Risk Management Policy

Last Update:	November 6, 2019
Approval as of:	November 14, 2019

1. Introduction

Risk management is a key process that facilitates the good corporate governance of the company, where AAPICO continuously strive to develop and improves its risk management structure as fundamental in achieving its strategic and operational objectives.

2. Objective

The main objective of the risk management policy is to evaluate and manage risks associated with the business for the sustainable business growth. The policy establishes a structured and disciplined approach to risk management in order to guide decisions on risks related issues. The specific objectives of risk management policy are:

1. To ensure that all current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed.
2. To establish a framework for the company's risk management process and to ensure companywide implementation.
3. To ensure systematic and uniform assessment of risks and to assure that impact of these risks can be protected and reduced to an acceptable level and the operations can be returned to normal condition in the shortest possible time frame.
4. To ensure compliance with regulations, where applicable.

3. Scope

This policy applies to all employees of AAPICO Hitech PLC and subsidiaries.

4. Responsibilities

The Board is responsible for identifying and assessing internal and external risks that may impact the Company and subsidiaries. The Board is responsible for determining the Company's risk strategy and direction of the Company's risk management system, as well as the Company's risk appetite and risk tolerance level. The Board is responsible for overseeing the development and implementation of the risk management of the Company, and maintaining adequate monitoring and reporting mechanism.

The Board is also responsible for reviewing and approving the risk management framework and the evaluation of corporate risks on annual basis to ensure that control measures are adequate and appropriate.

The management is responsible for ensuring that risks are identified, analyzed, evaluated and mitigated. The management must develop a sustainable control environment to manage significant risks and ensure the implementation of risk management process within their business operations.

All employees in the Company are responsible for the effectiveness management of risk and the identification of potential risks in their own areas.

5. Definition

Risk is an event or condition that may occur, and whose occurrence, if it does take place, has a

99 หมู่ที่ 1 นิคมอุตสาหกรรมไฮเทค ตำบลบ้านเลน อำเภอบางปะอิน จังหวัดพระนครศรีอยุธยา 13160 ประเทศไทย โทรศัพท์ (035) 350 880 โทรสาร (035) 350 881 www.aapico.com
99 Moo 1, Hitech Industrial Estate, Tambol Ban Lane, Amphur Bangpa-in, Ayuthaya Province 13160, Thailand Tel (035) 350 880 Fax (035) 350 881 Website: www.aapico.com

harmful or negative impact on the achievement of the organization's business objective. The exposure to the consequences of uncertainty constitutes a risk. Risk is measured in terms of impact and likelihood.

Risk management is the process of systematically identifying, quantifying and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals. It encompasses risk assessment and evaluation of risks against established risk appetite and risk tolerance, their treatment and monitoring.

The **Risk Strategy** of the Company defines the Company's standpoints on various risks associated with business. It includes the Company's decision on the risk tolerance levels and acceptance, avoidance or transfer of risks faced by the Company.

Risk assessment is the overall process of risk identification, analysis and evaluation.

Risk appetite indicates the maximum quantum of risks that the Company is willing to accept in accordance with the Risk Strategy of the Company.

Risk tolerance is an acceptable level of variation that the Company is willing to accept regarding the pursuit of its objectives.

Risk map or **Risk profile** is used to provide an overview of risks within the organization. Each risk is presented in coordinate of likelihood and impact.

6. Risk Management Policy

6.1. Principle of Risk Management

- The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.
- All business decisions will be made within prior information and acceptance of risks involved.
- All employees of the Company shall be made aware of risks and mitigation measures in their respective areas / operations.
- The risk mitigation measures shall be effective in the long-run and where possible included in the business processes of the Company.
- Risk appetite and risk tolerance level shall be regularly reviewed at least on annual basis and decided upon the change of the Company's strategy or economic situation.
- The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken.

6.2. Risk Assessment

The process of risk assessment shall cover the following:

a) **Risk identification:** The risk of the Company is identified by each department base on the IATF 16949 standard. The Company selects the risk with medium to high level (score of 6-9) of severity of impact and the likelihood of occurrence for risk assessment and classify the risk as strategic, business, operational, financial, compliance and management risk.

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b) **Risk description**: The method of systematically recording the Company's identified risks in a structured format.
c) **Risk estimation**: The process for estimating the impact and the likelihood of risks.

6.2.1. Risk identification and categorization

Key characteristics by which risks can be identified are:

- Risks are adverse consequences of events or changed conditions.
- Their occurrence may be identified by the happening or trigger of events.
- Their occurrence is uncertain and may have different extents of likelihood.

Risks can be classified in the following categories:

1) **Strategic Risk** includes the range of external events and trends, e.g. government policy, competition, court ruling or change in stakeholder requirements that can adversely impact the Company's strategic growth and shareholder value.
2) **Business Risk** includes the risks associated specifically with the Company and has adverse impact on the Company's capability to execute activities critical for business growth and the Company's performance.
3) **Operational Risk** is risk associated with operational uncertainties in relation to working procedures, employees, organization structure, etc. It includes the anti-corruption matter.
4) **Financial Risk** refers to events that cause an impact to the financial position of the Company.
5) **Compliance Risk** includes the code of conducts, internal rules and policies as well as regulations relating to the Stock Exchange of Thailand, the Securities and Commission office, etc.
6) **Management Risk** refers to risk that the Company reliance on top management person.

6.2.2. Risk description

Risk description helps in understanding the nature of risk, its likelihood and impact both qualitative and quantitative, and possible mitigation measures. Risk description for each risk is identified in the risk matrix (or risk map).

6.2.3. Risk estimation

The consequences of risk occurrences are assessed in terms of likelihood and impact. The assessment of likelihood is considered based on number of times that event will occur or expected to occur. The assessment of impact should consider in all aspects, both financial and non-financial e.g. employee benefits, environment, and social, etc.

The assessment of risk may have evidences of the frequency of past events and impact to organization in all aspects. The rating of risk can be given in a score ranging from 1 (the least impact) to 5 (the maximum impact) based on the agreed risk appetite and risk tolerance level.

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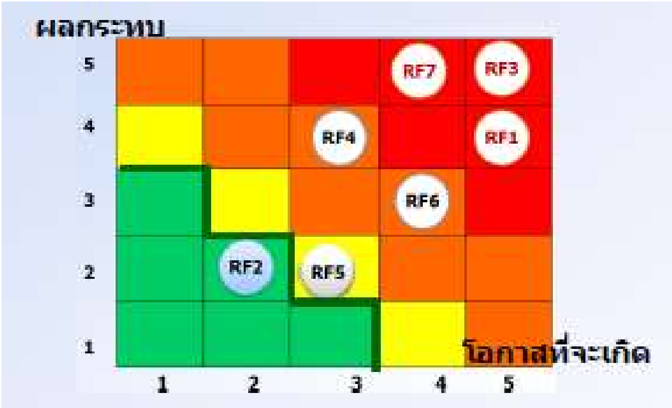
6.3. Risk Profile (Risk Map/Matrix)

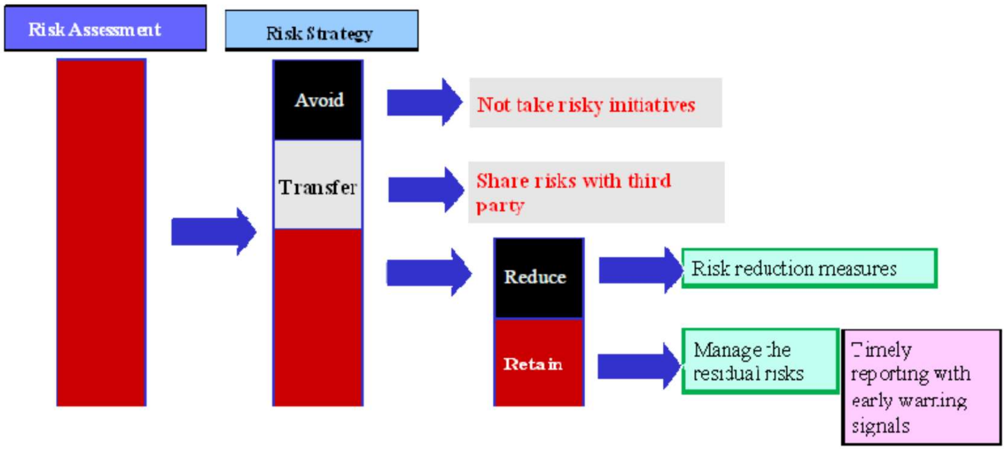
Risk profile is used to provide an overview of risks within the organization. Each risk is presented in coordinate of likelihood and impact. The definition of color used in risk profile is up to the Risk Management Committee and also depend on the risk tolerance limit of the Company.



Risk profile can be used to monitor the progress and report the update of the risk management process.

7. Risk Strategy

The following framework can be used for the implementation of risk strategy:



Based on the risk appetite and risk tolerance level, the risk mitigation can be planned using the following strategies:

a. *Risk Avoidance*: By not performing an activity that could carry risk.

b. *Risk Transfer:* Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

c. *Risk Reduction:* Employing methods/solutions that reduce the severity of the loss e.g. construction of dyke for flood prevention.

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d. *Risk Retention:* Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible.

8. Monitoring of Risk Management System

The risk exposure of the Company may undergo changes from time to time depending on the changes in the Strategy or economic conditions. Therefore, the risk profile shall be updated on regular basis. The frequency of review can be referred to the following:

- On immediate basis
  - Escalation of risks which have substantial impact to the business must be determined by the Management.
- On Quarterly basis
  - The status of risks and treatment actions are reviewed with key staffs in respective areas.
  - Any new or changed risks are identified and reported to the Risk Management Committee.
- On Annual basis
  - Risk factors and the Risk Management process are reviewed by the Risk Management Committee for efficiency and effectiveness of control measures.

9. Approval and Review of the Policy

The Risk Management Policy shall be reviewed at least annually to ensure effectiveness and its relevance to the Company's operations.

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