

## **Enterprise Risk Management Policy of BTS Group Holdings Public Company Limited**

### **Introduction**

The following section presents an overview of Enterprise Risk Management Process of the Company and 4 business units; 1) Mass Transit 2) Media 3) Property and 4) Services .

In the period of 2013/14, the Company had fully implemented its updated Enterprise Risk Management Policy to all business units. The revised policy has been developed in accordance with the standards set out by the Committee of the Sponsoring Organisations of the Treadway Commission (COSO).

### **Objectives of Enterprise Risk Management Policy**

Taking risks is an integral part of entrepreneurial behaviour. The objectives of BTSG's Enterprise Risk Management function is not to eliminate all risks but to ensure that we are aware of all relevant risks and efforts are made to manage these appropriately at all business levels. Management needs to take those risks into consideration when making any business decision.

The aim of our Enterprise Risk Management Policy is to establish a formal communication to all business units and all departments on the Enterprise Risk Management Framework and provide guidance on the risk tolerance of BTSG. This will ensure that all business units perform risk identification, risk evaluation, risk control and risk monitoring in a consistent manners.

### **Enterprise Risk Management Policy Statement**

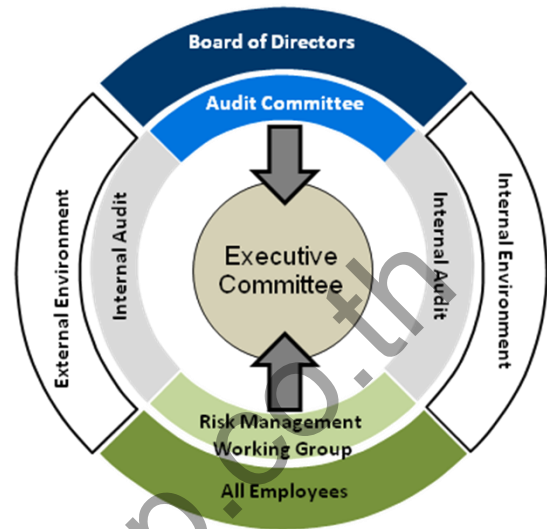
The company believes Enterprise Risk Management is one of the key strategies to help the Group achieve our objectives. We ensure that all business units implement our Enterprise Risk Management Framework in dealing with all foreseeable risks appropriately. All material risks will be registered, monitored and reported to Management in order to be controlled efficiently such that Enterprise Risk management becomes an inherent factor to be taken into account when making business decisions.

Key safeguards embedded in the Company 's Enterprise Risk Management policy include ensuring compliance with legal requirements and ensuring the integrity of the company's financial reporting in both Group and business unit levels. The risk management approach integrated areas of corporate governance and internal controls system of the organisation.

## Enterprise Risk Management

The Company has established both a “top down” and “bottom up” approach to Enterprise Risk Management.

The **Board of Directors (BoD)** provide the top down oversight and accountability and has the responsibility of i) setting out the enterprise risk policy and framework ii) reviewing the appropriateness of the policy and framework on an ongoing basis and iii) ensuring that risk management and internal controls are implemented. In order to achieve this end, the **Audit Committee** is tasked with evaluating the sufficiency of the enterprise risk management policy and providing advice to both the Board and the Management.



At the core of the Company’s Enterprise Risk Management structure is the **Executive Committee (Ex-com)**. The Ex-com is responsible for monitoring and controlling key risks and any conditions that may have a material effect on business operations. Further, the Ex-com acts as the centre of risk management engagement with the ability to reach out to the rest of the organisation.

Each employee in the firm is encouraged to increase awareness of the impact their own responsibilities may have on the organisation as a whole. Our ‘bottom-up’ risk management approach is done by business/risk owners. Each business unit is responsible for identifying, assessing and controlling key risks that their business is exposed to. The company also engaged Professional Consulting Company to conduct a risk self assessment workshop with each department. This process aims to educate and increase awareness of ‘bottom up’ risks that each business unit may be exposed to.

In addition, Ex-com set up **Risk Management Working Group (RMWG)**, which comprise of representatives from all business units. RMWG consolidates risks of all businesses and performs business impact analysis at the Group Level. On continuing basis, RMWG supports each business unit in implementing Enterprise Risk Management and updates to Ex-com (quarterly) and Board of Directors (annually).

Aside from the role of verifying the effectiveness and integrity of existing internal controls, **the internal audit team** is also responsible for an independent audit of the risk management process.

## Enterprise Risk Management Framework

The Enterprise Risk Management framework is a continuous and developing process which is central to the BTS Group's strategic management and designed to provide 'reasonable assurance'.

To ensure good governance of company-wide risk management, the BoD approved a Enterprise Risk Management Framework as a guideline for all business units to pursue. The BoD also appointed the Ex-com to monitor and control key risks to be consistent with the Company's objectives.

For reporting and compliance related objectives, the system is designed to provide reasonable assurance that objectives are actually met. For strategic and operational objectives (which are subject to external influences) the framework is designed to provide reasonable assurance that management and the Ex-Com are at least aware of the progress of each business unit in achieving its objectives.



1. **Risk Identification:** With the aim of identifying our organisation's exposure to uncertainty, the Company has developed a methodical approach to indentifying risk. The Company and each business unit are responsible for identifying relevant risks and assessing its potential impact. This process is reviewed at least annually. Further the Holding company consolidates those risks and categorises into five primary risks; Strategic, Operational, Financial, Compliance and Fraud. The Company believes that an in-house approach to Enterprise Risk Management is most effective.
2. **Risk Evaluation:** The Company and each business unit have developed a "Risk Map". This map summarises material risks that could impact the Company's strategic objectives and financial, such as earnings and continued operations. Risks are considered a material threat if they are above the predetermined threshold. Each risk is also described, and estimated in terms of probability of occurrence and severity of impact in the case it occurs.
3. **Risk Reporting:** The efficient communication of risk intelligence within a company is critical and supported by a sound corporate governance structure. Each business unit produces a report of critical variables to help the tracking of risks of the business on regular basis.
4. **Risk Control:** For risks which are identified as being above the acceptable threshold, the Company and each business unit will propose countermeasures to reduce or control the risk with Cost-Benefit Analysis and implement those measures if approved by Ex-com.
5. **Risk Monitoring:** Risk monitoring involves both the ongoing assessment of risks as well as the ongoing review of the system that controls the risks. This is in order for the risk management

framework to remain effective in an external and internal environment that is dynamic in nature. Each business unit produces a report with warning threshold at both Company level and Group level to help monitoring their risks closely. If the threshold crossed, the risk will be escalated to the Head of the relevant business unit to take action immediately. To evaluate risk control, each business unit monitors the risks and their impacts on operations, which will be updated to the Ex-com on a quarterly basis. The overall system's integrity is also reviewed by the Board of Directors in the annual 'Evaluation on the Adequacy of the Internal Control System'.

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