

2. RISK MANAGEMENT

UBIS (Asia) Public Company Limited emphasizes and is committed to conducting business according to good corporate governance. The company has implemented its organizational risk management procedures based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which is an internationally recognized standard for risk management. The board of directors, management, and employees at all levels have applied these guidelines to manage risk at an acceptable level to achieve the company's objectives. This approach enables the identification of potential risk factors that may significantly impact the company's investment returns, guidelines for hedging as follows:

2.1 Risk Management Policy and Plan

The company recognizes that changes in economic, social and environmental circumstances, including external factors, affect business sustainability, including disease epidemics, disasters, oil prices, shipping cost fluctuations and issuances of government regulations. All of these factors affect UBIS's business in both areas of risks and opportunities. As such, risks are thoroughly managed through the establishment of a risk management work committee that is responsible for monitoring situations and reporting on risks in addition to seeking risk management guidelines. The Risk Management Committee has the following roles and responsibilities:

2.1.1 Risk Management Committee Structure



2.1.2 Roles and Responsibilities

1. Specify the organization's risk management policies and procedures.
2. Analyze, evaluate and manage risks in various areas that might exist, including the trends of their impacts on the organization's objectives.
3. Promote and support risk management to be part of the organization's culture.
4. Provide guidelines or manuals for risk management consistently with environmental changes and with increasing effectiveness.
5. Report progress in analysis, assessment and management of risks and make proposals to the Risk Management Committee.

6. Integrate good corporate governance with risk management and supervise the organization's work activities to comply with laws, regulations, policies and established work processes (compliance).
7. Coordinate, advise and assist work sections in risk analysis, assessment and management.
8. Provide knowledge to different work sections to develop an understanding about the criteria for risk analysis, assessment and management.
9. Monitor the risk management outcomes of various work sections and remind the work sections that have risks to manage and review the management of risks on a continual basis.
10. Develop and improve the risk management system to increase its effectiveness.
11. Serve as the secretary of the Risk Management Committee and Organization Risk Management Work Group.

2.2 Business Operation Risk Factors

2.2.1 Business Operation Risks of the Company

Risks from Dependence of Primary Raw Material Suppliers

The primary raw materials used in the company's production are special raw materials that must be able to come into contact with food and comply with industrial specifications as specified by the government agencies of each country responsible for supervising food safety (FDA-approved raw materials). Even though the company can procure these raw materials from general distributors, some raw materials have only a few manufacturers and distributors, so the company might have risks from these raw material suppliers failing to deliver the raw materials on time and according to needs, which might impact production.

However, the company has set in place control measures such as having in place a policy to store sufficient quantities of raw material reserves, scheduling meetings to review requirements and purchase continuously and closely, setting in place a policy to procure raw materials from additional manufacturers in the country and abroad continuously and having the safety stock of main raw materials written down under the duties and shared responsibilities of the Purchasing Department, Production Planning Department and the Research and Development Department.

Risks from Major Customers

The number of major customers in each country varies. Currently, the company has 15 major customers that proportionately represent up to 50% of the company's total sales. Because major customers have more varied product requirements than minor customers, the company has no major customer whose purchase figures amount more than 10% of total sales. Thus, the company's risks of impact from this are low.

In addition, the company has control measures in place by evaluating customer satisfaction in terms of product quality and company services and focusing on building relationships with customers, providing technical services to maintain the customer base and managing different areas to boost customer confidence and promoting new products to increase sales, appointing retail representatives and advisors to closely reach customers and rapidly learn about and responding to problems. This also includes having a policy to expand the customer base to reach medium-sized and small customers and reducing impact risks under the shared duties and responsibilities of the Sales Department, Production Planning Department, Research and Development Department and the Management Department.



Risks from Changes in Packaging Technologies

The company's products belong to the metal packaging category. If packaging materials are changed from metal to other materials, the company's business might be impacted. However, other current packaging technologies still cannot provide long-term product quality preservation as well as metal packaging, nor the same level of delivery safety. Thus, the metal packaging industry will remain preferred for food and beverage packaging. Nevertheless, the company continually creates guidelines to develop new products for use with new materials in the future.

Environmental Risks

The company operates a business in the production of can lacquer coatings and can sealing compounds, which are chemical products. Therefore, production processes can cause pollution in the form of odors, chemical fumes, industrial wastes and water contamination. As such, the company has adopted the ISO 14001:2015 environmental management system to facilitate the assessment of every major environmental impact in every process in order to make production improvements, better the effectiveness of the wastewater treatment system and reduce consumption of such resources as water, electricity and fuel while complying with related environmental laws and regulations. In this effort, control measures have been put in place such as through the specification of the "quality, environmental, occupational health and safety policy", annual work plans and actions and control efforts to strictly comply with the standards set by policy guidelines.

This also includes complying with all legal specifications, requiring inspections and certification by independent third-party agencies and reporting inspection results and solutions. These responsibilities are under the supervision of the Quality Management System Department and Production

Occupational Health and Safety Risks

Because the company's products are chemical products, plant areas are vulnerable to a fairly high rate of work injuries and sickness, which impact production effectiveness and the quality of life of employees. As a result, the company has adopted the ISO 45001-2018 occupational and safety management system and has established the "quality, environmental, occupational health and safety policy" to provide guidelines for managing occupational health and safety across the entire organization under the control and supervision of the Quality System Department and the Production Department.

Production Risks

The company's automated production processes have been designed to work under the control of personnel during various production stages to ensure continuous production regardless of problems or malfunction in the production control system.

Product Quality Risks

Customers might encounter problems from the use of the company's products during the production processes at the customers' factories or they might encounter problems that occur to them after product packaging. However, the company has obtained product liability insurance to prevent damage that might occur from customer complaints in every region in which the company distributes products. The company has also set in place risk control measures by assigning a technical service team and a sales team to inspect and assess risks at the factories of customers while also cooperating and holding discussions with customers in swiftly managing and resolving problems that arise. This area is under the responsibility of the Technical Service Department, the Research and Development Department, the Sales Department, the Quality System Department and the Production Department.

Raw Material Price Fluctuation Risks

Chemical products are the primary raw materials for the production of the company's can lacquer coatings and sealing compounds, which represent approximately 80% of all production costs. Accordingly, raw material prices fluctuate according to the demand and supply mechanisms of the market, so the company's production costs fluctuate correspondingly to them. However, all operates in this industry are equally affected, and the company has set in place the following control measures:

- A policy to review purchase orders and review goods in stock to appropriately consider purchase decisions.
- A policy to make contracts to purchase raw materials in advance according to the situation by closely monitoring oil prices and raw material prices.
- Build good relationships with suppliers to ensure flexibility in price specifications.
- Perform sales forecasts to set long-term plans under the responsibility of the Purchasing, Sales, Planning and Warehouse departments

Financial Risks

For foreign currency exchange rate risks, the company's export transactions amount to over 60% of all transactions and imports raw materials at a smaller proportion. Therefore, fluctuations in foreign currency exchange rates can affect the company's earnings. As a result, the company has specified the following measures for controlling risks: A policy to manage finances by using natural hedging methods, a policy to make contracts to purchase foreign currencies in advance (forward contracts) with domestic financial institutes, and a policy to use FCD accounts. These policies are considered based on the value of the baht.

Corruption Risks

The company refuses corruption in every form. Thus, the company has specified a policy and practice guidelines for anti-corruption covering all business activities and transactions in every country and agency, and all directors, executives and employees are required to comply with this policy and not take any actions to seek unlawful gains in their duties or violate the law for their own personal benefits, those of their peers or other parties.



2.2.2 Stock Holder Investment Risks

Risks from Major Shareholders in the Company

For the company's shareholders, as of the date of book closure suspending share transfers on March 15, 2022 the company's top 10 major shareholders hold up to 68.17% of all of the company's distributed shares. These consist of the Kritayanutkul family, which holds 54.36% of all distributed shares of the company. Thus, there is the risk from dominance and vote control by major shareholders during shareholder meetings when resolutions are sought on various matters that require the majority of votes of the shareholder meeting, except for legal matters or regulations set by the company, which require 3/4ths of all the votes present at the shareholder meeting.

2.2.3 Foreign Stock Investment Risks

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