

Enterprise Risk Management (ERM) Policy

Steniel Manufacturing Corporation

1. Purpose

This Enterprise Risk Management (ERM) Policy outlines the framework and processes for managing risks within Steniel Manufacturing Corporation, a holding company overseeing multiple box manufacturing plants. The policy aims to identify, assess, manage, and monitor risks across all subsidiaries to protect the company's assets, ensure business continuity, and achieve strategic objectives.

2. Scope

This policy applies to all entities under Steniel Manufacturing Corporation holding structure, including all subsidiaries, operating units, and employees. It covers all types of risks, including operational, financial, strategic, compliance, environmental, and reputational risks, that may affect the holding company and its box manufacturing operations.

3. Risk Management Objectives

The objectives of the ERM Policy are to:

- Enhance risk awareness and management across all levels of the organization.
- Protect the financial and operational stability of the holding company and its subsidiaries.
- Support informed decision-making by integrating risk management into corporate strategy.
- Ensure compliance with legal and regulatory requirements.
- Foster a risk-conscious culture that supports the achievement of business objectives.

4. Risk Management Framework

4.1. Risk Identification

Risks will be identified at both the holding company level and within each operating subsidiary. Key risk categories include:

- **Operational Risks:** Production inefficiencies, equipment failures, supply chain disruptions within the manufacturing plants.

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- **Financial Risks:** Cash flow issues, credit risk, financial reporting inaccuracies at both the holding and subsidiary levels.
- **Strategic Risks:** Market competition, shifts in consumer demand, changes in industry regulations.
- **Compliance Risks:** Non-compliance with laws, regulations, and industry standards across all entities.
- **Environmental Risks:** Environmental impact from manufacturing operations, regulatory compliance issues.
- **Reputational Risks:** Negative media coverage, customer complaints, product recalls affecting the brand.

4.2. Risk Assessment

Identified risks will be assessed based on their likelihood and potential impact on the holding company and its subsidiaries. Risks will be categorized as:

- **High:** Risks that could significantly impact the company's overall financial health or operational capability.
- **Medium:** Risks that could moderately affect the company's strategic objectives.
- **Low:** Risks with limited impact on the company's operations or financial status.

4.3. Risk Response

Appropriate response strategies will be developed for each identified risk, including:

- **Avoidance:** Discontinuing activities that give rise to significant risks.
- **Mitigation:** Implementing measures to reduce the likelihood or impact of risks.
- **Transfer:** Transferring risk to third parties through contracts, insurance, or other mechanisms.
- **Acceptance:** Acknowledging the risk and preparing to address its consequences.

4.4. Risk Monitoring and Reporting

Continuous monitoring of risks will be conducted at both the holding company and subsidiary levels. Each operating plant will maintain a risk register, which will be reviewed regularly. The holding company's Board Risk Oversight Committee will

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consolidate risk reports from all subsidiaries and provide regular updates to the Board of Directors.

5. Roles and Responsibilities

5.1. Board of Directors

- Provide oversight and ensure the ERM framework is aligned with the company's strategic goals.
- Approve the ERM Policy and major risk management decisions.
- Review the consolidated risk reports and provide guidance on risk management strategies.

5.2. Board Risk Oversight Committee (BROC)

- Develop and oversee the implementation of the ERM framework across the holding company and its subsidiaries.
- Review and update the consolidated risk register.
- Coordinate risk management efforts across all entities and report to the Board of Directors.

5.3. Chairperson of BROC

- Lead the risk management function at the holding company level.
- Ensure the consistent application of risk management practices across all subsidiaries.
- Liaise with the BROC and subsidiary risk managers to monitor risk exposure.

5.4. Subsidiary General Managers and Assistant General Managers

- Implement the ERM Policy within their respective plants.
- Identify, assess, and manage risks specific to their operations.
- Report risk management activities and emerging risks to the holding company's CRO and BROC.

5.5. Risk Owners

- Manage specific risks within their area of responsibility.

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- Implement mitigation strategies and report on their effectiveness.
- Communicate any changes in risk exposure to the BROCC.

5.6. All Employees

- Participate in risk identification and reporting.
- Adhere to risk management policies and procedures.
- Contribute to a culture of risk awareness and proactive management.

6. Communication and Training

The holding company will ensure regular communication of the ERM Policy and conduct training programs to enhance risk management skills across all levels. Employees will be encouraged to report risks and participate in risk management activities.

7. Review and Continuous Improvement

The ERM Policy will be reviewed annually or as needed to adapt to changing business environments, emerging risks, and strategic shifts. Continuous improvement of the ERM framework will be promoted through feedback, audits, and lessons learned from past incidents.

Approved by: Nixon Y. Lim / President / September 2, 2024

Next Review Date: December 31, 2025

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Steniel Manufacturing Corporation is committed to a comprehensive risk management approach that is integral to our corporate governance framework. This policy reflects the company's dedication to identifying, evaluating, and mitigating risks that could impact our operations, assets, stakeholders, and overall reputation.

The Company recognizes that effective risk management is essential for achieving its strategic objectives, including the protection and preservation of its employees' safety, clients' welfare, and the value of its properties and assets. The Company aligns its risk appetite with its long-term goals, ensuring that risk-taking is balanced with prudence in decision-making.

Board Oversight and Risk Governance

The Board of Directors plays a critical role in overseeing the Company's risk management system. This responsibility is delegated to the Board Risk Oversight Committee (BROC), which is tasked with assisting and advising the Board in ensuring the effectiveness and integrity of the Company's risk management framework. The BROC is responsible for the following key functions:

1. Policy Review and Assessment:

- Evaluating the adequacy and effectiveness of the Company's risk management policies and procedures, particularly concerning the identification, analysis, management, monitoring, and reporting of financial and non-financial risks.

2. Risk Management Implementation:

- Ensuring that management effectively manages risks, particularly those with high impact and high probability of occurrence, across all operational units.

3. Annual System Evaluation:

- Conducting an annual review of the Company's risk management system to ensure its adequacy and effectiveness.

The Board of Directors, with the support of the BROC, has reviewed the Company's risk management system and determined it to be both effective and sufficient.

Key Risks and Mitigation Strategies

Some of the risks that the Company and its related subsidiaries and affiliates may be exposed to are the following:

1. Financial Risk

The Company and its subsidiaries are exposed to various financial risks, including liquidity, credit, and market risks. The Company employs sound policies and strategies to minimize potential adverse effects on financial performance.

- **Liquidity Risk:** Managed through regular monitoring of cash positions, negotiation of credit terms, and reliance on financial support from subsidiaries and shareholders.
- **Credit Risk:** Controlled through stringent credit verification processes and limiting transactions to creditworthy counterparties.

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- **Market Risk:** Managed by monitoring foreign exchange and interest rate fluctuations and optimizing financial instrument returns.

2. Data Privacy

The Company acknowledges the risks associated with data privacy due to the collection of sensitive information from various stakeholders. To mitigate these risks, Steniel Manufacturing Corporation has implemented comprehensive data privacy measures, including orientation on the Data Privacy Act, with a focus on legal compliance, individual rights, and breach reporting procedures.

3. Operational and Environmental Risks

The Company's manufacturing operations are subject to operational risks, such as equipment failures and supply chain disruptions. Environmental risks, including compliance with regulations, are also of significant concern. These risks are managed through strict operational controls, regular audits, and compliance with all relevant environmental standards.

4. Strategic and Market Risks

Strategic risks, including market competition and shifts in consumer demand, are regularly assessed to align business strategies with market realities. The Company strives to maintain its competitive edge through continuous market analysis and strategic planning.

5. Reputational Risks

Reputational risks, such as negative media coverage and customer complaints, are managed by maintaining high standards of quality, transparency, and customer service across all business units.

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