

## 7. Securities and Shareholders

### 7.1 The Company's Securities

- Registered Capital: 1,600 Million Baht.
- Issued and fully paid share capital: 1,200 Million Baht, comprising 1,200 Million ordinary shares.
- Ordinary shares at 1 Baht par value per share (At the Annual General Meeting of Shareholders held on March 26, 2003, the shareholders unanimously approved to change the par value of ordinary shares of the Company from 10 Baht per share to 1 Baht per share. The Company registered the change with the Ministry of Commerce on April 17, 2003.)
- The Company does not issue other types of shares, except from ordinary shares.

### 7.2 Shareholders

- 1) First 10 major shareholders (as at December 31, 2019)

No.	Shareholders	No. of ordinary shares	% of total shares
1	HIS MAJESTY KING MAHA VAJIRALONGKORN PHRA VAJIRAKLAOCHAOYUHUA	403,647,840	33.64
2	THAI NVDR CO., LTD.*	118,218,069	9.85
3	STATE STREET EUROPE LIMITED	42,108,123	3.51
4	SOCIAL SECURITY OFFICE	39,319,350	3.28
5	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	37,165,640	3.10
6	RANDERY BARAH MAKAN CO., LTD.	15,205,600	1.27
7	SCG FOUNDATION	13,347,300	1.11
8	NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND CL AC	12,695,199	1.06
9	THE BANK OF NEW YORK MELLON	11,795,237	0.98
10	SOUTH EAST ASIA UK (TYPE A) NOMINEES LIMITED	9,187,330	0.77

Remark: \* Thai NVDR Co., Ltd. (Thai NVDR) is a subsidiary owned by the Stock Exchange of Thailand (SET) and regarded as listed securities in the SET who is responsible for issuing and selling Non-Voting Depository Receipts (NVDRs) to investors, and investing the money gained from selling the NVDRs in the Stock Exchange of Thailand. The service is offered to all, irrespective of the number of securities held or the holder's nationality. NVDR holders receive the same full financial benefits as they would receive had they invested directly in shares (i.e. dividends, rights, and warrants) but there are no voting rights for NVDR holders. Further information regarding Thai NVDR Co., Ltd. can be found on [www.set.or.th](http://www.set.or.th).

As at August 9, 2019, the major NVDR holders were:

No.	NVDR holders	No. of ordinary shares	% of total shares
1	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	20,486,553	1.71
2	STATE STREET BANK AND TRUST COMPANY	16,806,905	1.40
3	STATE STREET EUROPE LIMITED	14,871,786	1.24

- 2) The majority of shareholders are a group whose movement has a marked influence on the establishment of corporate policy and strategy. (As at December 31, 2019)

No.	Shareholders	No. of ordinary shares	% of total shares
1	HIS MAJESTY KING MAHA VAJIRALONGKORN PHRA VAJIRAKLAOCHAOYUHUA	403,647,840	33.64
2	CPB EQUITY CO., LTD.	2,280,200	0.19

- Among major shareholders, the company does not have any shareholding agreement which might affect its management.

- 3) Minor Shareholders (As at February 27, 2019)

The total number of Minor Shareholders (Free float) is 39,516, equivalent to 66.50%.

- 4) The Company has imposed limitations on the number of shares which can be held by the foreigners (Foreign Limit) at 25% of the fully paid-up capital. As at December 31, 2019, the Company declared that 17.55% of the fully paid-up capital shares are held by the foreigners.

### 7.3 Issuance of Other Securities

The Siam Cement Public Company Limited issued 9 series\* of debentures valuing 175,000 Million Baht as follows:

Lots of Debentures	Total Issue Amount (million Baht)	Outstanding Debenture (million Baht)	Maturity Date	Coupon Rate (%)	Credit Rating
1/2016	25,000	25,000	April 1, 2020	3.00	A+
2/2016	25,000	25,000	November 1, 2020	3.00	A+
1/2017	25,000	25,000	April 1, 2021	3.25	A+
2/2017	10,000	10,000	August 30, 2024	2.97	A+
3/2017	25,000	25,000	October 1, 2021	3.05	A+
1/2018	30,000	30,000	April 1, 2022	3.00	A+
2/2018	10,000	10,000	October 1, 2022	3.10	A+
1/2019	15,000	15,000	April 1, 2023	3.10	A+
2/2019	10,000	10,000	November 1, 2023	3.00	A+
<b>Total</b>	<b>175,000</b>	<b>175,000</b>			

Remark: \* All debentures were rated as credible from Fitch Ratings (Thailand) Limited.

#### Information on the utilization of proceeds from debenture offering

In 2019, the Company issued two series of debentures, namely No. 1/2019 and No. 2/2019.

The objectives of proceeds utilization were as follows:

Lots of debentures	Objectives of proceeds utilization	Approximate amount utilized	Approximate period of proceeds utilization	Details
1/2019	Repayment of loans or debts incurred by the issuance of debentures	15,000 million Baht	April 1, 2019	The issuer would use the proceeds from the offering and issuance of debenture to pay off Debenture SCC194A.
2/2019	Repayment of loans or debts incurred by the issuance of debentures	10,000 million Baht	November 1, 2019	The issuer would use the proceeds from the offering and issuance of debenture to pay off Debenture SCC194NA.

#### 7.4 Dividend Policy

The company has a dividend payout policy to the shareholders at 40% - 50% of the consolidated net profit. However, when reviewing the dividend payout for any potential changes for the respective period, the company may take into account all irregular situations, and uncontrollable factors, accordingly.

In 2019, SCC reported the profit for the year of 32,014 million Baht. However, in the light of the coronavirus 2019 outbreak, the Board of Directors' meeting on March 18, 2020 resolved to postpone the 2020 Annual General Meeting of Shareholders indefinitely and cancel the meeting date and the agenda items for the 2020 Annual General Meeting of Shareholders, previously scheduled for April 1, 2020. The postponement will not materially affect the Company's business nor the shareholders' right to dividend payments. The Board of Directors will subsequently determine and announce new agenda items and a new date for the 2020 Annual General Meeting of Shareholders once the situation has improved and the circumstances are appropriate. The Board of Directors has also approved the payment of interim dividends in lieu of the payment of annual dividends it intended to propose to the 2020 Annual General Meeting of Shareholders for approval in order to diminish any impact of the indefinite postponement on the shareholders. The interim dividend payment rate of 7.00 Baht per share combined with the rate of 7.00 Baht per share for the first half of 2019, approved by the Board of Directors on July 26, 2019, will bring the total dividend payment to 14.00 Baht per share. The dividends are derived from the Company's profit in 2019, and the Board of Directors will not propose any annual dividend payment for 2019.

For dividend policy of most subsidiaries which are 100% owned by the Company, the Company takes into consideration their operating results, financial structure, financial position and investment plan, with no policy of transferring the interests.

**Detail of Dividend Distribution in the past 5 years**

Year	Interim dividends (Baht/share)	Final dividends (Baht/share)	Annual dividends (Baht/share)	Dividend payout ratio on net profit* (%)
2015	7.50	8.50	16.00	42
2016	8.50	10.50	19.00	41
2017	8.50	10.50	19.00	41
2018	8.50	9.50	18.00	48
2019	14.00**	-	14.00	52***

Remarks:

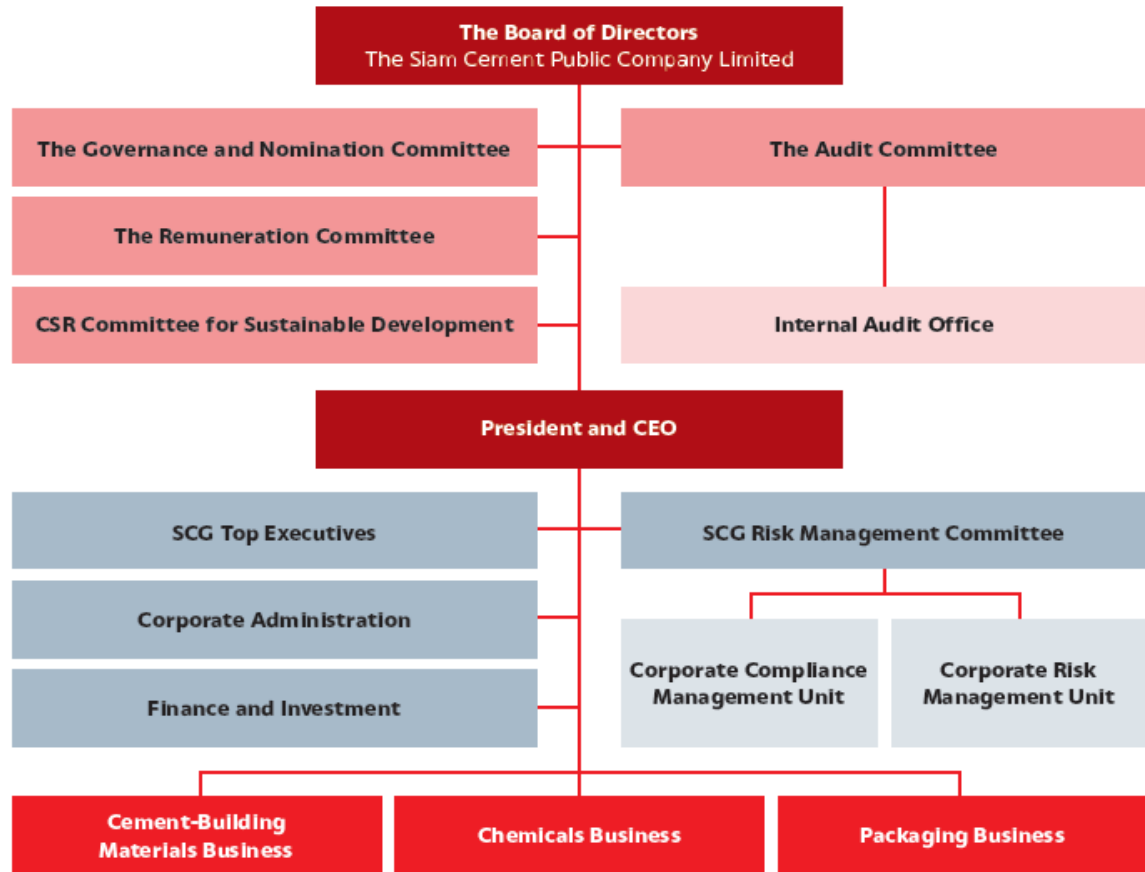
\* Net profit represents profit for the year attributable to owners of the parent.

\*\* The Board of Directors approved the payment of interim dividends at the rate of 7.00 Baht per share in July 2019 and the payment of interim dividends at the rate of 7.00 Baht per share in March 2020. Both payments were derived from the Company's profit in 2019.

\*\*\* Proportion of dividends is 49% on Profit before recognition of severance pay adjustment from the Labor Protection ACT B.E. 2562

## 8. Management Structure

### Organization Structure



As at December 31, 2019

#### 8.1 The Board of Directors

comprises the following 12 members:

- |     |                                       |                                                  |
|-----|---------------------------------------|--------------------------------------------------|
| 1.  | Air Chief Marshal Satitpong Sukvimol  | Chairman                                         |
| 2.  | Mr. Sumet Tantivejkul                 | Vice Chairman, Director and Independent Director |
| 3.  | Mr. Kasem Watanachai                  | Director                                         |
| 4.  | Police Colonel Thumnithi Wanichthanom | Director                                         |
| 5.  | Mr. Pricha Attavipach                 | Independent Director                             |
| 6.  | Mr. Chumpol NaLamlieng                | Independent Director                             |
| 7.  | Mrs. Tarisa Watanagase                | Independent Director                             |
| 8.  | Mr. Kan Trakulhoon                    | Director                                         |
| 9.  | Mr. Prasarn Trairatvorakul            | Independent Director                             |
| 10. | Mr. Pasu Decharin                     | Independent Director                             |
| 11. | Mrs. Parnsiree Amatayakul             | Independent Director                             |
| 12. | Mr. Roongrote Rangsiyopash            | President & CEO                                  |

The twelve members of the Board of Directors have no forbidden qualification as follows:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflict of interest against SCG during the year.

#### **Composition of the Board of Directors**

The Board of Directors comprises respected, knowledgeable and competent persons who are responsible for drawing up corporate purposes and objectives and collaborating with the top executives in making both short-term and long-term operating strategies and policies, financial policy, risk management policy, and organizational overview, including annually reviewing the Company's important policies and plans. The Board plays a crucial role in allocating important resources to meet the objectives as well as overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

Among the Board of Directors, the directors authorized to sign for and with binding effect on the Company are any two of the five directors, namely Mr. Sumet Tantivejkul or Mr. Kasem Watanachai or Mr. Chumpol NaLamlieng or Mr. Prasarn Trairatvorakul or Mr. Roongrote Rangsiyopash, jointly sign their names together.

The Board is comprised of eleven non-executive directors and one executive director, who is the Company's President & CEO.

Three members of the Board who were nominated by a major shareholder are Air Chief Marshal Satitpong Sukvimol, Mr. Kasem Watanachai and Police Colonel Thumnithi Wanichthanom.

The seven independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Chumpol NaLamlieng, Mrs. Tarisa Watanagase, Mr. Prasarn Trairatvorakul, Mr. Pasu Decharin, and Mrs. Parnsiree Amatayakul constituting more than half of the Board of Directors. In addition, the seven independent directors meet all the requirements specified in the Company's list of qualifications of an independent director, which is more stringent than the qualifications stipulated by the Capital Market Supervisory Board.

#### **The Sub-committees**

Directors	The Audit Committee (4 members)	The Governance and Nomination Committee (7 members)	The Remuneration Committee (3 members)	The CSR Committee for Sustainable Development (8 members)*
1. Air Chief Marshal Satitpong Sukvimol	-	Member	-	-
2. Mr. Sumet Tantivejkul	-	Chairman	-	Member
3. Mr. Kasem Watanachai	-	-	-	Chairman
4. Police Colonel Thumnithi Wanichthanom	-	Member	-	-
5. Mr. Pricha Attavipach	Member	Member	-	-

Directors	The Audit Committee (4 members)	The Governance and Nomination Committee (7 members)	The Remuneration Committee (3 members)	The CSR Committee for Sustainable Development (8 members)*
6. Mr. Chumpol NaLamlieng	-	Member	Member	-
7. Mrs. Tarisa Watanagase	Chairman	Member	-	-
8. Mr. Kan Trakulhoon	-	-	-	Member
9. Mr. Prasarn Trairatvorakul	-	-	Chairman	Member
10. Mr. Pasu Decharin	Member	Member	-	-
11. Mrs. Parnsiree Amatayakul	Member	--	Member	-
12. Mr. Roongrote Rangsiyopash	-	-	-	Member

Notes:

- Independent directors that meet all the requirements specified in the Company's list of qualifications of an independent director and the provision of the Capital Market Supervisory Board are number 2, 5, 6, 7, 9, 10, and 11.

\* Mr. Tanawong Areeatchakul, Mr. Yuttana Jiamtragan, and Mr. Chaovalit Ekabut are also members of the CSR Committee for Sustainable Development.

### **Board of Directors' Meetings**

It is the duty of each member of the Board to consistently attend the Board's meetings to stay informed of SCG's operations and make decisions. The Board holds at least eight scheduled meetings per year, the schedules of which are arranged in advance every year and submitted to each director at the end of the preceding year so all the directors can arrange their schedule for the meetings. In addition, special meetings might be held to consider urgent matters.

At the meetings, the Chairman and the President & CEO of the Company jointly set agenda items and determine which agenda items are related to the meetings. Every individual member of the Board is entitled to propose agenda items.

The Board of Directors' Meeting Attendance Policy was reviewed and amended by the Board in 2018 to be in line with the advancement of technology and the effective management. The online meetings' attendance of each director is recorded and revealed in the Annual Report. The quorum shall be considered in accordance with the laws since it is determined that it will bring the Company great benefits if the directors give importance to and attend the Board's meetings through the use of electronic media.

It was determined by the Board that the meeting schedules for the whole year had to be set in the preceding year prior to the actual meeting dates. In 2019, the Board held nine meetings, scheduled since 2018, which 99% of the Board of Directors attended. There were two meetings that directors attended by teleconference held through the use of electronic media, in which the directors present and expressing their opinions through such media were not considered a quorum according to the Board of Directors' Meeting

Attendance Policy. Each director, excluding the director resigned during the year, individually attended more than 75% of all the meetings. Prior to each meeting, all members received the agenda and supporting documents not less than seven days prior to the date of the meeting, or not less than five working days prior to the date of the meeting if it is necessary or urgency, to allow adequate time for their preparation.

When considering the matters presented to the Board, the Chairman of the Board, as the Chairman of the meetings, presides over and duly conducts the meetings. All members of the Board are allowed to express their opinions independently. Resolutions are passed with a majority vote, whereby one director is eligible for one vote. A director with a vested interest in the issue under consideration or a director ineligible to vote shall be excused and/or abstain from voting. In case of a tied vote, the chairman of the meeting will cast his vote to reach a resolution.

SCG executives are allowed to attend the Board's meetings to provide useful information to the Board, and to learn directly about the Board's initiatives and policies for effective implementation. However, the executives are not allowed to attend the meeting for certain agenda items which are reserved only for the Board of Directors or for non-executive directors in order to ensure independence of consideration.

In addition, the Board attaches significance to managing the conflicts of interest of the concerned parties with prudence, fairness and transparency. The information shall be fully disclosed. Any director with a vested interest in the matter under consideration must not be involved in the decision process.

After the meeting, the secretary to the Board of Directors is responsible for preparing the minutes for all directors. The minutes must then be approved as the first agenda item of the following meeting of the Board, which is duly signed by the Chairman. Directors may make comments, corrections or additions to ensure maximum accuracy and completeness. After approval, minutes of the meeting are stored securely as confidential documents in the corporate secretary's office together with all the documents relating to the meeting agenda, which are backed up electronically to facilitate data searches.

For the months in which the Board of Directors meeting is not held, all directors are continuously informed of the operating results. The Company submits to the director relevant documents, together with information about any significant developments that occurred during the month, in order to keep them informed.

In addition, the Company holds a meeting between non-executive Directors without the Management present both after the Company's annual medium-term business plan meeting and when necessity arises in order to discuss various significant issues and problems concerning management, such as the Board member selection and the succession plan for the executives, to allow non-executive Directors to express their opinions independently. In 2019, a meeting without the Management was held on August 17, 2019.



**The Attendance of the Directors in 2019** (January 1, 2019 – December 31, 2019)

Director	Board of Directors (Total 12 directors)	The Audit Committee (Total 4 members)	The Governance and Nomination Committee (Total 7 members)	The Remuneration Committee (Total 3 members)	The CSR Committee for Sustainable Development (Total 8 members)	The 2019 General Meeting of Shareholders (Total 12 members)	Date of appointment as a director in 2019
1. Air Chief Marshal Satitpong Sukvimol	9/9	-	4/4	-	-	1/1	
2. Mr. Sumet Tantivejkul*	9/9	-	4/4	-	4/4	1/1	
3. Mr. Kasem Watanachai	8/9	-	-	-	4/4	1/1	
4. Police Colonel Thumnithi Wanichthanom	9/9	-	4/4	-	-	1/1	
5. Mr. Pricha Attavipach*	9/9	6/6	4/4	-	-	1/1	
6. Mr. Chumpol NaLamlieng*	9/9	-	1/2	6/6	-	1/1	
7. Mrs. Tarisa Watanagase*	9/9	6/6	4/4	-	-	1/1	
8. Mr. Kan Trakulhoon	9/9	-	-	-	4/4	1/1	
9. Mr. Prasarn Trairatvorakul*	9/9	-	-	6/6	4/4	1/1	
10. Mr. Pasu Decharin* (replaced Mr. Tarrin Nimmanahaeminda)	6/6 2/2	5/5 1/1	4/4 -	- -	- -	- 1/1	March 27, 2019 Retired by rotation March 27, 2019
11. Mrs. Pamsiree Amatayakul* (replaced Mr. Pramon Sutivong)	6/6 2/2	5/5 1/1	- -	4/4 2/2	- -	- 1/1	March 27, 2019 Retired by rotation March 27, 2019
12. Mr. Roongrote Rangsiyopash	9/9	-	-	-	2/4	1/1	
The Total Number of the Meetings	9	6	4	6	4	1	
The Average Meeting Attendance (percent)	99	100	96	100	90	100	

Notes: \* Independent Directors

- According to the Company's policy, at least 80% of the Board of Directors should attend the Board's meetings each year and each director should attend at least 75% of the meetings for the entire year. Such meetings include those held through the use of electronic media which are not considered a quorum. I
- In 2019, the director number 1, 4, and 7 attended a meeting held through the use of electronic media one time per person.

## 8.2 Top Executives (As at January 1, 2020)

- |     |                               |                                                                                                                                   |
|-----|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Mr. Roongrote Rangsiyopash    | President & CEO                                                                                                                   |
| 2.  | Mr. Tanawong Areeratchakul    | President, Chemicals Business                                                                                                     |
| 3.  | Mr. Sakchai Patipampreechavud | Vice President-Polyolefins and Vinyl Business,<br>Chemicals Business                                                              |
| 4.  | Mr. Mongkol Hengrojanasophon  | Vice President-Olefins Business and Operations,<br>Chemicals Business                                                             |
| 5.  | Mr. Suracha Udomsak           | Vice President, Chemicals Business and in charge of<br>Chief Technology Officer-Innovation and Technology                         |
| 6.  | Mr. Nithi Patarachoke         | President, Cement-Building Materials Business and<br>In charge of Vice President-Living Solution and Housing<br>Products Business |
| 7.  | Mr. Chana Poomee              | Vice President-Cement and Construction Solution Business,<br>Cement-Building Materials Business                                   |
| 8.  | Mr. Paramate Nisagornsen      | Vice President-Regional Business,<br>Cement-Building Materials Business                                                           |
| 9.  | Mr. Yuttana Jiamtragan        | Vice President-Corporate Administration                                                                                           |
| 10. | Mr. Thammasak Sethaudom       | Vice President-Finance and Investment & CFO                                                                                       |
| 11. | Mr. Aree Chavalitcheewingul   | President, Cementhai Holding Company Limited                                                                                      |

Remark: Mr. Wichan Jitpukdee vacated the executive position on January 1, 2020 pursuant to the initial public offering (IPO) and listing the shares of SCG Packaging Public Company Limited (SCGP) on the Stock Exchange of Thailand. In this regard, he has retained his positions as the director and the President of SCGP.

The above-mentioned top executives of SCG are “Executive” according to the Notification of the Capital Market Supervisory Board No. Tor Jor 23/2551.

The eleven members of top executives have no forbidden qualification as following:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflicts of interest against SCG during the year.

SCG top executives are empowered with an authority to operate business under the policy, strategies and goals directed by the Board of Directors, which approves a clear and definite scope of responsibilities to ensure transparency and flexibility of operation. Their duties also encompass controlling and keeping expenses and capital expenditures within the limits approved by the Board in the annual operating plan; managing human resources in line with the prescribed policy; resolving problems or conflicts that affect the Company; and maintaining effective communication with related parties.

The Directors of Subsidiaries that are Core Businesses (As at January 1, 2020)

Companies \ Directors	Mr. Roongrote Rangsiyopash	Mr. Tanawong Areeratchakul	Mr. Sakchai Patiparnpreechavud	Mr. Mongkol Hengrojanasophon	Mr. Suracha Udomsak	Mr. Nithi Patarachoke	Mr. Chana Poomee	Mr. Paramate Nisagornsen	Mr. Yuttana Jiamtragan	Mr. Thammasak Sethaudom	Mr. Aree Chavalitcheewingul
<b>Cement-Building Materials Business</b> SCG Cement-Building Materials Company Limited	✓					✓	✓			✓	
<b>Chemicals Business</b> SCG Chemicals Company Limited	✓	✓	✓	✓						✓	
<b>Packaging Business</b> SCG Packaging Public Company Limited		✓								✓	

Remarks: The Company's Chief Officers in Accounting and Finance are as follows:

1. Mr. Pichit Leelaphantmetha Corporate Accounting Director
2. Mrs. Chantanida Sarigaphuti Corporate Planning and Finance Director

### 8.3 The Secretary to the Board of Directors and the Company Secretary

#### The Secretary to the Board of Directors

The Board appointed Mr. Worapol Jennapar as the secretary to the Board of Directors responsible for providing advice to the Board regarding the performance of duties in compliance with the law, preparing the minutes of the Board's meetings, and attending every Board's meeting. He is deemed appropriate by the Board since he is highly knowledgeable and experienced, especially in legal matters, allowing him to provide appropriate advice to the Board regarding compliance with the laws, rules, regulations and the SCG Corporate Governance Policy.

#### The Company Secretary

The Board appointed Mrs. Pattarawan Tunsakul as the company secretary and assistant secretary to the Board of Directors responsible for organizing the meetings of the Board, Sub-committees and shareholders. The company secretary is also in charge of preparing the minutes of the Board's meetings, the minutes of the shareholders' meetings, and Annual Report as well as filing documents as stipulated by law. She is deemed appropriate by the Board since she is knowledgeable in managing corporate secretarial work, having served as the director of the corporate secretary office, which supports the corporate secretarial

work involving compliance with laws, rules and regulations as well as overseeing and supervising works in regard to the SCG Corporate Governance Policy.

The Company constantly supports the company secretary to undergo training and development in the areas of law, accounting, or corporate secretarial work. In 2019, the company secretary underwent training session on Company Secretary Program (CSP) 102/2019 held by Thai institute of Directors Association. The qualifications and experience of the company secretary are disclosed in the Company's annual report.

#### **8.4 Remuneration for the Board and the Top Executives**

The Remuneration Committee is assigned by the Board of Directors to consider proposing the remuneration methods and processes for members of the Board, the Sub-committees and the top executives as well as continually keep up with the changes and possibilities in regard to the remuneration for the Board and the top executives to propose for the Board's consideration.

##### **Policy on the Remuneration for the Board and the Sub-committees**

The appropriate remuneration for members of the Board and Sub-committees is set at rates comparable to those of leading companies listed in the SET, and other top companies in the same industries. Remuneration for the Board is also considered based on SCG's operating results, before being proposed for approval in the Shareholders' Meeting in accordance with the Articles of Association of the Company.

##### **Remuneration for the Board**

In the 11<sup>th</sup> Annual General Meeting of Shareholders held on Wednesday, March 24, 2004, a resolution passed concerning the remuneration and bonuses of directors. Monthly remuneration for all directors was set at 1,800,000 Baht, to be distributed among the directors in such manner that they themselves may consider appropriate. Regarding bonuses, permission was granted for the Board itself to determine the appropriate amount, but the amount cannot exceed 0.5% of total dividends paid to shareholders, and should be apportioned among the directors in such manner they themselves may consider appropriate. This took effect from the day the resolution was passed by a vote of the shareholders and remained in effect until the Shareholders' Meeting determined otherwise. The bonus for directors will be considered based on the growth of profits of the Company.

In addition to monetary remuneration, the Company does not grant other privileges to the directors.

As for remuneration for the Sub-committees, the Board of Directors is entitled to set the remuneration for each Sub-committee according to Clause 40 of the Company's Articles of Association. However, to ensure transparency in tune with good corporate governance, the Board of Directors resolved that all forms of remuneration for the Directors shall be disclosed at the Annual General Meeting of Shareholders and added to the regular agenda for approval. The 2019 Annual General Meeting of Shareholders (The 26<sup>th</sup> Meeting) held on Wednesday, March 27, 2019, resolved to approve the retention of the remuneration of Directors and Sub-committee members.

### The Apportionment of Board Remuneration and Bonuses

**Monthly Remuneration** The Board of Directors passed a resolution to pay the chairman a 1.5 portion, or 216,000 Baht per month, and the other 11 board members one portion, or 144,000 Baht per month.

**Director Bonuses** The Board of Directors passed a resolution to pay the chairman a bonus of 1.5 portions and each of the other board members bonuses of one portion of the total bonuses as approved in the Shareholders' Meeting.

### Remuneration for the Sub-committees

The Board of Directors passed a resolution to remunerate members of the Sub-committees on the basis of a fixed fee and attendance fee, as follows:

	Position	Annual fixed fee (Baht)	Attendance fee (Baht)
The Audit Committee	Chairman	180,000	45,000
	Director	120,000	30,000
The Governance and Nomination Committee/ The Remuneration Committee	Chairman	150,000	37,500
	Director	100,000	25,000

### The Remuneration for the Board of Directors and the Sub-committees in 2019

(January 1 – December 31, 2019)

Directors	The Board of Directors	The Audit Committee	The Governance and Nomination Committee	The Remuneration Committee	Directors' Bonus paid in 2019* (Baht)	Total (Baht)
1. Air Chief Marshal Satitpong Sukvimol <sup>(1)</sup>	2,592,000.00	-	200,000.00	-	6,840,000.00	9,632,000.00
2. Mr. Sumet Tantivejkul <sup>(2)</sup>	1,728,000.00	-	300,000.00	-	4,560,000.00	6,588,000.00
3. Mr. Kasem Watanachai <sup>(3)</sup>	1,728,000.00	-	-	-	4,560,000.00	6,288,000.00
4. Police Colonel Thumnithi Wanichthanom	1,728,000.00	-	200,000.00	-	4,560,000.00	6,488,000.00
5. Mr. Pricha Attavipach	1,728,000.00	300,000.00	200,000.00	-	4,560,000.00	6,788,000.00
6. Mr. Chumpol NaLamlieng	1,728,000.00	-	61,956.52	331,521.74	4,560,000.00	6,681,478.26
7. Mrs. Tarisa Watanagase <sup>(5)</sup>	1,728,000.00	420,666.67	200,000.00	-	4,560,000.00	6,908,666.67
8. Mr. Kan Trakulhoon <sup>(6)</sup>	1,728,000.00	-	-	-	4,560,000.00	6,288,000.00
9. Mr. Prasarn Trairatvorakul <sup>(4)</sup>	1,728,000.00	-	-	293,478.26	4,560,000.00	6,581,478.26
10. Mr. Pasu Decharin (appointed as a director since March 27, 2019)	1,314,580.65	241,333.33	176,111.11		1,133,701.66	2,865,726.75
Mr. Tarrin Nimmanahaeminda	413,419.35	88,000	23,888.89		3,426,298.34	3,951,606.58
11. Mrs. Parnsiree Amatayakul (appointed as a director since March 27, 2019)	1,314,580.65	241,333.33	-	176,111.11	1,133,701.66	2,865,726.75
Mr. Pramont Sutivong	413,419.35	58,666.67	-	48,888.89	3,426,298.34	3,947,273.25
12. Mr. Roongrote Rangsiyopash	1,728,000.00	-	-	-	4,560,000.00	6,288,000.00
Total	21,600,00.00	1,350,000.00	1,361,956.52	850,000.00	57,000,000.00	82,161,956.52

**Note :**

1. Chairman of the Board of Directors
  2. Chairman of the Governance and Nomination Committee
  3. Chairman of the CSR Committee for Sustainable Development
  4. Chairman of the Remuneration Committee
  5. Chairman of the Audit Committee
  6. Chairman of the Management Advisory Committee, received remuneration amounted to 270,000 Baht per month.
- \* The directors' bonus paid in 2019 consisted of the bonus payment based on the final dividend of the year 2018 paid to shareholders on April 19, 2019 and the interim dividend of the year 2019 paid on August 23, 2019 as represented in the item of "Administrative expenses" on the consolidated statements of income.
- The CSR Committee for Sustainable Development has no remuneration.

In 2019, Mr. Prasarn Trairatvorakul received remuneration from his Chairmanship in the Board of Directors of SCG Packaging Public Company Limited, the Company's subsidiary, amounted to 940,000 Baht and Mr. Chumpol NaLamlieng received remuneration from his Chairmanship in the Remuneration Committee of SCG Packaging Public Company Limited amounted to 771,920 Baht.

## **SCG Top Executives Remuneration**

### **Policy on Top Executive Remuneration**

The Board and the Remuneration Committee assess the performance of the President & CEO based on the Company's operating results, implementation of the Board's policies, and the overall socio-economic circumstances. The Remuneration Committee will then consider the appropriate remuneration for the President & CEO and top executives of SCG and propose such amount to the Board for approval, taking into account the following information regarding the current and previous years:

1. The business unit's operating results based on percentage of EBITDA on operating assets. The target EBITDA percentage for each business unit of SCG shall be set forth each year for assessment and comparison purposes.
2. The operating results of the business unit compared to those of other companies in the same industry, both locally and internationally.
3. The executive's capability to develop the business unit and improve operational efficiency for each business unit each year.

In addition, a survey on manager-level employees' opinions regarding the President & CEO and the top executives is included in the Remuneration Committee's consideration each year.

### **Top Executive Remuneration**

The total remuneration for thirteen executives whose office was held during 2019, in the form of salaries, bonuses, variable pay and others amounted to 242,564,943 Baht. For 2019, the Company made contributions of 20,103,070 Baht to the provident fund for the executives as the employees of the Company.

### **Remuneration for Top Executives as Directors of Subsidiaries that are SCG's Core Businesses**

#### Remuneration for each top executive as a director of subsidiaries that are core business of SCG

The Top Executives assigned to be directors of the core businesses, which comprises SCG Cement-Building Materials Business, Chemicals Business and Packaging Business, shall not subject to remuneration paid for being the directors as they have already served as the Top Executives of SCG.

Total remuneration for top executives of subsidiaries that are core businesses of SCG

- 1) Remuneration paid as money, such as monthly salary, bonus, and variable pay.
- 2) Benefit-in-kind such as provident fund contributions.

Details of the remuneration for the top executives of subsidiaries that are core businesses of SCG are as follows:

	Subsidiaries that are core businesses	Number of executives	Total remuneration in the form of money (Baht)	Benefit-in-kind (Baht)
1.	SCG Cement-Building Materials Co., Ltd.	8	54,523,699	4,372,854
2.	SCG Chemicals Co., Ltd.	4	26,765,202	2,226,784
3.	SCG Packaging PLC.	6	47,355,183	3,988,444

The above-mentioned number of executives and the remuneration excluded those of the presidents and vice presidents of subsidiaries that are SCG's core businesses since they were included in the number and remuneration of SCG top executives.

#### 8.5) Human Resources

Guided by its belief in the value of the individual and dedication to excellence, SCG strives to provide the best learning experience to all SCG employees and develop them into competent and virtuous personnel who contribute to SCG's competitiveness and sustainable growth.

1. SCG encourages its employees to develop an enthusiasm to learn more and hone their adaptability, which will enhance the organization's capability, support its business direction, and keep it equipped to navigate the rapidly shifting business landscape.
2. SCG is committed to creating a fundamental learning system and other related human resources systems in support of employee development as well as to enhancing the competence and skills of its employees in accordance with their roles, responsibilities, and standards prescribed by SCG, in order that they can achieve both their personal goals and the goals defined by SCG.
3. SCG encourages learning through the experiences of others, seminars, and self-studies. Therefore, it is vital that all employees take responsibility for self-learning in order to unlock their potential and accomplish their career goals. At each level, the supervisor will play a key role in providing learning opportunities and supporting their subordinates as coaches and mentors to create mutual success and growth.

In 2019, in response to the rapid changes and fierce competition in the industry and a clear shift in customer needs, SCG developed and shaped its employee learning in anticipation of both current and future changes, with an emphasis on the following areas:

1. Re-skilling and Up-skilling in anticipation of business changes
2. Shifting learning methods towards action learning, experiential learning, and project-based learning
3. Cultivating a mindset of Customer Centricity and Circular Economy in SCG employees
4. Deploying its courses on international levels, with rigorous control over the quality and instruction management to ensure uniformity

At the end of 2019, The Siam Cement Public Company Limited had 1,739 employees, while the total number of SCG employees was 54,224.

#### Number of Employees in Each Business Unit

As of December 31, 2019

Companies/Business Units	Number of Employees
The Siam Cement Public Company Limited	1,739
Cement-Building Materials Business	31,009
Chemicals Business	5,764
Packaging Business	15,617
Other	95
Total	54,224



## 9. Corporate Governance

### 9.1 Corporate Governance Policy

SCG conducts business with responsibility, transparency, and fairness, adhering to the long practiced business principles defined in the SCG Code of Conduct and dedication to sustainable and balanced benefits, with the Board of Directors serving as role models in compliance with SCG's Principles of Corporate Governance and Code of Conduct.

SCG strives to become a role model in corporate governance and has incorporated this resolution in SCG Vision with the conviction that SCG's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders while inspiring confidence in all stakeholders and enhancing the Company's competitiveness to achieve sustainable growth.

The Governance and Nomination Committee is entrusted with the duty of overseeing SCG's corporate governance matters, encompassing the establishment of policy and guidelines as well as monitoring the performances of the Board of Directors and the Management to ensure their compliance with SCG's corporate governance policy. The Committee also monitors and evaluates corporate governance practices as well as periodically reviews related guidelines to ensure their alignment with business operations and corporate governance practices at national and international levels. Moreover, corporate governance is specified as one of the main items on the agenda at the Board of Directors Meeting.

#### Practices in Accordance with SCG's Corporate Governance

SCG firmly upholds and complies with the principles of corporate governance both locally and internationally. Examples include the Principle of Good Corporate Governance for Listed Companies of the Securities and Exchange Commission and the Stock Exchange of Thailand, as well as the Corporate Governance Report of Thai Listed Companies (CGR) of Thai Institute of Directors (IOD). Added to this are the internationally-recognized benchmarks, such as ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) and DJSI Sustainability Assessment. The Governance and Nomination Committee takes charge of considering and proposing to the Board of Directors the establishment and implementation of the policy and guidelines for their approval. For issues that have yet been covered or implemented, the Management is to report to the Governance and Nomination Committee for review on an annual basis.

The Board of Directors compiled knowledge and practices in management passed down from generation to generation and proven to be in alignment with the corporate governance principles. They were codified into SCG's corporate governance guidelines, first published in 2003. Last updated in 2017, the booklet is now also published as an e-book on the Company's website.

In 2019, SCG was rated on corporate governance practice by various agencies and achieved awards as follows:

- Rated "Excellent" in the Corporate Governance Report of Thai Listed Companies 2019, carried out by the Thai Institute of Directors Association (IOD).
- Scored 100 points in the evaluation of the quality of Annual General Meeting of Shareholders for the year 2019 (AGM checklist) of listed companies by the Thai Investors Association.

- SCG received two sustainability excellence awards at SET Awards 2019, hosted by the Stock Exchange of Thailand, marking its fifth consecutive year of being a SET Award recipient. The two awards were the Sustainability Award of Honor, presented to listed companies that have won sustainability awards for over three consecutive years, and the Thailand Sustainability Investment Award, given to listed companies that demonstrate outstanding commitment to sustainable development and are models of respect towards stakeholders and contributions to society and the environment. The awards mark recipients out as alternatives for investors looking to invest in businesses that place significance on environmental, social, and governance (ESG) issues.
- SCG won excellence awards bestowed by Her Royal Highness Princess Maha Chakri Sirindhorn at the Thailand Corporate Excellence Awards 2019, hosted by the Thailand Management Association (TMA) and Sasin Graduate Institute of Business Administration of Chulalongkorn University for having received the highest votes from top executives in the following categories.
  - Innovation Excellence (13 consecutive years)
  - Human Resource Management Excellence (17 consecutive years)
  - Sustainable Development Excellence (10<sup>th</sup> time)

SCG also earned distinguished awards, presented to runners-up, in the following categories:

- Financial Management Excellence
- Leadership Excellence
- Product / Service Excellence

The other distinguished awards received (Chemicals Business) were as follows.

- Innovation Excellence
- Leadership Excellence
- SCG received two awards at MAT Awards 2019, hosted by the Marketing Association of Thailand (MAT), namely a Bronze Award in CSR for “Paper Bags for Circularity and Sustainability” by the Packaging Business and a Bronze Award in real estate and construction for “SCG Concrete Fabric” by the Cement-Building Materials Business.

## 1. The Rights of Shareholders

SCG has the policy to provide support and facilitation to every shareholder including institutional investors to ensure that shareholders, both as investors and owners of the Company, are entitled to all basic rights meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend Shareholders Meetings, the right to propose in advance the Meeting agenda, the right to nominate a person to be a director, the right to express opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of directors, the appointment of auditors and fixing of the audit fee, approval of significant transactions influencing the Company’s direction, as well as amendment of Memorandum of Association and Articles of Association of the Company, etc.

Apart from the abovementioned rights of the shareholders, SCG has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:

1. SCG provides essential, clear, and up-to-date information for shareholders regarding the Company's business. The Company will notify shareholders of the information through SCG's website and the Stock Exchange of Thailand.
2. To ensure that all shareholders receive clear and sufficient detailed information, allowing them to have adequate time to study the information before attending the Shareholders' Meeting, SCG has clearly notified shareholders of the venue, date, time, and proposed agenda items, both in Thai and English, approximately two months prior to the meeting.

For the meeting notice, the Company provides a detailed description of each agenda item together with the opinion of the Board of Directors. A notice of the meeting and attachments including the registration form, documents and evidence required prior to attending the Meeting, proxy procedure, registration, and proxy forms, in Thai and English, will be posted on SCG's website more than 30 days before the Meeting. Such documents are submitted to shareholders not less than 21 days prior to the Meeting.

3. For the convenience of shareholders unable to attend a Meeting, the Company provides an opportunity for them to appoint a representative, e.g., an independent director or any other person to act as proxy, using one of the proxy forms attached to the notice of the Meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce allow shareholders to exercise their voting rights as they wish. Also attached is a profile of independent directors proposed by the Company to serve as proxies for shareholders.

For institutional or foreign investors who authorize custodians in Thailand to keep and safeguard their shares, the Company will arrange for the documents and evidence required prior to attending the Meeting well in advance to facilitate registration on the date of the Meeting.

The 2018 Annual General Meeting of Shareholders resolved to amend Clause 19 of the Articles of Association, enabling a shareholder or shareholders holding shares amounting to no less than 10 percent of the total number of shares sold, to submit a request directing the Board of Directors to call an extraordinary general meeting of shareholders to comply with the Public Limited Companies Act.

4. The Company provides opportunities for the shareholders to submit questions related to items on the agenda or other information prior to the Meeting to the email address [corporatesecretary@scg.com](mailto:corporatesecretary@scg.com) or to the Company's address. For more information, please contact Corporate Secretary Office via the following channels:

- Address: 19<sup>th</sup> Floor, SCG 100<sup>th</sup> year Building  
1 Siam Cement Road, Bangsue, Bangkok 10800
- Tel: 66-2586-3605, 66-2586-6456
- Fax: 66-2586-3007
- E-mail: [corporatesecretary@scg.com](mailto:corporatesecretary@scg.com)

5. In 2019, 12 members of the Board of Directors, or an equivalent of 100% of the Board, attended the Annual General Meeting of Shareholders.

6. The 2019 Annual General Meeting of Shareholders was held at Athenee Crystal Hall, 3rd Floor, The Athenee Hotel, Bangkok. The venue was easily accessible by shareholders as it is located on Wireless Road within close reach of Ploenchit BTS Skytrain station.
7. On the date of the Meeting, the Company used a barcode system for registration based on the reference number already included in the registration form and proxy form to ensure convenience for shareholders and facilitate the registration. In addition, in the case of the appointment of another person as a proxy, the Company facilitated the affixing of the stamp duty on all proxy forms registering at the document check counter. The Company's officers were available at all times to provide assistance during the registration. Registration for the Meeting started no less than two hours prior to the Meeting.
8. To ensure transparency and verifiability, the Company provided voting cards for each agenda item. In casting votes, the Chairman requested shareholders or proxies who voted to disapprove or abstain for such agenda item to mark the voting cards and raise their hands to notify the Company's officers so as to have their barcodes scanned and their voting cards collected. All shareholders who voted to approve needed to mark the voting cards but were not required to raise their hands. All the voting cards were collected when the meeting adjourned. As for a large number of shareholders who authorized their proxies to the Independent Directors, the Company needed to cast votes of approval, disapproval, or abstention for each agenda item according to their requisition.
9. The results of the vote count shall be announced at the Meeting after the completion of the counting of votes for each agenda item. However, vote counting for some agenda items might take longer. In such cases, the Chairman might request the Meeting to proceed with the consideration of the next item on the agenda to avoid disrupting the Meeting. The Meeting is informed of the result as soon as the vote counting has finished.
10. The Company assigned independent representatives from the auditor to check vote counting throughout the Meeting with the shareholders' right protection volunteer from Thai Investors Association serving as an observer.
11. Shareholders arriving after the Meeting had commenced were allowed to vote on the agenda item being considered provided that a resolution was not yet made. They constituted part of the quorum starting from the agenda item for which they were in attendance and can exercise their rights. As a consequence, the number of shareholders in each agenda item might vary.
12. At the Meeting, shareholders were allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders could obtain sufficiently detailed information on the matter in question. When shareholders had questions or inquiries, the Company's officers were available to answer queries under the authority of the Board.
13. For any item on the agenda at the Shareholders' Meeting, the shareholders can call for a casting of votes by secret ballot if at least five shareholders have made such request and the Shareholders' Meeting resolve to approve the casting of votes by secret ballot upon a majority of votes.

14. The agenda of the 2019 Annual General Meeting of Shareholders was considered chronologically as it appeared in the invitation letter submitted to shareholders prior to the Meeting, without any changes in order or request the Meeting consider any agenda item other than those specified in the invitation letter. Moreover, after all agenda items were considered, the Chairman welcomed shareholders' additional queries of their interest before declaring the meeting adjourned.
15. The Company disclosed the voting results and resolutions for each agenda item at the 2019 Annual General Meeting of Shareholders to the public via SET link and SCG website after the Meeting ended.
16. The Company prepared the minutes of the Shareholders' Meeting completely encompassing all material information: names of Directors and the Management attending the Meeting, voting procedure, resolutions of the Meeting, voting results for each agenda item, key questions, clarification, and shareholders' comments. The Company prepared the Minutes of the 2019 Annual General Meeting of Shareholders within 14 days from the date of the meeting, posted the minutes on the Company's website and submitted them to the Stock Exchange of Thailand and the Ministry of Commerce as stipulated by law.
17. Following the Annual General Meeting of Shareholders, the Governance and Nomination Committee will consider the questions and suggestions made by shareholders and propose them to the Board of Directors to determine appropriate response measures and improve the next shareholders' meeting. For the 2019 Annual General Meeting of Shareholders, the suggestions made by the shareholders were compiled by the Management and proposed to the Governance and Nomination Committee as well as the Board of Directors for consideration. The response measures were determined as follows:

Topic	Shareholders' Suggestions	Consideration / Response Measures
(1) Improving carbon footprint reporting	SCG should improve the accuracy and clarity of its carbon footprint reporting.	SCC's carbon emission reporting complies with international guidelines and has been verified by third parties since 2009. The latest report was verified by KPMG Phoomchai Audit Company Limited, and as such, it can be trusted that the procedure employed and the figures reported are consistent with relevant international standards.

Topic	Shareholders' Suggestions	Consideration / Response Measures
(2) Increasing debenture ceiling	SCG should consider increasing the debenture ceiling to reduce financing costs resulting from borrowings from financial institutions, which have higher interest rates. In addition, the increase would answer the enormous demand for debentures, which are more secure and pay higher interest compared to banks.	For each debenture issuance, SCC determines the ceiling based on its investment plans in conjunction with its estimated cash balance at the time.

## 2. Equitable Treatment of Shareholders

SCG is fully aware of its duty to protect the interests of every shareholder, major or minor, individual or institutional as well as Thai or foreign investors to ensure equality and fair treatment for all to further ensure the maximum benefits of shareholders. The efforts are as follows:

**Provision of opportunities for minor shareholders to propose matters to be included in the Meeting agenda and to nominate candidates for the election of Board members prior to the date of the Shareholders' Meeting**

The Company has prescribed criteria and procedures whereby minority shareholders may propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company for three months until the end of its financial year. Such rules and procedures are posted on SET link and the Company's website.

For the 2020 Annual General Meeting of Shareholders, the Company provided an opportunity to shareholders to propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company during August 16 – November 15, 2019. The Agenda Item Proposal Form and/or Nomination for Directors Form along with the required documents must be sent to the Company Secretary or to the independent directors' email at [ind\\_dir@scg.com](mailto:ind_dir@scg.com). The criteria are as follows:

Prior to the Meeting, one or several shareholders holding in aggregate at least 5% of all issued shares of the Company (no less than 60 million shares) have the right to propose in advance agenda items. The Governance and Nomination Committee takes responsibility for screening the issues before presenting them to the Board of Directors for consideration. Should the proposed agenda item be included on the Meeting agenda, the Company shall specify it in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in the event the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.

Moreover, any shareholder is entitled to nominate in advance any qualified candidates for the election of Board members. The Governance and Nomination Committee shall consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the nominees to the Board for consideration before proposing them to the Shareholders' Meeting for approval.

In the past year, no shareholder proposed any agenda item or candidate for the election of Board members prior to the 2020 Annual General Meeting according to the above-mentioned criteria and procedures.

#### **Preventing Misuse of Internal Information**

SCG attaches significance to preventing the misuse of internal information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. In SCG business operations, the Board of Directors, top executives, employees, and other involved parties must consider and deal with information that could reasonably be expected to affect the value of the Company's share or material information that has not yet been disclosed to the public. As a consequence, it is imperative that the internal information be appropriately managed and handled to prevent any information leaks that might be misused to take unfair advantage of other persons, which might constitute breaches of laws and cause damage to SCG's reputation.

In 2017, as proposed by the Governance and Nomination Committee, the Board of Directors approved the establishment of Insider Trading Policy and Insider Trading Guideline to provide guidelines for the performance of duty for the Board of Directors, top executives, SCG employees and contractors who know or possess SCG material confidential information to prevent them from committing offenses. Such policy and guidelines are published on SCG website and communicated to all concerned persons for them to strictly uphold.

Furthermore, the Company reviewed the measures to prohibit trading in the securities of SCG or other listed companies related to insider information (Blackout Period) to comply with the Securities and Exchange Act amended B.E. 2559 and to align SCG practices with the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) best practices. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions (as well as their spouses, partners in a de facto relationship, and minor children) are prohibited from trading the securities (securities subject to disclosure include shares, convertibles, share warrants, futures, and derivatives underlain by the share of a listed company) of SCG or other listed companies related to insider information one month prior to the public disclosure of quarterly and annual financial statements and until 24 hours after the disclosure of the information.

SCG Corporate Secretary Office will notify all involved persons of the Blackout Period in advance.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information. Moreover, the concerned persons who have knowledge of confidential information that could

have effect on the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to report any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59) within three business days of the date of any changes through the SEC website.

The Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report. In 2019, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

In addition, in 2018 and 2019, the Insider Trading Checklist was developed, revised, and disseminated to relevant units for use in the self-assessment of their standard to work efficiently and in compliance with the aforementioned policy, which in turn promotes sustainability in SCG's prevention against misuse and abuse of insider information.

#### **Preventing Conflicts of Interests**

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, SCG top executives, and employees in a prudent, fair, and transparent manner. As a consequence, the Board of Directors has established policies and measures regarding conflicts of interests as follows:

- Directors, top executives, and their related persons must file a report with the Company stating their interests in the management of the Company or a subsidiary when they first take the office. They must also file a report should there be any changes in their interests and at every year end. The Company Secretary shall deliver a copy of such report to the Chairman and Chairman of the Audit Committee within seven days upon the receipt of the report in compliance with the Securities and Exchange Act B.E. 2535. In addition, the reports must be delivered to the Director of Internal Audit Office to use such information for monitoring and preventing any conflict of interests.

- At the Board of Directors meeting, any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.

- In case the connected transaction requires shareholders' approval, shareholders with a vested interest must abstain from voting on such agenda item as stipulated by law and the Company's Articles of Association.

### **3. Role of Stakeholders**

SCG has consistently adhered to its philosophy of ethical business conduct and corporate social responsibility as well as carried out its business to jointly create values with all stakeholders for mutual and sustainable benefits. This practice is overseen by the Board of Directors to ensure compliance with laws and regulations and adherence to SCG Corporate Governance Guidelines, SCG Sustainable Development



Guidelines, SCG Code of Conduct, and other relevant policies, as well as protection of such rights and stringent equitable treatment.

The Board of Directors formally wrote the Stakeholder Engagement Policy in 2010 to serve as clear guidelines for employees on business conduct, create long-term added values for shareholders. Subsequently, in 2011, the Board of Directors approved the formulation of engagement policy and guidelines for each stakeholder group in a formal written form, which serve as a clear guidance for employees on engaging each stakeholder group.

The Board of Directors in 2017 approved the review and revision of engagement policy and guidelines for each stakeholder group to ensure more comprehensive policy, strategies, guidelines, and management procedures. In addition to reducing risks that may cause damage to the corporate image and reputation, the efforts also help enhance the brand and competitive advantages, adding value to the Company by demonstrating its commitment to stakeholders. The revised policy and guidelines are published on the SCG websites.

Stakeholder engagement guidelines are summarized below:

#### **1) Shareholders**

SCG attaches great significance to the shareholders, who are the business owners. As a result, the Board of Directors, which represents the shareholders, as well as the executives and employees are committed to carrying out business in line with the principles of good corporate governance and SCG business philosophy to ensure maximum benefits and long-term value for shareholders.

SCG respects the rights of its shareholders and recognizes its duty in ensuring equitable treatment of all shareholders as well as the fundamental rights stipulated by laws and Articles of Association of the Company, such as the rights to attend the Annual General Meeting of Shareholders, request extraordinary general meetings of shareholders, propose agenda items in advance, elect directors, receive fair remunerations, and voice opinions on the Company's business conduct through independent directors, all of which will be compiled and presented to the Board of Directors for review.

In addition to these aforementioned fundamental rights, SCG also carried out other measures to promote and facilitate the exercise of the rights of shareholders. The rights that shareholders are entitled to are disclosed under Section 1 'The Rights of Shareholders' and Section 2 'The Equitable Treatment of Shareholders' of the Annual Report.

#### **Fostering Good Relations with Shareholders**

##### **SCG Shareholder Activities**

SCG recognizes the importance of fostering good relations with shareholders. As a result, since 2010, the Company has continuously hosted a range of activities that are beneficial to society, culture, and the environment as well as opened up opportunities for shareholders to visit the sites of the Company's core business units. To this effect, the Company sends out invitation letters, with reply forms included, to shareholders via post to provide an opportunity for shareholders to declare their intention to participate in activities. Shareholders have expressed their interest and signed up for these activities. For each activity,

the Company randomly chooses eligible candidates and announces the list of chosen participants on the SCG website as well as notify them via phone to confirm their participation.

In 2019, SCG organized a total of three site visits and CSR activities as follows:

1. A site visit to Central Distribution Center: CDC, Wang Noi, SCG Logistics in Phra Nakhon Si Ayutthaya was organized on June 5, 2019 to show the participating shareholders the operational system of SCG Logistics Distribution Center, a business of SCG equipped with cutting-edge technology and a leader in integrated logistics and transportation services. The shareholders also observed the SAP-EWM warehouse management system and the automated storage and retrieval system (AS-RS), which ensured delivery efficiency.

2. A showcase of robotic innovations and circular economy initiatives by the Chemicals Business and a CSR activity with a community enterprise in Rayong were organized at the RIL Industrial Estate (Site 7) on October 9, 2019 to show the participating shareholders the technologies and smart robotic innovations employed in the industrial operations of the Chemicals Business, which not only operated with great efficiency and precision but could also perform high-risk tasks in place of humans, as well as to inform them of the circular economy-driven initiatives undertaken by the Chemicals Business, such its waste management practices. In addition, the shareholders also participated in an activity with members of a local community enterprise.

3. A showcase of innovations and circular economy initiatives by the Packaging Business was organized at the Ban Pong Complex of Siam Kraft Industry Company Limited, along with a CSR activity at Ban Rang Plub Community, a model community for waste management and waste-based value creation, on November 28, 2019. The objective was to show the participating shareholders the new technologies and innovations introduced to the operation of the Packaging Business. During the site visit, the shareholders also observed the control room, paper machine No. 16, and the automated warehouse. Furthermore, the shareholders attended an educational exhibit in the Ban Rang Plub Community, which demonstrated its circular economy-driven initiatives, such as waste management programs, green composting bins, and vermicomposting.

#### **Debenture Holder Activities**

Since 2000, SCG has consistently demonstrated its commitment to its debenture holders through a vast array of activities and privileges that cater to their lifestyles. In 2019, the Company continued to offer a wide range of activities and privileges as follows:

- Two expert-led seminars entitled “The Future of the Thai Economy after Election” and “Warning Signs from the Body”
- Skill development and craft workshops “Stretching for Health” and “Mosaic Fruit Trays”
- “Kan-la-Krang-Nan” Concert, an exclusive annual concert, with two shows performed at the Royal Paragon Hall, attended by over 8,500 persons for debenture club members and attendants
- Domestic trips to Surat Thani, Yasothon, Kanchanaburi, and a temple-palace tour in Bangkok
- Overseas trips to Myanmar, Georgia, Poland, and Japan

- CSR activities

1. The SCG Debenture Club for Schools Project: SCG and its debenture holders raised over 1.3 million Baht to purchase school supplies for small primary schools, namely Ban Khana School and Ban Nong Choop School in Surin, to support basic education.
2. CSR Workshop: SCG Debenture Club members made 120 donut cushions for pressure sores, which were donated to Priest Hospital, and 200 physical therapy sand bags, which were given to Veteran General Hospital.

- An exclusive one-day trip to Mallika City in Kanchanaburi, where 500 debenture holders, led by expert guides, were given an opportunity to dress in traditional Thai attire and learn about Thai cuisine, local history, and other aspects of Thai culture.

In addition, SCG Debenture Club members are eligible for exclusive discounts from long-term business partners, such as Central Food Hall – Tops Market, Au Bon Pain, Samitivej Hospital, Seefah, Bangchak Petrol Stations, (redeemable with SCG-Bangchak Partnership Card only) and SCG Home Solution Stores, among many others, through SCG Debenture Club mobile application. More information on these privileges can be found on the application and in the quarterly magazine Delight. These activities and privileges bear testament to the significance that SCG has consistently attached to its debenture holder and society at large.

## 2) Employees

### Human Rights Respect and Protection

SCG respects and protects the human rights of all its employees, a practice that is embedded in every aspect of its human resources management, from recruitment, remuneration, employee development, to promotion, appointment, and transfer. The Company adheres to the principles of equitable treatment and non-discrimination as well as embraces diversity and differences with regard to personal preference, appearance, race, religion, skin color, gender, age, and marital status.

SCG's support of human rights runs through its every business activity and applies to every party in its business value chain and joint ventures, abiding by the laws of each country and complying with the UN Guiding Principles on Business and Human Rights; the United Nations Universal Declaration of Human Rights (UNUDHR); the United Nations Global Compact (UNGC), which SCG has joined and supported since 2012; the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work; and other international requirements on human rights according to relevant binding treaties. The Board of Directors has prescribed human rights policies and practices, which are disclosed and communicated to all parties involved, to provide clear guidelines in business operations and prevent human rights violations as well as put in place a human rights due diligence process and disclosed the Company's performance in its Sustainability Report.

SCG's human rights due diligence process consists of four steps as follows:

- (1) Identifying areas of risks of human rights violation
- (2) Identifying vulnerable affected groups

(3) Formulating action plans, solution plans, and remedy measures for affected parties

(4) Monitoring results

### **Care of Employees**

#### **Remuneration Management**

SCG oversees its remuneration management to ensure that its employees are offered appropriate, fair, and competitive remuneration both across the organization and in comparison with other companies in the same industry, determined by performance level and positions held and paid in the form of salary, bonus, and variable pay. The Company has also formulated an appropriate compensation structure for each position level, with adjustments made in accordance with economic circumstances, inflation rates, the Consumer Price Index, and remuneration packages of other companies, the data on which is obtained through surveys that SCG consistently conducts into the remuneration of external organizations for employees at each level.

In addition, SCG budgets its compensation in accordance with the Company's short- and long-term operating results. In the short term, the annual operating results, such as revenues from sales, net profit, and EBITDA, will be factored into the equation, while in the long term, the Company's performance of its medium- and long-term plans, including business expansion rates, profit growth, market shares, overall sustainable development performance, and ongoing operational enhancement, is taken into consideration.

#### **Employee Benefits Management**

In addition to appropriate and fair financial remuneration, SCG has also established an employee benefit policy with comprehensive coverage to elevate the quality of life of its employees and enhance their security in life. The employee benefits are also regularly reviewed to ensure alignment with current circumstances, needs, and cost of living and are extended to the employee's family members. These benefits are intended to assist them in fulfilling their duties, lighten their burden of medical care expenses, and enhance their job security. The employees benefits offered by SCG are as follows:

- Work-related benefits: allowances, travel expenses, accommodations, and uniforms
- Medical benefits: medical and dental expenses, annual checkups, and sports and fitness centers
- Employee assistance benefits: provident funds, accident insurance, loans, and compensation

#### **Long-term Employee Care**

To ensure quality of life in retirement, SCG has established provident funds for SCG employees, in which employees who are members are deposit monthly contributions to the fund at the rate of 2-15% of their basic salaries, while the Company contributes 5-13% of their basic salaries to the fund in accordance with their length of employment. In addition, SCG provides other long-term benefits and support to employees, such as reimbursements of medical expenses after retirement according to the criteria and conditions prescribed by the Company; retirement preparation programs that help employees in the areas of health, finance management, and investment; career promotion; and employee clubs.

## Other developments in human resources management

### 1. Employee development and training hours

To keep itself readily adaptable to the rapid changes in business competition and customer needs at all times, SCG has prioritized reskilling and upskilling and consistently developed new courses to equip its employees for future changes that may impact the Company's business. Examples are courses in digital literacy, developed in collaboration with Thailand's leading educational institutes, such as Kasetsart University and King Mongkut's University of Technology North Bangkok, to accommodate new developments in the industry and enable SCG to create innovations, promptly adjust its working methods to new changes, and quickly gain insights into its customers.

Furthermore, SCG has also continued to build on the learning experience of its employees to promote lifelong learning and adapted to a shift in their learning behavior by incorporating new learning processes into its courses, with emphasis on action learning, experiential learning, such as through a visit to various companies in China, and project-based learning. An example of the last type of learning process can be seen in the Business Concept Development course, in which participants learn about theories and fundamentals through a digital platform, put those lessons to practice, share their opinions through case studies, and finally apply all the knowledge they have garnered to real-life tasks.

To help SCG employees understand various factors involved in the Company's business and the significance of customers, the contents of the Business Model Canvas (BMC), Design Thinking, and Agile Mindset courses have been applied to various courses for employees at all levels through new learning activities, including case study analysis, peer-to-peer knowledge exchange, and practical application.

In addition to its employees in Thailand, SCG is also committed to the development of its international employees. To this end, it has introduced its Flagship Programs to international employees, such as the Business Concept Development (BCD) course, in which the learning process and contents are the same as in Thailand, along with contents from several professional courses, such as human resources management, safety, the environment, marketing and sales. Furthermore, SCG staff members who are key talents have also been given an opportunity to learn and attend Flagship Programs, such as MDP, in Thailand.

SCG has also put a premium on the circular economy and has thus integrated it into employee development, cultivating the circular economy mindset to new employees to raise awareness right from the beginning of their employment.

Furthermore, SCG has also implemented various skill development initiatives to prepare its employees for new work formats, such as the introduction of "test and learn" method – a consumer-focused practice commonly employed by startups that places emphasis on obtaining customer insights and eliminating unnecessary steps to prevent wastage of resources.

In 2019, each SCG employee had 17 days of training on average. The learning and development expenses, both internal and external, amounted to 1,298 million Baht.

## 2. Human Resources Transformation in Accordance with Business

- SCG has introduced initiatives to streamline its human resources management processes and make them leaner through the use of shared services and digitization, such as the use of QR code for identity verification in obtaining medical care or annual checkups in hospitals to obviate the need for referral notes from the Company. Another example is the Employee Connect mobile application developed by SCG, where the Company can check the status of its employees in case of unexpected events with far-reaching impact, such as explosions, fires, or severe earthquakes, through the Call Tree system in the application. In addition, SCG has also transitioned from paper-based to automated and digital systems to reduce errors, data transfer time, and wastage, as well as introduced Healthcare System 4.0 software, with which the Company analyzes health data and develops preventive measures and health activities in collaboration with a medical team of Ramathibodi Hospital.

- SCG has ensured human resources preparedness for the business both at present and in the future, especially with regard to key talents, where SCG top executives has expanded talent management to include section managers up, which are considered critical positions for SCG. In 2019, about 4,000 SCG employees were included in this group.

- SCG has revised its job evaluation system for management positions to reflect the significance of their duties to the organization and form the basis for other areas of human resources management, such as rewards management, learning development, and career management.

- SCG has researched various employment types other than regular employment to enable itself to hire workers whose skills are in alignment with business needs and trends in labor markets, particularly new generations of workers who look for flexible hiring schemes, on the basis of legal and fair employment.

- SCG has adjusted its recruitment and selection of employees, increasing the proportion of mid-career recruits with experience and expertise in digital-related areas, retail, and logistics to accommodate SCG's future businesses.

## 3) Customers

SCG is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. SCG products and services must be safe as per international safety standards and environmentally-friendly, as well as promotes sustainable growth through excellence strategies in operating and human value marketing to ensure customer confidence and highest satisfaction. To this end, SCG has established a unit responsible for customer relations management in every business in order to offer suggestions on the Company's products and services, provide counsel regarding troubleshooting and after-sales services, and handle complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operation efficiency.

Furthermore, SCG has put in place a management system to foster good customer relations, the main factor of which is the voice of customers. As such, customer satisfaction in each business group is surveyed on a yearly basis to gauge the expectation and satisfaction level of customers, and customer insights discovered in the process are then further developed into new innovations. An example is the development of an innovation encompassing the knowledge management system, e-Service, e-Selling,

and the business Warehouse for the customer feedback process, resulting in a central database of customer information to facilitate sales and service providing. Also invented is a customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers. According to the 2019 customer satisfaction survey through SCG Contact Center, the result of overall customer satisfaction survey of SCG was 100%

#### **4) Suppliers/Business Partners**

SCG adheres to a framework of fair and transparent trade competition and strictly complies with the trading terms and conditions agreed upon, SCG Code of Conduct, and pledges given to its suppliers. To this effect, the Company determines appropriate and fair sale prices, taking into account the reasonableness, the quality, and the entailed services. In addition, regulations regarding procurement and operations are clearly established. These include refraining from demanding or accepting benefits from suppliers, supporting environmentally-friendly procurement, avoiding purchasing products from suppliers that violate human rights or intellectual property law as well as dealing business with suppliers that carry out illegal acts.

As for its business partners, SCG has a policy of taking good care of its business partners regarding the environment, work safety, and remunerations through provision of knowledge, counsel, and motivation in order to bring about development in the environmental management system through a supplier safety certification system and consideration of appropriate and fair remunerations. In addition, the Company is resolved to develop the capabilities and knowledge of its business partners both within and outside their lines of work to enable them to work more efficiently. At the same time, SCG also encourages its business partners to enhance their knowledge to achieve highest efficiency in their work.

SCG drew up the SCG Supplier Code of Conduct, in which suppliers are defined as any suppliers, contractors, and/or service providers for SCG, to ensure an accurate understanding among SCG suppliers. The Code serves as guidelines for SCG suppliers in cooperating with the Company in becoming good corporate citizens and in adhering to good corporate governance, guided by the interests of society and the environment. The Code of Conduct also serves as mutual standards for business conduct and SCG suppliers are required to sign the acknowledgment of the SCG Supplier Code of Conduct before conducting business with the Company.

The Board of Directors approved the implementation of SCG Procurement and Vendor Selection Policies and Guidelines, in which the policy regarding the selection and screening, the required qualifications, and the application of SCG suppliers/business partners, as well as the procedures involved in carrying out business with SCG are clearly prescribed. This is in order to ensure ethical business conduct and responsibility toward society and the environment. The Company also refuses to conduct business with a person or a juristic person who violates the law or demonstrates behavior involving corruption. The policy is published on the SCG website.

#### **5) Joint Venture Partners**

SCG respects the rights of joint venture partners, treats every partner equitably and fairly, and does not exploit partners. The Company also collaborates with joint venture partners to promote, support, and

strengthen the operation of joint ventures; encourage exchange of opinions and suggestions; formulate business plans; determine an appropriate and transparent allocation of interest and monitor and drive the operation of the joint ventures to be in accordance with the laws and sustainable development guidelines, in order for the joint ventures to achieve the shared goals.

## 6) Creditors

The Board of Directors takes into account equality for all concerned parties and honesty in carrying out its business. The Board is also committed to creating confidence and ensuring fair treatment to creditors. Policies and guidelines regarding the treatment of creditors are as follows:

1. The Company enters all types of agreement with each creditor in compliance with the law in a fair, and transparent way, without taking advantage of the parties to the agreement.
2. Any fraudulent method or concealment of material facts or information that may damage the creditors are prohibited.
3. The Company strictly complies with any agreed terms and conditions with all types of creditor accurately and straight forwardly.
4. The Company will pay loans plus interests to all types of creditor at the full amount when due.

To maintain the creditors' confidence, the Company stresses the importance of managing its finances to create an appropriate financial structure. The Company also strives to constantly keep creditors abreast of the Company's business status and maintain sustainable relations with creditors.

## 7) Communities

As it is SCG's conviction that strong communities and society form the foundation for the prosperity of the country, the Company strives to elevate the quality of life in the communities where it operates in both Thailand and other ASEAN nations, first and foremost in accordance with the needs of the local residents, as well as cultivate social responsibility in its employees and all parties involved, with the goal of fostering harmonious and sustainable co-existence between industry and communities. To this end, the CSR Committee for Sustainable Development is tasked with formulating policies, directing projects, promoting the involvement of employees, government agencies, affiliated organizations, and communities in carrying out activities. SCG has divided its community development management into two parts as described below.

- **Society and communities around the plants:** SCG encourages communities to learn and adapt to new changes in the world as well as enhance their self-reliance and serve as role models to expand their practices to other areas. For instance, in response to climate change, which results in low rainfalls and reserved water insufficiency during dry spells in some areas while triggering heavy rain and floods in others, directly affecting the productivity of local farmers, SCG has promoted community water management as well as improved existing water sources and connected waterways systematically. These initiatives have enabled the communities to handle the issues of droughts and floods by themselves and reserve a sufficient amount of water for consumption and farming. These projects, which have been scaled up and implemented in other communities around SCG's plants, have also created an additional source of income that helps communities them against economic volatility and led to community product and service



development programs, which, as they have increased income for several communities, have been expanded to the communities in other provinces

- **Society at large:** SCG encourages the dissemination and further development of successful projects to bring about changes in society at large. An example is the Company's initiative to parlay the success of its circular economy-driven resource efficiency campaign, which seeks to create behavioral change among its employees, into a project aimed at changing at-source waste management behaviors in different communities, which could reduce waste – one of the major issues in Thailand. The project has since been expanded to various communities across different regions. SCG also strives to better the quality of life for people in the ASEAN community. It has thus collaborated with external organizations to launch the "Sharing a Bright Vision" Project, in which operations are performed on underprivileged cataract sufferers to restore their sight, allowing these patients, many of whom were not able to take care of themselves and believed they would be a burden for their family, to take care of themselves and live a happier life.

Additional details on SCG's community, environmental, and social responsibility are provided in the Sustainability Report.

#### **8) Governmental Agencies**

SCG has clearly defined guidelines for engaging in transactions with government agencies in the SCG Code of Conduct and SCG Anti-corruption Policy. Furthermore, SCG ensures strict compliance with relevant laws and regulations despite varying conditions, procedures, or practices in each locality. In addition to refusing to engage in an act that could provide an incentive for officers in government agencies to commit an inappropriate or unlawful deed, the Company also cooperates with government agencies in providing academic assistance or support for various activities and is open to comments, suggestions, and complaints from government agencies.

#### **9) Media**

SCG attaches significance to the timely, accurate, and transparent disclosure of information to the media, so they can communicate the information to the public with accuracy and in a timely fashion. To create continuous media engagement, a number of activities catering to the interests of the media have been held such as press conferences, CSR activities. The Company is also committed to fostering good relations with the media through opinion exchange sessions to further development and provision of support for their academic activities based on the media code of conduct.

#### **10) Competitors**

SCG has a policy to treat competitors fairly under an honest competition framework. The Company is committed to carrying out business fairly in compliance with the law and SCG Code of Conduct and with concern for trade ethics and transparency. The Company also refuses to gain an unfair advantage over its competitors through unlawful activities, seek confidential information through unethical or inappropriate means, engage in any action that violates competitors' intellectual properties rights, or destroy competitors' reputations with defamatory and untruthful statements. In addition, the Company supports and promotes free trade, avoiding any acts that monopolize the market, impede or limit fair competition.

## 11) Civil Society Sector, Scholars, and Thought Leaders

SCG conducts business with concern for social responsibility and all stakeholders. In addition to full, accurate, transparent, verifiable disclosure of information, the Company recognizes the importance of comments and suggestions from the civil society sector, which reflect issues that the Company can improve to create values and benefit for society. Since 2010, the Sustainable Development Committee has held opinion panels comprising esteemed figures from government and private sectors, as well as independent entities. These panels focus on the care and the creation of value for society and communities as well as strive to include the industry and the entire SCG supply chain in order to create a shared business practice for sustainability.

### Contacts for Stakeholders

SCG has opened up channels through which stakeholders can offer suggestions, which will then be compiled, screened, and reported to the Company's top executives and the Board of Directors, as follows:

Company secretary	Tel: 0-2586-6098 Email: <a href="mailto:corporatesecretary@scg.com">corporatesecretary@scg.com</a>
Investor relations	Tel: 0-2586-4299 Email: <a href="mailto:invest@scg.com">invest@scg.com</a>

In addition, the Company has also provided channels through which employees and external stakeholders can contact, offer opinions, lodge complaints, and report violation cases, namely the Whistleblowing System via SCG intranet (for employees) and [www.scg.com](http://www.scg.com) (for other stakeholders) for further actions to be taken. The procedures are as follows:

- Employees or stakeholders file reports via the designated channels. The information provided is considered confidential and revealed only as necessary. The Company has also put in place informant/complaint lodger protection measures, and the investigation does not require the revelation of the informant's identity or the information source. In addition, informants can demand appropriate protection measures or the Company might implement extra protection measures without having received any demand informants if the issue can potentially cause damage or dangers.
- The Internal Audit Office receives complaints, verifies the validity, and conducts a preliminary investigation with meticulousness to reach a conclusion within 30-60 days. Progress reports are also made to the informants if their identities are identified.
- In the event that a violation is proven, an investigation committee will be formed to pass judgment and determine the punishment. Then, the corruption or complaint will be reported to the Audit Committee and the Board of Directors.

Should stakeholders desire to contact the Board of Directors directly without going through the management in order to report cases of rights violation, corruption, non-compliance with laws or ethical practices which might be related to an executive, they can file reports to the independent directors via [ind\\_dir@scg.com](mailto:ind_dir@scg.com)

#### 4. Disclosure and Transparency

SCG recognizes the importance of information disclosure because it greatly affects decision-making by investors and stakeholders. It is necessary, therefore, to define and administer measures concerning the disclosure of information, both financial and non-financial. Information shall be complete, sufficient, transparent, reliable and up-to-date.

SCG has defined a Disclosure Policy in writing to provide guidelines for all employees since 2008, revised in 2017 under the resolution of the Board of Directors to keep it in alignment with the current laws and best practices of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). In addition, SCG has developed a Disclosure Guideline for material information. These efforts not only enable SCG employees and relevant units to disclose information correctly but also assure shareholders, investors, and all stakeholders that SCG is committed to the accurate and transparent disclosure of information in compliance with the laws and in an equitable manner. Details of the policy and guidelines are published on SCG websites for all stakeholders and the public.

In 2018 and 2019, the Disclosure Checklist was developed, revised and disseminated to relevant units for use in self-assessment of their standards to work efficiently and in compliance with the Disclosure Policy, which would further promote the sustainability of SCG's disclosure practices.

SCG is committed to strictly obeying the law, regulations, and obligations mandated by the Securities and Exchange Commission (SEC), the SET and relevant government bodies. Regular amendment takes place to ensure accurate information disclosure and to guarantee SCG's transparency in conducting business. For example, the Company:

1. Compile reports as required by laws related to directors and chief executives and submit such reports to the Securities and Exchange Commission.
2. Establish a policy that requires the Company's directors and executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries according to the criteria and reporting procedures prescribed by the Company.
3. Established a policy requiring all the directors to disclose/report their securities trading to the Board of Director's meeting and prescribing the directors and executives to report their holdings of the Company's debentures and ordinary shares in the Company's subsidiaries, as well as the ordinary shareholdings of their spouses, partners in a de facto relationship, and minor children, to the Board of Directors every quarter. They are also required to report the number of shares they hold at the beginning of the year and at year-end together with the number of those traded during the year in the Company's Annual Report.
4. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.
5. Publish Notice of Annual General Meeting of Shareholders and Annual Report within 120 days after each financial year-end.

6. Publish minutes of the latest and previous Annual General Meeting of Shareholders on the Company's website.
7. Disclose the roles and responsibilities of the Board of Directors and Sub-committee, the number of meetings held, and the number of meetings each individual director and Sub-committee member attended.
8. Disclose the date of the director's appointment in the Company's Annual Report.
9. Disclose the Board member selection process and the Board's performance assessment.
10. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.
11. Disclose details of each individual director's attendance of courses offered by the Thai Institute of Directors Association (IOD).
12. Disclose detailed information on the operations and investment structure of subsidiaries, associates, joint ventures and other companies.
13. Disclose the audit fee and other fees in the Company's Annual Report.
14. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.
15. Disclose policy on environmental and social responsibility and related performance.
16. Disclose corporate governance policies and related performance.
17. Reveal significant investment projects and relevant impacts of the projects via the SET link of the Stock Exchange of Thailand and SCG website to ensure that shareholders, investors, the press, and related parties are kept informed of information accurately, extensively, and transparently.

Furthermore, the Board of Directors approved the establishment of Code of Conduct for Investor Relations (IR) to ensure that SCG's investor relations practices are appropriate and fair to all stakeholders. The Code of Conduct for IR compiled all SCG's best practices related to investor relations to provide clear guidelines for IR officers in their performance of duties in compliance with SCG Corporate Governance Principles. The endeavors will add value to the Company and create confidence among shareholders, investors, the general public, and all stakeholders, leading to sustainable business operations.

#### **The Company's Information Distribution Channels**

SCG places great importance upon transparency and full disclosure of significant financial, operational, and other relevant information, so that it is accurate, complete, and timely. In addition to fulfilling legal and SET reporting requirements, SCG has established its own broad infrastructure of dissemination channels to reach interested parties. These communications channels include:

1. The Investor Relations Department, which is responsible for direct communication with both local and international investors.
2. Press conferences on a quarterly basis to announce operating results, and regular press briefings to announce significant investment projects and activities.
3. Analyst conference to announce quarterly operating results to investors and analysts.

4. Activities to disseminate policy and operational guidelines to employees.
5. Activities to meet both local and international investors and other stakeholders.
6. Knowledge sharing with others on a certain topic in national and international forums.
7. Company visits and plant tours for shareholders, investors, analysts, NGOs, communities, the media, and other stakeholders.
8. Systematic distribution to the media of press releases, photo captions, news stories, advertisements, and social media.
9. Periodical publications and media, such as annual reports, sustainability reports, debenture holder, magazines, customer journals, dealer journals, and employee journals.
10. Electronic channel for communications with employees, such as intranet, e-mail and social media.
11. Website: “www.scg.com” and social media.

#### **Investor Relations Department**

SCG’s Investor Relations Department communicates with institutional investors, retail investors, shareholders, analysts and relevant government bodies on an equal and fair basis. Shareholders requiring additional information can contact the Investor Relations Department directly via [invest@scg.com](mailto:invest@scg.com). In 2019 SCG organized various activities in order that the president & CEO and the vice president could meet retail investors, institutional investors, and analysts on a regular basis and present the operating results, financial statements and position, management discussion and analysis, and industry trends to them. These activities included:

- Domestic roadshows and conferences for the President & CEO and Vice President to meet with domestic institutional investors to offer relevant explanations, communicate with them, and create an accurate understanding regarding SCG’s business approach and general information. A total of ten such events were held.
- Three briefings by the President of each business unit, aimed at providing analysts and institutional domestic investors with knowledge and insights into SCG business units with respect to their strategies and business directions
- Four Analyst Conferences and Press Conferences, held on a quarterly basis
- Thirteen overseas Roadshows
- Four site visits in the Group’s major business units, aimed at fostering a basic understanding of the production process, with emphasis on the production from the beginning to the finished product
- Company visits, including one-on-one meetings, group meetings, and conference call, which allowed investors to inquire about the business conduct and strategies of the Company. Investors’ inquiries are also directly responded to via e-mail and telephone on a regular basis.

Should there be any need for additional information, shareholders can directly contact the Investor Relations Department via these channels:

Address: 1 Siam Cement Road, Bangsue, Bangkok, 10800  
Tel: 0-2586-4299  
Email: invest@scg.com

## 5. Responsibilities of the Board of Directors

### 5.1 The Structure of the Board of Directors

The Board of Directors comprises respected, knowledgeable, and competent persons who are responsible for drawing up corporate objectives and goals and collaborating with the top executives to formulate short-term and long-term strategies, policies, and operations, define the Company's financial policy, risk management policy, and organizational overview, and review the Company's policies and key operating plans annually. The Board plays a vital role in allocating its key resources in accordance with the corporate goals as well as monitoring and assessing the performance of the Company and top executives on an independent basis.

The Articles of Association of the Company prescribe that there shall be no fewer than nine but no more than 12 directors, all of whom are appointed and removed at the Meeting of Shareholders. The names of the directors are as follows:

1.	Air Chief Marshal Satitpong Sukvimol	Chairman
2.	Mr. Sumet Tantivejkul	Vice Chairman and Independent Director
3.	Mr. Kasem Watanachai	Director
4.	Police Colonel Thumnithi Wanichthanom	Director
5.	Mr. Pricha Attavipach	Independent Director
6.	Mr. Chumpol NaLamlieng	Independent Director
7.	Mrs. Tarisa Watanagase	Independent Director
8.	Mr. Kan Trakulhoon	Director
9.	Mr. Prasarn Trairatvorakul	Independent Director
10.	Mr. Pasu Decharin	Independent Director*
11.	Mrs. Parnsiree Amatayakul	Independent Director*
12.	Mr. Roongrote Rangsiyopash	President & CEO

Remarks: \* Assumed the directorship on March 27, 2019

\*\* Average Board tenure is 8.9 years

The Board of Directors is composed of an executive director, which is the President & CEO, and 11 non-executive directors, who have prior experience related to the Company's main business, the industrial sector, or the management of a large organization beneficial to the directing of the Company. None of the non-executive directors were the President & CEO in the past two years. The profiles of each member of the Board can be found in the Annual Report.

In addition, the Board of Directors is composed of seven independent directors, constituting more than half of the total number of directors, and two of these independent directors are female. The duties of these independent directors include auditing the management, providing opinions and comments, supporting policies beneficial to shareholders or opposing any inequitable or non-transparent decisions

that may affect the benefits of shareholders or stakeholders, overseeing the establishment and disclosure of policies regarding connected transaction supervision to ensure the maximum benefit of the Company and its shareholders.

In compliance with international corporate governance standards, the Company has made the diversity of the Board a priority in order to enhance its ability to nominate individuals with qualifications for directorship in line with the Company's business. In 2018, the Company's Articles of Association were amended, whereby the restriction on the nationality of a director was removed. In addition, based on the nomination of the Company's directors and IOD's list of chartered directors, the Governance and Nomination Committee created a pool of 26 candidates qualified to replace the directors due to retire by rotation in 2020. Of these, two were women and two were not Thai nationals, consistent with the Company's policy on director qualification and nomination.

## **5.2 Scope of Authority of the Board of Directors**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Board of Directors has the following authorities:

1. Acting in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:
  - 1.1 Performing its duties with responsibility and all due circumspection and caution (Duty of Care).
  - 1.2 Performing its duties with faithfulness and honesty (Duty of Loyalty)
  - 1.3 Performing its duties in compliance with laws, objectives, Articles of Association, the resolutions of the Board of Directors and resolutions of Shareholders' Meetings (Duty of Obedience).
  - 1.4 Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).
2. Defining and reviewing the structure of the Board of Directors, number of directors, proportion of independent directors as well as Board diversity and director qualifications to align with SCG's business operations.
3. Directing SCG's visions, missions, and business strategies, with an annual revision and approval.
4. Reviewing the major operating plan, budgets, business goals, and business policies and enhancing the capabilities of SCG to reach a globally competitive level.
5. Overseeing and monitoring the implementation of the Company's strategies; overseeing and monitoring of each business unit's and SCG's overall performance by requiring their performance reports periodically; and setting policies to develop and improve the business operations with concern for safety, hygiene, social and environmental responsibility and development of SCG's employees.
6. Directing the Company's operation in compliance with the laws, objectives, Articles of Association, resolutions of the Board of Directors and resolutions of Shareholders' Meetings in good faith and with care, prudence, and integrity to preserve the highest interests of the Company with fairness to all involved parties.
7. Overseeing and supporting the creation of innovations that create value for SCG as well as all stakeholders.

8. Overseeing and monitoring IT management and the implementation of the IT security system.
9. Specifying risk management policies and overseeing to ensure effective risk management systems and internal control together with reviewing and assessing the systems periodically and in the wake of a change in risk levels.
10. Overseeing and developing SCG's corporate governance to keep it consistent with international standards to provide guidelines for business operations while monitoring to ensure compliance and being a role model in complying with the principles of good corporate governance and SCG Code of Conduct.
11. Encouraging staff at all levels to be conscious of ethics and morality and comply with SCG's principles of corporate governance, Code of Conduct and the Anti-corruption policy while overseeing the proper internal control system and internal audits to reduce the risk of fraud and abuse of authority and prevent any illegal act.
12. Overseeing and monitoring the Company's liquidity and debt service coverage together with emergency plans and mechanisms in case of problems arising.
13. Overseeing and monitoring to ensure that the preparation of financial statements and disclosure of material information are accurate, sufficient, and timely and are in compliance with the relevant regulations and guidelines.
14. Overseeing to ascertain shareholders' involvement in the decision making of SCG's important matters, respecting the rights of shareholders, ensuring the equitable and transparent treatment of shareholders and other stakeholders, establishing a clear process and channels for receiving and handling complaints from informants or stakeholders effectively and ensuring an opportunity for every stakeholder to contact or lodge complaints about potential issues directly to the Board of Directors.
15. Reviewing top executive development plans and the succession plan for the President & CEO while overseeing to ensure the effective performance assessment of top executives on an annual basis and determining appropriate remuneration in line with the Company's operating results to provide both short-term and long-term incentives.
16. Assessing the performance of the Board of Directors annually by performing three types of assessments, namely that of the Board and its Sub-committees as a whole, that of each individual director as a self-assessment, and that of the Chairman together with monitoring the assessment results of the Board and its Sub-committees which will be jointly deliberated by the Board of Directors as well as reviewing the assessment results of the Board and Sub-committees on a regular basis.
17. Overseeing and monitoring to ensure the selection and nomination process of a director is carried out transparently and the remunerations for directors and Sub-committee members are determined appropriately.
18. Devoting sufficient time to performing their duties, attending all meetings of the Board of Directors and Shareholders' Meetings, except in unavoidable circumstances. The directors who are unable to attend a meeting must notify the Chairman or the Secretary to the Board in advance of the meeting.



19. Monitoring and managing any potential conflicts of interest between the Company, the Management, the Board of Directors, or shareholders as well as overseeing to prevent misuse of SCG's assets and the entering into inappropriate transactions with persons connected with SCG.
20. Developing their knowledge and competency related to their duties consistently through courses or curricula related to directorial duties or seminars that enhance their knowledge.

In performing its duties, the Board of Directors may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate.

### **5.3 Scope of Authority of the Chairman of the Board of Directors**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Chairman of the Board of Directors has the following authority:

1. Sets Board meeting agenda in consultation with the President & CEO and oversees to ensure Board members receive accurate, complete, timely, and clear information prior to the meeting to assist in their decision making process.
2. Provides leadership and direction to the Board of Directors and chairs meetings of the Board.
  - 2.1 Conducts a Board meeting according to the agenda, the Company's Articles of Association, and applicable laws.
  - 2.2 Encourages and allocates sufficient time to each Board member to discuss and express their free and frank opinion with due circumspection and concern for all stakeholders.
  - 2.3 Sums up the Board meeting resolutions and the actions to take clearly.
  - 2.4 Sets up a Board meeting without the presence of the Executive Director.
3. Chairs meetings of shareholders according to the agenda, the Company's Articles of Association, and relevant laws by allocating time appropriately along with providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' inquiries are responded to appropriately and transparently.
4. Supports and be a role model in compliance with the principles of good corporate governance and SCG Code of Conduct.
5. Fosters a positive working relationship between the Board of Directors and the Management and supports the performance of the duties of the President & CEO and the Management in accordance with the Company's policy.
6. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.
7. Oversees to ensure the Board of Directors has appropriate structure and composition.
8. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.

#### 5.4 The Board of Directors' Authorization

The Board of Directors is empowered to authorize various matters in accordance with the scope of authority stipulated by laws, the Company's Articles of Association, the Board Charter, and the Shareholders Meeting resolutions. Such matters include defining and reviewing corporate vision, mission, operating strategies, operating plans, risk management policy, annual budget and business plans, and medium-range business plan. Added to this is the defining of the target operating results, following up and assessing the operating results to ensure they are consistent with the plan, and overseeing capital expenditure, material connected transactions, merger and acquisition, corporate spin-off, and joint venture deals.

#### 5.5 Separation of the Roles of the Board of Directors and the Management

The Company has defined clear roles and responsibilities regarding the Board of Directors and the Management in accordance with the Company's Delegation of Authority Manual. The Board shall be responsible for establishing the policies and overseeing the Management's implementation of those policies. The Management, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. Therefore, the Chairman and the President & CEO of the Company shall not be the same person, and each must be nominated and elected by the Board in order to ensure their appropriateness. Furthermore, the Board is responsible for establishing a succession plan covering the top executives, which is subject to annual review.

The Chairman shall not be a member of the Management and shall not participate in the Management of SCG's business; nor shall the Chairman be authorized to sign binding agreements on behalf of the Company. This is to clearly define separate roles between supervision of the Company's overall policy, and business management.

The Management is authorized to manage the Company's operations in accordance with the policies set by the Board; take responsibility for the Company's operating results; control expenses and capital expenditures within the limits approved by the Board in the annual operating plan; manage human resources in line with the prescribed policy; resolve problems or conflicts that affect the Company; and maintain effective communication with the stakeholders.

#### 5.6 Directors' Term of Service

##### Term Duration

The Company's Articles of Association stipulates the director's term of office in accordance with the Public Limited Companies Act B.E. 2535 that at the Annual General Meeting of Shareholders each year, one-third of the total directors shall retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third shall retire from the office. In choosing those directors who retire, the length of service on the board should be considered, so that those who have served longest are most eligible to retire. As the Board comprises 12 members, four directors are due to retire by rotation each year. However, once retired, they are eligible for re-election as directors.

### **Consecutive Terms of an Independent Director**

The Board of Directors resolved to limit the number of terms for which an individual may serve as an independent director to a maximum of three consecutive terms, with the first term starting from the Board's approval date on May 25, 2011 and the end of each term on the date of the Annual General Meeting of Shareholders in which they are due to retire by rotation. The Board of Directors may nominate their names to be re-elected at the Annual General Meeting of Shareholders as deemed fit, in which case they will no longer be deemed independent.

## **5.7 Policy on Directors and Top Executives Holding Directorship in Organizations outside SCG**

### **Limitation of the Number of Listed Companies in Which a Director May Hold Directorship**

The Board of Directors has set a limit to the number of listed companies in which each director may hold a directorship. This policy aims to protect the Company's best interests as it helps ensure that directors have time sufficient to fulfill their duties. The Board of Directors has agreed to prescribe that each director should hold directorship in a maximum of four other listed companies. The Board of Directors has followed this policy strictly, and none of the directors currently hold directorship in over four other listed companies. In addition, SCG has a guideline in case the President & CEO is appointed as the director of another company. The matter will be proposed to the Board of Directors for approval.

### **Policy and Guidelines on SCG Top Executive's Directorship in Organizations outside SCG**

The Board of Directors has established a policy allowing the President & CEO and the Company's management to hold a directorship in companies that are not the Company's subsidiaries or associates or to spend the Company work hours carrying out directorships for external institutes for the three following organizations:

- (1) Governmental organizations that are not established for the benefit of a political party, in which their service represents their cooperation with the authorities and contribution to the general public.
- (2) Private organizations that are established for the benefit of the general public such as the Federation of Thai Industries, the Thai Chamber of Commerce, the Thailand Management Association, etc.
- (3) Private organizations that are established for trading purposes but present no conflicts of interest with SCG and do not consume time to the extent that it is disadvantageous for the Company.

The President & CEO is to propose a directorship in other companies or external institutes for approval from the Board of Directors. As for management employees, the proposal must be submitted for approval in accordance with the Company's Delegation of Authority Manual, in which case the proposal will be reviewed with consideration to the Company's intent to ensure that its employees demonstrate determination and effort and dedicate their working hours to their duties at the Company to the best of their ability, as well as adhere to the ethical guidelines regarding conflicts of interest, whereby employees do not engage in a conduct that constitutes a competitive with the Company's business. The approval of directorships or the use of the Company's working time on duties in external institutes/companies depends on the Company's judgment and is reviewed on a case-by-case basis. In this regard, the Company has informed relevant management employees of the aforementioned policy and process.

## 5.8 Performance Assessment and Knowledge Enhancement

### Assessment of the Board's Performance

SCG has stipulated a performance assessment and a review of the performance results of the Board of Directors and Sub-committees at least once a year on a yearly basis. The assessment is divided into two types, namely the performance assessment of the Board of Directors as a whole and the self-assessment. On top of this is the performance appraisal of the Chairman of the Board of Directors. The Board of Directors then analyzes and summarizes the results of the assessment to formulate measures to further enhance the efficiency of the Board of Directors. In 2019 the Board of Directors has approved a performance assessment scheme for the CSR Committee for Sustainable Development with the assessment scheme implemented in 2019. The Company, therefore, has a performance assessment scheme for every sub-committees.

As for the performance assessment of the Board of Directors as a whole and self-assessment, the Governance and Nomination Committee is tasked with reviewing the performance assessment forms for the Board of Directors and the Sub-committees, the performance assessment form of the Chairman, and information needs questionnaires used to enhance the knowledge and performance of the directors; and proposing these forms to the Board of Directors for review.

The Corporate Secretary Office distributed the assessment forms to each director for assessing the performance of the Board of Directors and the Sub-committees in which he serves. Afterwards, the Corporate Secretary Office summarized and presented the results of the performance assessment to the Governance and Nomination Committee and the Board of Directors for acknowledgment and later submitted the assessment results to the Chairman of the Board and the Chairman of each Sub-committee.

In 2019, the performance assessment results of the Board of Directors and the Sub-committees were summarized as follows:

Board of Directors/Sub-committees	Performance Assessment Results (As a Whole) (%)	Performance Assessment Results (Self-Assessment) (%)
1. The Board of Directors	96	95
2. The Audit Committee	97	97
3. The Governance and Nomination Committee	98	98
4. The Remuneration Committee	95	95
5. The CSR Committee for Sustainable Development	100	99

### **The Assessment of the President & CEO and SCG Top Executives**

The Board of Directors and the Remuneration Committee assess the performance of the President & CEO based on the Company's operating results, implementation of the Board's policies, and the overall socio-economic circumstances. The Remuneration Committee will then consider the appropriate remuneration for the President & CEO and top executives of SCG and propose such amount to the Board taking into account the following information regarding the current and previous years:

1. The business unit's operating results based on percentage of EBITDA on operating assets. The target EBITDA percentage for each business unit of SCG shall be set forth each year for assessment and comparison purposes.
2. The operating results of the business unit compared to those of other companies in the same industry, both locally and internationally.
3. The capability to develop the business unit and improve operational efficiency for each business unit each year.

In addition, a survey on manager-level employees' opinions regarding the President & CEO and the top executives is included in the Remuneration Committee's consideration.

### **Performance Assessment of the Board by Independent External Consultants**

In addition to the annual performance assessment of the Board of Directors both as a whole and self-assessment, the Board of Directors has also introduced a policy subjecting itself to a performance assessment by independent external consultants every three years to develop guidance for enhanced efficiency and to ensure compliance with the Corporate Governance Code stipulated by the Securities and Exchange Commission (SEC) B.E. 2560 and DJSI's governance assessment guidelines. The policy was first implemented in 2015.

In 2017, on the suggestion of the Governance and Nomination Committee, the Board of Directors selected EY Corporate Services Company Limited as the independent external consultant who would conduct the performance assessment of the Board in 2018. The assessment would compare the structure as well as the roles and responsibilities of the Board with international standards to determine the direction of knowledge and competency enhancement for the Board and to elevate the standards of the performance assessment of the Board to be in line with international practices and corporate governance codes. The details of the assessment are described below:

#### **Rationale and assessment methods**

The independent external consultant established assessment factors and components covering all facets of the Board, including its structure, composition, roles and responsibilities, performance, and competency development, and held a meeting with the project's head and coordinator to create an assessment questionnaire and conduct interviews, both in Thai and English, with the Company's directors, executives, the management relevant to the aforementioned assessment factors and components. After having compiled and reviewed relevant documents, information published on the Company's website, and other information vital for the assessment, including SCG Code of Conduct, the external consultant then proceeded to conduct a

performance assessment of the Board of Directors, making comparisons with relevant corporate governance codes as well as other leading listed companies in Thailand and other countries.

#### **Assessment results**

The average score from the questionnaire and the interviews of the Company's Board of Directors and executives was 96%.

In 2019, The Governance and Nomination Committee reviewed the suggestions of the external consultant that could be applied to the Company to further improve the performance of the Board of Directors, benefit the Company, and keep up with the higher expectations of various stakeholders, including Rating Agencies, Governance Watchdogs, and Regulators. According to the suggestion of the external consultant, the Governance and Nomination Committee then submitted guidelines and policies of SCG to the Board of Directors for the development of SCG's corporate governance as follows;

- Revised the Board Skill Matrix
- Established a new director nomination and selection process and revised policies on qualification specification and director nomination
- Established policies on appointing directors and executives to the Company's subsidiaries
- Established a charter and a performance assessment scheme for the CSR Committee for Sustainable Development
- Established a systematic director training and development planning process

#### **Development of Directors and Top Executives**

SEC's Corporate Governance Code for Listed Companies 2017 includes a guideline stating that the Board of Directors should ensure that the Board and each individual director understand their roles and responsibilities, the nature of the business, the company's operations, and relevant laws as well as encourage all directors to enrich their skills and knowledge on a regular basis. In addition, SCG's Charter of the Board of Directors stipulates that it is the Board's duty to regularly develop its knowledge and competency through training sessions or courses relevant to their directorial duties or seminars that enhance their knowledge.

In 2019, the Board of Directors approved the formulation of a systematic director training and development plan in writing. In addition, training records would also be kept to inform the knowledge and competency development plan for each director.

The Governance and Nomination Committee deemed it appropriate to arrange activities to enhance knowledge beneficial to the performance of duties and responsibilities of the Company's Directors. As a consequence, the Company has held many dialogs, allowing for an exchange of experience and views among the directors, top executives and outside experts since 2011.

In 2019, the Governance and Nomination Committee organized two director and executive development activities as follows:

- 1) Two seminars on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG; and on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and

SCG should take were held on June 19 and September 25, 2019, respectively. The objective was to keep the directors and executives informed of the U.S.-China trade war, which could grow more severe in impact. During the seminars, which were led by experts on international affairs, the directors and executives exchanged their opinions extensively and were given advice on preparations for potential impact on SCG.

- 2) An exhibition showcasing innovations, products, and services developed by the R&D arms of both SCG and its core businesses was organized on August 16, 2019 to coincide with Medium Term Plan workshop meeting for the Board with the goal of sparking an exchange of ideas among the Board of Directors, executives, researchers, developers, and innovation executives and obtaining suggestions that could help expand SCG's projects and increase their business value.

In addition, SCG encourages all members of the Board and the top executives to attend seminar and courses beneficial to the fulfillment of their duties as well as exchange ideas with the Board of Directors and top executives of different organizations. The courses that they are encouraged to attend include both those hosted by the SCG Human Capital Institute and those organized by governmental regulating bodies or independent organizations, such as the courses for the Board of Directors offered by the Thai Institute of Directors (IOD). This is so that they can apply the knowledge and experienced gained to the development of the organization.

#### Development Activities and Training Attended by Each Director in 2019

Directors	Development and Consulting
1. Air Chief Marshal Satitpong Sukvimol •	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>

Directors	Development and Consulting
2. Mr. Sumet Tantivejkul •	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>
3. Mr. Kasem Watanachai •	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> <li>- Director Accreditation Program (DAP) 164/2019, hosted by IOD.</li> </ul>
4. Police Colonel Thumnithi Wanichthanom •	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>



Directors	Development and Consulting
5. Mr. Pricha Attavipach ●▲■	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>
6. Mr. Chumpol NaLamlieng ●▲■	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> </ul>

Directors	Development and Consulting
<p>7. Mrs. Tarisa Watanagase ●</p>	<ul style="list-style-type: none"> <li>- Shared her vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> <li>- Attended ID Forum 1/2019 "Tips and Tricks for dealing with questions in AGM" hosted by IOD.</li> <li>- Attended Director Breakfast Talk 2/2019 Digital Transformation "Stories and Strategies for Success" hosted by IOD.</li> <li>- Attended Executive Briefing 6/2019 (Growing Clean Business in a Corrupt Environment Briefing) hosted by IOD.</li> <li>- Attended the seminar on Robotic Process Automation (RPA) – Next Generation Workforce hosted by KPMG.</li> <li>- Attended Seoul Regional Meeting of the Trilateral Commission Asia Pacific Group.</li> </ul>
<p>8. Mr. Kan Trakulhoon ●▲■</p>	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>

Directors	Development and Consulting
9. Mr. Prasarn Trairatvorakul ●	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> <li>- Attended Director Breakfast Talk 2/2019 Digital Transformation "Stories and Strategies for Success" hosted by IOD.</li> </ul>
10. Mr. Pasu Decharin ●	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> <li>- Attended Directors Certification Program (DCP) 280/2019, hosted by IOD.</li> <li>- Attended Audit Committee Forum 1/2019, hosted by IOD.</li> </ul>

Directors	Development and Consulting
11. Mrs. Parnsiree Amatayakul ●	<ul style="list-style-type: none"> <li>- Shared her vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> <li>- Attended ID Forum 1 / 2 0 1 9 "Tips and Tricks for dealing with questions in AGM", hosted by IOD.</li> </ul>
12. Mr. Roongrote Rangsiyopash ●▲■	<ul style="list-style-type: none"> <li>- Shared his vision and provided consultation on the medium-term business plans of every business of SCG.</li> <li>- Provided support and consultation for an exhibition showcasing innovation, products and services and the development of research of SCG's core businesses.</li> <li>- Attended the seminar on the U.S.-China trade war and the adaptation of the government and private sectors, and the opportunities and threats of SCG.</li> <li>- Attended the seminar on the impact of the trade war on the global economy and a change in trade and investment directions that Thai private sectors and SCG should take.</li> </ul>

Remarks: The experience of each director in the material industry meets the criteria of the Global Industry Classification Standard (GICS Level 1 sector classification), divided into four categories, namely ■ Management ▲ Academia ● Consulting ★ Research

The attendance of the directors in courses offered by the Thai Institute of Directors (IOD) is shown in the individual profile of each director under Management Structure.

To support the Board's responsibilities, SCG has assigned the Secretary to the Board and Company Secretary to work in coordination with the Board and the top executives. In addition, the Corporate Secretary Office is responsible for serving as coordinator for the legal matters, relevant standard practices and activities of the Board to ensure implementation of the Board's resolutions.

SCG has prepared a Director Manual, which includes the summary of laws, rules and regulations related to the directors as well as Charter of the Board of Directors and Sub-committee, policies on SCG corporate governance and practices to keep directors informed of roles, duties, principles, responsibilities and practices

for a director. The Manual is distributed to all directors for use as reference regarding basic information. In addition, directors are also kept abreast of laws related to or promoting good corporate governance.

#### **SCG Director Induction**

In 2019, SCG established a Director Induction Program for new directors to facilitate their prompt performance of duties. The corporate secretary was commissioned to coordinate the work in the three following areas based on the Orientation Program:

- 1) To compile necessary information for directors to ensure their compliance with laws, rules, and regulations related to directors.
- 2) To provide important information essential for the directors' performance of duty, such as the Memorandum of Association and the Articles of Association, Director Manual, the handbook for directors of listed companies, a summary of operating results, a summary of SCG corporate governance principles, and other relevant handbooks, for use as quick references.
- 3) To arrange for a meeting with the Chairman and directors and the executives or head of each function to stay informed and make queries about SCG's business in depth.

## **9.2 The Sub-committees**

The Board has further established the Audit Committee, Governance and Nomination Committee, the Remuneration Committee, and the CSR Committee for Sustainable Development to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, SCG put in place its Charter of the Board of Directors and Charter of the Sub-committees specifying rights and duties, which is published on the Company's website. Moreover, the Board of Directors is entitled to form other sub-committees to handle any specific situations as deemed appropriate.

### **1. The Audit Committee**

The Audit Committee comprises four independent directors, all of whom are well accepted and have a full understanding of, and experience in, accounting or finance. Mrs. Tarisa Watanagase, Mr. Pasu Decharin and Mrs. Parnsiree Amatayakul with their extensive knowledge and experience, are responsible for reviewing the reliability of the financial statements. The Audit Committee members' duties include a review to ensure that operations have been carried out in accordance with the Company's policies, Articles of Association as well as the laws and regulations of compliance-related agencies. Moreover, the Committee is committed to promoting the advancement of SCG's financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. The Audit Committee acts and expresses opinions independently.

The Internal Audit Office, with Mr. Pitiya Chanboonmi as its Director, acts as an operations unit reporting directly to the Audit Committee. The Audit Committee also consults regularly with external auditors, consultants and specialists in the areas of law and accounting. The Audit Committee must set up meetings with the Company's external auditor, which exclude the Management, at least once a year in order to hear their comments. In addition, the Committee may seek external consultation and professional advice from independent consultants as deemed appropriate, at the Company's expense.

The Audit Committee of the Company comprises the following four members:

- |                              |           |
|------------------------------|-----------|
| 1. Mrs. Tarisa Watanagase    | Chairman* |
| 2. Mr. Picha Attavipach      | Member    |
| 3. Mr. Pasu Decharin         | Member**  |
| 4. Mrs. Parnsiree Amatayakul | Member**  |

Remarks: \* Assumed the chairmanship of the Audit Committee on March 27, 2018

\*\* Assumed the member of the Audit Committee on March 27, 2018

#### **The Audit Committee's Term on Board**

The Audit Committee is subject to a three-year term. The directors shall retire from office by rotation at the Annual General Meeting of Shareholders. However, a retiring director is eligible for re-election.

If there is a vacancy on the Audit Committee due to reasons other than retirement by rotation, the Board of Directors shall appoint a qualified individual as director to fill the vacancy, so that the Audit Committee is composed of the number of directors prescribed by the Board of Directors. The appointed individual shall hold the directorship only for the duration of the remaining term of the director he or she replaces.

#### **Scope of Authority of the Audit Committee**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Audit Committee is authorized to fulfill the following duties:

##### **Corporate governance, risk management, compliance, and internal control**

1. Review the appropriateness of the financial reporting system and disclosure of information in its financial statements in accordance with the legally defined Financial Reporting Standards and promote the development of financial reporting systems in compliance with International Financial Reporting Standards.
2. Consider connected transactions, acquiring or selling of assets, or those with possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Securities and Exchange Commission, Thailand.
3. Review the presence of the Company's risk management, work processes, control, oversight of performance of duties, IT governance, as well as Information and Integrated Network Security to ensure their effectiveness and in compliance with international standards.
4. Review the Company's Anti-corruption procedures to ensure the effective compliance with the guidelines of the governance bodies including Collective Action Coalition Against Corruption (CAC), Thai Institute of Directors (IOD), and The National Anti-Corruption Commission. The efforts start from promoting and raising awareness, assessing the risks, internal controls, incorporating the proactive preventive system, reporting frauds, auditing as well as reviewing the self-assessment form regarding anti-corruption measures as audited and assessed by the Internal Audit Office.
5. Review the Company's Compliance Procedure in accordance with the Securities and Exchange Act, rules, regulations and other laws relevant to the Company's business.

6. Review the compliance of the Company's Internal Control System with Internal Control Framework (COSO 2013) and the appropriateness and the effectiveness of the Company's Internal Audit System in accordance with internationally accepted approaches and standards. Also, review "The Assessment Form of the Adequacy of the Internal Control System" as audited and assessed by the Internal Audit Office to ensure that the Company has sufficient internal control system and propose to the Board of Directors for consideration.
7. Review the results of fraud investigation, establish the preventive measures in organization and review the internal processes of whistleblowing system.
8. Review the presence of proactive preventive system to enhance operating effectiveness and efficiency.

#### Others

9. Select and propose the appointment or discharge an independent person to perform the duties of the Company's auditor and also propose the remuneration of the Company's auditor and evaluate the effectiveness of auditor's performance.
10. Prepare the audit committee's report to be disclosed in the Company's Annual Report and duly signed by the Chairman of the Audit Committee and containing opinions on various matters as required by SET.
11. Review and give the opinion toward the audit practices of the Internal Audit Office and coordinate with the Company's auditors. Also, organize meetings with the Company's auditor, without the attendance of management, at least once a year.
12. Approve the internal audit plan, budget and manpower of the Internal Audit Office. Also, provide recommendations in respect of appointment, removal, transfer, or dismissal of the Director of Internal Audit Office.
13. Consider the independence of the Internal Audit Office based upon the execution of work, reports, and line of command. Also, review the execution of the Internal Audit Office for the performance assessment according to international standards.
14. Review the presence of the Audit Committee's performance assessment as a whole and as self-assessment on an annual basis.
15. Perform other actions as required by law or as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Audit Committee is authorized to call for and order the Management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the Committee may seek independent opinion from professional consultants as deemed appropriate, at the Company's expense.

The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

## Responsibilities of the Audit Committee

1. In case the Audit Committee is informed by the auditor about suspicious behavior of directors, managers or persons responsible for business operation of the Company, which may violate paragraph 2 of Section 281/2, Section 305, 306, 308, 309, 310, 311, 312 or 313 of the Securities and Exchange Act, the Audit Committee is to investigate the case and submit a preliminary report to the Securities and Exchange Commission (SEC), as well as to the auditor, within 30 days of the date it is informed.
2. Upon finding or having doubt about the following actions or transactions, which may significantly affect the financial position and performance of the Company, the Audit Committee is to report such events to the Board of Directors in order to find remedy within a period deemed appropriate by the Audit Committee:
  - (1) Transactions which may cause conflicts of interest.
  - (2) Fraud or irregular events or material flaws in the internal control system.
  - (3) Violations of laws pertaining to Securities and the Stock Exchange, the regulations of the Stock Exchange, or laws pertaining to the Company's business.

Should the Board of Directors or management fail to remedy the issues within the timeline specified by the Audit Committee, a member of the Audit Committee may report the issue to the SEC or the SET.

## 2. The Governance and Nomination Committee

The Governance and Nomination Committee comprises seven of the Company's directors, all of whom are non-executive directors and five of whom are independent directors. The Chairman of the Governance and Nomination Committee is an independent director. The Committee is responsible for proposing, revising, and supervising the Company's corporate governance matters. The Committee is also in charge of the nomination of persons qualified to be directors to replace those who are retired by rotation, or as the case may be. In addition, the Committee reviews the performance evaluation system of the Board of Directors and the Sub - committees, as well as the succession plan for the President.

The Governance and Nomination Committee of the Company comprises the following seven members:

- |                                          |          |
|------------------------------------------|----------|
| 1. Mr. Sumet Tantivejkul                 | Chairman |
| 2. Mr. Pricha Attavipach                 | Member   |
| 3. Mr. Chumpol NaLamlieng                | Member*  |
| 4. Mrs. Tarisa Watanagase                | Member   |
| 5. Air Chief Marshal Satitpong Sukvimol  | Member   |
| 6. Police Colonel Thumnithi Wanichthanom | Member   |
| 7. Mr. Pasu Decharin                     | Member** |

Remarks: \* Assumed the member of the Governance and Nomination Committee on August 17, 2019

\*\* Assumed the member of the Governance and Nomination Committee on March 27, 2019



### **Term of Office of the Governance and Nomination Committee**

The Governance and Nomination Committee is subject to a three-year term. The Directors shall retire from office by rotation at the Annual General Meeting of Shareholders. However, a retiring director is eligible for re-election.

### **Scope of Authority of the Governance and Nomination Committee**

The Governance and Nomination Committee is authorized to fulfill the following duties:

1. Define the scope and policy of SCG Corporate Governance and propose to the Board of Directors for consideration on a regular basis.
2. Make recommendations on the practice of SCG's corporate governance and give advice on corporate governance to the Board of Directors.
3. Oversee and monitor the performance of the Company's Board of Directors and the Management to ensure their compliance with SCG's corporate governance policy.
4. Review the practice of corporate governance within SCG to ensure it is appropriate for the Company's business operations and consistent with international best practices and make recommendations to the Board of Directors for further improvement and keeping it up-to-date.
5. Oversee the presence of appropriate and sufficient anti-corruption policy for business operations.
6. Review the independence of the Board of Directors, as well as any potential conflicts of interest in the performance of its duties.
7. Review the appropriateness of retaining the directorship should there be any change in a director's qualifications.
8. Recommend methods for performance assessment of the Board of Directors, Sub-committees, and the Chairman on an annual basis as well as follow up and report the assessment results to the Board of Directors, allowing them to enhance their performance of duties and improve the directors' competency.
9. Report regularly on progress and performance results to the Board of Directors after every meeting of the Governance and Nomination Committee.
10. Specify qualifications of any person to be nominated for directorship to align with SCG's business strategies and lay down the director nomination process to replace the retiring director, considering diverse candidates with skills, experience, gender and expertise useful for the Company.
11. Identify qualified candidates to replace directors retiring at the end of their terms, or whatever the case may be, with the diversity of the structure of the Board taken into account, and submit a list of nominees to the Board of Directors and/or Shareholders' Meeting for resolution.
12. Recommend a plan for succession of the Company's President & CEO and the top executives to the Board of Directors for consideration.
13. Review and give advice to the Board of Directors on the structure, roles and responsibilities, and practices of the Board of Directors and the Sub-committees. Should there be an alteration to the

Charter of the Board of Directors and the committees, the Governance and Nomination Committee shall review and make appropriate recommendations in keeping it up-to-date.

14. Conduct the performance appraisal of the Governance and Nomination Committee on a regular annual basis as a whole and as self-assessment.

15. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Governance and Nomination Committee is authorized to call for and order the Management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

### 3. The Remuneration Committee

The Remuneration Committee comprises three independent directors. The Committee is responsible for monitoring and studying changes and trends in the remuneration of the Board of Directors and SCG top executives to suggest remuneration policies that can motivate these executives to lead the Company toward success as well as to retain smart and ethical employees within the organization.

The Remuneration Committee of the Company comprises the following three members:

- |                               |           |
|-------------------------------|-----------|
| 1. Mr. Prasarn Trairatvorakul | Chairman* |
| 2. Mr. Chumpol NaLamlieng     | Member    |
| 3. Mrs. Parnsiree Amatayakul  | Member**  |

Remarks: \* Assumed the Chairmanship of Remuneration Committee to replace Mrs. Parnsiree Amatayakul on August 17, 2019

\*\* Assumed the member of the Remuneration Committee on March 27, 2019

#### Term of Office of the Remuneration Committee

The Remuneration Committee is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

#### Scope of Authority of the Remuneration Committee

The Remuneration Committee is authorized to fulfill the following duties:

1. Propose guidelines and methods for remuneration to be paid to the Board of Directors and the Sub-committees appointed by the Board of Directors, including bonus and attendance fee.
2. Recommend the policy on the Management remuneration including salary and annual bonus, in line with the Company's operating results and the performance of each top executive. Whenever it deems appropriate, the Committee shall consider the hiring of consulting firms to advise on project implementation.
3. Assess the performance of the President & CEO on an annual basis in order to determine his/her remuneration before proposing the Board of Directors for approval.

4. Assess the performance of each SCG top executive on an annual basis, based on the recommendation of the President & CEO, in order to determine his/her remuneration before proposing this to the Board of Directors for approval.
5. Consider the annual budget for the salary increase, changes of wage and compensation, and bonus of top executives before proposing to the Board of Directors.
6. Review, study, and track regularly the changes and trends in remuneration for the Board of Directors and SCG top executives in order to propose for the approval of the Board of Directors.
7. Consider the remuneration of the Board of Directors and SCG top executives, as compared to the remuneration offered by other listed companies operating in the same business, to ensure that SCG retains its leadership in that industry and to motivate them to foster the Company's continuing development.
8. Report regularly on progress and performance results to the Board of Directors after every meeting of the Remuneration Committee.
9. Assess the performance of the Remuneration Committee and report the assessment results to the Board of Directors for acknowledgement.
10. Review and recommend for the Board of Directors' approval if there may be any alteration to the Charter of the Remuneration Committee in keeping it applicable and up to-date.
11. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Remuneration Committee is authorized to call for and order the management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the Committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

#### **4. The CSR Committee for Sustainable Development**

The CSR Committee for Sustainable Development comprises eight members, five of whom are the Company's directors and three are the Management. The Committee is responsible for establishing policies and guidelines on CSR activities for sustainable development, proposing the setting of annual CSR budget as well as monitoring the Committee's performance and reporting to the Board of Directors.

The CSR Committee for Sustainable Development comprises the following eight members:

- |                               |           |
|-------------------------------|-----------|
| 1. Mr. Kasem Watanachai       | Chairman* |
| 2. Mr. Sumet Tantivejkul      | Member    |
| 3. Mr. Prasarn Trairatvorakul | Member    |
| 4. Mr. Kan Trakulhoon         | Member    |
| 5. Mr. Roongrote Rangsiyopash | Member    |
| 6. Mr. Yuttana Jiamtragan     | Member    |
| 7. Mr. Chaovalit Ekabut       | Member*   |
| 8. Mr. Tanawong Areeratchakul | Member**  |

Remark: \* Assumed the member of the CSR Committee for Sustainable Development on March 27, 2019

\*\* Assumed the member of the CSR Committee for Sustainable Development on November 27, 2019

#### **Term of Office of the CSR Committee for Sustainable Development**

The CSR Committee for Sustainable Development is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

#### **Scope of Authority of the CSR Committee for Sustainable Development**

The duties of the CSR for SD Committee are as follows:

1. Define the policy, direction and budget for socially-responsible activities and propose to the Board of Directors for approval on a yearly basis.
2. Follow up to ensure that the policy implementation is effectiveness according to plan and target setting by the Company's Board of Directors and the CSR for SD Committee.
3. Report regularly a progress and performance to the Board of Directors after every meeting of the CSR for SD Committee.
4. Conduct the performance appraisal of the CSR for SD Committee and report the performance results to the Board of Directors.
5. Review and recommend the revision of the Charter of the CSR for SD Committee to the Board of Directors for approval in order that the Charter retains its appropriateness and up-to-date.
6. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the CSR for SD Committee is authorized to call for and order management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the CSR for SD Committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

The expenses related to the performing duties of the CSR for SD Committee shall be paid by the Company.

### **9.3 Nomination and Appointment of Directors and Top Executives**

#### **Independent Directors**

The Company mandates that at least half of the total number of directors be independent directors. Currently, the Board of Directors consists of seven independent directors as follows: Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Chumpol NaLamlieng, Mrs. Tarisa Watanagase, Mr. Prasarn Trairatvorakul, Mr. Pasu Decharin and Mrs. Parnsiree Amatayakul.

The Board of Directors resolved to revise the Qualifications of Independent Directors of SCC on July 26, 2019. This provision is more stringent than the requirements of the Office of Securities and Exchange Commission, as follows:

### Qualifications of Independent Directors of SCC

SCC's qualifications for independent directors are as follows:

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than two years prior to the date of becoming a director. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company.
3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of other directors, of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.

The term "business relationship" in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantees, providing assets as collateral, and any other similar actions, which result in the applicant or his/her counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the applicant or 20 Million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions. The consideration of such indebtedness shall include indebtedness incurred during the period of one year prior to the date on which the business relationship with the person commences.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company,

subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.

6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding 2 Million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is related to a major shareholder of the Company.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall be able to attend meetings of the Board of Directors and make independent judgment.
10. Shall not have any other characteristic that limits his or her ability to express independent opinions regarding the Company's operations.
11. Shall be able to look after the interests of all shareholders equally.
12. Shall be able to prevent conflicts of interest.
13. Shall not have been convicted of violating security or stock exchange laws, financial institution laws, life insurance laws, general insurance laws, anti-money laundering laws or any other financial law of a similar nature, whether Thai or foreign, by an agency with authority under that certain law. Such wrongful acts include those involved with unfair trading in shares or perpetration of deception, fraud or corruption.

After being appointed as an independent director with all qualification items 1-13 specified above, such independent director may be assigned by the Board of Directors to make decisions relating to business operations of the Company, its parent company, subsidiary, associate, same-tier subsidiary or any juristic person which may have a conflict of interest on the basis of collective decision, whereby such actions of the independent director are not deemed partaking of management.

In case that the appointed independent director is the person who has or used to have a business relationship, or provision of professional services at a value exceeding the specified amount under item 4 or 6, the Company shall be granted an exemption from such prohibition of having or having had a business relationship or provision of professional services at such excessive value, provided that the Company has obtained an opinion of the Board of Directors indicating that after a consideration in accordance with Section 89/7 of the Securities and Exchange Act, the appointment of such person does not affect the performance of

duties and the giving of independent opinions, and that the relevant information is disclosed in the notice of shareholders' meeting under the agenda of the appointment of an independent director.

In 2019, all the seven Independent Directors neither had involvement in any business nor provided any professional service whose value exceeded the specification in the Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issued Shares.

## **Nomination and Appointment of Directors and Top Executives**

### **Nomination of Board Members Guideline**

The Governance and Nomination Committee is responsible for the nomination of candidates qualified for directorship and independent directorship to serve as a succession pool and for reviewing candidates proposed by shareholders and the Company's directors as well as IOD Chartered Directors to ensure that they are knowledgeable and have expertise as required by the Company's Board Skill Matrix, which is reviewed annually to maintain its correspondence with SCG's business strategies and directions.

In 2019, on the suggestion of the Governance and Nomination Committee, the Board of Directors revised the Board Skill Matrix, stipulating the core qualifications and the diversity of skills and experiences of the Board. In addition, several areas of expertise were also added to the Board Skill Matrix, namely expertise on the management of regional/global organizations, global vision, crisis management, expertise on overseas markets; technology; human capital management; and expertise or experience on environmental, social, and governance (ESG) issues.

In 2018, on the suggestion of the Governance and Nomination Committee, the Board of Directors formulated the Policy on Director Qualifications and Nomination, based on the Corporate Governance Code for Listed Companies of SEC, Corporate Governance guideline of IOD and the corporate governance criteria in the DJSI Sustainability Assessment (DJSI). The policy also takes into account the diversity in the Board's composition; as well as the qualification, knowledge, and expertise of the directors required by the Board Skill Matrix and in line with SCG's business strategies. In 2019, the Board of Directors resolved to revise the Policy on Director Qualifications and Nomination as well as the nomination and selection processes and record them in writing, with the goal of improving systematicity, clarity, and transparency and ensuring that both the policy and the processes take into account the needs of the business and its stakeholders. The revision also ensures that the qualifications and characteristics required are in line with SCG's business strategies, so that the nominated candidates would have the preferred qualifications, expertise, skills, and experience.

### **Policy on Director Qualifications and Nomination**

#### **1. Principle**

In accordance with SCG Corporate Governance Principle, director nomination and selection is of paramount importance as the Board of Directors plays a critical role in formulating strategies and business directions for the sustainable growth of SCG. As such, the Board of Directors has deemed it appropriate to establish a Policy on Director Qualifications and Nomination.

## **2. Policy on Director Qualifications and Nomination**

The Board of Directors should be composed of Directors who have all qualifications prescribed by the law and should consist of a diverse range of skills, experiences, knowledge, and expertise beneficial to the Company, without any discrimination on the grounds of gender, age, ethnicity, and nationality, so as to enable the Company to achieve its objectives and business goals and promote a management system guided by SCG Corporate Governance Principle in order to bring about fairness and transparency as well as the ability to generate returns and added values in the long term to shareholders and inspire trust in all stakeholders, all of which will lead SCG towards sustainable growth.

## **3. Director Nomination**

The Board of Directors has entrusted the Governance and Nomination Committee with the task of nominating qualified candidates for directorship to replace Directors retiring by rotation or under other circumstances to the Board of Directors and/or the meeting of shareholders for appointment. The Governance and Nomination Committee selects candidates from a pool of qualified individuals with expertise from various disciplines who possess leadership, a breath of vision, integrity and ethics, clear and unblemished career records, as well as the ability to express opinion independently, without any discrimination on the grounds of nationality, ethnicity, gender, and cultural background.

In 2019, in the nomination of qualified candidates to replace directors due to retire by rotation in 2020, the Governance and Nomination Committee selected a total of 26 qualified candidates without discrimination based on gender, age, ethnicity, nationality, country of origin, skin color, religion, cultural background, or customs, consisting of those nominated by the Company's directors and those listed as IOD's chartered directors. Of these, two were women and two were non-Thai nationals, consistent with the Company's policy on director qualifications and nomination.

In addition, the following key components were also taken in the nomination of directors.

### **3.1 Required qualifications of individual directors**

The Governance and Nomination Committee should consider and prescribe a set of qualifications of individual candidates for directorship, such as:

- Integrity and accountability
- Ability to make informed judgments
- Maturity, firmness, and the ability to listen well and express independent opinion
- Commitment to principles and professionalism
- Other qualifications as the Governance and Nomination Committee deems vital

### **3.2 Required knowledge and expertise of the Board of Directors**

The Governance and Nomination Committee should prescribe a set of knowledge and expertise requirements for the Board of Directors and formulate a Board Skill Matrix to help inform the selection and nomination of qualified candidates. These requirements should encompass knowledge and areas of expertise that will enhance the ability of the Board of Directors to formulate strategies and policies as well as ensure their effective implementation, such as:



- Accounting and finance
- Organization and human resources management
- Risk management
- Crisis management
- Industry knowledge
- International marketing
- Vision and Strategic planning
- Knowledge and specializations in areas that the Governance and Nomination Committee believes will become critical in the next 3-5 years, such as e-commerce, research and development, and merger and acquisition, technological skills, and experiences in regional and international organization management

### 3.3 Diversity of the Board of Directors

In addition to the two aforementioned factors, the Governance and Selection Committee may consider prescribing other qualification requirements relevant to the diversity of the Board of Directors, such as gender, age, ethnicity, and nationality.

#### **Nomination and Selection Process of New Directors**

As leaders of the organization, directors have crucial roles, duties, and responsibilities. To ensure that the nomination and selection of directors follows clearly defined steps and is characterized by systematicity, transparency, and alignment with the Company's policy on director qualifications and nomination as well as SCG Corporate Governance Principle so as to obtain candidates who with qualifications, expertise, skills, and experiences in accordance with the Company's strategies, the Board of Directors, on the suggestion of the Governance and Nomination Committee, in 2019 stipulated the nomination and selection process of new directors in writing, consisting of four steps, namely planning, nomination, selection, and appointment, with the timeframe of each step clearly defined.

#### **Rules and Procedures for the Election of Directors**

1. Prior to the Annual General Meeting of Shareholders, the Governance and Nomination Committee proposes to the Board the names of persons to replace directors to be retired by rotation. The nominees will then be listed for consideration for election during the Meeting. All shareholders have an equal right to propose other candidates. Authority to select directors rests with shareholders.

2. A shareholder shall have one vote for each share he holds or represents.

3. At the election of Directors, the shareholders shall vote for each individual candidate nominated for Directors, but not exceeding the number of Directors required for that election. The vote shall not be distributed.

4. The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for the candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman of the Meeting shall cast the deciding vote.

## Nomination and Succession Plan for Top Executive Positions at SCG

SCG has put in place a proper and transparent nomination process for key management positions at every level in order to ensure that all of our top executives are professionals who perform their duties independently from the major shareholder and other shareholders. The succession plan for the President & CEO and top executives is carried out by the Governance and Nomination Committee and considered by the Board of Directors. SCG's nomination process commences with the process of recruiting candidates who possess both talent and integrity. Young talents are the focus of recruitment, so that they can be groomed to become leaders in the future. Qualified employees will undergo a high potential assessment and pursue development courses following individual career development plan. These talents will be assigned challenging tasks, and their positions will be rotated periodically in order to further develop their leadership skills and all-round knowledge in every area of SCG's business. The plan is implemented at every level of employment to ensure that staff members are ready to fill any positions that become vacant.

### 9.4 Oversight of Company's Subsidiaries and Associates

In 2019, at the suggestion of the Governance and Nomination Committee, the Board of Directors formulated the policy for the appointment of directors and executives to subsidiaries," based on the Corporate Governance Code for Listed Companies 2017 issued by SEC, which recommends that listed companies put in place frameworks and mechanisms for the oversight of the compliance and operations of their subsidiaries or other businesses in which they have a significant investment, as appropriate for each business

#### 1. Rationale

The appointment of directors and executives of a subsidiary to oversee and manage its operation is a key governance mechanism that ensures the subsidiary complies with SCG's policy, goals, vision, medium-term business plans, and strategic growth plans efficiently. As such, the Board of Directors approved the formulation of the policy for the appointment of directors and executives to subsidiaries.

#### 2. The policy for the appointment of directors and executives to subsidiaries

The appointment of directors and executives to a subsidiary should be carried out with due consideration to ensure that the appointed person is qualified and knowledgeable and possesses work ethics, a sense of responsibility, and leadership qualities, all of which will enable them to manage the subsidiary efficiently, create long-term returns and added value for shareholders, inspire confidence in all stakeholders, promote proper auditing and the system of checks and balances in the subsidiary, as well as support the sustainable implementation of the company's policies.

#### 3. The authority to appoint directors and executives to subsidiaries

The Board of Directors has assigned the President & CEO of SCG and/or the President of each of SCG's core businesses to appoint and transfer the Company's representative to the Board or an executive position in a subsidiary as deemed appropriate. Such an appointment or transfer shall be in compliance with relevant conceptual frameworks and the aforementioned policy and shall be reported to the Board of Directors as stipulated in the Delegation of Authority Manual.

#### 4. The roles and responsibilities of the persons appointed as directors or executives in subsidiaries

- (1) Ensuring that the subsidiary complies with relevant laws, regulations, and Articles of Association; has a good management system; and adheres to SCG's corporate governance principle, code of conduct, anti-corruption policy, as well as other policies of the Company and those that are in alignment with the policies of the Company.
- (2) Providing guidance to ensure that the direction of the subsidiary's strategies, policies, and business plans is consistent with that of the Company and promoting the adoption of innovation and technology to enhance the competitiveness of the subsidiary
- (3) Reporting the operating results and performance of the subsidiary to the Company with accuracy, completeness, and timeliness, especially material items that may affect the financial status and the operating results of the subsidiaries as well as any transactions other than those arising in the ordinary course of business that may significantly affect the subsidiary
- (4) Overseeing the business operation of the subsidiary to ensure efficiency and managing returns on investment in the subsidiary appropriately

Mechanisms for overseeing disclosure of financial information and operating results; connected transactions between subsidiaries and/or associates and related parties; acquisition or disposal of assets; or complete and accurate material transactions are in compliance with the rules and procedures stipulated by the announcement of the Stock Exchange of Thailand.

In addition to the Delegation of Authority Manual, the Audit Committee, in fulfilling the role as a supervisor, is responsible for assessing the effectiveness of the oversight, risk management, and the internal control systems of the subsidiaries and associates with SCG's representatives in the management through the operations of the Internal Audit Office. The auditing is planned based on the risk of each company and includes the auditing and assessment of the company's internal control systems, efficiency, and effectiveness of operations, and financial statements. Furthermore, the Audit Committee has resolved for the subsidiaries and associates to implement as a preventative measure against errors a business self-audit system, which can be adjusted to suit the environment of each company, with emphasis on a holistic assessment, in order to create added values to the organizations. To this effect, the companies and the Audit Office jointly perform risk assessment, formulate the internal control system and risk warning signals, and produce risk-monitoring reports. In the presence of risk shifting, the internal control system must be modified to accommodate such a change. The assessment reports are then presented to the Management Meeting, with a copy submitted to the Internal Audit Office as supporting information for future audit plans according to the level of risk. In addition, external auditors are to submit assessment reports on the internal control system to the Audit Committee every quarter.

In addition, as suggested by SCG Risk Management Committee, the Audit Committee has set forth compliance measures for innovation-related businesses to be applied to projects that require indicators, such as OKR (Objective & Key Result) and the Stage Gate. Under these measures, such projects are subject to quarterly review and report in accordance with the criteria submitted to the management for

approval. The Corporate Risk Management Department will also be notified of such projects, so that they can be exempted from the alert criteria imposed on businesses under regular circumstances prior to a review on relevant matters.

The key to effective and efficient operational management between the Company and other business partners is the agreement on mutual understanding concerning issues, such as separation of duty in management, the scope of authority, fair division of profit for all concerned parties. To that effect, SCG concluded a Shareholders' Agreement with other shareholders which the Company to respect the rights of its business partners with all due fairness and cooperates fully with the partners to ensure successful operations of the joint ventures.

#### **9.5 Internal Information Control**

The Company has established measures to prevent misuse of internal information and incorporated them into SCG Code of Conduct and Regulations for Employees in writing. The Insider Trading Policy involving the use of information that could reasonably be expected to affect the value of the Company's share was also formulated with the approval of the Board of Directors. The policy includes a measure prohibiting the directors, top executives, employees, and those responsible for related functions, as well as their spouses, partners in a de facto relationships, or minor children, from trading in the securities (securities subject to disclosure include shares, convertibles, share warrants, futures, and derivatives underlined by the share of a listed company) of SCG or other companies related to insider information (blackout period) 30 days before the public disclosure of quarterly and annual financial statements and until 24 hours after the disclosure of the information. Other measures include reporting of any changes in shareholding of the Board of Directors and top executives as stipulated by Securities and Exchange Commission (SEC) and reporting to the Board of Directors' meeting on a regular basis.

Aside from the aforementioned measures, the Company has defined guidelines on managing internal information that could have any impact on the Company's share price. They prescribe how the internal information can be appropriately managed and handled to minimize the risks associated with the misuse of such information. The policy and guidelines regarding the use of internal information are disclosed under the topic 'Corporate Governance' under Section 'The Equitable Treatment of Shareholders of the Annual Report' and published on the SCG websites.

#### **9.6 Audit Fees**

For the fiscal year 2019, The Siam Cement Public Company Limited and its subsidiaries paid for audit fees amounting to 59.07 Million Baht to KPMG in Thailand and KPMG member firms in overseas, which the auditors worked for, and to persons or businesses related to the auditors and audit firm. This audit fee amount excluded the remuneration paid by associates.

In this regard, KPMG in Thailand and KPMG member firms in overseas and its auditors do not have any relationships or interests involving the company, management, or major shareholders, including their related persons.

#### Audit fees for the year 2019

1. Annual audit fees and the quarterly review fees for the Company's financial statements and consolidated financial statements totaling 5.98 million Baht

Audit Fees		
1. Annual audit fee for the Company's financial statements	276,000	Baht
2. Quarterly review fee for the financial statements of the Company and annual audit fee, and quarterly review fee of the Company consolidated financial statements	5.70	Million Baht
<b>Total audit fees of the Company</b>	<b>5.98</b>	<b>Million Baht</b>

2. Annual audit fees for the financial statements of the Company's subsidiaries, and the quarterly review fees of listed subsidiaries audited by KPMG in Thailand and other countries, the fees of which are borne by each subsidiary as follows:

Audit fees		
1. Annual audit fees of the Company's subsidiaries in Thailand and quarterly review fees of listed subsidiaries		
- Number of subsidiaries	131	Companies
- Amount	26.66	Million Baht
2. Annual audit fees of the subsidiaries outside Thailand		
- Number of subsidiaries	82	Companies
- Amount	26.43	Million Baht
<b>Total audit fees of the Company</b>	<b>53.09</b>	<b>Million Baht</b>

#### Non-audit fees

The Company paid for the assurance fee of Sustainability Development Report amounting to 2.30 Million Baht. The subsidiaries paid for reviewing compliance with the conditions of the BOI Promotion Certificate amounting to 2.98 Million Baht and for tax consulting and other services amounting to 42.60 Million Baht, to the audit firm and persons or businesses related to the auditors and the audit firm.

#### **9.7 Reviewing the Implementation of SEC's Corporate Governance Code**

As suggested by the Governance and Nomination Committee, the Board of Directors has been reviewing the implementation of the 2017 Corporate Governance Code (CG Code) issued by the Securities and Exchange Commission (SEC) regarding the roles and responsibilities of the governing board. The Board of Directors has deliberately reviewed the principles set forth in the CG Code and recognized the benefits and significance of adopting the CG Code, which focuses on integrating social and environmental issues into corporate governance with the goal of creating value for sustainable development. The CG Code consists of eight main principles as follows.

Principle 1: Establish Clear Leadership Role and Responsibilities of the Board

Principle 2: Define Objectives that promote Sustainable Value Creation

- Principle 3: Strengthen Board Effectiveness
- Principle 4: Ensure Effective CEO and People Management
- Principle 5: Nurture Innovation and Responsible Business
- Principle 6: Strengthen Effective Risk Management and Internal Control
- Principle 7: Ensure Disclosure and Financial Integrity
- Principle 8: Ensure Engagement and Communication with Shareholders

For Principles that are not readily applicable to SCG's businesses, the Board of Directors has formulated replacement measures and recorded them as part of the Board's resolution to be reviewed on a yearly basis. In 2019, areas in which the company had yet to adopt these principles in full details are shown in 9.8.

#### 9.8 Other corporate governance practices

The Company has consistently adopted and complied with the Principles of Good Corporate Governance for Listed Companies 2012, recommended by the Stock Exchange of Thailand. Furthermore, the Board of Directors has resolved to apply the Corporate Governance Code for Listed Companies 2017 (the CG Code) developed by the Securities and Exchange Commission (SEC) to SCG business operations where deemed appropriate. In 2019, the areas where the CG Code had yet to be adopted and were governed by comparable replacement measures were as follows:

1. The Chairman of the Board is not an Independent Director.
  - The current Chairman of the Board is an executive of the major shareholders. However, the Board of Directors has clearly specified the duties of the Chairman so that emphasis is placed on the interests of the company, shareholders, and stakeholders. In addition, all Board members required to assess the performance of duties of the Chairman on a yearly basis.
2. The Board of Directors resolved to limit the number of terms for which an individual may serve as an independent director to a maximum of three consecutive terms, with the first term starting from the Board's approval date on May 25, 2011 and the end of each term on the date of the Annual General Meeting of Shareholders in which they are due to retire by rotation. The Board of Directors may nominate their names to be re-elected at the Annual General Meeting of Shareholders as deemed fit, in which case they will no longer be deemed independent and Board of Directors will duly consider the necessity of such nomination.
  - Currently, the Board of Directors reviews the terms of a member of the Board of Directors and Sub-committees based on each individual's qualifications, the resulting diversity, and needed areas of knowledge and expertise, in tandem with the use of the Board Skill Matrix as additional information.
  - At the 2019 Annual General Meeting of Shareholders, independent directors who held the office exceeding nine consecutive years and were due to retire by rotation were Mr. Tarrin Nimmanahaeminda and Mr. Pramon Suthiwong , who expressed their intention not to be re-elected as directors.

Currently, SCG has two independent directors with over nine consecutive years in office, namely Mr. Sumet Tantivejkul and Mr. Pricha Attavipach both due to retire by rotation in 2020 who expressed their intention not to be re-elected as directors.

In addition to the practices implemented in compliance with The Principles of Good Corporate Governance for Listed Companies, the Company has in place other practices relating to good corporate governance as follows:

#### **Raising Awareness of Corporate Governance, Risk, and Compliance (Integrated GRC)**

SCG is a leading company group that has been in business for over 100 years. Founded in 1913 under a Royal Decree of His Majesty King Vajiravudh (King Rama VI) of Chakri Dynasty as one of Thailand's first companies, SCG has continued its operation to this day, in the reign of His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun (King Rama X) of Chakri Dynasty (hold approximately 33.6%), as a well-recognized model of good corporate governance for many other organizations.

SCG owes its current prosperity, success, and stability to its ethical business conduct and core values, which the Board of Directors, the Management, and employees at all levels have adopted in strict adherence, namely:

- ADHERENCE TO FAIRNESS
- DEDICATION TO EXCELLENCE
- BELIEF IN THE VALUE OF THE INDIVIDUAL
- CONCERN FOR SOCIAL RESPONSIBILITY

In 1987, the Board of Directors compiled a list of principles in a formal written document called the “Siam Cement Group Code of Ethics”, currently known as SCG Code of Conduct, to serve as guidelines that were aligned with SCG's philosophies with the Company's directors serving as role models. It has been constantly updated to better correspond with the evolution of SCG and suit the shifting economic and social climate.

To further raise awareness of and to promote strict adherence to SCG Code of Conduct among employees, the Company provides lessons on SCG Code of Conduct to employees at all levels and gives new employees SCG Code of Conduct Handbook on their first day of employment. In addition, SCG regularly organizes activities to foster code of conduct awareness and has included it as one of the key factors in the annual employee evaluation. In 2019, the following activities were carried out.

- SCG encouraged the Company's directors to set the tone at the top by being a good example and providing useful advice to employees. In 2019, SCG produced a video clip featuring Mr. Sumet Tantivejkul, Vice Chairman, Chairman of the Governance and Nomination Committee, and Member of CSR Committee for Sustainable Development, who shared the lessons he had learned from his experience overseeing SCG and following His Majesty King Bhumibol Adulyadej's guidance on work ethics on the occasion of His Majesty's birthday anniversary and Father's Day in Thailand, with the goal of encouraging

SCG employees, both in Thailand and overseas, to apply these lessons for their own benefit and the benefit of the public.

- SCG heightened awareness of SCG Code of Conduct and encouraged SCG employees to express their opinions on the topic by holding Janya On Tour at the plants of the Cement-Building Materials Business in Saraburi.
- SCG produced an induction video clip on SCG Code of Conduct in English for SCG employees overseas and organized activities that raised their awareness of integrated GRC (Governance, Risk, and Compliance) through various channels for use as guidance in their fulfillment of duties.

Moreover, SCG has also exchanged its knowledge and experience regarding SCG Code of Conduct as well as the development of SCG's guidelines for corporate governance with interested companies and organizations both in the government and private sectors to support and raise awareness about ethical business conduct, fair treatment of stakeholders, and corporate social responsibility.

SCG also established the whistleblowing policy, to protect any employee who files a complaint or reports on improprieties or suspected violations of laws, rules and regulations, the Company's Articles of Association, SCG Code of Conduct, and Anti-corruption Policy. In this regard, the Company has formed a working team responsible for devising policies and providing consultancy regarding compliance with SCG Code of Conduct. This team comprises the top management in business units responsible for relevant matters, each of whom is tasked with monitoring the performance results and providing counsel on relevant matters. In addition, the Company has established channels through which employees can voice their opinions and make inquiries about SCG Code of Conduct, which can be found on the SCG website under "SCG Code of Conduct" and "SCG Code of Conduct Consultation System".

#### **Anti-corruption Efforts**

SCG recognizes the importance of fighting corruption and has formulated the Anti-corruption Policy, approved by the Board of Directors and the Governance and Nomination Committee. Integrated into the corporate culture, this policy serves as guidelines for business operations and corresponds with one of SCG's 4 Core Values, "Adherence to Fairness," which refers to "integrity, transparency, accountability, and equitable treatment to all concerned parties in a respectful, sincere, friendly, and fair manner." (SCG Anti-corruption Policy is available for download at [www.scg.com](http://www.scg.com))

Thanks to its continuous pursuit of its anti-corruption policy, the Siam Cement Public Company Limited has recognized as a certified company by Thailand's Private Sector Collective Action against Corruption (CAC). It was first certified on July 5, 2013 and has since passed all subsequent recertifications, most recently on February 4, 2019. Furthermore, SCG's subsidiaries that are listed companies have also received the status of certified companies (except SCG Ceramics Public Company Limited, which successfully underwent a merger on August 1, 2018 and is currently on certification filing process.)

In accordance with the notification of the National Anti-Corruption Commission (NACC) Re: Guidelines on Appropriate Internal Control Measures for Juristic Persons to Prevent Bribery of State Officials, Foreign Public Officials and Agents of Public International Organizations" under section 123/5 of



the Organic Act on Counter Corruption B.E. 2542, SCG has since 2017 been raising awareness among its employees of actions that might lead to corruption risks and regularly conducting risk indicators analyses and assessments of corruption risks, considered one of compliance risks. The Board of Directors has also approved to implement practices in compliance with the notification of NACC, as previously approved by the Audit Committee and the President & CEO, and communicated the significance it attaches to this matter with SCG employees through “Message from CEO,” effectively setting the “Tone at the Top.”

In addition, SCG has created a proactive preventive system and prescribed risk mitigation and control measures, responsible persons, monitoring measures, as well as methods for reviewing and evaluating risk management, which serve as corruption prevention guidelines for SCG employees, with the Internal Audit Office entrusted with the oversight of the assessment and monitoring of good governance practices and compliance with the SCG Code of Conduct and Anti-corruption Policy in each audit period.

In 2019, to continuously cultivate an awareness and understanding among the Directors, Executives, and employees and bring about actual implementation of the Company’s Anti-corruption Policy in accordance with Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 announced by NACC, SCG carried out the following activities:

1. Awareness promotion activities were continuously organized to educate employees and develop proactive and preventive anti-corruption systems.
  - 1) SCG created “Ethics e-testing,” divided into three levels according to the roles and responsibilities of the employees’ levels. The e-testing tests employees on their knowledge of ethics, SCG’s 4 Core Values, Code of Conduct, and Anti-corruption Policy. The contents of the test have been designed to encourage employees to learn and understand how to follow the policy in practice. The content on SCG Anti-corruption Policy has been revised to align with the notification of the National Anti-Corruption Commission (NACC) on Section 123/5 of the Organic Act on Counter Corruption B.E. 2542. All Thai employees are required to pass the test at 100%. In addition, the answers given have also been analyzed, so that common misunderstandings among employees can be rectified.
  - 2) SCG cultivated an awareness of role, responsibility and accountability regarding risk management and control in accordance with the Three Lines of Defense.
  - 3) SCG communicated important corruption cases to employees to illustrate responsibility and accountability in accordance with the Three Lines of Defense.
2. A Compliance Management System (CMS) for controlling and monitoring anti-corruption operations was introduced to define clear roles and responsibilities, including law and regulation compilation, risk assessment, control, monitoring, inspection, and reporting, for both internal and external reports.
3. An “Anti-corruption Compliance Assessment Form” was created for units involving high risks, such as project procurement unit, project sales unit, government affairs, engineering units. The assessment form defined indicators/signs of corruption risks as well as provided solutions for risk mitigation and control both for process and employee operations so as to enable operators and supervisors of the unit to analyse risks involved by themselves, apply control methods correctly, and use self-assessment results to improve subsequent operation plans to enhance efficiency. In

addition, appropriate internal control and penalties specified in the notification of the National Anti-Corruption Commission (NACC) in 2017 on Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 were also communicated to employees.

4. SCG extended its anti-corruption efforts to its key suppliers by encouraging them to participate in the CAC SME Certification Program by Thailand's Private Sector Collective Action against Corruption and hosting a public seminar session for suppliers focusing on anti-corruption practices.

#### Activities Constantly Carried out by SCG

1. Distribution and communication of SCG Code of Conduct and Anti-corruption Policy to all employees for acknowledgment and adoption via a series of VDO clips: "Good life with SCG Code of Conduct," "Janya on Tour," and "Anti-corruption".
2. Executives meeting with employees to communicate details about the Company's business operations and its Anti-corruption Policy and providing them with opportunities to make any inquiries to enhance their understanding.
3. Training employees on compliance with the Corporate Governance and the Anti-corruption Policy through various courses/channels to reaffirm SCG's corporate culture, which are as follows:
  - New Employee Orientation Course
  - SCG Ready Together Course
  - Business Concept Development Course
  - Good Corporate Governance Course for supervisors and management employees (in each business unit)
4. IA Letter e-pamphlets delivered to the email of every employee.
5. SCG Code of Conduct and Anti-corruption Policy Consultation System, accessible via GRC Helpline banner on SCG Intranet website.
6. SCG extends its anti-corruption practices to its suppliers, so that, with the synergy of SCG and its suppliers, the ethical practices and the corporate governance for communities, society, and the environment SCG had compiled the "SCG Supplier Code of Conduct" as guidelines for SCG suppliers in 2013, which has been in use since. The code of conduct reaffirms SCG's commitment to social responsibility and consists of five major principles: 1) Business Ethics Practices, 2) Labor Protection and Human Rights, 3) Occupational Health and Safety, 4) The Environment, and 5) Laws and Regulations. In 2019, the number of participating suppliers saw a further increase, bolstering SCG's confidence and commitment to developing good citizens for society.

**Policy on Protection and Fairness for Employees Who Inform on or Disclose of Wrongful Conduct or Non-Compliance with the Laws, Rules, and Regulations, the Company's Articles of Association, SCG Code of Conduct, and Anti-corruption Policy (Whistleblowing Policy)**

SCG has given priority to good corporate governance and provided opportunities for employees and stakeholders to report or inform irregularities in any area related to SCG's business operations, such as corporate governance, ethical practices, corruption, financial transactions, Code of Conduct, and



compliance with legal requirements, regulations, or Anti-corruption Policy, through dedicated channels provided. This is to ensure that the investigation of complaints is conducted according to the process specified in the “SCG Whistleblowing Policy Guidelines” and reported to the Audit Committee and the Board of Directors. In addition, information on the complaint filing process and channels is clearly published on the Company’s website.

To assure complainants or informants that such reporting or provision of information will not cause trouble to them, SCG has established a mechanism for protecting and relieving the distress that might occur to the informant from unjust treatment, such as abuse and threats. The Internal Audit Office, which is responsible for the security of the Whistleblowing System, has designated a separate server to ensure independence from other usage.

SCG has provided channels for filing complaints as follows:

- Internal channels for employees, complainants can choose either to specify their names or remain anonymous.
  1. The banner on the first page of SCG Intranet website, which is accessible to every employee. Informants can direct their complaints to any of the following:
    - Trusted supervisors
    - The Director of the Corporate Human Resources Division
    - The Director of Internal Audit Office
    - The Secretary to the Board of Directors
    - The Company’s Director
  2. Submission of a formal document to any of the aforementioned persons or
  3. Email submission to an independent director at [ind\\_dir@scg.com](mailto:ind_dir@scg.com)
- For external parties, complaints can be lodged on [www.scg.com](http://www.scg.com) under the “SCG Whistleblowing System.” Informants are required to identify their names and can direct their complaints to any of the following:
  - Corporate Secretary Office
  - Internal Audit Office
  - An Independent Director
  - Any member of the Audit Committee

Complaints can also be lodged in the form of a formal document submitted to any of the aforementioned parties.

Informants can keep track of their complaint investigation through a dedicated system, which is a vital mechanism in the control and prevention of corruption.

In 2019, a total of 30 cases involving non-compliance with laws, the Company’s regulations, policy, SCG 4 Core Values, or Employee Code of Conduct, were filed through SCG Whistleblowing System for external parties and employees, as summarized below.

1. Total number of investigated cases 29 cases (including 4 pending cases from 2018)

The fully investigated cases consists of non-compliance with

- Anti-corruption policy None
  - Anti-Trust policy None
  - Human Right None
  - Others issues of SCG Code of Conduct 3 cases
  - Company's regulations 8 cases
2. Damages and disciplinary actions
- Total damages 0.67 Million Baht
  - Disciplinary actions
    - Employment termination (discharge/dismissal) 17 employees
    - Others 41 employees
3. At SCG, assessments of risks of corruption and non-compliance of laws, rules, and SCG Code of Conduct are regularly performed by first-line operators, with every relevant party reviewing the complaints to specify control points in order to improve the efficiency and the Internal Audit Office is responsible for evaluating the efficiency and effectiveness of risk assessment and internal control and reports its findings to the Audit Committee on a regular basis. In addition, the Company also consistently cultivates an anti-corruption corporate culture and promotes awareness among its employees, with the top executives serving as role models.

## 10. Corporate Social Responsibility

Details of SCG's social responsibility activities are available in the annual Sustainability Report, which has been published each year at [www.scg.com](http://www.scg.com)

## 11. Internal Control and Risk Management

### Internal Control and Internal Auditing

#### 1. Internal Control

SCG's vision is to be a regional market leader by contributing to the sustainable progress of ASEAN and all communities where SCG operates. Through its world-class business practices, corporate governance, and uncompromising safety standards, the Company is committed to creating value for its customers, employees, and all stakeholders and strives to elevate the quality of life for all through its quality products and services, developed by SCG's operational excellence, technological development, and innovation. It is the conviction of SCG's top executives that to become a leading organization, SCG must have efficient and effective corporate governance, risk management, compliance and internal control systems that complied with international standards both on the operational and information technology system. To this end, the Audit Committee has been appointed and is responsible for formulating policies related to corporate governance, risk management, compliance, internal control and internal auditing in reference to the following international standards and relevant entities:

- |                         |                                                                                                                                                                                                          |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| - Corporate Governance: | The Organization for Economic Co-operation and Development (OECD)/The Stock Exchange of Thailand (SET) / The Securities Exchange Commission Thailand (SEC)/Thai Institute of Directors Association (IOD) |
| - Risk Management       | COSO Enterprise Risk Management / ISO 31000                                                                                                                                                              |
| - Compliance            | Relevant laws and regulations / ISO 19600                                                                                                                                                                |
| - Internal Control      | COSO Internal Control Framework 2013 / COBIT5                                                                                                                                                            |

SCG consistently cultivates an awareness of corporate governance, risk management, compliance, and internal control (GRC) among the Management, supervisors, and employees. The Board of Directors has deemed that SCG has a sufficient number of personnel for GRC implementation, along with sufficient internal control systems for the monitoring of SCG subsidiaries' operations, to protect SCG and subsidiaries' assets against misuse or unauthorized acts and against transactions that might result in a conflict of interest or connected transactions.

In the part of SCG's internal control, its has been defined in accordance with the COSO 2013 internal control framework (The Committee of Sponsoring Organization of Treadway Commission), with the Internal Audit Office tasked with assessing its Sufficiency according to the Securities and Exchange Commission's sufficiency internal assessment form and submitting the results to the Audit Committee

for consideration prior to reporting to the Board of Directors in the 235 (9/2562) Board of Directors meeting on November 27, 2019. The meeting was attended by 7 independent directors, 4 of them are members of the Audit Committee.

After having considered all items in the assessment form and made inquiries to the Audit Committee and the Management, the Board of Directors deemed that SCG's internal control system was sufficient, appropriate and effective for SCG's business operations; complied with relevant laws, regulations, policies, and procedures; and contributed to the efficient safeguarding of assets and resources utilization. There was no material deficiency found in the internal control system.

Through the delegation of responsibilities from the Board of Directors, the Management has encouraged the development of tools in response to ever-shifting risks to create proactive preventive systems for the Company's domestic and overseas businesses. In 2019, to accommodate changes in the risk environment, the Management approved the following governance/internal control principles or tools:

#### 1.1 Proactive and Preventive System

Given SCG's business expansion both domestic and overseas, the key factor enabling SCG to achieve its goals and remains sustainable is its "employees," who perform their duties with integrity and ethics. To further foster integrity, ethics, and code of conduct among its employees, SCG has established the "Proactive and Preventive System," which comprises

- 1.1.1 Ethics e-Testing: The Ethics e-Testing fosters awareness of and educates SCG employees about ethics, SCG 4 Core Values, SCG Code of Conduct, and SCG Anti-corruption Policy, so that they could put them to practice appropriately and effectively. In 2019, the Ethics e-Testing and SCG e-Policy e-Testing were conducted for the 5<sup>th</sup> and 3<sup>rd</sup> consecutive year respectively, with 100% SCG employees achieving a passing score. The test answers were also analyzed, then communicated to the employees to ensure an accurate understanding.
- 1.1.2 Foster risk management and internal control responsibilities concept through the internationally accepted model "Three Lines of Defense" SCG has encouraged the officers and supervisors of each company/business unit (First Line), the business supporting functions (Second Line), and the Internal Audit Office (Third Line) to continuously apply the model to their operations, from risk assessment, control specification to result monitoring and assessment. The first line officers are considered to have the greatest role in the successful and efficient implementation of this model. SCG also fosters their awareness through various methods, such as assigning the top first-line

person of the company or the function to communicate with employees or subordinates and holding workshops for practical use in operation (execution).

- 1.1.3 Communicating case studies involving fraud and non-compliance with laws, regulations, the Company's policies, and SCG Code of Conduct to employees to raise awareness and prevent similar cases from reoccurring.

## 1.2 Integrated Governance, Risk Management, Compliance, and Internal Control (Integrated GRC)

SCG has elevated its governance, risk management, compliance and internal control practices to meet international standards as "Integrated GRC" with the goal of enhancing the efficiency and effectiveness as well as reducing redundant activities in the Company's operations, from governance, strategy formulation, and risk management to results monitoring, with the Management communicating to all employees the importance of adopting Integrated GRC in their performance of duties for the sustainable growth of the business. In 2019, GRC Helpline was introduced on SCG Intranet as a channel where SCG employees may submit their inquiries on best practices related to governance, risk management, compliance and internal control and have them answered by experts.

## 1.3 Governance and Compliance

SCG has consistently followed its Compliance Policy & Guidelines, with the Compliance Management System (CMS) as an important mechanism for efficient and effective compliance monitoring. The system has been designed to ensure that the operating processes employees as the First line are capable of preventing compliance risks, while the Corporate Compliance Unit (Second Line) act as a supporting role in ensuring that the operating processes are concretely implemented by educating employees, fostering awareness, providing consultancy, and establishing controls to prevent compliance risks on a regular basis. In 2019, SCG revised its guidelines and checklists to ensure more efficient and effective compliance with SCG's key policies, namely Anti-trust Policy, Insider Trading Policy, and Disclosure Policy.

Furthermore, the Company introduced a transfer and assessment system for new laws and amendments to ensure that all employees remained informed of all new and amended laws and able to fully perform and promptly complied with them.

## 1.4 Anti-corruption Efforts

SCG formulated an Anti-corruption Management Procedure in accordance with ISO19600 to serve as a systematic operational guideline for companies/business functions (First Line) with high corruption risks. In this system, business supporting functions (Second Line) serve as consultants, while the Internal Audit Office (Third Line) is responsible for assessing the efficiency and effectiveness of SCG Anti-corruption Policy to further bolster the confidence of the Management, the Audit Committee, and the Board of Directors. Furthermore, through his communications to the Board of Directors, the



Management, and employees, the President & CEO declared that all employees must comply with Section 123/5 of the Organic Act on Counter Corruption, with the Management (High-level First Line) tasked with assessing risks, establishing practical controls, communicating, encouraging, and operating in accordance with SCG Anti-corruption Policy. In addition, the Internal Audit Office organized a workshop on the Anti-Corruption Compliance Checklist for high-risk units to assess their risks and formulate the corruption risk prevention/control.

SCG also extended its anti-corruption efforts to its suppliers by hosting a public seminar session for suppliers on anti-corruption practices to encourage them to join the CAC SME Certification Program of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC).

#### 1.5 Business Self-Audit

As an authority responsible for ensuring effective internal control, the Audit Committee resolved to initiate business self-audit with the goal of encouraging business units to start building up protection against ever-shifting risks in line with the COSO Internal Control Framework 2013, which specifies the roles and responsibilities in the Three Lines of Defense Model. In addition, the Internal Audit Office, together with the Company's business supporting functions and the Business Self-Audit team (Second Line), also reviewed current operational practices and served as a consultant for employees (First Line) with regard to the assessment of business risks, sufficiency and effectiveness of the internal control system as well as shared success cases so as to enhance operational efficiency, reduce redundant operations, and build up a proactive preventive system, enabling employees to promptly respond to the fast-changing risks in the current business environment.

#### 1.6 Information Technology Governance and Data and Network Security

1.6.1 SCG has appointed the SCG IT Governance Committee and assigned to it the responsibility of establishing policies and regulations regarding the use of IT and communication technology of SCG (SCG e-Policy) in accordance with ISO 27001 in order to ensure uniform practice among SCG employees. In 2019, the following initiatives were undertaken:

- Three standards in Cloud Computing Security, Vulnerability Scanning, and Patch Management, were revised, and two standards in Penetration Testing and IoT Security were added to accommodate the Company's operations.
- The change management of each business was improved, with an Internal Change Advisory Board (Internal CAB) appointed to review the impact and risks related to sudden changes that affect work systems that are on production.
- A web application firewall was installed to enhance data security and reduce risks of cyberattacks.

- A Disaster Recovery Plan (DRP) was formulated in preparation of crises, allowing users to carry out their work through a backup site.

1.6.2 SCG Personal Data Protection Steering Committee was appointed to establish the personal data management policies, guidelines, and systems of SCG to ensure that its personal data protection practices are safe and in compliance with international standards as well as relevant Thai and international laws. In 2019, SCG appointed SCG Project Team: SCG Personal Data Protection, which was responsible for developing and implementing plans to ensure SCG had a personal data management system that was effective, safe, and in compliance with Thailand's personal data protection laws as prescribed by the SCG Personal Data Protection Steering Committee.

1.6.3 The Cybersecurity Governance Committee was appointed to oversee SCG's information technology governance, ensure its alignment with the Company's business operations, and put in place efficient cyberattack protection. In 2019, the Business Continuity Management (BCM) unit developed cybersecurity incident response plans and organized drills to test responses to the steps and processes needed to be carried to promptly solve problems and restore normal operations.

#### 1.7 Development and Promotion of a Continuous Monitoring & Continuous Auditing System for Business Units

SCG utilizes various information technology systems to help promptly detect irregularities. The Internal Audit Office has established a Continuous Monitoring & Continuous Auditing system to generate reports that each business unit/function within SCG can use as a tool for analyzing, tracking, and correcting irregularities as well as developing preventive measures. The reports present analyzed data in graphs for greater ease of use and efficiency.

#### 1.8 SCG Whistleblowing System

SCG has continuously improved its SCG Whistleblowing System for employees and other stakeholders as a channel to report non-compliance with corporate governance, Code of Conduct, rules, regulations, laws, and Anti-corruption Policy, as well as fraudulent acts. SCG employees can file complaints via SCG Intranet, while external stakeholders can report such incidents via [www.scg.com](http://www.scg.com) or submit written documents by e-mail or letter. SCG has set forth a clear procedure for handling complaints, starting from conducting confidential fact finding, forming a fact-finding team, appointing an investigation committee, reviewing and approving disciplinary actions, and reporting results. Complainants may follow up on their complaints via the system. The whistleblowing system helps promote ethical business conduct in a more sustainable basis. To ensure the security of the system and

prevent data leakage to related parties, the Internal Audit Office has implemented two-step password verification and dedicated a separate server for the whistleblowing system.

## 2. Internal Audit

The Audit Committee oversees the operation of the Internal Audit Office to ensure its independence, integrity, ethical conduct, and professional expertise in accordance with relevant professional standards for internal auditing, including both international standards for professional internal auditing (The Institute of Internal Auditors: IIA) and international standards for information technology system auditing (The Information Systems Audit and Control Association: ISACA and The Global Technology Audit Guide: GTAG). The Audit Committee Charter and the Internal Audit Office Charter, which are annually reviewed, clearly state the missions, scope of work, authority, duties, and responsibilities, as well as guidelines on auditing.

In addition to risk-based audit planning, the Internal Audit Office has also developed various proactive and preventive systems to enhance the efficiency and effectiveness and protect the Company's value, elevating the provision of assurance, advice, and business insights. The key operations in 2019 are summarized as follows:

### 2.1 Audit Development to create Sustainable High Value Services

To promote corporate governance, risk management, compliance, and internal control (GRC) in the operation of all business units and functions, the Internal Audit Office performs the following:

#### 2.1.1 Application of digital technology

- Data analytics were introduced to auditing to identify red flags or risk factors in each business process, which in turn helped inform planning and ensure that auditing could be conducted more promptly and accurately for each project. In addition, robotics process automation (RPA) was also introduced to auditing, for the repetition task. Machine learning was also used experimentally to analyze data irregularities.
- Encouraging each business to employ data analytics in analyzing and assessing red flags in its operations, the results could be used to create proactive preventive systems or reduce potential risks

#### 2.1.2 Promoting the Three Lines of Defense Model

Raising awareness of the Three Lines of Defense model and promoted its adoption by organizing workshops to communicate to supervisors and employees their roles within the model, how the model could be applied to their operations, how to collaborate with business supporting functions (Second Line), such as the Risk Management function, the Compliance function, and the Business Self Audit team to create integrated operations and exchange perspective on the sustainable creation of added value for SCG.

#### 2.1.3 Assessment of internal control effectiveness according to COSO 2013

Assessing the effectiveness and the efficiency of SCG's internal control to ensure its alignment with COSO 2013 to achieve objectives in three areas, namely operations, reporting, and compliance with laws and regulations as well as in compliance with the Sufficiency Internal Control Assessment Form issued by the Securities and Exchange Commission (SEC). The results were submitted to the Audit Committee and the Board of Directors for consideration prior to disclosure in the Annual Report and Annual Registration Statement (Form 56-1).

#### 2.1.4 Risk and internal control assessment for new business operational systems

The Internal Audit Office is responsible for auditing, assessing, and providing recommendations to employees and supervisors (First Line) as well as business supporting functions (Second Line) to assure the Board of Directors and the Audit Committee that SCG has effective and efficient risk management, compliance, and internal control. In addition, the Internal Audit Office performs risk and internal control assessment on new operational systems of SCG and its subsidiaries. Once room for improvement is identified, the Internal Audit Office holds workshops and provides recommendations on appropriate operations and internal controls, as well as monitor the performance results after the consultation. In 2019, the Internal Audit Office assessed operations where blockchain robotic process automation was deployed and formulated risk reduction guidelines for operations such as procurement through e-commerce and payment via corporate credit cards.

#### 2.1.5 Formation of Overseas Internal Audit Teams

SCG has been expanding its overseas investments according to its vision of becoming a regional leader. To ensure that overseas operations are efficient and comply with SCG policies, the Audit Committee resolved to set up overseas internal audit teams in order to assess the effectiveness and efficiency of the corporate governance, risk management, compliance and internal control of these operations and reduce risks related cultural and linguistic differences as well as differences in laws and regulations that may affect compliance. Currently, these teams operate under the supervision of the Internal Audit Office in Thailand. At present, the Internal Audit Office has appointed Vietnamese and Indonesian auditors. To develop these Country Internal Auditors through on-the-job training (OJT), and assigned to perform an internal audit on task other overseas subsidiaries in the same business to broaden their perspective and enhance experience, which can subsequently be applied to auditing in their countries. Furthermore, they have

been given opportunities to develop their skills in an advisory role by giving talks in their local language.

#### 2.1.6 Information Technology System Auditing

Given the emphasis on digital transformation and innovation creation for added value in the Company's plans and its continuous investment expansion both in Thailand and overseas, which has resulted in unique changes for each business and exposed to greater cybersecurity risks, it is necessary to introduce new IT systems to support business operations. To this end, SCG has developed new IT systems with the Internal Audit Office providing consultation on appropriate controls and testing the control system. Once the installation of these systems is complete, IT auditors will carry out the auditing once again. As part of the efforts to reduce IT risks, the Internal Audit Office carried out the following:

- Organized training sessions entitled “e-Policy Mobile Devices Security Awareness: Think Before You Click 7 Habits for IT Safety,” and “Cybersecurity Awareness” for employees at different levels
- Administered SCG e-Policy e-Testing in collaboration with the IT business unit for the 3<sup>rd</sup> consecutive year to foster an understanding of the Company's IT policies and regulations among general users and enable them to follow these policies and regulations correctly
- Prepared internal control documents for “System development and outsourcing system development with agile methodology” which each business can employ to reduce risks in their agile IT-related operations
- Examining compliance with SCG e-Policy in key process systems to provide assurance of the Company's internal IT security
- Provided recommendations in the assessment of risks and key control points for the businesses that had adopted the New Application / ERP as their operating system
- Encouraged the use of data visualization tools in report preparation to better detect irregularities in sales and inventory management and reduce risks connected to digital transformation

#### 2.1.7 Anti-corruption Efforts

SCG constantly emphasize the conducting of business with transparency and fairness. In 2012, SCG was a signatory company of Thailand's Private Sector Collective Action Coalition Against Corruption's (CAC) Declaration of Intent and became a certified company on July 5, 2013. Recently, on February 4, 2019, SCG and its listed subsidiaries

passed as the Certified Company, (except for SCG ceramics Public Company Limited, which was in the process of certification as the merger was completed on August 1, 2018). Furthermore, SCG strives to consistently pursue SCG Anti-corruption Policy. In collaboration with different businesses, the Internal Audit Office has consistently conducted workshops to share knowledge on corruption risk assessment and control for high-risk business units and functions. In addition, additional efforts were made by communicating with employees and keep them informed of the penalties stipulated in Section 123/5 of The Organic Act on Counter Corruption.

SCG also extended its anti-corruption efforts to its suppliers by hosting a public seminar session for suppliers on anti-corruption practices to encourage them to join the CAC SME Certification Program of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC).

## 2.2 Evaluation of the Internal Audit Office's Performance

### 2.2.1 Quality Assurance Review (QAR)

To ensure that the Company's auditing is efficient, effective, and consistent with international standards for professional internal auditing, IIA Code of Ethics, and the industry's best practices as well as contributes to sustainable and continuous value creation, the Internal Audit Office has prescribed that as part of quality assurance, the Company's internal auditing is to be self-assessed annually and reviewed by external auditors every five years.

### 2.2.2 Auditee satisfaction survey

The Internal Audit Office has prescribed auditee satisfaction surveys to provide a clear performance measurement and ensure that the internal auditing is effective and consistent with relevant policies and plans. The Key Performance Indicators (KPIs) for assurance services are set at no less than 85% for each audit project. In 2019, the satisfaction level met the defined criteria. The results are presented to the Audit Committee every year and used to inform further development of internal auditing.

## 2.3 Development of Auditors' Competencies

To promote the professional and business competence of internal auditors, the Internal Audit Office has undertaken the following initiatives:

### 2.3.1 Development of Internal Audit Global Knowledge

- Keep abreast of best practices in corporate governance, risk management, compliance and internal controls among leading audit professional institutes, both

local and international, and apply appropriate practices in line with SCG business operations

- Encourage internal auditors to regular attend internal and external training so as to be well-equipped with knowledge, competence, and professional expertise in internal auditing, as well as other skills necessary for SCG
- Promote self-development and encourage internal auditors to become certified as professional internal auditors or attain other related professional certifications. In 2019, the Internal Audit Office achieved its goal in supporting its internal auditors in obtaining professional internal auditor certifications.

#### 2.3.2 Development of business knowledge

- Enhance the business acumen of internal auditors by inviting experts from each business unit and external organizations to share and discuss current business trends and major business changes, so that the auditors can better assess risks and provide practical advice.
- Recruit competent persons from other business units to serve as internal auditors according to recruitment policy and rotate the internal auditors to business units to broaden their knowledge
- Organize knowledge-sharing sessions on interesting issues or significant findings in the Internal Audit Office on a regular basis.

#### 2.3.3 Information technology knowledge

- Promote the use of digital technology, tools, foster awareness among internal auditors, and encourage them to adapt to the digital era by organizing Data Analytics Hackathon, in which the auditors were asked to propose projects that involved applying digital technology to auditing.
- Apply IT knowledge to the auditing process and the creation of analytics tools, so that warning signals/red flags could be detected faster and more comprehensively, thereby enhancing the efficiency and quality of auditing and diminishing damage caused by operational errors and frauds.
- Encourage internal auditors to enrich their competencies so as to be able to conduct audits and provide recommendations on IT auditing on international levels, such as by supporting them in obtaining the Certified Information System Auditor (CISA) certification.

#### 2.3.4 Development of integrated audit

The Internal Audit Office has continuously encouraged integrated auditing by forming a team comprising both function and IT internal auditors, who collaboratively conduct audits, make suggestions for operational improvement, and monitor irregularities through the use of IT tools for the enhancement of audit efficiency.

#### 2.3.5 Establishment of IA Academy

Individual development plans were formulated in accordance with each employee's role and responsibilities, based on the 70:20:10 Learning Model (70% direct experience; 20% instruction and mentoring; 10% self-learning) through appropriately designed learning solutions.

#### 2.3.6 Soft side development

Soft side development seminars were conducted to change the participants' mindsets and inspire them to develop new beliefs that will enable them to tap into their true potential which leading to plan their path of self-improvement for success in both personal life and career.



## The Audit Committee's Report

The Audit Committee independently performed its duties, in accordance with the Audit Committee Charter which is reviewed to keep in line with current business situations and approved by the Board of Directors on an annual basis. In 2019, the Audit Committee placed an emphasis both on its role as the Strategic and Monitoring Audit Committee and on applying digital technology to auditing, governance, strategic identification, business operations and monitoring in order to ensure that SCG achieved its goals and conduct business sustainably. To accomplish these goals, the Management and all SCG employees must have ethics, integrity and a good understanding of their roles and responsibilities as specified by the Three Lines of Defense model as well as fulfill their duties in adherence to the Integrated Governance, Risk, Compliance and Control (Integrated GRC).

In 2019, the Committee convened a total of six meetings with attendance by all members every time. The annual year-end performance assessment of the Audit Committee as a whole and self-assessment were conducted and the results were satisfactory. The areas under assessment were namely the structure and qualifications of the committee, the roles and responsibilities, the performance of duties and meeting, overall opinions, the performance of the Internal Audit Office. In 2019, the Committee's duties could be summarized as follows:

1. Review of Financial Statements: The Audit Committee reviewed significant data and information in the quarterly and annual financial statements of the Company for the year 2019 as well as the consolidated financial statements of The Siam Cement Public Company Limited and its subsidiaries, which were prepared in accordance with the Thai Financial Reporting Standards (TFRS) which is in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material issues and special items and obtained sufficient clarification from the external auditors, the Management, and the Director of the Internal Audit Office. Having verified that the financial statements and the disclosure of the notes to the financial statements were in compliance with the relevant laws and financial reporting standards, The Audit Committee approved the financial statements, reviewed and audited by the external auditors without reservation. In addition, the Committee held a meeting with the external auditors without the Management so as to freely discuss the acquisition and review of material information involved in the preparation of the financial statements, the disclosure of information in accordance with financial reporting standards for the benefits of the user of the financial statements, and Key Audit Matters (KAM), as well as to see whether there was any suspicious information indicating potential fraud according to Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No.4 B.E. 2551.) In 2019, the external auditors made no remarks and did not find any indications of suspicious incidents. Furthermore, to ensure that no such incidents were discovered, the Audit Committee resolved that the President & CEO reports the results of compliance with the aforementioned Act received from the Presidents and relevant responsible parties in all business units to the Audit Committee. In 2019, the President & CEO confirmed that no indication of such suspicious incidents was found. Thus, the preparation of the financial statements and consolidated financial statements was conducted with

reliability transparency and complied with standards, and the external auditors performed their duties independently and with verifiability.

2. Review of Connected Transactions, Acquisition and Disposition Transactions and Transactions which might result in conflicts of Interests: The Audit Committee reviewed the connected transactions and transactions which might result in conflicts of interest, as well as report by relevant directors. These transactions and information were correctly reviewed and disclosed to the Stock Exchange of Thailand in a timely manner.

3. Review of Corporate Governance: SCG continues to conduct its business in accordance with sustainable development and corporate governance principles, with reference to international standards including the Organization for Economic Co-operation and Development (OECD), The Securities and Exchange Commission (SEC), The Stock Exchange of Thailand (SET), and the Thai Institute of Directors Association (IOD). The Audit Committee reviewed the efficiency and effectiveness of corporate governance and found that the directors, the Management and all employees had strictly complied with the policy, with the Board of Directors and the Management serving as role model. 31,800 Employees passed the Ethics e-testing, implemented for the fifth consecutive years, with the score of 100%. Furthermore, the Anti-corruption Policy continued to be seriously implemented. In addition to its third recertification by the Private Sector Collective. Action Coalition Against Corruption Council (CAC) on February 4, 2019, SCG extended its commitment to its suppliers by compiling the SCG Supplier Code of Conduct for use as guidelines, with the goal of encouraging its suppliers to be good citizens and make concrete social and environmental commitments beyond legal and regulatory requirements. There were over 5,900 suppliers who had signed an agreement to comply with the SCG Supplier code of conduct. Furthermore, the Board of Directors also approved compliance with the "Guidelines on Appropriate Internal Control Measures to Prevent Bribery of State Officials, Foreign Public Officials and Agent of Public International Organization" according to Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 (1999), issued by the National Counter Corruption Commission, as approved by the Audit Committee. These efforts were communicated to every employee through Message from CEO, which set the tone at the top and showed that the management attached great significance to the matter.

4. Review of Risk Management Assessment: The Audit Committee reviewed the efficiency and effectiveness of the Company's risk management process, overseen by SCG Risk Management Committee, consisting of the President and CEO, serving as the Chairman of Committee, and the management, serving as the members. The committee is responsible for reviewing risk management structure and policies, risk management frameworks, risk management plans, as well as reviewing risk profiles and monitoring the Company's risk management on a monthly or quarterly basis. While the Corporate Risk Management Unit is responsible for compiling reports of risks and SCG's risk management, presented in the form of risk dashboard. In 2019, SCG focused on emerging risk such as digital transformation, cybersecurity, the global economic slowdown, changing customer behaviors in response to the concept of circular economy, all of which were considered risks of significance and were likely to materialize in the future. In Preparation, SCG Risk Management Committee has formulated risk

management measures by developing medium-term plans and annual plans as well as taking investment projects.

5. Review of Compliance: SCG developed its Compliance Management System (CMS) in accordance with ISO19600, Which was applied and integrated into the management system of each business unit as appropriate. SCG also formulated guidelines and checklist with regard to compliance with key policies of SCG, including Antitrust Policy, Insider Trading Policy and Disclosure Policy. Furthermore, SCG appointed SCG Personal Data Protection Steering Committee, tasked with putting in place policies, guidelines, and systems related to personal data management for internal use to ensure that the company's personal data protection was in compliance with relevant laws and international standard. In 2019, SCG introduced a transfer and assessment system for new laws and amendments to its compliance management system to ensure full and prompt compliance with all new and amended laws.

6. Review of Internal Control System The Audit Committee reviewed the results of internal control assessment for both operational and information technology system, both as reported on a monthly and quarterly basis by the Internal Audit Office and as assessed with the internal control adequacy assessment of the Securities and Exchange Commission (SEC). The Committee concluded that SCG's Internal control was sufficient for its business operations. This corresponded with the external auditor's opinion that there was no material deficiency that might impact the Company's financial statements, one of the missions stipulated in the Internal Audit Office Charter. This year, the Management continued to foster awareness and promote moral principles, ethical behavior and adherence to the code of conduct. To this end, The management focused its efforts on developing a preventive system, comprising Ethics e-testing, e-Policy e-testing and good risk management and control practices in accordance with the "Three Lines of Defense" model, as well as on communicating case studies related to fraud and non-compliance with laws, the Company's regulations, policies, and code of conduct to employees. In addition, each business, both domestic and overseas, was also encouraged to adopt appropriate Control Self Assessment (CSA) tool or appoint a self-audit team, in accordance with their level of readiness and in compliance with relevant laws and regulations. To further mitigate risks for overseas companies, workshops were organized for the executives/staff of each company to raise awareness on governance, risk, compliance and controls. In addition, the Internal Audit Office in collaboration with business units (First Line) continued to develop Continuous Monitoring & Continuous Auditing reports, which each business could use to ensure the compliance of the business units within its sphere of responsibility and which auditors could use in the audit process. Workshops were also organized for different business units, using case studies based on key findings to give person in charge at all levels a better understanding of the risks, impacts, and key internal controls involved in each step of their operations.

7. Internal Audit The Audit Committee conducted an annual review of the Audit Committee Charter and the Internal Audit Office Charter to ensure their relevancy to SCG's current risk and business environment. In 2019, the Internal Audit Office introduced various digital technologies to its auditing process and utilized them to support the business units, such as the use of Data Analytics and Robotics Process Automation (RPA) for data analysis and the preparation. The Internal Audit Office also created the

internal control documents entitled “System Development and Outsourcing System Development with Agile Methodology”, provided suggestion for the assessment of risks and key control points to businesses that used the new application/ERP as operating system and recommended the use of data visualization tools in report preparation. Furthermore, continuous efforts were made to promote the implementation of the Three Lines of Defense model, in which the first-line top management were encouraged to take key roles and serve as role models for employees as well as communicate with their subordinates and provide suggestions for collaborative risk assessment, control identification and performance monitoring for SCG’s current systems, new systems, new businesses or new information technology systems. In addition, the Internal Audit Office also established Internal Auditor teams in Vietnam and Indonesia, which were responsible for assessing the efficiency and effectiveness of governance, risk management, compliance, and internal controls of SCG and its overseas subsidiaries, under the supervision of the Internal Audit Office in Thailand. Internal audit documents were prepared or revised to support changes in work processes brought on by technology integration. Also, Workshops were organized for IT-BU representatives to disseminate knowledge about international standards, risks, internal control and IT audit results, and a quality assurance review (QAR) by an independent external expert was also conducted.

8. Review of Fraud Investigations In addition to the internal Whistleblowing System for employees, SCG has developed a Whistleblowing System for external parties, through which they may file complaints via [www.scg.com](http://www.scg.com) into addition to the existing channels, which include phone calls and submission of emails or letters to the Independent Directors, the Audit committee, the Internal Audit Office, and the Secretary to the Board. In 2019, a total of 30 cases involving non-compliance with laws, the company’s regulations, Anti-corruption Policy, Corporate Governance policy, SCG Four Core Values, SCG Code of Conduct, and SCG Supplier Code of Conduct were filed through SCG Whistleblowing System for external parties and employees. Of these 29 were fully investigated cases (including four pending cases from the previous year), consisting of 8 cases involving non-compliance with the company’s regulations and 3 cases involving non-compliance with SCG code of conduct. None was related to non-compliance with Anti-Corruption Policy, Anti-trust Policy or Human Right Policy. The damages were non-materiality. Findings from the investigation were taken into consideration for determination of future procedure and preventive guideline. In addition, the Audit Committee reviewed the results of fraud investigations and fraud risk assessment as well as the impact of fraud cases in order to prescribe preventive guidelines for potential risks in operational systems, and consistently reviewed the measures for the revision of investigation protocols to ensure that they were up-to-date and appropriate for the business environment.

9. Appointment of the External Auditor and Review of the Audit Fee for 2020. KPMG Phoomchai Audit Ltd. has been selected and appointed as the external audit firm of SCG from 2018 to 2022. Based on their satisfactory performance, qualification as independent auditors, as well as professional expertise, knowledge, experience in auditing SCG’s businesses, and ability to share knowledge related to the Company’s businesses in addition to auditing. the Audit Committee recommended that the Board of directors seek approval at the shareholders’ meeting for the appointment of Mr. Wairoj Jindamaneejitak, Certified Public Accountant Registration No.3565; or

Ms. Porntip Rimdusit, Certified Public Accountant Registration No. 5565; or Ms. Thanyalux Keadkaew, Certified Public Accountant Registration No. 8179; all of whom are auditors at KPMG phoomchai Audit Ltd. as the Company's auditors for the year 2020; as well as for the approval of the Company's audit fee for the fiscal year 2020 and the annual audit and quarterly review fees for SCC's consolidated financial statements amounting to 4.58 Million Baht; and the acknowledgement of the annual audit fees for the year 2020 of subsidiaries' financial statements and quarterly review fees for the financial statements of the listed subsidiaries audited by KPMG in Thailand and KPMG overseas. SCG subsidiaries were responsible for the audit fees totaling 64.01 Million Baht.

On behalf of the Audit Committee



**Tarisa Watanagase**

Chairman of the Audit Committee



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เรื่อง ข้อเสนอแนะเกี่ยวกับการปรับปรุงแก้ไขจุดอ่อน  
ของการควบคุมภายในด้านบัญชี

เรียน คณะกรรมการตรวจสอบ  
บริษัทปูนซิเมนต์ไทย จำกัด (มหาชน)

ตามที่สำนักงานได้ตรวจสอบงบการเงินของบริษัท ปูนซิเมนต์ไทย จำกัด (มหาชน) สำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2562 และได้เสนอรายงานการตรวจสอบลงวันที่ 12 กุมภาพันธ์ 2563 ไปแล้วนั้น สำนักงานขอเรียนว่า ในการตรวจสอบงบการเงินดังกล่าวตามมาตรฐานการสอบบัญชีที่รับรองทั่วไป เพื่อแสดงความเห็นว่างบการเงินนั้นแสดงฐานะการเงิน ผลการดำเนินงานและกระแสเงินสด โดยถูกต้องตามที่ควรและได้ทำขึ้นตามหลักการบัญชีที่รับรองทั่วไปซึ่งได้ถือปฏิบัติเช่นเดียวกับปีก่อนหรือไม่เพียงใดนั้น สำนักงานได้ศึกษาและประเมินประสิทธิภาพระบบการควบคุมภายในด้านบัญชีของบริษัทตามที่สำนักงานเห็นว่าจำเป็น เพื่อประโยชน์ในการกำหนดขอบเขต วิธีการทดสอบและระยะเวลาที่จะใช้ในการตรวจสอบดังที่กล่าวไว้ข้างต้น ซึ่งไม่ได้ออกแบบให้ชี้ให้เห็นถึงข้อบกพร่องของการควบคุมภายในทั้งหมดที่อาจมีอยู่ในระบบการควบคุมภายในได้ ทั้งนี้ สำนักงานขอเรียนว่าสำนักงานไม่พบข้อบกพร่องของระบบการควบคุมภายในด้านบัญชี ที่เป็นจุดอ่อนการควบคุมภายในด้านบัญชีที่สำคัญ และมีผลกระทบอย่างเป็นสาระสำคัญต่อการแสดงความเห็นต่องบการเงินสำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2562

ขอแสดงความนับถือ  
บริษัท เคพีเอ็มจี ภูมิภาคไทย สอบบัญชี จำกัด

  
(นายไวยรณ์ จินตามณีพิทักษ์)  
กรรมการบริหาร

KPMG Phoomchai Audit Ltd., a Thai limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## 12. Related Transactions and Connected Transactions

The Board of Directors emphasizes the need for careful review and consideration before granting approval for connected transactions, related transactions or transactions that may cause conflict of interest. The SCG Code of Conduct has set forth a policy regarding such transactions as follows:

### **Connected Transactions between the Company and its Subsidiaries**

SCG comprises a large number of companies whose businesses are bound to conduct transactions with one another in such ways as providing services, trading raw materials and products, or providing financial support, technical assistance, human resources, etc. In doing business or performing duties related to such matters, all employees and parties concerned are required to comply with the law, the rules and regulations of government agencies, compliance-related agencies and other related agencies as well as the rules and the Delegation of Authority Manual SCG in addition to any criteria or conditions prescribed by local communities.

### **Transactions with Outside Entities**

In undertaking transactions with outside entities or other companies, the Company shall proceed by implementing fair methods and complying with the procedures as prescribed by law, rules, and regulations of government agencies, compliance-related agencies, and other related agencies, as well as SCG policies. To carry out transactions with outside entities, in addition, the Company is required to have an approval strictly in line with the Delegation Authority Manual of SCG, and act in accordance with the terms and conditions as agreed upon with honesty, transparency and accountability. The Company shall also avoid making transactions that may cause trouble or damage to SCG or outside parties.

The Company has designated the Stakeholder Engagement Policy and practice guidelines towards stakeholders by specifying that the Company conduct itself according to the framework of trading and competing honestly, consider a proper and fair purchase price taking into account the appropriateness in terms of price, quality and service obtained. The Company shall also be able to give reasonable explanation upon examination.

Furthermore, the Company has specified guidelines and procedures on how to consider the granting of approval for connected transactions, related transactions or transactions with potential conflict of interest, to ensure the Company's best interests and in accordance with the rules and regulations as prescribed by law. The directors and management shall disclose to the Company in advance whether they hold any stakes involving potential conflict of interest. The Company, in turn, shall consider the appropriateness of any transaction, and in cases where such transactions need approval in accordance with the regulations and procedures prescribed by law, the management shall propose such matters to the Board of Directors or at the Shareholders' Meetings, and shall disclose the information to investors in a transparent manner. Under no circumstances shall the directors or management concerned be allowed to participate in the process of considering approval of those transactions.

### **Policy or Trend of Future Connected Transactions**

Connected transactions in the future will be continually carried out based on traditional business practices and will follow the policy of the market determining prices in negotiated transactions, as in the past. No special benefit will accrue either to companies or relevant individuals from connected transactions.

### **Connected Transactions**

The Company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, as well as the laws, regulations, notifications or orders relating to the execution of related transactions.



Type of transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount as at 31 December 2019 (Million Baht)					Amount as at 31 December 2018 (Million Baht)					Pricing policy
			SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other	SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other	
1. Transactions with joint ventures and associates													
1.1 Cement-Building Materials Business													
Sales			-	3,484	-	5	-	-	3,334	-	30	-	Market price applied with third party transactions
	Sekisui-SCG Industry Co., Ltd.	49											
	Noritake SCG Plaster Co., Ltd.	40											
	Green Siam Resources Corporation	40											
	The Siam Gypsum Industry Co., Ltd.	29											
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29											
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29											
Purchases			-	2,023	267	641	-	-	1,542	282	678	-	Market price applied with third party transactions
	Sekisui-SCG Industry Co., Ltd.	49											
	Siam Global House Public Company Limited	32											
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29											
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29											
Service expenses and others			31	58	-	-	1	25	121	-	-	-	Market price applied with third party transactions
	Thai Connectivity Terminal Co., Ltd. *	51											
	Sekisui-SCG Industry Co., Ltd.	49											
	Noritake SCG Plaster Co., Ltd.	40											
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29											
Loans from			-	153	-	-	-	-	166	-	-	-	Agreed interest rate
	Sekisui-SCG Industry Co., Ltd.	49											
	Mariwasa Holdings, Inc.	40											
	PT M Class Industry	28											
Guarantees			-	-	-	-	-	-	115	-	-	-	Contract rate
	Anhui Conch-SCG Refractory Co., Ltd.	30											
1.2 Chemicals Business													
Sales **			-	-	10,788	146	-	-	15	16,580	152	-	Market price applied with third party transactions  ** Most transactions are from selling goods to subsidiaries as follows: SCG Chemicals Co., Ltd. SCG Plastics Co., Ltd. SCG Performance Chemicals Co., Ltd. SCG Chemicals Trading Singapore Pte. Ltd.
	Siam Synthetic Latex Co., Ltd.	50											
	Siam Polyethylene Co., Ltd.	50											
	Bangkok Synthetics Co., Ltd.	49											
	Siam Tohcello Co., Ltd.	45											
	PT Chandra Asri Petrochemical Tbk.	31											
	Mehr Petrochemical Company (P.J.S.C.) ***	-											
Purchases **			-	-	37,048	134	-	-	80	50,696	176	-	Market price applied with third party transactions  ** Most transactions are from purchasing goods from subsidiaries as follows: SCG Performance Chemicals Co., Ltd. Rayong Olefins Co., Ltd. Map Ta Phut Olefins Co., Ltd.
	SCG Plastics (China) Co., Limited	60											
	SCG Plastics (Shanghai) Co., Ltd.	60											
	Siam Styrene Monomer Co., Ltd.	50											
	Siam Synthetic Latex Co., Ltd.	50											

\* Change status from associate to subsidiary in January 2019

\*\*\* Divest in July 2018



Type of transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount as at 31 December 2019 (Million Baht)					Amount as at 31 December 2018 (Million Baht)					Pricing policy
			SCC	Cement-Building Materials Business	Chemicals Business	Packaging Business	Other	SCC	Cement-Building Materials Business	Chemicals Business	Packaging Business	Other	
Service expenses and others	Siam Polyethylene Co., Ltd.	50											Market price applied with third party transactions
	Bangkok Synthetics Co., Ltd.	49											
	Thai MMA Co., Ltd.	47											
	Grand Siam Composites Co., Ltd.	46											
	Thai MFC Co., Ltd.	45											
	Siam Tohcello Co., Ltd.	45											
	PT Chandra Asri Petrochemical Tbk.	31											
	PT Styrimdo Mono Indonesia	31											
	Mitsui Advanced Composites (Zhongshan) Co., Ltd.	20											
	Thai PET Resin Co., Ltd. *	-											
	MTP HPPO Manufacturing Co., Ltd. **	-											
			85	593	1,271	-	6	89	642	1,492	-	39	
	Siam Styrene Monomer Co., Ltd.	50											
	Siam Synthetic Latex Co., Ltd.	50											
	Siam Polyethylene Co., Ltd.	50											
	Rayong Terminal Co., Ltd.	50											
	Bangkok Synthetics Co., Ltd.	49											
	Thai MMA Co., Ltd.	47											
	Grand Siam Composites Co., Ltd.	46											
	Thai MFC Co., Ltd.	45											
Loans from	PT Chandra Asri Petrochemical Tbk.	31											Agreed interest rate
	PT Chandra Asri Perkasa	31											
	Mehr Petrochemical Company (P.J.S.C.) ***	-											
	Siam Mitsui PTA Co., Ltd. *	-											
	Thai PET Resin Co., Ltd. *	-											
Guarantees			-	-	39	-	-	-	-	41	-	-	Contract rate
	Da Nang Plastics Joint Stock Company	16											
	GTC Technology International, LP ****	-											
			-	-	-	-	-	-	-	20	-	-	
	Siam Tohcello Co., Ltd.	45											
	Mehr Petrochemical Company (P.J.S.C.) ***	-											

### 1.3 Packaging Business

Sales			-	-	-	284	-	-	-	-	360	-	Market price applied with third party transactions
	Siam Toppan Packaging Co., Ltd.	49											
	Siam Nippon Industrial Paper Co., Ltd.	31											

\* Divest in December 2018

\*\* Divest in October 2019

\*\*\* Divest in July 2018

\*\*\*\* Divest in April 2019

Type of transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount as at 31 December 2019 (Million Baht)					Amount as at 31 December 2018 (Million Baht)					Pricing policy
			SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other	SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other	
Purchases	Siam Toppan Packaging Co., Ltd.	49	-	42	-	669	-	-	-	-	979	-	Market price applied with third party transactions
	Siam Nippon Industrial Paper Co., Ltd.	31											
	Saha Green Forest Co., Ltd.	17											
Service expenses and others	Siam Nippon Industrial Paper Co., Ltd.	31	11	18	-	10	-	11	4	-	11	-	Market price applied with third party transactions
Guarantees	Siam Nippon Industrial Paper Co., Ltd.	31	-	-	-	264	-	-	-	-	330	-	Contract rate
1.4 Other													
Sales	Siam Kubota Corporation Co., Ltd.	40	-	1,243	-	-	-	-	1,486	-	-	-	Market price applied with third party transactions
Purchases	Siam Kubota Corporation Co., Ltd.	40	-	88	9	18	-	-	87	8	26	-	Market price applied with third party transactions
	Aisin Takaoka Foundry Bangpakong Co., Ltd.	30											
	The Nawaloha Industry Co., Ltd.	30											
	The Siam Nawaloha Foundry Co., Ltd.	25											
Service income	IT One Co., Ltd.	20	141	442	163	93	-	117	340	115	99	-	Market price applied with third party transactions
Service expenses and others	Siam Kubota Corporation Co., Ltd.	40	1,169	122	-	-	8	1,182	170	-	-	9	Market price applied with third party transactions
2. Transactions with other companies which have SCG executives holding													
2.1 Cement-Building Materials Business													
Purchases	Asia Cement Public Company Limited Mr. Nithi Patarachoke / Director	10	-	-	-	41	-	-	-	-	63	-	Market price applied with third party transactions

Type of transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount as at 31 December 2019 (Million Baht)					Amount as at 31 December 2018 (Million Baht)					Pricing policy	
			SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other	SCC	Cement- Building Materials Business	Chemicals Business	Packaging Business	Other		
2.2 Packaging Business														
Sales	Thai British Security Printing Public Company Limited *	-	-	-	-	-	-	-	1	-	-	-	Market price applied with third party transactions	
Purchases	Thai British Security Printing Public Company Limited *	-	-	-	-	-	-	-	-	-	17	-	Market price applied with third party transactions	
Service expenses and others	Thai British Security Printing Public Company Limited *	-	-	-	-	-	-	-	-	-	5	-	Market price applied with third party transactions	
2.3 Other														
Sales	Siam Yamato Steel Co., Ltd. Mr. Aree Chavalitcheewingul / Director Mr. Yuttana Jiamtragan / Director	10	-	2,514	-	-	-	-	2,649	-	-	-	Market price applied with third party transactions	
Purchases	Siam Yamato Steel Co., Ltd. Mr. Aree Chavalitcheewingul / Director Mr. Yuttana Jiamtragan / Director	10	-	140	5	2	-	-	176	8	2	-	Market price applied with third party transactions	
Service expenses and others	Siam Yamato Steel Co., Ltd. Mr. Aree Chavalitcheewingul / Director Mr. Yuttana Jiamtragan / Director	10	371	64	-	-	4	372	70	5	-	2	Market price applied with third party transactions	

\* Divest in May 2018