

Declaration no. 007/2024

**RISK MANAGEMENT POLICY  
OF  
GMO-Z COM SECURITIES (THAILAND) PUBLIC COMPANY LIMITED**

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## Chapter 1 Risk Management Committee

### Article 1 (Purpose)

1. The Policy of the Risk Management Committee ("**the Policy**") shall provide for all necessary matters with respect to the operation of the Risk Management Committee ("**the Committee**") of GMO-Z com Securities (Thailand) Public Company Limited ("**the Company**") and will be proposed to Board of Directors ("**BODs**") for approval. The Committee and members of the Committee shall be appointed by BODs.
2. The Committee shall be operated, upon delegation from the Chairman of the Committee, for the purpose of deliberating on or determining important matters concerning enterprise risk management of the Company, based on strategic risk allocation and risk appetite, and thereby assuring the sound and effective management of the business.
3. The purpose of the Policy is to define the fundamental policy and control processes for the risk management of the Company and contribute to the maintenance of financial soundness and the heightening of enterprise value through the appropriate management of risks arising during day-to-day business operations.
4. Risks of the Company are defined as i) potential erosion of the Company's capital base due to unexpected losses from business operations, ii) potential lack of access to funds due to deterioration of the Company's creditworthiness or deterioration in market conditions and iii) potential failure of revenues to cover expenses due to deterioration of earnings environment or deterioration of efficiency or effectiveness of business operations.

### Article 2 (Constitution and Responsibility of the Committee)

1. The Committee must consist of the members of the Committee ("**the Members**") at least three members. The members of the Committee are appointed by BODs, including Members who may be replaced or amended as deemed appropriate from time to time. Members shall appoint one of member as a Chairman of the Committee.
2. The Committee shall appoint one of the Credit Risk Management Section staff to act as Secretary of the Committee.
3. Scope of duties and responsibilities of the Risk Management Committee
  - (1) To consider the Company's Risk Management Policy, and to regularly review or amend the policy to take account of new risks or market developments;
  - (2) To consider and approve any transactions that impact the Company's risk management;
  - (3) To consider and implement risk control procedures of all the Company's new products or new businesses;
  - (4) To consider and approve credit limit of the customers according to the authority approval table as stated in the Client Acceptance and Credit Limit Consideration Guideline;
  - (5) To implement risk control procedures and ensure effective risk management of all the Company's risks such as credit risk, market risk, liquidity risk, operational risk, and IT risk;
  - (6) To consider suspicious transactions reporting to Anti Money Laundering Office ("**AMLO**");
  - (7) To consider and approve working group to undertake implementation of Continuity Management ("**BCM**") and Business Continuity Plan ("**BCP**").
4. Any person other than the Members may be requested to present at a meeting of the Committee and deliver their opinion by the nomination of the Chairman of the Committee.

### Article 3 (Convocation of Meetings)

1. The person who has been appointed by the members will be Chairman of the Risk Management Committee Meeting ("**the Chairman**").

2. If the Chairman of the Meeting is not present at the meeting or cannot perform his/her duty, CEO/EC present at the meeting shall be the Chairman of the Meeting. If CEO/EC is not present at the meeting or cannot perform his/her duty, the members present at the meeting shall elect one of the members to be the Chairman of the meeting.
3. When any member is absent, he/she can be able to raise issues to reconsider in the next Meeting or promptly reconsider for an urgent issue.
4. A quorum shall consist of at least half of all members of the Committee.

**Article 4 (Meeting Date and Time)**

1. Regular Meeting will be held at least once a month to consider regular risk issues such as the consideration on suspicious transactions reporting and interest rates for margin loan and cash balance, etc.
2. The Meeting may be called anytime when there is any urgent and important issue requiring consideration and approval.
3. In case an official Meeting cannot be held, the secretary of Risk management committee may circulate the agenda for all members to consider and approve via e-mail or telephone with immediate effective, however, written approval must be prepared and obtained as soon as possible.

**Article 5 (Agenda and Materials)**

1. To ensure effective Meetings, the agenda of the Meeting and necessary materials for discussion shall be circulated to all members in advance.

**Article 6 (Reference Matters)**

1. The following matters shall be referred to Meetings of the Committee;
  - (1) Important matters concerning market, legal, credit, operation or reputation risk management of the Company, which require a new risk management framework;
  - (2) Matters concerning establishment, alteration and abolition of important Policy related to risk management;
  - (3) Any other matters concerning enterprise risk management items deemed necessary by the Committee Chairman.
2. All employees shall regard themselves as a principle of risk management and appropriately manage risks arising during day-to-day business operations.
3. The Company practices prudent risk management at individual entity level and also identifies, evaluates and appropriately manages risks by each of the business departments and back office departments, respectively.

**Article 7 (Voting)**

1. The Risk Management Committee's resolution shall be passed by the majority votes of the Committee members who attend the meeting and cast their votes. One member shall have one vote. In case of a tied vote, the Chairman of the meeting can cast another vote in determining the vote result.

**Article 8 (Minutes of Meetings)**

1. The secretary shall record the substance of proceedings at the Meeting and the results thereof in minutes of the meeting and the Chairman presenting in the Meeting shall sign such minutes.
2. The minutes of the meeting of the Committee shall be kept at Credit Risk Management Section, Operations Department for 5 years.

**Chapter 2 Risk Management Frameworks**

**Article 9 (Classification and Definition of Risk)**

The Company classifies and defines the risks to be managed into 9 types as follows;

- (1) **Strategic Risk (ST)** is risk arising from determining strategic plan, operational plan and implementing improper or irrelevant with internal and external environment which impacts on earnings, capital or continuing of operation business.
- (2) **Liquidity Risk (LI)** is risk arising when the Company cannot settle debt on due date since it cannot provide sufficient capital or provide capital which its cost is higher than the acceptable level and may impact on the Company's earnings and capital both at present and in the future.
- (3) **Credit Risk (CR)** is opportunity or probability that partner of contract cannot perform as agreed which may affect on the Company's earnings and capital such as concentration in any securities, granting credit limit outside the policy, credit officer lacking in experience of analyzing credit limit, etc.
- (4) **Information Technology Risk (IT)** is probability of expected or unexpected event arising from using technology which effects systems and operations causing loss of the Company's earnings and capital such as unauthorized persons accessing, editing, deleting, or disclosing information. Cyber risk is threats that affect causing of business risks and business operators, which arises from the use of services or applications of computer and network communication.
- (5) **Operational/ Management Risk (OP)** is risk arising from following factors:
  - Lack of good governance regarding internal operating, personal, system or external events that affect the Company's earnings and capital such as staff fraud, risk which caused loss of assets such as fire, riot, etc.
  - Lack of compliance culture which should have been established by the executive.
  - Lack of establishment of check and balance system, Chinese wall, and Conflict of Interest.
  - Lack of independence of compliance function. and effectiveness of compliance audit plan.
- (6) **Market Risk (MA)** is risk from changing interest rates, exchange rates and price of instrument in money/capital market which affect the Company's earnings and capital such as Market turnover decrease which effects brokerage fee.
- (7) **Compliance Risk (CO)** is the risk of being sued or fined by regulators due to non-compliance work conduct.
- (8) **Prudential Risk (PR)** is the risks arising from capital adequacy and financial stability problem which may consider from Net Capital Ratio, operating practice pertaining to the criteria, procedure, or approach to granting credit limit includes the effectiveness of system which are used for controlling transactions that may affect the company's financial status.
- (9) **Customer Relationship Risk (CU)** is the risk relating to custody of client asset and information, service fairness and handling client's compliant which may consider from the appropriate segregation of client asset, the system used for controlling and monitoring client service practice, system used for preventing front running and churning, etc.

#### **Article 10 (Risk Management Frameworks)**

The Company shall implement effective risk management frameworks for each risk class the Company is facing. Manual processes shall be replaced by IT systems to prevent unnecessary damages caused by human errors. Below are examples of risk management frameworks employed by the Company.

- (1) **Strategic risk** is managed by identify risk and build appropriate risk minimization strategies into the strategic plan. However, the Company has to review the system which ensure that the process is implemented efficiently and effectively, and progress needs to be reported.
- (2) **Liquidity Risk** is managed by actively monitor and control any risk exposures or funding needs. The Company also conducts regular financial stress tests to anticipate different potential liquidity shortfalls. Stress tests should include both short-term and long-term scenarios that identify sources of liquidity strain and that ensure all exposures

align with our established liquidity risk tolerance. Then using the results of stress tests, to adjust liquidity risk management strategies and develop a formal contingency funding plan ("CFP").

- (3) **Credit risk** is managed by implementing a standard credit limit consideration policy for determining appropriate credit limit for each individual customer's status, implementing a proactive methodology to adjust initial margin required of marginable stocks to reflect the updated risks of each individual stocks, etc.
- (4) **Information Technology Risk** is managed by graduate implementing COBIT processes manage all IT-related activities within the company. These processes have to deal with events internal or external to the company. Internal events can include operational IT incidents, project failures, full (IT) strategy switches and mergers. External events can include changes in market conditions, new competitors, new technology becoming available and new regulations affecting IT.
- (5) **Operational risk/Management Risk** is managed by having a standard work manual to guide staffs in managing and completing all required tasks accurately, event reporting (incident report) to help identify causes of significant incident and implement better preventive controls to minimize reoccurring events. Risk and Control Self-Assessment is provided for every department to be aware of risks they are facing from their day-to-day operation and consider developing controls to minimize the risks.
- (6) **Market Risk** is managed by providing the risk tolerance, loss scenarios, scenario simulation and stress test scenarios (base case, high risk, low risk, repricing behavior, Earning-At-Risk simulation to advise loss possibility and manage that risks beforehand.
- (7) **Compliance Risk** is managed by identifying of Compliance risk and obligations, assessing risk, mitigating risk (includes Training and Education), compliance risk monitoring (includes action tracking) and compliance risk reporting (includes incident management).
- (8) **Prudential Risk** is managed by (1) calculating NC/NCR on a daily basis, the result of NC/NCR calculation shall be reported to management, related departments, regulators and other related external parties every business day. The processes of NC/NCR level monitoring are defined in NCR Management Guideline. (2) Assessing credit limit for clients, the processes of assessment shall be performed before granting open account and such processes are defined in the Client Acceptance and Credit Limit Consideration Guideline.
- (9) **Customer Relationship Risk** is managed by segregating clients' assets which shall be clearly defined in accordance with relevant regulations. For cash balance in the segregated accounts shall be invested according to the criteria regarding investment of clients' assets defined by SEC and clearly specified in such investment that it is undertaking of ZCOM for the client's benefit.

### Chapter 3 Administration

#### Article 11 (Review)

The Policy must be reviewed and where necessary revised at least annually by the Committee to ensure it continues to meet internal and external requirements and propose to obtain approval from the Company's Board of Directors.

#### Article 12 (Establishment, Amendment and Abolishment)

The establishment, amendment or abolishment of this Policy is subject to be reviewed of the Committee and approved by the Company's Board of Directors.

#### Article 13 (Effective Date)

The Policy is effective from 30 May 2024 onwards.

**Revision History**

Date	Declaration No.	Status	Details of Revision
22 August 2017	011/2017	Cancelled	-
26 September 2017	020/2017	Cancelled	- Revising member of the Committee - Adding Risk Management Framework
26 March 2019	004/2019	Cancelled	- Revising member of the Committee
12 March 2020	001/2020	Cancelled	- Revising member of the Committee
10 July 2020	005/2020	Cancelled	- Revising Article 9, 10 by adding risk type of Prudential Risk and Customer Relation Risk.
20 October 2021	019/2021	Cancelled	- Revising Article 1 by revise The Committee and members of the Committee shall be appointed by BODs. - Revising Article 2, no.1 by revise "The Members of the Committee shall be appointed by the Board of Directors" and add "Members shall appoint one of member as a Chairman of the Committee" - Revising Article 3, Convocation of Meetings in no.1 and 2
25 March 2022	021/2022	Cancelled	- Changing Company name
27 January 2023	001/2023	Cancelled	- An annual review - Revised Article 9 Re: Classification and Definition of Risk by amending types of risks from 7 types to 9 types and its definition.
23 March 2023	010/2023	Cancelled	- Revised the part that related to Executive Committee due to the dissolution of Executive Committee by the resolution of BODs Meeting No.2/2023.
25 January 2024	002/2024	Cancelled	- Revised Article 3, Convocation of Meetings in no.3 - Revised Article 8, Minutes of Meetings in no.1
30 May 2024	007/2024	Effective	- Revised member of the Committee

Effective from 30 May 2024 onwards