

**SOLID GROUP INC.**  
**AMENDED ENTERPRISE RISK MANAGEMENT POLICY**

**SECTION 1. PURPOSE**

This Policy establishes the standards, processes and accountability structure to identify, assess, prioritize and manage key risk exposures across Solid Group Inc. and its Subsidiaries (“The Group”). It will enable the Board, executives and managers at all levels to systematically evaluate implications of decisions and actions to the highest priority goals and objectives, and effectively manage a broad array of risks in an informed and strategic manner to within risk appetite and acceptable risk tolerance level.

**SECTION 2. SCOPE**

This Policy applies to all plans, activities, business processes, policies, procedures, individuals, entities and property that comprise The Group.

**SECTION 3. POLICY STATEMENT**

The Group engages in a wide range of business activities, all of which give rise to some level of risks. It is the policy of the Group to:

1. Embed risk management into the culture and operations of the Group
2. Integrate ERM into strategic planning, activity planning, performance management and resource allocation decisions
3. Manage risk and leverage opportunities in accordance with best practices
4. Regularly re-assess the Group’s risk profile and the effectiveness of risk response in the context of the various strategic plans
5. Anticipate and respond to changing social, technological, environmental, government and market requirements.

**SECTION 4. DEFINITION OF TERMS**

***Enterprise Risk Management “ERM”*** - a process effected by the Corporation’s Board of Directors, Management, and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

***Executive Management*** – are the executive officers (i.e., President & CEO, Senior Vice Presidents and Vice Presidents) of the holding/mother company of the Group.

**Local Management** – composed of the Presidents, Vice Presidents, General/Operating Managers or Company Head of the member companies of the Group.

**Risk** – is the chance that an event, trend or course of action will have either a positive or negative effect on an organization's ability to meet its strategic or operational objectives.

**Risk Analysis** – is the process of determining the likelihood of a particular event, trend or course of action occurring and the impact on operational or strategic objectives if it does occur.

**Risk Appetite** - the amount of risk an organization is willing to accept in pursuit of strategic objectives.

**Risk Owners** – are middle managers or supervisors typically responsible for one or more functions, and are directly responsible to implement risk treatments as directed by local management.

**Risk Register** – a list of identified enterprise risks which documents the risk analysis, risks scores, risk treatments, direction, result of risk treatments and status of each risk.

**Risk Tolerance** – risks acceptable at the organizational unit or functional unit level.

**Risk Treatment** – sometimes known as risk control, pertains to the measures used to modify the risk to fall within the organization's risk tolerance for that risk. Options include accept, mitigate, transfer, avoid or exploit the event, trend or course of actions.

## **SECTION 5. BENEFITS**

After successful implementation of ERM, The Group expects the following benefits:

- a. More efficient use of capital and resources
- b. Reduced likelihood of operational loss
- c. Lower compliance costs
- d. Earlier detection of illegal activities
- e. Fewer surprises
- f. Focus on lower-cost prevention rather than higher-cost resolution strategies
- g. Cost savings by using risk information to streamline and improve processes
- h. Increased awareness and integrated view of risks (existing and emerging)
- i. Systematic, repeatable approach to mitigate risks and identify opportunities
- j. Clearer, better informed decision

By being informed, the Board and Executive Management can be proactive in responding to the significant risks and opportunities that The Group experiences. ERM helps identify strategically significant high priority risk issues for the Board's attention. Through a comprehensive risk identification and assessment process, the organization can identify who owns the risks and how best to respond to the risk. This ensures that the most appropriate and



optimum level of resources is assigned to areas of greatest risk. ERM helps identify opportunities as well as identifying risks. To be effective without creating additional overhead, ERM should be integrated into existing processes within the organization to support such activities as strategic planning, business-planning, compliance monitoring, performance measurement, policies and procedures formulation, and process re-engineering.

## **SECTION 6. RISK MANAGEMENT FRAMEWORK**

### **6.1. ROLES AND RESPONSIBILITIES**

The Group established the framework of responsibilities which is consistent with the following generally recognized basic principles of sound risk management practice:

- a. The development of risk management processes that provide for risk and exposure monitoring;
- b. The embedding or integration of risk management into all activities as an integral part of the enterprise's business activities; and
- c. The development of comprehensive internal control and assurance processes linked to key risks.

#### **A. The Board of Directors**

The Group's Board will undertake oversight of the program, including:

- The oversight of both risk and the implementation of sound risk management systems;
- Responsibility for approving the Policy, reviewing the effectiveness of the risk management processes and articulating the risk appetite of the Group;
- Responsibility for approving policies on governance, risk and compliance and seeking regular assurance from Executive and Local Management, Audit Services and/or the External Auditors that enables the Board to ensure the system of internal control is operating effectively; and
- Delegating responsibility to Executive and Local Management in managing the program.

#### **B. The Executive and Local Management**

The roles and responsibilities of The Group's Management include:

- Risk management planning and oversight under the leadership of the CEO;
- Ensuring sound risk management systems and practices are established and maintained to give effect to this Policy and the risk appetite statements approved by the Board;
- Ensuring the accurate, timely and consistent flow of risk management information to the Board;

- Designing and implementing appropriate risk management processes and controls, some of which will be enterprise-wide and some of which will be business/project-specific; and
- Establishing a sound risk-aware culture throughout the enterprise.

### **C. The Risk Management Committee**

The Risk Management Committee (“RMC”) is appointed by the Board to assist them to discharge their responsibilities for risk management. In discharging its governance responsibilities relating to risk management, the RMC should:

- Review and recommend for the approval of the risk management policy, risk management strategy, risk management implementation plan, organization’s risk tolerance, and risk identification and assessment methodologies.
- Evaluate the extent and effectiveness of integration of risk management within the organization;
- Review the identification and analysis of key risk exposure relating to economic, environmental, social and governance (“EESG”) factors and the achievement of the Corporation’s strategic objectives;
- Assess implementation of the risk management policy and strategy (including plan);
- Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the organization;
- Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- Develop its own key performance indicators for approval by the Board;
- Interact with the Audit Committee to share information relating to material risks of the organization; and
- Provide timely and useful reports to the Board on the state of risk management, together with accompanying recommendations to address any deficiencies identified.

### **D. The Chief Risk Officer**

The Chief Risk Officer (“CRO”) is the ultimate champion of Enterprise Risk Management (“ERM”) and has the following functions:

- Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Management Committee;
- Collaborates with the CEO in updating and making recommendations to the Risk Management Committee;
- Suggests ERM policies and related guidance, as may be needed; and
- Provides insights on the following:
  - a. Risk management processes are performing as intended;



- b. Risk measures reported are continuously reviewed by risk owners for effectiveness;  
and
- c. Established risk policies and procedures are being complied with.

#### **E. The Audit Committee**

The Audit Committee is an independent committee responsible for oversight of the organization's control, governance and risk management. Its responsibilities should include:

- Reviewing and recommending disclosures on matters of risk in the annual financial statements;
- Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
- Providing regular feedback to the Board on the adequacy and effectiveness of risk management in the organization, including recommendations for improvement;
- Ensuring that the internal and external audit plans are aligned to the risk profile of the organization;
- Satisfying itself that it has appropriately addressed the following:
  - a. Financial reporting risks, including the risks of fraud;
  - b. Internal controls;
  - c. IT risks; and
- Evaluating the effectiveness of Internal Audit in its responsibilities for risk management.

#### **F. Group Internal Audit**

Group Internal Audit is an independent appraisal function established to provide assurance to the Board, and the Audit Committee about the adequacy and effectiveness of existing internal controls.

More specifically, Group Internal Audit is responsible for:

- a) Developing and implementing an annual audit plan having regard to The Group's material risks;
- b) Reviewing the effectiveness of The Group's risk management policy and risk management processes; and
- c) Notifying the Risk Management Committee and Audit Committee of new and emerging risks identified in the course of implementing the audit plan and, where necessary, modifying the audit plan to take account of the impact of new risks.

#### **G. Employees**

Employees are responsible for integrating risk management into their day-to-day activities. Some high-level responsibilities include:

- Applying the risk management process in their respective functions;
- Implementing the delegated action plans to address the identified risks;
- Informing the management of new risks and significant changes in known risks; and
- Co-operating with other role players in the risk management processes and providing information as required.

## 6.2 RISKS CATEGORIES

Risks to the Group's success will be grouped into four categories: (1) Strategic, (2) Operational, (3) Compliance and (4) Financial. Specific examples of each type of risk are included in the Table No. 1.

**Table No. 1: Risk Categories**

Risk Type	Definition & Examples
<b>Strategic</b>	<p>Arise from the fundamental decisions that our Directors, Executive/Local Management take concerning an organization's products or services. Essentially, strategic risks are risks that affect or are created by the Group's business strategy and strategic objectives.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Reduction in business vitality (due to change in business strategy, customer spending patterns, product discovery &amp; changing technology, etc.)</li> <li>• Loss of intellectual property &amp; trade secrets</li> <li>• Competition for talent</li> <li>• Negative impact to reputation/loss of public trust</li> </ul>
<b>Operational</b>	<p>Major risks that affect our organization's ability to execute the strategic plan. It results from inadequate or failed internal processes, people and systems or from external events.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• Disruption of product supply</li> <li>• Counterfeiting</li> <li>• Inefficient use of resources/increased product or service cost</li> <li>• Physical property damage or disruption</li> </ul>
<b>Compliance</b>	<p>Risks of legal sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with laws, our policies and code of business conduct, and best practices.</p> <p>Examples:</p> <p>Violations of laws or regulations governing areas such as:</p> <ul style="list-style-type: none"> <li>• Environmental</li> <li>• Employee health &amp; safety</li> </ul>



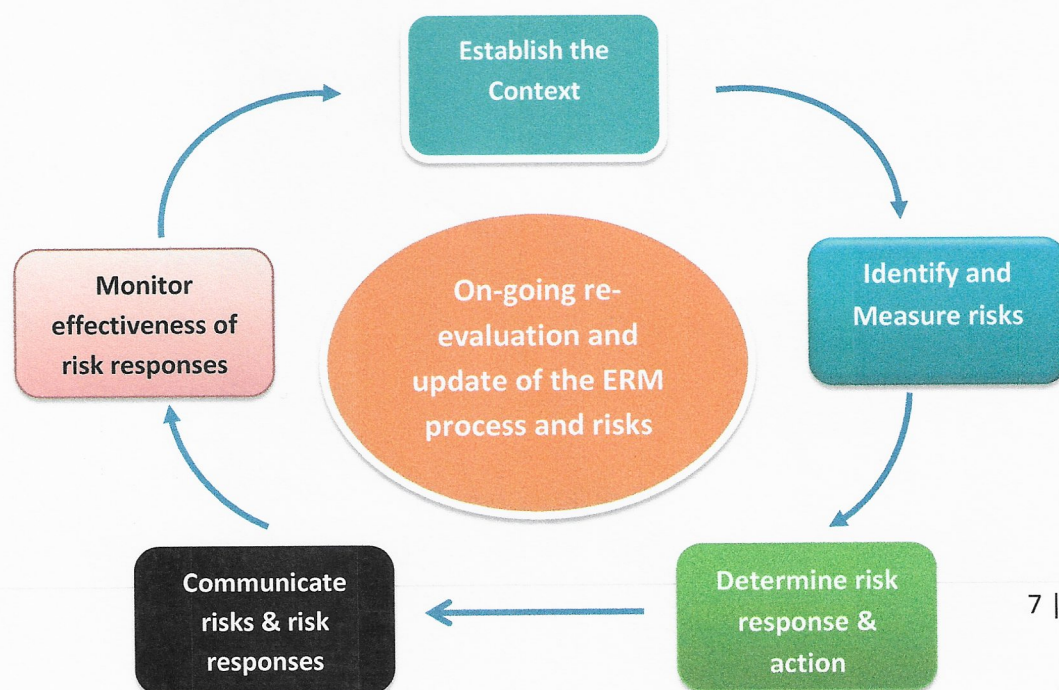
	<ul style="list-style-type: none"> <li>• Clinical trial subject/patient safety</li> <li>• Product quality/safety issues</li> <li>• Selling and promotion of our products</li> <li>• Internal revenue or local tax, and legal laws</li> </ul>
<b>Financial</b>	Risks associated with financing and financial transactions. <ul style="list-style-type: none"> <li>• Credit/Default risks</li> <li>• Liquidity risks</li> <li>• Market risks</li> <li>• Financial misstatement</li> </ul>

### 6.3 THE ERM PROCESS

Enterprise Risk Management (ERM) is an on-going and cyclical process. The Board and Executive Management set the tone for enterprise risk management in The Group. This includes establishing The Group's risk appetite, risk tolerance, and how risks will be identified, measured and managed.

There are five primary steps in the ERM process, as indicated in the Illustration No. 1. It is also important to ensure that the 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: ERM Cycle**



These five steps will be performed by Local Management and Risk Owners in consultation with the Board, Risk Management Committee and Executive Management.

### **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., hotel services, service repair, procurement, inventory, credit, billing, etc.) and external environment (e.g., laws, competition, social, economic, technological, reputation 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**

<b>Score</b>	<b>Rating</b>	<b>Description</b>
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.

**Table No. 3: Risk Impact**

Score	Rating	Description
5	Catastrophic	<ul style="list-style-type: none"> <li>• Annual financial loss (<i>see table 4</i>)</li> <li>• Loss of reputation</li> <li>• Substantial prosecution and fines</li> <li>• Key business area closure</li> </ul>
4	Major	<ul style="list-style-type: none"> <li>• Annual financial loss (<i>see table 4</i>)</li> <li>• Significant effect on reputation</li> <li>• Significant prosecution and fines</li> <li>• Significant threat to key business area</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>• Annual financial loss (<i>see table 4</i>).</li> <li>• Adverse effect on reputation</li> <li>• Limited prosecution and fines</li> <li>• Limited threat to key business area</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>• Annual financial loss (<i>see table 4</i>).</li> <li>• Minor adverse effect on reputation</li> <li>• No prosecution and fines</li> <li>• Minor threat to key business area</li> </ul>
1	Negligible	<ul style="list-style-type: none"> <li>• Annual financial loss (<i>see table 4</i>)</li> <li>• Minimal impact or no discernable impact at all.</li> </ul>

**Table 4: Annual Financial Loss Bracket**

Revenue/Asset*	Catastrophic	Major	Moderate	Minor	Negligible
Above 500M	> 50M	>30M to 50M	>10M to 30M	>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
Above 10M to 50M	>5M	>3M to 5M	>1M to 3M	>0.8M to 1M	0.8M or less
10M and below	>1M	>0.7M to 1M	>0.4M to 0.7M	>0.2M to 0.4M	0.2M or less

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

### Step 3. Determine Risk 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 The Group.
  - **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 The Group.
  - **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 risk transfer involves passing penalties.
- 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.
  - **Accept** – If the risk impact is consistent with the Group’s tolerance, the risk may be retained at the current level.
  - **Avoid** – If the risk exposure far exceeds the Group’s risk tolerance, the Group does not believe it can manage the risk, and the risk is not core to the Group’s strategy, then the Group should consider avoiding.
  - **Mitigate** – If the risk impact exceeds the Group’s tolerance but management is confident that the risk can be reduced to a lower, more acceptable level, risk reduction is an appropriate management strategy.
  - **Transfer** – If the risk impact is high relative to risk tolerance or the Group cannot believe it can manage the risk on its own but the risk is close to its core or cannot be avoided, then the Group 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.

Generally, if the magnitude or severity of the risk under consideration is high, the risk response needs to be strong (mitigate, transfer or avoid). Each risk and related response should be assigned to the manager who is responsible for the area affected by the risk. As part of the response process, management should determine and document what controls are necessary to manage the risk.

#### **Step 4. Communicate risk and response**

The Local Management submits the result of the risk analysis to the Executive Management and the Risk Management Committee at least annually (together with their Annual/Corporate Budget) or on a Project basis.

The report should contain at minimum the following:

- Summary of material risks and its risk scoring;
- Highlight of all material risks, and those risks that exceed the risk tolerance;
- Timeframe and status of risk management activities or risk responses for each risk;
- Risks that are getting worse, success of treatment plans, and risks that require additional attention;
- Highlights of any new risks including their risk assessments, risk responses and management activities;
- Highlights of untreated risks and risk treatments that are overdue, and their risk owners;
- Material emerging risks; and
- Summary of exceptions to established policies or limits for key risks.

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

#### **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 risks remain within acceptable risk levels, that emerging risks are identified, and that risk response and control activities are effective and appropriate. The role of Group Internal Audit and the Audit Committee is to give reasonable assurance that management is monitoring and managing risks in accordance with established levels and this Policy.

The Audit Committee 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.

## **6.4 RISK MANAGEMENT REQUIREMENTS**

6.4.1 The Local Management is accountable for managing risks and must maintain a risk register relating to material risk exposures of their Company;

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

6.4.3 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;

6.4.4 The Local Management should develop its own risk tolerance and submit to the Executive Management and the Risk Management Committee for approval.

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

## **6.5 ERM INTEGRATION**

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

In order to integrate the ERM process in the Group business activities, the Executive Management requires that all reports communicated to them by Local Management, such as but not limited to the reports below, shall also contain summary results of ERM process in accordance with Section 4 of this Policy.

- a. Annual Corporate/Budget Plan including Strategic/Business Plan
- b. Quarterly Financial Statement Reviews
- c. Project Plan / Proposal
- d. Capital Expenditure/Asset Acquisition/Expansion Plan
- e. Major Repair Plan
- f. Tax and Legal Management
- g. Contracts
- h. Policies and procedures
- i. Key Performance Indicator (KPI) Reviews

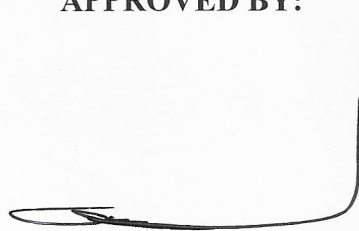


The Local Management is required to document their ERM process implementation into their business activities and internal control formulation/improvement, which the Executive Management, Risk Management Committee or Group Internal Audit may request / obtain to review the results and the process.

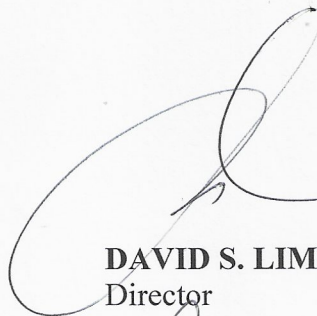
## SECTION 7. EFFECTIVITY

This Amended Policy approved by the Board of Directors on 20 MAY 2025 shall take effect immediately.

### APPROVED BY:



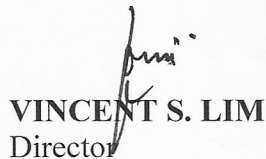
**JASON S. LIM**  
Director



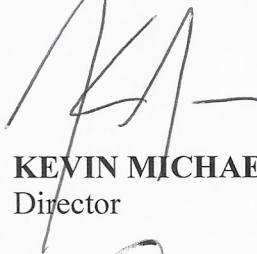
**DAVID S. LIM**  
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**SUSAN L. TAN**  
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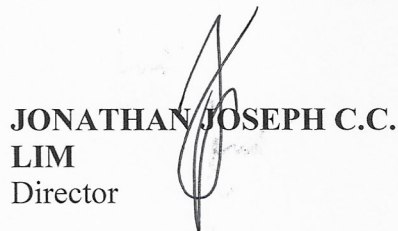
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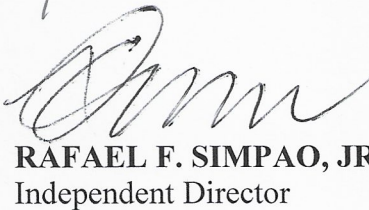
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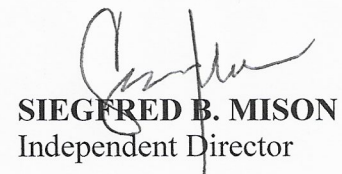
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