

# **Sinyi Realty Inc.**

## **Risk Management Policy**

### **1 Risk Management Policy**

#### **(1) Scope and Basis**

This risk management policy (hereinafter referred to as the “Policy”) applies to Sinyi Realty Inc. (hereinafter referred to as the "Company") and its subsidiaries and the related companies at the Sinyi Group.

#### **(2) The purpose of adoption**

The Policy aims to establish a proactive risk management mechanism to enable relevant units to respond to risk events in a timely manner through risk management procedures, reduce or avoid risk event shocks, and increase personnel risk awareness to ensure the Company's sustainable operations.

#### **(3) Risk Management Policy**

- A. The duty of the risk management organization should be clearly defined, and the Board of Directors sits at the top of its risk management system.
- B. The risk owners shall collect and summarize the risk management items, the level of impact on material items, improvement plans that each risk execution unit has identified, and regularly submit the implementation results of the risk management to the risk management team and the internal audit unit.
- C. The risk execution units shall actively identify all risks and maintain an effective risk management mechanism and management information system and continuously improve to cultivate high-quality risk management culture, reduce risk control costs, and improve the value of sustainable operations.
- D. All colleagues should enhance their awareness of risk management, strengthen communication with customers, employees, suppliers and other stakeholders regarding possible risks matters. They shall implement various response operations when risk events occur, and provide relevant consultation mechanisms for stakeholders to reduce risks of business operations.

#### **(4) Risk Appetite and Risk Tolerance**

- A. Risk Appetite refers to the maximum risk that the Company is willing and able to bear in order to achieve a goal or vision.

- B. Risk Tolerance means the degree of acceptability of differences in the achievement of goals or visions (i.e. the "target value at risk" for managing risk).
- C. Based on the opportunities or negative impacts caused by risk and the resources the Company is willing to invest in handling risks, risk tolerance is divided into three categories, including:
  - i. Low tolerance level: the Company cannot stand the risk to occur. Thus, sufficient resources will be prioritized for improving and controlling such risks, and all colleagues are required to comply with relevant control regulations during daily operations and actively monitor and control the risk.
  - ii. Moderate tolerance level: the Company accepts the occurrence of the risk and reasonable resources will be invested in supervise and control the risk through the control mechanism and corresponding measures.
  - iii. High tolerance level: the Company dares to accept the occurrence of risk in exchange for opportunities or rewards. However, such risk still needs to be appropriately monitored and controlled through proper evaluation, planning and controlled.

## **2 Risk Management Organization Structure**

### **(1) Risk Management Processes**

The risk management organization includes the Company's Board of Directors, the risk management team, risk owner, risk execution unit and internal audit unit.

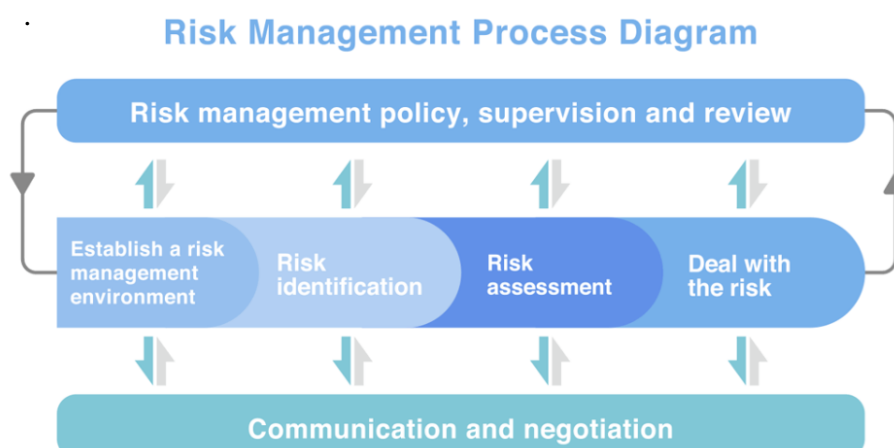
- A. Board of Directors: The highest supervisory unit for risk management, responsible for reviewing annual risk management reports, risk execution reports and audit reports, to ensure the effective implementation of the risk management system.
- B. Risk Management Team: the Total Ethical Management(TEM) Committee takes up the position of Risk Management Team and is responsible for:
  - i. Monitoring the effectiveness of risk management system and mechanisms.
  - ii. Reviewing annual risk management reports and risk execution reports to ensure that risks are properly identified, evaluated, and dealt with.

- C. Risk Owner: the top executives of each risk execution unit, responsible for:
  - i. Designing, establishing, propelling, coordinating and maintaining a risk management system.
  - ii. Consolidating and preparing annual risk management reports and risk execution reports.
  - iii. Tracking and supervising the progress and results of the risk management plan.
  - iv. Regularly submitting the risk management implementation results to the risk management team and the internal audit unit.
- D. Risk Execution Unit: each division of the Company takes up the position of risk execution and is responsible for:
  - i. Implementing the risk management system and improvement plan within the scope of authority.
  - ii. Collecting and summarizing the risk management items, impact levels and improvement plans within the unit.
  - iii. Regularly reporting the risk management results to the risk owner.
- E. Internal Audit Unit: the Group Internal Auditor Office takes up the position of internal audit and is mainly responsible for
  - i. Evaluating the effectiveness of the operation of risk management mechanisms.
  - ii. Based on the risk assessment results, formulating a risk-based annual audit plan, and performing regular or irregular internal audit operations.
  - iii. Regularly submitting the results of risk management to the Audit Committee for opinions and then reporting to the Board of Directors.

**(2) Organization Chart of Risk Management**



### 3. Risk Management Procedures



#### (1) Establishment of risk management environment

##### A. Environmental elements of risk management:

- i. External risk management environment: in addition to paying close attention to its changing trends, including political, economic, legal, social, cultural, technological, natural disaster events, and related industries, we shall evaluate its impact on the overall operations and perform analysis of possible opportunities and threats.
- ii. Internal risk management environment: we should understand the major risks existing in the current business and the new business in the future and have a full grasp of the Company's own advantages, disadvantages and capabilities.

#### (2) Identification of Risk

The risk execution units are responsible for identifying the risks that affect the Company's sustainable operation and the achievement of business performance goals. Once the risk has been identified, the risk execution units shall evaluate and take actions and there should be a systematic record of related information of risk identification.

#### (3) Evaluation of Risk

The risk execution units shall evaluate the identified risks, the degree of impact and the probability of occurrence of potential risks and then evaluate the degree of risk treatment with reference to the risk tolerance of the risk.

#### (4) Risk Treatment

Risk treatment includes evaluating alternative risk treatment strategies, formulating and implementing action plans for risk treatment, and monitoring and reviewing the results of the plans. When formulating risk treatment action plans, the selected strategy and execution content must be stated, including the responsible unit to implement the plan, resource requirements, execution schedules and monitoring indicators.

## **(5) Monitoring and Review**

Risk Owner is responsible for supervising the risk management. The Board of Directors of the Company confirms the effectiveness of risk management policies by reviewing risk management reports and internal audit reports.

## **(6) Communication and negotiation**

The Company shall establish effective communication and reporting channels, so that internal and external risk information can be identified, evaluated and communicated in a timely manner, and the action plans for risk treatment are also known to all staff and stakeholders of the Company. Then, all the Company's staff shall take responsibilities of risk management or the risk management of the Company shall be supported by stakeholders.

## **4 Risk Management System**

Appropriate risk management systems and other necessary management procedures should be established to control risks related to corporate governance, strategic planning, operation/infrastructure, compliance and reporting, etc., and formulate appropriate action plans accordingly.

## **5. Risk management standardized operation procedures**

According to the regulations of the securities authorities, the Company shall use relevant forms to conduct self-checking on the effectiveness of the design and implementation of the internal control systems every year. The "Sinyi Group Risk Management Manual" was formulated to ensure the effective implementation of risk management operations and to strengthen the risk management mechanism.

## **6. Material contingency treatment and report**

In order to reduce external factors and other material contingency that have major impacts on the Company's reputation or endanger normal operations, a "Procedures for Sinyi Group Crisis Management Operation" is also formulated for all units to follow, to immediately reduce damage and resume normal operations.

## **7. Implementation and amendment**

The Policy shall be implemented after being approved by the Board of Directors of the Company, and the same applies when revised.

## **8. Related regulations or manuals**

**(1) Sinyi Group Risk Management Manual**

**(2) Procedures for Sinyi Group Crisis Management Operation**

## **9. Forms**

Nil.

## **10. Remark**

Nil.