



CP LEADERSHIP
INSTITUTE

Risk Management Policy and Guidelines

Leadership Development Charoen Pokphand Group Co., Ltd.

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Risk Management Policy and Guidelines

Leadership Development Charoen Pokphand Group Co., Ltd.

1. Intent

Leadership Development Charoen Pokphand Group Co., Ltd. realizes that the business environment is complex and rapidly changing, which may impact the ability of the company to achieve our business objectives and goals. We therefore place importance on enterprise risk management and integrating a risk culture, which includes tone from the top, accountability, effective communication, incentives and HR practices in every work process in order to reduce both monetary and non-monetary impacts and losses from business uncertainties. Emphasizing on risk management at an acceptable level will ensure that all work processes are transparent and efficient. This will create a positive image and value for our Leadership Development Charoen Pokphand Group Co., Ltd. and our stakeholders in the short and long-term.

This document has been developed in accordance with Charoen Pokphand Group's Sustainability Strategies and Goals, guidelines on managing stakeholder expectations, the Enterprise Risk Management Framework by the Committee of Sponsoring Organization of the Treadway Commission's Enterprise Risk Management - Integrating with Strategy and Performance 2017 (COSO-ERM 2017), the Sustainability and Enterprise Risk Management by the World Business Council for Sustainable Development, and ISO 31000 on Risk Management by the International Organization for Standardization (ISO) to ensure systematic and efficient risk management for the Leadership Development Charoen Pokphand Group Co., Ltd. business continuity and sustainable growth.

2. Scope

This Risk Management Policy and Guidelines apply to Charoen Pokphand Group, (hereafter "the Group") which includes Charoen Pokphand Group Co., Ltd., and all its subsidiary companies that Charoen Pokphand Group Co., Ltd. has management control. The term "company" hereafter refers to any such company individually that has adopted this Risk Management Policy and Guidelines. This document shall be reviewed at least once a year, or as conditions require.

3. Objectives

3.1 To provide directors, management, and staff with risk management guidelines as part of the decision-making process that will foster a risk culture.

3.2 To create an efficient risk management system consistently throughout the organization.

3.3 To manage risks inherent in business activities and work processes at an acceptable level.

4. Roles and Responsibilities

4.1 Board of Directors

4.1.1 Consider and approve the Risk Management Policy and Guidelines.

4.1.2 Consider and approve risk appetite and risk management strategies.

4.1.3 Oversee the risk management program and the adequacy of internal control, including the tangible implementation of risk management guidelines.

4.2 Management

4.2.1 Determine the Company's risk appetite statement, risk management action plans, and key performance indicators that align with business strategies and objectives.

4.2.2 Determine risk assessment criteria and risk appetite appropriate to the business context.

4.2.3 Establish the organizational structure, roles, and responsibilities for managing risks, including the systems of risk management and internal controls.

4.2.4 Manage operational risks at an acceptable level by considering organizational goals, costs, and business returns, as well as the reputation and image of the organization.

4.2.5 Conduct crisis management to diminish its impacts and return the business to normal conditions.

4.2.6 Foster a culture that emphasizes enterprise risk management.

4.2.7 Monitor, manage, and support the implementation of this Risk Management Policy and Guidelines.

4.2.8 Follow up on any changes in the business environment or any likelihood that a risk management plan might not achieve its objectives, including when a risk event occurs, in order to adjust plans periodically to reflect those changes.

4.2.9 Communicate this Policy and Guidelines to promote awareness for management and staff at all levels.

4.2.10 Provide resources and promote efficient enterprise risk management coordination.

4.2.11 Report risk management performance to responsible committees.

4.3 Risk Function or Responsible Person

4.3.1 Develop tools and procedures for risk management in order for risk owners to consistently identify, assess, monitor, and report risks in the same manner across the company.

4.3.2 Conduct risk assessments and risk management in all business activities that may affect the company's management plans.

4.3.3 Prepare efficient enterprise risk management plans, processes, and internal controls in accordance with the company's policies, objectives, strategies and business context, together with business continuity management plans in all business activities and work processes.

4.3.4 Review the risk profile and management effectiveness, as well as improve risk management plans to align with the changing business environment or in the probability that the risk management plan might not achieve its objectives.

4.3.5 Monitor and evaluate enterprise risk management performance, including to coordinate with risk owners to follow up on risk management activities.

4.3.6 Communicate risk assessment results in order for the internal audit team to evaluate the effectiveness, appropriateness, and adequacy of internal controls.

4.3.7 Prepare risk management performance reports for management and responsible committees.

4.3.8 Raise awareness and understanding, in addition to develop skills and advise employees on risk management.

4.3.9 Cultivate an organizational culture that prioritizes enterprise risk management.

4.4 Risk Owner

4.4.1 Identify, analyze, assess, plan, and determine risk control measures for the responsible working unit.

4.4.2 Assess emerging risks that may occur during the operational process, and develop plans to reduce those risks.

4.4.3 Implement, monitor, control, and supervise risks according to the risk management plan and ensure they are up-to-date.

4.4.4 Report risk status and the progress of risk management activities.

4.5 Staff

4.5.1 Learn and comply with applicable laws, rules, regulations, standards, policies and guidelines.

4.5.2 Take action and report risks that may affect employee performance or report incidents involving risk management to the supervisor.

5. Guidelines

5.1 Identify and analyze risks that will affect the achievement of the organization's objectives by considering all factors in the business environment, including risks that have previously occurred, current risks, and emerging risks that may arise.

5.2 Assess and prioritize risks according to the business context to cover enterprise risks, such as strategic risks, operational risks, liquidity risks, market risks, and credit risks, etc.

5.3 Prepare an enterprise risk management strategic plan linked to the company's vision, mission, objectives, and risk appetite.

5.4 Determine risk treatment measures and plans to reduce impacts and/or likelihood of a risk event to an acceptable level.

5.5 Prepare incident management plans to manage incidents outside the scope of the risk management plan to ensure that operations return to normal conditions as soon as possible.

5.6 Incorporate the use of information technology systems in risk management by using clearly, timely, relevant and available information for analysis in order to make effective decisions.

5.7 Communicate information and guidelines on risk management via available channels throughout the company by taking into account relevant laws, regulations, and data security standards.

5.8 Review risks and monitor the risk management performance and process on an ongoing basis or in case of significant changes in the business environment.

5.9 Conduct stress tests regularly or when there is a significant change in risk factors.

5.10 Report risk assessment results, the effectiveness of risk control measures, and risk management performance.

5.11 Review and improve the efficiency of enterprise risk management in line with the business environment.

6. Training

The Company shall communicate and cascade the Risk Management Policy and Guidelines through training programs, conferences, and other appropriate channels to its directors, management, staff, and external stakeholders, including suppliers and business partners throughout the supply chain. The effectiveness of training shall be evaluated after each session.

7. Policy Guidance

If there are any enquiries regarding this Risk Management Policy and Guidelines, employees can seek guidance from their supervisor, department or persons responsible for risk management, the

Compliance Department, the Internal Audit Department, or the Legal Department before carrying out any decision or action.

8. Related Laws, Regulations, and Policies

8.1 Charoen Pokphand Group Corporate Governance Principles

8.2 Charoen Pokphand Group Code of Conduct

8.3 COSO (Committee of Sponsoring Organization of the Treadway Commission) Enterprise Risk Management Framework 2017

8.4 ISO 31000:2018 – Enterprise Risk Management Guidelines

8.5 ESG Integrated Risk Management by WBCSD (the World Business Council for Sustainable Development)

9. Appendix

This Policy and Guidelines include the following appendix:

9.1 Appendix A: Definitions

Appendix A

Definitions

1. **Strategy**

   A method or approach designed to achieve organizational goals, which must be consistent with the mission and vision, as well as Core Values and risk appetite. A clear strategy will result in efficient management and resource utilization, leading to appropriate decision-making.

2. **Internal Control**

   Work processes or procedures designed to control risks, as determined by the Board of Directors, management, and staff, in order to ensure that the organization can achieve its key objectives related to strategy, operations, financial reporting, and compliance.

3. **Incident management**

   The management of incidents occurring outside the scope of risk management plans to reduce their impacts and resolve incidents to normal conditions as soon as possible, as well as prepare measures to prevent such incidents from happening again in the future.

4. **Risk Management**

   Systematic and continuous processes designed to help the organization to reduce the likelihood of potential risks by ensuring that the risk level and damages are at a level that is systematically acceptable, assessable, controllable, and verifiable, while considering the achievement of the organization's objectives and goals.

5. **Risk Response**

   Consideration of methods taken to mitigate potential risks according to the risk assessment results that accounts for the likelihood and severity of such risks by comparing the occurring risks to risk appetite and weighing the cost-benefit in managing residual risks.

6. Stress Test

Testing an organization's ability to cope with various types of crisis or challenges that may occur under scenarios or model conditions.

7. Risk Assessment Criteria

Quantitative and qualitative scopes and conditions to be used as reference in assessing enterprise risk importance and level by considering their likelihood and impact. Risk assessment criteria reflects the core values, policies, objectives, and stakeholder perspective in addition to standards, laws, policies, and other internal and external requirements.

8. Risk Appetite Statement: RAS

A statement that shows the organization’s commitment in accepting and not accepting specific risks for employees to understand and realize the importance and their responsibilities for such risks in order to achieve the organization’s objectives and goals as well as instilling a risk culture.

9. Risk

Negative impacts of uncertain events in achieving the organization’s objectives and goals. These can come in either monetary or non-monetary forms.

10. Strategic Risks

Risks arising from external factors beyond the organization’s control, which can be managed by strategically planning to respond to such factors, including changes in laws, economic situation, market competitive conditions, natural disasters, terrorism, etc.

11. Operational Risks

Risks caused by internal factors, including employee management, work processes, internal controls, and ineffective technologies, resulting in the organization not being able to achieve its objectives and goals, such as non-compliance, operational system failures, fraud and corruption, etc.

12. Credit Risks

Risk arising from a condition that a customer, business partner or counterparty is unable to comply with the contract of payment or is caused by the inability to perform in accordance with the terms and conditions of the contract.

13. Market Risks

Risk arising from changes in interest rates, foreign exchange rate, equity price, or prices of consumer goods, which may affect the organization's performance and competitiveness.

14. Liquidity Risks

Risk arising from the organization's inability to pay liabilities and obligations when they are due because of the inability to convert assets into cash or the inability to provide sufficient funds or with a financing cost that is too high to accept.

15. Emerging Risks

Newly identified, unforeseen, or previously unconsidered risks that may pose challenges to the operations and business continuity of the organization and may involve activities such as new process, technology, and workplace, or changes in economic, social, environmental factors as well as other changes in the organization.

16. Risk Owner

Person or function with the responsibility and authority to manage risks by identifying, evaluating, and planning risk management as well as to supervise the implementation of relevant risk control or mitigation measures.

17. Risk Management / Mitigation / Control Measure

Measures or guidelines set by the organization in response to risks, which may use different approaches as considered and approved to do so; in general, such methods are avoiding or terminating risks, transferring risks, treating risk by reducing the level of likelihood or impact, or taking or tolerating that risk, etc.

18. Risk Appetite

The level of risk that the organization is willing to accept while maintaining the ability to achieve its objectives and goals as well as complying with relevant laws, regulations, and standards