

Risk Management

Osotspa recognizes the importance of risk management across the scope of its business operations. Risk management aims to create long-term stability so a business can achieve its goals within its risk appetite. Moreover, risk management reduces risk from critical or uncontrollable events and secures business opportunities that create added value for the Company.



Osotspa has established a risk management structure that frames a three-pronged risk management process. First, under this structure, the Board of Directors has appointed a Risk Management Committee (RMC) to advise and review Enterprise Risk Management and the risk management framework, in line with the company's goals and the current environment, and to set guidelines to ensure employees uniformly implement the process. Second, management at Osotspa Leadership Team (OLT) defines clear guidelines for risk management, including direction, and regularly monitor risk management actions taken. Third, the Risk Management and Internal Control team co-operate with functions to identify, assess, and mitigate risk, and to report to the RMC on a quarterly basis.

We consider corporate culture important for the success of risk management and sustainable development. The Company is thus focused on fostering a risk management and internal control culture that positions our executives, and senior and middle management as role models with the aim to build employee awareness and put sustainability and risk management approaches into practice. To control and manage risks efficiently, the Company has developed a consistent risk management policy across the organization which covers key risk types. Our risk management approach includes identifying the risks our business faces, assessing the likelihood and impact of such risks, and assigning priority levels to the risks by evaluating their impact on the Company using risk assessment criteria, while considering both short-term and long-term effects. With this information, we can implement an effective mitigation plan, taking action to manage the key risks and maintain an ongoing process of monitoring and reporting risks to the Risk Management Committee and the Board.

The Company is committed to aligning corporate growth with strategic objectives through effective risk management. This commitment involves overseeing risks related to quality, stability, safety, health, social impact and environmental concerns, while ensuring compliance with laws, regulations, and international standards across its global presence. The Company takes appropriate action against fraud and corruption, upholds fair treatment for stakeholders following corporate governance guidelines, and manages risks in technology, innovation, and emerging threats that may affect business operations. The emphasis is placed on achieving both short and long-term business and investment goals. The Company aims to integrate continuous risk management into its culture, aiming to minimize risk probability and mitigate losses, thereby seizing business opportunities and fostering sustainable business value.



The Company has analyzed and assessed the key risks that have significant impact on its business, covering strategic, operational, financial, compliance, and emerging risks. The key risk factors and mitigation strategies are summarized as follows:

Risk	Potential Impact	Mitigation
Strategic Risk		
<p>1. Consumer trends and preferences from market development and the transition into an aging society Failure to evolve our portfolio to take advantage of growth categories, the competitive landscape, or to shape/participate in critical consumer, customer, or competitor developments.</p>	<ul style="list-style-type: none"> • Consumers move away from our brands to alternative products. • Less efficient business model compared to key competitors. • Changes in demand for our key products due to demographic effects related to the aging of the population. • Revenue and market share. 	<ul style="list-style-type: none"> • Establish a long-term business strategy covering all areas (marketing, supply chain and distribution, manufacturing, people, etc.) that adapts to rapid changes in consumer needs. Implement half-year progress review and adapt to fit the situation. • Develop a solid innovation plan and manage a long-term, multi-brand portfolio strategy that serves the various needs of each consumer segment. Expand business through collaboration and partnerships that enhance innovation. • Study market trends, consumer and customer preferences, technological advancements, and competitor activities to gain valuable insights and understanding. • Establish processes for innovation management to efficiently facilitate and convert strategies into projects; collaborate with the Technical & Research and Development teams to deliver new products to market on a timely basis. • Arrange both physical and online marketing activities to build relationships between consumers and brands in both on-ground activities and the online platform.
<p>2. New and foreign investment Failure to grow our business internationally and diversely, in line with our strategic aims. Foreign currency fluctuations.</p>	<ul style="list-style-type: none"> • Negatively impacts financial position and operational results. 	<ul style="list-style-type: none"> • Establish guidelines for conducting market research and analyzing feasibility and return on investment. This includes identifying key risks, developing a mitigation plan, resource planning, and staff capacity building to develop projects and facilitate management of change. • Closely oversee and monitor the performance of operations and the financial conditions of those investments. If performance does not meet the targets, it would be followed up as a special case and presented to top management for their consideration and recommended approaches. • Develop high-level scenarios and strategic options to understand impact and optimize operational costs and efficiency under uncertain or volatile environments. • Enhance Subsidiary governance to oversee various aspects of subsidiaries, including business objectives, strategies, and financial performance.

Risk	Potential Impact	Mitigation
<p>3. Higher risks in Myanmar from political instability, Myanmar currency depreciation and foreign exchange control affecting business in operation.</p> <ul style="list-style-type: none"> Increasing challenges to operate businesses in Myanmar, especially for glass manufacturing business, may adversely affect financial performance and commercial opportunities. Measures will be evaluated and taken as appropriate to mitigate against foreseeable risks. 	<ul style="list-style-type: none"> Business practices need to be adapted following the shift in regulatory policies during political uncertainty. Supply chain disruptions from political instability and civil unrest can hinder the timely procurement of raw materials, spare parts, and products distribution, resulting in possible shortages, delays, and increasing operational costs. Depreciation of Myanmar Kyat and foreign exchange control imposed by the government can have impacts to our cash flow and profitability, including the ability to repay US dollar loans. Possible lower purchasing power in Myanmar coupling could affect our sales. 	<ul style="list-style-type: none"> Closely monitor situations in Myanmar to develop appropriate contingency plans to address issues in timely manner. Explore the products coverage expansion and engage with customer who has strong financials to counteract against market downturn in Myanmar. Adjust our operational strategies as appropriate to address political instability and dynamic situations in Myanmar. This could involve implementing localized approaches and expand our network locally to obtain required supports to maintain the business operations and increase portions of local sourcing.

Risk	Potential Impact	Mitigation
<p>4. ESG towards sustainability and responsibility</p> <p>Increasing regulatory requirements and growing societal pressure with regards to sustainability.</p>	<ul style="list-style-type: none"> • Impact on the ability to source, manufacture, and market our products. • Harm to future growth, either directly or indirectly, via reputational impact and reduced trust among consumers and other stakeholders. 	<ul style="list-style-type: none"> • Align corporate direction on sustainability with two key milestones: Carbon neutrality by 2050 and Net Zero by 2065, in line with the Thai government's targets. • Integrate ESG into business measures to govern the suitable direction and target setting for sustainable business. • Continue to monitor Key Performance Indicators (KPIs) to reduce CO₂ emissions and the quantity of energy and water used in production. • Conduct a Water Sustainability Assessment (WSA) of current and future water sustainability in order to mitigate the risks and impacts of water shortages in both the short and long term. • Create cooperation with internal and external functions in energy usage and climate change management. • Analyze and manage climate-related financial risks, both physical and transition risks. • Promote production efficiency to reduce energy consumption and greenhouse gas emissions, employ digital technology to provide solutions, and move towards an online platform. • Conduct Osotspa Sustainability e-learning as a mandatory course to create awareness for all employees. • Systematic data monitoring as well as news on natural disasters and the implementation of solutions for effective management of environmental sustainability plans. • Engage and work with government bodies and trade associations to monitor the change of regulation, stakeholder involvement, and law enforcement to conduct the best preparation for potential impacts.

Risk	Potential Impact	Mitigation
Operational Risk		
<p>5. Product quality and food safety Contamination of raw materials or finished products, or unsafe counterfeit products supplied to the market.</p>	<ul style="list-style-type: none"> • Harm to consumers. • Damage to corporate and brand reputation. • Additional cost incurred. 	<ul style="list-style-type: none"> • Implement Quality control, Quality assurance, and Total quality management throughout the value chain, from suppliers to consumers, and management of changes, including determining the structural quality indicators across relevant functions for full alignment and accountability. • Adopt and continuously improve strategies to ensure high-quality product standards; focus on integrity and food safety along with a quality mindset and food safety culture. • Certified with international safety and quality standards, including FSSC 22000 version 5.1 which has a comprehensive approach to food safety risk management throughout the food supply chain. In the process of certification with ISO45001 to maintain an occupational health and safety (OH&S) management system, provide safe and healthy workplaces. • Consistently implement a Behavior-Based Safety (BBS) system rooted in robust principles to effectively engage, motivate, support, and reinforce safety leaders. This initiative aims to foster enduring, safe behavior and yield positive outcomes in the workplace. • Consistently implement surveys, focusing on key indicators in accordance with Occupational Safety and Health Administration (OSHA) standards. This proactive approach serves as a control measure to mitigate the risk of losses and enhance safety and health outcomes in the workplace. These indicators encompass factors such as employee awareness and engagement, physical assets, and maintenance plans. • Work closely with key material suppliers to enhance their product quality, fostered knowledge exchange, and implement effective change management practices. The goal is to achieve Right First Time Quality, and embrace Lean Manufacturing principles. • Conduct a comprehensive risk-based analysis for projects and changes ensures thorough engagement with all stakeholders. This approach guarantees effective and efficient management of all potential risks, while simultaneously upholding product safety, quality, and adherence to relevant standards. • The Osotspa call center monitors consumer feedback and suggestions. A special taskforce led by quality assurance and site leaders cooperates with relevant functions for timely response and problem-solving.

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<p>6. Commodity price volatility</p> <p>Commodity price volatility, including sugar, cullet, and natural gas. These price changes are influenced by factors such as global supply and demand, government policies, taxes, tariffs, and overall economic conditions. Furthermore, climate change's impact on agricultural products may result in reduced yields, impacting price and supply stability.</p>	<ul style="list-style-type: none"> Supply chain impacts. High cost of materials and services can impact operating margin. 	<ul style="list-style-type: none"> Conduct Market Intelligence to enhance cost analysis through a should-cost-model platform to identify risk and opportunity for material strategy. Formulate the pricing structure by benchmarking from different suppliers in the same industry to ensure price alignment with market movement. Engage in longer-term contracts with key strategic suppliers and find the alternative source from different geographic. Build strong relationship with key strategic suppliers e.g., sugar. Reduce the variability in volume by employing contract flexibility. Engage in low-cost country procurement strategies by fostering collaboration with China and other low-cost trading partners.
<p>7. Digital security threats</p> <p>Theft, loss, and misappropriation of important digital assets.</p>	<ul style="list-style-type: none"> Financial loss, operational disruption, and reputational damage. 	<ul style="list-style-type: none"> Implement necessary measures, including IT security policy, information safeguarding guidelines (data classification), and appropriate use of IT resource guidelines. Implement data leak prevention, access controls, anti-virus with Extended Detection and Response (XDR), set-up of multiple layers of firewall, cybersecurity monitoring 24/7, data backup, a cybersecurity incident response (CSIR) plan, and an IT disaster recovery plan. Promote awareness of harmful action, improper conduct, and cyber threats through internal communication channels. Organize cyber security awareness training by external experts that can convey proper use of digital technology. Measure employee comprehension and awareness periodically through simulated phishing e-mails, both before and after training, and/or internal communication. Continuously monitor, investigate, and improve response time to security events via the security operations center team which stands ready 24/7; conduct regular IT disaster recovery drills to ensure timely recovery to support business continuity.

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<p>8. Management of human resources and abilities for future growth</p> <p>Dependence on key personnel, limited capacity and/or skilled workforce, and lack of flexibility, hindering the continued success of our business.</p>	<ul style="list-style-type: none"> Inability to achieve the Company's objectives. 	<ul style="list-style-type: none"> Ensure organizational continuity and resilience through the systematic identification, development, and preparation of a qualified internal candidate pool using a succession plan for key positions. This ensures a seamless transition into critical roles, mitigating risks related to leadership gaps, fostering talent retention, and sustaining long-term strategic success. Identify potential talents and future leaders via structured development programs emphasizing job rotations in alignment with guidelines, both within and across functions Establish the OSP career framework, introduced OSP Career Month, and persistently fostered horizontal career growth to unlock untapped potential for career advancement. Build a knowledge management platform and enhance capabilities in both technical and soft skills, including digital skills, fostering a growth mindset, and promoting entrepreneurship. Build employee capabilities and potential through a blended development approach that combines on-line, classroom, on-the-job training, coaching, and mentoring programs. Promote an agile learning culture with a self-starter development approach (Success made by YOU) and knowledge management program (KEPT: Knowledge Exchange Process Transformation). Ongoing build-up of employer branding to attract key talent from various sources, both offline and online, such as LinkedIn, Facebook, LINE, and university events. Continue conducting employee experience surveys to understand our employees' satisfaction and ensure that OSP is a great place to work. Continue to promote Hybrid workforce and Hybrid work culture (FBT: Faster Better Together work culture) as part of the transformation program to prepare the organization, workforce, and HR ecosystem for the future.

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Financial Risk		
<p>9. Exchange rate fluctuations</p> <p>Foreign exchange risk on international sales revenue, raw material purchases, and investment in foreign subsidiaries</p> <p>Remark: For risk specific to Myanmar, please refer to No. 3</p>	<ul style="list-style-type: none"> Revenue and/or cost. Balance sheet exposure from translation during the preparation of consolidated financial statements. 	<ul style="list-style-type: none"> The Company hedges most of its exposure to FX fluctuations by matching outflow and inflow denominated in foreign currency (natural hedging) and using forward exchange or spot contracts. Monitor foreign exchange rates and collect and analyze data from reliable sources. This enables the Company to estimate and forecast the balance of revenue and expenditure in foreign currencies for effective planning and timely management.
<p>10. Regulatory and tax changes</p> <p>Changes to a variety of external financial factors relating to regulations and tax considerations: value-added tax, excise tax, tariffs, corporate tax, etc. and inability to realize tax benefits.</p> <p>Remark: For risk specific to Myanmar, please refer to No. 3</p>	<ul style="list-style-type: none"> Higher cost of business arising from new regulations Additional tax exposure and uncertainty 	<ul style="list-style-type: none"> Assign responsible units for closely monitoring and following up on changes to rules and policies of the various markets the Company is exposed to, including defining action plans to minimize potential risks and maximize opportunities. Develop a proactive strategy with relevant functions, e.g. research & development, and manufacturing, to effectively manage manufacturing costs and other expenses arising from regulatory and tax changes.

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Compliance Risk		
<p>11. Compliance with laws and regulations</p> <p>Failure to comply with laws and regulations.</p>	<ul style="list-style-type: none"> Expenses from civil and/or criminal actions, leading to damages, significant financial penalties, and damaged corporate reputation. 	<ul style="list-style-type: none"> Continuously monitor new laws and regulations that are relevant to our business operations and disseminate such information to the relevant functions to ensure understanding and acknowledgement of consequences and action plans. Consistently work within the compliance management framework, including roles and responsibilities of law owners/area owners, compliance assessment processes, and compliance data repository by compiling relevant laws and regulations into a database. Engage external local expert/consultant to help interpret local laws and provide suggestions on legal compliance for international investments and transactions. Provide training for employees in order to update their knowledge of laws and regulations and ensure that employees are alert and comply with the changes. Regarding the Thai Personal Data Protection Act (PDPA), our Data Protection Office (DPO) monitors and coordinates with other relevant parties and ensures that the Company has proper processes with respect to the collection, use, and disclosure of personal data. Provide training to employees to create awareness and ensure compliance.
Emerging Risk		
<p>12. Geopolitical Tensions</p> <ul style="list-style-type: none"> Difficulty in sourcing secure raw materials could result in potential shortages, production delays, and increased operational costs. Deteriorate consumer confidence and spending, impacting the sales of FMCG products. 	<ul style="list-style-type: none"> Supply chain disruptions result in reduced product availability and increased production and operational costs. Requiring adaptability or a change in the product portfolio strategy. Decreasing in consumer demand. 	<ul style="list-style-type: none"> Closely monitor geopolitical and economic situation. Perform scenario planning exercise and develop response strategies. Collaborate across functional teams to broaden supplier and market options, enhancing supply chain resilience to mitigate disruptions and create opportunities for cost savings by finding an alternative source and logistic solution, reformulating product, and establishing a reserve inventory to safeguard the supply of raw materials. Progress Fast Forward 10X program to increase agility to grow and complete in the face of economic volatility and uncertainty.