

The Policy of Risk Management	Reference No. : RMC 002
	Reviewed Date : February 16, 2021
	Approved Date : February 16, 2021
	(Risk Management Committee Meeting No.1/2021)
	Effective Date : February 17, 2021
	Supersede Date : November 6, 2018

1. Executive Summary

This policy provides the framework for the management of business and enterprise risk management. In particular, the risks that related to the "ESG" or Environmental, Social and Governance in the performance of Berli Jucker Public Company Limited and group companies, following a sustainable development approach by building confidence among stakeholders through operational excellence, transparency and continuous innovation to enhance value and protect the best interests of all stakeholders of Berli Jucker Public Company Limited and group companies

It is the responsibility of Board of Director, Risk Management Committee, Risk Management Subcommittee, executives and staffs at all levels of the organization to be risk owner for identifying and assessing the risks in their departments to ensure that risks are understood and appropriately managed in accordance with this policy. At all levels of the organization, risk management, reporting and auditing processes will reflect the requirements set out in this policy.

2. Introduction

This policy sets out the detailed requirements and minimum levels of achievement necessary to implement the risk management elements of the business risk imperative of the Berli Jucker Public Company Limited and group companies (hereinafter referred to as "BJC").

Risk management is an integral part of all BJC's business activities by being a part of good corporate governance. Comprehensive risk identification and management will assist BJC to achieve the objectives of the business plan, including indirectly contributes to profit and is a key element of reputation management sustainably

BJC recognizes that risk management is of concern to all levels of the business and requires a risk management policy and process involving all personnel, with reporting structures to the Board of Director.

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3. Objective and Commitment

BJC is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with BJC's activities as a means of minimizing the impact of undesired and unexpected events on BJC's business activities as follows;

- 3.1 Pursue a structured approach to the effective management of risk in pursuit of business objectives.
- 3.2 Identify business objectives, cost effective, risk response options, key risk indicators, and threats to the achievement of business objectives to reduce risk exposure.
- 3.3 Control and manage risk exposure by appropriate risk reduction and mitigation actions.
- 3.4 Embed risk management practices within management and planning activities.
- 3.5 Apply robust risk management processes as part of a wider management system.
- 3.6 Support the training, gathering and monitoring the risks to realize and understand the importance and practice of the risk management.
- 3.7 Quarterly review the risks as a result of business activities and exposure to all forms of risk.
- 3.8 Conduct a risk review related to environmental, social and governance (ESG) issues at least once a year to comply with risk and sustainability management framework
- 3.9 Risk Management Committee Charter and Risk Management Policy are reviewed at least once a year in accordance with current operations to ensure that BJC has a systematic and effective risk management.

From the above methods, BJC has adopted risk management framework in consistent with the COSO: ERM (Enterprise Risk Management) standard to develop BJC's processes of risk management, however these will be tailored to take account of BJC's needs rather than be applied as a template in the following processes

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4. Process and Requirements

BJC has established systems and procedures which address the issues set out below in ways appropriate to the type of business being undertaken. These processes are:

4.1 Establish a Governance Structure

BJC has established a comprehensive governance structure from the board of directors, Audit Committee, Risk Management Committee, Sustainability and Risk Management department and Risk Manager that play an important role in the governance, control and monitoring of enterprise risk management to achieve maximum efficiency of management. In addition, the company encourages company directors and executives to create a good risk management culture within the organization to conduct employees at all levels aware of risks that may affect the sustainable business operation

4.2 Formulation of the organization's strategy and risk management processes

Sustainability and Risk Management department coordinate with strategic department to monitor and communicate important sustainability risks trends that may affect business operations or corporate strategy, both in the short-term and long-term. This is to enable the organization to define the risks at an acceptable level effectively and efficiently

4.3 Event identification

Internal and external events affecting achievement of strategy and objectives of BJC must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective setting processes. There are 5 categories of risk/ opportunity as following:

- 4.3.1 Strategic: High-level goals, aligned with and supporting BJC Group vision and mission.
- 4.3.2 Operations: Effective and efficient use of resources included IT.
- 4.3.3 Financial: Reliability of financial reporting.
- 4.3.4 Compliance: Comply with applicable laws, regulations and business standard.

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4.3.5 Environmental, social and governance (ESG) or "sustainability risks": Sustainability risk management is a preventive preparation and adapt to sustainability risks. It consists of 37 important sub-clauses such as raw material sourcing, human capital development, cybersecurity and product quality & safety etc.

4.4 Risk assessment

4.4.1 Risk assessments performed by the Risk Management Subcommittee of each business group.

4.4.2 Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis by considering both external and internal events. In addition, risk assessments should be performed before risk management and after the risk has been managed

4.4.3 Risk level is a quantity expressing the severity of risk, and it is determined as the combination of likelihood and impact of risk occurring by the multiplied result of likelihood and impact level.

4.4.4 Definition of each risk level related to the residual risk after consideration of the adequacy and/or effectiveness of controls/risk mitigated. Each risk level of BJC could be divided and clarified as below table;

Very High Risk (12,16)	<ul style="list-style-type: none"> • Residual risk remains very high • This is above the acceptable tolerance level
High Risk (8,9)	<ul style="list-style-type: none"> • Residual risk remains high • This is above the acceptable tolerance level
Medium Risk (3,4,6)	<ul style="list-style-type: none"> • Residual risk remains medium • Within the acceptable risk tolerance level
Low Risk (1,2)	<ul style="list-style-type: none"> • Residual risk remains low • Within the acceptable risk tolerance level

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4.5 Risk response

Management selects risk responses avoiding, accepting, reducing, sharing risk or turning into an opportunity developing a set of actions to align risks with the BJC's risk appetite. There are 5 categories of risk response as following:

- 4.5.1 Acceptance: No action taken
- 4.5.2 Reduction: Specific actions taken to reduce likelihood or impact or both.
- 4.5.3 Transferring: Reducing likelihood or impact by sharing portion of the risk i.e., insurance, or outsource.
- 4.5.4 Avoidance: Not participating in events that give rise to risk.
- 4.5.5 Conversion: Turning risks into opportunities to further expand business in the future

4.6 Control activities

Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

4.7 Monitoring and evaluation

The entirety of enterprise risk management is monitored and modifications made as necessary. Monitoring is accomplished through on-going management activities, separate evaluations, or both.

- 4.7.1 Risk Management Subcommittee of each business group proposes the summary reports of updated risk assessment and risk management to the Risk Management Committee for approval in Risk Management Committee meeting as part of the quarterly reporting process.
- 4.7.2 Procedures to ensure that quarterly approved reports identifying key risks and risk management actions are prepared for each business group and reported to BJC's Executive Board and Board of Director on a quarterly basis.
- 4.7.3 A program of annual audits and reviews to ensure that the risk management procedures are being followed and that planned risk reduction/mitigation actions have been implemented.

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4.8 Information and Communication

Communicate risk management guidelines to both internal and external stakeholders since risk is an important information for formulating a strategy, operation and investment decisions. Additionally, raising awareness of all employees in the organization along with building confidence in the effectiveness of risk management.

5. Responsibility and Authority

This policy is issued under the authority of the Risk Management Committee of BJC. Responsibility for implementation of this policy is set out below.

5.1 Board of Director

Responsible for overall oversight of risk management of BJC put in place by Risk Management Committee to manage risk.

5.2 Audit Committee

Assist the Board of Director and Executive Board for considering the internal control system and internal audit including evaluate the efficiency of company's risk management to ensure the appropriate and effectiveness

5.3 Risk Management Committee

5.3.1 To complete the duties stipulated by the law, the announcements of the Securities and Exchange Commission and those of the Stock Exchange of Thailand.

5.3.2 To review significant corporate risks in order to ensure that the operation of BJC in all areas, including the enhancement of corporate capabilities and safe manufacturing, does not present threats to health and the environment, as well as to review investments, finances and commerce, the laws and the regulations in order to establish risk management policies which can be effectively analysed, evaluated and monitored, including to propose to the Board of Directors for acknowledge.

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- 5.3.3 To ensure that risk management policies of BJC are appropriate and effective; and to prepare reports of the Risk Management Committee to the Executive Board and Board of Director.
 - 5.3.4 To determine risk management strategies to ensure consistency with the risk management charter approved by the Board of Directors; and to analyse, evaluate and monitor compliance with approved risk management policies.
 - 5.3.5 To govern and promote the success of the project-level and enterprise-wide risk management with emphasis on encouragement of risk awareness for the management and staff to ensure proper and adequate utilization of resources and engagement in actions; and to support the operation of the Risk Management Subcommittee and/or risk managers.
 - 5.3.6 To perform any other act as assigned by the Board of Directors, with the consent of Risk Management Committee.
- 5.4 Risk Management Subcommittee
Risk Management Subcommittee shall be appointed by the Risk Management Committee
- 5.4.1 Review, create and propose the risk management plan to the Risk Management Committee.
 - 5.4.2 Identify and assess the risk of both BJC Corporate and each Business unit level.
 - 5.4.3 Set up the risk management plan applied in risk strategy setting for BJC Corporate and each Business unit Level.
 - 5.4.4 Monitor, gather, assess and summarize the risk assessment and risk management of both BJC Corporate and each Business unit level to the Risk Management Committee on a quarterly basis.
 - 5.4.5 Support the risk communication to be normal practice and build a risk culture by educating employees at all levels of the organization on the importance of risk management and assisting them with identifying such risks and bringing them to the attention of management as soon as possible.

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- 5.5 All BJC employees
 - 5.5.1 Responsible for the ownership, undertaking of their risk management function, monitoring its implementation in the everyday activities of their operations, and reporting to their Risk Management Subcommittee for the effective management of risk.
 - 5.5.2 Realize the important of Enterprise Risk Management (ERM) and have a risk awareness

- 5.6 Group Strategy & Sustainable Development/Risk & Portfolio (GSRP) – Sustainability and Risk Management Department
 - 5.6.1 Develop risk management policy and Standard Operating Procedure (SOP) as well as methodology and tools for risk management process
 - 5.6.2 Present risk trends and significant risk management process to Risk Management Committee at least once a year to ensure that BJC's management is appropriate and effective
 - 5.6.3 Coordinate with audit team in order to support information related to risk management of corporate and business unite/business partner for ensuring that audit scope is in line with significant risk.
 - 5.6.4 Educate employees by training Enterprise Risk Management framework and how to do risk management (Identify, analyse and evaluate risk/ opportunity)
 - 5.6.5 Provide advice, facilitate workshops, coach the organization on risk and control as well as promote the development of a common language, framework, understand and also support management decisions, as opposing to take risk management decision themselves.
 - 5.6.6 Annual review of the risk management policy and proposed to the Risk Management Committee for approval if there are changes.

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6. Definitions

For purpose of this policy, unless otherwise stated, key definitions are:

Risk*

The possibility that an event will occur and adversely affect the achievement of the company's strategies and objectives.

Opportunity*

The possibility that an event will occur and positively impacts the achievement of the company's strategy and objectives by creating value and benefits to the organization

Enterprise Risk Management (ERM)

The process effected by Board of Directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events, in term of impact and likelihood, which may affect BJC, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of BJC's objectives.

Impact

Refers to the extent to which a risk event might affect BJC. Impact assessment criteria may include financial impact and non-financial impact (Health & Safety, Operation & Production, Human Resource, Integrity/ Reputation and Image, Law & Regulation including environmental, social, and governance)

Likelihood

Represents the possibility that a given event will occur. Likelihood can be expressed using qualitative terms as (Frequent, Likely possible, Possible, Unlikely possible), as a percent probability, or as a frequency per time.

Inherent risk

The exposure arising from a specific risk before any action has been taken to manage it.

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Residual risk

The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

Risk appetite

The level of risk this is acceptable to BJC and can be expressed as a series of boundaries that gives the clear guidance on the limits of risk it can take. A model for the assessment of risk has been developed that enables risks to be evaluated on a consistent basis so that both over-control and under-control can be avoided. This will be periodically reviewed by Risk Management Committee to ensure that it remains current and appropriate.

Risk tolerance

The acceptable level of variation relative to achievement of a specific objective, and often is best measured in the same units as those used to measure the related objective. In setting risk tolerance, management considers the relative importance of the related objective and aligns risk tolerances with risk appetite. Operating within risk tolerances helps ensure that the entity remains within its risk appetite and, in turn, that the entity will achieve its objectives.

Remark: * Source from: COSO Enterprise Risk Management Framework 2017 *