



Risk Management Policy and Framework

P.S.P. Specialties Public Company Limited

Risk Management Policy and Framework

PSP Specialties Public Company Limited (the "Company") and its subsidiaries (the "Group") realize and foresee the paramount of implementing optimal Risk Management under the Principles of good Corporate Governance as the circumnavigational safety zone amidst the risky, ever-changing competitive landscape in pursuit of favorable outcomes under Company Outlooks. Risk Management silver-lines the pursuit with financial security, stability, and capacity required to generate appropriate returns to shareholders under principles and Group business checks and balances.

The Executive Committee is responsible for defining an organization-wide Risk Management Policy and the underlying framework of risk management plans to appropriately minimize the likelihood or severity of financial, business, or reputational loss to the Group, be it due to operational, professional, or strategic shortcomings. In so doing, the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) infuses confidence among shareholders and all parties involved in the Company's capacity and stability in carrying out the mission under set objectives with added value to the Group. Risk Management Policy definitions, objectives, and guidelines are as follows:

Risk Management Policy Definitions

Risk is the risk for the Company, defined as inadequate profitability due to unexpected changes, uncertainties, or developments that undermine the organization's current capacities and plans, resulting in operational failure in pursuing set objectives or targets thus harming the business either monetarily, operationally, or reputationally.

Risk Management refers to the process performed by the Board of Directors, subcommittees, and all executives and personnel of the Group to assist in strategy formulation and implementation. Risk management processes are designed to enable the identification of events that may occur and affect the Group and manage risks within the organization's acceptable level to ensure that the operations of the organization will achieve the objectives set by the Group.

Risk Management Objectives

1. To incorporate the COSO-based risk assessment and management as a standard requirement across Group strategic planning and operations decision-making processes, as well as a corporate culture of risk-management conscience professionals with a common understanding, awareness, and a due-diligence sense of duty in controlling and preventing risks for the Group.

2. To determine the Risk Appetite, i.e., the acceptable level of corporate risk the Group is willing to take both at the corporate level and the unit level, to limit potential loss-damage to a certain level, as well as set an alarm system by risk level as a warning sign alerting risk agents to promptly and properly enact protocols to manage the alarming risk to an acceptable level.
3. To determine the process, measures, and guidelines for managing the remaining risks to an acceptable level of the organization by considering measures to effectively reduce the likelihood or impact of potential risks, which will drive the organization to achieve the objectives set by the Group, both at the corporate level and the department level.
4. To determine Risk Management Policy systems and processes for flagged risks, as well as the corresponding objectives to meet if any were to unfold, to optimally avoid and reduce the likelihood and impact to the acceptable level at the corporate and unit level, keeping the Group on course with business as usual and alerting and preparing the organization for a timely professional response to otherwise unexpected crises causing loss or damage the Group.
5. To allow the Board of Directors, the Audit and Corporate Governance Committee, the Executive Committee, and executives of the Group to be informed of key risks, risk trends, and risk overviews, as well as efficiently and effectively manage risks.
6. To prepare and ensure all Group units are ready and accountable for identifying, assessing, and managing risks in their respective areas and functions, be it team activities, processes, events, or projects, that are flagged as impactful, unfamiliar territory, or undergoing change, and ensure compliance with set system and process guidance, taking into account the associated risk appetite, response capacity, and budget.
7. To regularly communicate and transfer risk management knowledge to employees as well as develop professionals that are knowledgeable and aware of their risk ownership and joint risk management responsibility.
8. Incorporate organizational checks and balances under the principles of good Corporate Governance with the risk management unit and risk-generating business units under separate chains of command to optimize risk management for the Group with appropriate autonomy and authority.

The Executive Committee must keep abreast of risk issues and manage them in a professional, appropriate, and punctual manner.

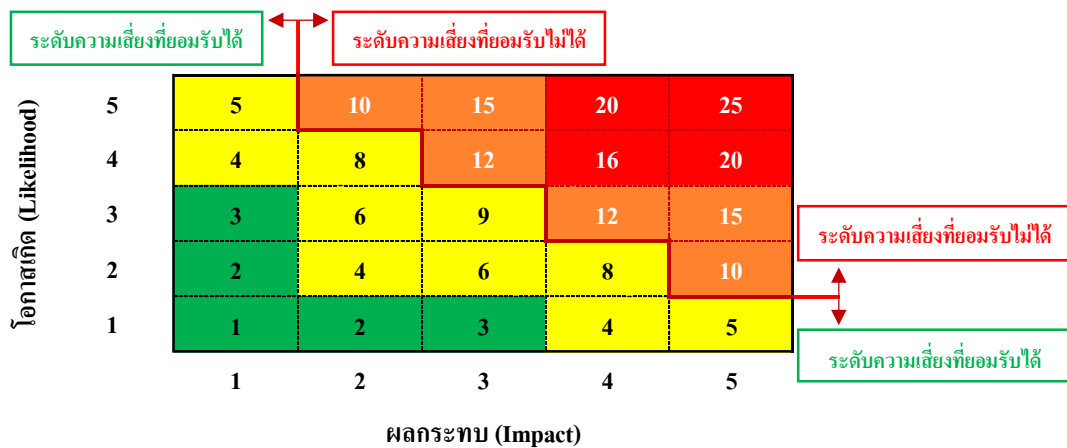
Risk Management Scope

To ensure organizational risk management is on the same page, the following 4 Risk Assessment Areas are established as a minimum requirement:

Risk	Definition
Strategic Risk	Strategic risks of improperly formed strategies and plans and the implementation thereof, and inconsistencies between internal aspects and external factors in the operating landscape and respective environment, including policies, goals, strategies, organizational structures, competitive situations, resources, and the environment.
Operational Risk	Personnel operational risks due to the lack of oversight or internal control, including the underlying operational capacity, encompassing both internal and external factors. The former such as internal processes, workflow, equipment, information technology, and operational, working environment, and personnel safety. External factors are caused by operations and operational mistakes that damage or incur a loss to the respective environment or the community thus resulting in an operational failure in achieving corporate objectives and goals.
Financial Risk	Financial risks relating to financial liquidity, profitability, budget management, accounting documentation, and financial reporting that affect Group operations in achieving its objectives.
Compliance Risk	Compliance risks of violating or failing to comply with applicable organizational bylaws and relevant legal stipulations, including risks from inconsistent, unclear, and uninclusive policies, rules, or regulations that are confusing to or fail to cover certain operational aspects.

Risk Appetite

Risk appetite is the maximum level of risk the organization is willing to accept, i.e., the acceptable risk level for the Company, and is established by the respective risk owners under the supervision of the Executive Committee. Risk analysis and assessment is based on the likelihood of occurrence and the associated impact level, where assessed risks are flagged and managed accordingly. Should any be flagged with risk levels beyond the risk appetite, the risk owner and risk management unit are to collaborate on risk management action requirements and plans and report them to the Executive Committee. Risk Appetite is detailed in the image below.



Risk Management Policy

In realizing the importance and necessity of adopting the COSO international standard, the Group strives to build the confidence of all stakeholders with a reputable image and operational excellence with a professional corporate culture that implements a uniform risk management framework of set systems and processes across the organization in pursuit of favorable incomes under Company Outlooks. In so doing, the following Risk Management Policy guidelines are in place:

1. Risk management is the responsibility of all Group personnel. It is an organizational requirement for all to become a risk-management professional that is (i) aware of the risks that may impact their workplace environment, be it at the corporate, department, or unit level, (ii) knowledgeable, practical, and well-trained in the management thereof, and (iii) capable of prioritizing and managing various aspects of risks systematically through adequate and appropriate internal control systems.
2. An Enterprise Risk Management System is a standard requirement with best-practice international protocols and SOPs that satisfy the implementation of such, to efficiently and effectively manage all risks in a uniform cross-organization way in the same direction by incorporating the standard into the decision-making processes as a standard requirement across Group committees and units, regardless of level, location, or personnel, be it strategic planning, target setting, or operational adjustment.
3. Regularly review and evaluate the Risk Management Policy and the framework of relevant guidelines, protocols, and SOPs as a standard requirement to prevent and mitigate risks of set objectives and operations and to avoid or reduce possible damage or loss to the Group.
4. The Group's Enterprise Risk Management System must be updated and equipped with modern information technology and support systems, where access to pertinent information, knowledge, and

skills to advance the Group's risk management capacity must be promoted and encouraged among Group personnel at all levels.

5. The Risk Management Unit is responsible for reporting organizational risk management capacity and performance to the Executive Committee at least once a quarter for acknowledgment, where the committee updates the Board of Directors at least twice a year to follow up on and make recommendations for appropriate risk management optimization.
6. The Risk Management Unit must report organizational risk management capacity and performance to the Audit and Corporate Governance Committee at least once a year to review the efficiency and adequacy of the Group's internal control and risk management systems.

Risk Management Related Parties: Roles and Responsibilities

Beyond all Group personnel with risk management responsibilities, any particular consultant, representative, or person can be assigned to act on behalf of the Company as a risk-management related party with the following roles and responsibilities:

1. The Board of Directors

- (1) Apprehend the risks with significant impacts on the Group.
- (2) Consider in the Risk Management Policy approval process the Company's risk appetite and Enterprise Risk Management System proposed by the Executive Committee.
- (3) Acknowledge potential key risk factors and provide comprehensive and complete advice and opinions on risk management to the Executive Committee, as well as supervise the committee to establish effective systems and processes required to manage risks, including risk factors that may arise amidst the pursuit of business opportunities.
- (4) Organize actions to ensure that the Group has adequately and appropriately managed risks with severe impact potential.

2. The Audit and Corporate Governance Committee

- (1) Review and ensure that the Group has a risk management system that is sufficient, appropriate, and efficient.

3. The Executive Committee

- (1) Determine and review the risk management framework and policy, and propose to the Board of Directors for approval.
- (2) Consider and approve the acceptable Risk Appetite and enterprise risk management plan as proposed by the risk management unit and present it to the Board of Directors for approval.
- (3) Consider and approve the risk management manual proposed by the risk management unit.
- (4) Follow up on risk management across the organization to ensure compliance with approved policies.
- (5) Communicate with management or the risk owner unit to keep abreast of significant risks and stay on the same page.
- (6) Report flagged risks and risk management to the Board of Directors.
- (7) Encourage and support the Group to have an adequate and appropriate risk management capacity for the entire organization.

4. Executives

- (1) Follow up on flagged risks within the business line to ensure that the Company has an adequate and appropriate Risk Management Plan capacity.
- (2) Promote and support the Risk Management Policy implementation and ensure the underlying processes and systems are in compliance.
- (3) Communicate to provide Risk Management knowledge and expertise to employees according to their line of duty or responsible team members.

5. Risk Owners

- (1) Identify, assess, control, monitor, and report operational risks to the Risk Management Unit.
- (2) Participate in preparing the Risk Management Plan and implement the plan per Risk Management Policy and relevant processes under the Group.

6. The Risk Management Unit

- (1) Prepare and review Risk Management Policy and framework for acceptable Risk Appetite to present to the Executive Committee for approval.

- (2) Prepare a Risk Management Policy manual and guidelines to present to the Executive Committee for approval
- (3) Collaborate with the risk owner unit in preparing the Group Enterprise Risk Management Plan under the Risk Management Policy and framework, present it to the Executive Committee for approval, and follow up on results with the committee for acknowledgment at least once a quarter.
- (4) Organize training to guide various departments in complying with the Risk Management Policy at least once a year.
- (5) Monitor the Risk Management Policy implementation and operations with support from the Executive Committee to ensure that the Risk Management Policy process is consistent, standardized, and functions appropriately and efficiently throughout the organization.
- (6) Advise, recommend, assist, and encourage Risk Owners to continuously implement Risk Management Policy tools to ensure efficient and effective Risk Management throughout the organization.
- (7) Report an ERMS overview to the Audit and Corporate Governance Committee at least once a year for acknowledgment and comments on system sufficiency and disclose it in the Company's annual Form 56-1 One Report.

7. The Internal Audit Unit

- (1) Ensure that the Group has appropriately implemented the Enterprise Risk Management System and that the system operates consistently and appropriately throughout the organization.
- (2) Ensure that the Group has adequate Internal Control for Risk Management Policy purposes as well as compliance.
- (3) Review and set the Risk Management Policy to practice.
- (4) Communicate, exchange, and develop mutual understandings between the Risk Management Unit and audited unit executives for Risk-based Auditing planning purposes.

Risk Management Process

(1) Risk Management Policy Formulation and Criteria

Set Risk Management Policy and objectives, responsibility scopes, criteria, and guidelines under Group strategies, goals, plans, and business operations' directions, to be reviewed annually by the Group and prepared simultaneously with the business plan to ensure consistency.

(2) Risk Identification

Management participates in the risk identification process to determine and flag risk factors of all types that may affect the achievement of Group objectives and goals, be it at the organizational level, business unit, departmental, or functional level, and proposes Risk Management countermeasures for (i) external factors, e.g., developments in the environment, economy, technology, laws, and (ii) internal factors that may affect the reputation and image of the Group, e.g., substandard products, disasters from mother nature, destroyed production processes, and the likelihood of corruption and loss of property, among others.

(3) Risk Assessment

Analyze and assess the risk impact level by considering both the likelihood and potential severity and prioritize and flag each risk according to the determined impact level, countermeasure and Risk Management requirements, and management urgency.

(4) Risk Management Plan

Develop a Risk Management Plan to manage flagged risks, i.e., those prioritized in risk analysis.

(5) Information and Communication

Ensure the Company's information system capacity is current, fast, reliable, and appropriate for its business model, size, and operational complexity, as well as its Risk Management model to monitor, process, and mitigate risk, including accurate and precise Risk Management information. The Company has a secure data storage system where only appropriate personnel have access rights.

(6) Follow-up and Review

Follow up on and review Risk Management performance and results as planned and report to the Executive Committee at least once a quarter for acknowledgment and make recommendations for Risk Management optimization.

Corporate Risk Management Culture

The Company places great importance on fostering a corporate culture of risk management-conscience professionals and aims to incorporate the Risk Management Policy as an operational requirement for all Group personnel. Risk Management Policy steps are in place as follows:

- (1) Risk Management Policy guidelines are in place on behalf of the Board of Directors and Company executives where the Risk Management Policy goals and potential benefits to the organization are communicated to all employees to realize.
- (2) Risk Management Policy training programs are organized to develop corporate risk management professionals with awareness and hands-on expertise in controlling risks within the Risk Management Policy framework, each carrying out individual roles and responsibilities as part of a large risk management team with uniform measures and direction. The Group also promotes the Risk Management knowledge exchange between departments.
- (3) The Company integrates Risk Management Policy into the business decision-making process under good Corporate Governance principles and Internal Control.

This Risk Management Policy and Framework is approved by the Board of Directors and effective from the 19th of December 2023, onwards.