

Risk Management Policy

Of

Chiangmai Frozen Foods Public Company Limited

Conducting business at present has to encounter with an alteration on economy all the time. Progressiveness on technology and no frontier trading results on impact toward conducting business of the company unavoidable. To adapt oneself and reduce risk that expect to occur besides from the risk that happen from normal incident, the company may have a risk on misconduct and corruption which is a risk that happen from personnel of the company that use the rank in improper way, seek an interest for own sake and related person. Therefore, every executives and officials have to aware, help to drive away or reduce abnormal risk to be acceptable risk and protect risk that may occur from misconduct and corruption so as to allow an operation and performance of the company to attain an object as formulated target.

The Company then formulates the practical line in risk management as follows:

- Allow risk management to be responsibility of directors, executives and every officials that have to aware of risk that having in work performance of oneself and company so as to allow various risks stay in the low level or acceptable.
- Arrange to have good risk management procedure as international practical line so as to produce efficient risk management, to produce development and lead to the whole organization of risk management to get along in the same direction and use risk management system as a part in making decision, lay tactics plan so as to allow efficient in company operation, attain an object, target, vision, mission and formulated tactics in order to create confidence with every group of stakeholder.
- Formulate protection line and relieve risk from the company operation in order to avoid damages or lose that may occur inclusive of follow up and assess risk management regularly.
- Having to bring up-to-date information technology system to use in risk management procedure and support every level of personnel enabling to reach throughout risk management information sources through report system arrangement of risk management to the Board of Director, high rank executives with efficiently.

Risk means uncertainty incidents that may occur in future or the things that are resulted in subtract way toward attaining object or formulated task or chance that would incur impact or damages both in the point of impact that are money and/or impact that are resulted toward image and reputation of the company.

Risk management is to manage risk factors by controlling an activity and various operation procedures with having principle namely: to reduce causes of each chance that may make the company obtain damages so as to allow level and size of damages that would incur in the future to stay in acceptable level, enable to assess, control and checkable systematically by thinking of company attained object as main.

Risk management procedure

1. Establishment objective

- So as to allow the company capable to reduce causes of likelihood that would incur damages in the future to stay in acceptable risk level, controllable and checkable.
- So as to be a guide line in performing as risk management to get along with systematically and continuously.

- To be an implements in communicating and creating understanding in working so as to be able to connect risk management with company tactics.
- So as to allow having follow up system in inspecting risk management result and guard carefully of new risk that may occur all the times.
- In order to increase reliably to the company.

2. Risk identification

Source of risks occurs from 2 main sources namely:

External environment: is a risk or obstacle that hard to control or cannot change as chance which results impact and to be obstacle toward perform as tactics plan for attaining object, for instance:

- Risk factor on customers target group such as behavior alternation, economy status, attitude, leading a life.
- Risk factor on marketing such as state of competition, substitute goods, new group of goods.
- Risk factor on technology such as related technology alternation.
- Risk factor on politics and socials such as various provisions, policy continuation inclusive protest, riot or unemployment condition.
- Risk factor on environments and natural peril such as flood, storm, earth-quake, dry peril, inaccurate season, epidemic, lack of energy.
- Risk factor on financial and economy such as lack of labor, money inflation condition, oil price and increased energy, interest rate fluctuation, exchange rate fluctuation.
- Risk factor on law, related discipline such as related law ambiguity, alteration of various rules.

Internal environment: is a controllable internal risk but result impact or obstacle toward operation as tactics plan so as to attain target, for instance:

- Management structure field, procedure and performance method.
- Operation part such as lack of personnel on some branch of occupation, personnel alternation that make lack of continue working.
- Information adequacy for making decision and out of date of producing technology.
- Lack of raw materials and not in quality of raw materials.
- Part of organization culture.
- Part of personnel ethics.
- Part of working environment.

3. Risk assessment

3.1 Risk assessment

Likelihood level that would incur risk incident and damages level are divided into 3 levels by formulating definition in each level as follows:

Level	Likelihood
3	High
2	Medium
1	Low

Level	Violence and Impact
3	Violent impact toward company
1	Moderate impact toward company
1	Very few impact toward company

Risk level is a result of likelihood assessment and risk impact of each risk factor, can be divided into 3 levels, for instance;

6, 9		High risk level must proceed at once
3, 4		Moderate risk level must proceed / test existent internal control to perform regularly
1, 2		Low risk level but must follow state of risk regularly

Risk map shows relationship between likelihood damages incident with impact violence.

Likelihood

3	3 x 1 = 3 Medium	3 x 2 = 6 High	3 x 3 = 9 High
2	2 x 1 = 2 Low	2 x 2 = 4 Medium	2 x 3 = 6 High
1	1 x 1 = 1 Low	1 x 2 = 2 Low	1 x 3 = 3 Medium
Level	1	2	3

Impact

3.2 Risk analysis

3.2.1 Risk on tactics

Risks	Likelihood	Impact	Risk Level	Control activity	Responsible unit
<u>Raw Materials</u>					
Insufficient growing are as lack of raw materials	2	2	4	Manage	Plant Promotion Dept.
Chemical residue on raw materials or having bacteria in products	1	3	3	Manage	Agricultural Promotion Dept. & Quality Assurance, Development Division
Lack of agricultural labor	2	3	6	Immediately	Agricultural Promotion Dept.

Farmers turn to grow other plants	1	3	3	Manage	Agricultural Promotion Dept.
<u>Marketing</u>					
Few customers	2	2	4	Manage	Marketing Dept.
Change on consumers popular taste	1	2	2	Monitor	Marketing Dept.
Out of date producing technology	1	2	2	Monitor	Marketing Dept.
Increase on trading competitors	2	3	6	Immediately	Marketing Dept.
Trading obstruction	1	2	2	Monitor	Marketing Dept.
Other substitute goods	2	2	4	Manage	Marketing Dept. and R&D

3.2.2 Performance risk

Risk incidents	Likelihood	Impact	Risk Level	Control activity	Responsible unit
<u>Risk from misconduct</u>					
Petty cash incurs from misconduct to bring for own use	1	1	1	Monitor	Accounting Dept. & Relation Dept.
Hired purchasing incurs from misconduct on hired purchasing	2	1	2	Monitor	Purchasing Dept.
Warehouse incurs from misconduct with the good in various steps such as receiving-order to pay for goods and pay money for goods	2	1	2	Monitor	Store Dept. & Relate Dept.
Receiving raw materials incurs from misconduct on receiving steps of raw materials such as weight receive on raw materials or payment on raw materials cost are not correspond with the facts	1	3	3	Manage	Raw Material Dept. & Relate Dept.
Selling goods incurs from misconduct on selling goods by not bringing money from selling goods to the company	1	3	3	Manage	Accounting Dept. & Relate Dept.
Drawing various expenses, to draw various expenses without document for drawing, it is untrue	2	2	4	Manage	Accounting Dept. & Relate Dept.
Property control, find misconduct with the property as is lost	2	2	4	Manage	Accounting Dept. & Relate Dept.
Other risks as self-assessment form concerning measurement on misconduct and corruption resistance according to the guide line of Securities and Exchange Commission, for instance;					
1) No policy concerning misconduct and corruption resistance that comprehend various matters such as receiving or giving gift etc.	1	1	1	Monitor	Management
2) No rule or performance line for controlling misconduct and corruption in various matters	1	2	2	Monitor	Personal Dept.

3) No personnel management procedure in various parts such as selection, training etc. that reflects an intention of the company toward the measurement on misconduct and corruption resistance	1	2	2	Monitor	Personal Dept.
4) No measurement communication on misconduct and corruption resistance to the officials and outsider, stakeholder of the company to acknowledge about it which makes such measurement not take into practice	1	1	1	Monitor	Relate Dept.
5) No internal control system and internal inspection to confirm effective of the procedure as measurement on misconduct and corruption resistance	1	2	2	Monitor	Relate Dept.
<u>Risk on personnel</u>					
Lack of high level, medium level of executives	2	2	4	Manage	Management
Lack of personnel specific on profession knowledge	1	3	3	Manage	Personal Dept.
Lack of general labor	2	2	4	Manage	Personal Dept.
<u>Risk on safety</u>					
Accident from working	1	2	2	Monitor	Safety Unit
Out of date on machines and equipment	2	2	4	Manage	Plant Division
Obstruct on electricity system	1	3	3	Manage	Plant Division
Inundation occurs in the factory	1	3	3	Manage	Plant Division
Conflagration occurs in the factory	1	3	3	Manage	Plant Division
<u>Risk on information system</u>					
Computer system obstruct, damage	1	3	3	Manage	IT Dept.
Lose on information data	1	3	3	Manage	IT Dept.
Inadequate data toward decision	2	2	4	Manage	IT Dept.

3.2.3 Risk on financial and investor

Risk incidents	Likelihood	Impact	Risk Level	Control activity	Responsible unit
Interest rate fluctuation	1	1	1	Monitor	Management
Exchange rate fluctuation	2	3	6	Manage immediately	Management
Lack of liquidity	1	1	1	Monitor	Management
Ratio of liabilities per shareholders' equity with important point	1	2	2	Monitor	Management

3.2.4 Risk on law, various rules

Risk incidents	Likelihood	Impact	Risk Level	Control activity	Responsible unit
Contract partner not complete its work as contract	1	2	2	Monitor	Relate Dept.
Various licenses are lack of age	1	1	1	Monitor	Relate Dept.
Machine installation is not standard	1	2	2	Monitor	Plant Division
Ruin environment, community, society	1	2	2	Monitor	Plant Division
Not act in accordance with rule and regulation of the units that having duty to oversee	1	3	3	Manage	Relate Dept.

4. Risk treatment

4.1 Risk on tactics

Risks incidents	Risk Level	Risk treatment plan
<u>Raw Materials</u>		
Insufficient of growing area, lack of raw materials	4	Arrange more growing area
Having chemical residue on raw materials or bacteria in the products	3	Take care in using insecticide and control goods quality to be standard
Lack of labor on agriculture part	6	Develop harvesting with machine to be efficient
Farmers turn to grow other plants	3	Increase induce force to the formers turn to grow company plants
<u>Marketing</u>		
Few customers	4	Arrange to obtain more customers and maintain quality of goods
Change on consumers popular taste	2	Watch over carefully
Producing technology is out of date	2	Watch over carefully
Increase on trading competitors	6	Improve quality of goods to be better than competitors and to last with ability in competition
Trading obstruction	2	Watch over carefully
Other substitute goods	4	Develop goods to have several kinds

4.2 Performance risks

Risks incidents	Risk Level	Risk treatment plan
<u>Risk on misconducts</u>		
Petty cash incurs from misconduct to bring for own use	1	To perform in accordance with internal control system
Hired purchasing incurs from misconduct on hired purchasing	2	To perform in accordance with internal control system
Warehouse incurs from misconduct with the goods in various steps such as receiving-order to pay for goods and pay money for goods	2	To perform in accordance with internal control system
Receiving raw materials incurs from misconduct on receiving steps of raw materials such as weight receive on raw materials or payment on	3	To perform in accordance with internal control system

raw materials cost are not correspond with the facts		
Selling goods incurs from misconduct on selling goods by not bringing money from selling goods to the company	3	To perform in accordance with internal control system
Drawing various expenses, to draw various expenses without document for drawing, it is untrue	4	To perform in accordance with internal control system
Property control, find misconduct with the property as its lost	4	To perform in accordance with internal control system
Other risks as self-assessment form concerning measurement on misconduct and corruption resistance according to the guide line of Securities and Exchange Commission for instance:		
1) No policy concerning misconduct and corruption resistance that comprehend various matters such as receiving or giving gift etc.	1	To perform in accordance with misconduct and corruption resistance policy
2) No rule or performance line for controlling misconduct and corruption in various matters	2	To perform in accordance with misconduct and corruption resistance policy
3) No personnel management procedure in various parts such as selection, training etc. that reflects an intention of the company toward the measurement on misconduct and corruption resistance	2	To perform in accordance with misconduct and corruption resistance policy
4) No measurement communication on misconduct and corruption resistance to the officials, outsider and stakeholder of the company to acknowledge about it which makes such measurement not take into practice	1	To perform in accordance with misconduct and corruption resistance policy
5) No internal control system and internal inspection to confirm effective of the procedure as measurement on misconduct and corruption resistance	2	To perform in accordance with misconduct and corruption resistance policy
<u>Risk on personnel</u>		
Lack of high level, medium level of executives	4	Manage to make descending plan on rank
Lack of personnel specific on profession knowledge	3	Procure personnel for always alertness 1) Coordinate with units or educational institution to produce personnel in required profession (in case to require new employee) 2) Train the officials to have competent as required branch of knowledge to raise level of labor manual skill
Lack of general labor	4	Increase more induce things, hire the official by lot 1) Improve working efficiency of the officials 2) Train the officials enable to work multi skills 3) Increase remuneration and welfare to the officials whose able to develop own manual skill

<u>Risk on safety</u>		
Accident from working	2	Provide knowledge to the officials on safety such as training, make safety manual
Machines and equipment are out of date	4	Procure up to date of machines and equipment to replace original one
Obstruct on electricity system	3	Procure reserve dynamo in case emergency
Inundation occurs in the factory	3	Dig a canal to drain water or block line (temporary) to prevent inundation in the future in case having more risk
Conflagration occurs in the factory	3	Create conflagration protection system and alarm system
<u>Risk on information system</u>		
Computer system obstruct, damage	3	Improve computer system to be always ready in use, manage to make maintenance plan to prevent and ready to use
Lose on information data	3	Reserve data every time and make work plan and steps on keeping safety of information data
Inadequate data toward decision	4	Create efficient data collection system

4.3 Risk on financial and investor

Risks incident	Risk Level	Risk treatment plan
Interest rate fluctuation	1	Monitor
Exchange rate fluctuation	6	Forward sell to prevent risk as the policy of Board of Company
Lack of liquidity	1	Monitor
Ratio of liability per shareholders' equity with important point	2	Monitor

4.4 Risk on law, various rules

Risks incident	Risk Level	Risk treatment plan
Contract partner not complete its work as contract	2	Monitor
Various licenses are lack of age	1	Monitor
Machine installation is not standard	2	Watch over carefully and inspect to meet standard every times before accept the work
Ruin environment, community, society	2	Monitor
Not act in accordance with rule and regulation of the units that having duty to oversee	3	Make report plan, performance work to get along with regulation strictly

5. Monitoring and review

- 5.1 Board of Risk Management proceeds to coordinate management section that responsible risk to report state of risk inclusive risk management procedure to the Board of Risk Management Meeting to acknowledge and consider further.
- 5.2 Board of Audit committee perform duty in verifying risk management system to assure that risk management system is having tightened, suitable, up-to-date and efficient to get

along with international standard and governance to perform as policy and measurement on misconduct and corruption resistance to assure that the company has acted in accordance with the law, business ethics and policy of Corporate Governance that formulated.

5.3 Managing Director and/or High Rank Executives perform duty in providing risk management system, promote and support policy of misconduct and corruption resistance, review suitability of various system and measurement to coordinate with alteration on business, discipline, regulation and provision of law and make report of inspection result as measurement of misconduct and corruption resistance toward Board of Company, Board of Audit Committee and Board of Corporate Governance regularly.

5.4 Internal inspection section performs duty in inspecting and reviewing working of management section that responsible whether it is correct, correspond with the policy, guide line and working step, proceeding power, discipline, law and provision of governance units and report result toward Board of Audit Committee, Managing Director and/or high rank executives.

Risk Management Policy has approved from Board of Company Meeting No. 3/2015 dated 14 August 2015.

Signed.....Signature.....

(Mr. Prayoon Pholpipattanaphong)

Chairman