

Policies and Procedures for Risk Management Of CHC Healthcare Group (The “Company”)

Chapter 1 General Principles

Article 1 Purpose

The Policies and Procedures together with the guidelines are established to ensure the integrity of risk management system of the Company, also for the purpose of implementing the risk management control mechanism and improving the efficiency of work division on risk management.

To manage risk, an operational strategy and organizational culture that focus on risk management shall be formulated, and an overall risk management system shall be established, with the joint participation in the promotion and execution by the Board of Directors, management of all levels and employees of the Company and its subsidiaries. It is a procedure abided by all levels. From the overall perspective of the Company, various types of risks that may be faced in the operating activities are maintained to a tolerable extent in a qualified and quantified management manner through the identification, assessment, monitoring, response and reporting of potential risk, serving as the basis of reference for the establishment of operational strategies and with the objective to reasonably ensure the achievement of corporate strategic targets.

Chapter 2 Risk Management Organization Structure and Responsibilities

Article 2 Risk Management Organization Structure

1. To establish a corporate risk management system, the Board of Directors shall set out the risk management policies and guidelines for compliance by the Company and its subsidiaries when implementing risk management.
2. To efficiently plan, supervise and perform the risk management system of the Company and its subsidiaries, the Chairman shall set up an authority or appoint dedicated personnel responsible for handling risk management matters.
3. Risk management is not only the duty of the authority or dedicated personnel. All functions, departments and undertakers inside the Company and its subsidiaries shall have their corresponding responsibilities and cooperation matters for the purpose of implementing overall risk management of the Company.

Article 3 Risk Management Responsibilities

1. Role of Board of Directors
Board of Directors is the ultimate decision unit of risk management mechanism. It shall

approve the corporate risk management policies based on overall operational strategies and business environment; ratify the risk management organization structure to build risk management culture; bear the final responsibility for risk management.

2. Audit committee

Audit committee shall regularly listen to reports made by the Company's risk management officer; supervise the status of risk management execution by the Company and its subsidiaries and make improvement suggestions; deliberate on the discussion proposals submitted by the risk management officer to the Board of Directors.

3. Risk management officer

Risk management officer is the chief supervisor dealing with risk management relevant matters. He/She shall integrate the Company's risk management affairs including deliberating, supervising and coordinating the control and operation of all types of risks; be responsible for stipulating risk authorization limits and indexes; regularly report to the audit committee and submit to the Board of Directors for resolutions to monitor risk management status of the whole corporate.

4. Audit office

Audit office reports directly to the Board of Directors. It shall contain the risk management system and regulations as part of internal control operating procedures to ensure the sustained operating effectiveness of the internal control system.

5. Relevant units (legal compliance/customer service/environmental community)

- (1) Legal compliance unit is responsible for implementing legal risk management and ensuring business execution and risk management system to be compliant with relevant laws and regulations. It shall also help establish the risk management information system to equip the risk management system with both effectiveness and efficiency.
- (2) Customer service unit shall conduct business activities in accordance with risk management policies to ensure the effective execution of risk regulations in relevant units and the timely and correct transmission of risk information.
- (3) Environmental community unit shall identify and gather topics related to environmental, community and corporate governance concerned by the stakeholders and confirm the degree of impact on the Company's sustainability to derive corporate strategic goals and plans. The above information shall be disclosed on the corporate social responsibility report for the year after submitted to the risk management officer.

Chapter 3 Risk Management Processes

Article 4 Risk Management Processes

Risk management process includes risk identification, risk assessment, risk monitoring, risk reporting and risk response.

1. Risk identification

The Company shall identify various internal and external risk factors that impact the occurrence of risk and adopt various feasible analysis tools and methods for performing downward or upward discussion and study to compile experience and predict risk situations that may occur in the future and put them in categories as reference for further assessment, monitoring and management of risk. For effective control, risk factors are mainly divided and defined as follows:

(1) Hazard risk

Includes but not limited to the following risks:

- A. Natural disaster
- B. Terror attack
- C. Global/Regional financial crisis

(2) Strategic and business risk

Includes but not limited to the following risks:

- A. Distribution line concentration/Staple product line influence
- B. Industry concentration
- C. Merger and acquisition
- D. Information system risk
- E. Operational risk (e.g., risk of direct or indirect loss caused by incorrect or negligent internal procedure, personnel, system or external event)

(3) Financial Risk

Includes but not limited to the following risks:

- A. Credit risk
- B. Foreign exchange risk
- C. Liquidity risk
- D. Valuation risk

(4) Compliance risk/Contractual risk

Compliance risk refers to potential losses that may be incurred due to non-compliance with applicable legislation enacted by competent authorities. Contract risk refers to potential losses that may be incurred due to the invalidity of contracts signed, such as the lack of legal effect of the contracts, any act beyond the granted authority, the omission of clauses, incomplete stipulations, etc.

(5) Other risks

Other risks refer to risks not belong to the previous categories.

2. Risk assessment

Each department of the Company or its subsidiaries shall establish proper evaluation methods as the basis for risk management after identification of the risk factors may be faced.

- (1) Risk assessment includes risk analysis and evaluation. The former is the analysis of the possibility of occurrence of a risk event and on the level of negative impact upon

occurrence to understand the impact of the risks on the Company. The latter is to compare such impact with pre-set thresholds, serving as the basis of reference to determine the order of priority of risk control and the choice of corresponding measures to be established subsequently.

- (2) For quantifiable risks, adopt stricter statistics analysis and technology to conduct analysis management.
- (3) Management quantification process shall be carried out gradually. For example, first pursue quantitative management of credit risk, followed by quantitative management of liquidity risk, operational risk and other risks.
- (4) Risks that are more difficult to quantify shall be assessed qualitatively. Qualitative risk assessment refers to a textual description to express the possibility of the occurrence of risk and the level of impact.
- (5) Control procedure requirements such as operating procedure, operating authority, documentation and certification can also be adopted to evaluate whether the operation is duly consistent with the requirements.

3. Risk monitoring

Risk monitoring means monitoring various risk exposure situations and reporting properly to adopt corresponding measures. After adopting relevant measures, the execution situation shall be managed and evaluated. Deficiencies discovered from monitoring shall be reported to relevant units and be followed up.

4. Risk reporting

To fully record the risk management procedure and the implementation results, the Company shall regularly report on the risk status to the Board of Directors as management reference.

5. Risk response

Following evaluation and consolidated review of risks, proper response measures shall be adopted against the risks faced.

Chapter 4 Risk Management Implementation

Article 5 Risk Management Implementation

Risk management implementation shall be performed under the “three lines of responsibilities” structure.

1. First-line responsibilities

Supervisor or undertaker of each unit is the administrator of related risks derived from his/her undertaking business, which is also the direct unit of initial risk detection, evaluation and control. He/She shall perform business in accordance with internal control system and internal regulations.

2. Second-line responsibilities

Supervisor of each department shall be responsible for risk management of relevant

business; review the operations manual based on actual business operation; be aware of the latest legislation amended and letters published by competent authorities; conduct amendment on relevant internal regulations if necessary.

3. Third-line responsibilities

Risk management officer shall check the integrity of main risk management mechanisms of the Company and its subsidiaries, including harm, strategy, operation, finance and compliance, and shall monitor related risk of each unit in accordance with the Policies and Procedures and relevant risk management regulations.

Article 6 Assessment of Risk Management Implementation

Internal audit personnel shall assess whether relevant risk management has been effectively implemented to ensure the implementation of and compliance with the system.

Chapter 5 Risk Information Disclosure

Article 7

In addition to disclosing relevant information according to the regulations of competent authorities, the Company also shall disclose related information about risk management in the annual reports and the official website.

Chapter 6 Supplementary Provisions

Article 8 Amendment to the Policies and Procedures

The risk management unit of the Company shall review the Policies and Procedures every year and at all times monitor domestic and international developments in risk management as a basis for reviewing and improving the Policies and Procedures, so as to enhance the effectiveness of risk management implementation of the Company and its subsidiaries.

Article 9

The Policies and Procedures, including any amendment thereto, shall take effect after approved by the audit committee and submitted to the Board of Directors for resolutions.

Version	Date of Implementation/Amendment	Type of Approval
1	2020/05/06	Approved by Board of Directors