



Thai Beverage Public Company Limited

Risk Management Policy

1. INTRODUCTION

Thai Beverage Public Company Limited and its subsidiaries (“the Company” or “ThaiBev Group”) recognized risk management and internal control as an integral part of good corporate governance and fundamental in achieving its strategic and operational objectives, and safeguarding shareholders’ interests and the Company’s assets. Although risks themselves are not completely eliminated from business operation, ThaiBev Group aims to use risk management to improve decision making and manage risk appropriately to maximize potential opportunities and minimize the adverse effects of risk.

2. OBJECTIVES

This risk management policy of ThaiBev Group (“the Policy”) is established under the following objectives.

- To confirm and communicate ThaiBev Group’s commitment to risk management to assist in achieving its strategic and operational goals and objectives.
- To ensure that all material risks to ThaiBev Group are identified, assessed and where necessary treated and reported to the Board of Directors in a timely manner through the Risk Management Committee.
- To formalize and communicate a consistent approach for identifying, assessing, managing, monitoring, measuring and reporting all significant risks of each business unit across ThaiBev Group.
- To promote awareness of risks and assign accountability to all personnel for management of risks within their areas of control.
- To ensure that sound risk management system becomes part of routine management activity across ThaiBev Group.
- To comply with the applicable Code of Corporate Governance

3. SCOPE

This Policy is applicable to all of the Company’s business operations, management and employees.

4. RISK MANAGEMENT POLICY

- 1) The Company conducts its business with acceptable risk levels in order to achieve its objectives and fulfill the expectations of its stakeholders. The Company has designated

risk management as part of the annual business plans, day-to-day management and decision-making, and the project management process.

- 2) All the Company's management and employees are risk owners who are responsible for identifying and assessing the risks in their business areas, and formulating appropriate mitigation measures.
- 3) All risks to the achievement of the Company's objectives must be:
 - Identified in a timely manner;
 - Assessed with regard to the likelihood of events occurring and the impact if they were to occur;
 - Treated in a manner that is consistent with the Company's risk criteria with regard to the costs and benefits of the treatment;
 - Monitored to ensure that they are properly managed.
- 4) All risks to the Company's business plans and strategies which have "High" or "Extremely high" risk level must be reported to the Executive Committee, the Audit Committee and the Board of Directors.

5. ROLES AND RESPONSIBILITIES IN RISK MANAGEMENT

Board of Directors is responsible for:

- The governance of risks within the Company and determining the approach to risk governance for ThaiBev Group.
- Setting and instilling the culture of risk management across ThaiBev Group.
- Approving the risk management policy, levels of risk tolerance and levels of acceptable risk of ThaiBev Group to ensure that the risks relevant to ThaiBev Group are properly identified, including those risks inherent in business model and strategy, and risks from external factors as the Company pursues its strategic objectives.
- Monitoring the Company's exposure to risk and the material risks that could undermine its strategy, reputation and long-term viability, including provide for periodic environmental scans to gauge any possible impact on the risk profile of the Company.
- Ensuring that Management put in place action plans to mitigate the risk identified where possible.
- Providing oversight of the risk management system, and system of internal controls, and reviewing their adequacy and effectiveness at least on an annual basis.

Risk Management Committee is responsible for:

- Endorsing any undertakings within the scope of its responsibilities as stipulated in the Risk Management Committee Charter, with accessing authority to all pertinent information.
- Formulating ThaiBev Group risk management policy to present to the Board for the consideration and approval.

- Establishing the risk management framework that enable the effective identification, analysis, evaluation, response and monitoring of all material risks of ThaiBev Group, the strategy on the organization and resources to be used for the risk management operation, in line with the risk management policy of ThaiBev Group.
- Determining levels of risk tolerance and levels of acceptable risk for the significant aspects of the various risks to be submitted for the consideration of the Board.
- Overseeing Management in the design, implementation, ongoing monitoring of the risk management system and recommending improvements and preventive measures for significant risks to ensure its efficiency and effectiveness.
- Reporting directly to the Board on the following matters:
 - Impact of risk exposures and changes in risk management frameworks, including effects from changes in policies and new business developments;
 - Status of risks and changes on the risk appetites or the levels of acceptable risk at appropriate time;
 - Factors likely to have significant impacts on the ThaiBev Group risk status.
- Reporting risk status and any changes on regular basis that impact on risk appetite to the Audit Committee.
- Preparing its annual report concerning its activities and the Company's risk management and strategy, to be presented to the Board for its annual review of the adequacy and effectiveness of ThaiBev Group risk management. The risk management report shall be disclosed in the Company's Annual Report.

Audit Committee

To strengthen the efficiency and effectiveness of risk management, the Audit Committee should be regularly updated on the progress and status of significant risk management by the RMC, provide advice as necessary to the RMC and ensure that the identified key risks are incorporated in development of internal audit plan by the Office of Internal Audit.

Management and employees

All management, consisting of the executives ranging from Vice Presidents of each business unit/office to President and CEO) and employees, as the risk owners, are responsible for management of risks within their areas of responsibility by identifying, analyzing, evaluating and prioritizing their own risks along with formulating appropriate mitigation measures. The undertaking must be in accordance with risk management and internal control policies and directions from the Board and/or the Risk Management Committee.

The Office of Internal Audit

To be responsible for reviewing the effectiveness of internal controls through an annual, risk-based assurance program of key businesses processes and monitoring the rectification of any deficiencies identified, including providing recommendations on improvement of the effectiveness of risk management, internal controls and governance processes in order to add value and enhance ThaiBev Group's operations.

6. RISK MANAGEMENT APPROACH

The Company has adopted the following seven steps to risk management process.

1. Identifying the risks from both external and internal environments to achieving strategic and operational objectives
2. Determining the risk owner
3. Determining and assessing the existing controls in place
4. Assessing the impact and likelihood of the identified risk after consideration of existing controls
5. Estimating level of risk and prioritizing risks based on the risk rating
6. Selecting and agreeing to options and action plans for mitigating the probability of occurrence and/or the impact of risks, and implementing the agreed action plans
7. Monitoring and reporting risk management result and mitigation measures

The identified risks should cover the following categories: strategic/commercial risk, economical/ financial/market risk, legal and regulatory risk or compliance risk, organization/management/ human capital risk, political risk, environmental risk and technical/operational/infrastructure risk.

They can be assessed using brainstorming sessions, SWOT analysis or risk assessment among business unit personnel. The identified risks should be recorded in the risk register for regular monitoring and reporting to appropriate level of management. Management of each business unit/office should carry out an annual review of the linkages between strategic objectives and risks to ensure that focus is maintained on priority activities.

Each year the RMC will review the business unit/office risk registers.

6.1. Measurement of Probability or Likelihood

Rating		Description	Likelihood of occurrence	
			Chance	Occurring Period
Almost Certain	5	Event is expected in most circumstances	> 90%	Quarterly
Likely	4	Event will probably occur in most circumstances	50 – 90%	Semiannually
Possible	3	Event should occur at some time	30 – 50%	Annually
Unlikely	2	Event could occur at some time	10 – 30%	2 – 5 years
Rare	1	Event may occur only in exceptional circumstances	< 10%	5 – 10 years

6.2. Measurement of Consequence or Impact

Overall Impact Rating	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic
Financial loss	No impact to net profit	Up to 5% of net profit	Up to 10% of net profit	Up to 20% of net profit	Over 20% of net profit
Business disruption	1 day	2 – 3 days	3 – 5 days	5 – 7 days	> 7 days
Management Time/Effort	Resolution would be achieved during normal day-to-day activity	Resolution would require coordinated input from others in the same BU	Resolution would require coordinated input from different BU	Resolution would require escalation to Chief of BU and RMC.	Resolution would require action from Chief of BU and RMC.
Image/ Reputation	Letters to local press	Series of articles in local press	Extended negative local media coverage	Short term negative national media coverage	Extensive, sustained negative national media coverage
Regulatory & Legal Action	Minor breaches by individual personnel	No fine , no disruption to business	Fine but no disruption to business	Fine and disruption to business	Significant disruption to business over an extended period of time
Health & Safety	On-site exposure, immediately contained	On-site exposure, contained after prolonged effect	On-site exposure, contained with outside assistance	Prolonged/Major incident with serious casualties	Major incident with multiple fatalities
Personal Safety	Discomfort to an individual or few people	Minor injury to an individual or several people	Severe injury to an individual or several people	Major injury to an individual or several people	Death of an individual or several people
Staff Impact (Morale, Recruitment, Retention)	No evidence of adverse reaction	Staff complaints	General discontent evident across multiple groups of staff	Significant adverse impact/concerns to Company	Disaster management process required.

6.3. Risk Exposure Assessment

The risk exposure (i.e. Extremely high, High, Medium or Low) is assessed by multiplying each risk's probability/likelihood score with the consequence/impact score.

Risk Matrix

Consequence / Impact	Probability / Likelihood				
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
5 Catastrophic	H 5	H 10	H 15	E 20	E 25
4 Major	M 4	M 8	H 12	H 16	E 20
3 Moderate	M 3	M 6	H 9	H 12	H 15
2 Minor	L 2	L 4	M 6	M 8	H 10
1 Insignificant	L 1	L 2	L 3	M 4	M 5

Action required by risk exposure

Risk Exposure	Action required
Extremely high (E)	Immediate action required
High (H)	Senior management attention needed
Moderate (M)	Management responsibility must be specified (Senior Vice President, Vice President)
Low (L)	Manage by routine procedures

7. UPDATE/REVISION OF RISK MANAGEMENT POLICY

The Risk Management Committee must review this Policy on an annual basis and submit any proposed amendments to the Board of Directors for consideration and approval.

This Risk Management Policy has been considered and approved by the Board of Directors' Meeting No. 3/2014 dated 14 August 2014