

SCI PHARMTECH, INC.
Risk Management Policy and Procedure

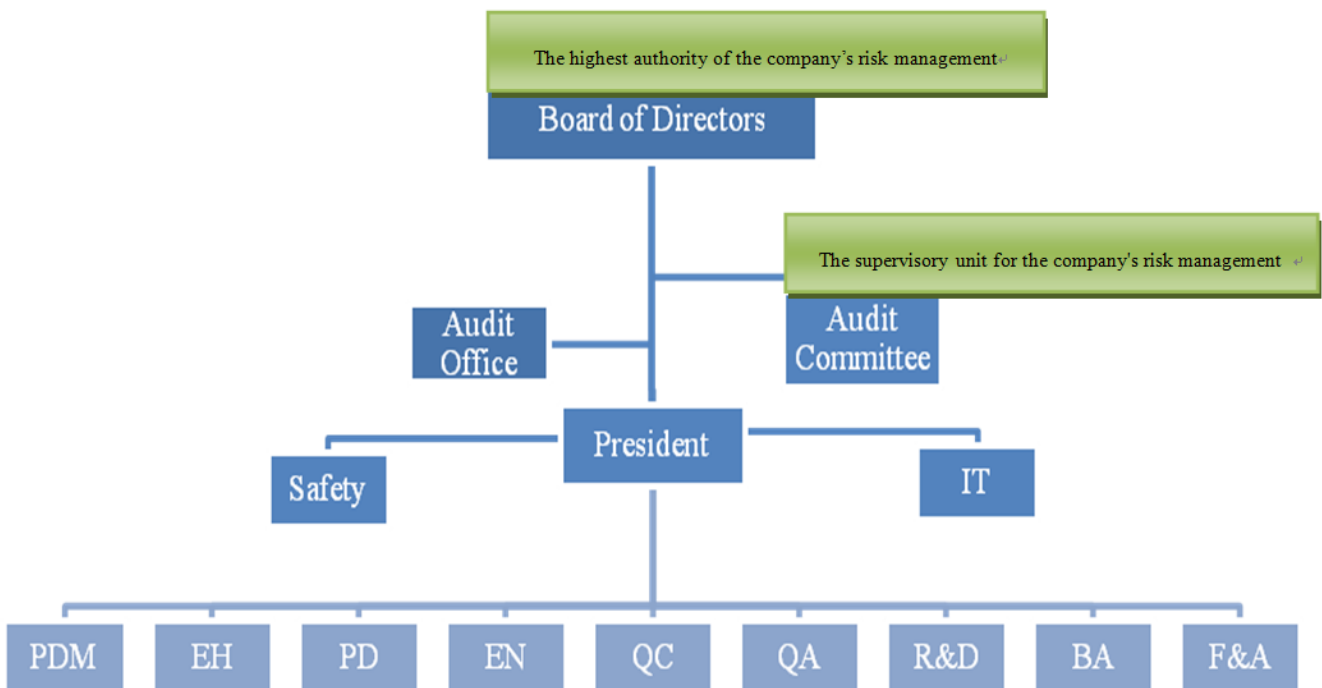
Article 1 Purpose of Enactment

This policy and procedure are hereby enacted to achieve the purpose of sustainable and stable management, in order to strengthen corporate governance, implement a sound and effective risk management mechanism for the company, and reduce potential risks that may occur in operations.

Article 2 Organizational Structures and Duties in Risk Management

1. The Organizational Structure of the company's risk management:

The company's board of directors serves as the highest governing body for risk management. In order to establish and strengthen our risk management capabilities, and taking into account the company's size, risk profile, and business activities, the audit committee serves as the supervisory unit for risk management operations. The organizational structure of the risk management team is as follows:



2. Duties of each unit in the risk management organization:

(1) Board of Directors:

This is the highest authority of the company's risk management, and is in charge of approving, reviewing, and supervising the company's risk policies, ensuring the management structure

and the operation of risk control functions.

(2) Audit Committee:

Serves as the supervisory unit for the company's risk management related operational mechanisms. It is responsible for reviewing risk management policies, procedures, and frameworks to ensure that risk management mechanisms can fully address the risks faced by the company. It also designates personnel (at least once a year) to report to the board of directors on the implementation of risk management.

(3) President Office:

The unit is in charge of planning the operational strategy, also supervising and implementing its execution to fulfill the effectiveness and efficiency of the operation, reducing the operational and strategic risks. This unit is also in charge of legal risk management, compliance with the government monitoring measures, and determining possible agreement disputes or legal disputes to reduce the legal risks; responsible for the related risks of climate change and exploring the opportunities that arise from them.

(4) Audit Office:

The unit is in charge of evaluating the key risks matters, which shall be referenced for the audit plan operation. This unit is also in charge of enacting or amending the related control procedures and practices for possible risks.

(5) IT Office:

The unit is in charge of overall planning and set-up of the ERP information equipment and the enterprise network, and is also responsible for managing the Internet information security to reduce the information security risks.

(6) Safety Office:

The unit is in charge of the planning and execution of the industrial safety and health practices to comply with the related laws and regulations, and reduce the related risks.

(7) Business Department:

In the aspect of business:

The unit is in charge of the development of clients and products, as well as enacting the

transaction terms and conditions based on the relationship with the client, the client's financial condition, and the political and economic condition of the client's location to prevent the risks

of unable to receive the account receivables.

In the aspect of purchasing:

The unit is in charge of the management of a decent supply chain, ensuring the stable supply of raw materials, their qualities meeting the specification, and the stability of the price, to reduce the risks of daily operations.

(8) Research & Development Department:

The unit is in charge of evaluating and ensuring the development of new products does not involve the risk of violating others' patents and intellectual properties. This unit is also in charge of the management of patents and intellectual properties.

(9) Quality Assurance and Quality Control Department:

The unit is in charge of ensuring the products are manufactured following the GMP and standards demanded by the clients, while also complying with the regulations of health competent authorities in different countries, to reduce the risks of relating to decreases in quality and client complaints.

(10) Production Department:

The unit is in charge of ensuring the production operation is following the schedule and related SOP to prevent the risks of delayed shipments or production disruptions.

(11) Production Management Department:

The unit is in charge of optimizing the quantities of raw materials and final products to control the inventory cost while preventing the shortage of raw materials and finished products. The unit is also in charge of managing the production schedule to improve production efficiency and planning for the requirements of sufficient future capacity to avoid the risk of production capacity shortage.

(12) Environmental Protection Department:

The unit is in charge of planning and implementing the environmental protection policies to maintain compliance with related laws and regulations and reduce the related risks.

(13) Engineering Department:

The unit is in charge of the design and execution of the plant construction to ensure the plant

and equipment meet the standard of the clients and the health-related authorities of different countries. This unit is also responsible for the preventive maintenance of the plant and equipment to reduce the risk of ceasing production due to the damaged production equipment.

(14) Finance and Administration Department:

The unit is in charge of the risk management for assets and compliance with the related laws and regulations from the government to ensure the sustainable operation of the company and the security of its assets. This unit is also responsible for evaluating the medium- and long-term investment performance, the financial operations and adjustment, the establishment of a hedging mechanism, and achieving the reliability of financial reports and compliance with laws and regulations to reduce the financial-related risks.

Article 3 Risk Management Policy

The company's Risk Management Policy is established following the company's business guidelines, to set up a risk management mechanism for identifying, measuring, supervising, and controlling risks, achieving the goals of rationalizing the risks and the rewards within the scope of tolerable risks.

Article 4 Risk Management Procedure

To perform the sound function of operational risk management, the company determines the scope of operational risks and takes appropriate measures to ensure relevant operational risks related to management through the procedures for risk identification, risk measurement, risk monitoring, risk report, and disclosure.

1. Risk Identification: Risk Identification is to find out the risk factors required to be managed. By referring to the factors such as the company's business characteristics, internal and external environments, etc., the company is likely exposed to the risks classified as follows:

- A. Business Risk: It means the risk that may affect the company's normal management due to uncertainty factors in the process of the company's production and management, such as operational risk (factors such as material shortage or improper production schedules), product quality risk, and information system risk.
- B. Financial Risk: It means the risk that may affect the company's financial status and business due to factors such as economic and industrial changes both domestically and internationally, e.g. the risks

concerning interest rate, foreign exchange rate, liquidity, credit, etc.

- C. Strategic Risk: It means the risk arising from the loss due to any business strategy error, e.g. the risks due to excessive concentration of sales territories, excessive concentration of clients, mergers and acquisitions, etc.
- D. Hazard Risk: It means the risk that may cause damage to the company due to the occurrence of any incident such as major natural disasters or man-made disasters, e.g. earthquake, fire, chemical leakage, pandemic disease, etc.
- E. Legal Risk: It means the risk that causes damage to finance or goodwill due to any failure at complying with relevant laws and regulations enacted by the competent authorities, or due to other factors such as any invalid agreement that has been signed, or due to any breach, inadequate regulations, omissions in terms and conditions, etc.
- F. Other Risk: This indicates the risk apart from the risks mentioned above. If any other risk caused the company to suffer losses, then appropriate risk management procedures shall be established according to risk characteristics and susceptibility degree.

2. Risk Measurement

After identifying the potential risks that may affect the company, the company shall analyze the nature and scale of various business and operational activities as well as the degree of the company's risk tolerance, then set up appropriate risk measurement standards. For risks that can be quantified, rigorous statistical analyses and techniques should be applied to conduct analyses and management. For risks that are difficult to be quantified, the risk impact degree can be described in writing. Compare the risk level determined according to risk analysis results with the risk measurement standards enacted by the company, and then determine the priority of such risks for serving as the reference of risk management.

3. Risk Monitoring

Each department shall continuously monitor business-related risks. Whenever the risk exposure level exceeds the risk limit, relevant departments shall propose countermeasures, and then escalate the risks and

countermeasures to the senior executive level.

4. Risk Report and Disclosure

To fully document risk management procedures and subsequent implementation results, the Audit Committee shall regularly report the risk conditions to the Board of Directors for reference, to ensure that management structures and risk control functions can operate properly.

Article 5 Risk Management Execution

The company executes risk management on three levels:

The First Level is carried out by the business case responsible person in each department. The business case responsible person performs daily risk management activities following internal control systems and internal regulations related to business, then conducts risk assessments of risk control activities.

The Second Level is carried out by the supervisors of each level in a department. The supervisors are responsible for business-related risk management, compiling the results of risk management implementation activities, and supervising the risk management activities within the department. The supervisors can determine risk levels and recommend risk assumption methods depending on the changes in external environments and internal strategies. The supervisors shall coordinate interactions and communications regarding cross-department risk management when necessary.

The Third Level is carried out by the executive management, who are required to review the integrity of the company's mechanisms related to risk management and supervise relevant risks in each unit through risk management decisions and related risk management practices.

Article 6 Operation Condition and Disclosure of Risk Management

1. The company manages business-related risks through the following regular and irregular meetings:
 - A. Regular Meeting on Production and Marketing.
 - B. Regular Meeting on Research and Development.

C. Meeting on Good Manufacturing Practice of Drugs.

D. Regular Meeting on Engineering.

E. Meeting on Environmental Safety and Health.

F. Regular Meeting on Production.

G. Meeting on Quality Control Review.

H. Business Management Meeting of Senior Executives.

I. Board of Director's Meeting.

J. Other Meetings (for example, Labor-Management Meeting, etc).

2. In addition to the disclosure of relevant information following the regulations enacted by the competent authority, the information related to risk management should be disclosed on the company's website and in annual reports.

Article 7

This risk management policy and procedure shall be implemented after being approved according to the resolution of the Board of Directors, and any revisions shall also require approval by the board of directors.

Article 8

This Risk Management Policy and Procedure was established on May 8, 2020. The first revision was made on May 12, 2023.