

# Internal Control

## 1 Internal Control

### 1.1 The sufficiency and suitability of the Internal Control System

According to the results of the assessment of the adequacy of the Company's internal control system in 2021 using the form prescribed by the Securities and Exchange Commission (SEC) (the announcement of The Securities and Exchange Commission No. TorJor. 55/2020 effective as of September 1<sup>st</sup>, 2020), the Internal Audit & Risk Management Department reported the assessment results to the Audit & Risk Committee meeting No. 9/2021, held on November 10<sup>th</sup>, 2021. In summary, from the assessment of the 5 components of the Company's internal control, namely, control environment, risk assessment, control measures, Information and communication systems, and monitoring systems, the Internal Audit & Risk Management Department was of the view that the Company's internal control system was sufficient and appropriate. The Company had sufficient personnel to operate the internal control system effectively. Furthermore, the Company also had an adequate internal control system to monitor and control the operations of subsidiaries; to protect the properties of the Company and its subsidiaries from unauthorized usage of the directors and executives; and to monitor the connected transaction. For other internal controls, the Board of Directors was of the view that the Company already had sufficient internal control.

The summary of internal control system under the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) concept is as follow:

#### 1. Control environment

The Company had setup reporting structure and appropriate determination of authority and responsibility to accomplish Company's objectives under the oversight of the Board of

Directors. The Company is committed to persuade, develop and maintain our skilled personnel by prescribing the human resource management policy, which has already been notified to all employees. This policy shall be used as an operational framework for employees in various areas; namely, organizational structure and manpower management, personnel recruitment and selection, portfolio management, personnel development and role of supervisors in personnel management. The Board of Directors is independent to administrative section and is responsible for overseeing and developing of internal control, as well as assigning duties and responsibilities for internal control to personnel. In addition, the Board of Directors has also prescribed operation manual for important work system in writing and has distributed such operation manual to related persons to be used as operation guideline for accomplishing the Company's objectives and complying with internal control principles. Adhering to integrity and morality, the Company has provided written Code of Conduct and has published such to all employees through Intranet system and disseminated in the employee orientation for the employees to acknowledge the Code of Conduct. This is to be deemed as a part of the annual performance evaluation.

#### 2. Risk assessment

The Company has prescribed clear objectives. The Company has set up all risks analytical and identification that might affect the objective accomplishment and has considered potential risk of corruption, as well as identifying and assessing the changes that might affect the internal control system. The Company has prepared the risk management manual for executives of each department to be used as risk

management guideline. Each department is responsible for assessing the operational risk and preparing risk management plan for their department, as well as specifying risk management and controlling guideline, annually. The Internal Audit & Risk Control Office is responsible for coordinating, collecting, advising, and summarizing the said risk assessment and reporting to the Board of Directors and the Audit & Risk Committee for considering, monitoring and reviewing of the said risk management and control.

### 3. Control measure

The Company has set up control measure to reduce the risk from failing to achieve the Company's objectives to acceptable level, by prescribing policies, regulations and the approved operation manual in writing. There shall be internal control at all levels of the organization and division of responsibilities in order to check and balance each other. At present, the Company has completed operation manuals for 59 working systems. In this regard, the Department of Regulation and Work System Development has regularly revised the said operation manuals to be up to date and appropriate for organization structure. In addition, the Company has reviewed the operating results by the Company's executives, as well as preventive and monitoring measures in order to ensure that the Company's operation be in accordance with the law, rules, and regulations, constantly. Regarding the technology system control, the Company has developed the general controlled-technology activities to support the accomplishment of the Company's objectives, such as, technology system for security control, acquisition control process and appropriate technology system for development and maintenance.

### 4. Information and communication systems

The Company has set up data system and adequate internal and external communication channel to support the internal control, by using intranet and Email system of the Company to disseminate policies, regulation/command, operation manual and news of the Company throughout the organization, in order to accommodate the relevant employees to access the data relating to the operation, that supports the compliance of the prescribed internal control system. The Company also has the efficient means to communicate with stakeholders outside the organization effectively via the Company's website.

### 5. Monitoring system

The Company has regularly monitored and assessed the management's performance result in order to assess the performance result to be in accordance with the Company's goal. The Company also has the operation system audited by the Internal Audit & Risk Control Office pursuant to the annual audit plan. In this regard, the Company has prepared report summarizing the auditing results and presented to the relevant executive to consider and designate guideline to improve the operation system and report the auditing result to the Audit & Risk Control Committee in order to present it to the Board of Directors, respectively. In addition, the Internal Audit & Risk Control Office shall periodically monitor the revision and improvement pursuant to the suggestion in the audit report, as well as annually assess the adequacy of the internal control every year.

## 1.2 Explanation of any defect or failure of the Company's internal control in the past.

- None -

## 1.3 Identification of the Audit & Risk Committee's comments in case of having a different opinion from the Board of Directors.

- None -

## 1.4 Comments of the Audit & Risk Committee to EVP-Internal Audit & Risk

## 1.5 Appointment, removal and transfer of the EVP-Internal Audit & Risk

The Company's appointment, removal and transfer of the EVP-Internal Audit & Risk shall be approved by the Audit & Risk Committee. Ms. Sarinthip Jarunsathianchai as being EVP- Internal Audit and Risk, started working on June 1<sup>st</sup>, 2021, has experiences in the internal audit and other relevant expertise for 26 years, therefore, she is qualified to perform her duties appropriately and adequately as specified in attachment 3 (the details relating to EVP-Internal Audit and Risk).

# Risk Management

## 1 Risk Management Policy and Plan

BEC World Public Company Limited is aware of the importance of risk management and has specified risk management as one of strategic planning, work plans and the Company's operation. The Company, therefore, operates its business under risks at acceptable levels. There are procedures to properly manage risks, which may affect the accomplishment of the Company's objectives, to achieve the Company's targets and respond to the stakeholders' expectations. All levels of employees shall participate in managing the risks occurred.

The Company categorizes risks into 4 main types:

- 1. Strategic Risk** is a risk occurred from improper or inconsistent implementation of the policies and strategic plans, which may impact the accomplishment of the Company's objectives and goals. The impact may be caused by either external or internal factors, including risks arising from the wrong decision and improper implementation.
- 2. Operational Risk** is a risk affect the Company's operation, due to an error of employees, systems or processes' operation which may be caused by either internal or external factors, including risks related to data managements which affect the operating performances.

**3. Financial Risk** is a risk occurred from financial unreadiness, disbursements not consistent with the plans, unnecessary expense and ineffective expense control, fluctuations in the market's factors, risk of non-performance of obligations of contracting party, which affect the financial status and the Company's operations.

**4. Compliance Risk** is a risk relating to not being able to comply with relevant business rules, regulations, and other procedures. Moreover, unsuitable regulations and laws can hinder operations and may affect the Company's reputation and image.

The Company has planned to assess risks of all Company's departments at least once a year. The said assessment must be presented to relevant executives, committees, and Board of Directors for decision making. The Company plans to prepare Key Risk Indicators (KRI) and Risk Management Report for tracking its significant risk management. Furthermore, the Company determines to have Enterprise Risk Management (ERM) according to international standard to apply the principles and procedures with the Company's risk management framework to enable the executives and all employees to comply therewith consistently throughout the organization.



## 2 Risk Factors on Business Operation

### 2.1 Risks associated with the operation of the Company or the BEC Group

#### Strategic Risk

- Risk from relying on customers in one market overly: The Company has realized that foreign customers are mainly in Asia's market. If there is a problem occurred in the said market, it shall highly affect the Company's income. To reduce this risk, the Company has planned to expand target groups to cover more variety and spread to other markets.
- Risk from innovation of new technology (Disruptive Innovation). Presently, innovation can be created rapidly, such as, new channel to receive data via Application on mobile phone, Notebook computer or Metaverse, which are widely popular, including, Non-Fungible Token (NFT) or technology used to indicate ownership of the right of something or uniquely identifiable tokens, which may affect behavior of the Company's customers, such as, arts, songs, etc. If the Company is unable to improve its operation to support the said innovations, it may cause significant decrease of the income. Therefore, the Company shall prioritize and follow up with the government's rules and regulations relating to various innovations closely.

#### Personnel risk

- Risk from relying on professional experts. As the operation of program production and broadcasting through any channels of the Company relies on professional experts such as technical systems and procedures. In case of a shortage of the said experts, the Company's main operation, the program quality and the operating result may be seriously affected. For risk management, the Company has emphasized in personnel development continuously e.g. specific technical training so that team members can smoothly substitute for one another.
- Risk that development of personnel does not meet the Company's requirements and does not fit with the strategic plans. The Company has managed to prevent the said risk, by allocating the employee training budget, holding an annual performance assessment, preparing individual development and work procedure as a working standard, developing succession planning for high level executives, creating new actor/actress continuously, preparing personnel development plan, reviewing remuneration, setting the Company's structure, considering number of personnel/ worker and clearly determining duties and responsibilities in any departments, in line with the Company's strategies.

## Operational Risk

- Risk from decreasing number of viewers of the live news program due to the increase of news program on online platforms: This may affect the Company or Company Group's incomes. The Company has proceeded to reduce the risk, such as increasing news content on television to cover more than the content reported on online platform, choosing popular news reporters and inviting qualified and proper guests. Furthermore, the Company, as a mainstream media, shall present reliable, precise and dependable news, to reflect major problems in the society. Moreover, the Company has planned to broadcast Ch3ThailandNews online to respond to the online viewers to reduce the said risk.
- Risk from an uncertain drama series rating: Since the competitors from new channels have increased, which affected the Company's income, the Company has prepared measures to manage the said risk by forming a new drama committee, adding three directors, i.e. President, EVP-Finance & Accounting, Head of Content BU to the current committee, which consists of four directors, in order to approve drama production, as well as to specify the format and type of drama to be produced in each year to be in line with the Company's strategy, which is Single Content Multiple Platforms, also to control the production budget according to the production cost minimization strategy. The Company uses all media to reach target group (which is audience in Bangkok & Urban), both own media (Channel 3 TV station and Digital Platform), Earned Media (external media, i.e. television media, publishing media and online media) and Paid Media (purchasing media, having the specific target group) In addition, from the pandemic there is limitation on marketing event arrangement to increase drama series rating, the Company, therefore, adjusted the event format to be virtual activities, in order to maintain the marketing activities' continuity and frequency to promote drama series to stimulate drama series rating.
- Risk from selling advertising lower than target: The Company has managed the said risk, by using the increase of the market share strategy through negotiations with major customers, providing promotions appropriate for each consumer, seeking for new customers, generating income from news advertising.
- International business risk
  - Risk from restrictions imposed on drama series and contents by partner countries: In case of purchase quotas for Thailand contents and government issues, the Company has managed the said risk, by preparing written agreements to prevent a change without advance notice. Moreover, the Company shall always seek for a new market, in order to compensate a market restriction. For a long term plan, the Company has a plan to develop a new Business Model, such as, Co-production Content and International Government Relationship.
  - Risk from not being able to produce drama series and contents production as planned, such as, delivery schedule, numbers of episodes, script modification, and production quality. The Company has managed the said risk, by negotiating about contingency plan with customers and foreign partners countries in case there is a postponement due to Force Majeure. The Company shall jointly and closely work with drama series producers to produce drama series to meet the customer's standard in order to distribute in other countries or domestic OTT platform.
- Risk from pandemic causing the interruption of continuous broadcasting: For example, if news reporters or employees who significantly involve in news report or livestream are considered as infected person or high-risk group and must be quarantined, this may cause personnel shortage. The Company has prevented/reduced the said risk in accordance with the government measures. ATK testing with employees has been regularly conducted and BCP planning for a serious situation, e.g., the news reporter and the employees are able to work from their home by IT system and outdoor studio use. Furthermore, the Company planned to split the personnel, having more than two groups. Consequently, in case of having infected personnel in any group, another group could work instead the infected personnel.
- Risk from technical problems: Risks of technical problems of the Company's equipment, system or signal transmission between stations which may affect the program broadcasting, such as, , long-term used equipment, which has a risk of fault or broken equipment and unable to broadcast or errors of signal transmission between stations from accidents or political unrest situations. The Company has managed to prevent the said risk by maintaining a service contract until an expiration date, increasing the frequency of checking of equipment, and setting Fiber Optic connecting system and reserved network equipment.

## Compliance Risk

- Risk from cyber threats: Risk from cyber threats is crucial and will impact the Company's operation, especially, working systems, e.g. network system, financial system, human resource system, drama series/TV program content system, "CH3Plus" customer data collection system included. The aforesaid systems may contain personal data possessed by the Company. If there are problems relating to the Company's information technology, the access of content or personal data possessed by the Company shall affect the Company's operation and reputation. Therefore, the Company shall plan and invest to develop working systems to support new technology and prevent risk from cyber threats, e.g. continuously preparing cyber security assessment in accordance with the standard of NIST Cybersecurity Framework and apply the result to improve related systems to protect the system, detect any unusual event and respond quickly and efficiently. Moreover, the Company has improved its policy and operational guidance relating to cyber security to ensure the organization's proper compliance with relevant laws, such as, the Personal Data Protection Act (PDPA), the Computer-related Crime Act and Cybersecurity Act, such as, password policy, user access management, virus protection, E-mail security and build cybersecurity culture by training the Company's employees to be fully aware of the risk from cyber threats and cybersecurity guidance, including, provide education via channels, upgrade computer network to avoid network and server's failure, to enable the system to function continuously and prevent any network destruction. Furthermore, the Company has provided maximum security control measures for uninterrupted operation of the business, e.g. firewall, user access management and disaster recovery plan (DRP) for network and data center in case of emergency.
- Risk from application of the Personal Data Protection Act B.E. 2562: Since the Personal Data Protection B.E. 2562 shall be fully effective on 1 June 2022, failure to comply therewith shall be subject to both civil, criminal and an administrative punishment. The Company, therefore, was aware of the importance of the personal data protection and management and in 2021 provided training to employees to educate them about the personal data protection and practice guideline as per their duties both theory and practice, in order to avoid the violation of the said Act. The employees were classified according to possibility of violation of the Act from high to low risks,

namely, (a) High risk employees, i.e. news agency, program producer, program schedule section, technic broadcast section, digital section, finance and accounting section (b) Low risk employees, i.e. Corporate Affairs & Communications section. The Company held online learning according to the said Act with certificates given to all employees who attended and passed the test. All Company's employees fully completed training in 2021. Also, the law training for program producers has been well arranged. Moreover, the Company has installed system for data leakage protection in the computer network of the Company to protect cyber threats and data leakage, and appointed DPO (Data Protection Officer) to review the process of collecting, using and disseminating information in accordance with the Personal Data Protection Act. In 2021, the Company did not receive any complaint relating to any violation of personal data.

## 2.2 Investment risk imposed on the securities holders.

Securities holders have the risk to receive lower-than-expected dividends in case the Company cannot generate operating result as targeted or the risk from the Company's decreasing ability to pay dividends in the future from several significant factors e.g. cash inflow from operation, capital reserve for business expansion.

In addition, securities holders have the risk to lose the investment money, in whole or in part, such as from trading the Company's stocks listed on The Stock Exchange of Thailand (SET), which prices can fluctuate due to relevant industry, market and economic conditions.

However, the Company places emphasis on business operation with good governance system on a continuing basis including transparently disclosing information to the public as securities holders can access the Company's important information on the Company's web site and use as reference for making decisions relating to investment of the Company's securities.

## 2.3 Foreign investment risk

- None -