Continental Holdings Corporation
Group Risk Management Policy

Effective Date: Nov. 1, 2024

Purposes and Objectives

The Group Risk Management Policy is to establish a common risk management framework for Continental Holdings Corporation (CHC) and subordinate companies (defined as subsidiaries directly controlled by CHC) (hereinafter collectively referred to as the "Company") to manage the effect of uncertainty on business goals. The policy provides all employees with a consistent set of criteria and principles for dealing with potential threats and opportunities. The alignment of corporate governance and compliance enables the continued creation of business value and the satisfaction of stakeholder expectations.

Key Principles

■ Construction of Risk Management System and Culture

The Company risk management framework is composed of basic company policies, management systems, and internal control systems. The common scope of risks and management procedures outlined in this policy are developed into essential risk management measures that are in turn implemented through corresponding regulations, processes and business activities.

CHC strives to construct a comprehensive risk management culture where all risk management is practiced at the decision-making and implementation level at all times in accordance with the guidelines of this policy. An innovative mindset should be adopted during risk management to minimize in a cost effective manner all variables that influence the accomplishment of targets, and reduce the gap between anticipated goals and actual outcomes.

■ Risk Management Procedure and Scope

Procedure

- Setting Goals and Risk Identification
  All variables and past events that may impact on the accomplishment of business strategy, company policy and compliance goals must be identified, recorded in detail and reviewed on a regular basis.
- Risk Assessment and Forecasting
  Forecast and assess the probability, impact and direction of identified risks. Use qualitative or quantitative indicators to prioritize risk level in order to determine the company's overall risk exposure. Key areas of risk can then be monitored and controlled.

- Risk Control and Monitoring
  Plan and implement risk controls that ensure the timeliness and effectiveness of risk management. The outcomes of risk control must be monitored as well. Potential risks should be updated based on control outcomes during this process. Controls should also be adjusted when necessary to ensure that goals can be accomplished.
- Risk Reporting and Disclosure
  The company's risk management information should be made public, transparent and shared in a timely manner so that the relevant units can respond swiftly and prepare in advance. Risk management information and performance must be reviewed by the management during management meetings. Reports should be compiled for the Board of Directors on a regular or ad hoc basis. There should also be proactive communication and disclosure of risks to each stakeholder as required by law.

Risk Scope

Risk scope provides pre-defined categories of risk that can be used as a reference for identifying different risk types and the management measures to adopt in response. The risks facing the Company have been divided into the following six categories. Nevertheless, changes in the business environment and growing risk awareness means that potential impacts of emerging risks must be monitored as well.

- Strategic Risk
  Strategic risk is defined as risk associated with external changes such as national or industry policy, market trends, and supply-and-demand, as well as risks associated with obtaining the key talent and maintaining core competitiveness.
- Contract Management and Compliance Risk
  Refers to the risk of the company suffering losses from the drawing up or execution of contracts, as well as risks associated with punitive actions by regulators for non-compliance, failure to comply with industry standards and requirements, and failure to adhere to internal operating procedures.
- Asset Management/Subsidiary Management Risk
  These risks relate to the diversification of asset allocations, ownership stake control for protection of shareholder interests and Board operations, delegation and supervision of subsidiary operations, as well as the selection for acquiring and disposing of portfolio holdings.

- Financial Risk
  Refers to risk to business earnings from changes in exchange rates and interest rates, cash flow risk, liquidity risk and credit risk from financing, operating incomes and expenditures and distribution of earnings, as well as risk to business performance due to changes in financial accounting principles.
- Operating and Hazard Risk
  Refers to industrial & occupational accidents, natural disasters, public health or other bio-hazards during business operations resulting in injury or death, loss of equipment or property, environmental pollution or other impact to the company. It may even lead to risk of business interruption.
- Information and Technology Risk
  Refers to the risks from the inability of information technology applications and infrastructure to satisfy operating requirements, non-compliance with rules on use of information resources, invasion of business secrets or interference with the normal operation of information systems by malicious attacks over the internet or through the physical environment, as well as the losses to the company caused by the infringement or improper use of patents or intellectual property.

■ Implementation of Risk Management

Organizational Functions

- Board of Directors
  The top risk management unit of the company. The Board oversees the company’s overall risk situation, supervises the implementation of risk management, ensures the effectiveness of risk management and bears ultimate responsibility for risk management.
- CEO or President
  Responsible for supervising the risk management operations of all subordinate functional/business units and for reporting to the Board and stakeholders on the current status of risk management operations.
- Functional/Business Units
  The basic unit for risk management and implementation. They are responsible for managing risk for goals that are part of their responsibility and for enforcing proper risk management in accordance with this policy; the head of each unit should supervise the performance of risk management activities such as risk identification, assessment and control by his or her colleagues, as well as for collating and reporting all relevant information to their direct superior.

- Audit Office
  An independent unit that reports to the Board of Directors. The Audit Office assists the Board and managerial officers with fulfilling their responsibilities in internal controls, auditing the risk management activities of each unit, and providing recommendations for improvements when appropriate to ensure the effective operation of internal controls.

Implementation Requirements

- The monthly management meetings for senior executives at each subsidiary shall include the review and tracking of risk for each key task. The latest monthly management report must also be submitted to the CEO of CHC within the specified period each month.
- The CEO of CHC or functional managers of the Group shall review the monthly management reports from each subsidiary each month and pay particular attention to their performance on control of key risks. The risk management plan of each subsidiary shall be compiled by the CEO of CHC on a quarterly basis and incorporated into the business report for the Board of Directors.
- In the first quarter of every year, the CEO of CHC shall report to the Board of Directors on the risk management operations of the Group. Relevant disclosures will also be made through the annual report and Environmental, Social, Governance (ESG) report.
- Implementation of risk management in the annual strategic plan, business plan, and budget.
- A comprehensive risk assessment must be carried out by a review committee or dedicated unit before tender submissions or property development projects. Appropriate measures to control or mitigate risk must also be taken.
- The relevant controls and procedures must be implemented in the event of major risk or emergency. The reporting, coordination and handling of the incident should adhere to the Emergency Management Guidelines.

Supervision and Management

In addition to the annual self-assessment of internal control system conducted by each unit, the Audit Office supervises the risk management performance of each unit in accordance with the annual audit plan or as directed by Board of Directors. The Audit Committee supervises risk controls throughout the company to ensure risk management enforcement and compliance.

External experts may be retained to assist with risk assessment if necessary and help determine the company's performance in managing overall or specific risks.

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