

11. Internal Control and Risk Management

11.1 Internal Control

The Board of Directors has always realized the significance of its good and effective internal control system, including its good corporate governance guidelines. It believes that a good internal control system is founded on a good performance process, organization chart and work system, which could help achieve goal or mission with efficiency and effectiveness, as well as minimize risk and prevent possible damage in the Company's business operations. The Board of Directors has thus authorized the Audit Committee comprising independent directors to audit the evaluation of the effectiveness of the internal control system. The Internal Audit Office, which independently performs its duty and directly reports to the Audit Committee, audits the work operation system in various departments of the Company as per the annual audit plan approved by the Audit Committee to ensure each department's efficient and effective performance of work and optimized use of its resources. This also includes the control of the work performance, the timely, accurate and reliable financial reports, as well as the compliance with the policies as well as laws and regulations of the government agencies and relevant authorities. Furthermore, the effectiveness of the internal control system is regularly reviewed to ensure the optimum benefit to the shareholders from the business operation based on fairness in terms of benefits to all stakeholders. In addition, the Audit Committee shall have the duties to consider, select and submit for appointment of the auditor, including remuneration of the auditor, consider accurate and complete disclosure of the Company's connected transactions or any transactions which may give rise to any conflicts of interest.

11.2 Risk Management

The Board of Directors has realized the significance of using the risk management system in the administration by assigning the Corporate Governance and Risk Management Committee to supervise and review the Company's overall risks, risk management strategy and risk alert system. This is to ensure proper and timely response to various challenges, as well as to provide training for executives and staff about the risk management guidelines for their understanding and engagement in the firmwide risk management. The Company's management takes into account various risk factors currently sustained or threatened to be sustained in the future by the Company to analyze impact and possibility of such risks and to determine measures to prevent and deal with such risks to stay at an acceptable level in line with the Company's policy, and to report to the Corporate Governance and Risk Management Committee to consider the adequacy and appropriateness. The effectiveness of the risk management system is reviewed and evaluated every year, and at any time when the risk level has changed, whereby the results are regularly monitored on a quarterly basis by the secretary to the Corporate Governance and Risk Management Committee and reported to the management and the Corporate Governance and Risk Management Committee for acknowledgement and further report to the Board of Directors. The significant risk factors and management are described in Risk Factors on pages 3-1 to 3-4.

11.3 The Board of Directors has evaluated the adequacy of the internal control system based on the Internal Control Adequacy Evaluation Form, taking into consideration five components, i.e., corporate internal control, risk assessment, control measures, information and communication system, and follow-up system. It was concluded that the Company's internal control system was considered adequate and appropriate to the business operation without material fault in the internal control system; and it could prevent improper or unauthorized use by executives or employees of the property of the Company and the subsidiaries. The financial report of the Company was accurate and reliable in accordance with the generally accepted accounting standards and the financial reporting standards. The Company's business operation was in accordance with the law on securities and exchange and other applicable laws.

The Board of Directors, the Audit Committee and the auditor were of the opinion that the Company's business operation was transparent and in accordance with the good corporate governance principles, its internal control system was suitable, effective and capable of preventing improper or unauthorized use by executives or employees of the property of the Company.

The Head of the Internal Audit Unit is Miss Vasana Wattananukulchai, General Manager of Internal Audit Office. The Audit Committee is of the view that Miss Vasana Wattananukulchai has knowledge, abilities and work experience and is qualified to efficiently and adequately perform duties as the Head of the Internal Audit Unit. The appointment, removal and transfer of a person holding an office as Head of the Internal Audit Unit shall be subject to the Audit Committee's approval. (The details are described in Attachment 3 on pages A3-1 to A3-2.)

The Head of the Compliance Unit is Mr. Phakpoom Thaweewittayarut, Deputy Managing Director - Administration and Company Secretary, who shall be responsible for compliance matters. (The details are described in Attachment 3 on pages A3-3 to A3-4.)

Report of the Audit Committee

The Audit Committee of Bangkok Expressway and Metro Public Company Limited, as appointed by the Company's Board of Directors, comprises four independent directors, namely, Mr. Vitoon Tejatussanasoontorn, as the Audit Committee Chairman *, General Chetta Thanajaro, General Sampao Choosri, and Dr. Annop Tanlamai *, as the Audit Committee Members. The Audit Committee Chairman specializes in accounting and finance, and the General Manager of Internal Audit Office serves as secretary to the Audit Committee.

The Audit Committee performed its duties within the scope, duties and responsibilities as assigned by the Board of Directors in line with the requirements of the Stock Exchange of Thailand. The Audit Committee's Meetings were held for discussion and sharing of opinions with management, internal auditor and the auditor, with a meeting with the auditor without the management's presence, for independent discussion on the essence in the preparation of the financial statements and the annual audit plan.

The key performance of duties of the Audit Committee may be summarized as follows:

- 1. Review of Financial Report:** The Audit Committee reviewed the financial statements of the Company and its subsidiaries, including changes in the accounting policies, the adjustments which materially affected the financial statements, and correct and complete disclosure of information, to ensure that the financial statements were prepared in accordance with the legal requirements, the generally accepted accounting standards and the financial reporting standards, with correct and sufficient disclosure of information in a timely manner for the benefit of shareholders or information users for making investment decisions.

In review of the financial statements and compliance with the relevant regulations and laws, the Audit Committee was of the opinion that the Company complied with the relevant laws, the accounting system and financial report were correct and reliable, the connected transactions between the Company and its subsidiaries with related companies were in compliance with the ordinary course of business.

- 2. Review of Effectiveness of Internal Control System:** The Audit Committee reviewed the assessment result of the internal control system to ensure the effective performance in all of work units and compliance with various laws and requirements. The Internal Audit Office independently examined and evaluated the sufficiency of the internal control, as well as reporting directly to the Audit Committee, taking into consideration the operations, resource utilization, property management, risk prevention and minimization, reliability of financial report, and focusing on the internal control of the information system, subject to further review and monitoring by both internal auditor and the auditor.
- 3. Supervision of Internal Audit:** The Audit Committee reviewed and approved the internal audit plan and scope of work, considered the audit report, monitored the corrections under the audit report, and provided suggestions in the improvement regarding the audit performance, to ensure appropriate and effective audit system. It also considered internal auditor development plan to keep pace with changes in business, along with ongoing self-improvement in the direction of the business operations and international standards.
- 4. Review of Good Corporate Governance:** The Audit Committee reviewed the Company's operations in compliance with the law on securities and exchange, rules and regulations of the Office of the Securities and Exchange Commission, requirements of the Stock Exchange of Thailand, and other laws relating to the business operations, including obligations which may arise from agreements executed with third parties, and found that the Company duly and properly complied with the relevant laws and requirements in a timely manner.
- 5. Consideration of Connected Transactions:** The Audit Committee reviewed and provided opinions on connected transactions or transactions which might give rise to conflicts of interest in compliance with the applicable laws and requirements of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand to ensure transparency, justifications, and maximum benefits to the Company's business operations.

Remark : * Appointed by the Board of Director Meeting No. 1/2016 held on February 25, 2016.

6. **Consideration for Appointment of the Auditor and Auditing Fee:** The Audit Committee had the duties to nominate, re-elect, and terminate the engagement of the auditor. It assessed the audit in the previous year and considered the reasonableness of the auditing fee and was of the view that the auditor from EY Office Limited was independent, knowledgeable and experienced regarding the audit, provision of advice on the accounting standards, certification of the financial statements in a timely manner, and concluded that the auditing fee was reasonable. Therefore, it proposed the matter to the Board of Directors to consider and seek approval of the meeting of shareholders for appointment of the auditor from EY Office Limited as the Company's auditor for 2016, with the remuneration not exceeding Baht 2,505,000 per year.
7. **Preparation for Participation in Private Sector Collective Action Coalition Against Corruption:** The Audit Committee assigned the management and the Internal Audit Office to conduct a study in detail and to prepare a self-evaluation in accordance with the self-evaluation form regarding anti-corruption measures, and assigned the responsible persons to attend training on Anti-Corruption: The Practical Guide Program, as organized by the Thai Institute of Directors Association, to ensure readiness in the participation in such program.

In summary, the Audit Committee fully performed its duties as specified in the Audit Committee Charter as approved by the Board of Directors, by using sufficient knowledge, abilities, prudence and independence in providing opinions and suggestions for the fair benefit of all interested parties. It was of the view that the Company's report on financial information and operations was correct in compliance with the generally accepted accounting standards and the financial reporting standards, that the risk management was sufficient, with effective and proper internal control system and internal audit, and that the business operations complied with the good corporate governance principles, applicable laws and requirements relating to the Company's business.



Mr. Vitoon Tejatussanasoontorn
Audit Committee Chairman