



Part 2. Management and Corporate Governance

7.1 Share and Shareholders

Pato Chemical Industry has a registered capital of Bt 142,800,000 (one hundred and forty two million Eighty Thousand Baht), of which Bt. 140,000,000 (one hundred and forty million Baht) is paid-up capital. There are 142,800,000 shares, valued at Bt. 1 per share. Pato Chemical Industry invests in a subsidiary company, Pato Crop Care Co., Ltd. Investment record in Pato Crop Care Co., Ltd. is as follows :

Date	Nationality	Investments(share)	Holding Ratio
31 December 2011-2013	Thai	5 Million Baht	100 %

Shareholders' Equity of Pato Chemical Industry Plc, as of 31 December 2013

Unit : Thousand Baht

	Amount
Registered Capital	142,800
Paid Up Capital	140,000
Retain Earning	223,074
Legal Reserve	14,280
Shareholder Equity	517,805
Book Value(Per Share)	3.70
Par Value (Per Share)	1.00

7.2 Shareholders Structure

Shareholders	Nationality	Number of Shares As of 20/03/14	Percentage
1.Trillit Group	Thai	50,100,000	35.79
2. Pojanalai Group	Thai	16,590,000	11.85
3. Wesaratchawest Group	Thai	8,790,900	6.28
4. Cheongwiwatkit Group	Thai	9,063,850	6.47
5. Others	Thai	55,456,150	39.61
Total (Shares of Paid Up Capital)		140,000,000	100.00

Note : Grouping by family name including spouse, sons and daughters, and siblings.



7.3 Issuance of other securities

In 2012, the Company issued ESOP scheme to executive and employees to keep their spirits up as detailed below :

At the extraordinary shareholder's meeting No.1/2012 held on 14 November 2012, the shareholders passed the resolution to allocate the ESOP warrants of 2,800,000 units without any consideration to employees of the Company. The warrants are 3 years maturity commencing from date of issue. The exercise price is Baht 8.20 per share under the exercise ratio of 1 warrant per 1 new share. Holder can exercise right 4 times, in March 2015/ June 2015/September 2015 and December 2015.

The warrants were allocated to the employees on 2 January 2013 with the first exercise date on 31 March 2015.

7.4 Policy on Dividend Payment

Pato Chemical Industry Plc. expects to pay dividend to shareholders not less than 40% of net profit

Dividend Payout Ratio for 2009-2013 Operational Result

Dividend Payout Ratio for 2009-2013 Operational Result of Pato Chemical Ind. Plc.

Year	Earning Per Share	Dividend per Share Baht	Percentage of Net Profit	Total Dividend Paid Mil. Baht
2009	1.12	0.95	84.82	133.00
2010	1.31	1.12	85.49	156.8
2011	1.23	1.08	87.80	151.20
2012	0.61	0.60	98.36	84.00
2013	0.96	0.92	95.95	128.80

Dividend Payout Ratio for 2010-2013 Operational Result of Pato Crop Care Co.,Ltd.

Year	Earning Per Share	Dividend per Share Baht	Percentage of Net Profit	Total Dividend Paid Mil. Baht
2013	9.08	8.00	88.07	8.00

**8. Management Structure**

The company comprises of : - Board of Directors

- Audit Committee
- Management

8.1 Board of Directors as of December 31, 2013 are as follows :

Name	Position	Holding office from
1. Mr. Metha Trillit	Chairman/President	April 24, 2012
2. Dr. Viwat Trillit	Managing Director	April 19, 2011
3. Mrs. Wantana Pojanalai	Director	April 24, 2012
4. Mr. Chaovut Pojanalai	Director	April 23, 2013
5. Mr. Suvit Wesaratchawest	Director	April 24, 2012
6. Mr. Surachai Choengvivatkit	Director	April 24, 2012
7. Ms. Ratchanee Trillit	Director	April 20, 2010
8 Mr. Lertchai Leelayonkul	Independent Director / Chairman of Audit Committee	April 23, 2013
9 Mr. Chaiwat Chandarasrivongs	Independent Director / Audit Committee Member	April 23, 2013
10 Dr. Chongrak Prichanont	Independent Director / Audit Committee Member	April 23, 2013
11 Mr. Sahai Supsoontornkul	Independent Director	April 19, 2011

Directors authorized to bind the company as per the Company Affidavit : Mr. Metha Trillit or Dr. Viwat Trillit is to co-sign with Mrs. Wantana Pojanalai or Mr. Suvit Wesaratchawest with company seal affixed to affect company documents.

Mr. Lertchai Leelayonkul, Chairman of the Audit Committee has strong knowledge and experiences to review and ensure the reliability of financial statements.

**Board of Directors meeting**

The Board of Directors generally holds a meeting on a quarterly basis and holds special additional sessions when necessary with a clear agenda set in advance. The company's secretary is the person to prepare invitations to meetings and related documents 7 days before the meeting takes place. This is so that the Directors have time to consider and study information. Each meeting takes about two and a half hours. In 2013, the Board of Directors held 4 regular meetings as follows :

Name	Regular Meeting	A/C Meeting	AGM
1. Mr. Metha Trillit	4/4	-	1/1
2. Dr. Viwat Trillit	4/4	-	1/1
3. Mrs. Wantana Pojanalai	3/4	-	1/1
4. Mr. Chaovut Pojanalai	4/4	-	1/1
5. Mr. Suvit Vesaratchawest	4/4	-	1/1
6. Mr. Surachai Choengvivatkit	4/4	-	1/1
7. Ms. Ratchanee Trillit	4/4	-	1/1
8. Mr. Lertchai Leelayonkul	4/4	4/4	1/1
9. Mr. Chaiwat Chandarasrivongs	4/4	4/4	1/1
10. Dr. Chongrak Prichanont	4/4	3/4	1/1
11. Mr.Sahai Supsoontornkul	4/4	-	1/1

Minutes of the meetings have been recorded and endorsed by directors, so that they can be checked by related parties.

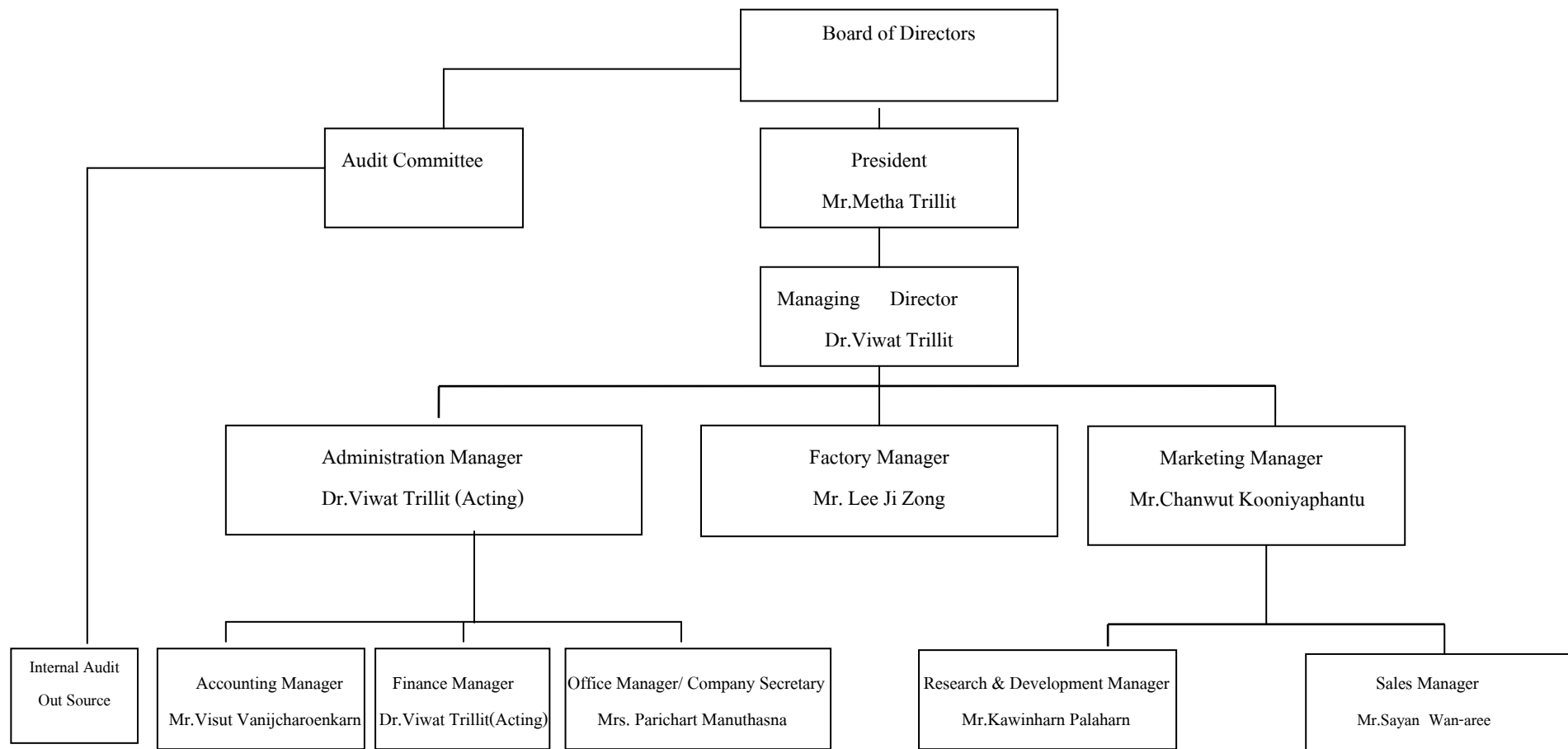
8.2 Managements as of December 31, 2013 are as follows

Name	Position
1. Mr. Metha Trillit	President
2. Dr. Viwat Trillit	Managing Director /Acting Administration Manager/Finance Manager
3. Mr. Chanwut Kooniyaphantu	Marketing Manager
4. Mr. Lee Ji Zong	Factory Manager
5. Mr. Visut Vanijcharoenkarn	Accounting Manager
6. Mr. Kawinharn Palaharn	Research and Development Manager
7. Mr. Sayan Wan-aree	Sales Manager
8. Mrs. Parichart Manuthasna	Office Manager/Company Secretary



Management Structure

Organization Chart of Pato Chemical Industry Public Co.,Ltd.





8.3 Company Secretary

The Board of Directors' Meeting No.6/2007 dated November 12, 2007 appointed Mrs. Parichart Manuthasna to be the Company's secretary for the responsibility of monitoring the compliance to the rules and the Company's regulations and also in line with principles of Good Corporate Governance to allow effective management.

Scope of Duties of Company's Secretary

1. To give initial recommendations to the Board concerning the issues of legality, the Articles of Association to ensure that all regulations properly adhered, including to report to the Board concerning changes which are deemed significant.
2. To organize shareholders' meetings and the Board of Directors' meeting in accordance with the Articles of Association.
3. To record and file the minutes of the shareholders' and the Board of Directors' meeting, and also follow up activities that have been approved at the meetings.
4. To disclose information in accordance with the Securities and Exchange Commission, the Stock Exchange of Thailand, and other regulatory authorities concerned.
5. To communicate with the shareholders, investors and regulatory authorities, including to provide information to interested persons and stakeholders.
6. To perform any other duties assigned by the Board or Directors.

The Company's Secretary has the experiences in the company since 1987 and completed a training course "Corporate Secretary Development Program" arranged by Thai Listed Companies Association with The Faculty of Commerce and Accountancy Chulalongkon University, sponsored by Stock Exchange of Thailand and Thai Company Secretary Club.

8.4 Executives' Remuneration

Remuneration for directors : There is no remuneration committee. The remuneration of directors was considered by the board of directors and was approved in 2013 shareholders' meeting as follows :

- The Board of directors of 11 persons received meeting allowances at 7,000 Baht/meeting.
Chairman of audit committee' remuneration 25,000 baht/month totaling 300,000 baht.
Member of audit committee's remuneration 12,000 baht/month totaling 144,000 baht per person.
Meeting Allowance for audit committee members at 3,000 Baht/meeting



Signatory Director, Mr.Wantana Pojanalai's remuneration 17,000 baht/month totaling 204,000 baht.

Total remuneration for 11 directors in 2013 was 1,270,000.00 baht

Name	Position	Remuneration in 2013
1. Mr. Metha Trillit	Chairman	28,000 Baht
2. Dr. Viwat Trillit	Managing Director	28,000 Baht
3. Mrs. Wantana Pojanalai	Director	225,000 Baht
4. Mr. Chaovut Pojanalai	Director	28,000 Baht
5. Mr. Suvit Vesarachawest	Director	28,000 Baht
6. Mr. Surachai Choengvivatkit	Director	28,000 Baht
7. Ms. Ratchanee Trillit	Director	28,000 Baht
8. Mr. Sahai Supsoontornkul	Independent Director	172,000 Baht
9. Mr. Lertchai Leelayonkul	Independent Director Chairman of Audit Committee	340,000 Baht
10. Mr. Chaiwat Chandarasrivongs	Independent Director Audit Committee Member	184,000 Baht
11. Dr. Chongrak Prichanont	Independent Director Audit Committee Member	181,000 Baht

Remuneration for managements : The remuneration was set in line with the industry and in accordance with the policy set by directors based on company and individual performance.

- 8 executives received 12,364,496.25 baht which includes salary, commission, bonus, car expense, social security expense, life, accident and health insurance, and provident fund.

Other remuneration

- Provident Fund

The company has established a Provident Fund to the executives paid at the rate of 5 % of salary.

In 2013, the company has contributed funds for the 8 executives totaled 331,7010 baht.

- ESOP Scheme for executives and Employees

At the extraordinary shareholder's meeting No.1/2012 held on 14 November 2012, the shareholders passed the resolution to allocate the ESOP warrants of 2,800,000 units without any consideration to employees of the Company. The warrants are 3 years maturity commencing from date of issue. The exercise price is Baht 8.20 per share under the exercise ratio of 1 warrant per 1 new share. Holder can exercise right 4



times, in March 2015/ June 2015/September 2015 and December 2015. There are 6 executives who have been allocated with such warrants which regards as 70% of total warrants issued.

The warrants were allocated to the employees on 2 January 2013 with the first exercise date on 31 March 2015.

8.5 Personnel

There are 180 employees in 2013, the company paid compensation to employees totaled 54,962,042 baht, which include salary, overtime, bonuses, insurance, social security welfare and provident fund. The subsidiary company has paid the same types of compensation to employees.

Year 2013	PATO CHEMICAL	PATO CROP CARE
Operations (People)	126	4
Head Office Employees (People)	42	-
Managements (People)	8	-
Total	176	4
Remuneration	54,372,228.00	589,814.00

9. Good Corporate Governance

9.1 Corporate Governance Policy

The company's Board of Directors is aware of the importance of Corporate Governance in increasing operational transparency and shareholder confidence, creating thorough management and acting with caution for the greatest benefit, and which can be subject to auditing. The company is steadfast in its aim to undertake business for the satisfaction of shareholders and provision of good return on a continuous and secure basis. The company has written Good Governance Policy approved by the board of directors as follows :

1. Accountability
2. Responsibility
3. Transparency
4. Equitable Treatment to Stakeholders
5. Vision to Create Sustainability
6. Ethics and Moralities



9.2 Sub-committee

The company's Board of Directors has appointed a sub-committee to help oversee the following operations of the company. The auditing committee was set up on December 17, 1999.

Names of members of the Audit Committee are as follows :

Chairman of the Audit Committee	Mr. Lertchai Leelayonkul
Member of the Audit Committee	Dr. Chongrak Prichanont
Member of the Audit Committee	Mr. Chaiwat Chandarasrivongs
Secretary to the Audit Committee	Ms. Navaporn Pohthai (Internal Audit)

Terms for holding office : 3 Years

Latest renewal of terms for holding office is 2013. Mr.Lertchai Leelayonul is a qualified audit committee with accounting experiences to perform review of financial statements of the company.

Definition of Independent Directors

1. Holding shares not more than 1% of total voting shares of the company, the affiliated company, the associated companies or person who may have the conflict of interests (counting of the person concerned according to Section 258 of Securities and Exchange Act).
2. No participation in management including employee, staff, business consultant who receives permanent salary or the person who has the power to control the company, parent company, subsidiary company, associated company or subsidiary companies in the same level or juristic person which may have the conflict of interests (at present and 2 years period prior to an appointment).
3. No blood relations, nor by way of registration in the manner of father or mother, spouses, brothers and sisters of full blood and legitimate child including spouse of legitimate child and executive, major shareholders or person who has power to control or person who is supposed to be nominated as an executive or person who has power to control the company or subsidiary companies.
4. Business relation with the company
 - (a) Nature of relation
 - Relation in the manner of professional service
 - Nature of relation: Auditor, person who renders professional service, such as legal consultant, financial consultant, properties appraiser etc.
 - Key definition included in the meaning of dependence
 - In case of auditor: Not allowed in all respects.
 - In case of person who renders professional service: Value of transaction more than 2 million baht per year.



- Commercial/business relations
 - Nature of relation: Extending to all kinds of business transactions, i.e. normal transactions, transaction of letting/renting, transaction relating to asset/service and transaction of giving or receiving financial assistance.
 - Key definition included in the meaning of dependence: value of transaction ≥ 20 million Baht or $\geq 3\%$ of NTA of the company whichever is lower. In this matter, to consider the value of transactions, it is to include transactions during 6 months prior to the day of doing this transaction.
- (b) In case of nature of relation under (a) with juristic person, person deemed to be dependent i.e. major shareholders, director (except independent directors/audit committee) and executive or partners of such juristic person.
- (c) In case of nature of relation under (a) and (b): at present and 2-year period prior to appointment.
- (d) Exception: In case of necessity or suitability which rarely happens, independent directors/audit committee may have relation more than level of key definition prescribed during in office with prior approval of the board of directors and such resolution must be unanimous.
- 5. Not a director appointed as proxy of the company, major shareholders or shareholder related to major shareholders of the company.
- 6. No any qualifications not be able to give an opinion independently.
- 7. Independent director who has the qualifications according to 1-6 may be appointed by the board of directors to make decision in the business of the company, parent company, subsidiary company, associated company, subsidiary company of the same level or juristic person which may have conflict of interests by collective decision.

Qualifications of Audit Committee

1. Appointed by the board of directors or shareholders
2. All Audit Committee must be independent director.
3. Not a director appointed by the board of directors to make decision in the business of the company, parent company, subsidiary company, associated company of the same level or the person who may have the conflict of interests.
4. Not a director of the parent company, affiliated companies or affiliated companies of the same level.



5. Having duties prescribed by the Securities Exchange.
6. At least 1 Audit Committee shall have knowledge and experience sufficient to perform his duties to review the reliability of financial statement.

9.3 Appointment of Directors and Managements

- The selection of director has not been undertaken by the nominating committee but the board of directors or shareholders holding more than 5 % of shares desires to nominate such through the process of joint consideration of the board of directors and then to propose to the shareholders to consider and appoint in the annual meeting of shareholders.
- Shareholder(s) collectively holding shares amounting to 5% or more of total shares may submit their names to nominate a qualified director to the board of directors and propose to general shareholders meeting for consideration.
- Presently, seven directors represent major shareholders.
- The company shall have a board of directors comprising of at least 5 directors to conduct the business of the company, not less than half of whom shall reside within the Kingdom.
- The directors shall be elected at the shareholder meeting in accordance with the following rules and procedures:
 - Each shareholder shall have a number of votes equal to the number of shares held.
 - Each shareholder may exercise all the votes he or she has under (1) to elect one or several persons as director or directors but the shareholder shall not allot his or her votes to any person in any number.
 - After the vote, the candidates shall be ranked in order descending 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. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman shall make the decision for the remaining appointment.

Vacancy of Directors

- At every annual general meeting, one-third of the directors shall retire. If the number of directors is not a multiple of three, the number of directors closest to one-third shall retire for the first year. For the second year after the registration of the company, the retirement shall be selected by drawing lots. In subsequent years, the director who has held office longest shall retire.
- Apart from vacation upon the expiry of his or her term, a director shall vacate office upon:
 - 1) death;



- 2) resignation;
 - 3) lack of qualifications or possession of prohibited characteristics under Section 68; of Public Limited Companies Act BE.2535
 - 4) Removal by a resolution of the shareholder meeting of not less than three quarters of the number shareholders attending the meeting who have the right to vote and who have shares totaling not less than half of the number of shares held by the shareholders attending the meeting and having the right to vote.
 - 5) Removal by a court order.
- In the case of a vacancy in the board of directors for reasons other than the expiration of the director's term of office, the board of directors shall elect a person who has the qualifications and who possesses no prohibited characteristics under Section 68 as the substitute director at the next meeting of the board of directors, unless the remaining term of office of the said director is less than two months. The substitute director shall hold office only for the remaining term of office of the director whom he or she replaces. The resolution of the board of directors shall be by a vote of not less than three-quarters of the number of directors remaining.

Leadership and Vision

The board is engaged in the business plan, budget of the company and monitor the implementation of the management and set guidelines to achieve concrete effectiveness with honesty, fairness and responsibility, creativity and ability to work as a team. The Board has established the internal control system and internal audit for the company.

Power and Obligation of the Board of Directors

- 1 To supervise and manage in order to make sure that the operations of the company are in accordance with the law, the objectives and Articles of Association of the company as well as the resolution of the Shareholders' Meeting, and to protect the company's interest based on good corporate governance.
2. To establish the policy and operation direction of the company and to supervise the management to operate as approved plan.
3. To make the arrangement of the Shareholders' Meeting as an Annual Ordinary Shareholders' Meeting within 4 months as from the end of the fiscal year of the company and the arrangement of the Shareholders' Meeting as an Extraordinary Shareholders' Meeting when necessary.
4. To hold the Board of Directors' Meeting every three months and not less than half of the directors will attend the meeting. The resolutions of any meeting of directors are decided by the majority of votes, in case of an equality of votes, the chairman has a casting vote.

5. To make an arrangement of the balance-sheet and the profit and loss statement as at the end of the fiscal year of the company in order to present to the General Ordinary Shareholder's Meeting to scrutinize the balance-sheet and the profit and loss statement, and the Board of Directors shall have the auditor to finish the auditing prior to the presentation to the Shareholders' Meeting.
6. To assign the power of management to the Managing Director to carry out the business of the company including the power to appoint or remove the staff of the company as well as the fixing of the remuneration.
7. To scrutinize and approve the annual budget for investment and for business operation of the company.
8. To implement the internal control and internal audit including financial control system, operation and to supervise the performance as well as risk control and risk management.
9. To make an arrangement of financial information report, information and general information important for the shareholders properly, completely and sufficiently together with the verification of the report.
10. A director must not, without the notification to the general meeting of shareholders prior to the appointment, undertake commercial transactions, nor he or she be a partner or a shareholder in another juristic person of the same nature as and compete with that of the company.
11. The director who has a special interest in the contract entered with the company or the increase or decrease of the shareholders or of the debentures of the company, must notify the company without delay.

The Power and Obligations of the Chairman.

1. To be Chairman of the Board of Directors and control such meeting to go smoothly.
2. To oversee the general operations of the Company to be in line with obligations and company policies.
3. To sign the document in accordance with the regulations and company's requirements..
4. To perform any other act designated by the Board under the laws and regulations of the Association and / or the resolutions of the Board of Directors or resolutions of the shareholders' meeting.

Power and Obligations of Executive Directors

1. To establish the strategic directions and business operation with highest effectiveness and efficiency.
2. To evaluate and to scrutinize the investment project and annual budget in order to be approved by the Board of Directors.



3. To sign in the documents binding on the company as appointed by the Board of Directors.
4. To consider and approve the executing of forward contract as risk management of currency and foreign exchange.
5. To allot the resources and recruit the personnel of potential for the highest benefit of the company.

Power and obligations of Managing Director

1. To oversee and implement normal management and operations of the company in accordance with regulations, policies, and resolutions of the Board of Directors and / or the resolutions of the shareholders' meeting.
2. To prepare business policy, business strategy and planning, and budget funding for various projects to the Board of Directors for approval and report on progress.
3. To supervise, consider and approve the appointment, dismissal and disciplinary action against employees in accordance with the company regulations.
4. To sign the contract, orders, or documents on behalf of the company.
5. To authorize other person to act on behalf for specific operations under the scope of the mandate or orders prescribed by the Board.
6. To approve the appointment of consultants required by any project through the Board of Directors.
7. To be a leader and a role model for ethical conduct and business ethics.

Power and Obligations of Audit Committee

An audit committee has the duties as delegated by the Company's board of directors, as follows:

- (1) to review the Company's financial reporting process to ensure that it is accurate and adequate;
- (2) to review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;
- (3) to review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business;
- (4) to consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
- (5) to review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company;



(6) to prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman and consist of at least the following information:

- (6.1) an opinion on the accuracy, completeness and creditability of the Company's financial report,
 - (6.2) an opinion on the adequacy of the Company's internal control system,
 - (6.3) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
 - (6.4) an opinion on the suitability of an auditor,
 - (6.5) an opinion on the transactions that may lead to conflicts of interests,
 - (6.6) the number of the audit committee meetings, and the attendance of such meetings by each committee member,
 - (6.7) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and
 - (6.8) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's board of directors
- (7) to perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

Summary of Significant Transaction Approved

Transaction approved	Board of Directors	President and Managing Director
1. Approval for purchasing and procurement per transaction	Above 40 Million Baht	Less than 40 million baht
2. Approval for sale of inventories, and fix assets per transaction	Above 40 Million Baht	Less than 40 million baht

Balanced composition of Directors who are not management

The company's Board consists of 11 directors

2 Executive Directors namely ;

- Mr. Metha Trillit
- Dr. Viwat Trillit

6 Non-Executive Directors namely ;

- Mrs. Wantana Pojanalai
- Mr. Chaovuth Pojanalai
- Mr. Suvit Vesaratchawest



- Mr. Surachai Cheongvivatkit
- Ms. Ratchanee Trillit
- Mr. Sahai Supsoontornkul (Independent Director)

3 Member of Audit Committee namely :

1. Mr. Lertchai Leelayonkul : A qualified audit committee with accounting experiences to perform review of financial statements of the company.
2. Mr. Chaiwat Chandarasirvongs
3. Dr. Chongrak Prichanont

Aggregation and Segregation of Positions

The Chairman of the Board of Directors comes from the major shareholder group which holds 35.08 % of total shares.

The Chairman and the managing director are not the same person. All work and administration must have the approval from the board which comprises representatives of various major shareholder groups and includes the auditing committee which helps to re-examine and provide a counter-balance

The responsibilities of the board of directors

The company's board of directors is the key to good governance. The board of directors has important roles in the governance to achieve maximum benefits for the company and is responsible for duties and responsibilities of directors.

The structure of good governance and area of authority of the board of directors which comprise of qualifications, appointment, position roles as well as operations of directors and operators are clearly set including policy, regulations, practices and working manuals which are entirely in written documents in order to achieve mutual balance and monitoring. At the same time, an independent internal auditor which has roles and duties as approved by the audit committee will monitor the operations to ensure that the company has effectively complied with the guidelines of related laws and regulations.

The company's board of directors has fulfilled its duties with honesty, transparency, caution, carefulness and understanding of their roles and responsibilities on the basis of law, regulations, rules, the company's restrictions, consensus of shareholders' meeting and good governance without any actions against the company's benefits in order to build confidence among investors.

**Board Of Directors Self-Assessment**

The Board of Directors has been evaluated as a collective body once a year to review the sufficiency and effectiveness of good governance in order to set guidelines to achieve concrete effectiveness. The result will be used as information supporting the management to revise their works and duties as appropriate.

Orientation of new directors

The Company is aware of the importance of the performances of directors, an orientation has been arranged to introduce them to the Company's overall operations, the organization structures in order to provide them with insights into working procedures. Essential information necessary for their performances as the directors such as the internal work flow, related laws, the format of the financial statements and notes to the financial statements are also provided.

Succession plans

The company has prepared a plan of succession for key managements to accommodate the expansion and replacement of retirees to ensure continuity in the administration. The company also develop staff to be ready for such succession by considering from knowledge, ability, experience, and vision.

9.4 The governance of the subsidiary' operations

Pato Chemical Industry Public Company Limited holds 100% stake of its subsidiary, Pato Crop Care Company Limited, directors and management of both companies are entirely the same. Same guideline, principles, scope of practice, policies and responsibilities are all applied in equal manner.

9.5 Protecting against the use of insider information

The company has a policy and method to prevent company executives from using the company's inside information for personal gain or for the purchase of securities before the company's financial statement is disclosed to public.

1. The company has kept its directors, management and staff informed about relevant announcements from Securities and Exchange Commission (SEC). The company's directors, management and staff are required to report their changes in security holding to SEC in accordance with section 59 of the Securities and Exchange Act B.E. 2535 within 3 days from the date of changes in their security holding. At the same time, they have to inform the company's secretary to record the changes and update the amount of security of each director and management in order to present to the company's board of directors. The company's directors, management and staff are also informed about their punishments in case of violation or failure to abide by the aforementioned regulations.



2. The company has regulations to prohibit its staff to reveal its financial information and other information that may affect the price of its security to the public. The company's staff are also forbidden to sell their securities within one month prior to the disclosure of the company's security prices to the public. Those who fail to comply with the aforementioned regulations will be considered violently breaking the company's discipline and shall receive penalties ranging from warning, wage reduction, suspension without pay to termination of employment.

9.6 Remuneration to Auditors

The company paid 480,000 Baht to the auditor for audit fee. There was no non-audit fee.

9.7 Other Good Governance Practice

Equitable Treatment of Shareholders

The company is steadfast in its aim to undertake business for the satisfaction of shareholders and provision of good return on a continuous and secure basis. The company holds a general shareholders meeting in which there is a quorum and participants take part in considering various agendas and acknowledge operational results. The company realizes the right of shareholders to receive correct, sufficient, immediate and equal information.

The company holds a general shareholders meeting at a location where it is convenient for directors, executives, and shareholders. Before each meeting, the company prepares documents and these are assigned to Thailand securities depository company limited which then undertakes to send the meeting agenda and documents for prior consideration, as is stipulated by stock exchange regulations. The company post invitation letter published on the company's Website at least 30 days before the meeting. To facilitate shareholders, stamp duty is also provided for proxy authorized to attend the meeting without charge.

In 2013, the company arranged Annual General Meeting of Shareholders on April 23, 2013 at Chalermprabamee 50 Yesars Building. The registration desk was opened 2 hours ahead of the meeting. The company prepares documents and details which shareholders should have knowledge of, and gives these to shareholders for their consideration at least 14 day before the meeting. In the event the shareholder cannot attend the meeting, the company includes a documentary consent of representation together with the invitation to the meeting. With this documentary consent of representation, the shareholder can give power of attorney to another person or a member of the audit committee, to attend the meeting and exercise right to vote according to the wishes of the shareholder.

In voting, one share is equally entitled to one vote. For any connected transaction agendas, interested shareholders will be informed to abstain from voting.

In addition, the company makes a complete and correct record of the meeting, which can be checked



by shareholders. Directors, Audit Committee members, Executives attended the meeting in full force.

The Chairman of the meeting gave shareholders equal rights and freedom to ask questions and express views and voting procedure was clearly explained. The chairman also announced number of votes; approve, disapprove and abstain from voting. Software and Barcode were used for registration and vote count for fast and correct outcome. The auditor and legal advisor also observed the meeting.

The Company has published minutes of the meeting on the Website of the Company within 14 days after the meeting by recording key questions from shareholders and explanation from directors and managements and the result of the vote on each agenda and submitted such to the Stock Exchange of Thailand, and the Ministry of Commerce.

In 2013 the company passed the meeting quality evaluation with the total score of 90.88.

Shareholders will be able to propose any agendas to the board for consideration before 13 February 2014 by mail, fax or e-mail : auditcom.pato@gmail.com. The company has made an announcement to shareholders to propose agendas or nominate director through website of the SET on January 22, 2014.

Roles to Stakeholders

Employees : The company emphasizes unity among employees, working together in a peaceful and facilitating atmosphere, and gives employees the opportunity to develop their potential and to utilize their knowledge and ability to help in creating progress for themselves and the company. The company provides reasonable and fair compensation and fringe benefits to the employee for example annual check up, health and life insurance, transportation, hygienic canteen with fair price and free rice, sport facilities, bonus, hardship allowance, annual party and excursion, and provident fund. For security reason, the company has established Safety, Occupational Health and Environment Committee to regularly control safety such as heat, light, and sound including machineries survey and maintenance.

Partners or Suppliers : The Company has treated their partners and suppliers equally and kept in mind on the mutual fair interests for both parties. They have stringently followed the agreement terms and conditions. In case that any questions on the agreement have been raised, the Company would mutually find the solution based on fair and rational treatment i.e. never calling for or accepting other benefits or interests which caused unfair business against their partners or suppliers, and also strengthening a sustainable relation with the partners and suppliers to maintain mutual trusts. The Company has imposed strict measures to select and inspect their partners and suppliers, especially ones manufactures for raw materials. Owing to the current Hazardous Substance Act, in case that the Company decides to register chemical products which are manufactured by partner, they are required to import the partners' products. Nevertheless, the Company has set out a strategy to register each single category of chemical products with more than one manufacturer.



Therefore, the Company has laid down policies to select the partners or suppliers who have manufactured quality products and never had problem on delivery services with fair price. If the products supplied do not meet the requirements/specification, the partners or suppliers eagerly shows their spirits and responsibilities to deliver a new lot of shipment, take back the non-quality shipment, and pay compensation fairly on case by case basis.

Customers : The company manufactures quality and standard products with a fair price. In this regard, the company joined a core group to help push for the Project for Manufacturing of Quality Products under the Thai Crop Protection Association. The products must pass standard of the Office of Agricultural Regulation, Ministry of Agriculture and Cooperatives.

Consumers: Farmers are our consumers. Apart from high quality and fair price, the company researches for more products to suite geographic conditions, climate, and which are disease-controllable with regard to insects and weeds, so as to increase production for farmers. At the same time, through the help of a work team with high knowledge and experience, the company also emphasizes providing knowledge and correct product type usage and correct and method of usage, for the safety of both farmers. The team will also report any complaint from customers every month.

Competitors : The company treats competitor as per normal practice and follow frameworks according to law. The company has never got into any legal case with competitors.

Commercial Creditors : The company complies with all trade agreements made with creditors and also makes on time payment. We treat creditors fairly with accountability and transparency to maintain a sustainable relationship with trust to each other.

Environment: As all sides attach importance to the environment, the production base is then in the Bangpoo Industrial Estate, with cooperation given to all sides of government and private sectors. Cooperation is given by strictly adhering to related conditions and regulations regarding Safety, Occupational Health and Environment. The company hires a professional company to handle wastes and pollutants.

The company is aware of the dangers of improper use of chemical and misuse products and types, and has thus always undertaken to provide knowledge to all parties. It has also undertaken research to find products that least effect the environment while at the same time effectively increase production for farmers.

Government Agencies : The company focus on the government agencies by follow and abide by rules and regulations as they are considered factors supporting smooth businesses in accordance with policy, guidance, rules and regulations. The company has coordinated to exchange information with officers concerned regularly on an appropriate and transparent basis in order to build good relationships with government agencies .



Social : The company is attentive to social activities on a regular basis by shifting the distribution of assistance and supports as appropriate to build a good relationships with the community we are part of.

The company provides complain channel for stakeholders through audit committee by mail to Audit Committee, Pato Chemical Industry Plc. Pato Building, 3388 New Petchburi Rd. Bangkok, Huaykwang, Bangkok 10310, Fax 02 3180367 or e-mail : auditcom.pato@gmail.com

Conflict of interest

- The Board of Directors has received knowledge of items with conflict of interest, and related items. These have come under careful consideration so as to void actions that may pose a conflict of interest, on the other hand promote liberal trade and competition. Besides, stock market regulations concerning the revelation of such items have been adhered to. In 2009, as required by Section 89/14 of the Securities and Exchange Act, all directors and managements are to submit their first report on interest of Directors, Executives to Chairman of Audit committee and Chairman of the Board of Directors to sign for acknowledgement. The reports must be submitted for every change. The Company secretary will be responsible for the filing of the report.

Investor Relations

The Board of Directors places importance on presenting correct, complete, transparent and thorough information in financial reports and in the presentation of general information, as well as vital information concerning company assets. The various information is disseminated via stock market channels and communications. The company has not yet established an investor relations work unit , but has assigned Mrs. Parichart Manuthasna, the Office Manager and Company Secretary, to undertake contacts with institutional investors, shareholders and as well as analysts and related government sectors. Investors can contact for more information at Tel 0-2318-0360-9 ext 118 or e-mail : pato2@cscoms.com ; mailbox@patochemical.com

Work ethics

The company has come out with a written code of ethics for the Board of Directors and employees, to serve as a guideline for those concerned in executing their duties with honesty. The company also holds staff meetings on a regular basis. Please visit our website www.patochemical.com for more details.



Board of Directors report

The company's Board of Directors is responsible for the balance sheet of the company, and for financial information appearing in the annual report. The said balance sheet is prepared under an accounting standard certified throughout Thailand, with an appropriate accounting balance that has been practiced on a regular basis chosen, and prepared with utmost consideration and estimation. Sufficient key financial information is also provided in remarks included in the balance sheet. The board of directors has prepared the evaluation form to evaluate the board of directors' operations in order to set guidelines to achieve concrete effectiveness.

The Board of Directors has seen to it that effective internal control system is maintained, so that there is good reasonable confidence that the recorded financial information is correct, complete and sufficient enough to maintain assets and to be aware of weak spots in order to prevent corrupt or dubious practices. The audit committee and managing directors have done the evaluation test of sufficiency in internal control and assigned an independent internal auditor to summarize the evaluation in order to receive advices on necessary adjustments.

For this reason, the company's Board of Directors has appointed an Audit Committee which comprises Directors not dealing in management and who are responsible for quality of financial reports and internal control. The views of the Audit Committee on these matters appears in the report by the Audit Committee, which is shown in the annual report.

The Board of Directors views that the company's overall internal control system is at a satisfactory level and is able to create good reasonable confidence in the consolidated balance sheet for the company as at December 31, 2013.

(Mr. Metha Trillit)

President



10. Corporate Social Responsibility

CSR Report

Thailand is recognized as an agricultural country, despite the fact that the agricultural sector does not take the major role to generate incomes to the country. However the agricultural sector has still played an important role to feed the nation, and also yield the national incomes through export. Over the past, several countries worldwide have been trying to increase their farming areas in order to cultivate more. Even the countries which were unable to farm have also tried to lease cultivated lands of other countries for this purpose. Consequently, it can be said that the farming sector is significantly important role. Besides, the Thai agricultural sector has been expanding the lines of produces to include other economic plants in order to meet the domestic and international market's demands, i.e. not only two-three major produces, Thai agricultural sector has focused on more than rice, for example, cassava, rubber trees, palms, oil, sugar canes, corns, tobacco, peanuts and soybeans.

The things that Thai agriculturists have to bear in mind are "how to cultivate more to the point that they want without expanding the farming land". To protect their produces from insects, pests, weeds and other plant diseases in order to gain more yields per rai is what the agriculturists keep in mind.

Pato Chemical Industry PCL has imported both finished products and Technical Grade chemicals for their own manufacturing process, contrary to other similar companies, especially those international ones who have opted for imports of finished products. The Company has also laid down the policy to import the Technical Grade materials as much as possible as having considered that the Technical Grade chemicals can be formulated for their own manufacturing process and this would cut down the production cost and help promote the domestic income distribution since other chemical elements, including packaging materials can be supplied domestically. The most important thing is that the Company can monitor and control the quality of the products better than the imported finished ones. Definitely, this will bring about big advantages to Thai farmers and agriculturists as they can access to the good quality agricultural products with the lower price and cut down the farming cost. Consequently, the past 30-year history of the company's operation have been secured by the reliability and trust of Thai agriculturists until today.

Nevertheless, the Company has still kept forwarding to develop their environmental-friendly products, and commit themselves to enhance the agricultural understanding and knowledge through training on how to use the products to reduce the toxic residues. This is sustainably beneficial to the farmers and the consumers, including the resources which are brought for the product manufacturing.



10.1 Corporate Social Responsibility Policy

Pato Chemical Industry Co., Ltd. (Thailand) is a part of society, thus the importance of doing business with social, community and environmental awareness is to be concerned for sustainable growth and achievement of recognition. To encourage the directors, managements and employees to the same directions, the company takes into consideration, the Corporate Social Responsibility and set the policies as follows :

1. To raise awareness of all employees the realization of social responsibility and take into account the promotion of social responsibility through corporate governance and internal control.
2. To create enterprise value focusing on activities that are correct and honest and take into account the meaningful existence of the company. The implementation of the policies, the company takes into account the well-balanced and prioritized rights of all stakeholders including employees, customers, competitors, commercial creditors, environment and society. So all parties are satisfied and contribute to the sustainability.

10.2 Preparation of CSR Report

The Company has prepared the CSR report in line with the framework of CSR guidelines outlined by SET. The report will be included in the Company's annual report and reflect what they have planned and actually performed. Pato Chemical Industry PCL has committed themselves on the vision "Supply good quality products with fair price to Thai farmers, secure in the performance stability with the engagement of social and environment responsibility". Consequently, the Company has set out the business guidance to observe the following 8 principles of social responsibility:

(1) Doing business with Fairness

Board of Directors has a policy to treat their business partners with fairness and honesty, and therefore establishes the principles below:

- Avoid any business or operations which may lead to the conflict of interest.
- Promote the freedom of fair competition and avoid favoritism treatment.
- Support the protection of intellectual property or patents.
- Establish the preventive measures to ward off bribery and corruption, by setting up the rectification process, as well as the monitoring function and penalty.
- Promote the anti-corruption campaign among the executives and staff.
- The company has remained the political neutrality and never taken a part or contributed funds to any political party directly or indirectly, as they have considered that the political stances are individual and not involved corporate responsibility.

(2) Anti-Corruption

Corruption in Thailand is recognized throughout the world and Thailand is ranked for corruption problem in the primary. The problem affects the image and standard of living of Thai people as a whole for instance :

1. Public resources may turn to someone own illegally and unethically.
2. Distortion of resources use and as a result, public do not receive full benefits from funds spent on the projects such as poor quality road or constructions which lead to a shorter working life than it seems, or people receive poor service.
3. Politicians may take opportunity to monopolize, not promoting effective and fair competition and result in weak and unprogressive organization.
4. The youth and public will value wealth achieved by the fraud. Small mistake, privilege for own benefit will become common and done by everyone. People will not believe in morals and ethics and lead to exploitation, rules and disciplines breaking, and the lack of common sense to do for public.

The Company has set anti-corruption policy and anti-participation to protect ourselves from being involved in any kind of corruptions. Shareholders will be able to learn more about this issue under article no. 10.5 below.

(3) Respect on Human Right

The Company has supported and respected a human right protection and honor individual dignity. The company has put against the coercive and child labor by promoting the observance of the international human right codes and morality in order to secure the social tranquility.

In addition, the employee recruitment has not been decided by inborn and physical character traits i.e. race, gender and religion, but judged on the real competency and virtue.

(4) Attainment to the goal of fair treatment to laborers.

The Company has secured the protection of employment by observing the fair employment codes of conducts as follows:

1. Put the priority on the safety and sanitation by arranging appropriate occupational health and safety on working.
2. Provide skills and training to enhance the employee's competency and render career opportunity.
3. Return appropriate remuneration to reflect the workloads and job entity.
4. Set out the pledge and complaint process appropriately.
5. Provide appropriate benefit welfare.
6. Create balance of working life and family well-being.



7. Prevent from unfair treatment or disciplinary punishment to the employees who honestly work.
8. Seek for discussions/cooperation between employer and employee for solutions and respect employees' opinions.
9. Develop and instill morals and ethics.
10. Offer employment to the disabled to return the benefits to the society.

(5) Responsibility for Consumers

The following principles are observed:

- Manufacture the good quality products which have been trusted by Thai farmers over 30 years. The products will give an efficient and safe result, when the consumers follow the safety directions given on the label.
- Provide correct and sufficient information to the consumers without propaganda by navigating easily-understood instructions which include the safety handling with the users who are affected by the toxic chemical, and how to manage the storage and disposal.
- Raise awareness among the consumers and manufacturers to recognize the importance of using the products with the least harm to the environment.
- Develop the products to give the optimum benefits in an environmentally responsible way i.e. supplying environmental-friendly products with least toxic residues.

(6) Responsibility for Environment

- Deploy the standard technology and manufacturing process by keeping in mind to minimize the waste amount which has been undergone the treatment.
- Consume the resources in an efficient way by setting out energy-saving and recycling policies.
- Develop more lines of environmental-friendly products.
- Prepare for a contingency plan to handle the environmental rehabilitation.

(7) Cooperation with Society and Community

- Arrange social responsibility activities to fulfill the society and community development.
- Maintain the pleasant surrounding environments in communities.
- Render supports to the society and communities to access to the fundamental infrastructure i.e. building schools through the functions of universities' volunteer rural development camps.

(8) Development /Sharing of Society, Environment & Interest Party-Responsible Innovations

The Company has increased the product lines with low toxic residues and no harm to farmers. Having started from the registration of the hazardous chemical for agricultural use, the Company has to prepare for the academic information/data about the products and submit them to the Department of Agriculture. In the



meantime, the standard laboratory test is required carrying out to find out the level of chemical residues. For this process, the Company dispatches the sample of the products to the international laboratory in U.K. to ensure the lab result, and submit it to the Department of Agriculture. Then the expertise will conduct a test use of the product on the variety of plants to recognize the efficiency of the products and appropriate dose of use which is the best for Thai plants. This process shall take more than 1 year to fulfill.

CSR Activities in Process

The Company has lined up CSR activities by taking every concerned party's interest into account. Some projects have been arranged continuously.

Project of Excellent Performance, Dividend Shares for Investors

The Company has recognized the importance of a good governance and transparent management with professionalism to secure the stability of business. As a result of continuous efforts, the Company has been selected by the Stock Exchange of Thailand as the Outstanding Performance Award in 2010 and 2011. However, as the consequence of the new Hazardous Chemical Act, the Company sustained some operational impacts as they were required to start the registration process of the hazardous chemicals, as the existing registration of import, manufacturing and possession had been annulled under the new Act. Nevertheless, the Company could successfully survive throughout the crisis and manage the business to return the dividends to the shareholders continually.

Dividend Payout Ratio from 2009-2013

Year	Earning Per Share (Baht)	Dividend Paid Per Share (Baht)	Payout Ratio %	Total Dividend Paid (Mil Baht)
2009	1.12	0.95	84.82	133.00
2010	1.31	1.12	85.49	156.80
2011	1.23	1.08	87.80	151.20
2012	0.61	0.60	98.36	84.00
2013	0.96	0.92	95.95	128.80

Project of Safety Products to Farmers and Environment

DOA has approved products of low toxic residue to PATO as follows :

At the end of 2012, Isoprothiolane 41.76% EC. (Fuji-One), from Japan, which can be used as an element for herbicide to destroy plant diseases i.e.; Rice Blast Disease

In 2013, the Company obtained the permit to register the import and manufacture the following icals:

- Bispyribac-Sodium 20% WP, from China, used for destroying weeds in paddy fields i.e. jungle rice,



birdsrice, wrinkle duck-beak, broadleaf weeds i.e; Gooseweed, Sedge i.e : umbrella sedge, small flower umbrella sedge, and tall fringe rush.

- Fenpyroximate 5% W/V EC. (Ortus), from Japan, used for killing mites in plantation of durian, rambutan and longan and Kansawai spider mite in rose garden.

Project of Efficient Use of Resources

The Company has promoted the recycling process i.e. re-using paper, turning off air-conditioning system and lighting during the lunch breaks or unoccupied office space, taking stairs, taking car pools, etc. Though the project did not give much quantitative result, but helped instill the recycling mindset and behaviors in the employees who would treat the same at their home.

Project of No Accident in Work Place

As the Company is required to submit the accident report to the Department of Labor Protection and Welfare on quarter basis, they have taken actions to reduce the number of accidents in the work place. As a result, the number of accidents was low and no serious accidents took place.

Project of Profit Rebates to Customers

The Company has set out the policy to strengthen relations with the customers by implementing the following conducts:

1. Communicate with customers honestly and sincerely.
2. Provide speedy delivery service.
3. Facilitate easy access to the sales staff and welcome negotiation and bargaining with special business promotion.
4. Recognize the importance of representative customers and focus on the retail business instead of the wholesale one in order to eliminate the problem of “big fish hunt small fish”
5. For the products which have been put on shelves over the lengthy period of time, or disqualified, discolored or their labels are damaged by termites, the Company is welcomed to send the new of shipment.
6. The Company has realized the importance on honoring the promise which they have given to the customers.

What's more is that the Company has availed themselves for the profit rebates given to the customer at the year end. It is found that the customers have preferred the profit rebates than the tour arrangement or New Year gift offering. Consequently, the customers are willing to sell more the goods, and the Company can cut down the advertisement budgets. This project has been successful and made the customers place their royalty to the Company for more than 30 years.

**Project of Beautiful Cloth for Farmers**

The Company had studied what the farmers have admired and came to a conclusion that Thai farmers have preferred the check shirt than anything. Therefore, the Company had a shirt vendor supplied good quality check shirts which were used as premium freebies for the company products. At present, around 200,000 shirts have been distributed to Thai farmers nationwide and it was pleased that the shirts were well used by the farmers.

Project of Hazardous Waste Reduction

As a manufacturer of agricultural products, the Company has to manage the hazardous waste after the production process. However the Company has formulated, manufactured and done the packaging process by themselves, there were a small amount of waste after all since the raw chemicals have been used up in the process except for the accidental spillage. Decrease in the number of accident also helped reduce the waste amounts.

In addition, the reduction in packaging materials is recognized as waste management, the Company has set out the policy to recycle the packaging of both drums and glass bottles.

The Company has also established the operational procedures and guidelines to handle with the hazardous waste which will be undergone the treatment process and forwarded to the experienced treatment company to dispose the waste properly. The Company has recorded, in writing, the report of waste amount which was sent out for the treatment process as documentary evidence.

Project of Same Family

The Company has committed themselves to create and enhance the affections and unity in the workplace to strengthen the teamwork spirits among the employees and management team. The company parties and trips have been arranged by including the employees' family members without cost. The company regulations become flexible as appropriate where everyone accepts. The examples of these successful activities included:

In 2012 and 2013, there was a staff that suffered from illness and required longer than 6 month leave for health recovery as stated in the medical certificate. The Company relaxed the regulation's restrictions on sick leave. The ill staff has been taken care by colleagues; meanwhile, the Company did not neglect and allowed a special sick leave with salary payment as having realized that the staff shouldered the financial burden to support their family. At the same time, the Company managed the short-staffed problem by employing internship students and assigning the existing staff to take care of the works until the sick staff fully recovered their health and returned to work.



1. When the schools are closed, the employees' siblings, nephews or nieces are allowed to work on internship program to support their families, explore the new working experiences and spend their time in more creative and useful way.
2. Earlier, the Company was affected by termination of registration of import, manufacture and possession of the chemical under the new Hazardous Chemical Act. Some staff was discouraged by the situation. Therefore, the Company issued ESOP warrants for the employees in order to raise their spirits as detailed below:

As per the Extraordinary Shareholders' Meeting no. 1/2012, the meeting adopted the conclusion that the issuance of ESOP warrants of 2,800,000 units in total would be allotted to the staff members with free of charge with the exercise ration: 1 unit per 1 ordinary share at the price of THB 8.20. The warrants shall be valid 3 years after the issuance date. The holders of ESOP warrant shall have right to convert the warrants to the Company's ordinary shares for 4 times; namely, March, June, September and December 2015.

The first allotment of ESOP was made on January 2, 2013 and the first exercise of the convert will be March 2015

Project of Health Promotion

The annual medical check-up has been provided to all employees. The health and personal accident insurance schemes have been applied for everyone, apart from the social security insurance. Use of drugs has been prohibited in the workplace.

10.3 Business Operation and CRS Impact

The Company and its subsidiary have never been investigated or under investigation significantly by the authority to have violated the rules regarding the above 8 principles.

10.4 CSR Activities after Process

Projects of Development of Dream Schools

In the past, the Company had surveyed small schools surrounding the H.O. and found that most of them were supported by Bangkok Metropolitan Administration and received sufficient funds for school development. However, it was found that Wat Uthatharam Primary School was under the Office of Basic Education Commission, and offered the Grade 1 – 6 educations. The school were supported the funds from the government by headcount of students. At the time of survey, there were only 120 students; therefore, the school was rendered insufficient financial supports for development. Most of students were from poor families. Consequently, the Company had an opportunity to extend financial supports and co-work with the



school's Development Committee Team by procuring educational/sport equipment, providing school meals, renovating the audio-visual education room which had been closed for more than 10 years, supplying computers and offering education funds for the students in need.

As the Company piloted the school development program, more volunteers have joined in activities, for example, renovating the first-aid room, and library, refurbishing computer room, sport field and rebuilding the boundary walls. After that the school requested the development funds from the government to renovate the school building. At present, there are 300 students at this school.

Earlier, there was no English teacher as the school. The Company's employees volunteered to teach English to the students during the lunch time which was a studying period. Sometimes, English tutoring classes were arranged on Saturdays to help the students improve the grade result. At present, though the school can supply budget for English teachers, the volunteers have still continued their supports.

In addition, every year, the Company coordinates to explore a sponsor to arrange a beach trip for the grade-6 students who mostly have never travelled to the sea in order to broaden their view of life experiences.

In 2013, the school has been shortlisted for the public dream school and attended more development funds to improve the quality of schooling.

Project of Cloth Bag Campaign

The shareholder meeting has adopted to provide a pack of rice in a cloth bag as a gift for the employees, in order that they could reuse the cloth bags. The Company has also laid down a policy to offer the cloth bags to the shareholders, staff members and executives every year.

Project of Community Caretaking for Safety

It was found that the public Soi next to the Head Office has poor light and the pilferage have often taken place. The Company has arranged lighting installation and coordinated with Bangkok Metropolitan Administration to install CCTV to strengthen daily- life security of the commuters.

Project of Sponsorship of University's Rural Development Camp

The Company has recognized the importance to raise awareness among the youth to lift up their volunteering minds and generosity to the society, and to spend their leisure time in an appropriate way. The Company has sponsored the rural development camp of various universities. In the past year, the Company selected to sponsor the volunteer development camp of the King Mongkut's University of Technology Thonburi and the Faculty of Economics, Chulalongkorn University to build and renovate the school infrastructure in the isolated rural areas.



Donations in 2013

Education funds were given to Science Faculty of Kasetsart University

Education funds were given to Engineering Foundation and Alumni of Post Graduate, Mahidol University.

Education funds were given to Economics Faculty, Chulalongkorn University

Education funds were provided to the children in need, with the cooperation of Khemchai Rasanon Foundation.

Shelves equipped with King honored books were donated to the schools in the isolated areas.

Sponsorship of social activities was provided under the cooperation with Samutprakarn Chamber of Commerce.

The Company has donated to Vajiravej Witayalai Foundation under the King's Patronage and the Kidney Disease Foundation.

In addition, they participated in the religious ceremonies as appropriate.

10.5 Protection against Corruption

The company has set anti-corruption policies as follows :

1. Help reduce the corruption problems from Thai society through good governance and internal audit. Do not provide opportunity for anyone to take advantage of .
2. Educate employees about diligence, honesty, common and public interest.
3. Avoid taking part in any activities that will lead to private and public corruptions.

The internal auditor has full independence under the supervision of the Audit Committee has conducted a risk assessment and has done an internal audit report on the fraud submitted to the Audit Committee for the year 2013 as follows.



The Internal Audit Report on Fraud

The internal audit report on fraud has objective to consider risks from fraud and proper risk management. In considering risks from fraud, these factors are taken into account:

1. Need and motivation – to consider whether the company has a policy or factor to create need or motivation for the fraud.
2. Opportunity – to consider whether the company has structure or process to encourage the fraud.
3. Reason and honesty – to consider factors which affect the reason and honesty of the company's personnel.

The consideration of risk management aims to ensure that the company has three important processes:

1. Preventive – the company has policy or system for internal control to prevent the risk of fraud
2. Detective – the company has channel or process to detect the abnormality in the organization
3. Responsive – the company has clear and strict penalties for those who broke the agreement

From the audit of the company's structure, policy and internal control, it is found that:

1. The company has structure that clearly separates duties for each department.
2. The management has clear policy to prevent internal fraud.
3. The company has efficient internal control system for each department to check each other's work. For example, Sales Department is responsible for sales order while Operation Department is responsible for warehouse control, operation and delivery. When the Sales Department receives the money from customers, the payment will be delivered and monitored by the Accounting Department.
4. The management is personally close to employees so they will know if something is likely to go wrong in the company.
5. So far, there has been no fraud incident in the company.

(Ms. Navaporn Pohthai)

Independent Internal Auditor

**11. Monitoring & Supervision System, Internal Control and Risk Management**

The Company has realized the importance of the effective internal control system at the levels of both executive and operation. Therefore, they have supervised the utilization of the company resources and separated the internal control work from other functions. The external internal auditor has been engaged in order to independently inspect the operations with the balance of monitoring and supervision. In addition, the financial internal control has been established to supervise the financial issues. The concerned issues shall be reported to the in-charge executives and the regulations in writing have been given to be used as operational guidelines. The internal auditing team shall report the audit result directly to the Board of Auditing Committee.

In the meeting of Board of Auditing Committee No. 1/2014 on February 21, 2014, Miss Navaporn Phothai has been designated as the Company's internal auditor for 2014. The Board of Auditing Committee has considered that Miss Navaporn has suitable qualification for this responsibility as she has worked independently in the auditing field, and joined in Pato Chemical Industry PCL for 5 years. The designation, dismissal and transfer of the chief internal auditor shall be considered and approved by the Board of Auditing Committee. The qualification of the internal auditor has been shown in the Attachment No. 3



Report of the Audit Committee

The Audit Committee of Pato Chemical Industry Public Company Limited compose of 3 Independent Directors and Internal Auditor serves as secretary to the Committee.

The duties and responsibilities of the Audit Committee are to review the financial statements to be conformed to the generally accepted accounting principles, to review the effectiveness and adequacy of internal control system, to review the Company's activities to abide by the rules and laws concerned, to give recommendation to the Board of Directors to propose an external auditor to the shareholders' meeting for appointment, and to execute any other duties as assigned by the Board of Directors. The board of directors by the audit committee undertook the hiring of advisor to evaluate risks of all business units of the company and reviewed the internal control relatively with the significant risk level evaluated.

During 2013, the Audit Committee convened 4 meetings with the external auditors, internal auditor, and the managements to review the Company's risk evaluation result, annual audit plan, and the result of internal control to be in compliance with standard set for the mentioned objectives. It also reviewed the Company's financial statements prior to its publication. There has been one meeting where the management do not attend the first part of meeting in order that the audit committee, the external auditors, and the internal auditor will be able to discuss freely and appropriately. The Audit Committee has come to the opinion that fiscal year ended December 31, 2013, the Company has an adequate and appropriate system of internal control covering operational risk. The preparation and disclosures of the financial statements of the Company is also adequate and reliable.

The Audit Committee has presented its recommendation to the Board of Directors to nominate Mr. Pradit Rodloytook or Ms. Nongram Laoha-areedilok from AST Master Co.,Ltd to be the Company's auditor for approval by the shareholders' meeting. The auditors proposed are independent and has no relations or interest with any managements or major shareholders. Annual auditing fee increase from 480,000 baht in 2013 to 530,000 baht without any other fee in 2014.

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(Mr.Lerthai Leelaryonkul)

Chairman of Audit Committee

21 February 2014

**12. Connected Transaction.****Space Rent (1)**

Company	Company	Connected Transaction
Pato Chemical Industry Plc.	Kentex Properties Co.,Ltd	Pato rents office space in Pato Building, which belongs to Kentex Properties Co.,Ltd.

Pato rents office space in Pato Building as per following details :

<i>Location</i>	:	Pato Building, 3388 New Petchburi Road Bangkok, Huay Kwang, Bangkok 10310
<i>Building ownership</i>	:	Kentex Properties Co Ltd (a related company)
<i>Significant Content of the rent contract</i>	:	Pato Chemical Industry Plc rents the first floor of the building with usable space of 230 sq. meter Monthly rental fee is baht 30,000. The contract begins from 1 June 1991 to 31 May 2021. Rental fee is adjustable every 2 years. Each adjustment shall not exceed 25% of the prevailing rental rate.

Note: Both rent contracts indicate that landlord will be responsible for the household and property taxes based on the actual rental fee received. Any other tax and duty including utilities expenses will be responsible by the renter only.

Presently, Pato has been using the space on the first to the third floor totaling 745.82 square meters. The rental fee has been adjusted to 70,000 baht per month since May 2006. There have not been any adjustments for the rental fee so far.

(2)



Company	Company	RPT
Pato Chemical Industry Public Co., Ltd.	Pato Crop Care Co., Ltd.	Pato Crop Care Co.,Ltd. rents space owned by Pato Chemical Industry Plc. as office, manufacturing plant, and warehouse.

Pato Crop Care rent space at the factory of Pato Chemical Industry Plc. as office, manufacturing plant and warehouse as per following details :

<i>Location</i>	:	569/1 Bangpoo Industrial Estate, Soi 12, Patana 13 Road, Praksa, Muang Samutprakarn
<i>Building Ownership</i>	:	Pato Chemical Industry Plc.
<i>Significant Content of the rent contract</i>	:	Pato Crop Care Co., Ltd. rents building no. 5 and 6 for the total area of 1,080 sq. meter with machinery of Pato Chemical Industry Plc. as office, manufacturing plant and warehouse. Monthly rental fee is 50,000 baht for the duration of 3 years' rent, from November 21, 2011- November 22, 2014.

Service Fee

Summary of Service Contracts on Administration and Sales Management

Pato Crop Care Ltd. has been hiring Pato Chemical Industry Plc. to recruit management team or personnel to do the organization administration and product sales management.

- Fee will be calculated equally for administration and sales management on quarterly net sales basis as follows:

1. Net sales from 1 million baht up to 50 million baht subject to 2% each for administration and sales management. (2%+2%)
2. Net sales exceeding 5 million baht up to 50 million baht subject to 1.5% each for administration and sales management. (1.5%+1.5%)
3. Net sales exceed 100 million baht up subject to 1% each for administration and sales management. (1%+1%)

Period - Three years from February 2,2013 – December 31, 2015.