

Risk Management and Internal Control Systems

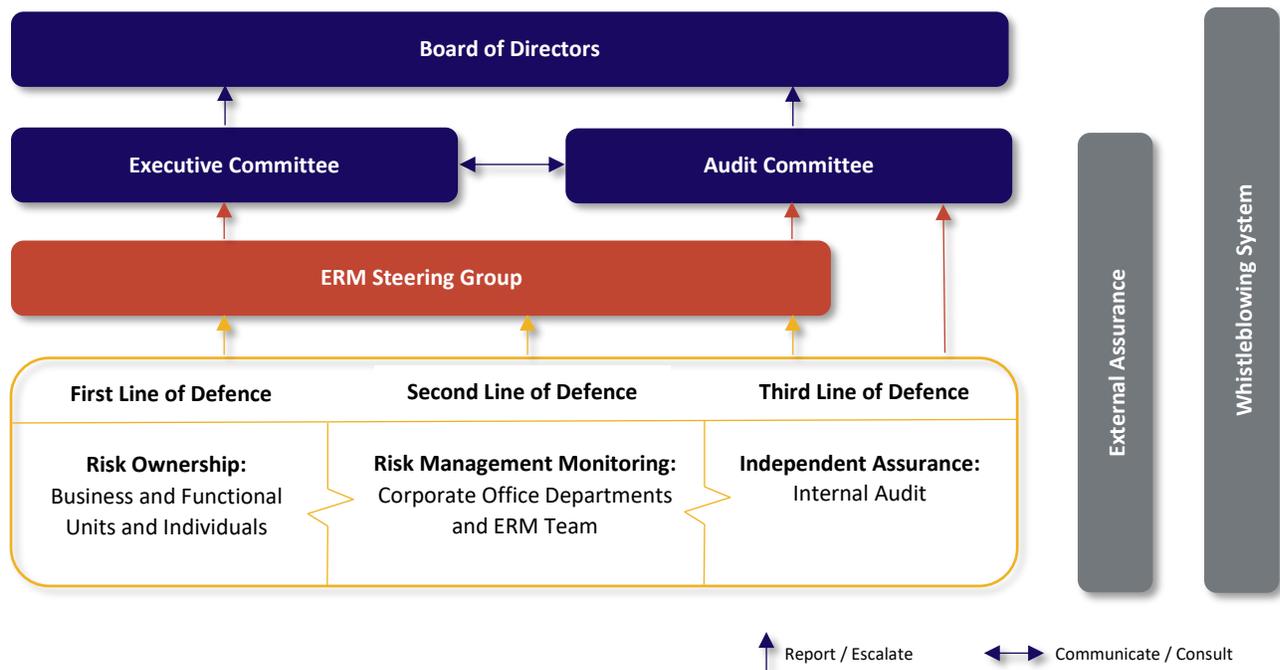
NWS Holdings Limited (“NWS” or the “Company” and together with its subsidiaries, the “Group”) is committed to establishing and maintaining integrated risk management and internal control (“RMIC”) systems to ensure achievement of the Group’s objectives, and create and sustain values for stakeholders at all times.

Governance

The Board of Directors is ultimately responsible for ensuring that the Group maintains appropriate and effective RMIC systems. The Executive Committee is responsible for ascertaining the effectiveness of the RMIC systems, and the Audit Committee has been empowered and delegated by the Board of Directors to oversee the RMIC systems and review their adequacy and effectiveness.

The Management is primarily responsible for the design, implementation, and maintenance of the RMIC systems. To facilitate the implementation, the “Guidelines on Risk Management and Internal Control Systems”, procedures and risk campaigns are in place to provide guidance and support.

The Group embraces a risk aware culture and adopts the Three Lines of Defence model as its risk governance structure with defined roles and responsibilities, which facilitates risk management activities and provides assurance to the Board.

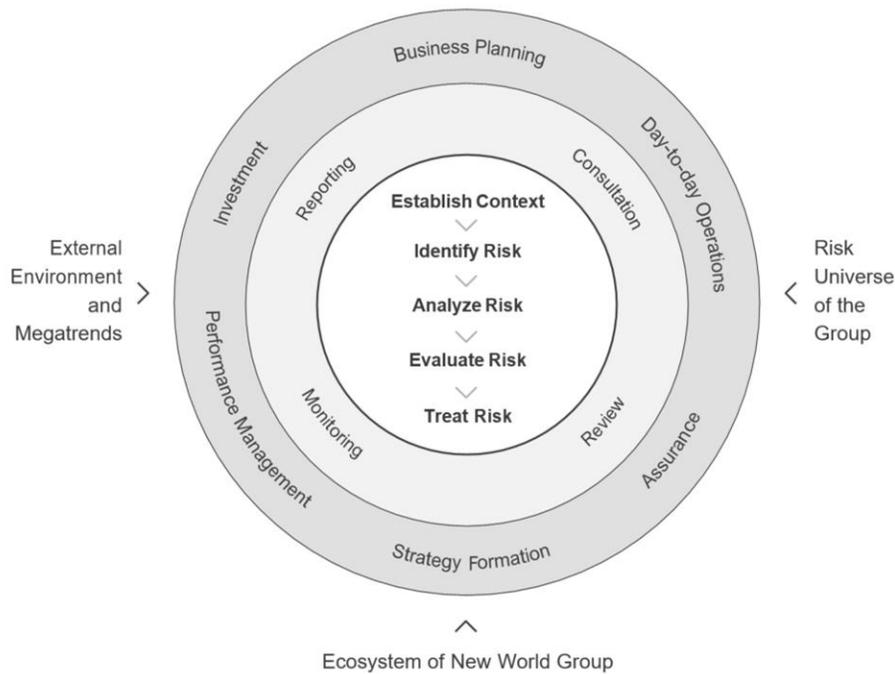


Integrated Framework

With reference to the “Internal Control - Integrated Framework”, “Enterprise Risk Management (“ERM”) – Integrated Framework”, and “ERM – Integrating with Strategy and Performance” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), “ISO 31000 Risk Management” from International Organization for Standardization (“ISO”), and the “Internal Control and

Risk Management – A Basic Framework” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), NWS has established its own tailor-made RMIC system which has been integrated into the Group’s overall management of business processes and decision-making mechanism to establish and maintain reporting, consultation, review and monitoring of risk information. This system is embedded into the Group’s processes for strategy formulation, investment, business planning, day-to-day operations as well as performance management. Independent assurance of the effectiveness of the RMIC systems is also mandated to support the Board of Directors, Audit Committee and Executive Committee for review of the RMIC systems.

The integrated RMIC process is summarized as follows:



Risk Management Process

The Group defines the external and internal context as well as the parameters for risk assessment criteria. Both the top-down and bottom-up approaches are adopted to facilitate a comprehensive and holistic risk identification process. Business and functional units and corporate office departments are responsible for conducting risk analysis and evaluation as well as carrying out risk treatment plans. They are required to submit a Risk Register which includes risks identified, results of risk analysis and evaluation, and risk treatment plans. Group Audit and Risk Assurance Department (“GARA”) is responsible for review of the Risk Register and risk treatment validation to evaluate the implementation status and effectiveness of risk mitigation measures stated in the Risk Register.

Key Risk Indicators (“KRI”) mechanism has also been set up to measure and monitor changes in risk exposure of key risks and to provide risk alerts to the management for the purpose of prompt risk response. A set of proper escalation and reporting procedures will be triggered if there is any KRI value exceeding the pre-defined threshold. It also helps the Group to keep track of the latest trend of development and risk exposure instead of reviewing the historical information only.

In addition, an early risk flagging mechanism is applied across the Group to proactively identify and assess emerging risks and risks with high velocity such as quality, health and safety risk. Crisis management and ongoing monitoring are in place to prevent the risks that can rapidly develop and affect the Group and its operations from potential deterioration.

A Group-wide digitalized risk management system has been developed and customized for the Group's business model. The system maintains a risk database including Risk Register, KRI data, Risk Treatment Validation, etc., and establishes automated workflows which enable users to report risk information and speed up the communication process. With the use of technology, ERM team is able to capture the up-to-date risk information, and perform analysis in a more systematic and efficient way to facilitate the risk management process and decision-making.

Integration into Business Operations

To effectively implement the RMIC systems, the Group adopts the Three Line of Defence model as described above. The RMIC systems have been integrated into the daily operation of business and functional units within the first line of defence. The management of business and functional units are responsible for establishing a set of clear policies and procedures, complying with the delegation of authority, and implementing corrective actions to address process and control deficiencies.

Corporate office departments and ERM team of the second line of defence provide comprehensive reviews of the RMIC systems and assist the management in identifying, assessing and monitoring the risks through the aforementioned risk management process. Moreover, representatives from business and functional units, corporate office departments, ERM team and internal audit participate in the semi-annual ERM Steering Group meeting to review such process. They also offer complementary expertise in various aspects to support the development and implementation of risk management and internal controls, including but not limited to financial management, compliance with laws and regulations, ethical behavior, information security, etc.

Assurance Process

The internal audit function is carried out by GARA, which serves as the third line of defence that is independent of the management, and directly reports to the Audit Committee. The primary role of GARA is to provide independent assurance and value-added consulting services to assist the management in accomplishing the Group's missions and objectives as well as fulfilling its obligations and creating shared values to stakeholders. GARA also administers the whistleblowing system that reported cases are handled independently and confidentially to promote the raise of concerns.

Moreover, the external auditor provides independent assurance on the Group's processes and controls over financial reporting while regulatory authorities execute regulatory oversight on the Group and relevant regulated entities, activities, etc.