

Principal Capital Public Company Limited
Risk Management Policy

1. Background and importance

In order that the company's operations complying with good corporate governance, having reasonably secure and confident that they are properly implemented, promoting value and worth of the company and in compliance with COSO internal control framework of the Securities and Securities Commission; the company is then focused on the risk management process starting from finding, identifying, analyzing, assessing, managing and controlling risk as well as monitoring and reporting the performance. The company applies the risk management approach of ISO 31000 to develop the company's risk management framework. In this regard, "Risk" means impacts from uncertainty and changes on the company's operations that may not meet its objectives and goals.

2. Objective

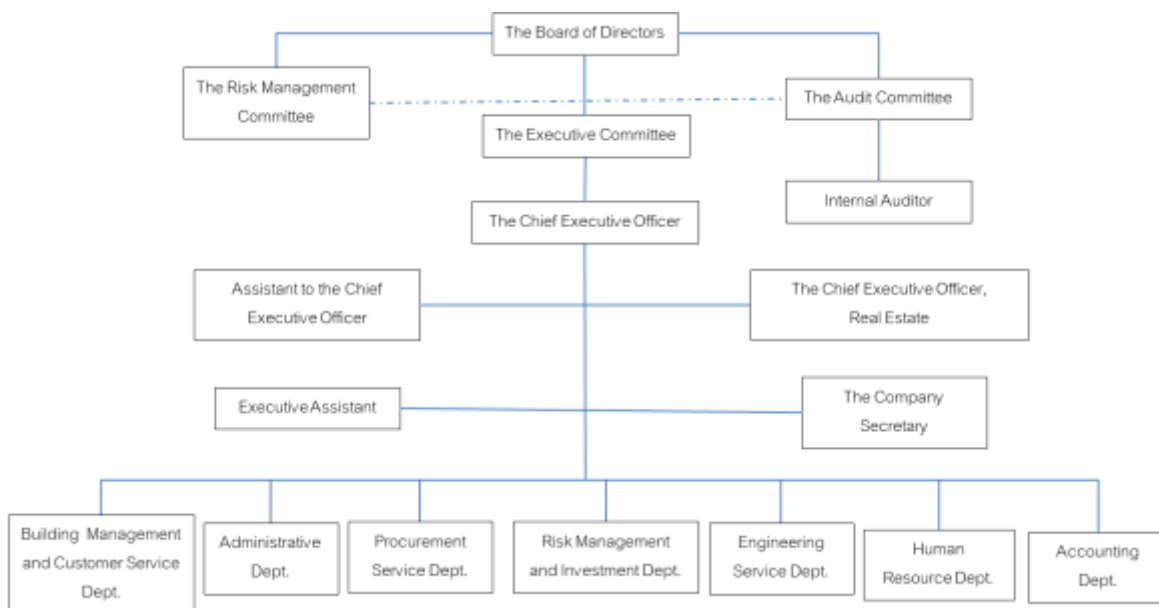
- (1) To communicate the intention and purpose of risk management as well as the operational framework on risk management process that shall be applied in the company.
- (2) To acknowledge every personnel at every level regarding their roles, duties, responsibilities and approaches on risk management in order to achieve the company's goals.

3. Risk management approaches

- (1) The company operates under 6 areas of risk, consisting of investment, finance, operation, politic and governmental policies, good corporate governance and regulation, and the reputation/brand image. Therefore, the company is required to manage risk systematically and ongoing, both at the organization and project level, by using the same standard as required by the company.
- (2) Management must communicate to personnels in all departments to aware an importance of risk management and the company's risks. The company's personnels must be able to show risk status of their related works and to apply it when making decision regarding their administration as well as to formulate the guidelines for proper operations and the contingency plan to deal with those risks.

- (3) Each department shall use risk map and risk management tools according to risk management manual in order to look through, identify risk factors and risk models that affect the operation, analyze and assess identified risks, specify the risk level as well as acceptable criterias, formulate oprational guidelines/measures or risk management plan that shall prevent, mitigate, avoid or control risk effectively as well as supervise, monitor, review and evaluate the results of risk management in order to improve risk management process to be more efficient consecutively.
- (4) The responsible persons of each department shall report the results from monitoring and evaluation on risk management as required by the company to the RMC.
- (5) The RMC shall formulate the risk management policy and the operational guidelines as well as oversee internal risks. Also, the RMC shall summarize and report the results of risk management to the Board of Directors.

4. Risk management structure and responsibilities



- (1) The Board of Directors is responsible for overseeing the risk management within the company.
- (2) The audit committee assists the Board of Directors by reviewing risk management process independently to ensure it is appropriate and effective.
- (3) The executive committee is responsible for reviewing, overseeing and monitoring the status of business major risks and the company's internal control.

- (4) The Chief Executive Officer is responsible for implementing the risk management policy and monitor the ongoing of risk management process throughout the organization in order to ensure the appropriateness of risk management plan.
- (5) The risk management committee is responsible for the following issues;
 - (5.1) Formulate risk policies, goals and management strategy
 - (5.2) Develop effective risk management system for the whole organization and push forward the ongoing cooperation in risk management at every level
 - (5.3) Monitor and review risks of every department, including provide suggestions and mitigation measures
 - (5.4) Overseeing the effectiveness of risk management process
 - (5.5) Report risks and the results of risk management to the Board of Directors as requested or specified.

5. Risk methodology

The company has adopted risk management methodology consistent with ISO 31000 standard, as a model to develop risk management operational framework throughout the organization.

6. Expected outcomes from risk management

- (1) Raise awareness on the necessary to proactively manage risk by identifying, assessing and managing risk seriously and throughout the organization.
- (2) Increase channels to identify the opportunities that may lead to the company's growth and be ready for any threats that may obstruct the company's operation.
- (3) Have risk management approach consistent with international standard
- (4) Increase the opportunity and the possibility to achieve the performance target, which shall bring confidence and trust to the company's stakeholders.
- (5) Be able to take into account the risk information when making strategic planning and decision making.
- (6) The implementation of strategic plan is clear and more forward-looking.
- (7) Increase the ability to better manage incidences.
- (8) Increase learning from experiences on risk management.

7. Policy review

The RMC must review risk management policy and related manuals and documents at least once a year, then shall report the appropriateness and effectiveness of their implementation to the Board of Directors for consideration, aiming at the continuous development.

This policy is enforced from November 26, 2015 onwards.

Dr.Pongsak Viddayakorn (M.D.)

Chairman of the Board

Principal Capital Public Company Limited

Risk management flowchart

Responsible parties

Process

The Board of Directors
The Executive Committee
The Risk Management Committee

Owner of risk /
Responsible
persons in each
department

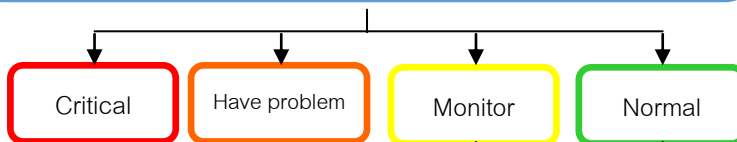
Communicate risk management policy and push forward to be an organizational culture

Specify the environment: Consider both internal and external factors relating to the company; specify the scope, goal and risk management framework, including acceptable risk criteria

Look through and identify risk: identify risk situations that might happen from each area of treats, which shall affect the attainment of the company's goals

Analyze risk: Identify impacts and possibilities of those risk situations and the efficiency of internal control measures currently implemented

Evaluate risk: Evaluate the level of risk impact by using Risk Matrix, considering 2 dimensions that are the probability to happen and the severity level, then prioritize the risks into 4 level, which are



Manage risk: Consider and select mitigation approach to reduce probability and/or impact from such risk

Manage internal control:
Each department responsible for risk management as discretion

- (1) Specify risk management measures, which could be internal operation or external risk hedging
- (2) Evaluate and select risk management measure
- (3) Implement in accordance with specified risk measures
- (4) Prepare risk register for monitoring
- (5) Report the results of risk management

Monitor and evaluate an efficiency of risk management, oversee and review risk management policy