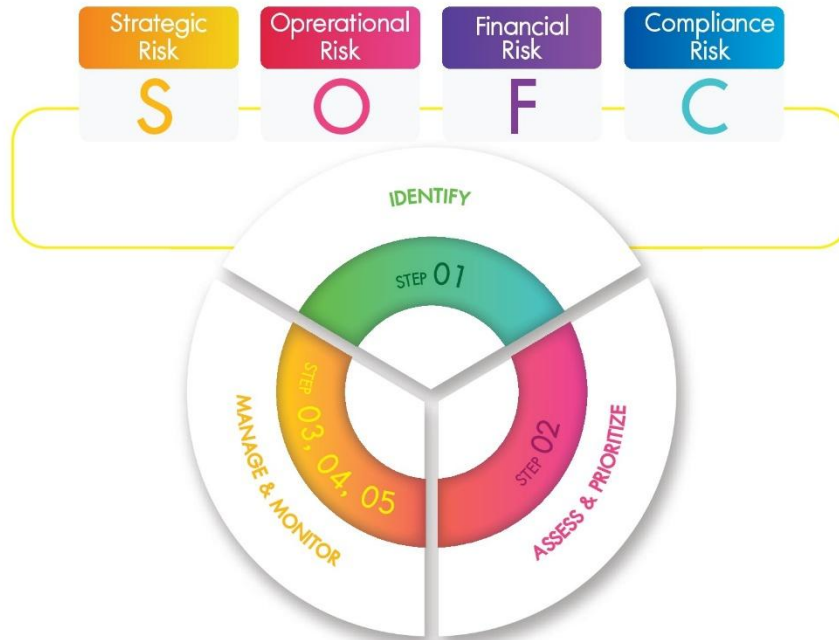


## Risk Governance

### Framework for ERM (COSO 2017)



Under the vision of becoming “a leading value-oriented energy and infrastructure company in Asia Pacific”, strong and stable foundation is a prerequisite. That requires comprehensive risk management, encompassing all risks that may disrupt corporate strategies and the economic, social and environmental goals. RATCH has applied the Committee of Sponsoring Organization of the Treadway Commission’s COSO-ERM 2017, which integrates risk management mechanism into the corporate strategies and operations to achieve efficient risk management and create value added for the enterprise.

### **Risk management procedure**

The Corporate Planning and Systems Development Department, under the Asset Management Function, is tasked to take charge of the enterprise risk management. It also plots the corporate strategy and short, medium and long-term targets. Based on COSO-ERM 2017, the process is summarized below:

<b>1. Supervision of governance and corporate culture</b>	The Board of Directors and sub-committees including the Risk Management Committee play a role in the supervision of governance and corporate culture building, by setting the risk management policy and management guidelines for the enterprise- and project-level risks and ESG as well as the corporate culture strategy and targets.
<b>2. Corporate strategy and goal</b>	The Management, via the Risk Management Working Committee, analyzes the business context, defines the risk appetite, assesses enterprise risk management guidelines and sets business goals before seeking the Board of Directors’ approval.
<b>3. Performance target</b>	The Management, via the Risk Management Working Committee, identifies risks, assesses the severity, prioritizes the risks, prepare responses, and review the overall enterprise risks before reporting to the Risk Management Committee and the Board of Directors.
<b>4. Revision and improvement</b>	The Management, via the Risk Management Working Committee monitors and assesses the changes caused by the risk management plan, the revision of management measures, guidelines, risk levels; as well as review the corporate risk management system on an annual basis.
<b>5. Information, communications and reporting</b>	The Corporate Planning and Systems Development Department reports to the Board of Directors every 2 months and discloses the performance results in the Annual Report and Sustainability Report; as well as work with the Human Resources Department in raising risk awareness and building the corporate culture.

## Risk Management Structure

The Company has established a systematic risk management structure, consisting of:

- 1) Risk management team (RMT)**, which is represented by the management of each function of the Company as a member of the Risk Management Team to jointly conduct risk assessment (Risk management) and risk management plan (Mitigation plan), as well as consider risk factors at both the project and corporate level.
- 2) The Risk Management Committee (RMC)** is a sub-committee of the Company responsible for reviewing and assessing the adequacy and appropriateness of risk management information provided by the Risk Management Team. It carefully evaluates risk management plans for various organizational risk factors and provides additional recommendations for risk assessment and significant risk management to ensure the effectiveness of the Company's overall risk management.
- 3) Joint meetings between the Risk Management Committee (RMC)** and the Audit Committee are held to integrate and align risk management and audit processes, ensuring consistency and mutual support. The risk assessment results at the corporate level and the project level are used as key discussion points to review, monitor, and ensure that risk management measures are comprehensive, sufficient, and effectively implemented across all dimensions.