HANA Microelectronics Public Company Limited

RISK MANAGEMENT POLICY

By Board of Directors

Revision: 27 February 2024

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 Risk Management Committee has formulated risk management policies with the following objectives:

1. To enable the Company to manage potential risks efficiently, ensuring that management procedures are executed in a sound and systematic manner.
2. To promote preventive risk management procedures that are conducted promptly, transparently, accurately, and completely, on a consistent and organized basis.
3. To encourage and develop all employees and management members at all levels to have thorough understanding and recognition of the significance of risk management procedures, while fostering active participation in the risk management system across the organization.
4. To ensure that risk management procedures are implemented appropriately and align with to the Company's mission and policies.

Risk Management Structure: With due recognition by the Board of Directors of the various risk factors posing as possible threats to the Company's business operations, the Board therefore assigned the Risk Management Committee, composed primarily of independent directors, provides oversight and reports to the Board on the status of risk management efforts. An independent Risk Management Unit that operates independently from day-to-day operations ensures the policy's execution by analyzing and assessing risks and reporting on the Company's risk profile. The Executive Committee, led by the CEO, manages day-to-day operational risks and ensures alignment with the company's strategic goals.

The Risk Management Committee oversees this process and reports to the Board of Directors, ensuring that the risk management process is effective and aligns with the Company's strategies and objectives. Each business unit within Hana acts as a risk owner, responsible for assessing and mitigating risks within its respective area. The CEO holds ultimate responsibility for operational risk management and leads the Company in ensuring effective risk management practices. The company's risk management process follows a structured approach that prioritizes risks based on their likelihood and impact, using a risk evaluation matrix to guide decision-making and maintain robust internal controls.

Duties and Responsibilities of Risk Management Committee:

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

“Supporting the board of directors in implementing Risk Management Policy, reviewing the effectiveness of risk management profile, presenting the Company’s overall risks and solutions to effectively prevent and limit Hana’s overall risks at an acceptable level, and reporting the results to the board of directors at least annually”.

The Committee can appoint their management team of each Hana plant responsible for ensuring an appropriate risk management process is in place.

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.

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.

Probability/Likelihood	
5) Very High	• The event is expected to occur in most circumstances. • Risk has more than a 75% chance of occurring.
4) High	• The event will probably occur in most circumstances. • Risk has 50-74% chance of occurring.
3) Moderate	• The event could occur at some times. • Risk has 25-49% chance of occurring.
2) Low	• The event is unlikely to occur. • Risk has less than 25% chance of occurring.
1) Very low	• The event may only occur in exceptional circumstances.
Impact/Consequence	
5) Very High	• Financial impact exceeds 10,000,000 baht and is not fully covered by insurance • Multiple significant injuries • Very high customer sensitivity • Significant damage to Hana image and reputation • Cessation of business due to non-compliance with regulations • Business and strategic objectives unable to achieved
4) High	• Financial impact 1,000,000 - 10,000,000 baht and is not fully covered by insurance • Single death and/or multiple significant injuries • Significant impact on customer sensitivity • Significant damage to Hana image and reputation • Restriction of business due to regulators • Significant impact on business and strategic objectives

3) Moderate	• Financial impact 500,000 - 1,000,000 baht and is not fully covered by insurance • Multiple injuries • Moderate impact on customer sensitivity • Medium damage to Hana image and reputation • Fines and penalties by regulators • Moderate impact on business and strategic objectives
2) Minor	• Financial impact less than 500,000 baht • Single injury • Low impact on customer sensitivity • Minimal damage to Hana image and reputation • Minimal impact on business and strategic objectives
1) Insignificant	• Risk consequences are dealt with by routine operations

2.2 Risk Evaluation Matrix

Impact	Multiplier					
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**
	Multiplier	1	2	3	4	5
Probability		Very Low	Low	Moderate	High	Very High

2.3 Level of Risks

Overall Risk Rating	**Range**
High Risk – Critical	20 - 25
High Risk – Major	12 -16
Medium Risk – Moderate	5 - 11
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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