Berli Jucker Public Company Limited
บริษัท เบอร์ลี่ ยุคเกอร์ จำกัด (มหาชน)

BJC Risk Management Tools	Support answer: 1.4 Risk and Crisis Management
	Topic: Risk Management Processes
	Report Year: 2024

BJC Risk Management Tools

BJC has established risk management policy and process for Enterprise Risk Management (ERM) to effectively manage risks, utilizing various tools for risk management as follows:

- **Description of BJC's risk appetite**: Risk appetite is setting boundaries for acceptable levels of risk for both financial aspects, such as size, quantity, and level, and non-financial aspects, like situational factors. Risk appetite provides a clear definition of what the organization deems acceptable and unacceptable in terms of risks, taking into consideration the significance of achieving organizational objectives.

- **Prioritization of identified risk:** To prioritize the identified risk**,** the level of risk impact is calculated based on the combination of impact and likelihood, considering both financial and non-financial impacts like safety, legal compliance, and organizational reputation. The impact and likelihood are categorized into 4 levels (1, 2, 3, and 4) to determine the overall risk level, which is classified as very high, high, medium, or low. The acceptable risk level should be those that have occurred in the past while allowing the organization to achieve its objectives without causing significant harm to stakeholders and assessing the cost of risk management to be justifiable. Thus, if the assessed risk level falls within the medium-high to very high range, it is considered beyond what the organization is willing to accept. In such cases, appropriate plans must be devised to manage and reduce the risk to an acceptable level, ensuring its alignment with the company's objectives.

- BJC conducts **risk assessment** covering 5 types of risks, as follows:

1. **Strategic Risk**: This risk pertains to factors that may impact the company's ability to execute its strategic plans successfully. For example, intense competition, declining

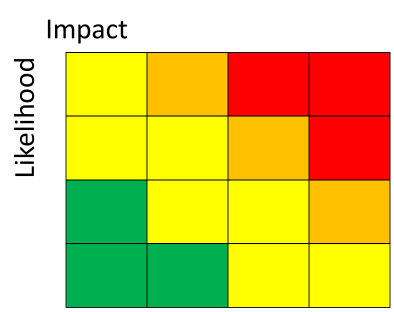
consumer demand, or economic downturns could hinder the achievement of strategic objectives.

2. **Operational Risk**: This type of risk is associated with day-to-day operations and includes concerns like employee shortages, cybersecurity threats, and rising operational costs.
3. **Financial Risk**: Financial risk involves factors that could affect the organization's financial stability, such as increasing interest rates and fluctuations in exchange rates.
4. **Compliance Risk**: This risk involves adherence to laws and regulations related to business operations. Changes in legislation or unexpected tax obligations are examples of compliance risks.
5. **ESG Risk**: ESG (Environmental, Social, and Governance) risks relate to sustainable business practices. These risks may include climate-related challenges and human rights issues.

Through comprehensive assessment and management of these diverse risk categories, BJC strives to strengthen its resilience and ensure sustainable growth while mitigating potential adverse effects on the organization.

- BJC utilizes **Key Risk Indicators (KRIs)** to monitor the significant risks within the company. These KRIs serve as essential metrics to track critical risk factors. For instance, the number of customers making purchases, the quantity of customer complaints, and the amount of lost or damaged products are some examples of KRIs. If the KRI exceeds the predetermined threshold, it serves as an alert indicating that there may be potential risks related to the mentioned aspects. By regularly monitoring and analyzing these KRIs, BJC can proactively identify and address emerging risks, enabling the company to implement timely risk mitigation strategies and safeguard its overall business operations effectively.

- BJC uses **Risk Map** as is a visual representation that helps management gain an overview of all the risks present within the organization. It allows for a comparison of risks before and after implementing risk management measures, enabling them to prioritize crucial and impactful issues effectively. By using the Risk Map, management can assess the significance of various risks and consider them proactively to address the most critical ones efficiently. The map is structured with the X-axis representing the impact level and the Y-axis representing the likelihood of occurrence. Each risk is categorized into levels 1 to 4, as shown in the diagram below.



- **Evaluate Risks:** Risks are analyzed and assessed as to their likelihood and impact. For BJC Group, all risks should be scored in terms of impact and likelihood using the Four-point scale as Very High (4), High (3), Medium (2), and Low (1). And the scores are multiplied together to produce the overall assessment. (Risk Level)

  Likelihood

  Represents the possibility that a given event will occur. Likelihood can be expressed using qualitative terms as (Frequent, Likely possible, Possible, Unlikely possible), as a percent probability, or as a frequency per time.

  Impact

  Refers to the extent to which a risk event might affect BJC Group. Impact assessment criteria may include financial impact and non-financial impact (Health & Safety, Operation & Production, Human Resource, Integrity/ Reputation and Image, Law & Regulation).

  Financial Impact will be based on the balance score card of each BJC business unit/partner. The mentioned amount was set up as Budget for basis calculation which comprised of Revenue, Sales, Net Sales, and Net Profit After Tax (NPAT) etc.

  Non-Financial Impact can use below table for guidance. However, the criteria of Risk Impact level can be adjusted appropriately to in line with that business.

- BJC divides risk management into **4 approaches**:

  1. **Reduce**: This involves implementing measures to minimize the likelihood or impact of identified risks. Preventive controls are employed to proactively reduce the risk occurrence, avoiding potential negative outcomes.
  2. **Avoid**: In this approach, BJC takes action to eliminate or steer clear of activities or situations that pose significant risks. By avoiding certain activities altogether, the organization sidesteps potential adverse consequences.
  3. **Transfer**: BJC may opt to transfer certain risks to external parties, such as insurance companies, through contracts or other agreements. By doing so, the responsibility for managing and mitigating the risk shifts to the external entity.
  4. **Accept**: Sometimes, certain risks may be deemed acceptable, particularly when the potential impact is manageable, and the cost of implementing risk mitigation measures outweighs the potential benefits. In such cases, the organization accepts the risk and prepares to respond appropriately if it materializes.

- BJC's the risk management practices incorporate **3 types of controls**:

  1. **Preventive Control**: These measures are put in place to prevent risks from occurring or to reduce their likelihood. By employing preventive controls, BJC aims to stop risks at their source.
  2. **Detective Control**: Detective controls focus on identifying risks or issues that have already occurred or are in progress. These controls enable BJC to detect risks early, facilitating timely intervention and response.

3. **Corrective Control**: Corrective controls are implemented to address and rectify risks or issues that have already occurred. They aim to mitigate the impact of risks and restore normal operations.

Example of Risk Assessment and Risk Management:

Risk	Inherent Risk			Mitigation plan	Residual Risk		
	Impact	Likelihood	Risk Level		Impact	Likelihood	Risk Level
1. Compliance Risk: Thailand's EPR Regulation and Other Waste Management Regulations.	3	3	9	1. Product Redesign: Use recyclable PET/PCR. 2. Packaging Data: Centralize tracking. 3. Waste Management. 4. Participate in Thailand's PRO initiatives. 5. Supplier Collaboration 6. Sustainability Communication 7. Financial Planning	2	3	6
2. Strategic Risk: Geo-economic Risks.	4	2	8	1. Consumer-Centric Offerings. 2. B2B Relationship Management. 3. Market and Product Diversification. 4. Supply Chain and Resource Resilience. 5. Financial Hedging and Cost Controls	4	1	4