



# GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE



People  
and Culture



Governance,  
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**Operating in a context of constant economic, social, and environmental change, the Bank believes that determination and commitment to transparent corporate governance, proactive risk management, and strict compliance with relevant laws, rules, and regulations are crucial components in building a strong organizational foundation and creating a competitive advantage for sustainable growth.**

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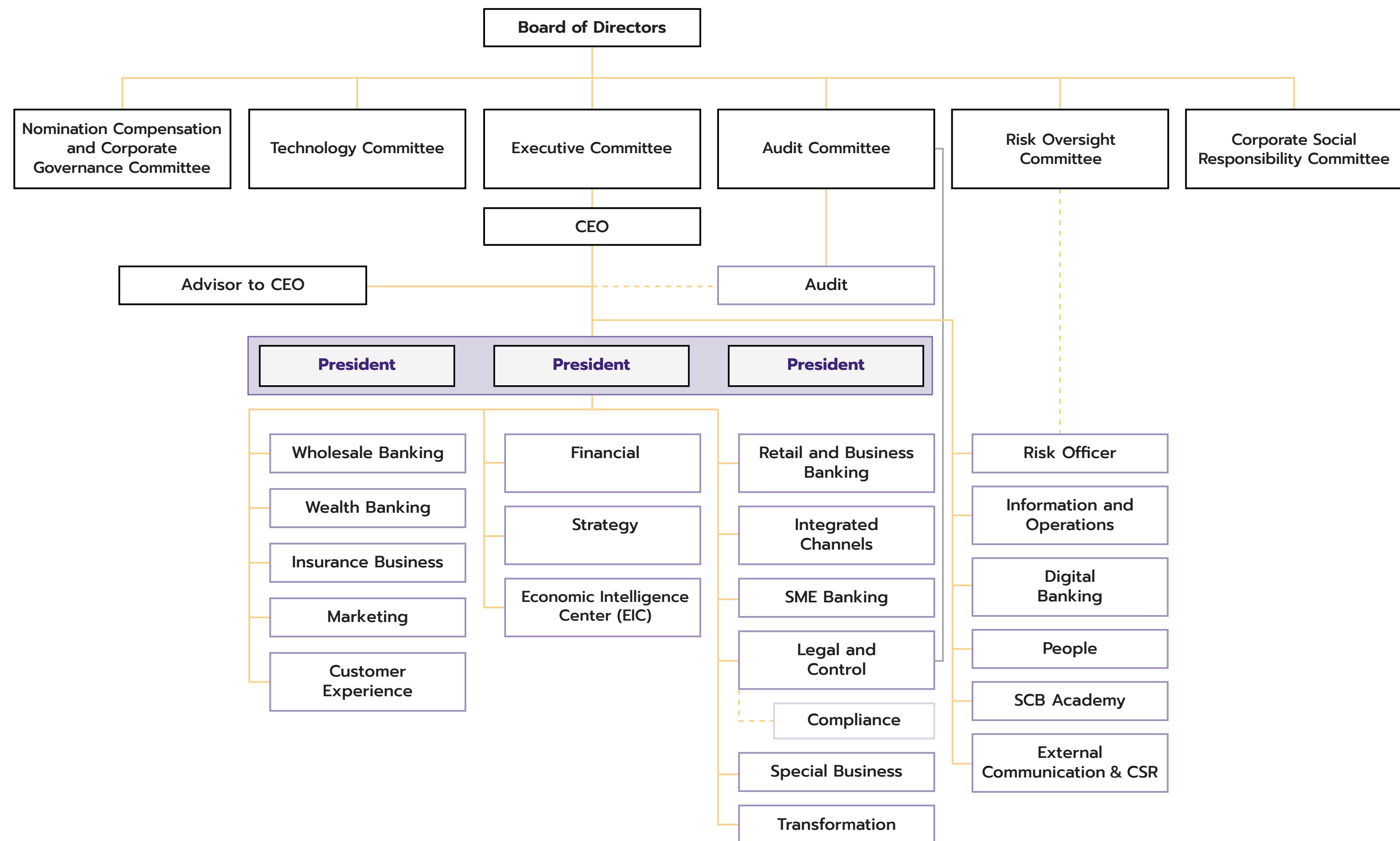


# Corporate Governance

For SCB, corporate governance forms a foundation of organizational management with ethics, integrity, and responsibility, leading to stakeholder trust and sustainable growth. The Board of Directors assigned the Nomination, Compensation, and Corporate Governance Committee the responsibility of formulating the Bank's corporate governance policy and monitoring compliance as well as reviewing and making appropriate changes to [the policy](#) in order to comply with regulatory requirements and global practices.



## Corporate Governance Structure



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## Board Effectiveness

To ensure effective governance steered by the Board of Directors, Board meetings are specified to be held once every three months and at least six times per year. Each Director is required to attend at least 75% of the total number of meetings in a given year. In addition, Board and Committee's assessment is conducted annually and is divided into four parts, including 1) Board assessment, 2) Board committees assessment, 3) Individual director assessment, and 4) Board chairman assessment. Self-evaluation and cross-evaluation are conducted by the Bank on an annual basis and by a third-party, once every three years, which is in line with the Principles of Good Governance for Listed Companies specified by the Stock Exchange of Thailand. The most recent board performance evaluation by an external consulting company was conducted in 2018.

In addition, the Bank seeks to ensure that the Board is provided with seminars and training sessions organized by the Bank, external and international organizations. In 2020, the Board was presented with opportunities to develop knowledge and skills beneficial for long-term value creation for the Bank and stakeholders. Training included, for example, a cyber resilience leadership workshop, an Artificial Intelligence and Machine Learning demonstration, Personal Data Protection Act (PDPA) preparation and readiness, and a "Change Your Life through Crisis" seminar dealing with economics, finance, and investment.

**In 2020, there were 15 Board meetings. The meeting attendance of the Board was 96.4%,**

**The attendance of all 15 directors was above 75% of total meetings organized which is in line with the Board charter**



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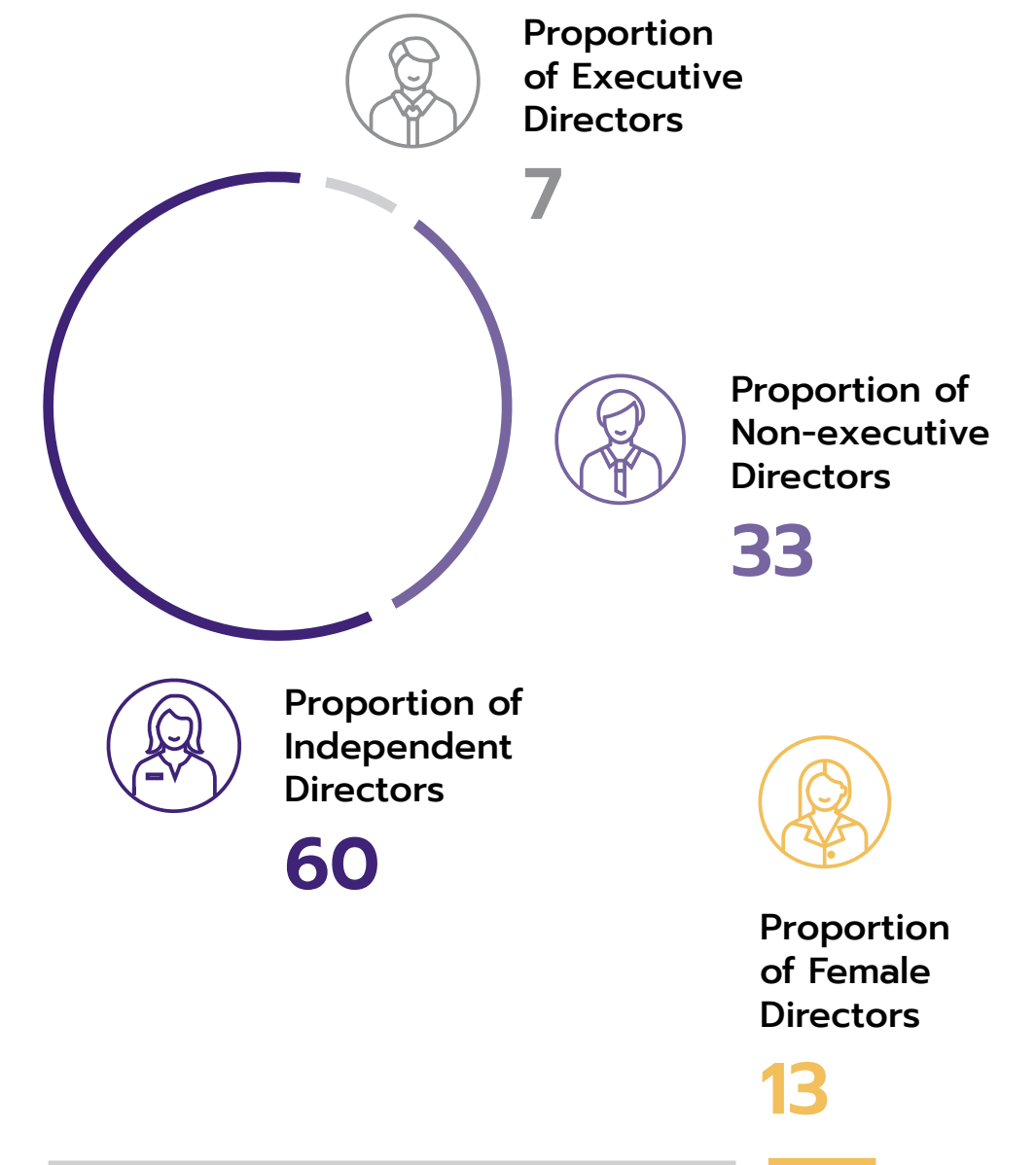


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## Fostering Diversity

To encourage desired diversity with appropriate knowledge and skill for the business context and strategy, the Bank uses a board skills matrix to evaluate board members' qualifications. Moreover, directors are nominated and elected on a fair and equal basis with no discrimination against gender, nationality, ethnicity, religion, or marital status.



**Remark:** More information and performance on SCB corporate governance is reported in the 2020 One Report.



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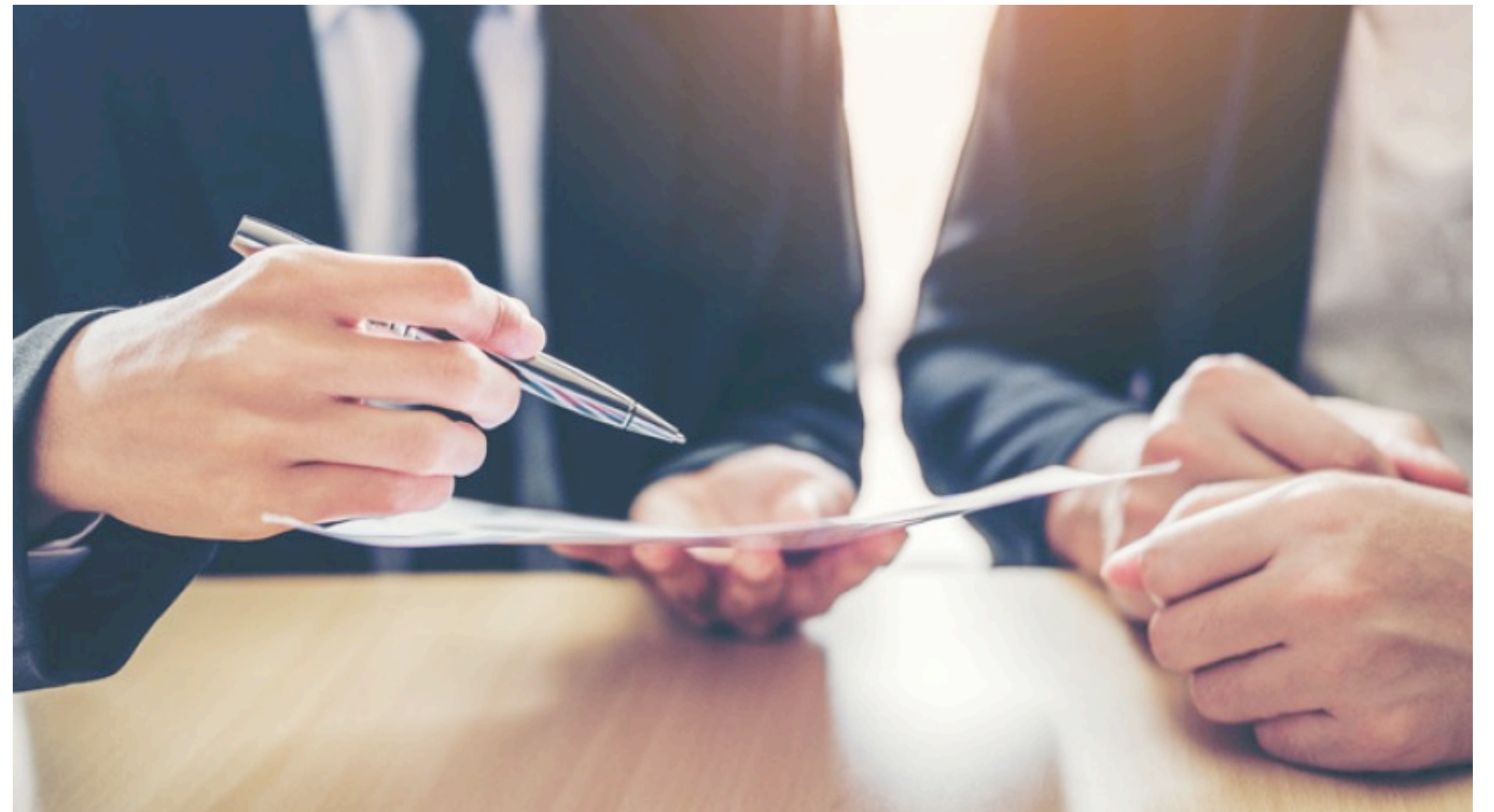
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## Risk Management

The Bank believes that the ability to effectively manage risk under a constantly changing context is essential for any organization in order to maintain its ability to generate growth and stability in the long run. Thus, the Bank seeks to develop a robust risk management process by specifying risk management as a fundamental component in every business process, coordinated at every level while promoting a bank-wide risk culture under effective risk governance and internal control systems.

## Risk Governance

The Bank manages risk systematically through explicit policies, guidelines, and audit processes. The Board of Directors and sub-committees play an important role in risk management and set up different management committees to manage and monitor key risks. For the governance of every major type of risk, the Bank and its subsidiaries have put in place policies, organizational structures, risk limits, risk management guidelines, and risk reporting appropriately tailored to each type of risk.





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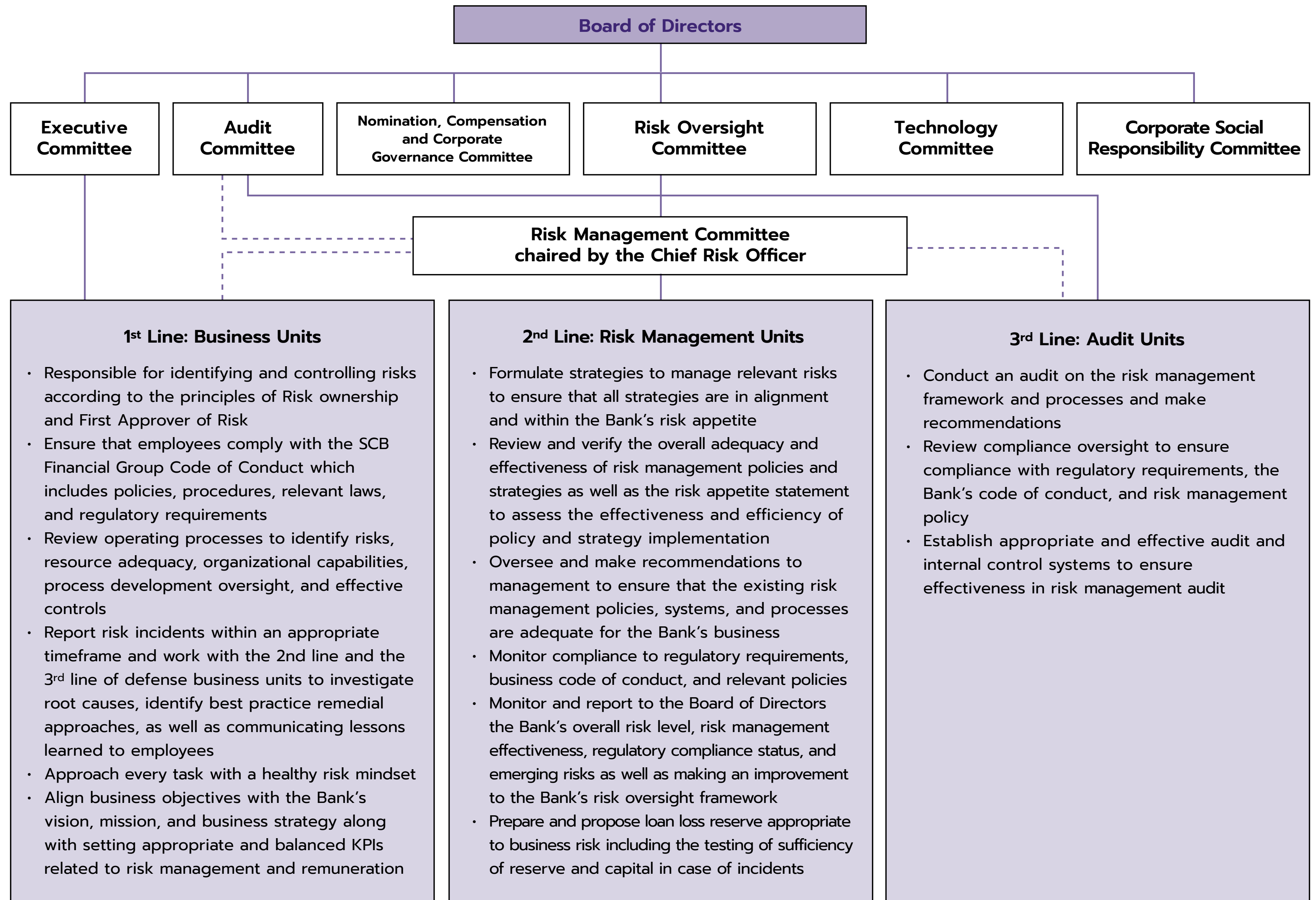
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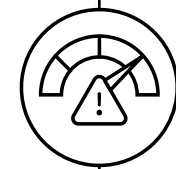
## Risk Management System

The Bank's risk management system consists of 4 key processes:



### Risk Identification

The Bank's major risks involve transactions and activities with both customers and suppliers.



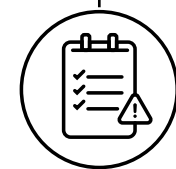
### Risk Assessment

The Bank conducts an annual risk materiality assessment to ensure that appropriate processes are in place to manage, control, and monitor every material risk. The Bank uses risk-specific approaches to assess qualitatively and quantitatively different types of risk.



### Risk Monitoring and Control

The Bank has a risk appetite statement (RAS), which includes both qualitative and quantitative measures to guide the risk management practice to achieve long-term objectives of the Bank and subsidiaries in the financial group. The Bank also monitors and controls risk by setting key risk indicators and risk limits to align the risk management practice with the Bank's policies and processes.



### Risk Reporting

Different types of risk will be regularly reported to management and relevant business units with accuracy and speed to ensure effective risk management and controls.



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## Risk Culture

Risk management is a continuous process and considered a duty of every employee. Accordingly, the Bank has specified risk culture as one of SCB's core values, seeking to build employee participation and engagement in risk management on a basis of appropriate knowledge, understanding, and shared responsibility.



### TRAINING

Making 7 Operational Risks a mandatory training course, requiring every employee to annually complete the course. Maintaining a continuous tone from the top communication message on risk management.



### THREE LINES OF DEFENSE

Encourage the adoption of "Three Lines of Defense" among the First Line (Business and support units), the Second Line (Risk Management and Compliance), and the Third Line (Internal Audit), while identifying risk assessment, mitigation measures, and monitoring.

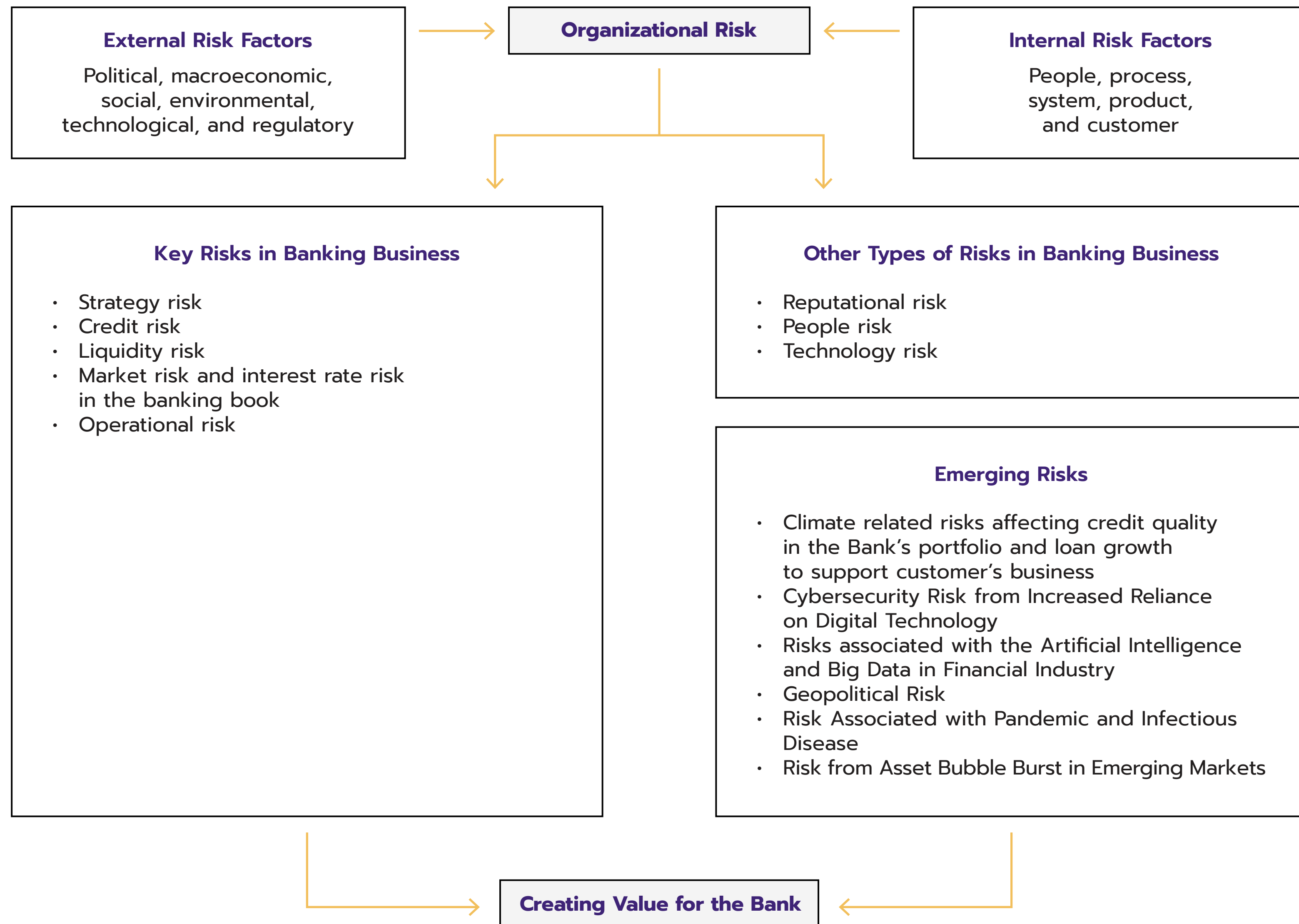


### COMMUNICATION

Continuously communicate best practices and case studies of failure to comply with the Bank's rules and regulations, policies, and code of conducts.



## Overview of Major Risks for SCB



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## Emerging Risks

The Bank annually analyses emerging risks resulting from economic, social, and environmental change which may affect business operations in the long-term. Measures are then developed to mitigate and manage the risks accordingly. In 2020 the Bank identified the following emerging risks.

### **Climate-related risks affecting credit quality in the Bank's portfolio and loan growth to support customer's business**

Impacts from climate change risks resulted in subsequent physical risk, affecting economy, whether in terms of gradual downturn, interruptions of business, damage to assets as well as a decline in quality and quantity of natural resources, agricultural outputs, and commodity. In addition, an emerging transition risk resulted from policy, regulatory, and technology to address climate change issue in Thailand is a transition to a low-carbon economy and adoption of environmental-friendly technology. Accordingly, the Thai government is in the process of drafting a climate change act which will serve as key economic mechanism in driving the private sector to adopt long-term climate change implementations. Directed by this law, private and public companies are required to maintain

and disclose greenhouse gas emission inventory and report reductions while integrating climate change risks as part of corporate planning or initiatives, consequently impacting change in asset value in certain industry such as fossil business, carbon-intensive industry.

Climate change poses credit risk and financial risk to SCB through portfolio exposures to business that experiences acute and chronic natural phenomena caused by climate change. Such phenomena cause business interruptions e.g. in the production line, logistics, or supply chain. This harms clients' productivity and performance, affecting their ability to meet the financial obligation to the Bank. To tackle the environmental problems, regulatory changes will also be enforced to reshape the way companies conduct business at a national level. During a transition towards low-carbon economy, carbon-intensive industry will lose their competitiveness as a result of governments' measures or large corporates' initiative leading to limited opportunities for the Bank to provide financial product to support the client's business growth. In addition, clients in carbon-intensive sectors will be required to invest in new tools or technologies or bear additional costs of the

transition, thereby distressing their financial performance and credit quality. Nevertheless, this also presents a business opportunity should the Bank maintain continuous dialogue with clients on environmental issues.

To effectively manage climate risks and protect the Bank from these potential impacts, the Bank has integrated climate risk into our risk management frameworks. Climate risk has been embedded in our credit underwriting by considering climate-related uncertainties to ensure that the credit decision is forward-looking. As a financial institution, the Bank has provided lending to businesses and projects/activities that help reduce greenhouse gas emissions, improve energy efficiency, and continuously seeking opportunity to develop green investment products. The credit portfolio is monitored to ensure that exposure to climate-related risks is regularly assessed.





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## Cybersecurity Risk from Increased Reliance on Digital Technology

Increased reliance and adoption of digital technology causes cybersecurity risks to evolve and become increasingly sophisticated. Cybersecurity risk will result in a business interruption or a shutdown of critical infrastructure and essential services, security breaches, and identity theft.

COVID-19 pandemic has exacerbated cybersecurity risk for the Bank as SCB has adopted the Work from Anywhere policy, shifting employees from working at office to working remotely from anywhere. This change increases vulnerability of the Bank's IT system. Moreover, within 5 years, digital technology will be highly integrated into the Bank's business including data storage and management as the Bank moves towards digitized platforms with more digital business partners. In addition, a majority of SCB customers have shifted their behavior to mobile banking with 70% of transactions made digitally. This consequently increases opportunity for hackers and cyberattacks. Breach of cybersecurity leads to a loss of customer trust, damaging the Bank's reputation, possibly triggers liquidity crisis.



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To develop a secured digital platform, the Bank has continually invested in IT infrastructure and strengthened risk management based on the three lines of defense framework. In addition, the Bank also uplifts employee capabilities while deeply cultivating risk culture at the corporate level as elaborated in the Cybersecurity chapter.

## Risks associated with the Artificial Intelligence and Big Data in Financial Industry

The Bank has increasingly relied on the use of Artificial Intelligence (AI). AI technologies enable the Bank to ensure more efficient operations, improve products and services and deliver better customer experience. The complex nature of AI solutions may, however, increase certain types of risk to the Bank, such as those related to data privacy, misuse of data, model risk which could have impact on the Bank's reputation and trust.

Within 5 years, the Bank is heading towards becoming a Tech Bank or a tech company that offers financial services by working with more business partners to deliver the best solution for customers. Accordingly, accessing and

utilizing significant amounts of data by AI and machine learning raises concerns for stakeholders in terms of data collection, data processing, data privacy, and security. As AI and machine learning are increasingly deployed for credit decision, there is a potential for algorithms to create bias and discrimination, which may cause reputation risk. At SCB, AI and machine learning are applied to the credit assessment process which could lead to risks in 'algorithm fairness' as the accuracy and efficiency of the developed algorithm rely heavily on quality of input data, both in terms of structure and correctness. Without depth understanding and mitigation approach, the use of imprecise or partial algorithm would result in discrimination to certain segments of customers, affecting the Bank's ability in supporting financial accessibility to all group of customers, specifically, the vulnerable groups, who are in the most need for financial support.



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SCB acknowledges and prepares for the challenges regarding innovation and development in the digital transformation era. The Bank is strengthening its data architecture and infrastructure to ensure security of personally identifiable information (PII) and improving governance and control on the right to access, use and transfer personal data to comply with the new Thai Personal Data Protection Act 2562 (2019). In addition, the Bank continues to enhance risk management frameworks such as model risk management framework, information security, data privacy, and data protection, and recruit more talents to ensure that AI and Big Data are used in a meaningful and transparent manner within the Bank's operation as well as in the activities with business partners.

### Geopolitical Risk

Geopolitical risk is a risk arising from tension between nations due to political situation, conflicts, scramble for natural resources, terrorism, threat from weapon of mass destruction, which could be escalated to regional and global level. Geopolitical risk can transmit to economic sectors via investors' confidence and sentiment, and economic activity. In a time of geopolitical stress, the tension affects overall confidence and results in investment volatility, slowdown or stagnant economic activity, or acceleration toward economic recession. Geopolitical instability has been heightened in the past several years and is expected to be more complex due to the COVID-19 pandemic.

The Bank is aware of geopolitical risk and potential impact associated with credit risk. As Thailand heavily relies on import of raw material and intermediate goods and export products to foreign countries, and with a significant number of customers in the Bank's portfolio operate in import/export sector, manufacturing, transportation, and supply chain. Political tension in one country or between nations could negatively impact cash

flow and performance deterioration of businesses, and their ability to meet financial obligation while demands for financial products for import/export business decline. If the situation becomes more severe or prolonged, it could accelerate the economic crisis and unemployment. These affect creditworthiness of business and retail customers of the Bank.

Recognizant of impacts resulted from geopolitical risk, the Bank establishes effective and proactive risk management process to ensure that the risk is appropriately assessed and monitored by embedding geopolitical risks in the credit decision process and credit review to ensure that the credit decision is forward-looking. In addition, the Bank controls country risk by setting limits on lending, investment, and contingent liabilities for each country. SCB's Country Risk Management Policy requires both direct and indirect country-specific exposure to be included when calculating the country-risk limits. When situation arises or becomes intensified, the Bank promptly assesses the impact on the portfolio and conduct stress test to ensure that the Bank has sufficient provision and capital to mitigate potential losses.



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## Risk Associated with Pandemic and Infectious Disease

Although the tension of the COVID-19 pandemic is likely to lessen due to vaccine development, it will not definitely be the last pandemic. As illustrated during the COVID-19 outbreak, pandemic and infectious disease rarely happen, but it globally and significantly damages global economy within a short period of time. Efforts to contain the spread of the disease result in an interruption in economic activities. Businesses and individuals concern the uncertainties they might face. The lockdown measures forced temporary business closure and affected their revenue, liquidity, and financial position. Labors lose their income or employment immediately. This leads to numbers number of families struggling to meet their financial obligations. In addition, if the outbreak is not contained and prolonged, it could trigger global recession.

The pandemic and infectious disease affects the Bank in many ways. The lockdown restriction forced the Bank to change its business strategy and operation in timely manner. To serve our customers, the Bank needs to prepare necessary equipment for our branch staff and strictly follow the measures imposed by the government to ensure customer safety and confidence. At the same time, it drives demand for online transaction via mobile applications. Subsequently, cyberattacks, aiming to steal personal information and identity from customers have simultaneously increased due to increased use of digital banking and the adoption of the Work from Anywhere policy. Regarding credit quality, which is the Bank's largest asset, it could be deteriorated in some sectors or geographies due to worsening performance of business and rising unemployment of retail customers. In addition, the Bank faces a challenge from potential permanent changes in customer behaviors to choose products and services or undertake financial transaction. This may cause ineffectiveness of our existing models as they cannot measure risk appropriately under these circumstances.

In response to the pandemic and infectious disease risk which may occur again in the future, the Bank has prepared Business Continuity Plan to ensure readiness and continuity of services operation. To cope with increasing cybersecurity risk, the Bank continues to strengthen our IT security and promotes awareness of cybersecurity threats to employees and customers. The Bank places importance on credit risk management, whereby the portfolio must be actively reassessed to identify affected customers. Credit risk control, monitoring, and reporting to the management are increasingly intensified compared to normal situations. Provisions will be set aside as a cushion for tail risk. In addition, the risk model is regularly validated to ensure that they remain effective under special circumstances.



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## Risk from Asset Bubble Burst in Emerging Markets

The COVID-19 outbreak results in economic contraction globally. The developing countries, especially those heavily rely on trading with developed economies such as US and China, tend to suffer more. The government in each country creates debt to support domestic economy and restore their healthcare system in order to survive. Despite deteriorating economic fundamentals, which takes time to recover, capital has not flown out from emerging market to safer assets in developed economies as before because of the record-low interest rates. This has induced investors to search for yield by taking on more risk, especially in the emerging markets, and causes asset bubble as assets price surge does not align with their intrinsic value.

When these bubbles inevitably burst, it could create shockwaves to the global level. Market risk is escalated by fluctuation in money market and exchange rates driven by forced sales by investors. In addition, credit risk is heightened by businesses' weakening financial position from impaired assets or investment losses. The performance of business could be aggravated by domestic currency depreciation as investors quickly liquidate and relocate funds to safer assets. Businesses become more vulnerable to collapse. It also leads to a surge in unemployment rate and affects retail lending.

Preparing for the impact, the Bank has developed market risk management framework to mitigate volatility from exchange rate and interest rate. To manage exchange rate risk and interest rate risk, the Bank sets risk limits in accordance with the Risk Appetite Statement.

For credit portfolio, the Bank proactively reassess the credit quality and perform customer reviews to identify affected customers. An anomaly in credit portfolio will be escalated to the management. In addition, a stress test is conducted to ensure that the Bank has adequate provision and capital to withstand potential losses.



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## Compliance with Laws, Rules, and Regulations

SCB is committed to communicating and building compliance with policies and procedures as well as with relevant rules and regulations by regularly reviewing, analyzing, and monitoring changes in the operating business context and relevant laws. This leads to continuous internal review, revision, and improvement of the Bank's rules and regulations to ensure that business operations are aligned with relevant rules and regulations as well as global practices, contributing to solid and sustainable business conduct.

### Business Conduct

The Bank is committed to operating its business with integrity and respect for all stakeholder groups by requiring those directors, executives, and employees at all levels to strictly comply with the [SCB Financial Group Code of Conduct](#). The Audit Committee, which is made up entirely of independent directors, is responsible for overseeing compliance with the Bank's principles of governance and ethics, code of conduct, regulations, and procedures as well as regularly reviewing the Code of Conduct.

Ensuring execution of the policies, the Bank continues to communicate and provide training at every employee level. The SCB Financial Group Code of Conduct is specified as one of eight mandatory courses, with training completion a consideration in annual employee performance reviews, promotion decisions, and internal transfer requests.

### 8 Mandatory Courses, promoting a foundation of prudent and responsible business conduct

Course	Percentage of employees completing the course
Personal Data Protection Act	99
Cyber Security Awareness	92
Anti-money Laundering and Counter Terrorist Financing	89
SCB Financial Group Code of Conduct	88
Operational Risks	87
SCB Safety First	85
Anti-corruption and Bribery	84



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## Whistleblowing

Under the Whistleblower Guideline, the Bank provides channels to report information or tips about non-compliance with rules, regulations, and the Bank's code of conduct, including corruption and bribery cases. A fact-finding committee is responsible for promptly investigating any reported incidents or cases. Findings are then reported to the Disciplinary Committee, which must keep the Audit Committee informed of any disciplinary decisions and subsequent actions on a quarterly basis.

In 2020 there were 31 reported incidents, 13 of which concerned inappropriate behavior at workplace, 12 concerned non-compliance with procedures or obligations, 4 concerned discrimination and harassment, one concerned dishonest conduct, and one was related to a fraudulent act. Out of all the cases, 29 were investigated and addressed while the two remaining cases are still being deliberated. Additionally, the Bank has in place appropriate disciplinary actions for affirmed cases, including written warnings, salary reductions, and employment termination. Five cases were given written warnings in 2020. The Bank encourages employees at all levels to report incidents or cases that may affect the Bank through the channels that have been set up, which will then trigger the investigation and review process.

In addition, the Bank analyses the reported cases in order to identify preventive and mitigation measures, reducing the risks of non-compliance to the Bank's policy and procedure. A representative from People Office visits in-branch employee via Microsoft Teams to inquire about their wellbeing and inform any important news or notifications that employees must be aware of such as formal adoption of the Personal Data Protection Act in 2021. Employees are informed to be cautious about inappropriate behavior at workplace, maintaining respect for working together.

## Supplier Business Conduct

To help suppliers grow together with SCB on the basis of good governance and social and environmental responsibility, the Bank encourages them to adhere to the SCB Supplier Code of Conduct and requires every supplier to sign an acknowledgment form before starting their work with the Bank. The content of [the SCB Supplier Code of Conduct](#) includes business ethics, respect for labor rights and human rights, occupational health and safety, environmental practice guidelines, as well as compliance with laws and regulations. In addition, the Procurement Unit also performs supplier site visits to monitor suppliers' compliance with the SCB Supplier Code of Conduct. Evidence of non-compliance will affect future supplier selection decisions. The Bank communicates its practice guidelines and expectations to suppliers during an annual Vendor Communication Day.

## Human Rights

Out of respect for human value and dignity, SCB strives to respect and promote basic human rights as specified in the SCB Financial Group Code of Conduct and to strictly comply with global practices by respecting and promoting the human rights of all stakeholders, including customers, employees, the community, and suppliers. [The Bank's Human Rights Policy](#) has adopted the UN Guiding Principles on Business and Human Rights (UNGP) to guide organizational management and practices.

On a three-year basis, in 2020 SCB undergoes human rights due to diligence assessment to identify, prevent, and mitigate human rights impacts as a result of its activities throughout the value chain. The results are summarized as follows:



### 3 Steps of Human Rights Risks and Impact Assessment

#### Scoping

Reviewing the identified risks within the geography of operation and peer benchmarking to determine industry risks, including reports from global civil society organizations and NGOs

#### Identification

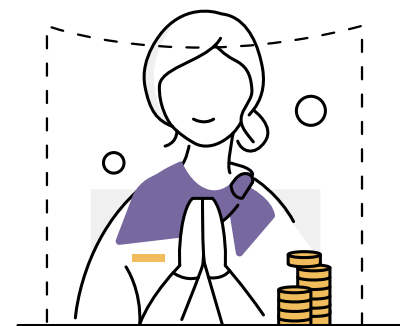
Building engagement with internal stakeholders to collaboratively identify risks associated with the Bank's operations

#### Prioritization

Determining the level of severity and likelihood by using a matrix

### Human rights issues associated with the Bank's operations and throughout the value chain

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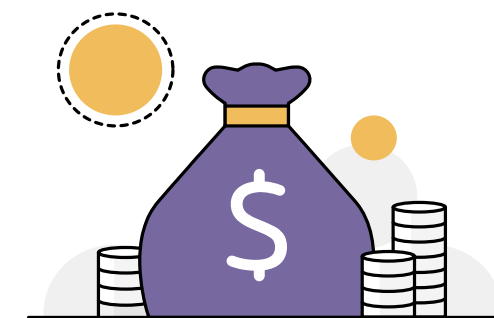
#### CUSTOMER PRACTICES

1. Data privacy
2. Mis-selling
3. Product discrimination
4. Product development



Data privacy and protection

#### AS A LENDER



#### INVESTMENT AND BUSINESS PRACTICES

1. Labor rights
2. Land rights
3. Community rights



Mis-selling

#### AS AN EMPLOYER



#### EMPLOYMENT PRACTICES

1. Workplace discrimination
2. Working conditions
3. Freedom of association, assembly, and collective bargaining



Community rights in lending projects/ investee companies

#### AS A BUYER



#### SUPPLY CHAIN MANAGEMENT

1. Labor rights
2. Community rights
3. Security personnel practices

### 3 Salient issues

### Mitigation action and measures for salient issues

Please see more details in the Data Privacy Protection chapter on page 129

Please see more details in the Market Conduct chapter on page 127

Please see more details in the Sustainable Finance chapter on page 39

For a complete report on the SCB Human Rights Risks Assessment 2020, please [click here](#).



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## Anti-corruption and Bribery

The Bank pledges to shun and prevent any form of corruption and bribery by requesting that every employee learn and comply with [the Bank's Anti-corruption and Bribery policy](#) and practice, which is explicitly stated in SCB's Financial Group Code of Conduct.

### Policy Adoption

Board of Directors approves the policy and ensures effective internal controls and risk management

### Policy Review

Regular review and revision in case of significant change, or at least once a year

### Awareness and Implementation

On policy and practice for all levels of employees through training and communication in various forms and channels

### Whistleblowing Management

- whistleblower@scb.co.th
- Governance Risk Compliance (GRC) system on the intranet
- 7OR channel through SCB Connect account on Line App
- Mail to P.O. Box 117, Chatuchak Post Office
- Telephone: 0-2544-2000

To illustrate the Bank's commitment to transparent business conduct adhering to the code of conduct and in compliance with the Anti-corruption and Bribery Policy, the Bank continues to enforce a No Gift Policy.

Nevertheless, for political contributions in monetary or other forms, the Bank requires

appropriate disclosure as well as approval from the Board of Directors or the Executive Committee. Violation and/ or failure to adhere to the policy will result in disciplinary action which, after an investigation according to the Bank's disciplinary procedures, may involve written warning, termination of employment, or civil and criminal lawsuits.

In 2020, there were no corruption and bribery allegations or complaints against the Bank from the Bank of Thailand, the Anti-money Laundering Office, the Office of the National Anti-corruption Commission, and the Securities and Exchange Commission. The Bank also did not provide any support to political activities, political parties, politicians, election candidates, or people with direct or indirect political influence.

Since 2017, the Bank has been certified as a member of Collective Action Coalition Against Corruption (CAC).

In 2020, the Bank was recognized as a CAC Change Agent by inviting its suppliers to participate in the program.





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## Anti-money Laundering

The Bank specifies policy and procedures relating to anti-money laundering and counter-terrorism and the proliferation of weapons of mass destruction financing to ensure compliance with relevant rules and regulations, global practices, and the Bank's Code of Conduct. This is applied to employees at all levels. At the same time, the

Bank also focuses its efforts on developing internal operational systems and processes to align with the way business operates in the digital age while protecting the Bank from being victimized by criminals or terrorists through money-laundering or financing terrorism and the proliferation of weapons of mass destruction.

The Bank complies with laws and regulations on storing customer's information for anti-money laundering and counter-terrorism purposes by keeping and destroying such information after 10 years.



**Prudent Know Your Customer (KYC) procedures**



**Customer Due Diligence (CDD) for high-risk customers**



**Communication and training on Anti-money Laundering and Counter Terrorism and Proliferation of Weapon of Mass Destruction Financing**



**Adoption of Automated AML Transaction Monitoring System and reporting to the Anti-money Laundering Office**



## Market Conduct

Fair treatment and access to financial services is a basic consumer right, the Bank has therefore placed importance on providing correct, accurate, and sufficient information to customers when using the Bank's products and services which are aligned with market conduct practices. The Bank also continuously builds understanding and promotes market conduct practices among all employee levels while having in place penalties in case of violations or non-compliance.

### Revolutionised Approach to Market Conduct

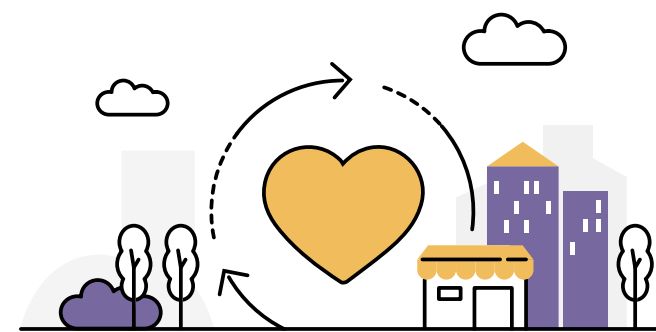
Tone from the top

Revolutionized communication and implementation

Under the 'Three Lines of Defenses' concept, business units with direct accountability are identified

Echo from the bottom by listening to customer and employee feedback received from various channels

Embedded market conduct as part of the Bank's culture



#### Provide products and services based on true understanding of customers

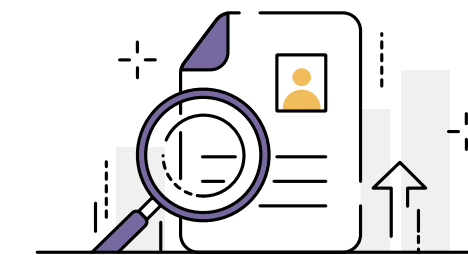
Market conduct is a mandatory training course in which every employee must take and pass the test which will be factored into their annual performance review.

This training covers key topics, such as the importance of market conduct, good practice before, during, and after-sales, and continuous improvement of service quality to ensure that customers are treated equally without discrimination and according to their best interests.



#### Consistent implementation with measurable results

The Bank has also incorporated service quality, customer care, and revenue streams from advisory services as part of its key performance indicators (KPI), which look beyond just sales figures. Disciplinary actions have been established up to the management level to ensure maximum effectiveness in market conduct implementation.



#### Continuous assessment and performance

The Bank has carried out an end-to-end, market conduct-oriented risk assessment for every retail product along with regular sales and service quality audits by using anonymous third-parties to assess whether the Bank's services comply with regulations and guidelines. This mystery shopping has enabled the Bank to improve its internal management and pinpoint issues or problems that need to be addressed.

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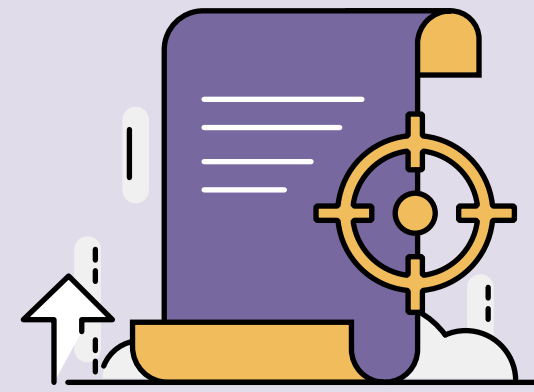
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### Treatment of Vulnerable Customers

The Bank conducts business with the goal of providing every group of customers inclusive access to its products and services, particularly for vulnerable customers who may require special care and assistance. At SCB, customers with the following characteristics are classified as vulnerable: those aged 60 years and older, those with limited financial knowledge or no investment experience, and those having communication, decision-making, or physical limitations. Because this group of customers must be treated with special care, the Bank has an established procedure for treating vulnerable customers to ensure that these customers make fully informed decisions when buying products and services. The Bank requires a family member to be present during a sales presentation and sign as a witness. For customers with health issues that pose a limitation on communication and decision-making, two witnesses, one an SCB employee and the other a family member or physician, must be present at a sales presentation. Managers or supervisors must confirm understandings with customers and require written acknowledgment to ensure that customers receive accurate information and understand product or service before purchasing or agreeing to terms.

In 2020, the Bank focused its efforts on driving market conduct practices in three specific areas including:



#### Improve and standardize market conduct assessment and audit practices

by adopting risk-based approach (high risk)



#### Uplift data analysis capabilities for auditing purpose

and utilize the result as a part of decision-making process, identifying high-risk items and better understand behavior of sale agents



#### Tighten controls and adopt defensive audit approach

by extending audit process and control measures on digital platform, ensuring prompt and accurate finding



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## Data Privacy and Cyber Security

Advancement in information technology has led to extensive connections through data and transformation towards a digitized work process. Data analytics assists businesses by systematically utilizing analyzed data to facilitate policy, strategy, and decision making as well as pushing the boundary of product and service innovation in order to creatively create distinctive customer experience.

Nevertheless, in a data-driven economy where organizations may assess, utilize, and store a considerable amount of data, the use of data in business must be accompanied by prudent risk management in light of the increasing frequency and severity of cyber attacks. This has led regulatory bodies to enact stringent rules and regulations relevant to personal data and information technology.

### 1

To ensure the Bank's processes and procedures on personal data and information security are aligned with the Personal Data Protection Act 2019 and Cybersecurity Act 2019:

### 2

To mitigate financial and reputational risk resulting from cyber-attacks and personal data breaches:

### 3

To increase the opportunity for developing meaningful relationships and delivering distinctive customer experiences:

The Bank has holistically specified a management approach for data protection, data governance, and cyber security.



**Policy:** [Privacy Notice](#), Data Privacy and Protection Policy as well as information technology security policies.



**Governance:** A Technology Committee and/or Steering Committee, consisting of senior executives, are responsible for governing strategy, promoting good practices, and monitoring progress and implementation.



**Risk Management:** Annually assess technology, cyber security, artificial intelligence, and Big Data risks.



**People:** Uplifts employee capabilities through continuous training, execution, and communication.



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## Data Privacy Protection

The Bank upholds human rights and understands that privacy is one of fundamental human rights that need to be respected. With the adoption of Thailand's Personal Data Protection Act, B.E. 2562 (2019) which is becoming effective on 1st June 2021, since 2019, the Bank has appointed a Data Privacy Steering Committee, chaired by the President with senior executives as committee members. The Data Privacy Working Group, consisting of representatives from relevant functions, was also appointed tasked with responsibilities in building awareness among employees and relevant personnel, in formulating policies, and supporting bank-wide compliance with the Personal Data Protection Act, B.E. 2562 (2019).

### Management Approach to Data Privacy Protection

The Bank has developed personal data management framework, identifying personal data protection as one of operational risks with group-wide risk management approach: governed by specified governance, policies, processes, and procedures enforced at SCB and its financial group companies. In addition, the Bank has also revised its SCB Financial Group's Code of Conduct to ensure that the business practices, assigned roles, and responsibilities of directors, executives, and employees comply with the Personal Data Protection Act.





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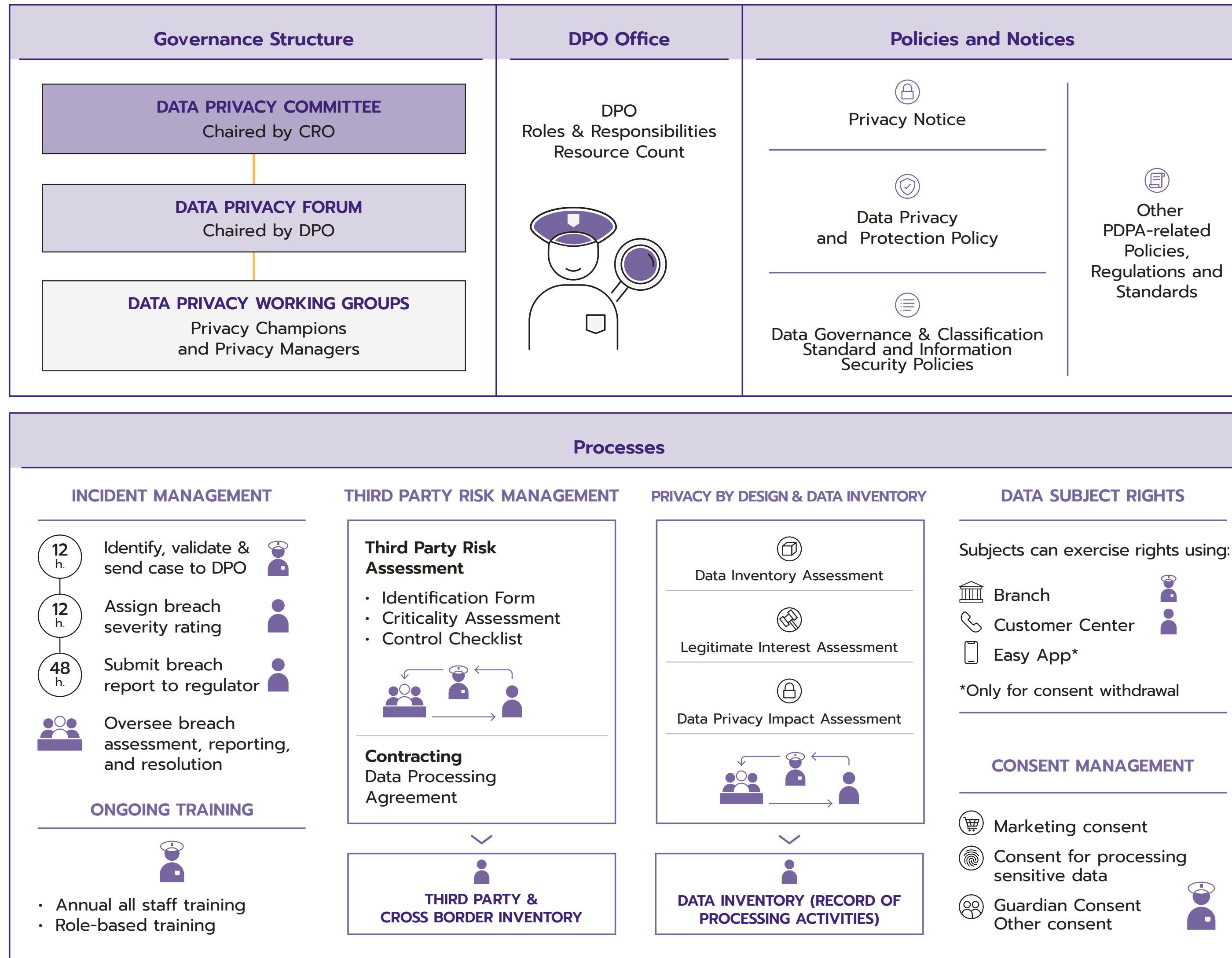
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Bank-wide collaboration to ensure a desired state of privacy and to gain customers' trust

Governance, policies and processes in place to systematically operationalise data privacy measures

- The Bank has in place manuals and processes relating to rights of data owner implementing at branch network, customer center, and Data Protection Office.
- The Bank enforces privacy notice, seeking cross-selling consents for marketing of product or services of SCB and its financial group companies, business partners which is aligned with PDPA, the Bank of Thailand's requirements while seeking consents relating to personal data/credit information per National Credit Bureau's requirement.



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To ensure that the Bank's practices and approaches to personal data protection align with relevant laws, while rooted in a privacy-oriented culture, the Bank has specified governance structure with involvement from the Board of Directors, executives, to employees at operational level. The Board of Directors has responsibilities to review and approve policy and ensure compliance with requirements relating to personal data protection. Technology Committee and Risk Management Committee are similarly tasked with responsibilities in reviewing policy, frameworks and overall risk management of both personal and the Bank's data to ensure appropriate measures, alignment with the Bank's strategy, and the identified risk remain within a

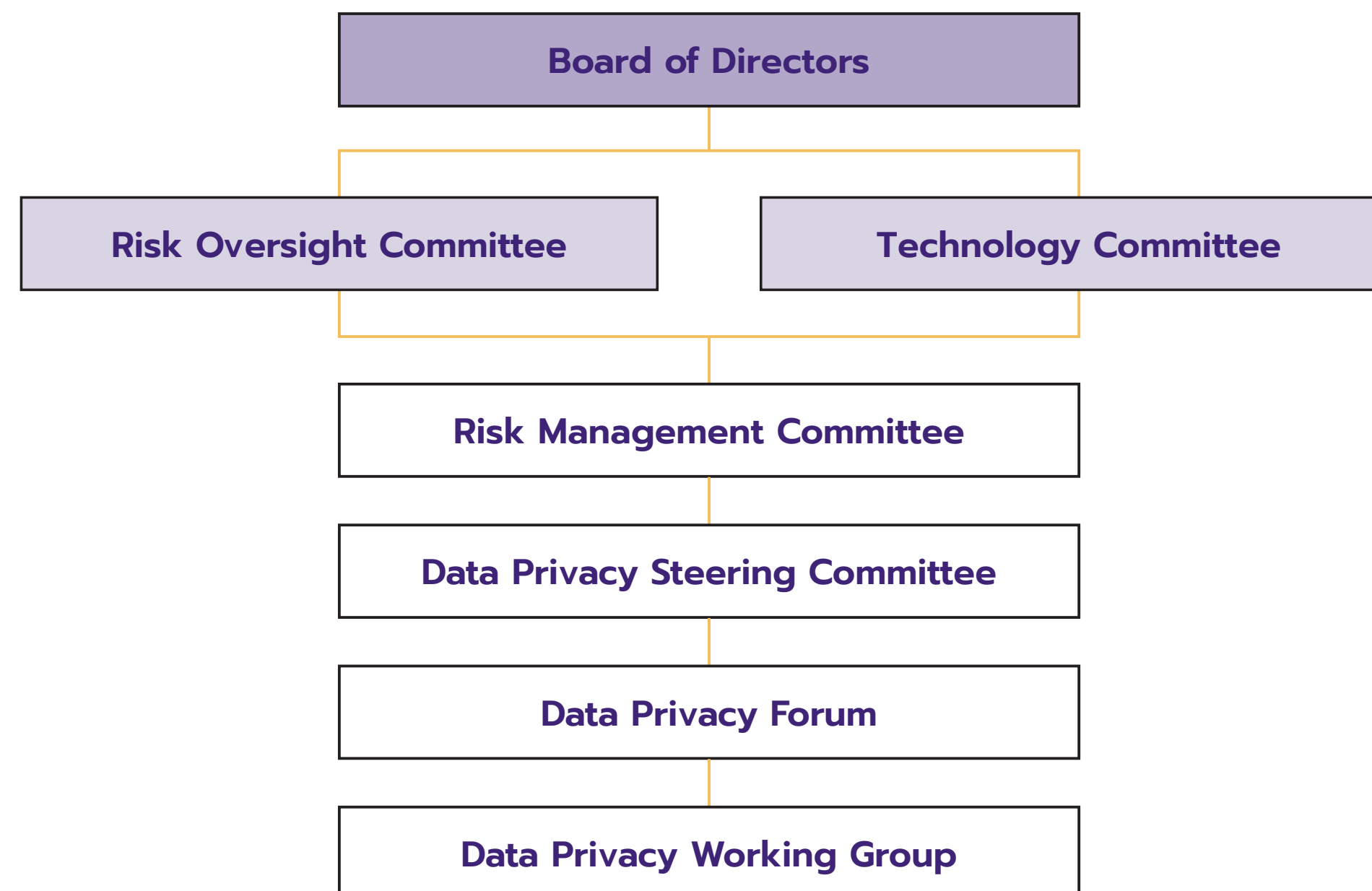
tolerable level. At the same time, senior executives and relevant committees, and employees at every level are required to ensure compliance with relevant policies and practices in their daily tasks.

In addition, the Bank strictly enforces bank-wide data security measures and requires compliance with the personal data protection policy in safely storing personal data. SCB employees and suppliers are required to comply with privacy policy and standards, appropriate measures for data storage and usage, sending, or transferring personal data are specified. In case that customer wishes to exercise their rights or to report breach of personal data, customer can

contact the Bank through SCB Easy, branch network for SCB Customer Center at 0-2777-7777, or directly contact data protection officer at dpo@scb.co.th.

Furthermore, in 2019, the Bank also commissioned an independent audit company to assess its management and operation's alignments and compliance with the Personal Data Protection Act 2562 (2019). It was found that the Bank's practices and processes comply with the Act. Nevertheless, the identified processes and procedures shall be documented, covering all relevant requirements. The Bank plans to complete this task by the end of May 2021.

### Data Privacy Protection Governance Structure





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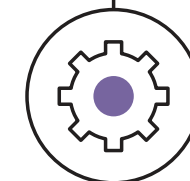
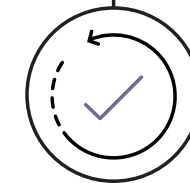
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## Management Approach to Privacy Violation

The Bank has specified privacy incident management procedures as a guideline for employees to effectively and appropriately handle and respond to a case of privacy breach. Handling processes and procedures are identified and annually rehearsed within the Bank and also with external organizations, such as the Bank of Thailand, Thai Bankers Associations to ensure that the Bank will be able to handle incidents within the required timeframe with least impact upon personal data.

In addition, the Bank places importance on building awareness among employees through regular training, communication, and activities. Penalties, such as written warning, pay deduction, and employment termination, are enforced if employees are found guilty of personal data's violation or any mishandling that causes subsequent impacts. In 2020, the Bank received 3 complaints regarding personal data violations in which the Bank has investigated and addressed the claims according to the Bank's procedures and practices. In addition, no personal data breach, theft, or loss was reported.



### 1. Breach identification and registration

Verify personal data breach incident

#### Relevant teams

- Incident team
- DPO

### 2. Breach validation and assessment (scoring)

Calculate personal data breach severity level

- DPO

### 3. Assess the need for breach notification

Personal data breach report to regulator and data subject

- DPO
- CMO

### 4. Breach containment

Incident owner assigned to solve the incident

- Incident team
- Incident owner
- ERT/ CMT

### 5. Breach monitoring and escalation

Monitor and escalate any personal data breach incident that is unlikely to be solved within 72 hours

- DPO
- Incident team

### 6. Root cause analysis and incident closure

Fact-finding process to identify the root cause of the incident

- Incident owner
- DPO





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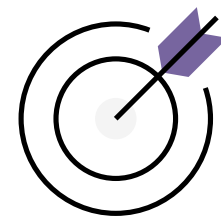
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### 2020 Key Initiatives

Similarly, in 2020, the Bank has organized and implemented SCB Privacy Program with ten internal work streams as followed:

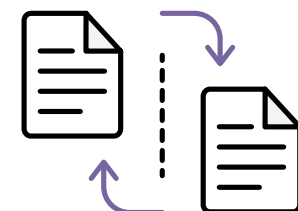
#### 10 WORK STREAMS UNDER SCB DATA PRIVACY PROGRAM



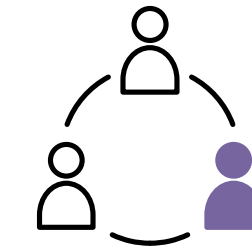
Strategy and Governance



Notice and Consent Management



Cross-border Data Transfer



Third-party Management



Data Life-cycle Management



Individual Rights Processing



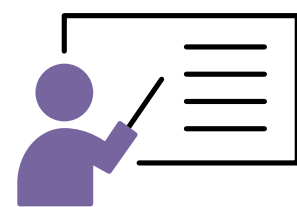
Privacy by Design



Information Security



Incident Management



Awareness and Training



Under the work stream, key progresses are summarized as follows:

### Management

Data Protection Officer promotes collaborative and systematic efforts within the Bank

Build **200 privacy champions** within units to help coordinate the efforts, provide advisory, monitor progress, summarize findings, and maintain appropriate use of data throughout the Bank

Enforce **Data Privacy and Protection Policy** and revise over **60 procedures and policies** relating to personal data

Put in place Record of Processing Data and Remediation Plan while identifying measures for respecting and protecting the rights of data owner

Requires every supplier and sale agents to complete a personal data protection assessment

### Governance and Reporting

Data Privacy Steering Committee monitors bank wide progress through monthly joint meetings with working committee. Performance and challenges are periodically reported to Chief Executive Officer and relevant committees.

### Training

Provide training to Data Privacy Champions through:

**11 role-based training courses**

Develop and specify Personal Data Protection Act training as a mandatory course which every employee must complete annually.

**99% of employees pass the training**

Provide work procedure and system training to users at every point of services, for both online channel, branch network, and SCB Customer Center

### Collaboration in Public Policy and Practice

Work with the Bank of Thailand and Ministry of Digital Economy and Society to provide advisory on the **implementation of Personal Data Protection Act** among banks

Work with Thai Bankers Association and its members in developing **Personal Data Protection Act compliance manual** for banking sector. This document will aid the development of organic laws.



People and Culture



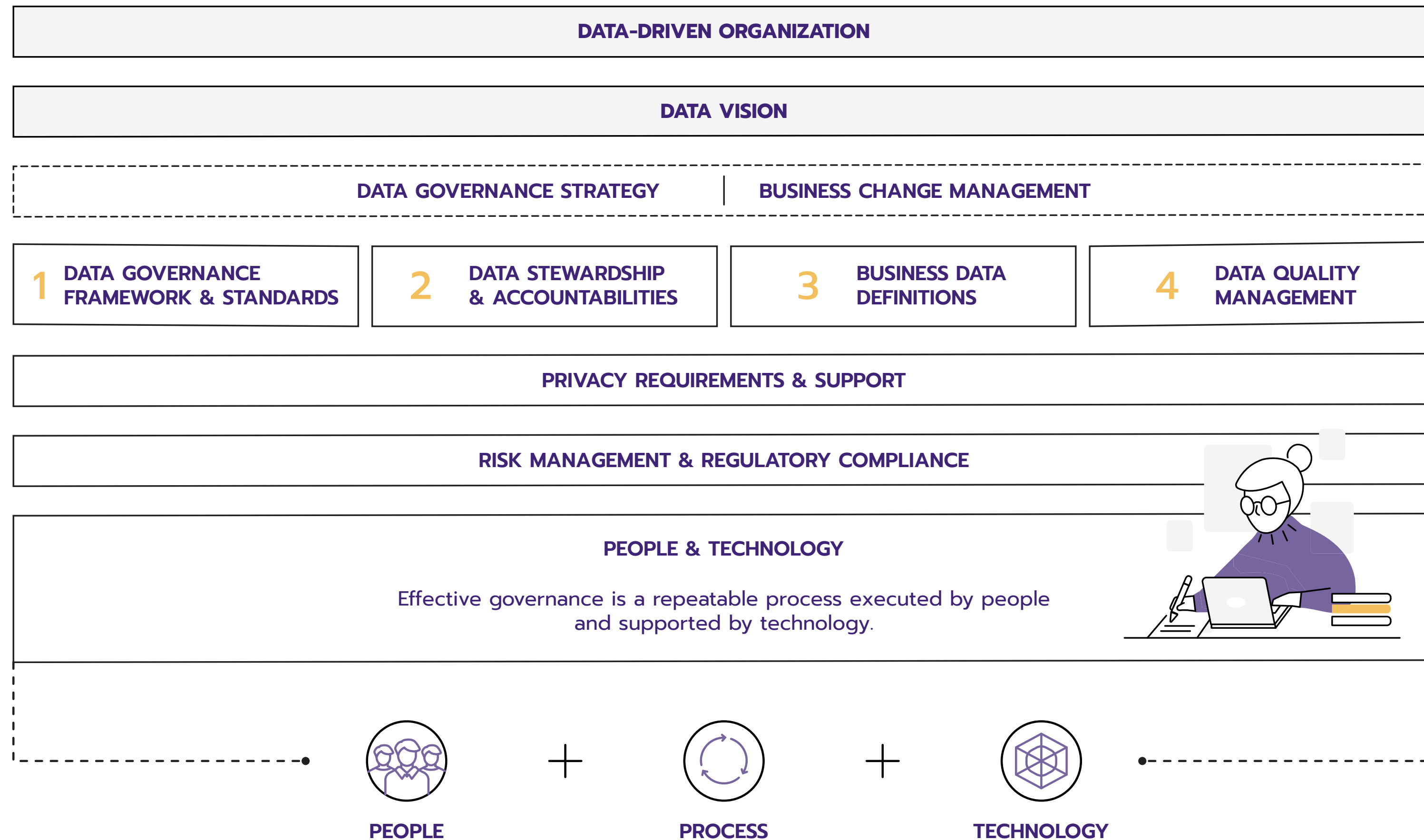
Governance, Risk Management, and Compliance



## Data Governance

To become a data-driven organization, the Bank set up a Data Governance Office with responsibilities to promote the effective, accurate, and secure management of data under the SCB Data Governance Framework.

### SCB Data Governance Framework



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In 2020, the Bank continued to promote the use of data under the 3Ds concept

**Data Accessible**

Ensures appropriate data access on the basis of data classification

**Data Understandable**

Builds user's understanding towards Business Metadata

**Data Quality**

Encourages effective and continuous assessment of data quality by focusing on addressing the root cause

**2020 Key Initiatives**

<b>Data Governance Framework and Standard</b>	<b>Data Sharing Framework</b>	<b>Data Governance Portal</b>	<b>Awareness and Knowledge</b>
Review and revise data governance framework and standards to comply with the Personal Data Protection Act	Develop a data-sharing framework between SCB and business partnerships by specifying concrete standards in alignment with the Personal Data Protection Act	Promote inclusive access to Data Governance Portal, containing knowledge and tools to help users understand the definition of Business Metadata	Organize activities and communications on cybersecurity awareness and knowledge to build employee's understanding and engagement in data governance



**Cybersecurity**

The Bank seeks to holistically uplift cybersecurity in terms of management, technology, and people. The Bank has assigned the Technology Committee to set policies and strategies as well as oversee digital risk, infrastructure, data, people, and processes to ensure that the Bank can keep pace with changes, continuously operate the business, and be able to effectively handle cyber threats or incidents.

The Bank employs a proactive approach to cybersecurity by focusing its efforts on developing technology along with processes for cyber threat detection, such as adopting the Cybersecurity Threat Intelligent Surveillance system and applying machine learning to study the pattern of cyber-attacks, both internally and externally. This proactive approach enables the Bank to assess the situation and be ready to respond and prevent potential losses. The Bank's cyber threat incident response assessment also scored high on overall cybersecurity, with sufficient resilience to effectively detect and respond to cyber threats.



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### Cyber Security Measures

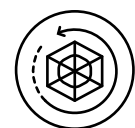


Adopt information technology policies and standards, which are being continuously reviewed, revised, and improved



Require an annual completion of cybersecurity awareness training which factors into an employee's annual performance review

### Process and Management



Adopted an IT Disaster Recovery Plan System Policy, last revised on May 2020. The policy specifies regular testing and rehearsing of disaster recovery plans, reporting result to Risk Management Committee on a quarterly basis. This is to ensure SCB's readiness and preparation for any business interruptions or disasters.



Certified ISO/IEC 27001:2013 for Information Security Management System: ISMS since 2005



Provides a variety of channels to report IT and cyber security issues or threats:

- E-mail
- Helpdesk
- Report to supervisor
- IT Security Unit

Applies the 'CIA' principle to cyber security

Confidentiality	Integrity	Availability
Information can be accessed by authorized personnel only	Information is accurate and reliable	Information is available when needed