CONFIDENTIAL

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Version
2024.02

JING AN SPECIAL RISKS INSURANCE & REINSURANCE BROKERS INC.
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VERSION INFORMATION

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VERSION HISTORY:

Version No.		Title	Remarks
2024-01	:	JASR Enterprise Risk Management Framework	Initial ERM preparation and approval.
2024-02	:	JASR Enterprise Risk Management Framework	Initial ERM with approval

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1. INTRODUCTION

Risk is part and inherent in all aspects of the operation of Jing An Special Risks Insurance and Reinsurance Brokers Inc. (JASR). This is whether the risk is internal or external, that is from clients or any obligation or responsibility of JASR in respect to its shareholders. As a responsible intermediary, JASR acknowledges risk as the probability of incurring losses arising from any uncertainty and negative impact on its business objectives.

As a broker, it is imperative that risks must be handled and managed properly since it is a critical component for the formulation of strategies and decision making, proper handling of clients' risks, negotiating and partnership with insurance principals and service providers, while ensuring positive financial growth.

1.1 PURPOSE

This framework establishes the standards, processes and accountability structure to identify, assess, prioritize, and manage various key risks exposures across the operation of JASR. It will enable the executives and managers to systematically evaluate the implications of any decision and action to be applied to the highest priority goals and objectives, effectively manage a broad array of risks in an informed and strategic manner to within an acceptable tolerance level.

1.2 OBJECTIVES

The primary objectives of this framework are as follows:

- Develop and maintain an ERM process as an integral part of the operation of JASR to support sustainable business growth.
- Provide a uniform and complete documentary standard as a single point of reference in providing direction for the management of all risk elements that JASR is exposed to.
- Provide transparency in risk assessment to relevant and concerned stakeholders
- Protect profitability and maintain financial sustainability
- Provide a platform required to develop a sustainable risk management framework
- Facilitate effective risk oversight through a sound and clearly defined internal governance model with well-defined structure of risk ownership and accountability
- Develop and create an effective risk management culture in JASR.

1.3 SCOPE

This framework applies to all JASR's Officers, employees, and executives. This is also applicable to all plans, activities, business processes, policies, procedures and properties of JASR. This will also be periodically reviewed and aligned to JASR's business strategy and capital management objectives in ensuring consistency in the management of risk within JASR's business operations.

2. JASR ERM FRAMEWORK

The Enterprise Risk Management framework of JASR is made up of seven (7) process components derived from various sources including from Committee of Sponsoring Organization of the Treadway Commission (COSO) ERM Framework. The entire risk management process is also designed and structured to align with shareholders' values and objectives including its policies, processes, people and technology.

The approach to JASR's risk management is structured on the following principles:

2.1 RISK IDENTIFICATION

An integral part of strategic planning process and day-to-day management of the business, functional managers identify internal and external risks that may affect the achievement of the company's objectives. It should be inclusive, not relying entirely on the inputs of a few senior officers of the organization and should also draw as much as possible on unbiased independent and verifiable sources, including the perspective of important stakeholders.

2.2 RISK ASSESSMENT

A systematic process used to quantify or qualify the level of risk associated with specific threat or event, to determine how it should be managed. The main purpose is to assist the organization to prioritize the most important risks as the organization is not expected to have the capacity to deal with all risks at the same time and in an equal manner.

2.3 RISK RESPONSE

A response is determined based upon the overall risk exposure or opportunity, considered as a function of likelihood and impact of the occurrence. Risk or Opportunity responses may include avoiding or enhancing, accepting or ignoring, mitigating, exploiting, and sharing or transferring risk.

Responding to risks involves identifying and evaluating the range of possible options to mitigate risks and implementing the chosen option. The management should develop response strategies for all material risks.

2.4 CONTROL ACTIVITIES

Controls activities are established to ensure that risk or opportunity responses are carried out effectively and consistently throughout the organization. This involves formalizing risk response in our organization policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into our systems and critical business process.

Everyone in the organization should have responsibilities for maintaining effective systems of internal controls, consistent with their delegated authority. Internal controls include:

a) Preventive controls
b) Detective controls
c) Corrective controls
d) Management controls
e) Administrative controls
f) Accounting controls
g) Information technology controls

2.5 INFORMATION AND COMMUNICATION

Dissemination of information and communication channels are in place to make the organization aware of risks that fall into their area of responsibility and expected behavior and actions to mitigate negative outcome.

The organization's risk communication and reporting process should support enhanced decision making and accountability through:

a) Dissemination of relevant, timely, accurate and complete information; and
b) Communication responsibilities and relative actions.

2.6 MONITORING AND REPORTING

The Management reviews, as well as assurance activities, such as stress testing, auditing and assessments, are in place to ensure that risks are effectively identified and assessed, and that appropriate responses, controls and preventive actions are in place. Monitoring should be effected through ongoing activities or separate evaluations to ascertain whether risk management is effectively practiced at all levels and across the organization in accordance with this Policy, strategy and plan.

Monitoring activities should focus on evaluating whether:

a) Allocated responsibilities are being executed effectively;
b) Response strategies are producing the desired result of mitigating risks or exploiting opportunities; and
c) A positive correlation exists between improvements in the system of risk management and organization performance. While no risk management system can ever be absolutely complete, the goal is to make certain that identified risks are managed within acceptable levels.

Results and findings must be properly reported for further evaluation and future reference.

2.7 RISK CULTURE

Culture is the establishment of an environment acceptable and embodied throughout an organization, from the board level to Mancom to business line management to the employee. They basically embed risk awareness and accountability in daily business operations.

A corporate culture should be guided by strong risk management. It is characterized by a solid setting of the tone from top management, clear communication of risk management objectives, and well-defined roles and responsibilities.

3. RISK CATEGORIES

Risks that might affect to JASR's sustainability and success will be grouped into four categories: (1) Strategic, (2) Operational, (3) Compliance and (4) Financial. Specific scenarios or examples of each type of risk are included in the Table No.1 in the following page.

Table 1

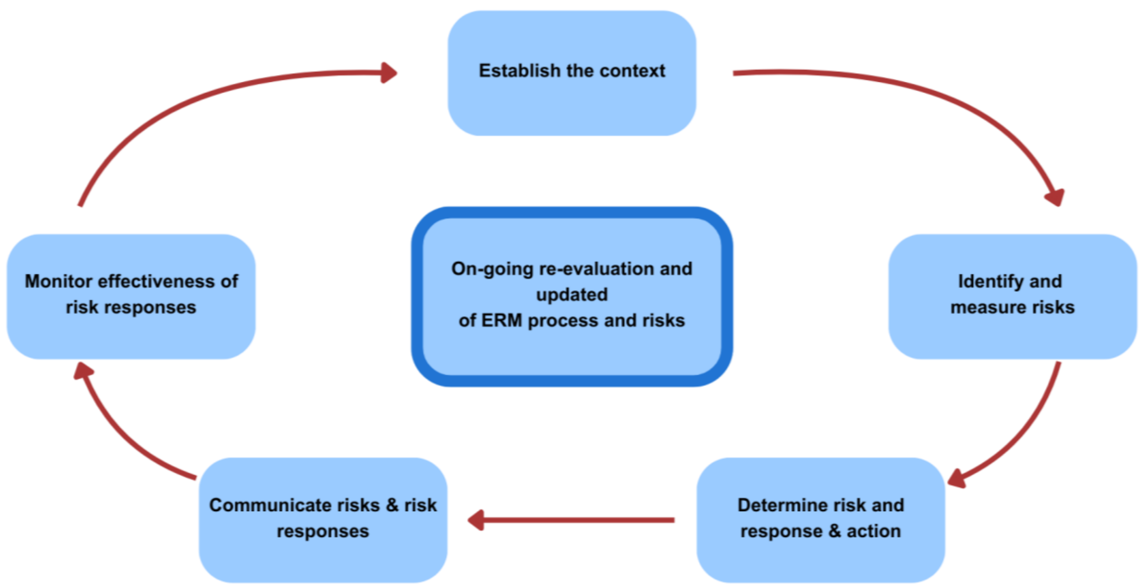
TYPE OF RISK	DEFINITION AND EXAMPLES
Strategic	Arise from the fundamental decisions that JASR's Directors, Executive/Local Management take concerning an organization's product or services rendered. Essentially, strategic risks are risks that affect or are created by the Group's business strategy and strategic objectives. *Examples:* • Reduction in business vitality (due to change in business strategy, customer spending patterns, product discovery, hardening of reinsurance support, & changing technology, etc.) • Loss of intellectual property & trade secrets • Competition for product and manpower • Negative impact to reputation/loss of public trust
Operational	Major risks that affect our organization's ability to execute the strategic plan. It resulted from inadequate or failed internal processes, people and systems or from external events. *Examples:* • Hardening and difficulty of reinsurance support • Lesser local insurers • Counterfeiting • Inefficient use of resources/increased rate and premiums • Physical property damage or disruption
Compliance	Risks of legal sanctions, material financial loss, or loss to reputation JASR may suffer as a result of its failure to comply with laws, our policies and code of business conduct, and best practices. *Examples:* • Compliance Violations of laws or regulations governing insurance including Anti-Money Laundering • Other violations affecting: Environmental, Employee health & safety, Insurance Products issues • Selling and promotion of insurance products • Internal revenue or local tax, and legal laws
Financial	Risks associated with financing and financial transactions. • Credit/Default risks • Liquidity risks Financial • Market risks • Financial misstatement

4. JASR ERM PROCESS

ERM is an on-going and cyclical process. The one who sets the tone and conducts the success for the enterprise risk management is the Board and the Executive Management. This includes establishing JASR's risk tolerance, and how the risks will be identified, assessed or measured, and managed.

There are five primary steps in the ERM process that JASR would like to adopt, as indicated in the Illustration No.1. It is also important to ensure that ERM process and risks are re-evaluated and updated on an on-going basis to reflect new information and experiences so that all significant risks are appropriately identified and addressed and that any material opportunities are not overlooked.

Illustration No. 1



Five Steps in ERM Process

These five steps will be performed by JASR's Local Management and Risk Owners in consultation with the Board, Executive Management and the various committees to be formed including Audit and Risk Management Committee.

Step 1: Establish the Context

The purpose of establishing the context is to set the stage for risk identification. Since "risk" is defined as "any issue (positive or negative) that may impact an organization's ability to achieve its objectives," defining the organization's objectives is a prerequisite to identifying risk.

This involves understanding the Group or its department's objectives, and defining internal activities (e.g., designing insurance products, insurance marketing and promotion, reinsurance activities, budgeting, etc.) and external environment (e.g., laws, competition, social, economic, technological, reinsurance market, etc.) within which the Group operates.

Step 2: Identify and Measure Risks

The purpose of this step is to develop an understanding of the risk or opportunity in order to have informed evaluation and decision of whether a response is required. Generate a comprehensive list of threats and opportunities based on those events that might enhance, prevent, degrade, accelerate or delay the achievement of objectives; and identify its sources, causes and potential consequences. Comprehend the nature of the risk or opportunity and determine the level of risk exposure in terms of likelihood and impact using Tables 2 & 3 below as a guide.

Likelihood indicates the chance of a risk materializing in the given terms.

Table No.2: Risk Likelihood

Score	Rating	Description
5	Almost Certain	"> = 90% chance of occurrence over life of asset, project or company"
4	Likely	"=65% to <90% chance of occurrence over life of asset, project or company"
3	Possible	"=35% to <65% chance of occurrence over life of asset, project or company"
2	Unlikely	"=10% to <35% chance of occurrence over life of asset, project or company"
1	Rare	"<10% chance of occurrence over life of asset, project or company."

Impact indicates the potential seriousness should the risk materialize or occurred and its subsequent effect to JASR.

Table No.3: Risks Impact

Score	Rating	Description
5	Catastrophic	• Annual financial loss (see table 4) • Loss of reputation • Substantial prosecution and fines • Key business area closure
4	Major	• Annual financial loss (see table 4) • Significant effect on reputation • Significant prosecution and fines • Significant threat to key business area
3	Moderate	• Annual financial loss (see table 4) • Adverse effect on reputation • Limited prosecution and fines • Limited threat to key business area
2	Minor	• Annual financial loss (see table 4) • Minor adverse effect on reputation • No prosecution and fines • Minor threat to key business area
1	Negligible	• Annual financial loss (see table 4) • Minimal impact or no discernable impact at all

Table 4: Annual Financial Loss Bracket

Revenue/Asset*	Catastrophic	Major	Moderate	Minor	Negligible
Above 1B	>50M	>30M to 50m	>15M to 30M	>5M to 15M	5M or less
Above 500M to 1B	>30M	>20M to 30M	>10M to 20M	>5M to 10M	5M or less
Above 100M to 500M	>20M	>10M to 20M	>5M to 10M	>2M to 5M	2M or less
Above 50M to 100M	>10M	>5M to 10M	>2M to 5M	>1M to 2M	1M or less
50M and below	>5M	>3M to 5M	>1M to 3M	>0.5M to 1M	0.5M or less

** Use revenue or asset, whichever is lower as base in the assessment.*

Step 3. Determine Risks Response and Action

The purpose of the risk response and action step is to decide, based on the results of measuring risks, which risks and opportunities require a response and what your recommended response will be.

a. **Opportunity response (treatment):** Process to modify or respond to an opportunity. Opportunity response can involve one or a combination of: enhancement, exploitation, ignoring, or sharing.

   - **Enhance** - The opportunity equivalent of "mitigating" a risk is to enhance the opportunity. Enhancing seeks to increase the probability and/or the impact of the opportunity in order to maximize the benefit to the project or JASR.

   - **Exploit** - Parallels the "avoid" response, where the general approach is to eliminate uncertainty. For opportunities, the "exploit" strategy seeks to make the opportunity definitely happen. Aggressive measures are taken which seek to ensure that the benefits from this opportunity are realized by the project or JASR.

   - **Ignore** - just as the "accept" strategy takes no active measures to deal with a residual risk, opportunities can be ignored, adopting a reactive approach without taking explicit actions.

   - **Sharing** - the "transfer" strategy for opportunities seeks a partner able to manage the opportunity who can maximize the chance of it happening and/or increase the potential benefits. This will involve sharing any upside in the same way as risks transfer involves passing penalties. Insurance is the best way of transferring risks.

b. **Risk response (treatment).** Process to modify or respond to a risk. Risks response can involve one or a combination of: accept, avoid, mitigate or transfer and will depend if its internal to JASR or for a client.

   - **Accept** - If the risk impact is consistent with the JASR's tolerance, the risk may be retained at the current level. For clients, assessment of risk is essential based on JASR's capacity.

   - **Avoid** - If the risk exposure far exceeds the JASR's risk tolerance and availability of possible support in case of clients, JASR does not believe it can manage the risk, and/or the risk is not core to its strategy, then JASR should consider avoiding or declining in case of clients.

   - **Mitigate** - If the risk impact exceeds the JASR's tolerance but management is confident that the risk can be reduce to a lower, more acceptable level, risk reduction is an appropriate management strategy. In case of clients, loss control must be implemented and monitored.

- **Transfer** - If the risk impact is high relative to risk tolerance or JASR cannot believe it can manage the risk on its own but the risk is close to its cored or cannot be avoided, then JASR should consider sharing or transferring the risk to the third parties (e.g., insurance) who have the ability or capacity to accept or manage the risk. For clients, it is a must to find a reliable and reputable insurer for its risk transfer procedure.

Step 4. Communicate risk and response

JASR's Management submits the result of the risks analysis to the Board at least annually (together with their Annual/Corporate Budget) or on a Project basis.

The report should contain at minimum as follows:

- Summary of materials risks and its risk scoring both internal and clients';
- Highlight of all material risks, and those risks that exceed the risk tolerance for both internal and clients';
- Timeframe and status of risk management activities or risk responses for each risks;
- Highlights of any new risks including their risks assessment, risk response and management activities;
- Highlights of untreated risks and risk treatments that are overdue, and their risk owners for both internal and clients';
- Material emerging risks affecting JASR and clients; and
- Summary of exceptions to established policies or limits for key risks.

The Executive Management and the Board will conduct an annual review of all high risks areas (including those risks appropriately responded within risk tolerance) in order to have a full understanding of all the material risks facing JASR and its clients.

Step 5. Monitor effectiveness of risk responses

Risks and risk response activities will be monitored by the responsible Risk Owners and Local Management to ensure that significant risk remain within acceptable risk levels, that emerging risks are identified, and that risk response and control activities are effective and appropriate. Group Internal Audit, the Audit Committee, and Risk Management Committee's role is to give reasonable assurance that management is monitoring and managing risks in accordance with established levels and this Policy.

The Audit Committee and Risk Management shall conduct regular assessment of risk management processes to identify opportunities for improvement; risk management standards used in other organization to ensure our Policy reflect contemporary best practices; and performance measures with regards to risk management in company strategies and performance's operational plan.

5. RISK MANAGEMENT REQUIREMENTS

5.1 JASR Management is accountable for managing risks and must maintain a risk register relating to material risk exposures of the Company;

5.2 Risk registers should be based on the outcomes of thorough risk identification and assessment processes and in accordance with this Policy;

5.3 Review of risk registers are to be conducted at least annually or depends on business requirements, and reporting and escalations should occur in accordance with this Policy;

5.4 JASR Management should develop its own risk tolerance and submit to the Executive Management and the Board for approval.

5.5 Any changes to the risk rating/scoring due to business nature/complexity are subject to the Board's approval.

6. RESOURCES AND SYSTEM INFRASTRUCTURE

Appropriate system infrastructure and resources are the foundation and enabler to an effective risk management practice and process. As a result, JASR should equip itself with necessary resources, infrastructure, and support to perform its roles efficiently.

6.1 Resources

To execute the risk principles, objectives, strategies and processes at the various hierarchical levels within the governance model, all risk functions that are in place must be adequately staffed with the relevant personnel to carry out their responsibilities independently and effectively.

In addition, the requisite skills, qualifications, experience and competencies of staff within risk management should be compatible with the nature, scale and complexity of JASR's business activities.

The personnel should be equipped with the required knowledge to understand the various activities and risk profile of businesses and challenge these lines in all facets of risk-taking activities.

6.2 System Infrastructure

With the current complexity of business operations and activities, it is critical to have a comprehensive and integrated system to support an enterprise-wide or consolidated view of risks.

Through the established infrastructure, the roles and responsibilities required for the effective management of risk can be performed appropriately. In addition, effective measures and systems must be in place to facilitate the generation and exchange of information within JASR. This is important to ensure a swift response to changes in the operating environment and developments in business strategies.

7. ERM INTEGRATION

Risk management is part of the JASR's strategy to promote accountability through good governance and robust business practices, which contributes to our strategic objective. In this regard, JASR Management shall practice into its governance, planning, reporting, performance review, and improvement processes.

In order to integrate the ERM process in JASR's business activities, the Executive Management requires that all reports communicated to them by JASR Management such as but not limited to the reports below, shall also contain summary results of ERM process in accordance with Section 9 of this Policy.

a) Annual Corporate/Budget Plan including Strategic/Business Plan
b) Quarterly Financial Statement Reviews
c) List of current clients and businesses
d) Target Clients and prospect accounts
e) Marketing activities and strategies
f) Capital Expenditure/Asset Acquisition/Expansion Plan
g) Tax and Legal Management
h) Policies and procedures
i) Key Performance Indicator (KPI) Reviews

JASR Management is required to document their ERM process implementation into their business activities and internal control formulation/improvement, which the Executive Management, Audit Committee or Group Internal Audit may request / obtain to review the results and the process.