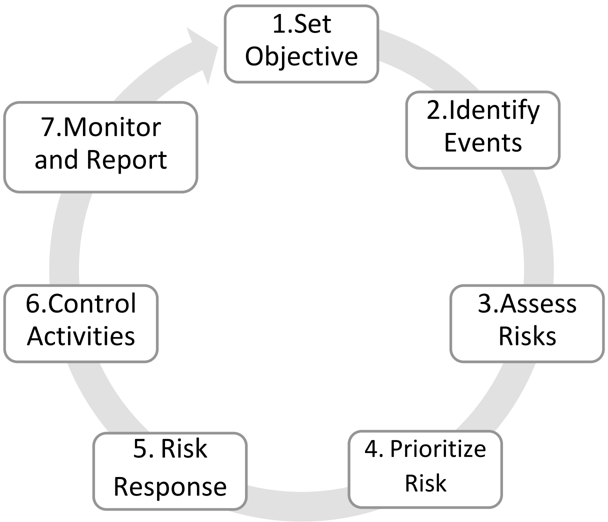
AIS Enterprise Risk Management Framework & Processes

The AIS Enterprise Risk Management framework and process are aligned with the integrated framework of the COSO ERM 2017: Enterprise Risk Management Integrating with Strategy and Performance and is applied to business risk management and fraud risk management. The 7 steps in the risk management process are:



1. **Set objectives** at both corporate and functional levels, with alignment to the AIS corporate strategy and are within its risk appetite as approved by the Board of Directors and reviewed annually. In establishing its risk appetite and tolerances, AIS defined the types of risk that are acceptable and unacceptable in pursuit of value.

2. **Identify the events** that could have a negative impact (risks) on AIS's ability to achieve its goals and targets considering internal factors such as operational processes and human resources, and external factors such as customers, the economy, politics, and regulations.

3. **Assess** the identified risks by considering the likelihood of the risk occurring and the potential impact if the risk were to occur. Added to this is the correlation between the impact of any risk and how it could affect another risk.

4. **Prioritize risks** with consideration to the degree of importance of each risk and the potential damage to the Company.

5. Plan **risk response** measures with consideration to the level of risk involved and the corresponding cost and benefit.

6. Establish **control activities** to help ensure that the desired risk responses are implemented as intended and are carried out effectively.

7. **Monitor and report** the status of risks and the effectiveness of the risk management process. Reports are to be forwarded to the Audit and Risk Committee, the Executive Committee and the Board of Directors regularly.

Risk Appetite

AIS Risk appetite statement on a broad level, approved by the Board of Directors as described below.

AIS Risk Appetite

Definition, Objective and Scope of Risk Appetite

Risk appetite is the types and amount of risk, on a broad level, an organization is willing to accept in pursuit of value.

The purpose of risk appetite is to be used as a basis in setting strategy and business objective, to be considered as a part of a decision-making process. While management and employees operate to achieve the company's vision, mission and strategy, the overall risk level shall not exceed the risk appetite.

Scope of the risk appetite covers and applies to Advance Info Service Plc (AIS) and AIS's subsidiaries (collectively called "AIS").

AIS Risk Appetite Statement

1. AIS is committed to delivering superior products and services that enrich people's daily lives and improve enterprise capabilities and efficiency. However, we shall not compromise our integrity and reputation by risking brand damage, severe network disruption or regulatory non-compliance.
2. AIS is committed to enhancing customer intimacy through the best customer experience. However, we shall not compromise on customer data privacy.
3. To drive intrapreneurship and employees' professionalism, and promote a positive, lively and agile work culture, we may experiment or embark upon New Operating Model and New Organization and Talents. However, we will not compromise on workplace health and safety measures.
4. AIS shall take all reasonable measures and make necessary investment on its technological systems, to protect against major breach, including cyber attack, unauthorized intrusion, theft and leakage of sensitive data.
5. AIS will pursue new businesses that support our core businesses, with reasonable profitability, and actively manage the risks associated with those new businesses.
6. AIS shall maintain an investment grade credit rating and dividend payout policy consistent with our stated dividend policy and guidance.

Risk Assessment

Risk assessment approaches may be qualitative, quantitative, or a combination of both.

- Qualitative assessment approaches, such as interviews, workshops, surveys, and benchmarking.
- Quantitative assessment approaches, such as Monte Carlo simulations, sensitivity analysis and scenario analysis.

Financial risk: Sensitivity and scenario analysis allow management to understand the uncertainty that might occur from liquidity risk, credit risk, interest rate, and exchange rates risk, as well as the resilience and tolerance level of our financial positions towards these risks. The potential impacts from sensitivity and scenario analysis are used in supporting decision-making and preparing proper mitigation such as in investment evaluation, managing cash flow and capital structure, and defining operating models.

Non-financial risk: AIS conducts sensitivity, scenario analysis, and stress testing to gauge strategic risk, technological risk, regulatory & legal risk, and operational risk. The analysis allows management to understand the company's exposures and worst-case scenarios that would impact our business, as well as to evaluate the financial impacts and our company's resiliency in various scenarios related to particular risks.

Effectiveness of Risk Management Process

To ensure appropriateness and effectiveness of the Risk Management Process, AIS conducts both internal audit and external audit.

Internal Audit:

- Audit and Risk Committee, appointed by the Board of Directors, is responsible for performing risk oversight to ensure compliance with the Company's risk management framework and guidelines. The Audit and Risk Committee conducts quarterly meetings to review and assess the adequacy and effectiveness of risk management.

External Audit:

- External parties including independent third-party auditors, assess the effectiveness of risk management process annually, as a part of other management standards i.e., ISO/IEC 27001 (Information Security Management Systems), ISO 22301:2019 (Business Continuity Management System), ISO 50001:2018 Energy management systems and ISO/IEC 20000-1:2018 Information technology — Service management.
- Regulators such as The National Broadcasting and Telecommunications Commission (NBTC), National Cyber Security Agency (NCSA) and Bank of Thailand (BOT) specifically review IT risks annually.

Significant risk factors

In 2023, AIS considering risk factors based on Sustainability (Environmental, Social, Governance: ESG) by considering risk factors that are ongoing risks and emerging risks that might occur under the changing environment. It can be classified as follows:

Risk category / ESG	Strategic Risks	Operational Risks	Financial Risks	Compliance Risks	IT Risks	Emerging Risks
Environmental (E)						• Climate Change Risk
Social (S)		• Risk in acquiring and retaining talents to cope with market changes			• Risk of Data Privacy	
Governance and Economic (G)	• Risk from Intensive Competition in the Market • Risk from Technological Advancements and substitution of products and services	• Supply Chain Risk • Risk from Major network Failure or Interruption to Important Systems • Risk to Information Security and Threats from Cyber-Attack	• Risk from Exchange Rate Fluctuation • Risks from the absence of a debt covenant ratio	• Risk from changes in government policies, rules, regulations and orders of regulators • Risks Arising from Disputes with Government Agencies	• Risk to Information Security and Threats from Cyber-Attack	• Geopolitical and Geoeconomics Risk • Potential risks from acquisition of TTTBB and stake in JASIF

Emerging Risks

AIS has assessed the emerging risks, evaluated their impacts, as well as defined mitigation actions to manage those risks effectively as follows:

#1

Name **Climate Change Risk**

Description Climate change is an issue that has increasingly gained attention from the global community. As one of the top 10 countries that were most affected by extreme weather events, Thailand has joined forces with the international community to tackle the problem, announcing a plan to pursue a net-zero carbon emissions target by 2065. The development has made climate change an emerging risk, prompting the Thai government to adjust policies. It is now in the process of drafting climate change-related laws and revising the national energy plan to prepare for operations in line with the target. In addition, the failure of climate-change adaptation has been discussed in the global community, resulting in the need for adjusting the plans to tackle increased risks from climate change.

Impact

- Natural disasters which may damage the network infrastructure and devices can increase operating costs from leveling up preventive measures against damage and maintenance. Also, transportation and production may be impacted by supply chain disruption.
- The changing regulations and government policy that tend to control greenhouse gas emissions and can put upward pressure on the operating and management costs may prompt AIS to adjust its way of thinking and create innovations that enhance energy efficiency and reduce greenhouse gas emissions in compliance with future legislature.
- The changing behaviors of consumers to become more eco-conscious bring both challenges and opportunities for AIS, demanding the Company to adjust business strategies and corporate image to align with such development. This can generate new sources of revenue from low carbon products and services for enterprise clients looking for digital services that help reduce greenhouse gas

emissions and for general customers opting for companies with concern for the environment.

Mitigation

- Changing the targets to be aligned with the global and national trends. Aiming to be a part of global community to tackle with climate change, AIS has thus adjusted the Company's environmental targets to be more challenging by adopting the Science-based Target Initiative (SBTi) which stimulates the business value chain to streamline its operations to be more environmentally friendly.
- Promoting Energy Efficiency by studying customers' usage behavior and using power saving features to properly manage network channels to help reduce energy consumption and GHG emissions.
- Alternative Energy Use by installing solar panels at base stations, data centers and switching centers. Moreover, AIS has teamed with business partners with expertise in alternative energy to plan and accelerate the proportion of alternative energy use for lower operating and management costs.
- Preparation for climate adaptation. We assess climate-related risks through scenario analysis and formulate plans for new site construction such as elevating the Mobile Base Station (BTS) and build flood wall in flood-prone areas.
- Low-Carbon Products and Services Development and Customer Engagement by developing smart solution services to enable corporate clients to enhance energy efficiency as a means to reduce GHG emissions such as Smart factory and Smart property & building. Furthermore, AIS encourages customers to switch from mailing bills to E-billing and promotes my AIS application. This effort helps reduce paper usage and the need for travel.

#2

Name **Geopolitical and Geoeconomic Risks**

Description

Major geopolitical events such as Israeli–Palestinian conflict, Russia-Ukraine conflict, U.S.-China strategic competition especially through international trade barriers implemented through policies, and terrorist attacks, among other things, are creating shocks on global markets, and subsequently the overall well-being of our domestic economic conditions. These factors result in uncertainty in the macroeconomic environment including consumer and business demand and supply, purchasing power, employment, and tourism. The disruption of supply and demand has both effects toward revenue and cost structure for industrial and service sectors including the telecommunication industry.

Impact

- The raising cost of living and the purchasing power of the customers especially in prepaid which holds a majority portion of the subscribers could lower the ability to generate revenue growth.
- The increased in operating cost from heighten energy price and inflation including the disruption in supply and demand could impact the ability to generate profit of the company and may also delay investments in new businesses. These factors may reduce the competitiveness in the long term.

Mitigation

- Provide products and services in a variety of price levels and packages for consumers to choose according to their purchasing power, including products and services that are targeted to specific customer groups to meet their needs. Moreover, implement targeted marketing campaigns to highlight the value and relevant features.
- Provide various distribution channels for customers to easily access including shops, online channel and agents.
- Enhance the features of myAIS application to include other services that meet consumer's lifestyle and several use cases.
- Regularly review the allocation of capital and cost structure among various businesses. Encourage business units to revisit operating model and do transformation programs to improve cost structure.

#3

Name **Potential risks from acquisition of Triple T Broadband Public Company Limited (TTTBB) and stake in Jasmin Broadband Internet Infrastructure Fund (JASIF)**

Description In line with strategy to grow AIS broadband business and improve efficiency of the fiber network in Thailand, AIS acquired TTTBB and a 19% stake in JASIF. The objectives include providing a wide array of products and enhancing service delivery to meet the extensive needs of customers. This initiative aims to offer consumers faster and higher-quality internet services with extended coverage, particularly in suburban and provincial areas. Additionally, it contributes to minimizing the environmental impact by reducing unnecessary fiber cable installations. Furthermore, this strategic move is expected to add value to the business and generate stable cash flow for the Company in the long run

Impact The acquisition of TTTBB may introduce challenges during the integration of two companies with differing working styles. This encompasses the joint development of operational strategies, alignment of operational processes, and the retention of talent to promote confidence, understanding, and morale among employees post-merger. Managing relationships with business partners, suppliers, and dealers also remains a crucial aspect of navigating through this integration process. Other than this, financial challenges may arise such as the loan undertake for the acquisition may potentially impacting the Company's leverage ratio in the short term, the increasing cost for the integration, and the consolidation of TTTBB's operating results that may affect investor confidence as the anticipated returns post-merger may not meet their expectations.

The acquisition of a 19% stake in JASIF, an infrastructure fund, carries the potential risk of market price volatility which could result in a risk of asset impairment due to a deress in market value, despite the Company careful consideration of the returns before the acquisition.

Mitigation

- Establish clear organizational structure and appoint Chief Executive Officer for the broadband business (CEO-BB) to define and supervise the overall strategy for the broadband business, ensuring ongoing and sustainable growth, and to oversees the integration activities are aligned with the set objectives.

- Establish a dedicated team and assign a responsible individual to oversee integration activities, monitoring execution against the plan and providing weekly progress reports to senior executives.
- Develop a financial plan and manage cash flow to use as a source of capital and set forth a payment mechanism to set aside some funds for due payments.
- Maintain continuous communication with investors to build clear understanding on the impact from the acquisition including impact to the financial statements, the integration process, and reassure that the consolidation does not affect the Company’s dividend policy and the ability to pay its dividends.
- Periodically engage with employees and stakeholders throughout the business value chain to foster understanding and garner support, ensuring the smooth progression of all processes.
- The Company considers the impairment risk to be minimal as the cash flow generated from the investment in the infrastructure fund exceeds the value of investment cost. Additionally, the Company is confident in the continued strengthening of the TTTBB broadband business, resulting in the stable cash flow of the fund.