

# InnoCare Optoelectronics Corporation

## Risk Management Policy and Procedures

### Article 1 (Purpose and basis)

In order to strengthen corporate governance, establish an effective risk management mechanism, and achieve stable operation and sustainable development based on the Regulations Governing the Establishment of Internal Control Systems by Public Companies.

### Article 2 (Scope)

The definitions of the types of risk scope identification are set forth in Article 5.

### Article 3 (Risk management policy)

The Company and its subsidiaries' risk management policies are based on the overall corporate operational guidance, and define the types of risks, establish early identification, accurate measurement, effective monitoring and strict control under the risk management mechanism; prevent possible loss not exceeding the tolerable risk, continuously adjust and improve the best practice of risk management according to internal and external environmental variations to protect the interests of the employees, shareholders, collaborative partners and customers; increase corporate value and meet the corporate principle of optimized resource allocation.

### Article 4 (Risk management organization and functions)

#### 1. Audit Committee and Board of Directors

The Company charges the Audit Committee with the evaluation of the effectiveness of the internal control systems, ensures the implementation of internal control system, ensures the implementation of internal control, supervises the control of existing or potential risks; the Board of Directors shall approve the overall risk management policy and major decisions.

#### 2. Internal Auditor Office

The Company's Internal Auditor Office reports directly to the Boards of Directors, inspects the Company's risk management, provides existing or potential risk issues regarding internal control to the management, and ensures compliance with the current rules and control procedures.

#### 3. Each risk management unit

Each risk management unit in the Company shall fully understand the risks associated with its functions and businesses, and include risk management mechanisms in their procedural management regulations.

#### 4. Each functional unit and subsidiary

Each functional unit and subsidiary shall identify the risks they face, comply with the rules and implement necessary procedures and risk management works, and ensure that the involved risks are controlled.

### Article 5 (Risk management procedures)

The Company's risk management procedures cover: Risk scope identification, risk measurement, risk monitoring, risk report and disclosure, risk response.

#### 1. Risk scope identification

Each risk management unit in the Company shall perform risk identification and evaluation (Appendix 1) in the economic (including corporate governance), environmental, social and other aspects according to the materiality principle.

#### 2. Risk measurement

Each functional unit in the Company shall, after potential risk factors are identified, establish appropriate measurement methods as the basis of risk management.

A. Risk measurement shall include risk analysis and evaluation, which is the analysis on the possibilities of risk event and, if it happens, the level of negative impacts, in order to evaluate the risks' influence on the Company for developing the priority of risk control and selection of response measures.

B. Quantifiable risks shall be analyzed and managed by the most rigorous statistical analysis approaches and techniques.

C. Other risks which cannot be easily quantified shall be measured by qualification. Risk qualification measurement expresses the possibilities of risk events and their impact through literal descriptions.

3. Risk monitoring

Each risk management unit shall monitor the risks associated with their business. Related departments shall propose the response measure, and report the risks and response measures to the Internal Auditor Office and the Board of Directors.

4. Risk report and disclosure

In order to fully document the risk management procedures and implementation results, each risk management unit shall periodically report the risk conditions to the Internal Auditor Office for management purposes.

5. Risk response

The Internal Auditor Office shall adopt appropriate response measures towards the identified risks after evaluating and coordinating the risks.

Article 6 (Risk management implementation)

1. Risk management levels

First line of duty

Each risk management unit is the risk owner of their business, and shall carry out their business according to the applicable internal control system and internal regulations; is the direct unit for initial discovery, evaluation and control of risks. The Company emphasizes that every person is responsible for risk control. Daily implementation and prevention contributes to effective risk management.

Second line of duty

The delegated supervisor of each risk management unit, or the designee of function/department risk management is responsible for the risk management of their business, and shall review the processes or operating manuals according to the actual operations; pay attention to the latest legislations (amendments) and administrative directives published by the competent authorities, and add (revise) related internal regulations as necessary.

Each risk management unit shall propose the response measures for the risks identified in the monitored business and provide the response measures to the Internal Auditor Office for reporting to the Board of Directors.

The Company shall hold a meeting to discuss the uncertain factors/risks which might threaten the business operations with all responsible and relevant units before execution, and consult with external experts as necessary to evaluate the risk and prepare preventive recommendations as early as possible.

Third line of duty

The Internal Auditor Office shall review the completeness of mechanisms managing major risks which might harm the operations, finances, strategy and compliance of the Company and the subsidiaries, and shall monitor the risks associated with each unit according to these procedures and related risk management policies.

2. Risk management implementation

Every management procedure shall be reviewed and controlled according to the Company's current rules, processes and relevant policies as well as the regulations of the competent authorities.

Internal Audit staff shall evaluate whether or not the risk management actions are effectively implemented to ensure the implementation and compliance with the systems.

Article 7 (Risk information disclosure)

In addition to the disclosures required by the competent authorities, information related to risk management will be disclosed in the annual reports and on the Company website.

Article 8 (Amendment to the risk management policy)

Each risk management unit shall review the Risk Management Policy every year, pay attention to the developments of international and domestic risk management systems, and improve this policy accordingly to increase the effectiveness of the Company's risk management implementation.

Article 9 This policy and any amendment thereof shall be implemented upon the approval of the Board of Directors.  
This policy was made on December 28, 2021.