

Bora Group

Risk Management Policy and Procedures

Chapter I General Provisions

Article 1 **(Purpose)**
With the aim to establish a sound risk management system to ensure sound business operations toward sustainability, Bora Pharmaceuticals Co., Ltd and its affiliations (hereinafter referred to as the Group) formulated this policy and procedure with reference to international standards such as COSO ERM Framework, ISO 31000, ICH Q9 (Quality Risk Management), and the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies," serving as the foundation for the execution of risk management in each unit.

Article 2 **(Scope)**
This policy applies to the Group. Unless otherwise stipulated by laws or the Group's regulations and standards, all units and personnel involved in the implementation of operations related risk shall adhere to this procedure.

Article 3 **(Objective of enterprise risk management)**
The Group's objectives of enterprise risk management are to manage through a sound risk management structure various types of potential risks which may affect the Group's accomplishment of objectives. By incorporating risk management in operating activities and the day-to-day management routine, it is expected to achieve the following purposes:

1. Realization of enterprise objectives;
2. Enhancement of management efficiency;
3. Provision of reliable information;
4. Effective allocation of resources.

Article 4 (Principles of risk management)

The Group establishes the risk management system based on the following principles:

1. Integration: to include risk management as part of all activities.
2. Structure and comprehensiveness: to promote risk management in a structured and comprehensive manner to obtain consistent and comparative results.
3. Customization: to devise an appropriate risk management framework and process based on the environment, scale, business features, nature of risk, and operating activities of the enterprise.
4. Accommodation: taking into account the needs and expectations of stakeholders, to enhance and fulfill their understanding and expectations of enterprise risk management.
5. Development: to predict, monitor, understand, and respond to changes in the internal and external environment of the enterprise appropriately and promptly.
6. Effective information use: to rely on historical, current information and future trends as the foundation of risk management development and provide such information to stakeholders promptly and clearly for reference.
7. Personnel and culture: To enhance the importance of risk management to governance and management units, and through a comprehensive risk management training mechanism for personnel at all levels, enhance the overall risk awareness and culture of the enterprise, and regard risk management as an integral part of corporate governance and day-to-day operations.
8. Constant improvement: constantly improve risk management and related operating processes through learning and experience.

Article 5 (Establishment of risk management policy and procedures)

1. The Group, taking into consideration the overall scale, business features, risk nature, and operating activities of the Group, establishes applicable risk management policy and procedures covering the following: objectives of risk management;
2. risk governance and culture;
3. organization structure and duties of risk management;
4. risk management procedures;
5. risk reporting and disclosure.

The above risk management policy and procedures are subject to review at any time subject to changes in the internal and external environments of the Group to ensure the design and implementation of the system remain effective.

Article 6 (Review and enforcement of risk management policy and procedures)
The risk management policy and procedures established by the Group are subject to review by the Sustainability Committee and approval from the Board of Directors before implementation.
The policy and procedures shall be disclosed on the Group website or Market Observation Post System.

Article 7 (Definition)

1. Risk: Refers to events that may impact the achievement of the Group's objectives, along with their likelihood of occurrence and severity of impact.
2. Risk Appetite: Risk appetite refers to the amount of risk the Group is willing to accept in pursuit of its objectives. It encompasses the types and amounts of risk on a broad level, representing the extent to which risks are accepted in the pursuit of value.
3. Risk Management: The steps and processes implemented to effectively manage potential events and minimize their adverse effects.

Chapter 2 Risk Governance and Culture

Article 8 (Development of a sound risk governance and management structure)
Taking into consideration the scale, business features, risk nature, and operating activities of the Group, the Group develops a sound risk governance and management structure whereby risk management are linked to the Group's strategy and objectives through the participation of the Board of Directors, Sustainability Committee, and senior management. In this way, the Group's material risk items are identified, the results of risk identification become more comprehensive, perspective oriented, and complete, and corresponding risk control and measures are promoted and initiated in a top-down manner, to ensure reasonably accomplishment of the Group's strategic objectives.

Article 9 (Deepening of risk culture)
The Group promotes a top-down risk management culture whereby awareness of risk management is integrated in day-to-day decision making and a comprehensive corporate risk management culture is fostered through express risk management representations and undertakings of the Board of Directors, Sustainability Committee, and senior management, the establishment and support of a risk management unit, and the offer of professional training in risk management across the board.

Article 10	(Offer of sufficient resources and support) The Board of Directors and the Sustainability Committee of the Group value and support risk management, offer adequate resources to operate risk management effectively, and be responsible for its effective operations.
Article 11	(Integration and coordination) The Group integrates the duties of all its units to ensure joint promotion and enforcement by such units, in order to implement risk management of the whole business through communications, coordination, and contacts among the units.
Article 12	(Training) The Group will integrate risk awareness into day-to-day decision-making and operations through professional training related to risk management. This aims to enhance the risk awareness of all employees and to cultivate a comprehensive enterprise risk management culture.

Chapter 3 Organization Structure and Duties of Risk Management

Article 13	(Risk management organization structure) <ol style="list-style-type: none"> 1. Board of Directors: As the highest governance unit for risk management, the Board of Directors aims to comply with laws, promote, and implement the overall risk management of the Group. It clearly understands the risks faced by operations, ensures the effectiveness of risk management, and bears ultimate responsibility for risk management. The duties and roles of the Board of Directors are as follows: <ol style="list-style-type: none"> (1) approve the risk management policy, procedures, and structure; (2) ensure consistency between the direction of operational strategy and the risk management policy; (3) ensure appropriate risk management mechanism and risk management culture have been established; (4) oversee and ensure effective operation of the entire risk management mechanism; (5) allocate and designate adequate and appropriate resources for effective operations of risk management; 2. Sustainability Committee: A functional committee established under the Board of Directors, responsible for handling risk control-related issues and supervising the overall execution and coordination of operations. The duties and roles of the Sustainability Committee are as follows: <ol style="list-style-type: none"> (1) is accountable to the Board of Directors and shall submit all proposals to the Board of Directors for resolution;
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- (2) examine the risk management policy, procedures, and structure, and review their applicability and the effectiveness of their enforcement on a regular basis;
- (3) approve the risk appetite (risk tolerance) to facilitate allocation of resources;
- (4) ensure the risk management mechanism is able to address adequately risks faced by the Group and incorporate the mechanism in day-to-day operating procedures;
- (5) determine the priority order and risk level of risk control;
- (6) examine the enforcement of risk management, propose necessary recommendations for improvement;
- (7) assist the Board of Directors in the enforcement and supervision of risk management policy.

3. Risk Management Team: Led by the General Manager or a representative appointed by the General Manager, the Risk Management Team meets in regularly each year, responsible for planning, executing, and supervising risk management-related affairs. The duties and roles of the Risk Management Team are as follows:

- (1) devise the risk management policy, procedures, and structure;
- (2) analyze and identify sources and types of the group's risks and review the relevant applicability on a regular basis;
- (3) determine the risk appetite (risk tolerance) and develop qualitative and quantitative metrics;
- (4) compile and present the group's risk management enforcement report to the Sustainability Committee and the Board of Directors on a regular basis (at least once a year);
- (5) assist with and oversee the conduct of each department's risk management activities;
- (6) coordinate interdepartmental interaction and communication in regard to risk management;
- (7) enforce the risk management policy of the Sustainability Committee;
- (8) devise risk management related training programs to enhance overall risk awareness and culture.

4. Internal Audit Office: Responsible for internal audit, and regularly reporting audit execution results to the Sustainability Committee and Board of Directors. The duties and roles of the internal audit office are as follows:

- (1) formulate the annual audit plan and execute various audit operations based on risk evaluation results each year;
- (2) assist the Sustainability Committee and Board of Directors in supervising and controlling potential risks in policy execution, and audit the implementation status of the risk management mechanism or specific risk response measures to ensure

effective control of various risks if needed.

5. Management Units for Each Risk Category: The primary units that are responsible for each risk category, tasked with managing the various risks associated within the category, the duties and roles are as follows:
 - (1) responsible for effectively identifying, measuring, monitoring, and controlling all risks of the respective risk category, compiling the risk appetite (risk tolerance) and its qualitative and quantitative measurement standards reported by each business unit of the category, and reporting to the Risk Management Team to achieve the management objectives of each risk category;
 - (2) establish crisis management mechanisms for major incidents of each risk category;
 - (3) regularly or irregularly report risk management information to the Risk Management Team.
6. Operating Units: The heads of operating units are responsible for managing day-to-day risks. The duties and roles of each operating unit are as follows:
 - (1) responsible for identification, analysis, and evaluation of, and response to, risks of the unit to which it belongs, and create the relevant crisis management mechanism where necessary;
 - (2) present risk management information to the Risk Management Team on a regular basis;
 - (3) ensure effective enforcement of risk management and relevant control procedures of the unit to which it belongs, to ensure compliance with the risk management policy.

Chapter 4 Risk Management Procedure

Article 14 (Types of risks and aspects of management)

The Group's risk management covers all potential risks related to its operations, summarized into the potential risk types as follows: strategic risk, operational risk, financial risk, information risk, compliance risk, integrity risk, and other emerging risks (such as climate change, biodiversity, forests, water resources, or infectious diseases). The Group continuously strengthens risk identification, analysis, evaluation, response, monitoring, and reporting and disclosure mechanisms based on legal requirements and domestic and international risk management best practices to enhance overall risk management effectiveness and promote sound business operations toward sustainability.

Article 15 (Risk Management practical procedures)

The Group's risk management procedures include risk identification, risk analysis, risk evaluation, risk response, and mechanism of oversight and examination, coordinated and

executed by the Risk Management Team. If there are other provisions in the internal control system and quality management manuals, those provisions shall prevail. The execution of risk management procedures is explained as follows:

1. Risk identification

Each operating unit in the Group shall perform risk identification in respect of the short-, mid-, and long-term objectives and business functions of the unit to which it belongs, in accordance with the strategic objectives of the Group and the risk management policy and procedures approved by the Board of Directors.

For the performance of risk identification, it is advisable that practicable analytical tools and methods be employed, and the process should be performed based on previous experience and information and taking into account internal and external risk factors and stakeholders' primary concerns, to identify potential risk categories and scenarios.

Identified risk categories and scenarios should be reviewed for applicability and recorded annually.

2. Risk analysis

(1) The Risk Management Team develops appropriate quantitative or qualitative metrics based on the Group's risk features as the basis for risk analysis.

(2) The Risk Management Team sets a risk appetite (risk tolerance) and submits it to the Sustainability Committee for approval, in order to determine the risk limit acceptable to the Group. The Risk Management Team deliberates on the reconciliation of each risk value to the risk level and ways to respond to each level of risk based on the risk appetite as the basis for subsequent risk evaluation and risk response.

(3) Each operating unit of the Group analyzes the nature and features of identified risk categories and scenarios, analyzes their probability and degree of impact, and submits the risk analysis results to the Risk Management Team for risk evaluation operations.

3. Risk evaluation

The Risk Management Team compiles the risk analysis results submitted by each operating unit, calculates the risk value, whereby risk scenarios which shall be addressed on a priority basis are determined through a comparison of the results of risk analysis to the risk appetite (risk tolerance), and to serve as reference for subsequent formulation of response options.

4. Risk response

The Group's risk response strategy is determined after taking control measures into consideration, and each operating unit selects a risk response strategy and

formulates a risk response plan based on the evaluation results of risk level and control measures.

5. Risk oversight and examination

Regular meetings are held to review the effectiveness of the implementation of risk response plans and continuously supervise the effective operation of the risk management process.

In response to changes in the environment, policies, business, or legal requirements, each operating unit should regularly (at least once a year, and immediately review in case of significant changes) review risk categories and scenarios to monitor risk changes and review and improve risk countermeasures, control processes, or execution status to reasonably ensure the continuous effective operation of the risk management system.

Chapter 5 Risk Reporting and Disclosure

Article 16 (Risk Documentation)

The procedures and results of the Group's risk management, including risk identification, risk analysis, risk evaluation, risk response measures, relevant information sources, and results of risk evaluation, etc., shall be documented, examined, reported, and properly retained for reference through appropriate mechanisms.

Article 17 (Risk reporting)

The Group takes different stakeholders and their specific information needs and requirements, the frequency and time sensitivity of reporting, methods of reporting, and relevance of information to the objectives and decision-making of the organization into account in assisting senior management and the governance unit in making relevant risk decisions and performing their risk management duties.

The Risk Management Team of the Group shall consolidate the risk information provided by each operating unit, issue risk management related reports to the Sustainability Committee and Board of Directors on a regular basis, and develop a dynamic management and reporting mechanism, to oversee the effective enforcement of risk management.

Article 18 (Risk disclosure)

The Group discloses the following risk management related information on the Group website for external stakeholders' reference and continuously updates said information in accordance with regulatory requirements. Specific items to be disclosed include:

1. risk management policy and procedures;
2. organization structure of risk governance and management;

3. operation and enforcement of risk management, including frequencies and dates of reporting to the Board of Directors and the Sustainability Committee.

Chapter 6 Supplementary Provisions

Article 19 (Attention paid to domestic and foreign developments)

The Group pays attention at all times to developments in the risk management mechanisms of domestic and international enterprises based upon which to review and improve the risk management structure developed by the group, for enhancing the effect of corporate governance, ensuring the effective design and enforcement of the risk management system.

Article 20 (Implementation and revision)

This policy and procedure are implemented upon resolution by the Sustainability Committee and the Board of Directors, and the same applies to revisions or repeals.

Appendix (Organization Structure of Risk Management)

