

PharmaEngine, Inc.

Risk Management Best-Practice Principles

1 Objective:

In order to establish a sound risk management system and steadily operate its business towards the goal of corporate sustainability, the Company's Risk Management Best-Practice Principles has been formulated with reference to the relevant provisions of the "Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies".

2 Scope:

Applicable to the risk management operations of PharmaEngine Inc. (hereinafter referred to as the Company).

3 Objective of risk management

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

- 3.1 realization of enterprise objectives;
- 3.2 enhancement of management efficiency;
- 3.3 provision of reliable information;
- 3.4 effective allocation of resources.

4 Risk management principles

It is advisable for the Company to follow the principles below in its establishment of a risk management system:

- 4.1 Integration: to include risk management as a part of all activities.
- 4.2 Structure and comprehensiveness: to promote risk management in a structured and comprehensive manner to obtain consistent and comparative results.
- 4.3 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.
- 4.4 Accommodation: taking into account the needs and expectations of stakeholders, to enhance and fulfill their understanding of and expectations for enterprise risk management.
- 4.5 Development: to project, monitor, familiarize itself with, and respond to changes in the internal and external environment of the enterprise appropriately and promptly.
- 4.6 Effective information use: to rely on historical and current information as well as future trends in its risk management development and provide such information to

stakeholders promptly and clearly for reference.

- 4.7 Personnel and culture: to increase the level of importance attached by the governance and management units to risk management, increase the overall risk awareness and culture of the enterprise through a sound risk management training mechanism across the board, and treat risk management as part of corporate governance and day-to-day operations.
- 4.8 Constant improvement: improve risk management and related operating procedures constantly through learning and experience.

5 Review and enforcement of risk management policy and procedures

The risk management policy and procedures established by a company are subject to review by the risk governance unit (audit committee) appointed by the Company and approval from the board of directors before implementation. The policy and procedures shall be disclosed on the company website or Market Observation Post System.

6 Risk Governance and Culture

6.1 Development of a sound risk governance and management structure

The Company adheres to the philosophy of sustainable management, establishes, implements and maintains its proactive risk management mechanism through the participation of the board of directors, the risk governance unit (Audit Committee) and senior management, continuously grasps internal and external issues and environmental changes, implements operational impact analysis, and has the ability to effectively and flexibly respond to related challenges, regular self-review and continuous improvement of company resilience to achieve the commitment of continuous operations for securing the best interest of customers and stakeholders. At the same time, the Company continuously optimizes mechanisms such as education and training, performance management, risk assessment, early warning notification, and public disclosure to effectively grasp operation-related risks and establish a risk control culture.

6.2 Deepening of risk governance culture

It is advisable for the Company to promote 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 governance unit and senior management, the establishment and support of a risk management unit, and the offer of professional training in risk management across the board.

6.3 Offer of sufficient resources and support

The risk governance and management units of the Company shall value and support risk management, offer adequate resources to operate risk management effectively, and be responsible for its effective operations.

6.4 Integration and coordination

The Company promoting risk management shall integrate 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.

7 Organization Structure and Duties of Risk Management

7.1 Risk management organization structure

The Company regards the board of directors as the highest risk governance unit, and in order to improve and strengthen the risk management function, taking into account the company's scale, business characteristics, risk nature and operational activities, the Company's risk governance unit is the audit committee, which supervises the risk management-related operation mechanism and assigns an appropriate risk management promotion and enforcement unit (risk governance and evaluation team). The risk governance unit is accountable to the board of directors and shall submit all proposals to the board of directors for resolution.

7.2 Establishment of a risk management promotion and enforcement unit

The Company designate business planning department as an appropriate risk management promotion and enforcement unit to be in charge of planning, enforcing, and overseeing risk management related affairs.

7.3 The duties and role of the board of directors are as below:

- 7.3.1 approve the risk management policy, procedures, and structure;
- 7.3.2 ensure consistency between the direction of operational strategy and the risk management policy;
- 7.3.3 ensure an appropriate risk management mechanism and risk management culture have been established;
- 7.3.4 oversee and ensure effective operation of the entire risk management mechanism;
- 7.3.5 allocate and designate adequate and appropriate resources for effective operations of risk management.

7.4 The duties and role of the risk governance unit are as below:

- 7.4.1 examine the risk management policy, procedures, and structure, and review their applicability and the effectiveness of their enforcement on a regular basis;
- 7.4.2 approve the risk appetite (risk tolerance) to facilitate allocation of resources;
- 7.4.3 ensure the risk management mechanism is able to adequately address risks faced by the Company and incorporate the mechanism in day-to-day operating procedures;
- 7.4.4 determine the priority order and risk level of risk control;
- 7.4.5 examine the enforcement of risk management, propose necessary

- recommendations for improvement, and report to the board of directors on a regular basis (at least once a year);
- 7.4.6 enforce the risk management policy of the board of directors.
- 7.5 The duties and role of the risk management promotion and enforcement unit are as below:
 - 7.5.1 devise the risk management policy, procedures, and structure;
 - 7.5.2 determine the risk appetite (risk tolerance) and develop qualitative and quantitative metrics;
 - 7.5.3 analyze and identify sources and types of company risks and review the relevant applicability on a regular basis;
 - 7.5.4 compile and present a company risk management enforcement report on a regular basis (at least once a year);
 - 7.5.5 assist with and oversee the conduct of each department's risk management activities;
 - 7.5.6 coordinate interdepartmental interaction and communication in regard to risk management;
 - 7.5.7 enforce the risk management policy of the risk management committee;
 - 7.5.8 devise risk management related training programs to enhance overall risk awareness and culture.
- 7.6 The duties and role of an operating unit are as below:
 - 7.6.1 responsible for identification, analysis, and assessment of, and response to, risks of the unit to which it belongs, and create the relevant crisis management mechanism where necessary;
 - 7.6.2 present risk management information to the risk management promotion and enforcement unit on a regular basis;
 - 7.6.3 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.

8 Risk Management Procedures

- 8.1 The risk management policy of the Company shall include risk management procedures, which shall consist of five main elements at the minimum: (1) risk identification, (2) risk analysis, (3) risk evaluation, (4) risk response, and (5) mechanism of oversight and examination. Said procedures shall also state expressly the procedures and methods of actual enforcement of these elements in 8.3 to 8.7.
- 8.2 Analysis and identification of sources and types of company risks
 - 8.2.1 It is advisable for the risk management promotion and enforcement unit to devise and undertake a comprehensive focused risk analysis based on the scale, industry, business features, and operating activities of the Company and taking corporate sustainability (including climate change) into account,

to analyze and identify the sources and types of risks applicable to the Company, define the types of risks of the Company, identify in detail the relevant risk scenarios of each type of risk, and review the relevant applicability on a regular basis.

- 8.2.2 The sources and types of risks in the Company's operations can be mainly summarized as "New Drug Development", "Climate Change/Accidents and Disasters and Political Society", "Legal Compliance", "Business", "Information Security", "Corporate Governance", "Finance/Taxation", "Personnel", "Business Operations" and "Others".

8.3 Risk identification

- 8.3.1 Each operating unit 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 Company and the risk management policy and procedures approved by the board of directors.
- 8.3.2 For the performance of risk identification, it is advisable that practicable analytical tools and methods be employed, and that to perform based on previous experience and information and taking into account internal and external risk factors and stakeholders' primary concerns, to conduct analyses and discussions in a "bottom-up" and "top-down" approach, and integrate strategic risks and operational risk, in order to identify all potential risk events which may prevent the accomplishment of company objectives, occasion losses to the Company, or cause a negative impact on the Company.

8.4 Risk analysis

- 8.4.1 Risk analysis is mainly to ascertain the nature and features of a risk event which has been identified and to analyze the probability and degree of impact of such event to calculate the risk value.
- 8.4.2 Each operating unit shall analyze the probability and degree of impact of any risk event which has been identified, taking into account the comprehensiveness of current relevant control measures, previous experience, and cases in the industry etc., in order to calculate the risk value.
- 8.4.3 Metrics of risk analysis
- The risk management promotion and enforcement unit formulates appropriate quantitative or qualitative measurement standards based on the Company's risk features, and evaluates the impact of risks on the Company based on factors such as the probability and severity of risk events, which serves as a reference for subsequent risk control priorities and response measures.
- 8.4.3.1 Quantitative metrics express the probability of occurrence and degree of impact of a risk event through specific measurable numbers (such as days, percentages, amounts, people, etc). For

quantifiable risks, statistical analysis methods and techniques should be used for data management.

- 8.4.3.2 Qualitative metrics express the probability of occurrence and degree of impact of a risk event through textual description. For other risks that are difficult to quantify, the probability and severity of the risk are analyzed in a qualitative manner (e.g., textual description).

8.4.4 Risk tolerance

It is advisable for the risk management promotion and enforcement unit to set a risk appetite (risk tolerance) and submit it to the risk governance unit for approval in order to determine the risk limit acceptable to the Company. It is also advisable that said unit deliberate 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.

8.5 Risk evaluation

The purposes of risk evaluation are to provide an enterprise with a basis for decision making, whereby risk events which shall be addressed on a priority basis are determined through a comparison of the results of risk analysis to the risk appetite, and to serve as reference for subsequent formulation of response options.

An operating unit shall devise and enforce risk response proposals by the level of risk based on the results of risk analysis vis-a-vis the risk appetite approved by the risk governance unit. Results of risk analyses and assessments shall be documented accurately and reported to the risk governance unit for approval.

8.6 Risk response

Risk response plans shall be devised, their full understanding and enforcement by relevant personnel ensured, and their enforcement overseen on an ongoing basis. For the risk which needs to be improved first, an operating unit of the Company shall take into account its strategic objectives, the perspectives of its internal and external stakeholders, its risk appetite, and the resources available in selecting the risk response strategy and method and propose specific action plan to adopt to make such risk response proposal strike a balance between the accomplishment of the goal and the cost-effectiveness.

8.7 Risk oversight and examination

A risk oversight and examination mechanism shall be expressly defined in the risk management procedures to ascertain whether risk management processes and relevant risk measures continue to operate effectively and incorporate the results of examination in performance reviews and reports. Risk management shall be lined up with critical processes of the organization to oversee and enhance the benefits of implementation of risk management effectively.

The Company's risk management units shall pay attention to changes in the

environment and the occurrence of new risks at any time, supervise and identify various risks, and timely review and report on the effectiveness of risk countermeasures and the correctness of handling procedures to ensure that all risks are within control.

9 Risk Reporting and Disclosure

9.1 Risk documentation

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

9.2 Risk reporting

Risk reporting is an integral part of corporate governance. It is advisable that 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 be taken into account in assisting senior management and the governance unit in making relevant risk decisions and performing their risk management duties.

The risk management promotion and enforcement unit shall consolidate the risk information provided by various units, issue risk management related reports to the audit 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.

9.3 Risk disclosure

9.3.1 The Company shall disclose the following risk management related information on the company website or Market Observation Post System for external stakeholders' reference and shall update said information on an ongoing basis.

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 committee

9.3.2 In order to implement corporate governance and strengthen information transparency, so that stakeholders can understand the Company's overall risk management information, the risk management promotion and enforcement unit shall compile the risk information provided by each risk authority and responsibility unit, report the risk management operation status to the audit committee and the board of directors at least once a year, and disclose it on the company's website or Market Observation Post System.

10 Supplementary Provisions

10.1 Attention paid to domestic and foreign developments

The Company shall pay 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 Company, for enhancing the effect of corporate governance.

10.2 The Risk Management Best-Practice Principles are implemented after the board of directors grants the approval. The same procedure shall be followed when the Principles are amended.

This Principle was formulated on July 29, 2025, and approved by the Board of Directors.