

Risk Management Policies (the “Policies”) of Far Eastern New Century Corporation (the “Company”)

Formulated by the Board of Directors on Nov. 8, 2024

Article 1 (Purpose)

These policies and regulations have been formulated to strengthen corporate governance of Far Eastern New Century Corporation (hereinafter referred to as the “Company”) and implement sound risk management operations in order to guarantee the achievement of goals in a reasonable manner.

Article 2 (Application scope)

The Policies apply to entire operations of the Company and its subsidiaries.

Article 3 (Risk management goal)

The Company sets up risk management mechanisms to ensure sustainable development of the Company, reduces losses and damages, and benefits to the Company interests. In order to achieve a reasonable balance between risks and returns, the Company shall properly evaluate risks and opportunities, effectively identify, assess, monitor, and control possible risks at a manageable level.

Article 4 (Organizational structure and responsibility)

The Board of Directors serves as the highest decision-making entity regarding risk management. The Audit Committee and the Sustainability Committee, under the Board of Directors, oversee the operation of each risk policies and management mechanisms to ensure the effectiveness of risk management.

The organizational structure of the Company in the field of risk management includes all businesses and applicable units, risk management team and internal audit.

The powers of the Committee are as follows:

1. All businesses and applicable units

All units, including administrative departments and business units, are required to identify significant risks associated with their operations. They must conduct risk planning and implement appropriate risk assessment and management processes to address variables such as changes in external or internal environments, laws, and regulations. Additionally, these units must regularly report their risk management status to the risk management team.

2. Risk management team

The Risk management team within the Company's Corporate Management is tasked with comprehensive oversight of risk management. Its responsibilities include developing policies, frameworks, and mechanisms, as well as establishing both qualitative and quantitative management standards. The team conducts monthly reviews to evaluate risk control measures reported by various units in line with their assigned responsibilities. Additionally, it assesses risk-related issues, ensures effective implementation and coordination of company-wide risk management initiatives, and submits a detailed annual report on risk management activities to the Board of Directors.

3. Internal audit

The Company's internal audit unit assesses operational risks through the internal control system, conducts relevant audit activities, and provides improvement recommendations in its audit reports. In the event of an emergency or significant risk that could impact the Company, the response team is required to report the incident immediately. Effective communication with both internal and external stakeholders ensures compliance with laws and regulations while minimizing potential losses and damages.

Article 5 (Risk management principle)

Each risk management principle is in accordance with the Company's operational strategies and goals, with business growth, risks and rewards factors. The management policies are based on the setting of risk corresponding measures, authorization, reviewing on a regular basis and establishment of risk indicators and alert systems, and using possible quantitative measures to simulate the future circumstances.

In addition, the below shall be following:

1. Considering the uncertainty of risk factors and collecting the best information to develop prioritized action plans
2. Achieving optimal resource allocation and utilization
3. Establishing necessary preventive mechanism and emergency action plans
4. Constantly identifying and responding to changes
5. Complying with laws and regulations
6. Strengthening trust and communication with stakeholders

Article 6 (Risk management processes)

These policies and regulations include the following seven processes:

1. Risk awareness
2. Goal setting
3. Risk identification
4. Risk evaluation

5. Risk responses
6. Risk monitoring
7. Information disclosure

Article 7 (Risk awareness)

The Company shall actively establish the awareness of risk management and make dynamic adjustments in response to environmental changes.

In order to strengthen the understanding of the Company's risk management policies, processes, and risk identifications, the Company shall advocate and organize employee trainings from time to time.

Article 8 (Goal setting)

Goal setting is a key prerequisite for risk identification, risk evaluation, and risk responses. The Company shall conduct strategic planning in all units and ensure the risks sustained for achieving the goal are within tolerable limits.

Article 9 (Risk identification)

Risk identification is the processes to analyze the Company's operating environment, including internal and external factors, to determine what events may occur and the causes for the events. Each unit of the Company shall identify its potential risk factors, predict future risks based on its experience, categorize the identified risks, regularly review and report risk identification results. In order to avoid possible significant losses and damages, the Company shall immediately report and handle emergency events if occur. The potential risks include but not limited to the following:

1. Financial risk: including the volatility of local and foreign interest rates, currency exchange rates and credit risks, etc.
2. Strategic and operational Risk: including operations strategies, local and overseas market competitions, industry alliance, policy or regulation changes, etc.
3. Information security risk: including but not limited to potential threats to the confidentiality, integrity, availability of the Company's information asset due to any natural, man-made or technical factors.
4. Environmental and energy risk: including the change of climate, natural resources, government energy and related financial and taxes policies, etc.
5. Corporate sustainability risk: including the Company's environmental, social, and governance (ESG) performance failing to meet the expectations of stakeholders.

If any risk factors may affect the Company's reputation, they shall be included in the risk management as well.

Article 10 (Risk evaluation)

Each unit of the Company shall evaluate and analyze the risk identification, use the information to evaluate potential risk factors, and evaluate the impact to the Company. During the risk analysis, it shall also be taken into account whether or not the current internal control system can prevent the incidence of risk events. The result of risk analysis shall be provided to evaluate and response risk. Rigorous statistical methods and techniques should be deployed to analyze and manage quantitative risks. Qualitative methods will be used to evaluate other risks more difficult to quantify. Qualitative risk evaluation refers to the use of wording to describe the probabilities of risks and the degrees of impact.

Article 11 (Risk responses)

Formulating risk response programs and action plans for the identified risk events. When formulating risk response programs and action plans, the Company shall include the plan content, the responsible units, the resource requirements, the implementation schedules, the monitoring and review system as well as take into consideration the cost effectiveness of each plan. If necessary, the Company shall handle risk events by cross-department cooperation and communication.

Article 12 (Risk monitoring)

Risk review report of Corporate Management shall be conducted regularly on a monthly basis. Each department shall fill out the self-assessment forms, and submitted the result to the Accounting Department for combination, and then report to President of Corporate Management regularly on a monthly basis.

In case of new unpredictable material risks occurred, meetings shall be convened in a timely manner to conduct risk evaluation and discuss response programs. Relevant forms and meeting minutes shall be preserved and archived as supporting evidence.

Operating Business and the relevant divisions shall constantly monitor, track, and review material risk events and risk response programs and action plans at internal meetings on a regular basis.

Article 13 (Information disclosure)

In addition to disclosing relevant information in accordance with regulations of competent authorities, it is also appropriate for the Company to disclose risk management related information in its annual report, sustainability report, and on the Company's website.

Article 14 (Approval and amendment)

The Policies take effect after the Board approval. The same applies for any amendments.

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*