

ATTACHMENT 5
AUDIT
COMMITTEE REPORT

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The Audit Committee of Siam Commercial Bank PCL has performed its duties in accordance with the scope of responsibilities defined in the Audit Committee Charter approved by the Board of Directors. This is in line with the Securities and Exchange Commission's guidelines on best practice. The purpose of the Audit Committee is to provide a structured, systematic oversight of SCB and the SCB Financial Group's governance, risk management and internal control practices. The Audit Committee of SCB and the SCB Financial Group take responsibility for overseeing and monitoring business operations of companies within SCB and the SCB Financial Group to ensure that they have complied with the policy of the group, as well as for reviewing the accuracy and adequacy of financial reports of SCB and the SCB Financial Group.

The Audit Committee comprises the following Independent Directors:

1. Mr. Prasan Chuaphanich
Chairman of the Audit Committee
2. Assoc. Prof. Pasu Decharin, Ph.D.
Member of the Audit Committee
3. Mr. Chaovalit Ekabut
Member of the Audit Committee
(starting from October 2020)
4. Mr. Ekamol Kiriwat
Member of the Audit Committee
(until November 2020)

Mr. Krieng Wongnongtaey, Senior Executive Vice President and Chief Audit Officer, serves as Secretary to the Audit Committee.

In 2020, the Audit Committee held 13 meetings with management and senior executives in charge of concerned functions, in addition to regular meetings with representatives of the Audit Function, the Compliance Function and the Credit Review Function. The Audit Committee also met with external auditors, both with and without management's presence at meetings. Summaries of the deliberations and recommendations of each Audit Committee meeting

were presented to the Board of Directors to both inform the Board and, if appropriate, to seek direction on significant matters.

Highlights of the Audit Committee's performance are as follows:

- Fostered a corporate culture in the areas of risk management systems, internal control and regulatory compliance, and promoted management control according to the Three Lines Model by leveraging IT systems to maximize capabilities across Operating Functions (first line), Compliance Function (second line), and Audit Function (third line) for more effective and efficient operations and compliance control and to prevent activities that are against the law or the Bank's regulations, reducing the chance of fraud.
- Upgraded internal audits, focusing on the professionalism of internal auditors for more effective and efficient internal audit performance to keep pace with the business and changing global trends in the digitization era. The internal audit policy included continuous personnel development to promote auditors' capabilities and skills necessary for professional and effective audit performance to support rapidly changing businesses. Leveraging IT tools and systems was also promoted to increase audit effectiveness to handle a larger volume of data.
- **Review of Financial Reporting**
The Audit Committee reviewed SCB and the SCB Financial Group's quarterly, half-year and annual financial reports, including consolidated financial statements, related transactions and transactions prone to conflict of interest of the SCB Financial Group. The financial reports were prepared in accordance with Thai Financial Reporting Standards (TFRS) and the requirements of the Bank of Thailand and the Securities and Exchange Commission. The Audit Committee

regularly met with external auditors and the Bank's Finance Function executives to review material issues, such as the accuracy and completeness of financial reports; significant accounting adjustments; accounting estimates; the appropriateness of accounting policies; the scope of audits which include key audit matters related to SCB and the SCB Financial Group; correct, complete, and adequate information disclosure; and the independence of the external auditor. The Audit Committee received explanations from auditors and the Bank's finance executives to ensure that SCB and the SCB Financial Group's financial reports reflected financial transactions and events that were material to SCB and the SCB Financial Group's financial reports and were in accordance with legal requirements and Thai Financial Reporting Standards, were reliable and timely, with adequate information disclosure useful for users of the financial reports. In 2020, the Audit Committee reviewed new significant accounting policies effective in 2020 as a result of the adoption of Thai Financial Reporting Standards No.9 (TFRS 9).

The Audit Committee also met with auditors without management's presence in one exclusive meeting to discuss the independence of audit performance, information received and audits, particularly material matters in the preparation of financial reports, risk control and management regarding SCB and the SCB Financial Group's new platforms and innovations, and suspicious behaviors prone to fraud or violations of the law related to the performance of directors and executives under Section 89/25 of the Securities and Exchange Act, B.E. 2559 (2016). In 2020, the auditors did not discover any material findings or receive reports of any suspicious behavior.

• **Review of Risk Management**

The Audit Committee reviewed the effectiveness and appropriateness of SCB and the SCB Financial Group's risk management processes and policies, and held monthly meetings with executives in charge of the Risk Management Function to acknowledge risk management guidelines and plans for risks that might affect the performance of SCB and the SCB Financial Group, and to monitor potential risk issues and provide recommendations for improvement. Emphasis was placed on the readiness of management and staff to cope with rapidly changing business, cyber security management, big data leveraging, a careful process to monitor investment in transformation projects, and the management of issues in the public's interest. The Audit Committee encouraged management to systematically prepare data for readiness to cope with various situations.

The Audit Committee considered the Risk Oversight Committee's (ROC) comments and recommendations on key issues to ensure that SCB and the SCB Financial Group risk management is in line with acceptable risk levels.

The Audit Committee and management discussed both internal and external risk factors and significant risk issues, particularly credit risk issues, provision adequacy and the Bank's credit approval process for large projects/ corporate businesses to ensure that SCB and the SCB Financial Group's risk management guidelines and measures are adequately effective in addressing potential risk from current operations and future risk scenarios. The Audit Committee also discussed the adequacy of the risk management systems and procedures under the supervision of the Risk Management Function, the Risk Management Committee and the Risk Oversight Committee for readiness to cope with unanticipated incidents.

The Audit Committee reviewed the performance of credit review, whether the credit process is in accordance with SCB and the SCB Financial Group's procedures from the end to end of the process covering the entire credit review process, including post-approval processes. The Audit Committee received a report on the progress of the credit review, as well as problems and obstacles in reviewing credit processes on a monthly basis in order to identify weaknesses and take timely corrective action.

• Review of Internal Control and Audit

Review of the effectiveness of the internal control system

The Audit Committee considered the adequacy of the internal control system following the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which covers the following five areas: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring activities. Key matters in each area considered are summarized in the related sections in this report.

The Audit Committee placed importance on compliance with law, related regulations and management control according to the Three Lines Model. The Audit Committee considered audit reports presented by the Audit Function on a monthly basis, and reviewed internal control adequacy assessment by management, the external auditor, the Bank of Thailand and other regulators. The Audit Committee monitored performance to ensure that corrective actions with respect to critical risk issues were completely taken by management, and root causes were fixed to prevent recurrence, particularly of high-risk issues, fraud or serious operational errors. The Audit Committee also met with the audit committees of key subsidiaries to exchange opinions and to ensure that key risk issues have been audited and monitored.

Because information technology is especially crucial to the Bank in the digitization era, the Audit Committee placed particular emphasis on this matter. The Audit Committee regularly met with executives in charge of IT functions to acknowledge and monitor issues regarding IT operations to ensure that SCB and the SCB Financial Group is prepared for the digitization era in terms of hardware, software and people development and recruitment. SCB and the SCB Financial Group has a technology risk management framework as the standard guideline on IT operations.

On a quarterly basis, the Audit Committee acknowledged a summary of complaints and notifications, mainly received through the Bank's whistle-blower channel, and assessed them for any indication of potential fraud, misconduct, or corrupt practices. Further, the Audit Committee held meetings with units concerned with complaint management to ensure that the complaint management process is appropriate and transparent, and relevant to ever-changing customer behaviors and services.

Oversight of internal audit

In 2020, the Audit Committee considered the independence of internal audit performance, approved the review of the Internal Audit Charter, reviewed the annual strategic plan, and approved the annual audit plan. On a monthly basis, the Audit Committee followed up the Audit Function's performance as per the plan and audit findings, provided recommendations and followed up corrective actions on significant issues, so as to promote good corporate governance and increase the effectiveness and efficiency of audit performance.

The Audit Committee also provided recommendations about Audit Function staff training and development plans and recruitment, to upgrade internal audits regarding people, processes, tools and technology for audit performance, with a focus on the professionalism

of internal auditors for more effective and efficient internal audit performance to keep pace with business and changing global trends in the digitization era. The Audit Function development goal is to serve as a trusted advisor for long-term and sustainable value and development. Importance was placed on potential risks with significant impacts on the organization, such as cyber risks and risk issues in the public's interest. The leveraging of IT tools and systems was also promoted to support internal audit performance, including use of data analytics or innovations as audit techniques to identify risks, and capability and skill development of internal auditors to operate such IT tools and systems.

Considering the activities discussed above, the Audit Committee concluded that SCB and the SCB Financial Group's overall internal control environment was appropriate and adequate for the business operations of SCB and the SCB Financial Group. This conclusion was in line with the opinion of the external auditor. Furthermore, the Audit Committee was of the opinion that the Senior Executive Vice President and Chief Audit Officer has appropriately and effectively supervised and monitored the operations of the Audit Function. The annual merit increase was based on the assessment of his performance (see the profile of the Senior Executive Vice President and Chief Audit Officer on attachment 1 and 3).

- **Regulatory Compliance Review**

The Audit Committee reviewed SCB and the SCB Financial Group's regulatory compliance with applicable laws and regulations of state regulators such as the Bank of Thailand, the Anti-Money Laundering Office, the Securities and Exchange Commission, and the Office of Insurance Commission, especially regarding the Anti-Corruption and Bribery policy and Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations, through monthly meetings with the executives in charge of the Compliance

Function. The Audit Committee acknowledged and discussed issues to ensure effective monitoring and control over key regulatory compliance issues of units under SCB and the SCB Financial Group, and improvements in operational processes in accordance with related regulations.

In 2020, the Audit Committee promoted SCB and the SCB Financial Group's good corporate governance and transparency in line with the financial institutions' compliance guidelines, with an emphasis on market conduct to ensure that customers receive fair and quality services. The Audit Committee met regularly with management to ensure that SCB and the SCB Financial Group has a fair customer service policy and strict operational measures covering pre-sale, during-sale and after-sale processes, persons in charge of overseeing the operations and punishment provisions for inappropriate staff activities. The Audit Committee also periodically followed up management on the readiness of compliance with the Personal Data Protection Act (PDPA), which is taking full effect in 2021, to ensure SCB and the SCB Financial Group's readiness and staff's PDPA knowledge and awareness.

The Audit Committee regularly reported to the Board of Directors all critical issues and significant regulatory changes that may affect SCB and the SCB Financial Group's operations, and approved the annual compliance report before its submission to the Bank of Thailand and the Securities and Exchange Commission.

- **Review of Related Party Transactions and Conflicts of Interest**

The Audit Committee reviewed, supervised and commented on any significant related party transactions, particularly those that may involve a conflict of interest, in line with regulatory compliance norms, before proposing such transactions to the Board of Directors and/or shareholders, as required. This is to ensure that

those transactions are transparent, reasonable and protect the interests of the Bank and its shareholders. In 2020, SCB and the SCB Financial Group did not have any materially connected transactions to be disclosed in accordance with the regulations of the Stock Exchange of Thailand. The information about other connected transactions is disclosed in the notes to the financial statements.

- **Consideration of Annual External Auditor Appointment and Audit Fees**

The Audit Committee considers, on an annual basis, the appointment of the Bank's external auditor and audit fees. Following its recommendation and the Board's endorsement thereof, the shareholders appointed KPMG Phoomchai Audit Ltd. as the auditor for SCB and the SCB Financial Group at the 2020 Annual General Meeting, except in some countries where SCB has a representative office but it was necessary to appoint another firm in accordance with the law in such countries. Recommendations to the shareholders were based on the auditor's qualifications, knowledge, capability, audit experience in the banking industry, audit approach, independence in accordance with ethical requirements by the Federation of Accounting Professions and the requirements of the Securities and Exchange Commission, the quality of the audit over the past year, and the appropriateness of audit fees. The Audit Committee has set criteria for considering and approving the hiring of non-audit services from the audit firm and its affiliates. In 2020, non-audit services of the audit firm and its affiliates were in accordance with the criteria set forth.

- **Others**

In 2020, the Audit Committee members undertook a self-assessment to enhance the efficiency of the Committee's performance.

The Audit Committee performed its duties as assigned by the Board of Directors and in line with the responsibilities stated in the Audit Committee Charter. The Audit Committee exercised its knowledge and capabilities, and adhered to the principles of integrity, prudence, transparency and independence, and provided constructive comments and recommendations for the equal benefit of stakeholders, with the Bank's and stakeholders' ultimate interest as a priority.

The Audit Committee is of the opinion that the financial reports of SCB and the SCB Financial Group have been prepared accurately and are complete, with adequate disclosure, in accordance with financial reporting standards. It is also of the opinion that the external auditor is independent and has performed all its duties professionally. The Audit Committee sees that the non-audit services other than auditing did not affect the auditor's independence in auditing SCB and the SCB Financial Group's financial reports. The Audit Committee notes that SCB and the SCB Financial Group places a high level of importance on its internal control systems, as well as ensures that the risk management policies, procedures and systems are adequate and appropriate for its business operations.

Furthermore, the Audit Committee opines that SCB and the SCB Financial Group has sound corporate governance, adequate risk management, and appropriate and effective internal controls and internal audits. The Bank has monitored changes so that it is well prepared to face any potential risks that may arise in the future.



(Mr. Prasan Chuaphanich)
Chairman of the Audit Committee