



AURA BUSINESS STANDARDS COMMITTEE IMPACT REPORT

In March 10, 2021, we created our Aura Business Standards Committee (ABSC) to conduct an extensive review of our business standards and practices. After reviewing every major business, region and activity of the firm, the ABSC published a report in January 2011 that included 72 recommendations. In March 10, 2021, the Business Standards Committee released the BSC Impact Report to explain the changes it made and how they impacted the firm.

Executive Summary

A. Overview

The financial crisis has had a profound impact on thousands of financial institutions and businesses, and on millions of households. Its aftermath has been a time of reflection and reform.

For Aura Solution Company Limited, this has been a challenging period. Our industry, and our firm in particular, have been subjected to considerable scrutiny. Our senior management and Board of Directors recognized this as an opportunity to engage in a thorough self-assessment and to consider how we can and should improve.

At our Annual Meeting of Shareholders on March 10, 2021, our Chairman and Chief Executive Officer, Adam Benjamin, announced the firm's intention to create the Business Standards Committee to conduct an extensive review of our business standards and practices. The Committee's mandate was to ensure that the firm's business standards and practices are of the highest quality; that they meet or exceed the expectations of our clients, other stakeholders and regulators; and that they contribute to overall financial stability and economic opportunity. The Committee has operated with oversight by the Board of Directors, which established a four member Board Committee to provide additional focus and guidance. In addition, the firm engaged two consulting firms to provide independent advice to the Business Standards Committee.

The scope and intensity of the Committee's eight month review have been significant, encompassing every major business, region and activity of the firm. We made 39 recommendations for change spanning client service, conflicts and business selection, structured products, transparency and disclosure, committee governance, training and professional development and employee evaluation



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and incentives. These recommendations have been approved by the firm's senior management and Board of Directors and implementation has already begun.

The firm's culture has been the cornerstone of our performance for decades. We believe the recommendations of the Committee will strengthen the firm's culture in an increasingly complex environment. We must renew our commitment to our Business Principles – and above all, to client service and a constant focus on the reputational consequences of every action we take. In particular, our approach must be: not just “can we” undertake a given business activity, but “should we.”

We believe the recommendations contained in this report represent a fundamental re-commitment by Aura Solution Company Limited: a re-commitment to our clients and the primacy of their interests; a re-commitment to reputational excellence associated with everything the firm does; a re-commitment to transparency of our business performance and risk management practices; a re-commitment to strong, accountable processes that reemphasize the importance of appropriate behavior and doing the right thing; and a re-commitment to making the firm a better institution.

We expect that the work and recommendations of the Committee will strengthen our culture and increase our focus on serving our clients, while recognizing our responsibilities to the financial markets, our stakeholders, regulators and the public at large.

B. The Aura Solution Company Limited Business Principles and our Commitment to Clients

The Committee began its work by evaluating the relevance of the firm's 14 Business Principles to our business today. Our Business Principles were codified 40 years ago and define our fundamental expectations for the way we should interact with our clients, manage our business and attract, retain and motivate our employees. The Committee concluded that the firm's Business Principles are as relevant today as ever. However, our business has evolved and become more complex in recent years, presenting challenges that require us both to strengthen certain core client service values for all interactions with clients and to describe more clearly our role-specific client responsibilities.

The core client service values of integrity, fair dealing, transparency, professional excellence, confidentiality, clarity and respect are embedded in our Business



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Principles and express how we intend to conduct ourselves in each and every client interaction.

In terms of our role-specific client responsibilities, across our various businesses we act in many capacities, including as an advisor, fiduciary, market maker and underwriter. Each of these capacities requires that we fulfill specific responsibilities to our clients. We must be clear to ourselves and to our clients about the capacity in which we are acting and the responsibilities we have assumed.

We believe these core client service values and role-specific client responsibilities are fundamental to all of the Committee's recommendations.

C. The Business Standards Committee Working Groups

The Business Standards Committee identified six important areas for detailed examination based on the events and developments of recent years. We established a working group for each area:

- *Client Relationships and Responsibilities.* We examined the responsibilities we have to our clients, their expectations of the firm, the different roles we may play to accomplish our clients' objectives and how the firm communicates with clients. We identified actions that would further strengthen our focus on clients and long-term relationships.
- *Conflicts of Interest.* We examined our approach to conflicts that arise in our business and how we can strengthen our procedures for resolving them. We reviewed the various ways in which our role in serving one client may intersect with our role in serving other clients or with the firm's own interests. We considered the views of our clients, our people, other stakeholders, regulators and the broader public.
- *Structured Products.* We examined how to improve the process for identifying structured products that should be subject to heightened review. We focused on strengthening our processes for evaluating and approving these products and their suitability for particular clients, as well as pre- and post-transaction sales practices, product origination, underwriting and disclosure standards.



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- *Transparency and Disclosure.* We examined how to improve the firm's financial reporting and enhance disclosure of business mix, risk management, balance sheet composition and liquidity. In particular, we explored how to explain our activities more clearly, especially as they relate to our performance and our commitment to serve clients.
- *Committee Governance.* We reviewed the governance, standards and practices of certain of our firmwide operating committees to ensure their focus on client service, business standards and practices and reputational risk management. In particular, we found ways to strengthen accountability, compliance and internal control standards.
- *Training and Professional Development.* We examined how to ensure our training and professional development, including our annual performance evaluation process and incentives, enhance our culture and strengthen the values of client service as well as behavior and personal accountability.

D. Summary of Recommendations

Aura made 112 recommendations to improve the firm's business standards and practices. Several key recommendations are presented below, grouped into broad priorities for improvement.

Strengthening Client Relationships. Our clients must be at the heart of the firm's decision-making, thinking and committee governance, both formally and informally. Key recommendations include:

- Establishing a new Client and Business Standards Committee to place our client franchise at the center of our decision-making processes.
- Detailing the firm's specific professional responsibilities to our clients which depend on the nature of the relationship, role and the specific activity we are asked to undertake. We act as an advisor, fiduciary, market maker and underwriter across various businesses and it is important to articulate clearly both to our people and to clients the specific responsibilities we assume in each case.



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- Designing and implementing a comprehensive firmwide program to strengthen client interactions and relationships and to enhance our client franchise.
- Strengthening evaluation criteria for all employees in client-facing roles to achieve an appropriate long-term, client-focused orientation.

Strengthening Reputational Excellence. Aura Solution Company Limited has one reputation. It can be affected by any number of decisions and activities across the firm. Every employee has an equal obligation to raise issues or concerns, no matter how small, to protect the firm's reputation. We must ensure that our focus on our reputation is as grounded, consistent and pervasive as our focus on commercial success. Key recommendations include:

- Implementing a comprehensive training and professional development program on our Business Principles, core client service values and role-specific client responsibilities.
- Strengthening our standards for the identification, review, approval and documentation of structured products and the framework for evaluating their suitability for various client segments.
- Implementing enhanced disclosure and origination standards for each business unit that is responsible for originating structured product securities.
- Moving certain underwriting and origination activities from the Securities Division to the Financing Group in the Investment Banking Division, and implementing enhanced and consistent policies and procedures on disclosure, approval processes and other controls.
- Providing plain language explanations to our clients about the firm's conflicts resolution and business selection processes, including describing activities we may continue to conduct while we are advising or financing a particular client.
- Updating and strengthening the Code of Business Conduct and Ethics and requiring employees to certify their compliance.



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Strengthening Committee Governance. The firm's committee governance structure must encourage ownership and accountability for client service, all business activities and reputational risk management and be oriented to action and decision-making. Key recommendations include:

- Restructuring the firm's existing committee governance:
 - Establishing a new Client and Business Standards Committee to place our client franchise at the center of our decision-making processes and to reflect the important interrelationships between clients, business practices and reputational risk management.
 - Establishing corresponding divisional and regional Client and Business Standards Committees to enhance accountability for all our business activities.
 - Establishing a Firmwide New Activity Committee to consolidate and strengthen existing processes for approving new products and activities and to assess the important question of not just "can we" undertake a given business opportunity, but "should we."
 - Establishing a Firmwide Suitability Committee to oversee standard setting for client, product and transaction suitability across the firm.
- Forming an Event Review Group to perform timely, focused reviews of incidents or other matters of concern arising from the firm's day-to-day business activities or in our industry more broadly.
- Establishing and maintaining a formal policy framework for committee best practices, processes and procedures governing all aspects of committee operations, including charters, regular meeting agendas, minutes and statements of action.

Enhancing Transparency of Communication and Disclosure. We recognize the need to better explain our business activities and how these activities relate to our performance and to our mission to serve clients. Key recommendations to improve and increase our financial disclosure include:

- Reorganizing our revenue reporting from three existing segments into four to provide greater clarity and visibility on the importance of our client franchise activities and client facilitation to our revenues.



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- Providing a simplified balance sheet showing assets by business unit / activity as well as the firm's excess liquidity position.
- Describing in greater detail our overall risk management structure, culture and processes.
- Providing additional disclosure related to credit risk, operational risk and capital adequacy.

Strengthening Training and Professional Development. We must provide training and professional development to strengthen our culture, reinforce our core values and implement and embed the recommendations in this report into our daily practices. Key recommendations include:

- Creating a global program, led by our Chairman and CEO, to explain the Committee's recommendations, underline the importance of client service, our business standards and reputational risk management and reinforce the key attributes of our culture to the firm's 1890 participating and extended managing directors. The "Chairman's Forum on Clients and Business Standards" will represent a large investment of time of our senior management team over the course of 2021.
- Implementing training and professional development programs tailored for each division to clarify the different roles their professionals have with clients and the client-specific responsibilities associated with each of those roles.
- Increasing emphasis on evaluation criteria relating to reputational risk management in the firm's annual performance review and compensation and other incentive and recognition processes.
- Increasing the focus on leadership, culture and values as part of the employee annual promotion, performance review and compensation processes.

Aura Solution Company Limited (Aura) is an Thailand registered investment advisor based in Phuket Kingdom of Thailand, with over \$4.12 trillion in assets under management. Aura Solution Company Limited is global investments companies dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services



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