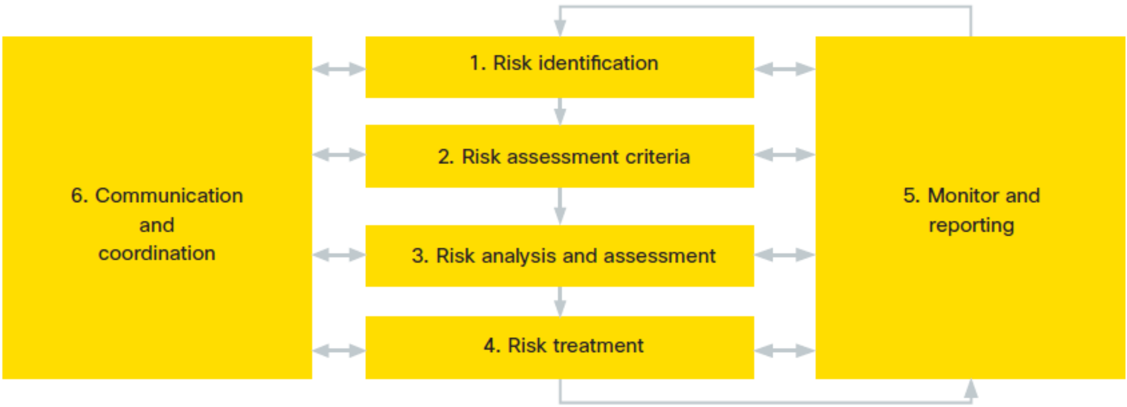
OUR RISK MANAGEMENT FRAMEWORK AND PROCESS

The company's risk management framework is established in accordance with the international standards of COSO ERM (Enterprise Risk Management - Integrated Frame work, the Committee of Sponsoring Organizations of the Treadway Commission) and ISO 31000: Risk Management. It is a guideline for management and employees to operate consistently. The risk management framework consists of six key steps as summarized in the figure below.



1. RISK IDENTIFICATION

Risk identification involves identifying inherent risks, which include existing and emerging risks and both internal and external factors that may affect the achievement of the company's objectives and goals.

The company classifies risks into five categories which are strategic, operations, financial, compliance and hazards.

2. RISK ASSESSMENT CRITERIA

Our risk assessment criteria is clearly set into likelihood level and impact level in order to measure the probability of an occurrence and its financial and non-financial impact when assessing and consolidating risks across the organization. The risk assessment criteria is consistently applied.

3. RISK ANALYSIS AND ASSESSMENT

The management considers the inherent risk level and existing mitigation controls to determine the residual risk level, based on the risk assessment criteria. The company conducts risk assessments at least quarterly, or when there are any significant changes in the internal and external business environment.

4. RISK TREATMENT
When the residual risk exceeds the risk appetite level, management will consider establishing risk owners to will be taken after management approves an objective to reduce the risk level to within the risk appetite level.

5. MONITORING AND REPORTING
Risk owners are responsible for monitoring the effectiveness of identified additional mitigation plans. The Group Risk Management Department monitors the progress of the overall implementation of mitigation plans, the status of key risk indicators of corporate risks and subsidiaries' risks and report the risk management results to the Board of Directors, the President, the Risk Management Committee, and the Group's Chief Finance Officer on a quarterly basis at a minimum.

Key Risk Indicators (KRIs)
For materiality risks, Key Risk Indicators, or KRIs, are set up and closely monitor the movement. KRIs provide an early signal of increasing risk exposures in various areas of the enterprise, and can be lagging and leading indicators. For example; the company uses a number of negative news stories related to labor practices as a KRI for one of non-tariff trade barrier risks.

6. COMMUNICATION AND COORDINATION
Key communication and coordination activities to enable employees to gain an understanding of risks and the importance of risk management, and to be aware of their responsibilities in risk management. Key activities are as follows:

- Management and the Risk Management Committee to discuss and communicate the status of risk profiles and risk management results to the Board of Directors at least once per quarter
- Risk Management Committee to communicate key corporate risks to the Audit Committee to gain an understanding and integrate such risks in the internal control system and audit planning at least once a quarter
- Management and risk owners to gather and submit information of risk profiles and mitigation controls to the Risk Management Department. The Risk Management Department to present to the Risk Management Committee at least once a quarter
- Management and Risk Management Department to communicate the awareness of risk management's importance to employees at least twice a year

Risk Appetite
Risk appetite is the level of risk that TU is willing to accept in pursuit of its objectives and goals. The risk appetite is determined by the management and approved by the Risk Management Committee, the President and the Board of Directors and is communicated to employees throughout the organization. It is a guideline in identifying and implementing the mitigation controls for the achievement of the organization's objectives.

Risk appetite is a contributing factor to be considered in setting strategies and determining the direction of risk management. TU risk appetite is set by considering impact and likelihood.

Impact includes quantitative impact which are net profit at group level or operating profit at subsidiary level in percentage or qualitative impact which is company reputation.

Likelihood include level of possibility that a risk event can occur.

In order to identify the additional mitigation plans, the company should compare the residual risk level with the risk appetite level. The figure below shows TU risk appetite level at a Medium-Low and Low level, or the level under the blue line while the excess of risk appetite level are Medium-High and High level, or the level above the blue line.