



## **E Ink Holdings Inc.**

### **Risk Management Policy and Procedures**

Approved by the board of directors on November 4, 2022

#### **Article 1 Purpose**

The purposes of the policy and procedures are to enforce sound corporate governance and risk management practices that are relevant to the Company's operations, and implement a robust risk management framework along with systematic procedures that contribute to the identification of business risks as well as the execution of risk mitigation and adaptation strategies. By incorporating risk management practices into operating activities and routine management, the Company aims to accomplish its corporate missions and goals such as improved management efficiency, more reliable information, and more efficient allocation of resources.

#### **Article 2 Scope of risk management**

The policy and procedures cover all levels of risk management practice within E Ink Holdings and its subsidiaries.

#### **Article 3 Risk management policy**

1. The Company shall observe principles of continuity and materiality, comply with relevant laws and regulations, and take the initiative to implement total risk management.
2. The Company shall persistently monitor changes in the internal and external environment, occurrence of new issues, and analyze operational impacts while at the same time identify the associated risks and opportunities, so that actions can be taken to improve operating performance and resilience and realize the Company's continuity commitments for the best interest of stakeholders.
3. The risk management policy shall be enforced through a combination of risk governance, risk management, risk mitigation, and risk adaptation measures, supported by risk disclosure and risk reporting. Furthermore, the Company shall develop practices to identify, analyze, measure, respond, monitor, and review risks that are relevant to operations, such as strategic risk, business risk, financial risk, information risk, compliance risk, integrity risk, and any new forms of risk.

#### **Article 4 Risk management principles**

The risk management framework shall take into consideration with the following

principles.

4. Integration
5. Risk management should be part of the Company's operating activities.
6. Structure and completeness
7. Risk management should be structured and implemented on a full scale to ensure consistent and comparable results.
8. Customization
9. The risk management framework and procedures should be customized to accommodate the Company's industry environment, size, business characteristics, risk nature, and operating activities.
10. Inclusiveness
11. The Company shall take stakeholders' concerns and expectations into consideration, and strive to promote better understanding and meet their expectations regarding corporate risk management.
12. Responsiveness
13. The risk management framework should facilitate appropriate and timely forecast, monitoring, control, and response to changes in internal and external environments.
14. Effective use of information
15. Risk management solutions should be based on historical information, current information, and future trends; this information should also be conveyed to stakeholders in a timely and comprehensible manner.
16. Personnel and culture
17. The Company shall strive to raise the management's attention to risk management, and promote risk awareness and culture throughout the organization by implementing risk management training for all levels of employee, so that risk management is respected as an integral part of corporate governance and routine operations.
18. Ongoing improvements
19. The risk management framework and related procedures should be constantly improved through learning and accumulation of experience.

#### Article 5 Risk management organization

1. Board of directors  
The "board of directors" is the highest governance body for risk management; its responsibilities are to:
  - (1) Approve the risk management policy and procedures.

- (2) Ensure consistency between the risk management policy and business strategies.
- (3) Establish appropriate risk management system and culture.
- (4) Supervise effective execution of the risk management system.
- (5) Allocate adequate and appropriate resources for effective support of risk management.

2. Sustainable Development Committee

A “Sustainable Development Committee” shall be assembled directly under the board of directors to supervise implementation of the risk management system and to present risk management-related proposals for resolution by the board of directors. Responsibilities of the committee are to:

- (1) Review the risk management policy and procedures, and conduct regular examinations regarding their appropriateness and performance.
- (2) Determine the level of risk tolerance and oversee resource allocation.
- (3) Ensure that the risk management system is adequate given the Company’s risk profile, and that practices are incorporated into routine operating procedures.
- (4) Approve the priority and level of risk control efforts.
- (5) Review the risk management progress, raise improvement suggestions as deemed necessary, and make regular reports (at least once a year) to the board of directors.
- (6) Execute risk management decisions of the board of directors.

3. Risk Management Team, Corporate Sustainability Committee

The “Risk Management Team” of the “Corporate Sustainability Committee” serves as the executor of risk management tasks at the operational level; its responsibilities are to:

- (1) Devise the risk management policy and procedures.
- (2) Develop qualitative and quantitative measurements for the approved level of risk tolerance.
- (3) Analyze and identify the sources and types of risk, and examine relevance on a regular basis.
- (4) Consolidate and present risk management execution reports on a regular basis (at least once a year).
- (5) Assist and supervise internal departments in the execution of risk management tasks.
- (6) Coordinate inter-department interactions and communication on risk management issues.

- (7) Execute risk management decisions.
  - (8) Plan risk management training and promote risk awareness and culture within the organization.
4. Functional units  
Their responsibilities are to:
    - (1) Identify, measure, and respond to risks within the assigned area of responsibility, and develop crisis management systems when necessary.
    - (2) Present risk management information to the Risk Management Team on a regular basis.
    - (3) Ensure that risk management practices and control measures are duly implemented within the given unit, in a manner conforms with the risk management policy.

#### Article 6 Risk governance

1. Risk governance

To ensure effective management of risks that are relevant to business goals, it is essential to have the board of directors, the Sustainable Development Committee, and the senior management involved in the development of risk management system and organization, so that risk management efforts can be closely associated with the Company's business strategies and goals. Each functional unit shall follow proper risk management procedures to improve the scope, relevance, and completeness of risks identified; mitigation and adaptation measures should be taken in response to minimize the possible impacts that risks may have on business operations, and thereby ensure attainment of corporate goals.

2. Risk culture

The Company shall promote its risk management culture from the top down, starting with a risk management statement with clearly defined commitments. The Company shall also provide adequate support to the Risk Management Team of the Corporate Sustainability Committee for the development of risk management system, organize professional risk management training for all employees, and incorporate risk awareness into routine decisions, business activities, individual performance evaluation, and compensation so that the risk management culture can be adopted in all aspects of business operation.

3. Resource, support, and integration

The senior management and managers of each functional unit shall respect and support the Company's risk management efforts, and provide adequate resources to the risk management system developed by the Risk Management

Team of the Corporate Sustainability Committee. The senior management is responsible for the effective execution of risk management. The Risk Management Team of the Corporate Sustainability Committee shall communicate and coordinate with various functional units to execute and enforce the risk management system.

#### Article 7 Risk management

Risk management procedures cover risk identification, risk analysis, risk measurement, risk response, and risk supervision and review.

##### 1. Risk identification

Each functional unit shall identify risks that are relevant to their short-term, medium-term, and long-term goals and business activities. Risks shall be identified using feasible tools and methods while taking into consideration relevant risk factors of the internal and external environments, stakeholders' concerns etc. The purpose of this exercise is to identify all potential risk events in every aspect of operation that may cause the Company to fail its target or suffer losses or negative impacts.

##### 2. Risk analysis

For every risk identified, a more in-depth analysis shall be conducted to evaluate the probability of occurrence, impact, and short/medium/long term effect. Outcomes of the analysis should be presented in terms of "value-at-risk," which is calculated using qualitative measurements (text description of the likelihood and impact of the given risk event) or quantitative measurements (quantifiable values that can be used to indicate the probability and impact of a risk event) after taking into consideration past experiences or peer practices.

##### 3. Risk measurement

A level of tolerance shall be defined for each type of risk, so as to keep risk exposures within limit. For each identified risk, the value-at-risk shall be compared to the amount of risk tolerance in order to determine the priority and importance of the given risk. All significant risks shall have the extent of financial impact assessed using sensitivity analysis or stress testing.

##### 4. Risk response

The Company shall devise response plans and performance indicators for significant risks, and ensure that employees are adequately trained to execute them and are able to monitor execution of response plans persistently. Each response plan shall take into consideration the Company's strategic goals, the perspectives of internal and external stakeholders, and available resources.

Response plans should aim to accomplish their intended purposes at a reasonable cost.

5. Risk supervision and review

Execution of risk response plans and use of performance indicators shall be reviewed by the Risk Management Team of the Corporate Sustainability Committee on a regular basis to ensure that the plans remain effective and relevant. Outcomes of the review shall constitute part of performance assessment and internal report. It is also essential to associate or integrate risk management efforts with critical procedures for effective supervision and improvement of risk management performance.

Article 8 Risk mitigation and adaptation

1. Risk mitigation

For each significant risk identified, the Company shall follow its risk response plan and try to control, mitigate, or eliminate such risk where possible.

2. Risk adaptation

Aside from executing the response plan, the Company may be required to adapt to significant risks by adopting measures that increase risk tolerance and resilience, based on the outcomes of sensitivity analysis, stress testing, financial impact assessment, and other risk evaluations.

Article 9 Risk reporting and disclosure

1. Risk documentation

Execution and outcome of risk management actions have to be duly documented, reviewed, reported, and filed for reference. This process applies to all aspects of the risk management procedures, including risk identification, risk analysis, risk measurement, risk response, and risk supervision and review.

2. Risk reporting

Risk reporting is an essential part of corporate governance, and the Company shall make risk reports after taking into consideration: the specific information required or requested by different stakeholders, the frequency and timeliness of report, the method of report, the content of report, and relevance to corporate goals and decision-making. Risk reports should be made in such a way that helps the senior management and the Risk Management Team of the Corporate Sustainability Committee make risk-related decisions and fulfill risk management duties.

Risk Management Team of the Corporate Sustainability Committee shall coordinate with functional units to consolidate risk information from various departments, and produce regular risk management reports to the Sustainable

Development Committee and the board of directors. The Risk Management Team shall also develop a dynamic management and reporting system to supervise the execution of risk management tasks.

3. Information disclosure

Employees shall disclose the following risk information over the corporate website or on Market Observation Post System, and make persistent updates to keep external stakeholders informed.

Details to be disclosed include:

- (1) Risk management policy and procedures.
- (2) The risk governance and management organization.
- (3) Risk management practices and execution (including the frequency and timing of reports to the board of directors and the Sustainable Development Committee).

Article 10 Amendments to the risk management policy and procedures

Risk Management Team of the Corporate Sustainability Committee shall examine the terms of the Risk Management Policy and Procedures each year, and pay constant attention to risk management trends local and abroad so that the policy and procedures can be reviewed and improved accordingly to support more rigorous risk management and corporate governance efforts.

The policy and procedures shall be implemented once resolved by the board of directors. The same applies to subsequent amendments.