

Primax Electronic Ltd.

Risk Management Policy and Procedures

Article 1 Purpose of enactment

To achieve the goal of sustainable corporate operations and align with key areas of customer concern and international trends, a comprehensive risk management system should be established to assess and control operational risks and potential impacts. This will strengthen corporate governance and promote sustainable business development.

Article 2 In accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" issued by the Financial Supervisory Commission and the relevant provisions of the "Risk Management Best Practice Principles for TWSE/TPEX Listed Companies" issued by the Taiwan Stock Exchange, Primax Electronic Ltd. (the Company) has formulated this policy and procedure to establish an effective risk management mechanism. The implementation guidelines are revised based on this policy and procedure.

Article 3 Scope of Application

This policy applies to entities within the Primax Group over which the Group has substantive control, specifically regarding their risk management operations for sustainable business practices. However, if such entities are publicly listed in other capital markets, they may adopt risk management policies in accordance with local legal requirements, provided that such policies are not less stringent than those outlined in this framework.

Article 4 Review and Implementation of Risk Management Policies and Procedures

The risk management policies and procedures established by the Company are reviewed by the Sustainability and Risk Management Committee and implemented upon approval by the Board of Directors. These policies and procedures are also disclosed on the Company's official website or the Market Observation Post System (MOPS).

Article 5 Objective of enterprise risk management

The objectives of enterprise risk management are to manage through a sound risk management structure various types of risks which may affect an enterprise's accomplishment of objectives and to incorporate risk management in operating activities and the day-to-day management routine for the following purposes:

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

Article 6 Risk Governance and Management Framework

Through the involvement of the Board of Directors, the Sustainability and Risk Management Committee, and senior management, the Company integrates risk management with its corporate strategies and objectives. This approach helps define key risk areas, enhances the comprehensiveness, foresight, and integrity of risk identification outcomes, and facilitates the dissemination and implementation of corresponding risk control and response measures throughout the organization. These efforts aim to reasonably ensure the achievement of the Company's strategic goals.

Article 7 Fostering a Risk-Aware Culture

The Company promotes a comprehensive enterprise risk management culture by issuing clear risk management statements and commitments, establishing and supporting relevant operational units, and providing professional training on risk management to all employees. These efforts integrate risk awareness into daily decision-making and operational activities across the organization.

Article 8 Risk Management Organizational Structure

The Board of Directors is the highest authority responsible for risk management within the Company. A Sustainability and Risk Management Committee, reporting to the Board, is established, and the Corporate Sustainability Office is designated as the unit responsible for promoting and executing risk management. The roles and responsibilities of each unit are outlined below:

1. Board of Directors: Approves risk management policies and procedures, ensures alignment between operational strategies and management policies, and oversees the effective operation of the overall risk management mechanism.
2. Sustainability and Risk Management Committee: Reviews risk management policies, procedures, and frameworks; approves risk appetite, prioritization of risk controls, and risk levels; evaluates the implementation of risk management; and reports regularly to the Board of Directors.
3. Corporate Sustainability Office: Develops risk management policies and procedures, plans the organizational structure, formulates risk appetite and establishes quantitative and qualitative measurement standards; convenes the Risk Assessment Team to identify and analyze risks and compiles execution reports; implements decisions made by the Sustainability and Risk Management Committee; coordinates risk management activities across departments; and designs training programs to enhance overall risk awareness and culture.
4. Risk Assessment Team: Composed of senior managers from each operational unit, serving as risk management members to ensure proper implementation of the risk management system; assigns personnel as risk management executors and collaborates with relevant staff to carry out risk management procedures.
5. Internal Audit: Functions as an independent audit unit, conducting audits on the effectiveness of risk management activities, providing improvement recommendations, and reporting to the Board of Directors.
6. Operational Execution Teams: Responsible for identifying, analyzing, assessing, and responding to risks within their respective units; regularly report risk management information to the Corporate Sustainability Office; and ensure effective implementation of risk management and related control procedures in accordance with the risk management policy.

Article 9 Risk Management Procedures

The Company's risk management process consists of five key components: risk identification, risk analysis, risk assessment, risk response and monitoring, and risk reporting and disclosure. The following outlines the practical procedures and methods for implementing each component.

1. Risk Identification

- 1) The Corporate Sustainability Office convenes the Risk Assessment Team to conduct comprehensive risk identification on a regular basis and reports the findings to the Sustainability and Risk Management Committee.
- 2) Sources of corporate risk include, but are not limited to, sustainable operations risk, climate change risk, and other emerging risks. These are analyzed and extended

across short-, medium-, and long-term goals and operational processes.

- 3) The Company utilizes various analytical tools based on past experience and available information, considering both internal and external risk factors as well as stakeholder concerns. Through bottom-up and top-down discussions, strategic and operational risks are integrated to identify potential risk events that may hinder the achievement of corporate objectives or cause financial loss or reputational damage.

2. Risk Analysis

- 1) The Risk Assessment Team analyzes identified risk events by evaluating the completeness of existing control measures, past experiences, and industry cases. This analysis includes estimating the likelihood and impact of each risk event to calculate a risk value.
- 2) The Corporate Sustainability Office assesses the nature of the Company's risks and formulates appropriate quantitative or qualitative measurement standards to serve as the basis for risk analysis.

3. Risk Appetite

- 1) The Corporate Sustainability Office drafts the Company's risk appetite and submits it to the Sustainability and Risk Management Committee for approval, thereby determining the acceptable risk threshold.
- 2) Based on the approved risk appetite, corresponding risk levels are defined for each risk value, along with appropriate response strategies for each level. These serve as references for subsequent risk assessment and response planning.

4. Risk Assessment

The Operational Execution Teams shall plan and implement subsequent risk response measures based on the results of risk analysis and in alignment with the risk appetite approved by the Sustainability and Risk Management Committee. All risk analysis and assessment outcomes must be properly documented and submitted to the Committee for approval.

5. Risk Response and Monitoring

The Operational Execution Teams shall determine appropriate risk response strategies by considering the Company's strategic objectives, internal and external stakeholder perspectives, risk appetite, and available resources. The selected response plans should strike a balance between goal achievement and cost-effectiveness. Corresponding action plans must be developed to ensure that relevant personnel fully understand and execute them. The implementation of these plans should be continuously monitored, with timely updates reported to the Corporate Sustainability Office.

6. Risk Reporting and Disclosure

- 1) The execution process and outcomes of risk management must be recorded, reviewed, and reported through appropriate mechanisms, with proper documentation retained for future reference. This includes records of risk identification, analysis, assessment, response measures, information sources, and evaluation results.
- 2) The Corporate Sustainability Office shall consolidate risk-related information provided by various units and regularly prepare risk management reports for the Sustainability and Risk Management Committee and the Board of Directors. A dynamic management and reporting mechanism shall be established to ensure effective oversight of risk management implementation.
- 3) The Company shall disclose relevant risk management information on its official website or the Market Observation Post System (MOPS) for reference by external stakeholders, with ongoing updates provided.

Article 10 Implementation and Revision

This policy and procedures, shall take effect after adoption by a resolution of the board of directors. Subsequent amendments thereto shall be effected in the same manner.

This policy and procedures was established on August 8, 2024.