

Risk Management

Management Approach

In order to comply with the requirements of the Financial Supervisory Commission and related laws and regulations, we prepare various risk lists for each business scope, review and revise the internal control system and regularly evaluate the internal control system every year to implement self-monitoring and mitigate risks related to contingencies in our operations.



2021 Specific Actions

1. Establish a dedicated information security unit and information security management plan.
2. Develop internal control practices and evaluate internal control systems to ensure that risks and hazards are minimized.
3. Develop internal control system deficiencies and abnormalities reviews to ensure effective implementation of the internal control system and achieve the effect of continuous risk management and improved operational performance.

Performance Results

1. Set up an "Information Security Team" under the Corporate Sustainable Development Panel to coordinate the Group's information security policy and management issues.
2. Formulate information security plans and digital transformation plans.
3. Formulate the "Regulations for the Assessment of Internal Control System Deficiencies and Improvement of Abnormalities", and incorporate the implementation of internal control operations, strengthening of internal control operations, and cooperation with internal audits a performance evaluation item for each unit.



Achieved

Corresponding SDGs



Risk Management Process

Each working group of the Corporate Sustainable Development Panel prepares a risk list for the business under its management, reviews and revises the internal control system, and periodically evaluates the internal control system each year to ensure that the system design and implementation are continuously effective. In order to promptly respond to and improve the deficiencies and irregularities in the internal control system, in 2021, we formulated the "Regulations for the Assessment of Internal Control System Deficiencies and Improvement of Abnormalities", and included the implementation and strengthening of internal control operations and internal audit cooperation by each unit as items for performance evaluation.

In addition, the Audit Division shall report to the Audit Committee on a quarterly basis on the improvement of internal control system deficiencies, and each year, in accordance with the risk assessment results, shall prepare an annual routine audit plan or an unscheduled project audit, and shall disclose internal control system deficiencies and abnormalities in the audit report, track them until they are improved, and adjust management strategies in a timely manner to address operational risks. The contents of the internal control assessment and various risk management measures are as follows:



» Risk Management Measures

Orientation	Economic		
	Risk	Risk Factors	Response Measure
	 Financial Investment Risk	 Market Risks	 Brand Risk
	Due to the huge demand for capital, the construction industry needs to invest and deploy its own capital within a reasonable range. In addition, the fluctuation of the international markets may affect the operation of domestic and foreign financial markets and interest rate trends, which may affect the recovery of capital.	The real estate industry is regional in nature, with competition between projects in a single region. The government's housing policy and interest rate policy also affects the direction of the market.	Corporate brand image affects customer trust and perception, which in turn affects operational performance, internal staff solidarity and sense of belonging.
	1.The Company has established procedures for investment, capital deployment, financial management, construction budgeting, and annual budget management, etc. Rih-Ding Water Enterprise has also established the "Regulations for the Acquisition or Disposal of Assets" to properly control financial investment risks. 2.The Finance Department coordinates the operation of domestic and foreign financial markets, analyzes the risk situation, pays attention to interest rate trends, and reports its findings regularly. The Operating Business Group has been established to generate a stable cash flow, increase the proportion of self-owned funds, and reduce dependence on banks. 3.If the Company needs to lend funds to others or endorse guarantees for others, it will follow the "Regulations for Lending Funds to Others" and "Regulations for Providing Endorsement/ Guarantee".	1.We monitor government housing policies and interest rate policies, keep track of the sales situation and regularly review sales plans to adjust our operating policies in a timely manner. 2.We have established the "Development Project Evaluation Procedures" to evaluate and consider all factors to make the most appropriate decisions for stakeholders, economy, environment and society.	We have established "Planning and Design Management Procedures" to standardize market demand analysis and product planning framework of new projects, alternative solutions and related follow-up operations after the design is finalized, and "External Communication Management Procedures" to establish a mechanism for handling and disclosing important information to strengthen brand risk management and ensure consistent communication and communication with external parties.

Orientation	Economic			Social		Environment
	Risk	Risk	Risk	Risk	Risk	Risk
Risk Factors	 Product Risk	 Legal Risk	 Information Security Risks	 Customer Service Risks	 Human Resource Risk	 Risk of Climate Change
	Projects need to consider environmental and social risks, comply with construction standards and maintain construction quality to maintain product quality.	1. New or amended laws arising from the domestic political and economic situation. 2. Insufficient knowledge of laws and awareness of legal risks among employees.	With the development of technology, the company's operations are becoming more and more dependent on computer application systems. The IT system must be equipped with the ability to prevent computer network crimes and crisis management in order to enable the company to operate in a stable and secure information systems environment.	All service areas in the Group are committed to providing customer satisfaction, and customer satisfaction is closely correlated to brand reputation.	Talent is the foundation of the success of any enterprise. We safeguard the basic welfare and personal safety of our employees, reduce the turnover rate and absenteeism rate, and cultivate employee loyalty.	Global warming and the greenhouse effect cause direct impacts on the natural environment and indirectly leads to higher energy costs, which pose potential impacts on the Company's operations. For details, please refer to 1-1-3 Climate Change Governance.
Response Measure	1. Product operational risks are present throughout the product life cycle. To this regard, Radium Life has formulated various procedures to control the risks in order to deliver reliable and quality property products to consumers on time. 2. Rih-Ding Water Enterprise has established procedures for quality control to control the construction of the "Taoyuan Sewerage System BOT Project", and to regulate and inspect the specifications of equipment and materials used in the project, as well as construction standards and construction quality.	1. We maintain a high level of awareness of the domestic political and economic situation and legal changes and are able to respond appropriately to them as an important guideline for business execution and as a basis for evaluating the company's taxation and operations to ensure the Company's rights and obligations. 2. Develop internal practices and require employees to comply with legal regulations. For example, for engineering lifecycle-related operations, we have established procedures such as "Regulations for Compliance with Environmental Regulations", which set out the details of the regulations to be followed and the relevant operating procedures. 3. Plan internal training courses related to legal compliance to enhance employees' legal knowledge and awareness of legal risks.	In order to prevent information security risks, we have set up a special unit for information security and established relevant procedures, as well as a management mechanism to ensure that information security regulations are followed.	Radium Life takes customers' needs into consideration and has established the "Warranty Service Procedures" and "Customer Service Procedures" to provide customers with quality and consistent services.	1. Radium Life has established "Procedures for Recruitment and Employment, Evaluation, Reward and Training, Salary Calculation and Payment" to ensure healthy labor-employer relationships. The "Procedures for Overtime Work" manage employees' attendance, "Procedures for Occupational Safety and Health Management of On-Site Workers" and "Rules for Occupational Safety and Health Management" to avoid occupational accidents caused by natural or man-made negligence at construction sites. 2. Rih-Ding Water Enterprise has established operational procedures for site safety and health management and environmental protection, emergency response and major disaster management, occupational safety and health correction and prevention management, and typhoon and flood prevention, in order to improve the disaster prevention system and mitigate disasters.	1. In order to effectively control the safety of personal and property during emergencies and shorten the time of post-disaster handling operations, thereby minimizing damage from disasters. 2. The office air conditioning temperature is set at 26 degrees with air circulating fans, and the greenery on the top floor of buildings reduces heat generation. 3. The Company's vehicles are gradually replaced with hybrid vehicles to reduce the greenhouse gas emissions from fuel-powered vehicles.

Climate Management

In view of the increasing operational impacts and transformational opportunities brought by climate change issues, in 2021 Radium Life started managing and responding to the impacts and opportunities brought by climate change in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework officially issued by the International Financial Stability Board (FSB) in June 2017. This enhances its ability to adapt to climate resilience, to mitigate the external impact of greenhouse gas emissions on existing products and services, and to further focus on the new market needs of the global net-zero emissions industry transformations, while also enhancing the company's capabilities to continue to create and maintain corporate value under climate issues.

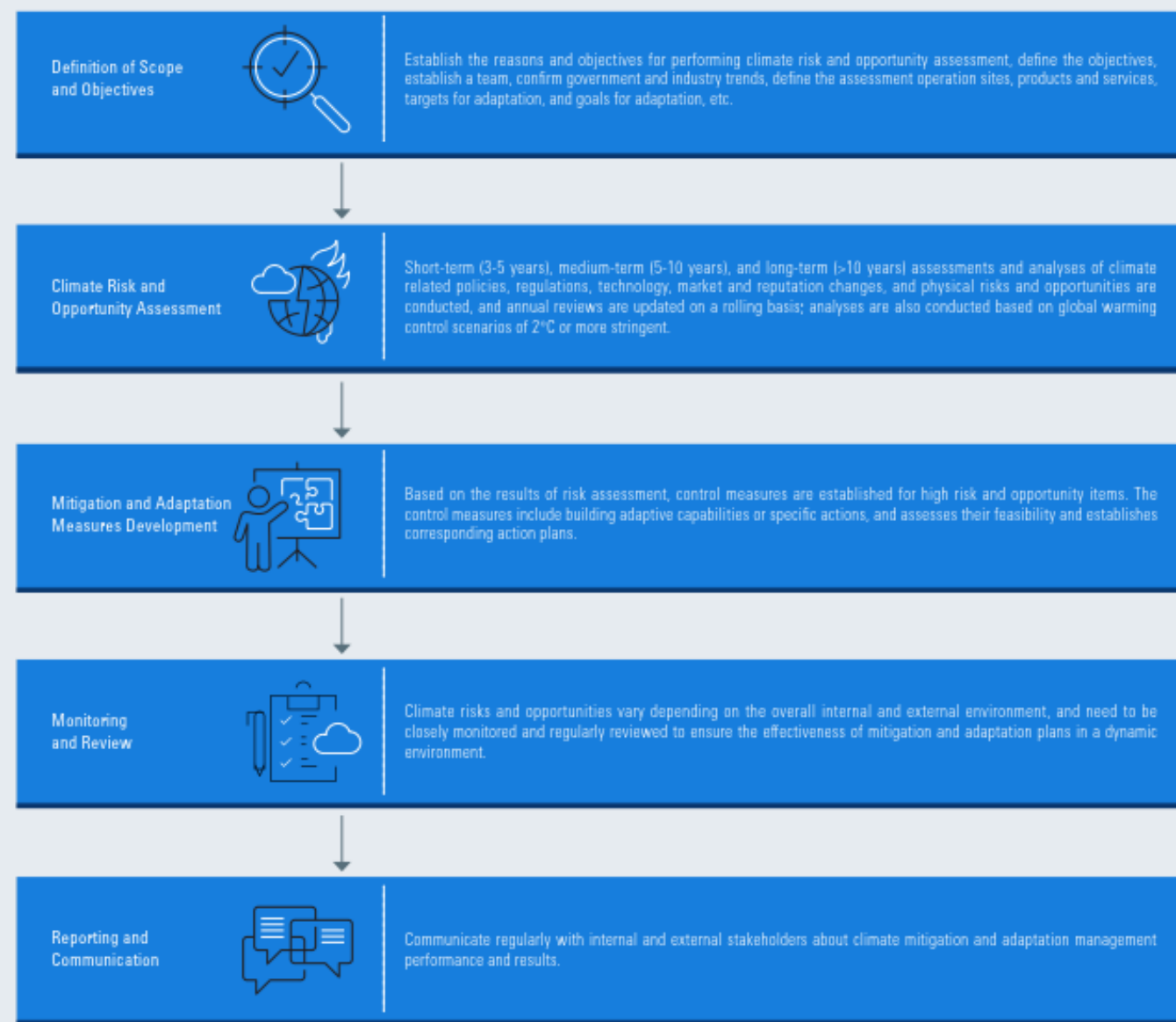
Governance

The Board of Directors of Radium Life established the Corporate Sustainable Development Panel as the highest management organization responsible for coordinating climate issues, with the Chairman as the chair, the President as the convener, and the Office of Corporate and Public Relations as the executive secretary. There are four task force sub-groups: Corporate Governance, Environmental Protection, Corporate Social Responsibility and Information Security, each with senior executives as members. The Development Task Force reports regularly to the Board of Directors once a year and is subject to the Board's oversight and recommendations. The Development Task Force meets regularly on a quarterly basis to develop and implement sustainable development strategies and commitments, assess and manage climate related risks and opportunities, and review performance. In 2022, we established an interdepartmental climate change working group to facilitate the follow-up planning of climate actions and the implementation of related management strategies.

Strategies

We have developed a five major rolling cyclical process to implement and improve the climate risk management mechanism in phases to facilitate long-term tracking and ensure management results by referring to the TCFD Climate Related Financial Disclosure Recommendations publication reference, ISO 14090 Adaptation to climate change, and other relevant literature.

> Radium Life Climate Risk Opportunity Management Procedures



In 2021, the Climate Change Working Group promoted the assessment of climate risks and opportunities, and conducted issue correlation analysis with reference to industry guidelines and peer risk and opportunity projects to assess the possible climate risk and opportunity impact scenarios of Radium Life' construction industry activities, which will serve as the basis for the next stage of risk and opportunity materiality analysis and control measures. We will continue to refine and improve our procedures and results.

Type of climate risk/opportunity		Possible Impact Scenarios	Possible Impact Period	
Transformation Risk	 Policies and Regulations	Enhanced responsibility for carbon emissions reporting	The FSC's "Sustainable Development Roadmap for Listed Companies" (上市櫃公司永續發展路徑圖) regulates the completion of greenhouse gas inventory, verification, and reporting by parent and subsidiary companies over NT\$10 billion in market valuation, increasing the cost of compliance operations.	Short
	 Technology	Unsuccessful investment in new technologies or products	The new energy and resource recycling business that Radium Life invests in may be affected by environmental impact assessments or local protests, which may affect the implementation schedule. Technology development and capital expenditure and revenue may be affected.	Medium
		Low-emission Technology Transformation	The FSC's Corporate Governance 3.0, Sustainable Finance 2.0 and Taiwan's regional low-carbon city regulations encourage and expect low-carbon buildings or sustainable architecture products, which may increase costs in the design and construction stages and increase waste disposal costs.	Medium
	 Market	Changes in Customer Behavior	The government's public infrastructure is interested in green building label, smart building label, building energy efficiency label, net-zero energy building, public works eco-check, green building materials, and green construction methods. Commercial office products increasingly call for high energy efficiency performance due to companies actively investing in net-zero transformation, and the change in demand behavior will increase the construction cost of design, BIM management, and additional energy storage systems.	Medium
		Increase in Raw Material Costs	Increased energy costs and environmental management costs due to domestic and foreign government promotion and regulation of high carbon emission industries, increased costs of steel, cement, concrete, formwork, diaphragm walls, earthwork, copper, aluminum, and construction waste disposal.	Short
	 Reputation	Stakeholder Concerns and Negative Feedback	Failure to properly respond to investor, government and consumer concerns about climate management strategies may affect the Company's stock price, product revenues and access to working capital.	Short

Type of climate risk/opportunity		Possible Impact Scenarios	Possible Impact Period	
Physical Risk	 Acute	Increase in the Severity and Frequency of Extreme Weather Events	There have been no serious disasters or losses due to extreme weather events at the headquarters and managed operations. Some imported raw materials have been delayed due to flooding in Europe, which has affected delivery schedules. In response to future extreme weather events, the Company has carried out the design of sponge-based flooding control, the design of three-dimensional greening for the Taichung MRT joint-development project, and the design of structural system to increase building durability.	Long
	 Chronic	Changes in Rainfall Patterns and Severe Changes in Weather Patterns	Abnormal rainfall frequency and water shortages in Taiwan in recent years may cause construction delivery risks for contractors, resulting in delayed revenue and increased interest costs.	Medium
Opportunities	 Resource Efficiency	Recycling of Raw Materials	Public infrastructure works promote the use of recycled concrete aggregate and recycled resources in construction, use of recycled asphalt, formwork, etc., and recycling of construction waste to reduce raw material costs and waste disposal costs.	Short
		Towards More Efficient Buildings	Platinum green building, low-carbon buildings or sustainable building products that may increase design and construction costs, but increase product value and obtain favorable financing terms.	Short
	 Products and Services	R&D and Innovation of New Products and Services	Investing in new energy (Rih-Zuan Green Energy) and recycling business (Taoyuan Reclaimed Water BTO project). The increase in investment cost will see additional new product revenue obtained from the sale of green energy, which will increase the Company's reputation and value.	Short
		 Market	New Market Partnerships	Jointly develop new markets and technologies with new partners, e.g., Radium Life, ECOVE, and Ding-Sheng Green Energy Technology jointly acquired the reclaimed water BTO project of Taoyuan North District Water Resources Recycling Center to expand the circular economy business, increase revenue and enhance the Company's reputation and value.

Scenario Analysis

SASB IF-HB-160a.2/420a.1

According to the AR5 assessment report of the Intergovernmental Panel on Climate Change (IPCC), the RCP 8.5 scenario was prioritized for analysis, and the Taiwan Climate Change Projection and Information Platform (TCCIP) of the National Science and Technology Center for Disaster Reduction (NCDR) was selected. The AR5 scenario was used for the end-of-century flood impact assessments. According to the analysis of the flood impact analysis of Radium Life's projects under development and operation in 2021, the average hazard-vulnerability level falls at 2-3 (low to medium risk) during the base period (1976-2005), while the average hazard-vulnerability level falls at around 4 (high to medium risk) by the middle of the century (2036-2065). Since most of the cases developed by Radium Life are jointly developed with the government and located in the core metropolitan areas, the adaptation to the future climate risk should be done in accordance with the government's disaster prevention infrastructure, and the maintenance of the building and disaster prevention functions after the client acquires ownership will be encouraged to ensure the durability and safety of the building. For new and future development projects, climate change issues will be incorporated into the overall planning and design assessment during the design evaluation phase based on the planning needs of the project.

Indicators and Goals

According to a survey conducted by the International Energy Agency (IEA), the construction industry contributes about 40% of the world's energy consumption and will play a key role in climate issues in the future. The challenge of net zero new construction in 2030 will be the focus of future industry development. In order to gradually build up Radium Life's greenhouse gas management strategies, we established and introduced the ISO 14064-1:2018 organizational greenhouse gas inventory in 2022 to manage direct (Category 1) and indirect (Category 2, Category 4) emissions at corporate headquarters, and will continue to expand the scope of greenhouse gas management to include the management of product carbon footprints and engineering construction carbon footprints in the future. In addition to greenhouse gas management, we have incorporated the Home Builder industry-specific indicators published by the Sustainability Accounting Standards Board (SASB) for more comprehensive environmental management performance management. Performance tracking indicators are regularly reviewed and reported by the Corporate Sustainable Development Panel.



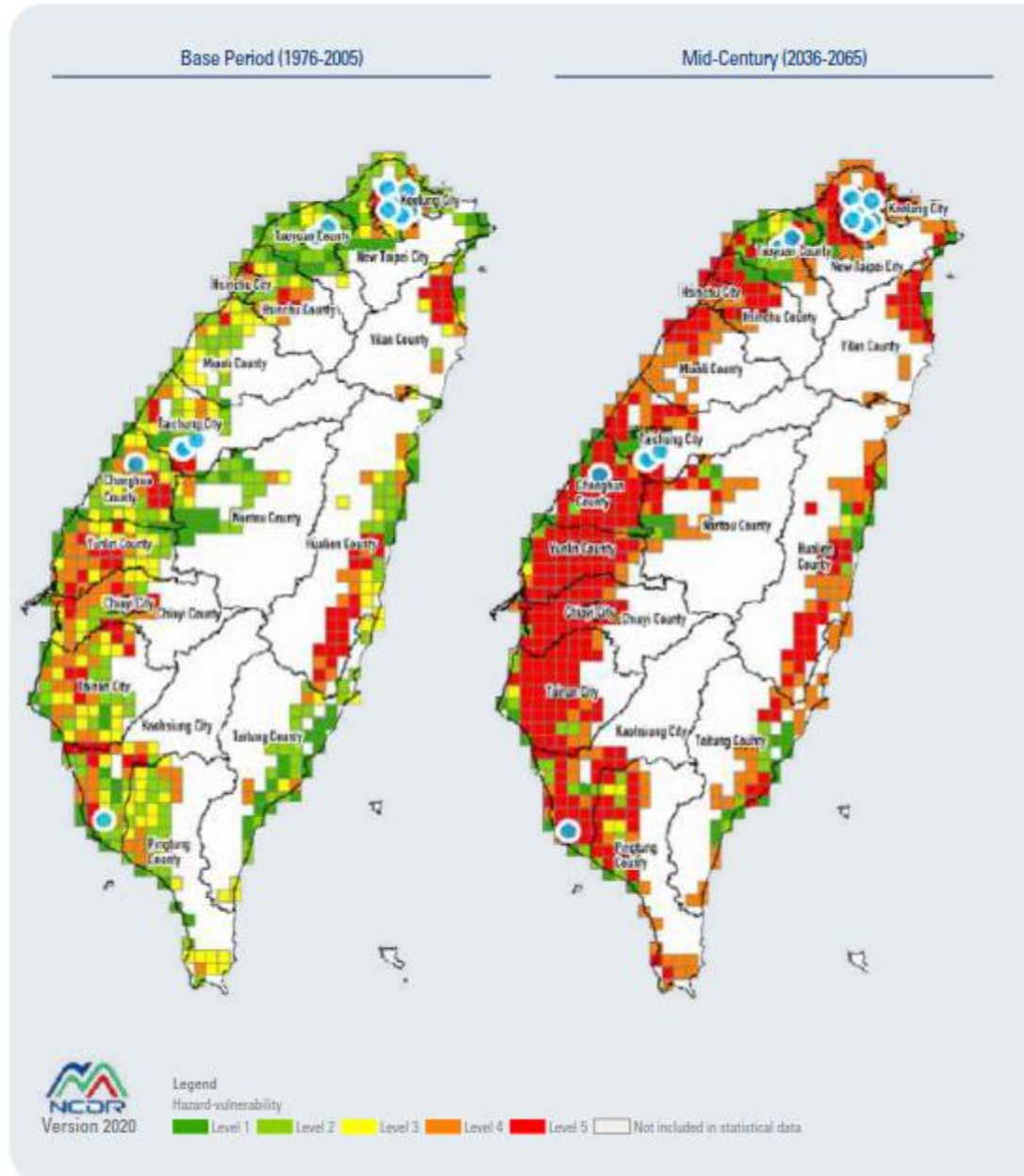
Greenhouse Gas Emission Indicators

- Scope 1 (Category 1)
- Scope 2 (Category 2)
- Scope 3 (Category 4)



SASB Industry-specific Indicators

- Land Use and Ecological Impact
- Resource Efficiency and Design
- Impact of Development Project on Community Development



Information Security and Digital Transformation Project

Information Security Team

In 2021, Radium Life established an interdepartmental "Information Security Team" under the "Corporate Sustainable Development Panel", consisting of senior executives from the Information Technology Division and the Group. The Information Security Sub-group coordinates the formulation, implementation, risk management, and compliance review of information security and protection-related policies, and reports regularly to the Board of Directors and the Audit Committee on the effectiveness of information security management, information security-related issues and operations. The Audit Committee is responsible for overseeing the management of corporate information security measures.

The Information Security Sub-group is responsible for strengthening information security management, ensuring the confidentiality, integrity and availability of information, and protecting it from internal and external threats, whether intentional or accidental, so that the Company, its suppliers and customers can enjoy the benefits of information security. It also facilitates the development of telecommuting (remote work) in the post-epidemic era.

Radium Life has developed an "Information Security Plan" from 2020 to 2022 to address the Group's information security regulations. Through the definition of a corporate risk assessment methodologies, the value and vulnerability of each asset is identified, and whether the vulnerability will impact the confidentiality, integrity, and availability of the Company, the risk level of each asset is calculated, and the risk treatment and information security management process is developed and evaluated on an annual basis.

The information security management process includes inventory and statistics of the Group's existing information security equipment, vulnerability scanning and intrusion detection and protection, adjustment and updating of high-risk items. Online information security awareness courses are also held to raise employees' awareness of information security risks. In addition, the Group also conducts monthly information security campaigns in conjunction with current events, such as Quintuple stimulus vouchers and Double 11 shopping scams, to bring information security issues closer to daily life situations and strengthen internal information security awareness.

Information Security Policy and Management Mechanisms

In order to effectively implement information security management, the Information Security Team reviews the applicability of information security policies and protection measures on a quarterly basis according to the management cycle of Plan-Do-Check-Act (PDCA), and evaluates and introduces appropriate solutions according to the sensitivity of the data to be protected, as follows:



Information Security Operations

Information Security Monitoring

- IT Equipment Monitoring
- Infosec Device Management
- Website Malicious Link Monitoring Service

Information Security Threat Detection

- Regular Security Health Check



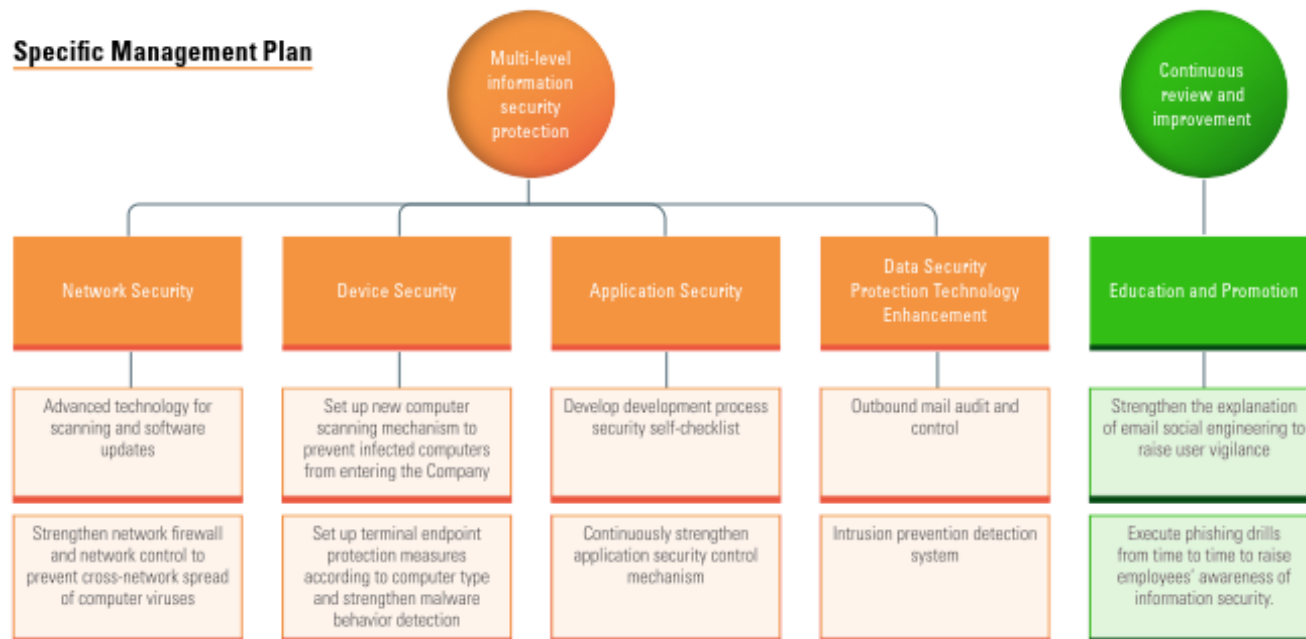
Information Security Solutions

- Backbone Hardware Security
- Advanced Hardware Security
- Information Security Analysis and Sharing Center Platform

Information Security Governance

- Information Security Management Method
- Personal Data Protection Management Procedures
- Regular Review of Information Security Programs

Specific Management Plan



Information security incident handling methods

1. Incident Description: In October 2021, Radium Life was exposed to external hackers who implanted ransomware, and the Company's network firewall failed to effectively prevent the virus from spreading, affecting some computer systems and services.
2. Incident Handling: Radium Life set up a dedicated information security unit to manage a quarterly cycle to review the applicability of information security policies and protection measures, strengthen network firewall and network control, and improve the Company's internal malware protection measures to avoid network attacks from any third-party paralyzed systems in order to protect the Company's operational activities.
3. Future Preventive Approach:
 - (1) Safeguard the security of resource sharing with a cross-departmental information security team, review and evaluate information security regulations and procedures to ensure their appropriateness and effectiveness, and implement corporate information security management strategies.
 - (2) Continuously conduct information security campaigns, raise employees' awareness of information security, and train information security professionals.
 - (3) Depending on the sensitivity of the data to be protected, appropriate solutions will be introduced and additional budget will be allocated to strengthen information technology security and data backup.
4. Establish Information Security Policies and Specialized Unit: In 2021, an Information Security Team was established under the Corporate Sustainable Development Panel to implement corporate information security management.

In recent years, due to the booming development of digital technology, big data and artificial intelligence, as well as the outbreak of the COVID-19 epidemic from 2020 onward, the traditional business model has been disrupted and the industrial structure has encountered paradigm shifts, compelling companies to adopt new technologies and techniques to optimize their original business models, update their organizational structures and internal workflows, and create new opportunities in the digital economy.

Radium Life is aiming at “Empowering Sustainable Living with Technology” by leveraging innovative technologies and information. In order to strengthen the Group’s digital technology capability, Radium Life has set aside a fixed budget every year to implement this plan. The main implementation objectives are to strengthen information system integration, information security integration, and promote information security personnel training, demonstrating the importance of information security policy and Radium Life’s determination to implement digital transformation.

» Highlights of Digital Transformation in 2021

Digital transformation is a transformation project for enterprises in response to technological changes, and it should include the five following aspects:

