

# **CH BIOTECH R&D CO., LTD.**

## **Regulations Governing Risk Management**

The Code was enacted at Board Meeting on August 6, 2021

### **Chapter I General Principles**

- Article 1 Purpose  
The regulations are adopted to strengthen the corporate governance of the Company, create an operational environment for sustainable development and assist the Company to foster a corporate culture of risk management.
- Article 2 Scope  
The regulations apply to each risk management unit of the Company and the subsidiary.

### **Chapter II Risk management organizations**

- Article 3 The Company's risk management organizations are as follows :
1. The Board of Directors :  
The Board of Directors is the highest unit of risk management of the Company, understand thoroughly risk of the Company's business, pursue and implement risk management in order to establish an effective risk management mechanism.
  2. The General Manager 's Office :  
The General Manager 's Office is responsible for handling and reviewing the execution of risk management.
  3. The Audit Department :  
The Audit Department is responsible for monitoring and suggesting improvements properly in order to ensure thorough implementation of risk management. It shall examine the Company's compliance with the regulations and prepare audit reports and submit to the Audit Committee and the Board of Directors.
  4. Department's supervisors :  
Department's supervisors are responsible for risk analysis, monitoring and disseminating risk management policy in order to ensure thorough implementation of risk management.
  5. The members from the business functions and the subsidiary :  
The members from the business functions and the subsidiary are responsible for identifying relevant risks of the Company and implementing risk management activities in accordance with the regulations, so as to mitigate the identified risks.

### **Chapter III Risk management procedures**

Article 4 The Company's risk management procedures are as follows :

1. Risk Identification :

The Company implements the relevant risk identification on different scopes of its business activities and in the areas of operation, finance, climate change, compliance, work safety, personnel, business ethics and others.

2. Risk Measure :

After risk management units of the Company identify possible risk factors, appropriate risk measures shall be adopted for risk management.

(1) Risk Measure includes risk analysis and evaluation. The Company analyze adverse impact and evaluate the influence on the Company through the likelihood of a risk event occurring or not occurring, so as to draw up priority of risk control and option of response measures for reference.

(2) It shall take rigorous measure of statistical analysis and technique for measurable risk.

(3) For other difficulty measurable risk, it describes the likelihood of risk event occurring and the influence through words.

3. Risk Monitor :

Department's supervisors monitor each risk event of department functions, if there is significant risk which is a threat of business operation, appropriate countermeasure shall be proposed and submitted for approval by the General Manager and the Chairman.

4. Risk Response :

Countermeasure shall be taken properly and recorded its execution after approval.

5. Risk Management Report :

The Company shall submit the execution of risk management to the Board of Directors at least once every year.

### **Chapter IV Implementation of risk management**

Article 5 The Company's risk management procedures are as follows :

The implementation of risk management is based on a three-tier work division structure.

1. First-line responsibility :

Each unit or staff member handling the business is responsible for the risk of the business it undertakes and is required to carry out its activities in accordance with the internal control system and internal standards and is the direct entity for initial risk identification, assessment and control.

2. Second-line responsibility :

The department's supervisors shall be responsible for the risk management of the relevant business, and shall pay attention to the latest additions/amendments to regulations and business-related correspondence announced by the competent authorities, and may add/amend relevant internal standards if necessary.

3. Third-line responsibility :

The General Manager's Office shall review the integrity of the Company's key risk management mechanisms relating to operation, finance, climate change, compliance, work safety, personnel, business ethics and others, and shall ensure that the relevant risks of each unit are monitored and controlled in accordance with these Regulations and relevant risk management regulations.

## **Chapter V Disclosure of Risk Information**

Article 6 Disclosure of Risk Information

The Company publishes information on risk management in its annual report and on its website.

## **Chapter VI Supplementary Provisions**

Article 7 Amendment of regulations

The Audit Department is in charge of creating and amending these regulations.

Article 8 Implementation

The regulations, and any amendments hereto, shall enter into force after adoption by the Audit Committee and the Board of Directors.