

COMPANY RISK MANAGEMENT

The Company operates a risk management system within a comprehensive framework covering all risks identified as risks faced by the Company. The Company's risk management system framework aims to minimize and manage the risk of an event or activity that could have a negative impact on the Company's achievements.

Establishment of a Risk Management Work Unit (SKMR)

The Company has formed a Risk Management Work Unit (SKMR) to implement the principles of good corporate governance. The formation of SKMR is based on Directors' Decree Number: 075/IP-LEGAL/BOD/SK/XII/2022 on 19 December 2022. SKMR has the functions and duties to manage and prevent risks in the Company in general including:

1. Business Competition Risk
2. Risk of Consistency of Raw Material Supply
3. Labor/Employment Risk
4. Financial Risk
5. Cyber Security Risk
6. Risks related to Climate Change, force majeure and geopolitical risks

Apart from that, SKMR will also monitor, mitigate and evaluate risks which are submitted to the Board of Directors in the form of SKMR work reports for review and approval by the Board of Directors. This work report has been reported in the Annual Report for the 2023 financial year.

Overview of Risk Management

Risk management is part of the Company's control efforts by maintaining sustainable business existence from business risk factors that can hinder the continuation of the Company's business. For this reason, the Company is committed to implementing risk management in dealing with various types of risks such as operational risks, financial risks, strategic risks, safety and environmental risks and other risks related to the business activities carried out.

The Company's implementation of risk management is carried out to accommodate risk management in the form of risk identification, preventing potential risks as well as overcoming them. In relation to prevention and action, it is carried out in an integrated manner by collaborating with related organs such as the Internal Audit Unit and the Internal Control System Manager. This form of integration is carried out in the form of an Early Warning System.

Meanwhile, the Company's risk management is carried out through the formulation of risk mitigation procedures based on an assessment of the types of risks that have been mapped in the Company's risk tolerance index.

Risks Faced by the Company and Risk Management Mitigations

No.	Types of Risk	Description	How to Manage
1	Business Competition Risk	As a provider of building materials, Impack has a competitive risk that could hinder the company's growth through various actions taken by competitors. Impack currently continues to proactively carry out various mitigation strategies in presenting quality products at competitive prices that are acceptable to the market, but there is still no guarantee that all products introduced will be completely competitive in the market.	Impack has a New Product Development division which focuses on developing new products and differentiation of the Company's attractive product lines at competitive prices. Together with the Marketing division, this division has the function of continuing to proactively carry out market studies to be able to answer needs and provide recommendations to management regarding products already on the market and potential products for the market.
2	Risk of Consistency of Raw Material Supply	Challenges in the supply of raw materials will have a direct impact on the financial performance and sustainability of the Company's business operations. Impack's basic raw material is a polymer derived from fossil energy which is strongly influenced by oil commodity prices. Various events that affect procurement, such as fluctuations in oil commodity prices, increased demand from the market, and disruptions in procurement logistics caused by natural disasters or geopolitical situations, can affect the Company's income.	The Company continues to be committed to building a stable supply chain system through several things, such as the following: <ul style="list-style-type: none"> a. The existence of several sources of raw material supply to ensure continuity of supply, prevent production delays, and reduce dependence on one supplier. b. Guarantee optimal inventory levels to ensure that the Company can meet demand even if there is a disruption in the supply of raw materials for a certain period of time. c. Actively communicate with various suppliers and players in the market to determine

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			<p>demand/movement of raw materials in the market.</p> <p>d. Together with the Company's research and development division, Impack continues to be proactive in looking for alternative raw materials that can be used as substitutes if there is a supply disruption to the main raw material.</p>
3	Labor/Employment Risk	<p>The existence and performance of Impack cannot be separated from the existence of its workers/employees. If a work strike occurs, this could disrupt the Company's operational activities and production processes. The risk of work strikes encourages companies to take mitigation steps to anticipate this happening.</p>	<p>Impack has made various efforts to create dynamic and harmonious working relationships, which will ultimately have a positive impact on employee and company performance. The company consistently maintains good industrial relations and ensures the fulfillment of basic employment rights as regulated in the Collective Labor Agreement (PKB). The company also regularly carries out internal communications and discussions, including using the services of industrial relations legal consultants, to ensure the company has the latest information regarding employment. Apart from that, the Company also continues to diversify factory locations, with one of the objectives being an alternative production facility.</p>
4	Financial Risk	<p>As a company that has exposure to foreign currency risk due to purchasing raw materials in United States Dollars, Impack has the risk of</p>	<p>In mitigating changes in foreign exchange rates, Impack adjusts for this risk by denominating revenues in United States Dollars or other foreign currencies so that there is a</p>

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		<p>unpredictable changes in foreign currency exchange rates. Another financial risk faced by Impack is exposure to loan interest rate risk due to inappropriate funding. This can cause losses experienced due to the decline in the Rupiah exchange rate and high loan interest rates.</p>	<p>natural hedge for offsetting profits and losses from existing foreign currencies. Another control that has been carried out on loan interest rate risk is monitoring the impact of movements in loan interest rates in the market by comparing the interest rates offered from several banks so as to minimize the impact of losses that may be experienced by the Company. In the future, Impack will continue to analyze macro economic conditions regarding economic events or issues occurring in the world to assist in making decisions regarding the use/loans and transactions in Rupiah or foreign currencies, as well as carrying out natural hedging against changes in the Rupiah against foreign currency with subsidiaries located abroad.</p>
5	Cyber Security Risk	<p>Impack is a company that uses various technological systems in carrying out its business operations, such as supply chain management, transaction processing and management of various financial information. Any failure to protect various important information owned by the Company and the unavailability of data when needed (data availability) can affect business operations, such as resulting in failure to</p>	<p>Impack has and continues to implement an Information Technology policy which includes preventive and corrective action procedures for various risks related to cyber security. These risks will continue to be monitored and evaluated on an ongoing basis by the Technology division. Along with the very dynamic development of risks related to cyber security, Impack will continue to adapt, adjust and map risks that have not yet been identified and will be</p>

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		<p>fulfill customer requests and transaction processing, as well as delays in reporting.</p> <p>A computer virus attack or other problem with the system can also result in the theft of confidential information which can result in material and immaterial losses experienced by the Company.</p>	<p>identified. To continue to maintain data confidentiality, Impack also has a Confidentiality Agreement with employees and periodically conducts information system security training for employees to increase their awareness of data security.</p>
6	Risks Related to Climate Change, force majeure and geopolitical risks	<p><u>Transition Risk</u> Climate change which is increasingly being felt encourages Impack as a company to play an active role in minimizing the impact of climate change. Various policies have also been and will continue to be implemented by the government/investors due to increased attention to climate change. This will also have a direct impact on increasing operational costs related to the carbon tax that will be determined by the government (transition risks) in the future.</p> <p><u>Physical Risks</u> The Company is also inseparable from physical risks and force majeure events that can be caused by climate change. This physical risk can cause an increase in raw material prices, loss of</p>	<p>Regarding transition risk, Impack has a Sustainability Division which is chaired by the Director of Sustainability and is responsible for establishing and monitoring various policies related to climate change, along with the impacts and opportunities it creates for the Company's business operations. To mitigate the size of the carbon tax if implemented, Impack controls the emissions released by the Company through company emissions calculations, which currently include scope 1 and 2 emissions. Through this calculation, Impack is able to understand the Company's emissions position and is committed to continuing to play an active role in reducing them. Impack will continue to increase the percentage of new and renewable energy used in manufacturing facilities.</p> <p>Impack's Director of Sustainability currently has the function of mapping climate change risks and taking preventive actions to reduce the impact and risks of climate change on the company, as well as continuing the transition to a</p>

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		<p>opportunities to earn income due to damage to production facilities and company assets, and does not rule out the possibility of production stopping due to natural disasters. On the other hand, as a provider of innovative building materials, Impack also has an opportunity from this physical risk, namely the increasing demand for sustainable innovative building materials.</p>	<p>low carbon economy. This continues to be carried out proactively through investment in research and development in the field of circularity of low-carbon materials and products, increasing energy efficiency, using recycled materials, towards zero waste policy, as well as using renewable energy in the Company's production facilities. Other preventive controls that Impack carries out include diversifying the location of production facilities and distribution centers spread across several provinces and countries that have a low risk based on history, which aims to maintain business continuity when force majeure events occur, whether caused by climate events or not. Regarding corrective controls, Impack has also insured company assets.</p>
		<p><u>Geopolitical Risks</u> As a company that has locations, sources of raw material supply, and global export markets, its existence is greatly influenced by geopolitical risks. The geopolitical risks referred to include conflicts between countries, conflicts between political parties, conflicts between organizations, as well as the possibility of political or economic embargoes. The direct effects that can be felt are increases in prices of raw materials, energy, logistics, or the cessation of production activities which can affect the company's financial condition.</p>	<p>In maintaining business continuity regarding geopolitical issues, Impack mitigates these risks by conducting regular analyzes of geopolitical issues. The company also acts neutral and does not follow certain political groups to prevent conflicts of interest, expands into various geographical areas and has factories in spread locations, and prioritizes national suppliers to minimize disruptions to the supply/import of raw materials. Impack also follows the rules set by regulators, and continues to practice GCG.</p>

Evaluation of the Effectiveness of the Risk Management System

Risk management has contributed positively to the planning process, decision making and strengthening the implementation of Good Corporate Governance (GCG) in the Company. The risk management system implemented by the Company is able to minimize and/or reduce the level of impact and possibility of risk occurring. This can be seen from the effectiveness of the quality, quantity and completion time of a predetermined risk mitigation plan. Through this risk management system, it can support the Company in achieving significant revenue growth to achieve the set targets.

Risk Management Process Flow

