



(Translation)

# Investment Policy

Thanachart Capital Public Company Limited

2023

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## Introduction

Thanachart Capital Public Company Limited (“the Company”) is a holding company of Thanachart Group, which operates a diverse range of financial businesses. These include securities brokerage, non-life/life insurance businesses, distressed asset management business, hire purchase business, and asset-based financing business. In addition, the Company invests in commercial banking business. In this connection, it holds shares in TMBThanachart Bank as a result of the merger between TMB Bank and Thanachart Bank. The Company’s equity stake in the bank allows it to participate in the management of business operations. The Company’s investments are not limited to financial businesses but cover a diverse range of businesses such as investments in securities. The purpose is to generate appropriate and sustainable returns to all groups of stakeholders. Meanwhile, the Company has put in place a detailed and thorough investment decision-making process that not only covers analysis of various risks but also ensures appropriate investment returns. Noteworthy is the establishment of a process for continuously monitoring and assessing investment situations. In this connection, the Company places emphasis on investing in well-managed businesses with potential and the ability to achieve growth in the future in terms of both revenue and profit. Importantly, the businesses must also be socially and environmentally responsible.

## Investment Policy

The Company is committed to operating business not only in accordance with the principles of good corporate governance but also in a responsible manner towards the society and the environment. As the Company also realizes the importance of investment, this investment policy has been developed as a framework and practice guidelines for its investment activities. As well, the policy is subject to a regular review annually or whenever there is a significant change to the investment landscape. Everyone who is involved in the Company's investment activities is aware of their roles, responsibilities, and obligations to perform their duties to the best of their abilities with honesty and integrity. The Company has put in place sufficient measures for preventing conflicts of interest which may arise. Emphasis is placed on closely monitoring and assessing the investments in a timely manner. The level of monitoring can be increased in case the current monitoring is deemed insufficient. In this connection, the Company is prepared to cooperate with other investors when deemed appropriate. In the meantime, the Company’s investments must be in accordance with the laws, rules, regulations, requirements as well as the established investment policy. The purpose is to create credibility, confidence, and sustainable returns for all groups of stakeholders.

The Company focuses on investing in well-managed businesses with potential and the ability to achieve growth in the future in terms of revenue and profit. Importantly, the businesses must also be socially and environmentally responsible. In this connection, the Company will regularly appraise the performance of

the entities in which it invests, taking into consideration the economic, social, and environmental factors. The investments made by the Company can be divided into two main groups including investments in securities as well as investments in subsidiaries and associated companies, the details of which are as follows:

### **Investments in Securities**

#### **Policy on Securities Investment**

The Company and its subsidiaries realize that managing investments is an important part of their business operations. The investments include temporary and long-term investments in securities issued by both the state agencies and the private sector. The Company specifies that its investment plan is subject to annual review or whenever there is a significant change to the financial market or the capital market. In this connection, returns on investments and investment risks are regularly measured and reported to senior management.

It is the policy of the Company and its subsidiaries to invest in equity and debt instruments issued by businesses with good potential, low risk, and opportunities to receive high returns. In addition, these businesses must be socially and environmentally responsible. The Company and its subsidiaries specify that a work unit responsible for overseeing the investments in equity and debt instruments is established. The work unit must operate in accordance with the criteria, procedures, and operational methods imposed by the authorities concerned.

#### **Allowances for Revaluation and Impairment**

The Company and its subsidiaries take into consideration the allowances for revaluation and impairment of investments by using the fair value method. In this connection, the determination of the fair value depends on the nature of financial instruments.

### **Investment in Subsidiaries and Associated Companies**

#### **Policy on Investment in Subsidiaries and Associated Companies**

The Company has adopted a policy to invest in subsidiaries and associated companies to support core operations of Thanachart Group, subsidiaries and associated companies, most of which operate businesses related to financial services including banking, leasing business, non-life and life insurance businesses, securities brokerage business, distressed asset management business, and asset-based financing business. In this connection, the Company does not specify the amount of money for investment in subsidiaries or associated companies. The level of investment will depend on the registered capital requirements and the amount of money necessary for running the business operations concerned.

## **Policies on Managing Subsidiaries and Associated Companies**

The Company's policies on managing subsidiaries and associated companies are different. The differences depend on the nature of business and the investment strategies. However, a decentralized management approach is adopted while emphasis is primarily placed on controlling the policies. In case of subsidiaries, the Company will assign its directors, executives, or representatives to sit on their board of directors to participate not only in shaping their business operations policies, ensuring that the policies are in alignment with the Company's main policies, but also in managing their business operations.

In case of associated companies in which the Company's shareholding is not high, the Company may just assign its directors, executives, or representatives to sit on their board of directors to participate in shaping their main policies only.

### Scope of Authority over Controlling/Participating in Policy Development

The scope of authority over controlling subsidiaries or associated companies depends on the proportions of shareholdings. The Company will have a greater scope of authority over controlling the management of the entities in which its shareholding is high than those in which its shareholding is low. However, in general, the Company will participate in their policy development by assigning its directors, executives, or representative to sit on the boards of the directors of the subsidiaries or associated companies to participate in shaping the policies of the subsidiaries or associated companies concerned.

### Assigning Representatives of the Company to Sit on the Boards of Directors of Subsidiaries and Associated Companies

The Company may assign its executives, employees, or qualified representatives to sit on the boards of directors of subsidiaries and associated companies to participate in the management of business operations or in the development of main policies of the subsidiaries and associated companies concerned. The Company may propose names of candidates to be elected as independent directors of the subsidiaries or associated companies.

## **Roles and Duties of Those Involved in Investment**

The roles and duties of those involved in Thanachart Group's investment are clearly separated. The purpose is to ensure efficient investments in accordance with the established investment policy, plans, and goals. Emphasis is also placed on controlling, overseeing, and monitoring the investments of the Company and its subsidiaries, ensuring that the investments are in accordance with the risk management policy and the criteria imposed by the authorities concerned. In this connection, the authority and responsibilities of those involved in investment are as follows:

1. The Board of Directors is responsible for establishing the investment policy and appointing a committee with authority to make investments. The Board of Directors is also responsible for approving investments in member companies of Thanachart Group as well as investments with major

shareholders, directors, persons with management power in the Company, executives of member companies of Thanachart Group as well as the persons related to the above people (the related parties). In this connection, the investment with the related parties must be screened by the Audit Committee.

2. The Executive Committee in its position as the Investment Committee is responsible for considering and approving investments in companies outside Thanachart Group. These include, among others, investments in companies listed on the Stock Exchange of Thailand, unit trusts, government bonds, treasury bills, state-owned-enterprise bonds, and debt instruments issued by the private sector. The Executive Committee is also responsible for overseeing investment matters, aiming at ensuring transparency of investment activities and prevention of conflicts of interest which may arise from the Company's investments.
3. The Risk Oversight Committee is responsible for controlling, monitoring, and supervising the investments of the Company and its subsidiaries by ensuring that the investments conform to the established risk management policy.
4. The Corporate Strategy and Investment Department is responsible for formulating investment plans, preparing investment details, analyzing investment returns, and monitoring investment situations, with an aim to ensure that the investments are in accordance with the established goals. The investment plans together with all the supporting information are presented to the Executive Committee for investment approval as well as for acknowledgment of the investment situations.
5. The Compliance Unit is responsible for giving advice on the regulations of the authorities concerned in relation to investment, with an aim to ensure compliance with the related laws and regulations.

#### **Policy on Investment Risk Management**

The Company attaches great importance to timely risk management, which keeps pace with changes. In this connection, it continuously oversees, monitors, and develops risk management systems with an aim to ensure that various measures remain aligned and responsive to changes in internal or external factors. The Company has put in place the organizational structure which supports the alignment of the risk management with the policy framework through the oversight by various committees. The related details are as follows:

1. The Board of Directors has a role in formulating policies and guidelines for overseeing enterprise-wide risk management which covers Thanachart Group's risk management and business continuity management, to ensure that they are efficient and aligned with the Company's operations. In this connection, impacts on the operational targets and the financial position of the Company will be taken into consideration.

2. The Executive Committee has a role in risk management. The Committee considers, approves, and oversees transactions, ensuring that they are aligned with the Company's risk management policy. As well, the Committee screens Thanachart Group's policy on business continuity management before proposing the policy to the Board of Directors for consideration and approval.
3. The Risk Oversight Committee has a role in proposing the risk management policy of the Company as well as the risk management policy of Thanachart Group to the Board of Directors for consideration and approval. The Committee also formulates risk management strategies, ensuring that they are in accordance with the risk management policy. As well, the Committee reviews the adequacy of the Company's risk management policy, which covers the effectiveness of the risk management system and the compliance with established policies. In addition, the Committee has a role in controlling, monitoring, and overseeing the adherence of the Company and member companies of Thanachart Group to the established risk management policies. As well, the Committee regularly sends its performance report to the Board of Directors, indicating those matters which need to be improved in order to ensure alignment with the established policies and strategies.
4. The Audit Committee has a role in overseeing and monitoring operations, ensuring that they correctly comply with the policy guidance and regulations of the authorities which are related to the Company and Thanachart Group. The Audit Committee also assesses the efficiency and effectiveness of Thanachart Group's risk management systems. As well, it assesses the adequacy of the Group's overall internal control systems.

### Management of the Company's Risks

1. Various operations which take place under the organizational structure are subject to audit as well as check-and-balance. In this connection, there are Middle Office, responsible for controlling and monitoring risks, such as the Risk Control Unit, and the Back Office, responsible for recording transactions, which are separated from the Front Office, responsible for executing transactions.
2. The Company has put a clear policy and guidelines in writing for risk management. They define the roles and responsibilities of all the relevant departments and teams concerned. The purpose is for employees to adhere to the policy and guidelines. As practice guidelines, the Company has also put in place a risk management process consisting of four steps as follows: (1) Identify the nature of risks and risk factors; (2) Develop appropriate tools and models for measuring risk values and assessing risks; (3) Controlling risks to an acceptable level; and (4) Monitor risk status in order to be able to manage risks in a timely manner in any situation which may arise.
3. The Company determines different magnitudes and proportions of risks by using the tools or models for risk measurement. As a result, the Company is able to recognize the severity of the risks which may occur. The information could also be used not only for establishing the maximum acceptable

risk levels for controlling purpose but also for serving as early warning indicators before severe damage occurs.

4. Risk management reports are regularly sent to the Board of Directors of each key subsidiary. As well, an overall risk summary report is presented to the Company's Board of Directors on a periodic basis as scheduled.

#### **Policy on the Exercise of Voting Rights at Shareholders' Meetings**

The Company assigns representatives from the Corporate Strategy and Investment Department, or other staff members deemed appropriate to serve as its proxyholders to participate in the shareholders' meetings held by the entities in which the Company invests. In this connection, the Company will exercise the voting rights, primarily taking into consideration the interests of all groups of stakeholders in every case. In case of a significant agenda item, it will be submitted to the Executive Committee for consideration and adoption of a resolution.