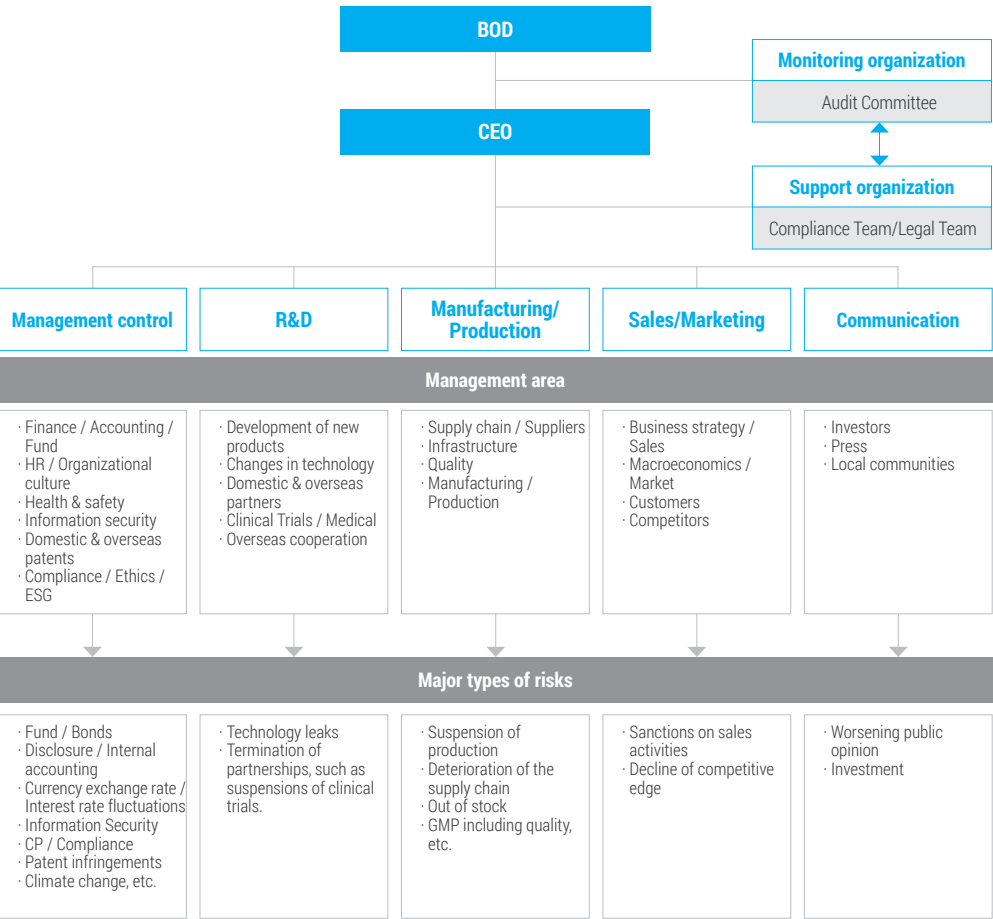


Risk Management

To prevent and manage potential risks throughout the entire business process, Hanmi Pharm operates an integrated risk management system that reflects the characteristics and strategies of our business. Each division's risks are identified, assessed, and addressed by dedicated teams specializing in their respective areas. The monthly Executive Meeting oversees and manages both actual and potential enterprise-wide risks that may arise across the business.

Risk Management System



Potential Risks

Hanmi Pharm classifies potential risks that may arise throughout all our business operations into categories such as climate change, unfair trade practices, production disruptions, health and safety, information security, quality, and ESG. Each type of risk is monitored and managed by dedicated departments that implement the corresponding response activities. In particular, these categorized risks are addressed through a global-level risk management system consisting of management frameworks that meet the international standard.

Classification	Risks	Opportunity factors	Countermeasures
Climate change risks	<ul style="list-style-type: none">· Strengthened domestic & overseas regulations on reducing greenhouse gas emissions.· Stakeholders' increasing demands to mitigate climate change.· Negative financial impacts of supplying energy, such as the introduction of renewable energy.	<ul style="list-style-type: none">· Fulfillment of stakeholders' expectations due to proactive response.· Minimization of mid- and long-term financial impacts, such as loss of assets from energy saving/ reduction.	<ul style="list-style-type: none">· Establish ISO 14001 (Environmental Management System).· Establish the 2030 NDC, 2040 NetZero strategy.· Introduce Cost-Innovations.
Domestic & overseas macroeconomic risks	<ul style="list-style-type: none">· Uncertainty of domestic & overseas business due to changes in the international situation.· Reduction of sales due to global economic downturn.	<ul style="list-style-type: none">· Opportunities for expanding export countries and market share.· Opportunities to diversify our business portfolio.	<ul style="list-style-type: none">· Diversify the business portfolio.· Expand the global business network.
Unfair trade risks	<ul style="list-style-type: none">· Violation of the fair competition rules in the pharmaceutical industry.· Increased PR costs due to fierce competition.· Deterioration of brand image and loss of reputation.	<ul style="list-style-type: none">· Enhancement of corporate values by strengthening sales.· Reduction of legal expenses by complying with laws.	<ul style="list-style-type: none">· Establish ISO 37001 (Anti-Bribery Management System).· Establish ISO 37301 (Compliance Management System).· Prepare fair trade guidelines.· Conduct employee training, and monitoring.· Operate a whistle-blowing system.
Production suspension risks	<ul style="list-style-type: none">· Destruction of facilities, and production setbacks due to typhoons, earthquakes, etc.· Negative financial impacts caused by delayed normalization of production.	<ul style="list-style-type: none">· Prevention of disasters.· Enhanced competitiveness due to rapid normalization of production.	<ul style="list-style-type: none">· Establish ISO 22301 (Business Continuity Management System).
Information security risks	<ul style="list-style-type: none">· Occurrence of various financial losses, such as R&D key technology leaks, due to IT security errors, personal info leaks, unusable systems, etc.	<ul style="list-style-type: none">· Minimization of financial losses due to prevention of leaks of personal information.· Protection of intellectual property rights due to defensive measures taken against cyber-terror.· Stable production and management activities.	<ul style="list-style-type: none">· Operate a department dedicated to information security.· Establish ISO 27001 (Information Security Management System).

Risk Management

Risk Management with the Global Standard Management System Certification

Hanmi Pharm classifies risks into six main crisis response areas, including ‘environment’, ‘labor’, ‘fair trade’, ‘information security’, disaster, and ‘quality of medical devices’, and into eleven key risks, in order to prevent and manage potential risks that may occur across all of the company’s business processes. The department in charge assumes full responsibility for managing each type of risk and carries out monitoring and response activities. In particular, we respond to each risk identified by applying international-standard management systems, thereby enabling us to operate a risk management system at the global level.

Our ISO (Global Standard Management System) Certifications

Crisis response area	Key risk	Name of certification	Applicable business site	Period of validity	Details
Environment	· Environmental pollution · Minimizing environmental impact	ISO 14001	Paltan Smart Plant	Sep. 29, 2023 - Sep. 28, 2026	In 2012, Hanmi Pharm adopted ISO 14001 (Environmental Management Systems) to set a firm direction for our environmental management and minimize the negative effects of environmental pollution caused by our business activities. Hanmi Pharm is making efforts to reduce the environmental contaminants generated during our production processes. · Enactment and application of environmental manual/procedures/guidelines for controlling water quality, air, waste, chemicals, etc. · In addition, we have established an action plan to reduce the generation of waste and increase recycling in order to directly save energy resources such as electricity, water, LNG, etc.
			Pyeongtaek Bio Plant	Dec. 07, 2023 - Dec. 06, 2026	
Human Rights / Labor	· Industrial safety · Health & safety	ISO 45001	Paltan Smart Plant	Sep. 23, 2024 - Sep. 22, 2027	Hanmi Pharm has made safety our top priority management principle and has acquired ISO 45001 (Occupational Health and Safety Management Systems), an international standard related to health & safety, at all our domestic business sites to ensure zero disasters. · Increase in investment in health & safety. · Activities aimed at establishing a strong safety culture · Qualified supplier evaluation. · Health & safety trainin
			Pyeongtaek Bio Plant	Dec. 07, 2023 - Dec. 06, 2026	
			R&D Center	Oct. 29, 2024 - Oct. 28, 2027	
			Head office	Oct. 29, 2024 - Oct. 28, 2027	
Information Security	· Internal information · Personal data leaks · Hacking & viruses	ISO 27001	Paltan Smart Plant	Dec. 19, 2024 - Dec. 18, 2027	Having acquired ISO 27001 (Information Security Management Systems) in December 2018, Hanmi Pharm is committed to managing and maintaining the certification in order to grow as a trusted global pharmaceutical company by equipping ourselves with the information security requirements that are essential for a global business, and to protect research information on our independently-developed new drugs. · Security training, Anti-phishing mail training, newsletters · Workshop & group training for security officers.
			R&D Center	Dec. 19, 2024 - Dec. 18, 2027	
Fair trade and compliance management	· Unfair enticement of customers · Corruption	ISO 37001	Paltan Smart Plant	Nov. 29, 2024 - Nov. 27, 2026	Hanmi Pharm has acquired ISO 37001 (Anti-Bribery Management Systems) so that we can reasonably control the risk of bribery related to the performance of duties in the entire management system. Hanmi Pharm became the first company in the Korean pharmaceutical industry to introduce the ISO 37001 certification in 2017, and we have continued to renew compliance since with an annual post-certification review. While preventing corrupt acts on the part of employees and improving employees’ awareness of ethical management through certification reviews and follow-up audits, we are gradually expanding the area of antibribery management to reduce the risk of legal violations.
			Pyeongtaek Bio Plant	Nov. 29, 2024 - Nov. 27, 2026	
			R&D Center	Nov. 29, 2024 - Nov. 27, 2026	
			Head office	Nov. 29, 2024 - Nov. 27, 2026	
		ISO 37301	Paltan Smart Plant	Nov. 29, 2024 - Nov. 28, 2027	Hanmi Pharm acquired the ISO 37301 (Compliance Management Systems) certification for the first time in 2024 to establish a compliance management system that adheres to international standards. Moving forward, we will continue to expand our business activities based on compliance and trust.
			Pyeongtaek Bio Plant	Nov. 29, 2024 - Nov. 28, 2027	
			R&D Center	Nov. 29, 2024 - Nov. 28, 2027	
			Head office	Nov. 29, 2024 - Nov. 28, 2027	
Disaster	· Production suspension	ISO 22301	Paltan Smart Plant	Dec. 13, 2022 - Dec. 12, 2025	Hanmi Pharm operates the Business Continuity Management System (BCMS) at all our business sites in order to produce and supply medicines in a stable manner. Through the BCMS, we are proactively responding to financial and non-financial risks by identifying their impact on business operations and by establishing a system that can secure the resilience of the organization in the event of potential risks and relevant risks. · In-company mass infection prevention and human resource management · Company-wide history management for checking the health of employees and visitors. · Raising awareness and preventive measures related to hygiene. · Real-time response of emergency response organizations . · Efforts to manage a stable supply network, GMP-based Quality Management.
			Pyeongtaek Bio Plant	Dec. 13, 2022 - Dec. 12, 2025	
			R&D Center	Dec. 13, 2022 - Dec. 12, 2025	
			Head office	Dec. 13, 2022 - Dec. 12, 2025	
Quality	· Medical device · Quality control	ISO 13485	Pyeongtaek Bio Plant	Jan. 21, 2023 - Jan. 21, 2026	The ISO 13485 (Medical Device Quality Management Systems) certification is based on the ISO 9001 (Quality Management Systems) standard created by the addition of matters which apply to medical devices in particular. It is defined as an international standard comprising a medical device quality management system related to the design/development, production and sales of medical devices. Through ISO 13485, a company can demonstrate its ability to provide medical devices of consistent quality and prove that the related products consistently satisfy the requirements of customers and regulations. Our Pyeongtaek Bio Plant initially acquired the ISO 13485 certification in January 2011 and has maintained it until the present day through periodic external audits. Furthermore, the plant continuously verifies that both customers and the regulatory requirements of the plant are satisfied by conducting internal management reviews of medical devices.

Risk Management

Tax Risk Management

Hanmi Pharm complies with the national laws and regulations, reports our taxes, and faithfully fulfills our fiduciary duties to ensure transparent and fair tax practices. In addition, when the tax authorities request an investigation and evidential materials, we provide such materials quickly and transparently.

Tax Risk Management Activities

Hanmi Pharm reviews our tax risks internally and externally to prevent tax risks that may occur during business activities. We frequently consult with experts by receiving reviews and seeking advice on significant tax issues that may arise during our business activities. Especially, in regards to domestic transactions, we maintain fair prices for all transactions with third parties and specially related parties according to relevant laws. In the case of global business transactions, we strive to prevent international tax risks according to the previous price guidelines of the OECD based on advice from experts. In addition, we appoint a person in charge of tax affairs within the company. Thus, we manage tax risks in advance by having the person responsible review and analyze all amendments that are made to the tax laws every year.

Tax Risk Assessment

Hanmi Pharm is doing our best to fulfill our social responsibilities based on the transparent and justified act of paying taxes by having external experts and the internal person in charge of tax affairs manage internal and external tax risks. We review tax risks related to important business matters such as transactions of goods and services, acquisitions of stock, international transactions, promotion of new businesses, and changes in the transaction structure beforehand, and reflect the results of the review when making a final decision.

Management principles
1. Compliance with national laws.
2. Prompt and transparent provision of materials to the tax authorities.
3. Review and analysis of tax risks internally and externally in advance.
4. Adherence to fair prices when engaging in transactions with related parties.
5. Management of international tax risks according to the previous price guidelines of the OECD.

Accounts Receivable Risk Management

Hanmi Pharm manages accounts receivable risks to ensure the smooth operation of cashflow through the stable collection of receivables.

Accounts Receivable Risk Management Activities

Hanmi Pharm manages our accounts receivable through a business manager and the debt management department. We periodically check and manage the sales of the day, income, compliance with the payment conditions for suppliers, management of suppliers' collateral, and the status of account receivables based on a 'debt management system' optimized for our company's business operations. Also, we are doing our utmost to respond preemptively to even the risk of bad debt by frequently identifying the status of our management and business activities with suppliers in cooperation with external credit rating agencies.