

Elite Material Co., Ltd.

## Implementation Status of the “Risk Management Policy and Procedures”

### Risk Management Policy and Procedures

On October 30, 2024, the Company’s 12th Board of Directors at its 16th meeting resolved to approve the Risk Management Policy and Procedures, which serve as the highest guiding principles for the Company’s risk management framework.

Each year, units designated by the President assist in identifying risk factors to recognize risks that may affect the Company’s sustainable development. Relevant risks are screened and included within the scope of risk management. Based on operational needs, potential risks are monitored and preventive measures are implemented to strengthen risk management. For each identified risk, the Company formulates appropriate risk management strategies covering management objectives, organizational structure, allocation of authority and responsibilities, and risk management procedures, and ensures their effective implementation so that risks arising from business activities are controlled within acceptable levels.

### Scope of Risk Management

The Company adopts a proactive and cost-effective approach to integrate and manage various risks that may impact operations and profitability, including financial risks, strategic and operational risks, information security risks, and environmental and energy risks. Through effective risk management, the Company aims to provide appropriate risk management mechanisms for all stakeholders.

The Company’s risk management scope includes financial risks, strategic and operational risks, information security risks, and environmental and energy risks.

### Risk Management Structure and Responsibilities

#### Board of Directors

The Board of Directors is the highest decision-making body for risk management. The Audit Committee, in accordance with its charter, supervises the operation of risk policies and risk management mechanisms to ensure the effectiveness of risk management.

#### Management Units at All Levels

Responsible for risk management matters, including the formulation of risk management policies, frameworks, and mechanisms, as well as the establishment of qualitative and quantitative management standards.

#### Units Designated by the President

Responsible for assisting in the periodic review of risk control conditions, examining risk management-related issues, monitoring and coordinating the overall implementation of risk management across operations, and reporting risk management matters to the Board of Directors at least once a year.

#### Business Divisions / Centers / Group Units

Risk assessments are conducted on a regular annual basis. Business divisions, centers, and group units are required to complete risk self-assessment forms. After consolidation by relevant units, the results are reported to the President on an annual basis.

#### Operational Status

The Company actively promotes and implements its risk management mechanisms. The implementation status in 2025 (ROC Year 114) is summarized as follows:

Risk Type	Dimension	Risk Description	Operational Status in 2025
Financial Risk	G (Governance)	Risks affecting financial objectives arising from factors such as domestic and international interest rate fluctuations, foreign exchange rate volatility, and credit risk	<p>1. Interest Rate Risk: The impact of interest rate fluctuations is mainly reflected in interest income from bank deposits and interest expenses on bank borrowings. For short-term borrowings, the Company maintains a utilization rate of no more than 50% of approved credit lines and appropriately increases borrowing limits to enhance short-term funding flexibility. For long-term borrowings, to meet capital requirements for capacity expansion, the Company arranges project-specific loans to secure stable long-term interest rates, reduce overall borrowing costs, and effectively mitigate risks arising from interest rate fluctuations.</p> <p>2. Foreign Exchange Risk:</p>

Risk Type	Dimension	Risk Description	Operational Status in 2025
			<p>In response to heightened volatility in international foreign exchange markets and increasing uncertainty factors, the Company adopts strategic management measures by conducting hedging operations based on net exposure positions. This approach achieves natural hedging effects and effectively reduces the impact of exchange rate fluctuations.</p> <p>3. Accounts Receivable Risk:</p> <p>The Company regularly reviews customers' operating conditions and analyzes their financial statements. If issues are identified, shipments may be suspended or credit terms reduced. For domestic and export customers, credit limits are determined based on risk ratings, and appropriate credit insurance coverage is arranged according to risk levels.</p>
Strategic and Operational Risk	E (Environmental) S (Social) G (Governance)	Risks arising from business strategies, domestic and international market competition, industry collaboration, suppliers, employees, and changes in policies and regulations.	<p>1. For material issues, operating performance is monitored through regular management meetings to ensure achievement of business objectives.</p> <p>2. Operating units report strategic matters to directors on an ad hoc basis. Through directors' advice and supervision, strategic risks are mitigated.</p> <p>3. Annual strategy meetings are held to formulate long- and short-term operating strategies, including full-capacity production and sales, optimization of customer and product portfolios, continuous collection of market intelligence and customer feedback, and planning of new product development to enhance profitability</p>

Risk Type	Dimension	Risk Description	Operational Status in 2025
			<p>and support sustainable development strategies.</p> <p>4. Alternative sources of imported raw materials are developed to reduce reliance on existing suppliers.</p> <p>5. Labor Cost Increase and Accumulation Risk: Labor cost management considers statutory minimum wage adjustments, industry conditions, and market environments, while maintaining a balance with talent retention mechanisms to ensure competitiveness in attracting and retaining talent. The Human Resources Department regularly reviews the impact of labor costs on operations and adjusts relevant policies and systems as needed, resulting in effective risk control.</p> <p>6. Environmental, safety, and health (ESH) management regulations, hazard identification and risk assessment procedures, training procedures, standard.</p>
Information Security Risk	G (Governance)	Risks threatening the confidentiality, integrity, or availability of the Company's information assets due to natural, human, or technological factors.	<p>1. Since 2024 (ROC Year 113), the Company has engaged internationally recognized certification bodies to conduct annual ISO 27001 certification audits. In addition, the internal audit department conducts at least one information security audit each year.</p> <p>2. Server systems are subject to vulnerability scanning conducted by professional information security consulting firms to identify and remediate potential risks, thereby strengthening defenses against cyberattacks.</p> <p>3. Regular education and training sessions are held to promote awareness of</p>

Risk Type	Dimension	Risk Description	Operational Status in 2025
			emerging information security issues. Social engineering drills are conducted annually to enhance employees' information security awareness and safeguard data security.
Environmental, Energy, and Climate Change Risk	E (Environmental)  G (Governance)	<p>Risks arising from global climate change, geographical resources, and government energy-related and fiscal policies.</p> <p>Climate-related risks and opportunities are analyzed with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework.</p>	<p>1. Environmental Impact from Carbon Emissions during Operations:</p> <p>(1) Through greenhouse gas inventories and product carbon footprint assessments, the Company analyzes potential climate change risks, identifies opportunities and response measures, and discloses corresponding mitigation approaches.</p> <p>(2) The Group holds regular technical exchange meetings among plant sites to promote best practices in energy conservation and carbon reduction, occupational safety and environmental protection, and preventive equipment maintenance.</p> <p>(3) The Company continuously monitors changes in energy and carbon management regulations and actively participates in public hearings and consultations on new or amended regulations.</p> <p>2.Environmental Pollution from Operations:</p> <p>(1) Group-level environmental, safety, and health audits are conducted to review compliance with occupational safety, environmental protection, and fire safety regulations, followed by corrective actions and improvements.</p>

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			<p>(2) Annual ESH training programs are implemented to enhance the professional capabilities of environmental personnel and keep them informed of updated regulations.</p> <p>(3) The Company continuously monitors changes in domestic and international environmental regulations and actively participates in consultations through industry associations.</p> <p>3. Climate Change Risks and Opportunities:</p> <p>Elite Material has adopted the TCFD framework and prioritizes climate risk and opportunity analysis for its Taiwan operations. Identified risks include physical risks (natural disasters, abnormal temperature and atmospheric pressure changes) and transition risks (increased carbon costs from greenhouse gas emissions). Identified opportunities include the development of green products (halogen-free laminates) and improvements in resource efficiency.</p>