

Risk Management and Business Continuity Management



Risk Management

TISCO Group has given priority to risk management across the entire organization under the precautionary principle, balancing between business growth, and generate returns appropriately with risk exposure. We have developed standard risk management tools by implementing internal simulation models that comply with relevant rules and regulations. TISCO Group has set in place an appropriate and clear risk management structure and policy. In addition, TISCO fosters a risk management culture across all levels in the organizations, from senior executives to employees, to ensure that they have awareness and recognition of their roles, duties, and responsibilities to be able to effectively deal with situations and changes that might occur.

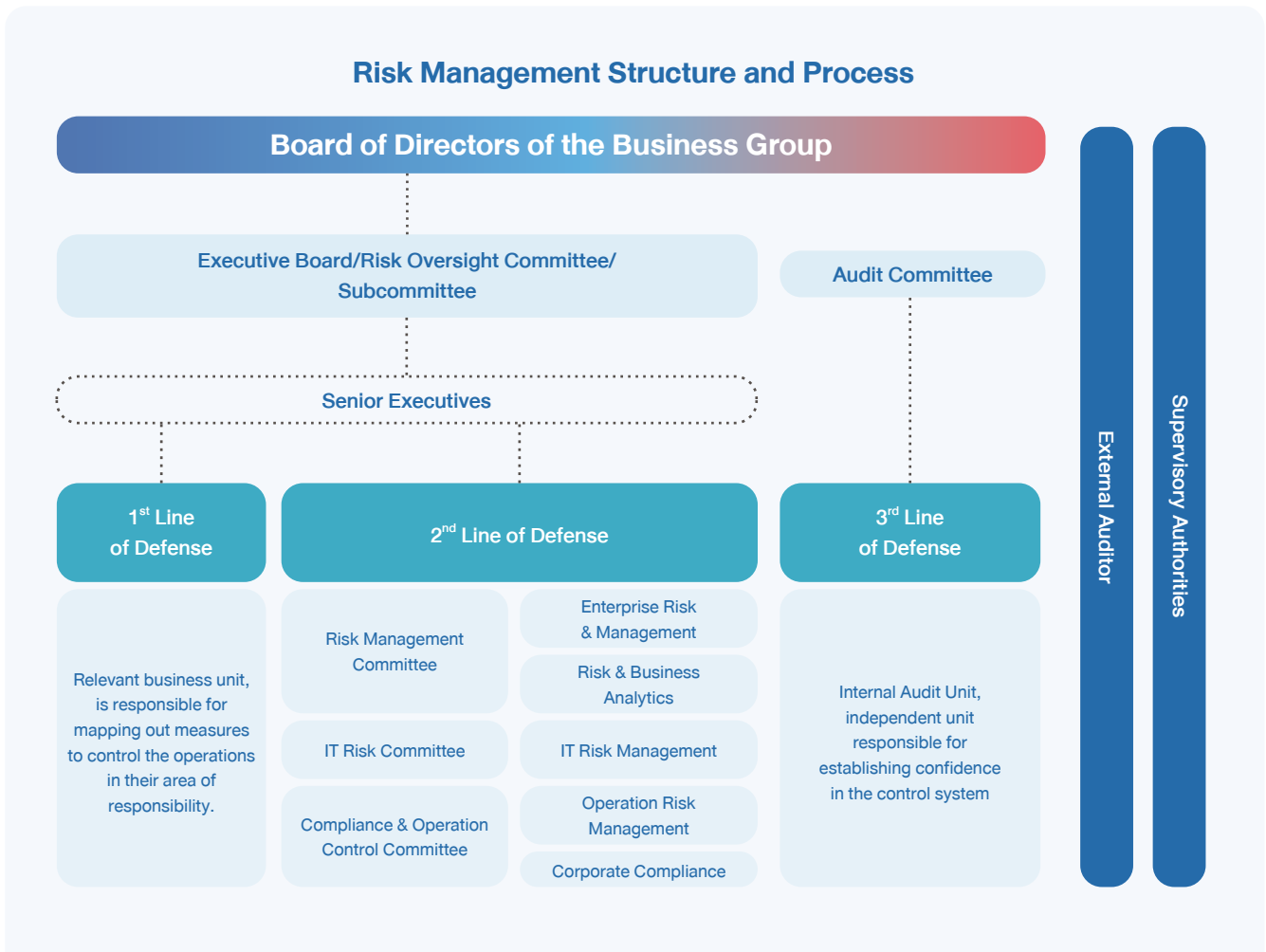


The risk management framework also extended its oversight to revise its risk management policy to cover Environment, Social and Governance (ESG) risks and other emerging risks. Over the past year, TISCO Group improved the assessment and management of climate change risk with reference to the Task Force on Climate-related Financial Disclosures (TCFD), in order to prevent, mitigate, and adapt to potential impacts both in terms of economy and business operation. Although the impacts from the Covid-19 crisis are beginning to be alleviated and the economy is showing signs of improvements, TISCO Group continues to pay attention to and always monitor the pandemic situation to assess risks and analyze potential impacts from any new disease outbreaks. TISCO Group has also created a business continuity plan to operate business continuously in the case of emergency. Moreover, liquidity contingency plan has been prepared in case of necessity to deal with risks that may affect the group's liquidity, and a recovery plan has been set in advance to support stability and problem solving to cope with liquidity crises, as well as to restore financial status in case of problems that may severely affect the capital position.

Risk Management and Oversight Structure

The structure of the Risk Management and Oversight Procedures and the roles and responsibilities of relevant committees and units is designed on the three lines of defense concept. In doing so, the Board of Directors of TISCO Financial Group Public Company Limited and the Board of Directors of TISCO Bank Public Company Limited work to oversee risks and internal control in the overall picture of TISCO Group, and the Executive Committee has been established to oversee strategic risks and the overall risks of the organization, as well as different levels and type of risks, with high-ranking executives and advisory subcommittees for different business groups working to oversee the strategic risks of the entire organization and each work section.

For risk oversight, the Risk Oversight Committee made up of senior persons with knowledge and expertise in financial institution risks, who provide recommendations about the oversight framework for financial institute risks and supervise to ensure that executives follow the risk management policy and strategies. As for item-based risk oversight, an Assigned Subcommittee and authorized representatives, such as the Credit Committee, the Problem Loan Committee, and the Compliance and Operation Control Committee, are entrusted to handle such tasks as may be necessary from time to time. The entire risk management system is supervised by the Audit Committee through the work of the internal audit function and is reported directly to the Company’s Board of Directors to ensure overall risk management effectiveness.



Risk Management Process

TISCO Group has set up risk management guidelines and processes comprising of the following:



ESG Risk Management Framework

Risk Identification and Materiality Assessment	Integration into Risk Type Frameworks and Processes	Risk Mitigation	Scenario Analysis and Stress Testing	Risk Metrics, Targets, and Integration in Appetite
<ul style="list-style-type: none"> Risk identification and materiality assessment process 	<ul style="list-style-type: none"> Integration to the existing organization risk management framework and processes: <ul style="list-style-type: none"> Credit risk Market risk Liquidity risk Non-financial risk 	<ul style="list-style-type: none"> Reducing the impacts of potential risks by: <ul style="list-style-type: none"> Accept Avoid Transfer Reduce 	<ul style="list-style-type: none"> Roadmap for integration of ESG risk into internal stress testing framework Regulatory stress test (credit and market risk) Liquidity stress test 	<ul style="list-style-type: none"> Assess risks through goals and integration into the enterprise risk management guideline

TISCO Group is in the process of developing its ESG Risk Management Framework with the goal to systematically managing and dealing with ESG risks. Initially, we have created a framework that covers 5 steps of processes, namely, 1) Risk identification and materiality assessment, 2) Integration into risk type frameworks and processes 3) Risk mitigation 4) Scenario analysis and stress testing, and 5) Risk metrics, targets, and integration in appetite.



Risks are identified and evaluated for their materiality, with focus on choosing the significant risks of the organization for prioritization. Then resources are allocated for ensuring the most efficient management overall for TISCO Group. Next, these risks are integrated with the framework and processes according to the types that TISCO Group had already created for classification to ensure management effectiveness. Then, processes are considered to reduce potential risks with consideration to impacts and likelihood. Analysis is conducted about the possible impacts from various scenarios and damage under crises that lead to important risks in different areas in order to control risks to remain within the specified risk management guidelines of the organization.






Emerging Risk Management

TISCO Group recognizes the significance of and prepares to deal with emerging risks and the world’s mega trends by continuously monitoring changes and fluctuations, in addition to analyzing various risk factors that may cause damage or impacts on the business, followed by considering risk management to prepare to deal with or reduce the likelihood or impacts of the risks in the short-term and the long-term.

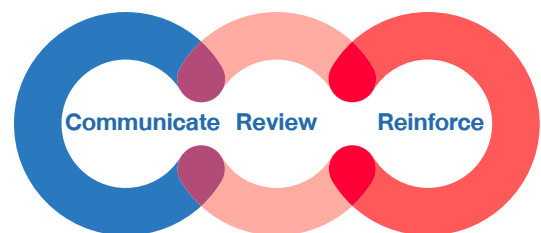
In 2023 TISCO Group identified the following emerging risks and management guidelines as follows:

Emerging Risk	Risk Description	Potential Impacts on TISCO Group	Impact Mitigation Plan
 <p>Emerging or Recurring Diseases</p>	<p>Emerging diseases are risks of infection by newly discovered diseases or recurring diseases that are increasingly spreading, including drug-resistant diseases, which are becoming more common in the near future. Examples include influenza, SARs, and Covid-19, etc.</p>	<p>Risk from increasing spread of disease impacts the economy and society as well as the operation of TISCO Group.</p> <p>In 2023, even though the Covid-19 situation had already eased, and the economy began to show signs of recovery to normal through declaring Covid-19 as an endemic disease, which has led to the tourism industry and connected businesses to start to resume normal business operation, the Covid-19 phenomenon continues to present itself periodically through mutated strains.</p>	<p>TISCO Group continues to give importance to and monitor the pandemic situation continuously in order to assess risks and analyze impacts. In doing so, we implemented measures to prevent and review business plans continuously for emergencies that might arise in the event of a new pandemic.</p>
 <p>Financial Landscape Risk</p>	<p>Rapid technological changes is taking place today as a result of changes in consumer behaviors and lifestyles stemming from the spread of Covid-19, which has led to a lifestyle and behaviors more in favor of digital services and electronic channels. This has led to the development of digital finances and decentralized financial transactions, which are impacting the businesses of financial institutions.</p>	<p>The development of technologies linking economic and financial mechanism creates both opportunities and risks to TISCO Group in keeping up with technological developments to be able to compete in a market, where there are increasing numbers of non-bank service providers, which may have different regulatory practices according to their different scope and nature of business.</p>	<p>TISCO Group has studied and prepared for changes by developing and designing financial products and digital service channels using modern technologies such as cloud computing, etc.</p> <p>TISCO Group gives importance to researching about the use of digital finance technologies and their associated risks to develop service models under changing competitive circumstances.</p>

Emerging Risk	Risk Description	Potential Impacts on TISCO Group	Impact Mitigation Plan
 Cyber Risk	<p>The modern lifestyle of people in society has led cyber threats to become increasingly important as attacks are continuously adapting, including phishing, social engineering, malicious programs, and ransomware.</p>	<p>Cyber threats impact both customers and the bank. TISCO Group can suffer from damage in multiple levels such as through service disruptions, financial losses, customer information leaks and loss of customer confidence in the bank, as well as reputational damage. Moreover, customer data leaks and customer data violations may result in the bank being subject to penalties according to the Personal Data Protection Act.</p>	<p>TISCO Group has created measures for risk management and dealing with cyber threats by monitoring and always keep up with types of cyber threats while creating an organization culture that continually raises awareness about cyber threats on every level from the board of directors to executives and employees in order to control potential risks to remain within TISCO Group's risk appetite. Moreover, TISCO Group continually makes improvements to enhance security in line with international standards such as the ISO27001 (Information Security Management Standard).</p>
 Artificial Intelligence	<p>Artificial intelligence (AI) is a branch of computer science that focuses on creating intelligent machines that can perform human tasks. These machines are self-taught and can organize and interpret data on their own. Thus, artificial intelligence is becoming important to business. However, this has also led to new risks, since AI can be used in a variety of ways such as in the creation of new business models and work methods and is changing the behaviors and expectations of consumers.</p>	<p>The development of artificial intelligence is causing confusion for the financial industry and increasingly challenging the traditional business model of financial institutions. Artificial intelligence is broadening the world and providing new perspectives about business and leading to the development of new innovations and work methods. Artificial intelligence has become an important part of the financial service and insurance industries, and it is changing how products and services are being presented in the upcoming era.</p>	<p>TISCO Group continues to learn and adapt to impacts that are occurring from the increasing role of AI in the financial industry and must prepare to deal with the ethical and legal impacts of AI. This includes questions about impacts on privacy policies, prejudices against technologies and necessary responsibilities stemming from use of technology.</p>
 Demographic Changes	<p>Risk from demographic changes refer to impacts that can occur due to changes in the demographic structure of society. One example of this risk is the transition into an aging society. The increasing number of elderly people in society may impact the public health system, retirement services and business operations, which must adapt to keep up with these changes in order to avoid loss of opportunity in meeting the changing needs of customers.</p>	<p>With an increasing elderly population comes changes in market demand more in favor of health-related products and services, retirement planning and services for elderly persons. This will impact the modification of strategies and the development of innovations to meet the changing needs of customers.</p>	<p>TISCO Group studies and analyzes customer information in order to improve working effectiveness for dealing with changes with consideration to the development of products and services that meet changing consumer needs.</p>

Development of an Organization Culture of Governance and Risk Management

A culture of governance and risk management is a major factor contributing to the effectiveness of the risk management system. Hence, the Board of Directors, executives, and employees must recognize, understand, and take actions according to their assigned roles and duties. As such, TISCO Group has developed a culture that values integrity and honesty and uses governance and risk management mechanisms to review corporate governance principles, risk management, and internal control to remain current and ensure correct and appropriate implementation through the human resources management system.



Instilling awareness about adhering to the good governance principles in employees across the entire organization starts with communicating with employees to help them acknowledge values and regulations at the organizational level since their start of work with TISCO Group. Then after employees start working in their job positions, training is provided to spread knowledge about the practice guidelines and work procedures in the related business functions, with close supervision. In addition, each year the organization develops and improves its online courses via the Company's intranet system, including a learning questionnaire for assessing post-lesson comprehension. These have been made part of the compulsory KPI for all employees. Furthermore, we instill values in various ways through a values camp on the business unit level in order to create ties to the agency and through online techniques where senior executives pass on their knowledge and ideas about good working principles to later generations of employees continuously on a regular basis.

In providing oversight and risk management, TISCO Group has specified the three lines of defenses structure. All of these three lines of defenses continue to work closely with each other and coordinate collaboration with each other in order to push for good governance and risk oversight. Every business function is responsible for managing the risks inside their own team while operating business under the

maximum specified risk ceiling, with the risk management departments responsible for providing risk management oversight in each area and reporting the overall picture of risk management to the relevant committees or subcommittees, as well as provide news and information about good corporate governance that is compiled by oversight and audit sections and developed into organizational level knowledge. This facilitates the development of work and knowledge and understanding in a precise way with business employees. Moreover, policies and practice guidelines are appropriately reviewed to remain suitable with business changes while conforming to the good practice guidelines that are regularly established by regulatory agencies.

Furthermore, TISCO Group gives an importance to clearly promoting good behaviors and penalizing employees to have every employee reflects and recognizes the value of committing to and following good governance principles, which have been stipulated as part of the criteria for work performance evaluations and promotions. This also provides an opportunity for praising distinguished employees for organization-level recognition. At the same time, TISCO Group has channels for receiving complaints and handling misconduct that are generally accessible, and complaints are systematically examined. If a corporate governance violation is detected, the matter will enter a disciplinary process.

Communication

TISCO Group has created clear communication guidelines for risk management for many channels such as the organization's intranet and announcement boards to disseminate risk management policies and criteria. We provide communication channels between executives, employees, and risk management agencies by holding meetings or performing other actions as appropriate to the case providing knowledge about situations and practice guidelines on the risks of situations and emergencies management.



Educational Training



The Board of Directors receives outside training courses and seminars with emphasis on cyber security, corporate sustainability development, and security awareness.



Senior Executives have been informed of new or changed regulations and revised risk management guidelines, through participation in meetings, for example the Risk Management Committee, the Compliance and Operation Control Committee and the Technology & Infrastructure Committee.

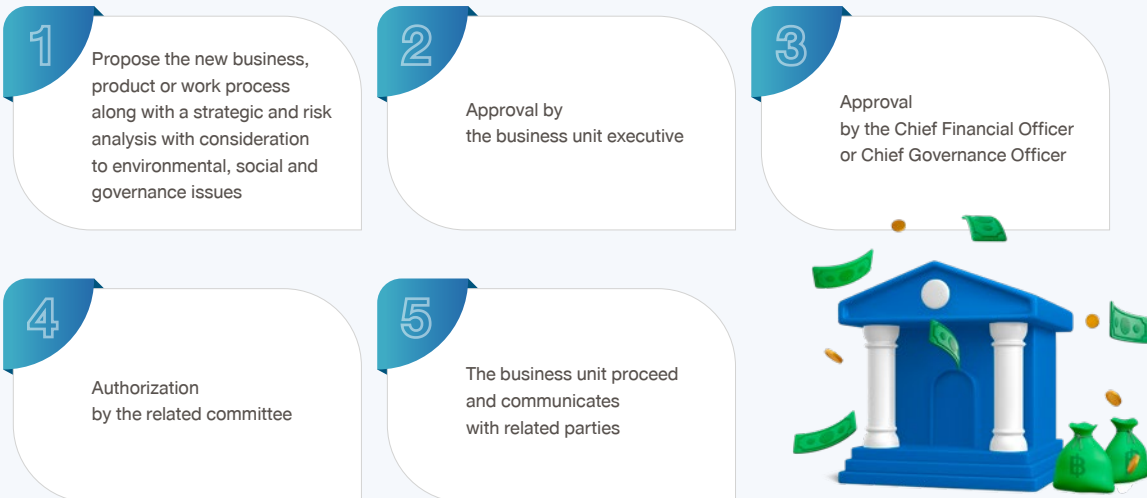


Employees receive training in various courses through the learning management system (LMS) and seminars such as on related laws and regulations and anti-corruption. In 2023, total 100% of employees received these mandatory training.

Guidelines for New Products or Processes

The TISCO risk management policy stipulates for business units releasing new products or work processes have to take actions according to the appropriate risk management guidelines and present information about new products and/or work processes, along with a risk management analysis and guidelines, including environmental, social, and governance impacts in order to request for approval from section executives and the Chief Financial Officer or the Chief Governance Officer. Then the matter will be proposed to the Risk Management Committee or the Compliance and Operation Control Committee for approval. In cases where the new business or product and management process involves credit issues, the relevant business sections must apply for approval according to the specified loan authorization guidelines.

Process for Proposing New Businesses, Products or Work Processes



Business Continuity Management

The financial system plays a vital role in driving the economy and facilitating everyone's daily life. Therefore, TISCO Group, as a financial service provider, gives importance to the ability to provide uninterrupted customer service, as well as communicating with customers and related parties when unusual situations arise in order to reduce concerns and create understanding about action plan for such situations. This has been specified as part of the organization's key risk management system. In doing so, we use a centralized management system. A crisis management team, which made up of high-ranking executives, is responsible for considering and authorizing actions according to established plans during emergencies through presentations and situational assessments by the Business Continuity Management Team. The Business Continuity Management Team consists of several sub-teams responsible in managing different areas, such as the emergency response team, damage assessment team, business recovery team, cyber threat team, and communication team to correspond both internally within the organization and externally with governmental agencies, customers, communities, as well as public media, to ensure that situations are effectively managed.

TISCO Group regularly reviews its business continuity policy and practice guidelines by assessing risks under various unusual situations such as natural disasters, information system malfunction, epidemics, cyber-attacks, etc., considering impacts from business and the safety of employees, customers, and related parties, as well as asset damage. The risk assessment leads to the formulation of emergency response plans to support different business aspects, defining the objectives in terms of service delivery, safety, loss reduction, and provision of assistance to related parties according to the situation.

In the event that usual operational locations are inaccessible, TISCO has a backup operations center, which includes IT backup system and facilities to accommodate all its units' operations, that are tested annually. For situations where an external service provider is unable to provide service, TISCO Group requires all major outsourced service providers to have an emergency plan in place. If they are unable to do so, TISCO Group will consider using other service providers instead, to ensure that customers will receive uninterrupted services.

In terms of personal and property safety, TISCO Group has specified for reviews to take place preventively for critical equipment and systems and for there to be a response plan for emergencies such as fires, power outages, floods, and

disease outbreaks, as well as an evacuation plan that is regularly rehearsed. Moreover, we have obtained insurance that covers risks from natural disasters in order to mitigate impacts or damage to the organization. The total sum insured is approximately 450 million baht. Additionally, due to increasing of cyber threats that target electronic service channels, TISCO Group has created a plan for dealing with different types of cyber threats. These plans are rehearsed regularly both inside the organization and in collaboration with external agencies to help enhance the safety level of the financial sector.

In 2023, TISCO Group encountered non-severe incidents such as partial system disruptions, but we were able to take actions according to our emergency plan, which prevented significant business continuity impacts.

