



Announcement of
Bangkok Commercial Asset Management Public Company Limited
Subject: Enterprise Risk Management Policy

As resolved by the Board of Directors Meeting No. 15/2022, held on December 2, 2022, the Board approved a revision of the Enterprise Risk Management Policy. This revision is intended to enhance the Company's management practices, including good corporate governance and effective risk management. Accordingly, the Company hereby revokes its previous announcement of the Enterprise Risk Management Policy dated December 25, 2022, and replaces it with this new announcement as follows:

1. Principles and Rationale:

The Company aims to foster a risk-aware culture by establishing and regularly reviewing its Enterprise Risk Management (ERM) Policy. This comprehensive ERM framework will address critical current business risks, emerging risks, and sustainability risks that may impact environmental, social, and governance (ESG) factors. Furthermore, the policy will align with regulatory requirements set by the Bank of Thailand and the Stock Exchange of Thailand. The Company will adopt an integrated risk management approach based on the COSO ERM international standard framework to ensure full integration of Governance, Risk Management, and Compliance (GRC) processes.

2. Purposes:

2.1 To enable the Company to integrate risk management into organizational management, achieving operational objectives, creating value, and promoting stability for the benefit of all stakeholders, in alignment with GRC principles.

2.2 To ensure that the Company's risk management practices align with best practices, including the Bank of Thailand's risk management principles and the COSO ERM framework, and address sustainability risks.

2.3 To implement a systematic and effective risk management process that enhances organizational value while integrating and coordinating risk management with other aspects of organizational management.

2.4 To support and promote the dissemination of risk management knowledge and awareness, embedding it as an integral part of the organizational culture.

3. Definitions

“The Company” refers to Bangkok Commercial Asset Management Public Company Limited (BAM)

“Department” refers to a division/office/group within the Company's current organizational structure.

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“**Senior Executive**” refers to the Chief Executive Officer, Deputy Managing Directors, and Assistant Managing Directors.

“**Executive**” refers to employees holding positions of Deputy Manager and higher.

“**Employee**” refers to any individual employed by Bangkok Commercial Asset Management Public Company Limited, as defined in the Regulations on Employee Work Conduct concerning the Employment of Personnel of Bangkok Commercial Asset Management Public Company Limited B.E. 2562 (2019).

4. Risk Management Principles and Types of Risks Management

The Company has identified six primary risk categories: Strategic Risk, Operational Risk, Financial Risk, Compliance Risk, Reputational Risk, and Information Technology Risk.

4.1 **Strategic Risk** refers to the risk arising from the formulation of inappropriate strategic plans or from adjustments to strategic plans that are not aligned with the internal and external environments. This may negatively affect the achievement of the Company’s strategic objectives and operational plans, impacting its revenue, competitiveness, and long-term viability. The framework for managing strategic risks is as follows:

4.1.1 Senior Executives shall set the future direction of the Company’s business and develop plans that are aligned with the changing environment and market conditions.

4.1.2 Senior Executives are responsible for establishing effective risk management strategies that align with the business environment, ensuring that risks remain within acceptable levels. Furthermore, they must ensure that a comprehensive risk management system is in place to identify, assess, monitor, and control risks effectively.

4.2 **Operational Risk** refers to the risk of damage arising from inadequate corporate governance, organizational oversight, or internal controls. This includes risks associated with internal operational processes, personnel, systems, information technology, or external events that impact the Company’s revenue and financial position. It also encompasses Legal Risk, which pertains to risks associated with legal processes, litigation, or compliance-related issues. To effectively manage operational risk, the Company has implemented the following framework:

4.2.1 Support all departments, divisions, offices, and work groups in conducting a self-assessment of the adequacy of their internal controls at least once a year.

4.2.2 Encourage divisions, departments, and offices to establish an operational risk management system within their respective areas. This includes reviewing, modifying, improving quality, and/or designing operational processes to create best practices that can measure performance efficiency and help achieve the Company’s objectives.

4.2.3 Develop an appropriate operational risk management system with an effective and efficient reporting mechanism to provide sufficient, accurate, and comprehensive information.

4.3 **Financial Risk** includes:

- **Liquidity Risk:** The risk that the Company may be unable to meet its debt and financial obligations when they are due. This could arise from the inability to convert assets into cash quickly, insufficient funding, or having to secure funding at an unacceptably high cost, potentially impacting the Company's revenue and financial position.

- **Credit Risk:** The risk that a counterparty will fail to meet its obligations to the Company. For an Asset Management Company (AMC), where revenue is derived not from lending to customers but from managing non-performing loans (NPL) and non-performing assets (NPA), the business primarily is Asset Quality Risk, which relates to the quality of underlying assets.

- **Market Risk:** The risk of losses resulting from changes in the value of assets and liabilities due to fluctuations in interest rates, exchange rates, and prices. For the Company, the main market risk stems from changes in the market value of collateral and NPAs, where asset values fluctuate with market conditions, directly impacting revenue variations.

The framework for managing financial risk is as follows:

4.3.1 Support responsible Departments in developing both short-term and long-term financial plans that align with the Company's strategy, setting appropriate financial risk limits. This includes preparing contingency plans to address potential financial crises.

4.3.2 Establish a framework for managing Market Risk due to fluctuations in asset values that impact Company revenue. This includes assessing the valuation of collaterals and non-performing assets according to the Company policies and regulatory requirements to ensure effective oversight.

4.3.3 Set guidelines for managing Liquidity Risk by evaluating liquidity trends based on the Company's liquidity forecasts, assessing risk through financial ratios, and conducting stress tests to maintain sufficient liquidity for both short-term and long-term funding needs. Additionally, implement a Contingency Funding Plan to support liquidity risk management in cases where targets may not be met or require adjustment due to evolving circumstances.

4.3.4 Develop guidelines for managing Credit Risk to address Asset Quality Risk associated with non-performing loans (NPLs) and mitigate/control risks arising from counterparty defaults.

4.4 **Compliance Risk** Compliance Risk refers to the risk arising from failure to fully and correctly adhere to laws, regulations, standards, policies, rules, orders, and applicable practices related to the Company's transactions.

Such non-compliance may result in financial losses or harm to the Company's reputation and image. The Company has established the following compliance risk management framework:

4.4.1 Encourage all divisions/departments/offices to assess operational risk associated with regulatory compliance, ensuring adaptability to changes and the capacity to respond promptly to emerging situations.

4.4.2 Support the development and implementation of a Compliance Risk Management Guideline to direct compliance risk practices across the organization.

4.5 **Reputation Risk** refers to the risk of damage to the Company's reputation due to negative perceptions from clients, partners, shareholders, and/or regulators. The Company has established the following framework for managing reputation risk:

4.5.1 Senior Executives shall establish effective guidelines for managing reputation and image risks, ensuring these guidelines are appropriately tailored to the business environment to maintain risks at an acceptable level.

4.5.2 Support adherence to principles of good corporate governance, business ethics, employee ethics, anti-corruption practices, whistleblowing, and complaint resolution through accessible channels. Additionally, ensure the efficient handling of complaints, crisis events, or negative news that may impact the Company's reputation and image.

4.6 **Information Technology Risk (IT Risk)** refers to the risk of disruptions to the Company's systems or operations caused by technology failures or cyber threats. The Company has established the following IT risk management framework:

4.6.1 Senior Executives shall oversee organizational-level IT governance, support, and drive strategies and policies to ensure the security and resilience of information technology, addressing IT risk and cyber threats. This includes promoting continuous awareness of IT risk and cyber risk management.

4.6.2 Encourage the development of an IT Risk Management Guideline and ensure that adequate IT risk management processes are in place. This includes monitoring and managing critical IT risks and providing sufficient, accurate, and timely information.

4.6.3 IT risk management shall adhere to three core principles 1. Confidentiality (C): protecting the confidentiality of systems and data, 2. Integrity (I): ensuring the accuracy and completeness of systems and data, and 3. Availability (A): maintaining the availability of information technology resources.

5. Primary Roles and Responsibilities in Enterprise Risk Management

The Company mandates ongoing enterprise risk management, considering all factors that may impede the achievement of organizational objectives. Each management level is responsible for managing risks in their designated Risk Areas, under the guidance of Senior Executives. The **Risk Oversight Committee**, appointed by the Board of Directors, provides overall supervision, while the internal audit department conducts regular reviews and reports to the Audit Committee.

The following outlines the primary roles and responsibilities of individuals involved in enterprise risk management:

5.1 Governance Structure

5.1.1 Board of Directors

- (1) Oversee the implementation of an effective internal control system and ensure the application of appropriate risk management practices.
- (2) Encourage Senior Executives to actively participate in discussions regarding changing factors that may impact the achievement of organizational objectives.

5.1.2 Risk Oversight Committee

- (1) Sets risk governance practices at the organizational level and provide guidance on effective risk management within divisions/departments/offices.
- (2) Approve principles and methods for risk management.
- (3) Monitor the development of risk management practices and ensure they are aligned with the Company's organizational strategy.
- (4) Oversee the process for identifying and assessing key organizational risks to ensure appropriateness according to the situation.
- (5) Review and approve the annual risk analysis and risk management plan.
- (6) Report to the Board of Directors on risk management progress and the organization's risk status.
- (7) Communicate and coordinate with the Audit Committee regarding significant risks.
- (8) Drive efforts to enhance employee capabilities, foster organizational culture, and continuously improve risk management practices. Ensure that employees at all levels are aware of risks and controls across all departments.
- (9) Appoint responsible officers or subcommittees to ensure appropriate and effective oversight risk management practices.
- (10) Emphasize the integration of Governance, Risk Management, and Compliance (GRC) processes, as well as coordination and information sharing among relevant subcommittees to create integrated working atmosphere and a GRC-supporting culture throughout the organization.

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5.1.3 Sustainability Governance Committee

(1) Oversee the Company's adherence to the guidelines set forth regulations in the Company's Compliance Policy.

(2) Emphasize the integration of governance, risk management, and compliance (GRC) processes, promoting collaboration and information sharing among relevant subcommittees to achieve a coordinated approach. This supports a positive environment and culture that reinforces GRC throughout the organization.

5.1.4 Audit Committee

(1) Review the Company's internal control system, governance processes, risk management framework, and internal audit systems to ensure suitability and effectiveness.

(2) Prioritize the integration of governance, risk management, and compliance (GRC) processes, facilitating coordination and information sharing among relevant subcommittees. This approach fosters a unified strategy and cultivates a supportive atmosphere and culture for GRC throughout the organization.

5.1.5 Senior Executives

(1) Establish enterprise-wide risk management, encompassing the assessment of risks associated with new strategic business transactions that the Company plans to undertake, ensuring long-term sustainability.

(2) Promote the risk management policy and establish organization-wide risk management processes.

(3) Monitor enterprise-wide risks and ensure the presence of appropriate risk management plans.

(4) Support the development of personnel capabilities, tools, and systems to facilitate operations.

5.2 **Organizational Structure**

The Company establishes an organizational structure that supports effective enterprise risk management and aligns with the Three Lines Model, which defines responsibility at three levels as follows:

5.2.1 Risk Owners: Risk owners are responsible for managing risk within their respective divisions, departments, or groups. They are tasked with conducting risk assessments, monitoring, and controlling risk levels to ensure they remain within the Company's defined risk appetite and tolerance in accordance with established risk management practices, while also promoting and supporting the efficiency of the overall risk management system.

5.2.2 Enterprise Risk Management and Compliance Functions: These functions include the Risk Management Department and the Corporate Governance and Compliance Department, which oversee risk management activities and ensure compliance with relevant laws and regulations.

5.2.3 Internal Audit Function: The Internal Audit Department is responsible for evaluating the effectiveness and efficiency of the Company's risk management processes.

6. Implementation of Policy

The Company implements its enterprise risk management policy using various risk management tools, including:

6.1 Enterprise Risk Management Manual: This manual provides a comprehensive framework and guidelines for risk management teams and risk owners to effectively manage risks across six key areas: strategy, operations, financial, regulatory compliance, reputation and image, and information technology.

6.2 IT Risk Management Guidelines: These guidelines are aligned with the overall enterprise risk management policy and provide specific direction for managing IT-related risks.

6.3 Annual Risk Management Plan: This plan is developed to align with the Company's strategic objectives and annual operational plans.

7. Policy Review

The Risk Management Department shall review this policy at least once a year. Any proposed changes will be presented to the Risk Oversight Committee for consideration and subsequently submitted to the Board of Directors for final approval.

Announced on January 4, 2023

Yours sincerely,

- Signed by -

(Mrs. Tongurai Limpiti)

Chairman of the Board

Risk Management Department

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