

# Risk Culture

# Focused training throughout the organization on risk management principles



In 2023, GC established training focused on risk management principles that applicable for employees at all level, conducted by PricewaterhouseCoopers (PwC). The objectives of the training are to let the participators understand the relationship between enterprise risk management and business strategy and to let the participators understand and practically apply good practices of risk management principles.

**The brief topics in the training included**, but not limited to:

1. **Overview of Enterprise Risk Management (ERM)**: deep learning about correct definitions of the risks and opportunities, and how those are significant to the achievement of strategy and business objectives.
2. **Overview of COSO ERM 2017**: familiarize with the conceptual framework of enterprise risk management, and how it is linked to corporate risk, BU risk, process control, as well as internal audit plan.
3. **Risk Appetite**: definition of risk appetite, processes to determine the risk appetite, and how it will be used for potential risk prevention and establishment of risk culture, etc.
4. **Risk Management Process**: essential components of the risk management process cover processes of identification, assessment, prioritization, implementation, and monitoring of the identified risks.

# Incorporation of risk criteria in the development of products and services

While pursuing business opportunities to boost revenue is essential, it's equally crucial to assess potential risks that can lead to profit loss. Factors like market volatility, competition, regulatory hurdles, operational inefficiencies, and financial mismanagement can influence the capacity of profitability. Therefore, a thorough risk assessment is imperative to ensure that the pursuit of opportunities aligns with the company's long-term financial sustainability and resilience against potential risks.

Hence, **GC has considered and incorporated the financial risk factors in the criteria of the development.** The financial investment and risk management will be tailored based on the objective of the investment project e.g., the project supported diversification of performance chemicals, and the project supported Merger & Acquisition (M&A), etc. The Investment Committee, chaired by EVP Corporate Strategy, is responsible for overseeing & reviewing investment projects, and supervising project risk management measures. Projects with high CAPEX must be proposed to RMC to consider potential risks before submitting to the Board of Directors for approval

Moreover, GC also realizes the importance of product development to respond to the standards & regulations. GC **has established effective product development**, Quality Assurance, & Quality Control processes with great importance on the quality of product design & production processes **to ensure that the characteristics and properties of the products will be compliant with the standards of the target markets.** GC conducts risk assessments across the product life cycle. GC's hazardous product controlling criteria was developed in accordance with national & international regulations/standards, including the International Council of Chemicals Associations (ICCA), the Montreal Protocol on Substances, the Registration Evaluation Authorization and Restriction of Chemicals (REACH) & the Restriction of Hazardous Substances (RoHs).



# Financial incentives which incorporate risk management metrics

GC has continually incorporated risk management into performance evaluation, aiming to create an effective risk management culture throughout the organization. **GC has established and included metrics related to risk management as one of the indicators of corporate KPIs.** Employees who have performed beyond the expectation set on KPI will receive a special incentive. The bonus would be paid in two cases i.e., achieving short-term corporate KPI, and Growth & Sustainability Aspects.

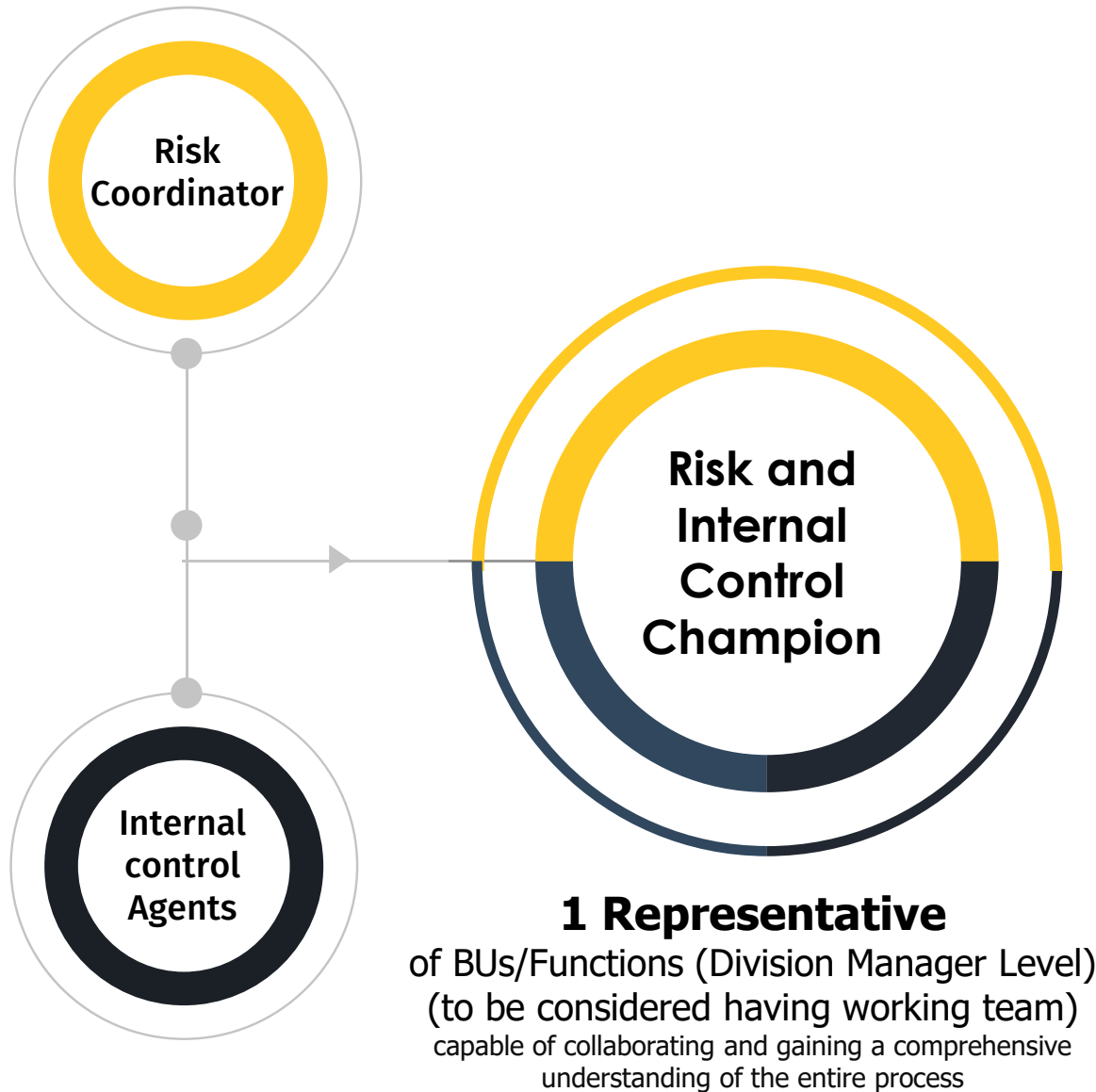
Examples of operational risk management metrics as set for corporate KPIs included, but are not limited to:

- 1) Corporate safety index (e.g., injury rate, and process safety)
- 2) Cost saving
- 3) EBTIDA uplift
- 4) GHG Emissions reduction

Additionally, GC's corporate KPIs have been developed aligning with the identified risks, reflecting that the set KPIs have been also used for monitoring, controlling, and managing the potential impacts that may arise from the risks. For example, the corporate safety index coincides with the "Operational and Safety Risk" risk factor, and the GHG Emissions reduction coincides with the "Financial and Investment Management Risk" risk factor.



# Risk & Internal Control Champion



## Role & Responsibility

- Ensures alignment between risk management and internal control functions to promote consistency and synergy in risk mitigation efforts
- Implement risks and controls across the organization, facilitating information and connecting relevant person.
- Promotes better communication and collaboration between risk management and internal control teams, fostering a culture of accountability. The integration also contributes to the organization's journey towards GRC maturity.
- Provides adequate resources to manage both risk management and internal control activities simultaneously



## Things're improved.

- **Better Decision-Making** : Taking a complete/holistic view of risks and controls throughout the business unit and enables the linkage of risk management and control
- **Efficiency and Coordination** : Eliminates redundancy and promote streamlines, make it quickly to address emerging risks and changing business environments.
- **Promotion of Integration** : The integration contributes to the organization's journey towards GRC maturity.