

# **Enterprise Risk Management Policy**

**Pruksa Holding Public Company Limited**

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## **1. Principle and Rationale**

Pruksa Holding Public Limited Company (the “Company”) realizes on the significance of the risk management, which is significant part of the good corporate governance, and supports and promotes the business to achieve the targeting objective. The business can perceive the opportunities and obstacles that are expected to occur and can prepare the supporting plans or adjust the business strategic plans both proactive and defensive approaches from the risk management in due time, and can mitigate the contingent impact to be in a decreasing or acceptable level.

The efficient risk management and internal control ensures the security and sustainable growth of the business operation, and creation of the confidence of the investors, shareholders or stakeholders in another way. The Company simultaneously applies the framework of practical guideline on internal control in accordance with the COSO (The Committee of Sponsoring Organizations of the Tread Way Commission) International Standard and the guideline framework of the Enterprise Risk Management (ERM) for improvement and development as the tool of the Management in developing the internal control and risk management system to be more complete.

In this regard, the Board of Directors’ Meeting No. 4/2016 held on May 11, 2016 considered and approved the Company to apply the same internal control system, guideline and policy of the risk management observed by Pruksa Real Estate Public Company Limited to ensure that the Company and Pruksa Real Estate Public Company Limited have the same standard of the internal control system, guideline and policy of the risk management.

## **2. Purpose**

The purpose of “this issue” of enterprise risk management policy includes the following.

(1) To ensure the understanding and awareness of all executives and employees on the significance of the risk management participation.

(2) To understand the roles and duties of the Risk Oversight Committee, Chief Executive Officer, Management Team, and the executives in each line, and risk management unit.

(3) To mitigate the likelihood of risk and impact that may affect the Company's business operation.

### **3. Definition**

“Risk” means any contingent events or acts under an uncertain situation and will affect or create damage both in monetary and non-monetary term, or cause failure or reduction of likelihood to achieve the goal under the main enterprise task and mission.

“Enterprise Risk Management” is a process carried out by all members of the Board, executives and personnel in the enterprise in order to help formulating the strategies and operating. The risk management process is designed to ensure the indication of the event which is contingent and affect the enterprise, and the risk management to be in a risk appetite level of the enterprise in order to be reasonably assured of achieving the objective determined by the enterprise.

The Company establishes the enterprise risk management to cover all of the following four main areas of risks.

(1) Strategic Risk means the risk occurred from the failure to operate the business in accordance with the business plans or strategies formulated by the Company. The arisen strategic risk may be arisen from the formulation of the strategic plan, operating plan, and the implementation which are improper or inconsistent with the changing factors and environments, such as economic fluctuation, fiscal policy of the government, severity of competition, alien labor policy, and change of business partner, etc., possibly affecting the Company's turnover, financial liquidity, corporate capital fund or security, and being a key obstacle of the future corporate expansion.

(2) Operational Risk means the risk which will cause damages due to inadequacy of or fault of the internal process, personnel, or system of the Company, or from the external events, including legal risk, but excluding strategic risk, such as the delay of the construction project, problem of construction work

quality control to meet the standard, complaint from surrounding community, inefficient information system, and lack of the continuous development of the executives and employees, and working danger, etc. However, the efficient operational risk will contribute to the smooth operations of the business process, and the reduction of operational cost.

(3) Financial Risk means the risk with the Company's financial impact factors, such as insufficiency of source of funds, higher financial cost, high Debt to Equity ratio, and low Return on Equity Ratio, etc. However, Pruksa Holding Public Company Limited has currently classified financial risk into 3 groups as follows.

3.1 Investment Risk means the risk arisen from investment in non-quality asset or wasteful assets or non-performing assets, including risks arisen from the fluctuation of asset value based on market price that negatively affects the Company's financial position.

3.2 Project Risk means the risk arisen from the implementation of the project which is not align with the specified goals and may be an obstacle for achievement the Company's overall goals, such as cost management and return of the project not as planned.

3.3 Liquidity Risk means the risk of which the Company fails to comply with the payment obligation when it is due because of its failure to change asset into cash, or failure to acquire the adequate fund as required within the specified period at a suitable cost. This may cause damage to the Company's revenue and equity. However, the factors causing liquidity risk are both internal and external, such as the structure of assets and liabilities, and reservation of quick assets to be used for supporting the requirements, economic environment, market liquidity, and confidence from the owners of the source of loans/capitals.

(4) Compliance Risk means the risk which may be arisen from the business operation of which the Company or its officer breaches the rules prescribed by the official. It is likely for the damage to the Company upon the careless, concise, or faulty operations in the matters relating to the set of regulations and laws, such as the operation in violation of set of regulations, or laws in real estate by carelessness, lack of prevention in enterprise corruption and legal dispute with the customers, etc.

#### **4. Scope**

This issue of the policy is effective for all work units of Pruksa Holding Public Company Limited and its subsidiaries.

#### **5. Enterprise Risk Management Policy**

The Company regularly determines to verify the risk factors in every area both from internal factors and external factors by covering strategic risk, financial risk, operational risk and compliance risk in the set of regulations and laws; considers the priority of risk management by considering from the likelihood of risk and level of impact severity; and formulates the preventive and mitigating measure of impact, determines the person in charge for operation, and determination of the measure in reporting and monitoring for assessment.

Nevertheless, the Risk Oversight Committee shall suggest on the guideline and/or policy for governance of the key risks to reduce enterprise risk or to be in the risk appetite level.

(1) The Company determines the risk management to be responsible by all employees who must be aware of the risks existent in working of their own and enterprise work units by emphasizing on management of risks in various areas in identifying and assessing risks and formulating the appropriate and adequate management measure.

(2) The Company establishes the risk management process in accordance with the good standard under international practical guideline to ensure the efficient enterprise risk management to be consistent with visions, missions, objectives and strategies of the Company.

(3) The Company determines that all employees shall have duty to comply with the risk management system and the risk management tool both in enterprise and operational level established by the Risk Oversight Committee.

(4) The Company determines the reporting of risks that may affect business plans and strategies of the Company in a high level to the Risk Oversight Committee, and the Board of Directors, for acknowledging and seeking for a management guideline without delay.

(5) The Company promotes the risk management to be corporate culture, leading to value addition to the enterprise for awareness of all employees on the significance of sustainable risk management.

## **6. Risk Management Structure and Role and Duty of the Responsible Person**

In business management, the Company sets up the Risk Oversight Committee as a composition to have duty in acknowledging and suggesting the policy, strategy and guideline for Enterprise Risk Management, verifying Risk Mitigation Plan of the Management, and overall enterprise risk management process, acknowledging key risks, considering whether the Management appropriately responds to risks, and monitoring the compliance with the framework of Enterprise Risk Management.

### **Role, Duty and Responsibility**

#### **Risk Oversight Committee**

(1) To consider and recommend policy, strategy, and guideline on corporate risk management covering types of key risks which are related to the business operation of the Company and its affiliated companies, and appropriate and efficient determination of risk level and key risk indicator

(2) Supervise to ensure the risk governance structure properly for support the effective risk management in the organization

(3) Supervise to ensure the risk assessment and monitoring system effectively manage risk within acceptable level and in compliance with the company's policies including supervise management team to have proper preventive action and mitigation plan.

(4) To consider and report risk management result and comment on the contingent risks, as well as guidelines on determination of Risk Control Measure or Mitigation Plan of the Management to ensure that the risk shall be addressed to be in risk appetite level, and continuous development of efficient risk management process in overview of the Company and its affiliated companies

(5) To support and carry forward the cooperation on the overall risk management of the Company and its affiliated companies, and continuously review the adequacy of the risk management policy and implementation of the policy.

(6) To monitor and supervise the implementation of Risk Mitigation Plan, and review the disclosure of the risk information to CG Management and general investors.

(7) To perform any other duties as assigned by the Board of Directors and report to the Board of Directors in risk profile and significant root cause and factors including the solution according to the policies and the strategies of the company's risk management.

(8) To promote and support the improvement and development of risk management system in all enterprise-wide levels.

#### **Chief Executive Officer**

(1) To monitor the risks in all enterprise-wide aspects, and create the confidence to ensure the appropriate Risk Mitigation Plan.

(2) To promote the risk management policy to ensure the implementation of risk management process in enterprise-wide, and an emphasis of every department on the risk management.

#### **Executives in Each Work Unit**

(1) To develop the framework of risk policy to establish the rules, criteria, or work procedures inside the work units, and to be assured of the efficient risk mitigation on continuous basis.

(2) To formulate the business strategy or plan which is consistent with the acceptable risk.

(3) To support the occurrence of risk management culture by communicating to all staffs in the work unit to understand and realize on the significance, and duties and responsibilities relating to the important enterprise risk management.

(4) To consider the risk factors, and propose the risk-related issues, as well as analyze the causes and prepare the Mitigation Plan in due time.

(5) To report the overview of the operating risks and progress in accordance with the Risk Mitigation Plan.

**Risk Management Group consists of 4 Departments as follows.**

- (1) Enterprise & Strategic Risk Department
- (2) Operational/IT Risk Department
- (3) Investment Risk Department
- (4) Project Risk Department

**Role, Duty, and Responsibility**

(1) To prepare the risk management policy/framework, as well as tools used for measuring risks, and establish the guideline for monitoring and controlling the risks to be under a risk appetite level, and regularly report the risk position to the Risk Oversight Committee.

(2) To study and monitor the practical guideline for risk management for developing and improving the risk management framework, and risk management policy as appropriate.

(3) To provide knowledge and understanding in order to create the organizational risk management culture through the provision of communication or training for providing knowledge and advices on the risk management as appropriate.

(4) To coordinate, give advices, and monitor the organizational work units to efficiently and effectively comply with the risk management framework, and apply the risk management tools.

(5) To mutually analyze the causes and comment on the preparation of Mitigation Plan, and regularly monitor the risks and the operating progress in accordance with the Risk Mitigation Plan, and report to the related Committees.

(6) To coordinate with the internal audit unit and other related work units in order to exchange the information relating to the risk which may affect the Company's business operations.

(7) To prepare and collect the information relating to the risk management in overview, and report to the executives and the Risk Oversight Committee as appropriate.

**Risk Owner Unit**

- (1) To identify, assess, control, monitor and report the key risks.
- (2) To propose the issues relating to the risks, and collaborate with the risk management group on the cause analysis, and prepare the Risk Mitigation Plan in due time.
- (3) To formulate the Risk Mitigation Plan together with the work unit executives, and implement the Plan.
- (4) To report the risk overview and the operating progress in accordance with the Risk Mitigation Plan.

**7. Review of the Enterprise Risk Management Policy**

The Risk Oversight Committee shall regularly review this issue of the Policy every year.

This Policy is effective from October 15, 2021.

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**Approved by the Chairman of the Risk  
Oversight Committee**

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(Mr. Weerachai Ngamdeevilaisak)

Chairman of the Risk Oversight Committee

Pruksa Holding Public Company Limited

October 25, 2021

**Approved by Chairman of the Board of Directors**

-Signature-

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(Dr. Prasarn Trairatvorakul)

Chairman of the Board of Directors

Pruksa Holding Public Company Limited

October 25, 2021

Note: The English translation of the Enterprise Risk Management Policy is for the purpose of understanding by foreigners; only the Thai version of the texts is legally binding.