Silicon Optronics, Inc.

Risk Management Policies and Procedures

Article 1 Scope of Application

These Risk Management Policies and Procedures apply to the Company and all of its subsidiaries.

Article 2 Purpose

To ensure the Company and its subsidiaries fulfill corporate sustainability development, properly control risks that should be considered during operations, and implement sound corporate governance to protect shareholders' interests and safeguard the rights of stakeholders. These Policies and Procedures are established to achieve the Company's strategic goals and operational objectives.

Article 3 Basis

These Policies and Procedures are formulated in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the "Practical Guideline for Risk Management of TWSE/TPEx Listed Companies."

The Company establishes an effective risk management mechanism to evaluate and supervise its risk-taking capacity, current risk exposure, determination of risk response strategies, and compliance with risk management procedures.

Article 4 Risk Management Objectives

The objective of the Company's risk management is to establish a robust risk management framework to identify and manage various risks that may affect the achievement of corporate goals. By integrating risk management into operations and daily management processes, the following objectives shall be fulfilled:

1、Ensure the achievement of corporate objectives；

2、Enhance management efficiency；

3、Provide reliable information；

4、Allocate resources effectively.

Article 5 Scope of Risk Management

The Company's risk management scope mainly includes 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 Board of Directors is the Company's highest governing body for risk management and is responsible for:

(1) Approving risk management policies, procedures, and frameworks；

(2) Ensuring alignment between operational strategies and the risk management policies；

(3) Ensuring the establishment of an appropriate risk management mechanism and culture；

(4) Supervising and ensuring the effective operation of the overall risk management mechanism；

(5) Allocating and directing adequate and appropriate resources to ensure effective risk management.

2、Audit Committee：The Audit Committee supervises the risk management-related mechanisms and is responsible:

(1) Reviewing the risk management policies, procedures, and framework, and regularly assessing their applicability and execution effectiveness;

(2) Approving risk appetite (risk tolerance) and guiding resource allocation;

(3) Ensuring the risk management mechanism can sufficiently address the Company's risks and is integrated into daily operational processes;

(4) Approving the priority and risk levels of risk control measures;

(5) Reviewing the execution of risk management and providing necessary improvement recommendations, and reporting to the Board of Directors annually;

(6) Executing the Board of Directors' decisions regarding risk management.

3、Risk Management Committee：The Risk Management Committee is convened by the President, with heads of each business unit serving as committee members. Responsibilities include:

(1) Formulating risk management policies, procedures, and frameworks;

(2) Establishing risk appetite (risk tolerance) and developing qualitative and quantitative easurement standards;

(3) Analyzing and identifying sources and categories of risks, and regularly reviewing their applicability;

(4) Preparing and submitting an annual (at least once a year) risk management execution report;

(5) Assisting and supervising the implementation of risk management activities across departments;

(6) Coordinating cross-departmental interaction and communication for risk management;

(7) Executing decisions of the Audit Committee regarding risk management;

(8) Planning risk management-related training to enhance overall risk awareness and culture.

4、Business Units：Responsibilities of each business unit include:

(1) Identifying, analyzing, assessing, and responding to risks within its scope of responsibility and establishing crisis management mechanisms when necessary;

(2) Regularly reporting risk management information to the Risk Management Committee;

(3) Ensuring effective execution of risk management and related control procedures within the unit in compliance with risk management policies.◦

5、Internal Audit Office：The Internal Audit Office, an independent unit under the Board of Directors, shall formulate an annual audit plan based on these Policies and Procedures and risk assessments, and report the execution of risk management and audit results to the Board of Directors.◦

Article 7 Risk Management Procedures

The Company's risk management procedures include risk identification, risk analysis, risk assessment, risk response, and monitoring and review mechanisms.

1、Risk Identification

Based on materiality principles, corporate strategic objectives, and the risk management policies and procedures approved by the Board of Directors, the Risk Management Committee shall identify strategic, operational, financial, information, and compliance risks related to operations.

Comprehensive enterprise-level and operational-level risk identification shall be conducted at least once per year and reported to the Audit Committee.

Risk identification is performed using risk management tools, historical experiences, relevant information, internal and external risk factors, and stakeholders' concerns, and conducted through both "bottom-up" and "top-down" approaches to identify potential risk events that may prevent the Company from achieving objectives, cause losses, or result in negative impacts.

2、Risk Analysis

Each business unit shall analyze the likelihood and impact of identified risk events by considering the completeness of existing controls, past experiences, and industry cases, and calculate the risk level accordingly.

Risk appetite shall be established, and each risk level shall be assigned accordingly.

All risk analysis results shall be properly documented and submitted to the Audit Committee for approval.

3、Risk Assessment

Each business unit shall develop and implement subsequent risk response plans based on the risk analysis results and the approved risk appetite.

All risk assessment results shall be properly documented and submitted to the Audit Committee for approval.

4、Risk Response

The Company shall select risk response measures by considering its strategic objectives, stakeholder perspectives, risk appetite, and available resources, ensuring an appropriate balance between objective achievement and cost-effectiveness.

5、Monitoring and Review Mechanism

The Internal Audit Office shall report the execution status of risk management and audit results to the Audit Committee and the Board of Directors in accordance with the annual audit plan, ensuring continued effectiveness of the risk management process and related countermeasures.

Review results shall be incorporated into performance assessments and reporting matters.

Article 8 Risk Reporting and Disclosure

The Risk Management Committee shall consolidate risk information provided by each department and prepare annual risk management reports for the Audit Committee and the Board of Directors. A dynamic management and reporting mechanism shall be established to ensure effective supervision of risk management.

The Company shall disclose the following risk management-related information on its corporate website or the Market Observation Post System (MOPS) for external stakeholders' reference, and continuously update the information:

1、Risk management policies and procedures;

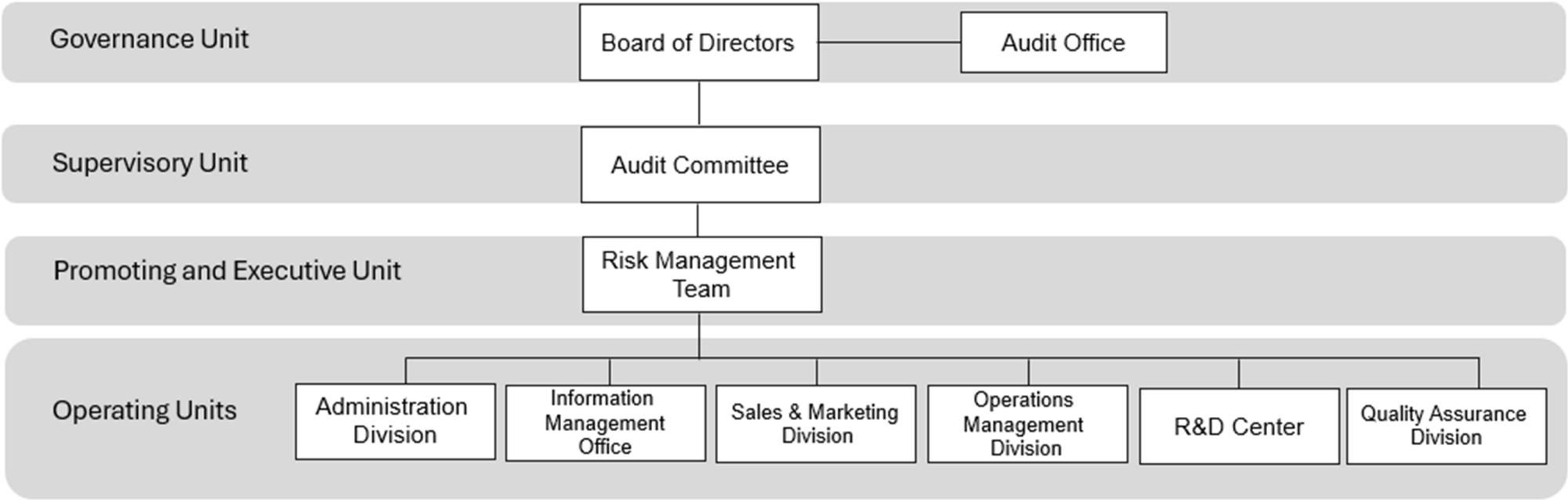
2、Risk governance and management organizational structure;

3、Risk management operation and implementation status.

Article 9 Implementation and Amendments

These Policies and Procedures shall take effect upon approval by the Board of Directors. Amendments shall follow the same approval process.

Date of Approval: November 5, 2025 (ROC Year 114).


Governance Unit
Board of Directors
Audit Office
Supervisory Unit
Audit Committee
Promoting and Executive Unit
Risk Management Team
Operating Units
Administration Division
Information Management Office
Sales & Marketing Division
Operations Management Division
R&D Center
Quality Assurance Division