CHAILEASE HOLDING COMPANY LIMITED
RISK MANAGEMENT POLICY

Confidential document
Enacted and approved by Chairman on December 1, 2010
Revised by Chairman on March 23, 2020
Revised by the Board of Directors, on May 13, 2021
Revised by the Board of Directors, on May 13, 2022
Revised by the Board of Directors, on Jul 14, 2023

1. Purpose of the Policy

To maintain a sound and efficient risk management mechanism, Chailease Holding Company Limited ("the Company") hereby promulgates "Risk Management Policy" ("the Policy") to ensure effective management of all potential risks in the business operations through the implementation of risk management policies and measures.

2. Scope of the Policy

The Policy applies to all business units (including front office and back office), branches, and staff working for and within the Company and its subsidiaries.

3. Major risks covered in the management policies

(1). *Credit risk*

(a). Identify customers' credit risk through the rigorous division of labor between marketing and credit departments, risk assessment and approval system, credit scoring and rating system, and risk models.

(b). Follow the principle of risk diversification when granting credit, and avoid concentration on single/a few customers or industries.

(c). Monitor asset quality, national and regional risks, industrial cycle risks, product risks, etc. on a regular basis to control changes in asset quality.

(d). Understand the risk identification ability of the credit review team through the examination and verification.

(e). Establish credit risk awareness through education and joint training of marketing and credit functions.

(f). Improve the professional ability of credit assessment. The credit officers should acquire internal qualifications and formal assessments.

(g). Implement the post-loan management mechanism, track the risk of post-loan operations and secure obligatory rights on a regular or irregular basis.

(2). *Market risk*

Observe changes in market interest rates, implement interest rate risk analysis, adjust asset and liability structures, and supervise the management of derivative financial assets, maintain an appropriate funds pool and establish emergency response mechanisms.

(3). ***Legal risk***

By following the government laws, tracking the latest regulations for listed companies and corporate governance, revising the Company's internal regulations and stereotyped contracts to supervise and confirm that all businesses are in compliance with the laws. Control the Company's legal risk through internal education and training.

(4). ***Information security risk***

To strengthen information security management and reliable information operating environment, and to ensure the security of data, IT system, equipment and network to meet business development needs, an "Information Security Policy" should be formulated. "Guidelines of Information Security Management" and other relevant regulations should be formulated in accordance with such policy in order to establish a control system.

(5). ***Money Laundering risk***

The Company shall take appropriate measures to identify and evaluate money laundering risks, and formulate specific risk assessment items based on the identified risks to further control, reduce or prevent risks.

(6). ***Climate change risk***

In order to follow the international sustainable development standards and implement the Environmental, Social and Governance (ESG) goals, the Company has incorporated social sustainable development, climate change risks and other issues into customer credit scoring and risk assessment operations, with full disclosure of risk information.

Based on the framework of the Recommendations of the Task Force On Climate Financial Disclosures published by the TFCD, the Company proposes the risk identification and response measures of climate change, and estimates the financial impact accordingly, reduces the risk and strengthens the Company's climate change management.

In order to promote the protection of the global environment and green finance, credit granting and investment activities for green energy power plants and energy storage should be assessed with environmental factors affected by climate change, and risk assessment information should be disclosed.

(7). ***Emerging risk***

With the rapid and complex changes in the international financial business environment, in response to various emerging risk issues (such as epidemics, natural resource shortages, financial technology, carbon neutrality, international politics and finance, climate change, declining birthrate, labor shortage, human rights, labor rights), the risk management function shall evaluate the degree of risk impact and the possibility of occurrence, as well as the impact on the Company's operations, and establish risk response measures and report it to the risk management committee. In order to reduce the emerging risks in credit and investment, such potential emerging risk issues should be included in customer credit scoring and risk assessment to establish customer risk identification.

(8). ***Inclusive finance risk***

In order to fulfill the commitment to inclusive finance and social responsibilities, the Company provides customers with convenient and flexible services, and at the same time evaluates and controls the corresponding risks through data science and credit risk models when granting credit.

(9). ***Reputation Risk***

The Company's business activities should follow Ethical Corporate Management Best Practice Principles and Ethical Conduct Best Practice Principles. In order to reduce the negative perceptions of the Company's stakeholders, such as customers, shareholders, investors, or competent authorities, arising from emergencies and thereby affecting the brand value, the responsible units should evaluate the impact of the event in accordance with the "Crisis Management Guidelines of Chailease Holding" and take corresponding measures to control the losses caused by reputational risks. Any information should be released completely and correctly by the spokesperson.

4. Risk Management Framework and Responsibilities

(1). ***Risk Management Committee***

Risk Management Committee is established under the board of directors to maintain the asset quality of the company through effective risk management methods. Key responsibilities of Risk Management Committee related to risk management include:

(a). Assist the board of directors in managing and communicating risk management relevant issues.

(b). Review the risk management framework and policies.

(c). Periodically review the risk management reports and report the operation status of risk management to the board of directors at least once a year.

(d). Review and evaluate the material risk management issues raised by the Company or competent authorities, and report them to the board of directors of the Company if necessary.

(e). Supervise the establishment and operation of the risk management system, periodically review the adequacy of managing material risks, such as credit, market, liquidity, foreign exchange and operational risks, and consider other sustainability risks, including climate change risks and emerging risks, in order to reduce the impacts and influences on the Company.

(2). ***Chairman of the Company***

Key responsibilities of the Chairman of the Company related to risk management include:

(a). Establish the risk management framework and policies.

(b). Soundly understand the nature of the business activities and associated risks, and establish a product and systemic framework to effectively assess and manage risks.

(c). According to different products, scale, business nature, operational complexity, and the perspective risks faced, establish a risk management system to achieve effective monitoring and management.

(d). Review the effectiveness of the overall risk management system and internal control.

(e). Ensure to establish an adequate risk management system to identify, monitor, control and report risks at the senior management level.

(f). Clearly instruct the responsibilities and reporting system of risk management among various management levels of the Company, and ensure that the risk management policies can be clearly communicated to all levels of personnel.

(g). Ensure that the Company has competent employees to implement risk management. The responsibilities and required competences of the risk management functions should be documented.

(3). *Audit Function*

Check the compliance and implementation status of each unit's regulations and mechanisms, and track the follow-up improvement operations of each unit, and continuously strengthen internal risk control.

(4). *Risk Management Function*

Key responsibilities of risk management function include:

(a). Manage and supervise the asset quality assessment of the Company's financial business, the development of risk assessment systems and risk management policies.

(b). Assist the subsidiary of the Company to develop a risk assessment system.

(c). Assist the subsidiary of the Company to formulate risk model and credit rating system.

(d). Manage the quality analysis of the risk assessment of major cases in the Company.

(e). Regularly provide relevant information on portfolio risk analysis

(f). Adjust the allowance for doubtful accounts based on asset quality.

(g). In charge of the planning and management of various risk management projects of the Company.

(h). Plan risk management matters and report to the board of directors and the Risk Management Committee.

(i). Promote and implement the risk management matters resolved by the board of directors, the Management Committee and the Risk Management Committee.

(5). *Subsidiaries*

The subsidiaries should adhere to the Policy to manage their risk. Key responsibilities of the subsidiary related to risk management include:

(a). The Chairman of the subsidiary should establish and implement the framework of risk management.

(b). The Chairman of the subsidiary shall oversee the subsidiary risk management system and ensure its effectiveness.

(c). Risk management reports must be approved by the chairman of each subsidiary before being submitted to the Company.

5. Approval and Review

The Policy shall be reviewed periodically and amended if necessary, subject to the Company's board of directors' approval.