Enterprise Risk Management (ERM)

Guideline

Muangthai Capital Public Company Limited

January, 2023

Introduction

Muangthai Capital Public Company Limited is committed to becoming a world-class organization by conducting business with good corporate governance and recognizing preventions and uncertain situations which impact the Company's reputation overall. Therefore, a good risk management is that all involved individuals of the organization must collaborate on analysis, examination, risk assessment and impact on the Company regularly, including planning to reduce or avoid risks that might damage the organization effectively.

Hence, The Enterprise Risk Management guideline is set to be acknowledged of the personnel on duties and responsibilities of other involved persons or departments. This includes operational processes and report form to propose those in charge of responsibility to adjust of operation on the organization's activities to perform in the same direction following the risk management plan to achieve the objective of the organization's sustainable growth.

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1. General Information

Risk management plans are important organizational management tools and widely used in managing uncertain situations. It is a guideline for managing risks so that potential impacts on the organization are reduced to an acceptable level. It is also considered an opportunity to create additional value for the organization by developing work processes to be more efficient and effective.

Muangthai Capital Public Company Limited is committed to becoming a world-class organization by setting a risk management strategy that is consistent with international practices and has established guidelines for developing the organization's risk management system. The objective is to make executives, employees, and those involved in the organization aware of the importance of risk management and have the same understanding. This establishes responsibility thoroughly and in the same direction throughout the organization.

1.1 Risk management objectives

1. Assist the organization in accomplishing its established objectives.
2. To provide the organization with a framework for systematically responding to events that may result in damage. Including creating a basis for protecting against risks in the long term.
3. It is a mechanism for developing risk management knowledge for executives, employees, and all stakeholders.
4. Reduce the concerns of stakeholders and increase investor confidence.

1.2 The value and advantages of risk management

1. It creates a body of knowledge that is useful for management and operations in the organization. It is also a source of information for executives to make various decisions because risk management is an operation based on the assumption of responding to the organization's main goals and missions.
2. It helps reflect an overall picture of all important risks, allowing employees within the organization to understand the main goals and missions of the organization and be fully aware of important risks that have a negative impact on the organization. It covers risks that arise from both internal and external factors within the organization.
3. It is an important tool in management. Helping executives be confident that risks are managed appropriately and promptly. It is also an important tool for executives to manage their work and decision-making in various areas such as planning, strategy determination, monitoring, controlling, and measuring performance results, which will result in operations being in line with goals and being able to create added value for the organization as well.
4. It helps develop the organization in the same direction. This causes decision-making patterns in the organization's operations to develop in the same direction, such as making

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decisions with executives understanding the strategy, organizational objectives, and the level of risk being clearly defined.

5. It helps develop management approach and resource allocation to be efficient and effective by considering the level of risk in each activity and selecting appropriate risk management measures.

1.3 Meaning and definition

Enterprise Risk Management (ERM)	A process in which personnel throughout the organization participate in thinking, analyzing, and anticipating events or risks that may occur. Including specifying guidelines for managing such risks to an appropriate or acceptable level to help the organization achieve its desired objectives according to the organization's vision and mission framework.
Risk	Events or uncertainties that may affect objectives and goals by causing operations to deviate from goals or expectations. The severity of the risk may be measured by the impact of the event and the likelihood of it occurring.
Risk Factor	Causes of risk that will cause the objectives to not be achieved the main operating steps define both external and internal factors within the organization.
Risk Assessment	The process of risk identification and sequencing analysis involves identifying risks that will affect the achievement of the organization's goals by evaluating the likelihood of an event occurring, the impact, and the level of risk.
Key Risk Indicator (KRI)	Tools used to measure activities that may cause organizations to be at increased risk. There may be many risk indicators. It depends on identifying the cause of the risk.
Internal control	A process undertaken by the board of directors, management, and personnel to provide a level of assurance that objectives can be achieved.
Monitoring	Strict inspection, supervision, and observation or record the progress of activities, operations, or

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	systems on a regular basis to identify changes that have occurred.
Risk Response	The various methods that the company has adopted to deal with various risks.
Risk Identification	The process of considering potential events and their negative impact on the company's objectives. The cause or origin of the risk must be considered.
Risk Management	Risk management is the process, culture, and structure that affect the board of directors, executives, and employees in setting company-wide strategy. It is a process designed to identify events that may affect a company and use them to determine measures that enable the company to achieve its objectives.
Reasonable Assurance	The concept of risk management is that no matter how well a company is designed or operated, it can't guarantee that it will achieve all of its objectives because of existing constraints that cannot be managed in a risk management system.
Frequency	Measuring the event rate It is described in terms of the number of events occurring in a given period of time.
Uncertainty	Inability to predict with certainty the likelihood and impact of future events.
Probability	The chance of a particular event occurring. or a particular outcome that is measured as the ratio of the number of events or outcomes to the total number of potential events or outcomes. Probability ranges from 0-1, where 0 indicates that the event or outcome will not occur and 1 indicates that the event or outcome will definitely occur.
Loss	Negative results that affect the operations of the organization.
Cost	Costs of activities, both direct and indirect, include money, time, labor, and non-monetary losses.

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1.4 Risk types

Risk identification should include risks covering the following areas:

1. **Strategic risk** refers to the risk that arises from policy formulation and strategic planning. including improper implementation or inconsistency with various factors, both internal and external, of the company. This may affect the direction of development and the achievement of the company's goals.
2. **Operational risk** refers to risks that occur in every normal work process, covering factors related to information technology processes, materials, equipment, and the work place. The company must find a way to manage it or reduce potential impacts to an acceptable level. Otherwise, it may affect the success of operations according to the company's operational or strategic plans, including the prevention of corruption caused by the performance or omission of duties. or the abuse of power in any form of position, fraud, concealment, or concealment of evidence. in order to gain undue benefits or misappropriation of assets, which affects the efficiency of the work process.
3. **Compliance risk** refers to risk arising from the inability to comply with relevant rules and regulations or existing regulations that are inappropriate and hinder operations. Including the inability to comply in time, which may result in punishment according to relevant laws.
4. **Financial risk** refers to risks arising from the unpreparedness of finances, budgets, and controlling expenses that are more than necessary or ineffective. including creative accounting by refraining from providing information or intentionally providing false information in the company's financial status report.
5. **Healthy risk** refers to risk or damage that affects the life and safety of personnel within the organization.
6. **Environmental risk** refers to risk or damage caused by the environment. that impacts organizational change, such as climate change, and has an effect on product design and the company's operations.
7. **Community risk** refers to risk or damage resulting from an organization's operations that cause an impact on the surrounding community.
8. **Reputation risk** refers to risk or damage that affects reputation, public image, and credibility of the organization.
9. **Emerging risk** means a risk that has not yet appeared at present but may occur in the future due to the changing environment. This type of risk occurs slowly, is difficult to identify, and has a low frequency of occurrence. But when it happens, it will have severe consequences.
10. **Project risk** refers to the uncertainty that creates risky events. There is a chance that this will happen to the operation of various projects if project risk management is not

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effective enough. The results of a risky event may be damaging. It is an obstacle to project implementation, to the point that it may cause the project to fail.

1.5 Risk Factors

Internal risk factors

1. Technology risk factors such as selecting inappropriate technology and lagging behind technology due to the rapid emergence of new technology, etc.
2. Operational risk factors such as personnel shortages, lack of resources, uncertainty of not receiving the proposed budget, and improper operating processes.
3. Organizational culture
4. Ethical risk factors for personnel
5. Working environment

External risk factors

1. Risk factors arising from competition include new competitors entering the market, new technological advancements occurring, etc.
2. Supplier risk factors include suppliers not having the potential to work. Product delivery is later than specified, etc.
3. Risk factors regarding policies, rules, and regulations of the organization include changes in government regulations or laws. Changes in interest rates, etc.
4. Risk factors from economic and political conditions both inside and outside the country, including political changes. economic recession, international conflict, prices of consumer products, etc.
5. Health risk factors include epidemics, accidents, etc.
6. Community risk factors include the location of branches expansion in risky areas, etc.
7. Environmental risk factors include changes in climate, environment, and natural disasters, etc.

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2. Policy and Framework

2.1 Risk policy according to the sustainable development plan

Business operations today face an environment full of uncertainty, such as technological changes, epidemics, increased competition, changing consumer behavior, and laws and regulations from various agencies. As a result, the company must manage those risks by setting effective prevention and control plans to reduce the chance of damage as well as increase confidence in achieving goals. The policy was established as follows:

"We have determined to manage risks that have already occurred and risks that may occur to the organization to cover all dimensions in terms of policy, operation processes, and other external factors through making plans to prevent, control, and prepare to deal with those risks."

2.2 Strategy and operational framework

1. Prepare a risk report form to be in line with the comprehensive management process, identifying issues, setting up working groups, and evaluating them, leading to planning to deal with risks. including tracking and reporting results to develop plans that are continuously effective.
2. Organize a workshop for all sectors to participate in determining risk issues, presenting guidelines for prevention, and establishing a working group to suit the operation.
3. Hands-on risk management involves simulating real-life situations at the appropriate frequency to prepare for and deal with risks that will occur efficiently and on time.
4. Review risk management to be in line with the organization's vision and goals.
5. Monitor and evaluate risk operations under the risk management plan.
6. Arrange for the reporting of risk performance results at least twice a year, for each department and at every level.

2.3 Organizational risk management culture

1. All executives and employees are responsible for managing risks throughout the organization through systematic management and the same standards.
2. All executives and employees must implement risk management as part of normal operations. Both strategic planning processes, decision-making, and daily work by applying information technology to make the most of it.
3. Identification and management of risks that affect the achievement of the company's objectives. It must be managed systematically to keep the risk at a level acceptable to the company and to prevent unexpected losses to the business. This is to create a balance between business growth, risks, and returns for the company.

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4. Executives and employees must monitor and evaluate risk management. It reviews and participates in improving and developing the risk management system to be continuously efficient and effective.
5. The department responsible for each risk issue must report risks to the Risk Management Committee, following the risk level, periodically through the channels specified in the Risk Management Manual.

3. Risk management structure

The company has a risk management structure that is internationally accepted, which specifies the roles and responsibilities of the Risk Management Committee as well as various committees involved in risk management. Currently, the working group reports to the Risk Management Committee at least twice a year. In addition, the company also has an internal audit department and a supervisory department that oversees rules, regulations, and laws to ensure an effective risk management process. In this regard, the role and duty of the Board of Directors must look at the overall picture of corporate governance, risk management, and compliance with regulations as one thing (Governance, Risk, and Compliance, GRC) to drive the organization toward sustainability and promote efficiency in operations.

At present, linking the concepts of risk management together with organizational sustainability is a concept that allows businesses to operate comprehensively and efficiently. This builds confidence among all stakeholders, leads to the development of a sustainable organization, and truly achieves business goals.

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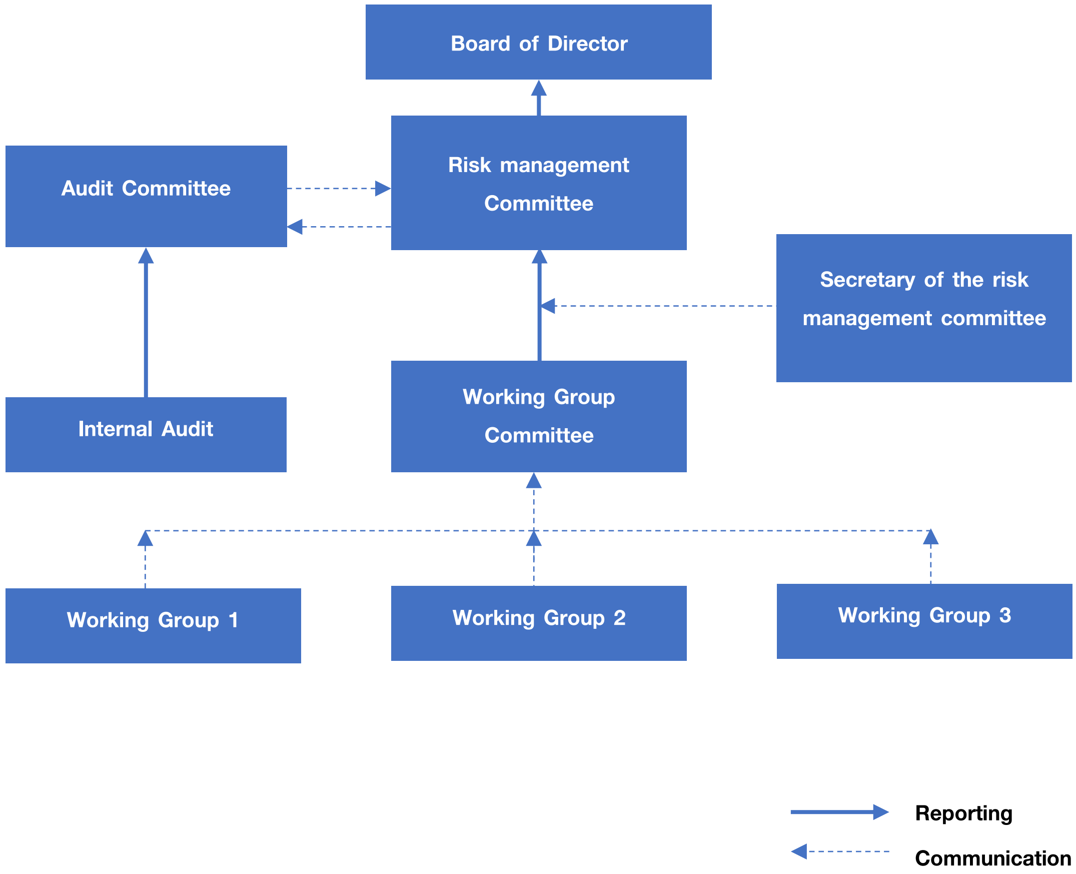

The structure of risk management consists of those directly responsible for risk management, namely those who perform normal tasks in every department and are responsible for setting risk management measures. Including evaluating the results of risk management so that the organization can achieve the set objectives to reduce the chance of risks or uncertainties that may occur that affect the company being unable to achieve its objectives or the goals of the company.

Roles and responsibilities in risk management

1. Roles and responsibilities of the Board of Directors

1) Approve the risk management policy and anti-corruption policy and determine the level of risk that the company can accept.
2) Supervise risk management systems to ensure that risk management policies are implemented effectively and continuously.
3) Monitor important company risks to ensure that they are controlled to an acceptable level.
4) Consider the overall risk of the company by comparing it to the level of risk that the company can accept.

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5) Receive reports from the Risk Management Committee regarding the implementation of risk management policies. Including various suggestions from the Risk Management Committee at least twice a year or every half year in the Board of Directors' meeting.

2. Roles and responsibilities of the Risk Management Committee

1) Present to the Board of Directors the determination of a risk management policy and acceptable risk levels.
2) Assess the risk of corruption, which the company gives importance to, and ensure clarity in the implementation of effective risk prevention and reduction measures.
3) Review the risk management report and take steps to ensure that risk management is adequate and appropriate, able to manage risks to an acceptable level, and that risk management is continuously implemented.
4) Report the results of enterprise risk management to the company's board of directors for acknowledgement. If some important factors or events may have a significant impact on the company, they must be reported to the Board of Directors for acknowledgment and consideration as soon as possible.
5) Consider and control costs in managing each type of risk issue for use in prioritizing risk issues to find cost-effective approaches to risk management.
6) Determine which impacts to prioritize by assessing the risk's likelihood and severity.
7) Perform any other duties as assigned by the Board of Directors.
8) Receive reports from the Secretary of the Risk Management Committee regarding the implementation of the risk management policy, including various suggestions from the Secretary of the Risk Management Committee, at least twice a year.

3. Roles and responsibilities of the Secretary of the Risk Management Committee

1) Present policies and strategic plans to the Risk Management Committee and identify important risks that may affect the strategy, including risks arising from corruption.
2) Apply policies and guidelines for risk management approved by the Board of Directors to develop them into practice in every department in the organization.
3) Promote a culture of risk management and appropriate internal control within every unit in the organization.
4) Coordinate with directors or other departments to exchange risk information and find the most efficient and appropriate management methods.
5) Provide advice to the team in the responsible line of work. In the matter of risk management, coordination between all parts is necessary so that operations are in the same direction.
6) Support the development of guidelines for risk management.

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7) Coordinate to provide training on risk management.
8) Ensure that communication regarding risk management is continuously effective.
9) Receive reports from each working group regarding risk management issues to present to the Risk Management Committee to find guidelines for risk management at least twice a year.

4. Roles and responsibilities of the Managing Director

1) Present strategies and business plans to the company's directors and identify important risks that may affect the strategies and business plans, including risks from corruption.
2) Take the risk management policy and framework that have been approved by the Board of Directors and develop them for practice throughout the organization.
3) Take action to ensure that the business strategy can be achieved under the risk policy approved by the Board of Directors.
4) Take steps to ensure that risk management is continuously implemented throughout the company.
5) Promote a culture of appropriate risk management and internal control.

5. Roles and responsibilities of the Working group

1) Present strategies and business plans to the managing director. As well as identifying important risks that may affect business strategies and plans, including risks arising from corruption.
2) Implement risk management policies and frameworks approved by the Board of Directors into practice in the chain of command for which they are responsible.
3) Support the Executive Committee in carrying out assigned duties and responsibilities.
4) Review risks and risk management under the chain of command for which they are responsible.
5) Support the creation of an appropriate risk management and internal control culture within the chain of command for which they are responsible.
6) Coordinate with the executive committee or other departments to exchange risk information and find risk management methods that are most beneficial to the company.
7) Provide advice to the team in the responsible department regarding important problems that arise in the risk management process.
8) Coordinate risk management so that operations are in the same way throughout the company.
9) Support the development of a risk management framework, including implementation and continuous monitoring.
10) Coordinate to prepare and update the company's risks to be current.

11) Coordinate to provide training on risk management.
12) Ensure that risk communication is continuously effective.

6. Roles and responsibilities of management and employees

1) Identify and manage risks as part of daily operations by following the company's risk management framework.
2) Regularly follow up on risk management related to responsible work.
3) Report important risks and problems that occur in risk management to supervisors on time.

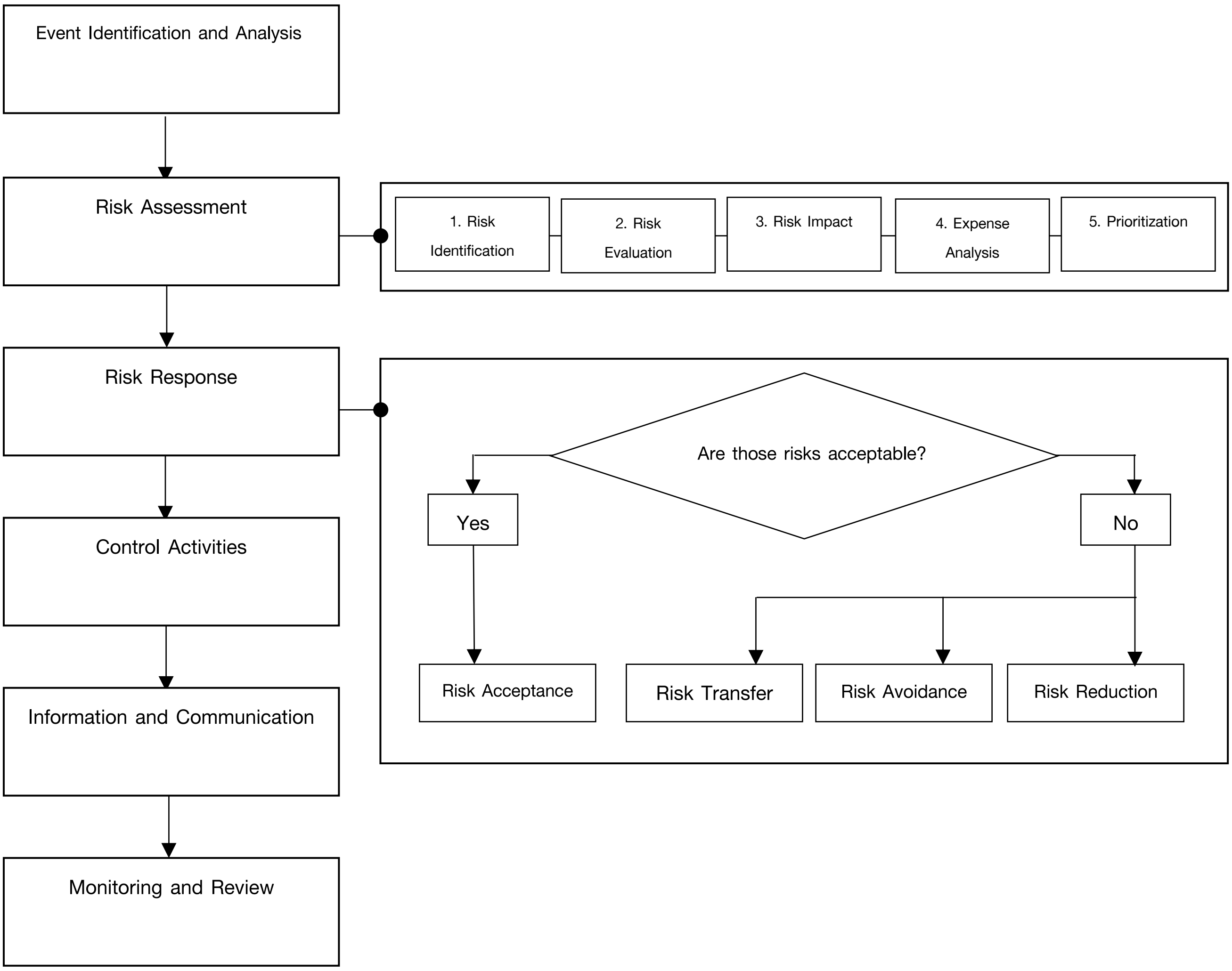
7. Roles and responsibilities of the Audit Committee

1) Take action to ensure that there is an appropriate internal control system to deal with general risks and risks arising from the corruption of the company.
2) Conduct an independent review to ensure general risk management. and risks arising from corruption are treated with efficiency and are always improved and adjusted appropriately.
3) Coordinate with the Risk Management Committee to receive information about risk issues and the internal controls process, then assign the internal audit department to plan and examine such risks.
4) Explain the effectiveness of internal controls and key risk management issues for the Board of Directors to consider.

8. Roles and duties of the Internal Audit

1) Provide support to the Board of Directors Audit Committee and senior executives in performing the duty of reviewing the general risk management process and risks arising from corruption and internal control. Including providing suggestions to improve the risk management process to be adequate and effective.
2) Conduct a review to ensure that internal controls have been implemented appropriately to manage the company's risks. Take information on general risks and risks arising from corruption from the risk management process, including identification. Point out issues that the board and senior executives give importance to and use in risk-based audit planning.
3) Coordinate with the risk management working group to exchange knowledge and information on risks that have an impact or may have an impact on the company.

4. Risk management process



The risk management process begins with identifying possible risk issues and then conducting a risk assessment based on impact level and frequency. The next step is the risk response. The four risk response options are accepted, transfer, reduce, and avoid. Then there is the determination of control activities to reduce the risk to an acceptable level. Communicate with personnel within the organization to understand and apply the operating process. Finally, monitoring and evaluating the results to control risk management will be effective, as will being able to develop and improve risk service plans to be more appropriate and efficient.

4.1 Event Identification and Analysis

Organizations must define clear organizational objectives as a framework for identifying and analyzing risks to be consistent with strategic goals and the organization's risk appetite.

The process of risk identification and analysis is a very important step in understanding the causes of risk. It allows the organization to identify events or activities in the operating process that

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may cause errors or damage, and as a result, the organization was unable to achieve its goals. The method for identifying organizational risks is as follows:

1. **Workshop** -- It is a commonly used method for identifying risk. The workshop should be conducted by a skilled facilitator to ensure that the objectives can be achieved within the specified process and time. The selection of workshop participants, who must be related to the objectives to be discussed, is an interesting topic. Each participant must be familiar with the subjects that will be covered in the workshop and able to engage in those conversations.
2. **Risk Self-Assessment (Interview or survey)** -- It is an effective method for acquiring risk information. It might be a useful beginning point for discussion at risk workshops.
3. **Benchmarking** -- Research and comparisons with other companies within the country and abroad may be used to identify direct risks affecting the company. As well as studying techniques from research, including studying related journals, participating in business-related seminars, searching for information on the internet, asking for opinions, and having regular discussions, both formal and informal, with representatives from other companies.
4. **Brainstorming** -- Discussing potential risks in each department with employees, or doing risk analysis within the organization, provides a direct source of information that may be used to identify company risks.
5. **Key Risk Indicator (KRI)** -- Leading events or risk indicators can help detect risk factors. This is accomplished by tracking event-related data and allowing employees to detect existing conditions that may lead to future incidents. Employees should also assess whether there are indicators for each important risk. In circumstances where risk indicators are not stated, Employees should consider gathering the essential information for risk indicators to ensure their successful implementation.
6. **Past Events Reports** -- Studying historical data on revenues, losses, events, or other risk-related information allows a company to effectively identify risks using quantitative analysis of those data or comparative analysis. Expected results or budget to provide an understanding of the causes or effects of an event. However, the company should not forget to consider both the good and bad results that may occur, because not understanding the profits that will occur can be as risky as understanding the results that will affect the losses that will occur.

Responsible departments need to identify risks within the risk category framework that the company has defined. In identifying risks or uncertainties that may occur, both internal and external factors must be considered so that risk identification is clear and comprehensive in all aspects of the company's operations according to risk types.

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4.2 Risk Assessment

Evaluating the likelihood and impact of a potential event on objectives. One risky event may have different levels of impact, and the frequency of its occurrence will vary. Risk assessment consists of two dimensions, as follows:

1. **Likelihood** -- the probability that a given event will occur. Likelihood can be expressed using qualitative terms (Extreme, High, Medium, Low or Negligible), as a percent probability, or as a frequency.
2. **Impact** -- The level of severity that the company receives from that risk, such as damages incurred in both monetary and non-monetary terms.

Risk assessment can be done both qualitatively and quantitatively by considering events that occur from outside and within the organization. In addition, risk assessment should be carried out both before the risk is managed (inherent risk) and after it is managed (residual risk) by factors that should be considered in risk management, as follows:

- Performance of executives and employees
- Operational process
- Internal control activities
- organizational structure
- Reporting process/communication methods
- Management's attitude and approach regarding risk
- Organizational behavior that is expected and currently exists.
- Performance measurement and follow-up

1) Likelihood/frequency of occurrence refers to the probability that an event will occur. How likely is it to happen? Consider the level of chance of this happening as follows:

Level	Likelihood	frequency
1	Highly unlikely	Every 6-12 month
2	Unlikely	Every 3-6 month
3	Possible	Every 1-3 month
4	Likely	Twice a week
5	Highly likely	Once a week

2) Impact level refers to the severity of the impact of the event that occurred or predicting that the event will occur by considering the level of severity as follows:

Level	Impacts	Detail
1	Lowest	Damage value < 50,000 Baht
2	Low	Damage value 50,000 – 200,000 Baht

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Level	Impacts	Detail
3	Medium	Damage value 200,000 – 500,000 Baht
4	High	Damage value 500,000 – 1,000,000 Baht
5	Highest	Damage value > 1,000,000 Baht

Consideration of risk after evaluating the likelihood of occurrence (Likelihood Score) and severity of impact (Impact Score) will be taken into account with the risk assessment table (Risk Metrix), where the X-axis represents the likelihood of potential risks and the Y-axis represents potential impacts. The priority of risk has been determined from levels 1–5, as shown in the table below.

Risk Assessment		**Possibility of risk to the organization**				
Impacts	Highest (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Medium (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Lowest (1)	1	2	3	4	5
		Highly unlikely (1)	Unlikely (2)	Possible (3)	Likely (4)	Highly Likely (5)
		Likelihood				

Risk level arises from the relationship between the level of severity and the level of likelihood. The risk level is divided into 4 levels, with each level having its own meaning and practices for use in risk management. As shown in the following table,

Estimated values of likelihood and impact	Risk level	Guidelines
0 - 4	Low	Controlling the risks requires no additional management.
5 - 9	Medium	Prevent risk from moving to a high level.
10 - 15	High	Manage risks to keep them at acceptable levels.
16 - 25	Critical	Manage risks to reach acceptable levels with urgency.

Once the level of risk is known, risks with very high levels will be dealt with first, and risks with low levels are classified as risks that do not require any corrective action. This risk prioritization allows for efficient planning and allocation of resources.

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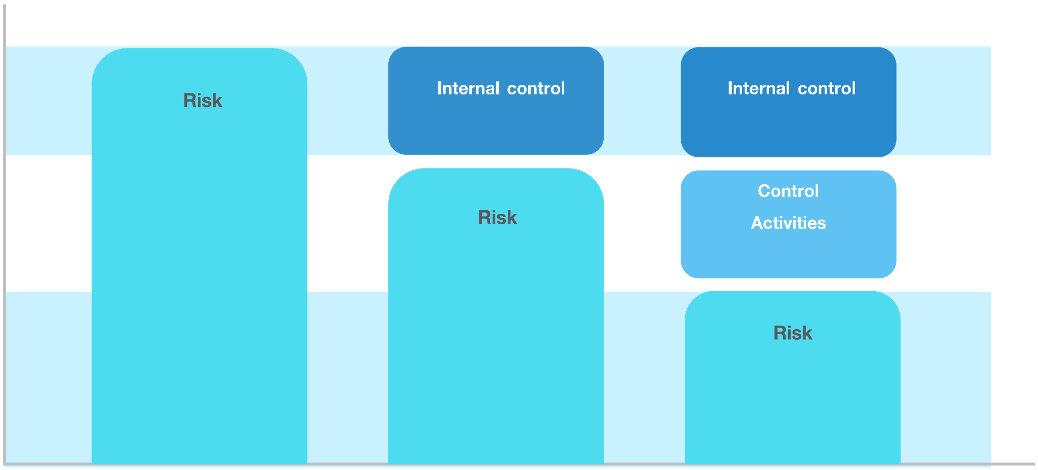
4.3 Risk Response

1. **Risk Reduction** -- The risks may be reduced by finding ways to prevent damage from occurring. This type of risk response aims to reduce the number of instances of damage or the severity of events that may occur in the future. This is called a mitigation plan. The analysis may be based on historical, current, and future forecast information for decision-making.
2. **Risk Transfer** -- It is another method of risk management in which a business must analyze and decide whether to transfer risk in one form or another. This depends on the suitability of that business, such as transferring risk to an insurance company according to the form and conditions that the business requires.
3. **Risk Avoidance** -- Risk avoidance can be done by simple methods where the business does not attempt to get involved in activities that create risk, but this risk avoidance method should be the last method after considering that only one method can be used to fix it. When deciding on this method, businesses must compare the pros and cons before making a decision.
4. **Risk Acceptance** -- This method will be used in the sense that the executives of the organization agree to bear the risk or damage themselves because they see that the chance or probability of damage is within the acceptable range of doing business.

4.4 Control Activities

Once appropriate risk response methods have been selected, risk control activities are established to ensure that risk is properly managed. In all aspects of the operation, there must be adequate control activities that are appropriate for the type of control which can be grouped as follows:

1. **Preventive Control** -- It is a control method established to prevent or reduce risks and errors in the first place, such as segregation of duties, installing equipment to prevent incidents, etc.
2. **Detective Control** -- It is a control method designed to discover errors that have already occurred.
3. **Directive Control** -- It is a method of control that promotes or encourages the achievement of objectives.
4. **Corrective Control** -- It is established to correct errors that have occurred or not to cause errors in the future.



Graph showing that correlation of risk and control activities

From the picture showing the relationship of risks and control activities in addition to adequate internal control. Establishing additional risk control activities can also help reduce the level of risk to an acceptable level.

4.5 Information and Communication

Information and communication systems will be tools that management can use to convey governance policies and monitor the success of operations. Organizations must have effective information and communication systems. A good information system should consist of:

1. User rights are controlled, divided into steps according to responsibilities and types of work.
2. There is a data backup system to prevent system failures or force majeure events that affect the organization's important data.
3. There is a working system that can link each department to be able to effectively manage the use of information together.
4. There is an asset management system that can meet the needs of users, and its use must not be complicated to facilitate operations.

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4.6 Monitoring and Review

The Risk Management Committee organizes semi-annual meetings to follow up on the organization's risk management. The participants include the Corporate Governance and Sustainability Committee and the Secretary of the Risk Management Committee. To evaluate ways of revising and improving risk management policies and guidelines to be consistent with the company's internal and external environment. As for the follow-up at the board level, it is the follow-up of risk issues that have a severe impact on the company and are unacceptable risks because they may have an impact on the operating results or the direction of operations.

Each year, the Risk Management Committee holds follow-up meetings and discusses risk issues at least twice. The Risk Management Committee holds continuous follow-up meetings to reduce the severity of impacts. At the same time, risk issues are reviewed annually to be consistent with the current situation.