

St.Shine Optical Co., Ltd.
Risk Management Policy and Procedures

Article 1 Scope of Application

This Risk Management Policy and Procedures apply to the company and its subsidiaries.

Article 2 Purpose

To ensure the sustainable development of the company and its subsidiaries, to control risks that should be considered in operational processes, and to implement corporate governance in order to safeguard shareholders' rights, protect the interests of stakeholders, and achieve the company's business strategies and objectives, this policy and procedures are established.

Article 3 Basis

The company formulates this policy and procedures in accordance with the provisions of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the "Risk Management Best Practice Principles for TWSE/TPEX Listed Companies". This is to establish an effective risk management mechanism for assessing and supervising risk tolerance, the current risk exposure, determining risk response strategies, and assessing compliance with risk management procedures.

Article 4 Risk Management Objectives

The objectives of the company's risk management aim to manage various risks that may affect the achievement of corporate objectives through a comprehensive risk management framework. Integrating risk management into operational activities and daily management processes is designed to achieve the following:

1. Achieve corporate objectives.
2. Enhance managerial efficiency.
3. Provide reliable information.
4. Efficiently allocate resources.

Article 5 Scope of Risk Management

The scope of the company's risk management primarily encompasses strategic risks, operational risks, financial risks, information risks, and compliance risks related to the company's operations.

Article 6 Risk Management Organizational Structure and Responsibilities

1. Board of directors: The top governance unit in the risk management of the company, the responsibilities and roles are as follows:
 - (1) Validate risk management policies, procedures, and frameworks.
 - (2) Ensure alignment between operational strategies and risk management policies.
 - (3) Ensure the establishment of appropriate risk management mechanisms and a risk management culture.
 - (4) Oversee and ensure the effective operation of the overall risk management mechanisms.
 - (5) Allocate and guide sufficient and appropriate resources for the effective functioning of risk management.
2. Audit Committee: Responsibilities and roles in supervising risk management operational mechanisms are as follows:
 - (1) Review risk management policies, procedures, and frameworks, and regularly assess their applicability and effectiveness in execution.
 - (2) Determine risk tolerance levels and guide resource allocation.
 - (3) Ensure that the risk management mechanisms adequately address the risks faced by the company and integrate them into the daily operational processes.
 - (4) Determine the priority order and risk levels for risk control.
 - (5) Review the implementation of risk management, propose necessary improvement suggestions, and report annually to the board of directors.
 - (6) Execute risk management decisions of the board of directors.
3. Risk Management Team: The CEO serves as the convener, with the highest executives from each department as risk management members. Their responsibilities and roles are as follows:
 - (1) Formulate risk management policies, procedures, and frameworks.
 - (2) Develop risk tolerance levels and establish qualitative and quantitative measurement standards.
 - (3) Analyze and identify sources and categories of company risks, regularly reviewing their applicability.
 - (4) Compile an annual report summarizing and submit it regarding the company's risk management execution.

- (5) Assist and oversee the implementation of risk management activities in various departments.
 - (6) Coordinate inter-departmental interaction and communication for the operation of risk management.
 - (7) Execute risk management decisions made by the Audit Committee.
 - (8) Plan risk management-related training to enhance overall risk awareness and culture.
4. Operating Units: Responsibilities and roles are as follows:
- (1) Responsible for identifying, analyzing, assessing, and responding to risks within their respective units, establishing relevant crisis management mechanisms when necessary.
 - (2) Regularly report risk management information to the Risk Management Team.
 - (3) Ensure the effective implementation of risk management and related control procedures within their units to comply with risk management policies.
5. Audit Room: As an independent unit reporting to the board of directors, it formulates an annual audit plan based on this policy, procedures, and risk assessments. It reports to the board of directors regarding the execution status of risk management and audit results.

Article 7 Risk Management Procedures

The company's risk management process includes risk identification, risk analysis, risk assessment, risk response and supervision and review mechanisms.

1. Risk Identification

The Risk Management Team identifies strategic risks, operational risks, financial risks, information risks, and compliance risks related to operations based on significance, corporate strategic objectives, and the risk management policies and procedures approved by the board of directors. A comprehensive enterprise and operational-level risk identification is conducted at least once a year, with reporting to the Audit Committee. Risk identification utilizes risk management tools, past experiences, information, internal and external risk factors, stakeholder concerns, and employs both "bottom-up" and "top-down" analyses to comprehensively identify potential risk events that could hinder the company's objectives or result in losses or adverse impacts.

2. Risk Analysis

Each operational unit analyzes identified risk events considering the completeness of existing control measures, past experiences, industry cases, etc., assessing the likelihood and impact of risk events and calculating risk values. Risk tolerances are established, and corresponding risk levels are determined based on the risk values.

3. Risk Assessment

Operational units plan and implement subsequent risk response plans according to risk analysis results aligned with risk tolerances and risk levels.

4. Risk Response

Considering corporate strategic objectives, internal and external stakeholder perspectives, risk tolerances, and available resources, the company selects risk response methods that strike a balance between achieving goals and cost-effectiveness.

5. Supervision and Review Mechanisms

Thoroughly review whether the risk management process and related risk measures continue to operate effectively, incorporating these review results into performance assessments and reports.

Article 8 Risk Report and Disclosure

The Risk Management Team shall consolidate risk information provided by various units, producing annual risk management-related reports to the audit committee and the board of directors. Establishing a dynamic management and reporting mechanism ensures effective supervision of risk management execution.

The company shall disclose the following risk management-related information on its website or through Market Observation Post System for reference by external stakeholders, continually updating the disclosed items:

1. Risk management policies and procedures.
2. Risk governance and management organizational structure.
3. Risk management operations and execution status.

Article 9 This policy and procedures, and any amendments hereto, shall come into in force after adoption by a resolution of the board of directors.

Enacted Date: November 1, 2023.