

# **Pili International Multimedia Co., Ltd.**

## **Risk Management Policy and Procedures**

### **Article 1: Purpose**

To strengthen the Company's governance and establish a sound risk management process that reasonably ensures the achievement of corporate objectives, this policy and procedure is hereby formulated.

### **Article 2: Risk Management Policy**

The Company and its subsidiaries shall identify potential risk items that may affect the Company based on overall business strategies. Risks arising from various business activities shall be controlled within acceptable limits to achieve a balanced relationship between risk and return.

### **Article 3: Risk Management Organization and Responsibilities**

1. **Board of Directors:** As the highest authority in the Company's risk management, the Board shall comply with laws and regulations, clearly understand the risks faced in operations, promote and implement comprehensive risk management, ensure its effectiveness, and bear ultimate responsibility for risk management.
2. **Corporate Governance and Nomination Committee:** Responsible for reviewing and supervising the formulation and execution of risk management policies.
3. **Senior Management:** Understand the risks faced by their respective business areas, execute risk management decisions, and coordinate cross-departmental risk management operations and communication.
4. **Audit Office:** Reporting directly to the Board of Directors, the Audit Office shall conduct audits based on risk assessments and provide timely information to management regarding existing or potential internal control risks, ensuring compliance with established regulations and control procedures.
5. **Departments and Subsidiaries:** Each department and subsidiary shall identify the risks associated with their business activities, formulate necessary measures, and implement them to ensure risks are controlled within acceptable limits.

### **Article 4: Scope of Risk Management**

Based on its business scope, the Company conducts risk identification and assessment across various dimensions, including operations, finance, information security, ESG (Environmental, Social, and Governance), and legal aspects. The identified risk items include:

1. **Operational Risk Assessment:**  
Covers market structure and demand, industry development and competition, talent recruitment, product and raw material pricing, production development, and product R&D. These are managed through regular management meetings to monitor the achievement of annual goals and strategies.
2. **Financial Risk Assessment:**  
Includes inflation, financing, investment, liquidity management, dividend distribution, exchange rate, interest rate hedging, leasing, and major capital expenditures.
  - Monitor interest and exchange rate market changes, manage short- and long-term borrowings, and use market tools to lock in costs.
  - Assess funding needs based on annual budgets and evaluate financing methods and tools to reduce capital costs.
  - Maintain good banking relationships to secure optimal financing and deposit rates.

- Major capital expenditures must be reviewed by the Audit Committee and approved by the Board of Directors.
3. **Information Security Assessment:**  
Establish mechanisms for managing information security risks related to business and transaction data usage. Risks are identified, assessed, and controlled to acceptable levels to ensure business continuity.
4. **ESG Risk Assessment:**
- **Environment:**  
Includes environmental protection, safety, and energy conservation/carbon reduction. Risks are assessed based on the Company's industry characteristics and business activities, with relevant management regulations and policies implemented. The administration unit oversees daily operations to ensure environmental goals are met.
  - **Social:**
    - *Occupational Safety:*  
Work rules and human rights policies are established based on industry characteristics. In addition to mandatory labor and health insurance, group accident insurance is provided. Regular health checks (every two years), workplace disinfection, and fire drills are conducted. Employees also receive external safety training, which is reinforced internally.
    - *Product Safety:*  
All products and services comply with government regulations. Quality inspections and service progress management ensure stable delivery and quality. Customer service is supported by a hotline and online communication system.
    - *Social Care and Cultural Preservation:*  
To fulfill corporate social responsibility, the Company's dedicated unit plans and promotes cultural preservation activities annually, supporting or sponsoring social welfare organizations and disadvantaged groups.
  - **Governance:**  
Integrity management and legal compliance risks are addressed through the establishment of governance structures, internal control systems, and management procedures to ensure all employees comply with relevant laws and regulations.
5. **Legal Risk Assessment:**  
Legal risks may arise from non-compliance with regulations, invalid contracts, unauthorized actions, incomplete provisions, or missing clauses, potentially leading to financial, operational, or reputational losses.  
The Legal Department is responsible for managing legal risks, providing consultation and handling disputes, investments, mergers and acquisitions, and intellectual property matters. External legal counsel may be consulted when necessary.  
The Company uses a contract management system to monitor contract execution, proactively mitigating legal risks and ensuring lawful business conduct.

## **Article 5: Execution of Risk Management**

### **1. Risk Assessment, Analysis, and Control:**

The Company conducts monthly management meetings to review operational and financial controls. Each department and subsidiary performs annual self-assessments to evaluate the likelihood of risk events occurring within their scope of responsibility and the potential impact on the Company. Risk analysis must consider whether existing internal controls can prevent such events. Based on the analysis, risk levels (high, medium, low) are determined, and necessary information or measures are proposed to guide risk assessment and response.

### **2. Handling Uncertainties:**

For uncertainties that may threaten business operations, the Company shall convene responsible and relevant units for discussion prior to execution. External consultants may be consulted as needed to assess risks and propose countermeasures.

### **3. Audit Oversight:**

The audit unit shall supervise all departments to ensure compliance with approval authorities, management policies, and procedures, thereby reinforcing risk awareness and execution across the organization.

## **Article 6: Establishing Risk Awareness**

To strengthen understanding of the Company's risk management policies, processes, and risk identification, cross-departmental management meetings, onboarding training, internal employee training sessions, and internal announcements are regularly held to promote awareness and execution of the Company's risk management policies and requirements.

## **Article 7: Information Disclosure**

In addition to disclosures required by regulatory authorities, the Company shall disclose risk management-related information on its official website and in its annual report.

## **Article 8: Implementation and Amendments**

This procedure shall be implemented upon approval by the Board of Directors, and any amendments shall follow the same procedure.

- This procedure was promulgated and implemented on **August 10, 2021**
- It was revised and promulgated on **February 23, 2023**