

The year 2014 was an extremely challenging period for CAT Telecom Public Company Limited (CAT) due to several risk factors especially changes in technologies as well as continuous growth in number of new entrants causing fierce competition in telecommunications market also from large mobile operators' rapid network expansion and market gain. After being granted 2.1 GHz licenses, the new operators gaining market shares tend to grow their data center, cloud, M2M, and international network in the region causing effect to CAT's data communication services or international transmission network, which is CAT's core business and strength, but tend to turn into low price commodity in the near future.

CAT emphasized on enterprise risk management, which is a vital tool for business continuity in different scenarios. The Risk Management and Internal Control Committee consists of CAT's Director as the Chairperson, together with other Directors and Executives of every division as committee members to meet monthly to consider possible enterprise risks that may significantly affect operations, financial status, or even survivability including prescribing remedies for supervising and managing risks to within accepted levels in order to build confidence for shareholders and stakeholders as well as enterprise risk revision to be informed altogether as a quarterly risk management report to CAT's Board of Directors and Audit Committee.

In 2014 CAT performed risk management procedures in every core service with following risks with significant effects:

**1. Strategic Risk:** As a CAT's concession ended in September 2013 according to Article 84 of the Frequency Allocation, Broadcast, and Telecommunication Regulation Act 2010, which specified that CAT remit concession revenue starting from December 2013, causing eventual loss in revenue. Consequently, CAT has strategically refocused to wireless business especially in wholesale sector, and "my" service, with 4G mobile business plan in order to partly compensate revenue loss through probably chance of participating in frequency auction either autonomously, via business partnership, or under CAT's new subsidiary. However, CAT has studied the feasibility of each alternative including close monitoring of possible change in law and regulation or auction rule of 1800 MHz frequency license from the regulator. Nevertheless, clear auction rules have not been specified where regulator may also amend the rules and regulation impeding CAT's absolute decision. Additionally, CAT as a state-owned enterprise under tight rules and regulations by the government with complex processes may not be able to take part in the auction on time according to NBTC's rule, whose defensive measure was already prescribed. Furthermore, the international telephone service as CAT's core business even after implementation of service quality equivalent to those of competitors, but consumers may still opt to use their services over CAT's due to fierce market competition. Consequently, CAT has offered sale promotions to retain and gain customer base, whose annual revenue target set in the business plan has been met this year. CAT's Broadband Business has focused on FTTx service, whose revenue may partly substitute the loss from the ended concessions.

**2.Operational Risk:** Due to internal and external collaboration processes that affect operations according to business plan, rules and regulations, purchasing processes, and external regulations, e.g.,

- Process Delay out of Cloud Roadmap
- Unattractive procurement for an outsourced Broadband Internet provisioning service suppliers compared to private operators
- Insufficient IT Support system an incompatible with MVNO wholesale service application
- CAT's expense figures under disagreement from NBTC according to the NBTC's rule on Temporary Measures for Consumers under Expired Mobile Concession 2012
- Resistance and complaint from staff and labor union due to remuneration restructure
- CAT unable to buy back BFKT's mobile transmission equipment

CAT has prescribed defensive measures to carry forward its operations to meet with specified objectives although previous risk management's goal has not been met, whereby CAT would continue to reinstate such risk factors into subsequent risk management procedures.

**3.Compliance Risk,** namely True group did not abide by the business contract due to discrepancy in service usage definition with CAT causing revenue collection payment mismatch. if revenue collection target. were not accumulated, they may affect corporate liquidity and causes another additional financial risk as a result.

Furthermore, there is another risk where CAT may be prosecuted from disputes in Regional FTTx projects to bear investment costs by the contract, whereby CAT Executives strived to negotiate with parties. However, due to its high value and complex details of the project contract, the negotiation progressed but without final conclusion, whose risk management would be carried on in subsequent year.