

Extract of Group Enterprise Risk Management Policy

The Group Enterprise Risk Management Policy (“**Policy**”) outlines the principles, framework, governance and procedures of risk management process in Sun Hung Kai & Co. Limited and its subsidiaries (the “**Group**”). The Policy sets out risk management process and procedures which include identifying, assessing, managing, reporting and monitoring the enterprise risks that the Group is exposed to in its operation.

Enterprise risk can be defined as uncertainties that an event or trend has a significant impact on operations and/ or the fulfillment of organisation’s objectives. While an organisation tends to focus on the negative impact of risks that can erode existing value, it is equally important to take risks and exploit the potential opportunities for value creation. Therefore, Enterprise Risk Management (“**ERM**”) is on one hand important to promote an integrated and informed view of risk exposures across an organisation and to provide reasonable assurance over the achievement of strategic and operational objectives through management of risk within the risk appetite. On the other hand, ERM process should be in place for listed companies in Hong Kong and licensees of the Securities and Futures Commissions (“**SFC**”) in response to the requirements of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong and the guidelines issued by the SFC respectively.

The primary objectives of ERM include:

- identifying items that may threaten the Group’s goals and strategic objectives;
- integrating the risk management activities across the Group to formulate the Group-wide risk environment and generate efficiency in the risk management process;
- applying risk management in strategy setting across the Group; and
- seizing opportunities and creating value by establishing processes, reporting mechanisms and discussion venues to create transparency throughout the Group.

The Policy is applicable to the Group, including all the Group’s business segments and enabling functions. Business segments and enabling functions must fully comply with it. Business segments of the Group may implement this Policy into their local policies/ guidelines.

The Group includes the following major business segments:

- Financing Business:
- Consumer Finance (United Asia Finance Limited);
- Mortgage Loans (Sun Hung Kai Credit Limited);
- Private Credit

- Investment Management (which include public equity, private alternatives and real estate)
- Fund Management (Sun Hung Kai Capital Partners Limited); and
- Group Enabling Functions (which includes functions such as Finance, Operations, HR, IT, Treasury. Operations, Legal and Compliance).

The Group faces a number of principal risks and uncertainties that, if not properly managed, could create an exposure for the Group. These include Strategic Risks, Credit Risks, Market Risks, Liquidity Risks, Operational Risks, Legal and Compliance Risks, External Risks and Human Resources Risks.

The Group adopts the Three Lines model as its risk governance structure. The Three Lines model clearly defines roles, responsibilities and oversight mechanisms for risk management and decision-making:

- 1st line: Business functions and their respective line managers own and manage risks and controls across the processes they operate. Risk Owners should be appointed to perform and review the risk assessment and respective risk responses to ensure the appropriateness.
- 2nd line: Risk Management and Compliance, supplemented by other overseeing functions, such as Finance.
- 3rd line: The Internal Audit function provides independent assurance over the effectiveness of the design and operating of controls established by the 1st and 2nd lines to manage the identified risks. The Group may employ external consultants to perform / support the internal audit reviews. The engaging of external consultants would serve the same roles as the Internal Audit function.

(This is an extract of the Policy and if there is any inconsistency and ambiguity between the English version and the Chinese version, the English version shall prevail.)