flood prevention and ventilation system according to local climate characteristics as well as climate change factors.</li> <li>● The Company's factories are equipped with diesel power supply system which is used to support for temporary power outages.</li> </ul>
<p>Physical Risk - Chronic</p>	<p>Risk Probability</p>	<p>The rise of average temperature and sea level may cause risks, such as high temperature in the workplace, flood damage to facilities, water scarcity as well as poor water quality.</p>	<ul style="list-style-type: none"> <li>● Follow up on the risk warning notices of international climate change and adaptation &amp; mitigation suggestion.</li> <li>● The Company has built abnormal event notification and contingency mechanism, including abnormal events caused by climate risks.</li> <li>● The Company will study and evaluate "Task Force on Climate-related Financial Disclosures (TCFD)" in order to understand the risks and opportunities of climate change to business operations.</li> </ul>