



**HANA Microelectronics Public Company Limited**

## **RISK MANAGEMENT POLICY**

**By Board of Directors**

**Revision: 27 February 2023**

### **Policy statement:**

In compliance with the best practices of good corporate governance, the board of directors promotes the implementation of risk management across all the company's activities.

Risk Management is the method of identifying, analyzing, evaluating and monitoring risks in a way that will enable the company to meet its objectives and minimize losses and maximize opportunities.

The risk management is interrelated with corporate governance by providing information to the board of directors on the most significant risks and how they are being managed. It also helps management to its business unit effectively.

### **Purposes:**

The board believes that risk management provides the company to:

- Reduce the occurrence of surprises and related costs or losses
- Enhance risk response decisions and enable integrated solutions for managing the risks
- Seize opportunities from considering potential events rather than just risks and understanding of how certain events represent opportunities

### **Risk Management Committee:**

The board of directors has appointed the Risk Management Committee as follows.

1. Mr. Terry Weir, Chairman of Risk Management Committee
2. Ms. Pornphan Abhamongkol, the Risk Management Committee
3. Mrs. Sunun Thongbai, the Risk Management Committee
4. Mr. Stephanus Josephus Hendrikus Brader, the Risk Management Committee
5. Ms. Jirapa Kongmanee, Secretary of the Committee

### **Duties and Responsibilities of Risk Management Committee:**

The Risk Management Committee had fulfilled the responsibility that has been approved by the board of directors as follows:

- To review the Company's risk management policy and framework covering all the major risks
- To oversee the company-wide risk management practices
- To report key risks and results of risk management to the Board regularly
- To review the risk management policy and the risk management charter as deemed necessary
- To perform other duties related to risk management as assigned by the Board

### **Duties and responsibilities of the Board of Directors:**

The board shall review the adequacy and effectiveness of the risk management system at least annually, or when necessary. The board also pays attention to early warning signs and unusual transactions reported by the Risk Management Committee.

### **Duties and responsibilities of management:**

The Executive Committee led by CEO has the direct duties and responsibilities to manage risks, determine risk management direction for the organization, plan, and monitor important risks. The Corporate Risk Officer shall be assigned the duties to gather, analyze, assess risks, and report risk management profiles to the Executive Committee and the Risk Management Committee. Each Hana business unit as the risk owner is responsible for risk assessment in their respective areas of responsibility including manage and report the mitigation and internal control measures.

### **Risk Management System:**

Risk is the chance that an event will occur that will impact the company's ability to achieve its objectives such as increasing competition, fraud, non-compliance with regulations, and etc. The key of risk management is to identify what risks could cause substantial damage to the company, to prioritize those risks, to set up a proactive monitoring process that will focus on mitigating risks. The framework of risk management system is as follows.

#### **1. Risk/Event Identification**

The head of each department is required to identify substantial risks that affect by both internal and external factors. In addressing issues relating to risk, every department needs to be transparent and open and seek to identify and address all areas where there is need for improvement in risk management. Substantial risk categories include strategic, operational, financial, compliance, IT, environment & social, and corruption risks, etc.

#### **2. Risk Assessment/Evaluation**

Risk is to be evaluated into two perspectives: probability and impact. Probability represents the possibility that a given event will occur, while impact represents its effect should it occur.

##### **2.1 Probability and Impact**

Management recognizes that a risk with low likelihood of occurrence and little potential impact generally does not warrant further consideration. On the other hand, a risk with high likelihood of occurrence and significant impact demands considerable attention. Below is the guideline to assess risks' priorities.

## Risk Management Policy

Probability/Likelihood	
<b>5) Very High</b>	<ul style="list-style-type: none"> <li>• The event is expected to occur in most circumstances.</li> <li>• Risk has more than a 75% chance of occurring.</li> </ul>
<b>4) High</b>	<ul style="list-style-type: none"> <li>• The event will probably occur in most circumstances.</li> <li>• Risk has 50-74% chance of occurring.</li> </ul>
<b>3) Moderate</b>	<ul style="list-style-type: none"> <li>• The event could occur at some times.</li> <li>• Risk has 25-49% chance of occurring.</li> </ul>
<b>2) Low</b>	<ul style="list-style-type: none"> <li>• The event is unlikely to occur.</li> <li>• Risk has less than 25% chance of occurring.</li> </ul>
<b>1) Very low</b>	<ul style="list-style-type: none"> <li>• The event may only occur in exceptional circumstances.</li> </ul>
Impact/Consequence	
<b>5) Very High</b>	<ul style="list-style-type: none"> <li>• Financial impact exceeds 10,000,000 baht and is not fully covered by insurance</li> <li>• Multiple significant injuries</li> <li>• Very high customer sensitivity</li> <li>• Significant damage to Hana image and reputation</li> <li>• Cessation of business due to non-compliance with regulations</li> <li>• Business and strategic objectives unable to achieved</li> </ul>
<b>4) High</b>	<ul style="list-style-type: none"> <li>• Financial impact 1,000,000 - 10,000,000 baht and is not fully covered by insurance</li> <li>• Single death and/or multiple significant injuries</li> <li>• Significant impact on customer sensitivity</li> <li>• Significant damage to Hana image and reputation</li> <li>• Restriction of business due to regulators</li> <li>• Significant impact on business and strategic objectives</li> </ul>
<b>3) Moderate</b>	<ul style="list-style-type: none"> <li>• Financial impact 500,000 - 1,000,000 baht and is not fully covered by insurance</li> <li>• Multiple injuries</li> <li>• Moderate impact on customer sensitivity</li> <li>• Medium damage to Hana image and reputation</li> <li>• Fines and penalties by regulators</li> <li>• Moderate impact on business and strategic objectives</li> </ul>
<b>2) Minor</b>	<ul style="list-style-type: none"> <li>• Financial impact less than 500,000 baht</li> <li>• Single injury</li> <li>• Low impact on customer sensitivity</li> <li>• Minimal damage to Hana image and reputation</li> <li>• Minimal impact on business and strategic objectives</li> </ul>
<b>1) Insignificant</b>	<ul style="list-style-type: none"> <li>• Risk consequences are dealt with by routine operations</li> </ul>

**2.2 Risk Evaluation Matrix**

<b>Impact</b>	<b>Multiplier</b>					
Very High	5	5	10	15	20	25
High	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
	<b>Multiplier</b>	1	2	3	4	5
<b>Probability</b>		Very Low	Low	Moderate	High	Very High

**2.3 Level of Risks**

<b>Overall Risk Rating</b>	<b>Range</b>
High Risk – Critical	20 - 25
High Risk – Major	12 -16
Medium Risk – Moderate	5 - 10
Low Risk – Minor	3- 4
Low Risk - Insignificant	1- 2

**3. Managing and Controlling Risk**

Having identified and evaluated the risks, the arrangements for managing risks need to be in place. These arrangements cover the allocation of duties and responsibilities for the management of the risks to key personnel as well as taking the management actions to control the specific risks. The staff who is more directly involved in the risk management process by virtue of their job will have responsibility for managing individual risks allocated to them.

The categories for controlling risks are as follows.

- Avoidance – Action is taken to avoid the risk. This may include the decision not to undertake the activity.
- Reduction – Action is taken to reduce the risk. This may include worker safety training and safety equipment.
- Sharing – Action is taken to reduce the risk by transferring or sharing a portion of the risk. This may include purchasing insurance, engaging in hedging transactions, or outsourcing activity.
- Acceptance – No action is taken to affect likelihood or impact.

#### 4. Controlling and Monitoring

To ensure that risk responses are carried out properly, management is to consider implementing the control activities such as preventive controls, detective controls, manual controls, computer controls and management controls. The policies and procedures shall be established to ensure that risk responses are executed effectively.

Management is to maintain ongoing monitoring to ensure effective risk management over time.

#### 5. Reporting

A risk profile including actions shall be reported to the Risk Management Committee and the Risk Management Committee shall report to the board of directors for the major risks or update the significant change to the risk profile at least on annually basis.

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