



## Part 2. Management and Corporate Governance

### Share and Shareholders

Pato Chemical Industry has a registered and paid up capital of THB 142,372,000 (One Hundred Forty Two Million Three Hundred and Seventy Two Thousand Baht). There are 142,372,000 shares, valued at THB 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 2013-2018	Thai	5 Million Baht	99.99 %

### Shareholders' Equity of Pato Chemical Industry PCL, as of 31 December 2018

Unit : Thousand Baht

	Amount
Registered Capital	142,372
Paid Up Capital	142,372
Retain Earning	272,442
Legal Reserve	14,238
Shareholder Equity	586,996
Book Value(Per Share)	4.12
Par Value (Per Share)	1.00

### Issuance of other securities

None

### Policy on Dividend Payment

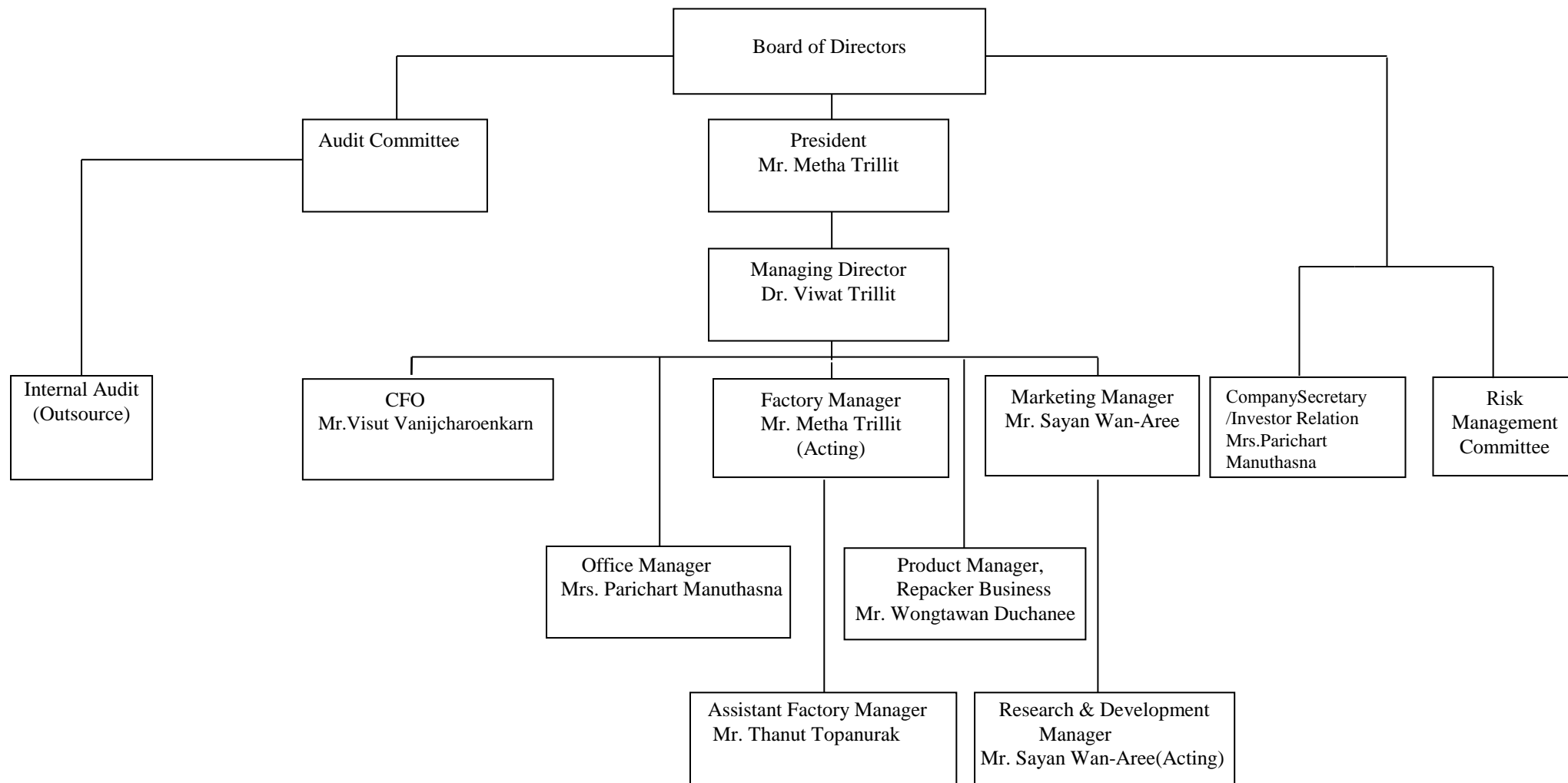
Pato Chemical Industry PCL. and Pato Crop Care expects to pay dividend to shareholders not less than 40% of net profit.

**Dividend Payout Ratio for 2013-2018 Operational Result of Pato Chemical Ind. PCL.**

Year	Earnings Per Share	Dividend per Share Baht	Percentage of Net Profit	Total Dividend Paid Mil. Baht
2013	0.96	0.92	95.95	128.80
2014	0.92	0.92	99.79	128.80
2015	0.71	0.70	99.69	99.66
2016	0.96	0.92	95.40	130.98
2017	1.37	1.23	89.94	175.12
2018	1.11	1.00	90.31	142.37

**Dividend Payout Ratio for 2015-2018 Operational Result of Pato Crop Care Co., Ltd.**

Year	Earnings Per Share	Dividend per Share Baht	Percentage of Net Profit	Total Dividend Paid Mil. Baht
2015	2.86	2.80	98.00	2.80
2016	5.76	5.70	98.96	5.70
2017	6.61	6.50	98.35	6.50
2018	8.33	8.15	97.81	8.15

**Management Structure****Organization Chart of Pato Chemical Industry Public Co., Ltd.**

**Principle 1:**

Establish Clear Leadership Role and Responsibilities of the Board

**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
7. Anti-Corruption

**Principle 1.1**

The board should demonstrate a thorough understanding of its leadership role, assume its responsibilities in overseeing the company, and strengthen good governance, including:

(1) defining visions;

“Supply good quality products with fair price to Thai farmers, secure in the performance stability with the engagement of social and environment responsibility”

(2) determining means to attain the objectives;

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.

(3) monitoring, evaluating, and reporting on performance.



## **Board of Directors report**

### **Responsibility of the Board of Directors over 2018 Financial Statements**

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. The disclosure of sufficient key information, including the auditor's opinion on the internal control system in the financial statements.

The Board of Directors shall supervise the personnel involved in the preparation of information disclosure on their knowledge, skills and experience to be appropriate to the duties and responsibilities with adequate number of such persons including top management, CFO, accountants, Internal auditor, Company Secretary, and Investor Relations.

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.

The Board of Directors promotes to arrange the Management Discussion and Analysis for the quarterly financial statements disclosure, in order to provide investors with better information and understanding of changes in financial position and performance of each quarter.

For these reasons, 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, 2018.

(Mr. Metha Trillit)

President

**Principle 1.2**

To achieve sustainable value creation, the board should exercise its leadership role and pursue the following governance outcomes:

(1) competitiveness and performance with long-term perspective;

The company has well managed to get good performance to win SET AWARDS award for outstanding and best performance for many years.

(2) ethical and responsible business;

The Board of Directors perform as a good model to set the standard for employees by strictly adhering to the Code of Business Conduct and Corporate Governance Policy.

**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.

Stakeholders will be able to learn about Board and Employee ethics may visit our website

<http://www.patochemical.com/en/corporate-governance/ethics/> for more information.

(3) Good corporate citizenship as per CSR report

(4) Corporate resilience.

Society has developed into globalization or the borderless society as a result of progress and development. Information Technology impacts on Thai society on social, economic and political aspects. The company has to adjust itself to survive, which has been done during the past years round. The style and method of adaptation reflect the policies and methods of a visionary management team who understand the condition, reality and implement a prudent policy to maintain or increase market share and this leads to better performance.

**Principle 1.3**

The board ensures that all directors and executives perform their responsibilities in compliance with their fiduciary duties, and that the company operates in accordance with applicable law and standards.

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 by considering relevant regulations, such as The Securities and Exchange Act BE 2535. Decisions are made with honesty and rationality to assume that they are done for maximum benefits of the Company without conflict of interest and are within the scope of power without any actions against the company's benefits in order to build confidence among shareholders and investors.

#### **Principle 1.4**

The board demonstrates a thorough understanding of the division of board and management responsibilities. The board should clearly define the roles and responsibilities of management and monitor management's proper performance of its duties.

The Board of Directors approves a charter and the corporate governance policy that defines the duties and responsibilities of the board and they are regularly reviewed at least once a year to align with the direction of the organization.

#### **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 be responsible for policy formulation and oversight of effective anti-corruption systems so as to make the management realize its importance and implant it as a corporate culture.
4. 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.
5. 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.
6. 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.



7. 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.
8. To scrutinize and approve the annual budget for investment and for business operation of the company.
9. To implement the internal control and internal audit including financial control system, operation and to supervise the performance as well as risk control risk management including corruption risk.
10. 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.
11. 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, an executive or a shareholder in another juristic person of the same nature as and compete with that of the company.
12. 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.
13. The non-executive director, independent committee, auditor, as well as internal auditor hold joint meetings at least once a year to open up an opportunity for various consultancy with freedom and appropriateness. Then the results of the meeting shall be reported to the managing director in case there is any need to make amend regarding the management. It is set at the first Board of Directors' meeting and additional such meeting can be done by informing Company secretary.

#### **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.



6. To establish a system and promote anti-corruption policies and communicate to employees and all parties involved and to review the appropriateness of the system, measures to be in line with the business, regulation and law required.

**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, business ethics, and anti-corruption example.
8. To follow up the anti-corruption measures taken from the Internal Auditor and report to the Audit Committee and the Board regularly.
9. To hold positions of managing director of no more than two companies and the other company must not be a business rival to the company in order to ensure maximum administrative efficiency.

**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. This includes appropriateness and adequacy of potential corruption risks.
- (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, nominate or terminate 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 attend a meeting with the external auditors without participation of management at least once a year.

(6) 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;

(7) 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:

(7.1) an opinion on the accuracy, completeness and creditability of the Company's financial report,

(7.2) an opinion on the adequacy of the Company's internal control system, and propose to the Board of Directors for the appointment and removal of the Chief Internal Auditor,

(7.3) 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,

(7.4) an opinion on the suitability of an auditor,

(7.5) an opinion on the transactions that may lead to conflicts of interests,

(7.6) the number of the audit committee meetings, and the attendance of such meetings by each committee member,

(7.7) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and

(7.8) 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

(8) to perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

## **Principle 2:**

### **Define Objectives that Promote Sustainable Value Creation**

#### **Principle 2.1**

The board defines objectives that promote sustainable value creation and governance outcomes as a framework for the operation of the company as follows :



## 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. The company's vision, mission and strategy have been reviewed and sought for approval every year. By this way, the company will be able to adapt to the change through various risks analyzation, impact findings in order to make decisions, to operate in the same direction, to make the business growth, and to create value for the business along with all stakeholders and the society as a whole.

## Objective

“Supply good quality products with fair price to Thai farmers, secure in the performance stability with the engagement of social and environment responsibility”

## Principle 2.2

The board should ensure that the company's annual and medium-term objectives, goals, strategies, and plans are consistent with the long-term objectives, while utilising innovation and technology effectively.

## Long-Term Achievements:

**The company has set long-term achievements are as follows:**

- Become a quality manufacturer and distributor of chemical agricultural products in an international level with appropriate innovation and technology that is harmless to the environment and fair to the buyers.
- Maintain the leadership of manufacturing and merchandising chemical agricultural products related to rice fields and minimize the business risk through diversification to capture other chemical agriculture market covering farm crops, fruits, ornamental plants, and vegetables.
- Sustain the growth rate of no less than 8% per annum with every-year higher dividend yield given than other average companies listed in the stock market.
- Target sales reach 1,000 million baht by 2023

**Principle 3:****Strengthen Board Effectiveness**Principle 3.1

The board should be responsible for determining and reviewing the board structure, in terms of size, composition, and the proportion of independent directors so as to ensure its leadership role in achieving the company's objectives. The Board of Directors consists of a number of qualified directors in the area of skills experience, expertise, gender and age to achieve the organization's goals. At least one non-executive director has experience in the business.

The Board of Directors as of December 31, 2018 are as follows:

<b>Name</b>	<b>Position</b>	<b>Holding office from</b>
1. Mr. Metha Trillit	Chairman/President	April 24, 2018
2. Dr. Viwat Trillit	Managing Director /Chairman of Risk Committee	April 25, 2017
3. Mrs. Wantana Pojanalai	Director	April 24, 2018
4. Mr. Chaovut Pojanalai	Director	April 25, 2018
5. Mr. Suvit Wesaratchawest	Director	April 24, 2018
6. Mr. Surachai Choengvivatkit	Director	April 25, 2017
7. Ms. Ratchanee Trillit	Director	April 25, 2017
8. Mr. Sahai Supsoontornkul	Independent Director	April 22, 2016
9. Mr. Lertchai Leelayonkul	Independent Director / Chairman of Audit Committee/Risk Committee	April 22, 2016
10. Mr. Chaiwat Chandarasrivongs	Independent Director / Audit Committee Member /Risk Committee	April 22, 2016
11. Dr. Chongrak Prichanont	Independent Director / Audit Committee Member/ Risk Committee	April 22, 2016

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.

**Managements as of December 31, 2018 are as follows**

<b>Name</b>	<b>Position</b>
1. Mr. Metha Trillit	President/ Acting Factory Manager
2. Dr. Viwat Trillit	Managing Director Chairman of Risk Committee
3. Mr. Visut Vanijcharoenkarn	CFO/ Risk Committee
4. Mr. Sayan Wan-Aree	Marketing Manager/Acting R&D Manager/Risk Committee
5. Mr. Wongtawan Duchanee	Product Manager-Repacker Business
6. Mrs. Parichart Manuthasna	Office Manager/Company Secretary/Risk Committee/IR

**Principle 3.2**

The board selects an appropriate person as the chairman and ensure that the board composition serves the best interest of the company, enabling the board to make its decisions as a result of exercising independent judgement on corporate affairs.

The Chairman of the Board of Directors comes from the major shareholder group which holds 35.18% of total shares. He has been in this business for quite a long time with beneficial experiences to the company. 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 chairman of the Audit committee who is the independent director also requested to consider board agenda.

**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, monitor, and ensure that the board efficiently carries out its duties to achieve the company's objective.
3. To ensure that all directors contribute to the company's ethical culture and good corporate governance.
4. To set the meeting agenda by discussing with managing director which important matter should be included.
5. To allocate sufficient time for management to propose topics and for directors to debate important matters should be included.
6. To promote culture of openness and debate through ensuring constructive relations between executive



and non- executive directors, and between the board and management.

7. To sign the document in accordance with the regulations and company's requirements.

8. 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.

**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. Suvit Wesaratchawest
- Mr. Chaovut Pojanalai
- Mr. Surachai Cheongwiwatkit
- Ms. Ratchanee Trillit
- Mr. Sahai Supsoontornkul (Independent Director)

3 Members 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

The Company has not yet been able to set term of independent director for up to 9 years, since the agro-chemical industry needs people who actually understand the company's business, which is quite complicated. The company is a formulator of various and seasonal agricultural chemicals for a variety of crops. The raw materials are hazardous substances that must be registered, produced, imported and sold under licenses from the Department of Agriculture, Department of Livestock, Commissioner of Food and Drug. Though the Independent directors hold their position for many terms, they still perform and make decision independently for the utmost benefits of the Company and shareholders.

Moreover, the agrochemical business is viewed by the general public as the one of the causes for destroying environment and harming farmers. In fact, agrochemicals are comparable to medicines for plants,

which same as medicines to heal human beings from various life threatening diseases. In the case of incorrect administration of drugs to patients such as misuse or overuse medicines would result in negative impacts as well as agrochemicals. The proper use of agrochemicals according to the methods, doses and time period with plants and diseases will help to protect the plants from insects, pests and this will increase the quality of the crops and leave no toxic residue to the environment. Therefore, independent committee of the company, in addition to having to understand the business, must have a positive attitude toward the agrochemical business.

Even though, the Independent Committee has hold the position for a long time, they strongly believe in independent decision making for the maximum benefits of the Company and its shareholders.

The Board of Directors oversees the disclosure the roles and duties of the Board of Directors and subcommittees in accordance with Principle 1.4. The number of meetings and the number of times of each director attended the meeting are shown in Principle 3.5.

### Principle 3.3

The board should ensure that the policy and procedures for the selection and nomination of directors are clear and transparent resulting in the desired composition of the board.

### **Appointment of Directors**

- 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. The board should have come from a variety of professions, gender, age, and experiences (Board Diversity) to empower the organization with their various knowledge. List of nominees will then be proposed to shareholders for consideration and appointment in the annual general meeting of shareholders.
- Shareholder(s) collectively holding shares amounting to at least 5% 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.

### Principle 3.4

When proposing director remuneration to the shareholders' meeting for approval, the board should consider whether the remuneration structure is appropriate for the directors' respective roles and responsibilities, linked to their individual and company performance, and provide incentives for the board to



lead the company in meeting its objectives, both in the short and long term.

### 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 2018 shareholders' meeting as follows:

Financial remuneration :

- The Board of directors of 11 persons received meeting allowances at 9,000 Baht/meeting.

Chairman of audit committee' remuneration 31,000 Baht/month totaling 372,000 baht.

Member of audit committee's remuneration 13,000 Baht/month totaling 156,000 baht per person.

Meeting Allowance for audit committee members at 5,000 Baht/meeting

Signatory Director, Mr. Wantana Pojanalai's remuneration 19,000 Baht/month totaling 228,000

Baht. Total remuneration for 11 directors in 2018 was 1,501,000 Baht

Name	Position	Remuneration in 2018
1. Mr. Metha Trillit	Chairman	36,000 Baht
2. Dr. Viwat Trillit	Managing Director/Chairman of Risk Management Committee	36,000 Baht
3. Mrs. Wantana Pojanalai	Director	264,000 Baht
4. Mr. Chaovut Pojanalai	Director	36,000 Baht
5. Mr. Suvit Wesarachawest	Director	27,000 Baht
6. Mr. Surachai Choengvivatkit	Director	27,000 Baht
7. Ms. Ratchanee Trillit	Director	36,000 Baht
8. Mr. Sahai Supsoontornkul	Independent Director	192,000 Baht
9. Mr. Lertchai Leelayonkul	Independent Director/ Chairman of Audit Committee/Risk Committee	428,000 Baht
10. Mr. Chaiwat Chandarasrivongs	Independent Director/Audit Committee /Risk Committee	212,000 Baht
11. Dr. Chongrak Prichanont	Independent Director/Audit Committee /Risk Committee	207,000 Baht

### Principle 3.5

The board should ensure that all directors are properly accountable for their duties, responsibilities and (in-) actions, and allocate sufficient time to discharge their duties and responsibilities effectively.

For flexibility and dedication to their responsibilities, the Board of Directors, has set a rule for directors to be appointed as director of other listed company for a maximum of 5 companies. The Managing Director is an exception, in order to be able to devote time to manage fully and efficiently, the Board of Directors, therefore, has set a policy and procedures in order to comply with good corporate governance principles, the Managing Director has the duty to report and disclose information about the company name, type of business, and position to the Board of Directors for consideration and approval before entering the position of such companies at least 3 months in advance. The number of companies is limited to 2 listed companies. Subsidiary or affiliated companies are not included as it is necessary for the managing director to supervise and manage to protect the interests of the company.

The board ensures that the company's policy prohibit and prevent director from creating conflict of interest with the company, including by using the company's asset, information or opportunities for his or her own benefit as a result of having or taking a director or management position, or having or creating vested interests, both directly and indirectly, in other companies. Information about a directors' other directorship should be reported to shareholders as appropriate.

Directors are required to report to Company Secretary for any information concerning directorship or executive in other company and this will be reported to the Board of Directors for acknowledgement. Currently, there is no director or managing director is appointed as board member of any listed company.

Each director shall attend the meeting of not less than 75% of total meetings annually.

**The Board of Directors meeting**

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

**Principle 3.6**

The board ensures that the company's governance framework and policies extend to and are accepted by subsidiaries and other businesses in which it has a significant investment as appropriate.

**The governance of the subsidiary's operations**

Pato Chemical Industry Public Company Limited holds 99.99% 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. PCC uses the same auditor as PATO.

**Principle 3.7**

The board conducts a formal annual performance evaluation of the board, its committees, and each individual director. The evaluation results should be used to strengthen the effectiveness of the board.

**Board of Directors Self-Assessment**

The Board of Directors has been evaluated as a collective body and individually 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.

The company used a board self-assessment (brief) to self-evaluate the sub-committees and the self-assessment questionnaire for individual evaluation following SET's guideline. The assessment criteria comes with percentile scales where :

Above 90% = Excellent      Above 80% = Very Good , Above 70% = Good

50% = Fair,      Under 50% = Need improvements

The score will be used as a framework for monitoring the performance of the Board of Directors to ensure that the Board has implemented as per Corporate Governance policy approved and/or in accordance with the Good Practices in order to improve the performance of the Board of Directors in line with the established policy and to review the problems and obstacles that occurred during the year. The evaluation process of the entire board / sub-committee/ individual is as follows.

- 1) The Board of Directors reviews and approves the evaluation form to ensure accuracy and completeness and in accordance with the criteria that the regulators view and define.
- 2) The Company Secretary send the self-evaluation form to each Directors and collect back.
- 3) The Company Secretary summarizes and analyzes of the performance evaluation of the Board of Directors and report the results to the Board of Directors for acknowledgement. The analytical results and additional comments from directors will be used for plan improvement.

Criteria used in the performance of the entire board / sub-committee / individual, covering the following content:

Evaluation Subject	Entire Board	Sub-Committee	Individual
Structure and Qualification of Director	✓	✓	✓
Board Meeting	✓	✓	✓
Role/Duty/Responsibility of Directors	✓	✓	✓
Relation of Directors and Management	✓		
Development of Directors	✓		

The company's secretary collected the assessment for analysis then reported the result to the board. The result indicated that in 2018, the assessment score came over 80% in all dimensions which means very good.

### Principle 3.8

The board ensures that the board and each individual director understand their roles and responsibilities, the



nature of the business, the company's operations, relevant law and standards and other applicable obligations. The board should support all directors in updating and refreshing their skills and knowledge necessary to carry out their roles on the board and board committees.

### **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.

### **Board of Directors Development**

The company sponsors the board of directors to join trainings related to roles and responsibility awareness in accordance with good governance principle.

- All directors are trained to understand the basics of Corruption and Fraud by Speakers from the Office of the National Counter Corruption Commission (NCC).
- All directors have studied, understood, and approved a handbook for directors, executives, and employees on Anti-Corruption Measures.

During the year of 2018, the following board members have been trained :

Dr. Viwat Trillit and Ms. Ratchanee Trillit attended a seminar "The Journey of Family Business"

- Currently, there are nine board members who are enrolling in Director Accreditation Program (DAP) and two additional board members are pursuing the Director Certification Program (DCP).

### Principle 3.9

The board ensures that it can perform its duties effectively and have access to accurate, relevant and timely information. The board should appoint a company secretary with necessary qualifications, knowledge, skills and experience to support the board in performing its duties.

The Board of Directors generally holds a meeting on a quarterly basis with advanced schedule set every year. Special additional sessions can be hold 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 2018, the Board of Directors held 4 regular meetings, 4 A/C meetings, 1



risk committee meeting and 1 AGM.

While there is no meeting, directors can contact the management for a report of the company performance so that it can monitor management and company performance continuously and promptly.

The company has set a policy of minimum quorum and number of committee of at least two third of the entire board present for voting procedure .

At the first Board Meeting and Audit Committee meeting of the year, the non-executive directors shall conduct the meetings without the executive directors or management attend the meeting. So they can consult and find guidelines independently and transparently. They shall also evaluate the work of the Managing Director and report to the Company Secretary before going to the full board or committee meeting. The non-executive directors and the Audit Committee may ask for an increase in number of meetings without the executive directors or management by informing their requirement to the Company Secretary.

The minutes of the meeting have been record and endorsed by directors, so they can be checked related parties.

### **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 Chulalongkorn University, sponsored by Stock Exchange of Thailand and Thai Company Secretary Club. Besides, the company's Secretary has been attending various trainings to develop her knowledge for the programs related consistently and regularly. In 2017, company secretary attended following seminars and workshops ;

- "Roles of the Company Secretary to promote CG in the Company"
- "Disclosure according to new CG Code "
- "Enhancing Good Corporate Governance Based on CGR Scorecard"
- "Guidelines of Disclosure by CG Code -Apply or Explain"
- New Issuer Portal
- Tutoring for AGM 100 scores

#### **Principle 4:**

Ensure Effective CEO and People Management

##### **Principle 4.1**

The board should ensure that a proper mechanism is in place for the nomination and development of the chief executive officer and key executives to ensure that they possess the knowledge, skills, experience, and characteristics necessary for the company to achieve its objectives.

#### **Senior Executive Recruitment**

1. Set qualification for candidates on experiences, knowledge and skills that benefit the company and being honest, committing to anti-corruption policy and having qualification that do not conflict with the laws and regulations of the company.
2. Promote continuous development and education of the key executives with beneficial knowledges for the company
3. Select potential staff to be promoted and support with appropriate curriculum in preparation for higher level executive development.
4. Nominate qualified and potential candidates to the board of the directors for consideration and approval.
3. Propose a succession plan of a managing director to the board of directors for approval.



**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.

**Principle 4.2**

The board should ensure that an appropriate compensation structure and performance evaluation are in place.

Remuneration for executives is in accordance with the principles and policies set by the Board of Directors, which is linked to the performance of the company and the performance of each executive and according to the industry group.

In 2012, the company issued ESOP to management and employees as motivation to work with the company during crisis.

**Managing Director Performance Evaluation**

Board members who are not holding executive positions and the independent committee evaluate the managing director's performance at the first Board Meeting of every year. Each quarter, the managing director proposes a management strategy, announces the performance of previous quarter, reports successes, problems, and obstacles, analyzes financial ratio, reports financial status, elaborate his vision, project future planning, as well as provides update on strategic planning modification to encountering problems and obstacles to ensure company's mission accomplishments. From the past, Dr. Viwat Trillit has always been trusted by the board for his services to extend the term of the managing director position.

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.

6 executives received 9,603,511.91 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 2018, the company has contributed funds for the 6 executives totaled 295,800 baht.

**Personnel**

The company pays remuneration to employees, including salary, overtime, diligence allowance,



living allowance, bonus, social security, bonus, and the provident fund. The company has a recruitment process which includes selection, evaluation, compensation, as well as promotion by determining the following indicators: qualifications, diligence, and honesty. In addition to the efficiency and effectiveness of each position are considered in order to reflect the company's commitment to anti-corruption measures.

Subsidiary company applies remuneration and rules of the parent company.

There are 145 employees in 2018, the company paid compensation to employees totaled 61,887,924.- 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	2017		2018	
	PATO	PCC	PATO	PCC
Operations (People)	99	6	96	6
Head Office Employees (People)	43	-	43	-
Managements (People)	6	-	6	-
Total	148	6	145	6
Remuneration	69,177,736	1,205,005	61,887,924	1,946,879

#### Principle 4.3

The board considers its responsibilities in the context of the company's shareholder structure and relationships, which may impact the management and operation of the company.

All directors understand that the company has grown from family business. The directors come from family representatives according to the principle that the shareholder has the rights of ownership by controlling the company through the appointment of the board of directors to act on their behalf and the rights to make a decision regarding to the major changes in the company. However, the company has the independent committee that can monitor the performance of its directors as well as ensure that the disclosed information is transparent and complete. The company also encourages its shareholders to exercise their rights to attend the meetings and to allow the shareholders to propose the agenda and the list of directors for consideration at the annual general meeting.

#### Principle 4.4

The board should ensure the company has effective human resources management and development programmes to ensure that the company has adequate staffing and appropriately



knowledgeable, skilled, and experienced employees and staff.

The Board takes care of the use of human resources consistent with direction and strategy. Employees are knowledgeable and are treated fairly. They get appropriate and right payment. Provident Funds have been set up to provide adequate savings for retirees.

### **Staff Development**

The company sees the staff at the heart of its entrepreneurship; therefore, the employees are allocated opportunity to participate in self-development so they can make use of the knowledge and ability to make progress for both themselves and the organization. Currently, the company is organizing and/or sending the employees to trainings suitable for their responsible scopes. Moreover, according to the policy, each employee is required to participate in training sessions of no less than 12 hours/person/year by joining the annual trainings provided by IOD, Stock Exchange of Thailand or SET, the Office of the Securities and Exchange Commission, Thailand Securities Depository, Thai Investors Association, Thai Listed Companies Association, Federation of Accounting Professions, Thai Agro Business Association, Council of Science And Technology Professionals, Social Security Office, and etc. The company has been approved with a certificate from the Thai private sector's anti-corruption campaign. The human resource department provided training for directors, executives and employees on topics related to such measures.

Examples of training and sending staff to attend training in the year 2018 are such as

- Dell EMC Update Technology and Breaking the Kill Chain with Dell SecureWorks
- Safety at work
- Fire Extinguisher training and Fire Emergency Evacuation
- Consciousness to reduce the risk of work accidents KYT
- Professional ethics in science and technology
- TFRS15 Revenue from contracts made with customers
- Strategic CFO in Capital Markets

### **Principle 5:**

Nurture Innovation and Responsible Business

#### Principle 5.1

The board priorities and promote innovation that creates value for the company and its shareholders together with benefits for its customers, other stakeholders, society, and the



environment, in support of sustainable growth of the company.

The Board values and promotes innovation that contributes to business value, along with creating benefits for customers, stakeholders and with social and environmental responsibility. The management brings it as part of strategy review and plan to improve operations to add value to the business in a changing environment. New products have been developed to suit the environment with rapid degradation and leave no toxic residues in crops and the environment.

### **Principle 5.2**

The board encourages management to adopt responsible operations, and incorporate them into the company's operations plan. This is to ensure that every department and function in the company adopts the company's objectives, goals, and strategies, applying high ethical, environmental and social standards, and contributes to the sustainable growth of the company.

### **Role of Stakeholders**

Regulations have been set in the business ethics and employee ethics, and focus on every stakeholders' rights and parties concerned. They are Internal Stakeholders which are shareholders, board of the directors, executives, and employees and External Stakeholders which are customers, consumers, partners or supplier, competitors, commercial creditors, communities, environment, and social. Participation of all stakeholders are promoted so as to know their requirements and the company will be able to response correctly as below:

**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.

**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 checkup, 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. Product prices are controlled by the Department of Internal Trade, Ministry of Commerce.

**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.

**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.

**Intellectual Property:** The Company recognizes the importance of intellectual property and copyrights of those who have put effort into creating innovations. Therefore, the Company has set up policies to prevent the breaking of intellectual property rights, as follows:

1. Employees must comply with laws, regulations and agreements about intellectual property rights including patent, copyrights and trade secrets.
2. Outside information must be carefully checked before being used to ensure that it will not break intellectual property rights.
3. The Company uses only legal software and fonts from copyright holders.
4. Upon termination of employment, employees must hand in information about trade secrets in all forms back to the Company.
5. The employees who deal with trade secrets should use appropriate measures to keep trade secrets, such as
  - Names of customers and distributors
  - Working procedure
  - Manufacturing process, Technic and Know-how
  - Document tracking process
  - Production formula
  - Business strategy, business plan, marketing plan and information about the Company's Research and Development (R&D)

**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 is focusing on school aid and children. We believe that society will improve when children learn and are cultivate about goodness and righteousness.

**Environment:** The company considers being a part of society, therefore realize the importance of conducting business with responsibility to society, community, and environment for sustainable growth and being accepted by all related parties. To encourage the performance of directors, executives and employees



of the company to be in the same direction in this matter, the company has therefore set the responsibility policy for all sectors as follows :

1. Raise awareness of all employees of their responsibility to themselves and society and promote management through good governance and internal control to create organizational value by focusing on business operations honestly.
2. Taking into account the meaningful existence of society by paying attention to the rights of all stakeholders; employees, partners, customers, competitors, government, environment and society, prioritized appropriately all parties concern to receive mutual satisfaction and create sustainability.

The Company's environmental policies comply with environmental management regulations, as follows:

1. Promoting the development of technology that reduces negative impacts on environment in the process of production, packaging, distribution and waste elimination.
2. Promoting the reduction of negative impacts on environment by ways of "Reduce", "Reuse" and "Recycle" in the procurement and production process.
3. Promoting the conservation of energy and natural resources.
4. Promoting the compliance with other relevant environmental laws and regulations.
5. Providing training to raise environmental awareness amongst employees at all levels as well as involved parties.

In order to formulate and distribute chemical products, the Company has to be registered according to Hazard Substances Act B.E. 2551 (2008), which has been in effect since 25 February 2008. In addition, the Company has to be registered as agricultural chemical by three government offices, comprising:

1. Department of Agriculture

The Company is required to submit information about the toxicity of its Technical Grade and finished products. This information must come from a laboratory, which has been certified with Good Laboratory Practice (GLP) standards. In addition, the Company must have clear study plan, standardized and testable operations as well as systematic and reliable report, in accordance with Organization for Economic Co-operation and Development (OECD). After that, the Company has to operate the field trial to test the effectiveness of its agricultural chemical to each crop and to find residues as well as the toxicity to the environment, in order to ensure its efficiency and safety to users and the environment.

2. Department of Livestock, Ministry of Agriculture and Cooperatives
3. Food and Drug Administration, Ministry of Public Health

For organizations in number 2 and 3, the Company is required to submit its hazard substances to be tested for the amount of Active Ingredient (AI) at the Bureau of Chemicals and Hazardous Substances,



Department of Medical Sciences, and the efficiency to flying and crawling insects at the National Institute of Health, Department of Medical Sciences, with the reference to WHO (Pesticides and their application for the control of vectors and pest of public health importance), to ensure that its products are effective and have no negative impacts on consumers. After that, the Company can be registered with Food and Drug Administration or Department of Livestock.

The importance to the environment concern, the production base is then in the Bangpoo Industrial Estate, with cooperation given to all sides of government and private sectors by strictly adhering to related conditions and regulations regarding Safety, Occupational Health and Environment including the waste collection and segregation. The company hires a professional company to handle wastes and pollutants as per types of wastes. Official from division of public health and environment sign his name as witness before wastes are sent for being treated or eliminated. In order not to pollute the environment, for waste water, a water treatment tank was built. Waste water will be treated to the standards set by the Industrial Estate, then let the treated water flow into the sewer of the Industrial Estate for further treatment.

#### **Fair competition**

The company adheres to the free trade regime with fair competition between competitors, business partners and customers. The Company's products' prices are controlled by the Department of Internal Trade. Refrain from performing the following actions.

1. Determine or maintain the level of purchase / sale price of goods unfairly.
2. Set the conditions for conducting business that restrict the business alternatives of other business operators.
3. Use superior bargaining power to exploit others, force or induce customers to engage in business with them or make any claim without reason and cause damage to other business operators.
4. Doing anything to obtain the trade secret information or technology of other business operators.
5. Acting on anything other than a normal commercial practice or intend to damage, impede, discourage or restrict the conduct of business. Do not allow others to do business or to abandon the business.

#### **Anti-Corruption**

##### **Anti-Corruption**

In 2018, the company has been approved with a certificate from The Collective Action Coalition against corruption.

The company implements policy not paying to government officials, not involving and opposing related parties over corruptions. The risk assessment of the Company or its subsidiaries are done to identify the risk that involve with corruption. Communication and employee training to provide knowledge about



policies and regulation in term of anti-corruption to ensure the implementation are provided. The policy is revised for appropriateness by the board of directors annually.

The company encourages staff at all levels of awareness on anti-corruption and fraud of all types and has set policies to prevent corruption or bribery within corporate governance policy which comply with laws and regulations both organization and society level 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. The values of hard working, honesty, and the greater good are cultivated among the employees. The training sessions have also been organized to inform the employees of the company's policies and guidelines against corruptions. The aims not only to pass on the knowledge but also the conscience at the same time. However, the administrative section believes that if high level executive members demonstrate appropriate behavior worth respecting to be role models, this would much help inspiring and motivating the employees to follow the same path, which is considerably as valuable as sending them to trainings. When the chairman/president and the managing director preserve their dignity of becoming role models to the employees especially on honesty, discipline, value of hard working, and justice, the employees would become more loyal which eventually help reduce the risk of corruption in the organization to a certain level of extent.

3. Avoid taking part in any activities that will lead to private and public corruptions.

The company provides complain channels for stakeholders through audit committee by mail to Audit Committee, Pato Chemical Industry PCL. Pato Building, 3388 New Petchburi Rd. Bangkapi, Huaykwang, Bangkok 10310, and Fax: 02 3180367 or e-mail: [auditcom.pato@gmail.com](mailto:auditcom.pato@gmail.com)

### **Principle 5.3**

The board ensures that management allocates and manages resources efficiently and effectively throughout all aspects of the value chain to enable the company to meet its objectives by

1. Being aware of the necessity of the resource.
2. Maintaining and improving the efficiency and effectiveness of the use of resources.
3. Improving efficiency.
4. Recycling.

**Principle 5.4**

The board establishes a framework for governance of enterprise IT that is aligned with the company's business needs and priorities, stimulates business opportunities and performance, strengthens risk management, and supports the company's objectives by:

1. Providing computer systems and personnel sufficient to support business operations and providing training for personnel to understand the program required in each area.
2. Hiring a skillful outsource company monitor equipment and programs to be used effectively at all time.
3. Managing the risk that may arise from the use of information technology. There are safe and sufficient measures to ensure that persons with no relevant authority access the information or misuse the information for personal benefits.

**Principle 6:**

Strengthen Effective Risk Management and Internal Control

**Principle 6.1**

The board ensures that the company has effective and appropriate risk management and internal control systems that are aligned with the company's objectives, goals and strategies and comply with applicable law and standards.

**Risk Management Committee**

Board of Directors' meeting in 2014 approved the setting up of Risk management Committee. Risk committee consist of directors and/or executives of the company and the internal auditor namely;

- |                                 |  |
|---------------------------------|--|
| 1. Dr. Viwat Trillit            | Managing Director/ Chairman of Risk Management Committee |
| 2. Mr. Lertchai Leelayonkul     | Chairman of Audit committee                              |
| 3. Mr. Chaiwat Chandarasriwongs | Audit Committee  |
| 4. Dr. Chongrak Prichanont      | Audit Committee  |
| 5. Mr. Visut Vanitcharoenkarn   | CFO  |
| 6. Mr. Sayan Wan-Aree           | Marketing Manager  |
| 7. Mrs. Parichart Manuthasna    | Company Secretary/Office manager                         |
| 8. Ms. Navaporn Phothai         | Internal Auditor   |

**Risk management committee's duties and responsibilities**



1. To consider company's policy and overall risk management guidelines that including significant types of risk including corruption risk and present to audit committee for making a report for company board of Directors.
2. To define company's strategy and guideline process for risk management by evaluating, tracing, and controlling the company's risk to be in an appropriate level.
3. To lay down measures for risk management that suite with situation and risk appetite.
4. To follow up on the risk management policy under the risk management guidelines along with the policies set forth.
5. Review the adequacy of policies and risk management systems, including the effectiveness of the system.

### **The Risk Management Committee report 2016**

The Risk Management Committee appointed by the resolution of the Board of Directors' meeting to



serve on the oversight of risk management.

In 2018, The Risk Management Committee is responsible for overseeing the risk management of the company by considering the risk management policy that to be in line with company's objectives, strategies, and risk appetite. The committee regularly review the risk management policy. The report reviewed the results of the risk assessment and set the internal audit plan for 2018 by taking into account the significant risk factors of company in order to reduce the opportunities, potential risk, and minimize the impact to a minimum. Risk management guidance is proposed to the Board of Directors including problems and obstacles for acknowledgment.

Fraud and Corruption Risk is another factor that the Board is taking into concern by considering the appropriateness of the company's anti-corruption policies and monitor the risk management in the company closely.

The Risk Management Committee has reviewed the plan of the internal audit in quarterly basis in 2019. This is to evaluate the impact that might occur from significant risk factors of the company in order to ensure that the risk management has been processed each quarter according to guidelines specified and also prepare for the uncertain situation that might happen and affect the company in the future.

Sincerely,

(Dr. Viwat Trillit)

Chairman of Risk Management Committee

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. 1/2019 on February 13, 2019, Miss Navaporn Phothai has been designated as the Company's internal auditor for 2019. 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 8 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.

Audit Committee of the company has independently evaluated and reviewed regarding the efficiency of the internal control system of the company to ensure that it conforms to Good Governance including the review of the investigation result from Internal Audit Department on issues and suggestions for the department to rectify or improve the internal control system. From the evaluation results of the Audit Committee, the internal control of the company is efficient, suitable, effective, and efficiency conform to the Good Governance. The conclusion can be shown as the following;

### **Organization and Environment**

The current organizational structure is suitable and can facilitate the business of the company. The company has issued the policy to require board of directors, executives, and employees prioritize ethics as the first priority in the work and avoid the behavior which creates the conflict between the company benefit and person interest or any corruption. Moreover, the company expects all transactions whether it is conducted between employees, suppliers, clients, and other parties shall be in fair market conduct manner.

### **Risk Management**

The company has the process to evaluate the risk which can affect the company including the setting of the measure to eliminate or limit the severity from that effect by considering both the internal and external factors as well as having the ongoing monitoring process to minimize the risk.

### **Control Activity**

The company provides the effective internal control system which shows the clear process for sales, procurement, and production. The responsibilities are separated and evaluated between departments by the internal control as a part of the work to ensure that the work is conformed to the policy and measure. Moreover, the work is evaluated and investigated officially by the independent internal auditor and certified public accountant. This verification covers the review and the efficiency of internal control for both of financial and the operation.

### **Information and Data Communication**

The company has the communication channel from the managers to the staffs via email and announcements to provide news and information effectively. To present any issues to Board of Directors, the agendas will be recorded in the meeting and provide the required information for the benefit of the consideration. The company records the opinions and notice of committees in the minute of the meeting which stored for authorized personnel to review the suitability of the committee operation. Moreover, the Financial



Information and documentations are also maintained and stored in effective software programs.

### **Monitoring and Evaluation**

The company has the internal auditors who independently evaluate and monitor each department to ensure that each department follow the policies and measures strictly, the significant defect in the control system, abnormalities, and operation problems which may oppose the business standard; and are corrected then reported to the administrative section and to review by the audit committee. The responsible person of each department has to monitor the progress of the correction according to the suggestion from the evaluation report of internal audit until the problems are completely solved. The audit committee also has evaluated and reviewed by the term regarding the efficiency of problem-solving of the administrative section.

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 2017 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

The company has an internal audit on fraud by considering the risk of fraud as follows.

1. Needs and Motivations - Considering company's policy whether they create needs or motivation of fraud.
2. Opportunities – Considering organizational structure or work procedures whether they create opportunity for corruption.
3. Rationality and honesty – Considering factors that affect the validity and integrity of company's personnel.



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 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.
3. The management has a clear anti-corruption policy to help reduce fraud in Thai society by avoiding to get involved with any activities that can lead to corruption both government and private sector.
4. The company is careful in preparing any promotional plans that may lead to any corruption.
5. The management is personally close to employees so they will know if something is likely to go wrong in the company.
6. So far, there has been no fraud incident in the company.

(Ms. Navaporn Pohthai)

Independent Internal Auditor

#### Principle 6.2

The board establishes an audit committee that can act effectively and independently.

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 2016. Mr.Lertchai Leelayonul is a qualified audit committee with accounting experiences to perform review of financial statements of the company.

**Definition of Independent Directors** is indistinguishable to the qualifications prescribed by the SEC and SET;

- 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 prior periods 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  $\geq 20$  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-years prior periods 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, and 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.

### **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 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 appoints the Chief Internal Auditor, Ms. Nopporn Phothai who has appropriate education and adequate training experience to perform such duties and evaluate risks of all business units of the company and reviewed the internal control relatively with the significant risk level evaluated.

During 2018, 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. At the Board Meeting 1/2019, the managements did 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, 2018, 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 board of directors acknowledges the connected transactions from the management that review by the internal and external auditors on a quarterly basis. This is to ensure that all transactions are carefully approved with transparent process by honest and responsible directors and executives. In addition, the related parties will not participate in any decision making process. Currently, there are only rental properties transaction between PATO and its subsidiaries and the management fees from its subsidiaries.

The Audit Committee has presented its recommendation to the Board of Directors to nominate Mr. Pradit Rodloytook or Ms. Nongram Laoha-areedilok or Ms. Chamaporn Rodloytook, or, Mrs. Porntip Lerttanongsak 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 will be 670,000 baht, an increase of 20,000 baht over previous year with no other charges in 2019.

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(Mr.Lertchai Leelaryonkul)

Chairman of Audit Committee

February 13, 2019

### Principle 6.3

The board manages and monitors conflicts of interest that might occur between the company, management,



directors, and shareholders. The board also prevents the inappropriate use of corporate assets, information, and opportunities, including preventing inappropriate transactions with related parties.

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 set a policy for the directors and the executives to inform the board of the directors or an authorized person about the execution of shares, 1 day prior to the trading date.

2. 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.

3. 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.

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.

**Connected Transaction.**

The company relies on the following principles when executing a transaction:

- A transaction must be approved through a transparent process by the board or executive with responsible, cautious, and honest consideration while the stakeholders are not part of the decision making.
- A transaction must be executed in the purpose of making highest profit to the company as if making a transaction with other external bodies under normal business condition according to the market pricing and details specified in the agreement.
- There must be a tracking and inspecting measure in place to ensure the executed transaction is in consistent with the right procedure.

**Space Rent**

Company	Company	Connected Transaction
Pato Chemical Industry PCL.	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 Bangkapi, Huay Kwang, Bangkok 10310
<i>Building ownership</i>	:	Kentex Properties Co Ltd (a related company)
<i>Significant Content of the rent contract</i>	:	<p>Pato Chemical Industry PCL. rents the 1st-3rd floor of the building with usable space of 745.82 square meters. The rental fee has been adjusted to 70,000 baht per month and the duration of the contract is 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.</p> <p>The contract stipulates that the lessor is responsible for the property tax and land tax. Other out-of-pocket expense, including tax on electricity, water and other utility services are for the lessee. In April 2018, there was an increase in rental fee to be 80,000 baht per month till present.</p>



(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 PCL. as office, manufacturing plant, and warehouse.

Pato Crop Care rent space at the factory of Pato Chemical Industry PCL. 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 PCL.
<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 PCL. as office, manufacturing plant and warehouse. Monthly rental fee is 50,000 baht. The contract is renewed for another 5 years' rent, from November 25, 2014- December 31, 2019.

#### Service Fee

Summary of Service Contracts on Administration and Sales Management	<p>- Pato Crop Care Ltd. has been hiring Pato Chemical Industry PCL. to recruit management team or personnel to do the organization administration and product sales management.</p> <p>- Fee will be calculated equally for administration and sales management on quarterly net sales basis as follows:</p> <ol style="list-style-type: none"> <li>1. Net sales from 1 baht up to 50 million baht subject to 1.5% each for administration and sales management. (1.5%+1.5%)</li> <li>2. Net sales exceeding 50 million baht subject to 1.0% each for administration and sales management. (1.0%+1.0%)</li> </ol>
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The Hazard Substances Act B.E. 2551 (2008) allows only 3 trade names to be registered under one product. So, Pato Crop care has been established to solve the problem of insufficient trade names for formulation to customers' order under customers' trade names.

#### Principle 6.4



The board establishes a clear anti-corruption policy and practices, including communication and staff training, and strive to extend its anti-corruption efforts to stakeholders.

The company set an anti-corruption policies and declared of intent with Collective Action Coalition against corruption (CAC). The risk assessment of the Company was done to identify the risk that involve with corruption and led to Anti-Corruption handbook for directors, management and employees. Trainings were done again to ensure the practical implementation. The company was Anti-Corruption certified by the CAC in February 2018. Stakeholders will be able to learn for about the hand book of the company at <http://www.patochemical.com/wp-content/uploads/pdf/CGR%20Anti%20Corruption.pdf>

#### Principle 6.5

The board should establish a mechanism for handling complaints and whistleblowing.

An employee may report an illegal action in the organization by filing an anonymous complaint with clues of violation enclosed (if any), and submit to the suggestion box where the managing director is the only one with the access key, otherwise, an employee may send an email directly to the audit committee at [auditcom.pato@gmail.com](mailto:auditcom.pato@gmail.com) and/or company secretary at [pato2@cscoms.com](mailto:pato2@cscoms.com) so that the company bring up the issue during an executive meeting to open up a further investigation or fact finding. However, in 2018, the firm received no filed complaint.

#### **Principle 7:**

Ensure Disclosure and Financial Integrity

##### Principle 7.1

The board ensures the integrity of the company's financial reporting system and that timely and accurate disclosure of all material information regarding the company is made consistent with applicable requirements.

- The board ensured that chief financial officer, accountant, internal auditor, company secretary, Investors Relation officer involved in the preparation and disclosure of any information of the company has relevant knowledge, skills and experience, and that sufficient resources, including staffing, are allocated.
- When approving information disclosures, the board considers all relevant factors, including for periodic financial disclosures:



- (1) The evaluation results of the adequacy of the internal control system.
- (2) The external auditor's opinions on financial reporting, observations on the internal control system, and any other observations through other channels. (If any)
- (3) The audit committee's opinions.
- (4) Consistency with objectives, strategies and policies.

The board ensures that information disclosures including financial statements, annual reports, and Form 56-1 reflect the company's financial status and performance accurately and fairly. The board promotes the inclusion of the Management Discussion and Analysis (MD&A) in quarterly financial reports in order to provide to investors more complete and accurate information about the company's true financial status, performance and circumstances.

For disclosures related to any individual director, that director should ensure the accuracy and completeness of the information disclosed by the company, including of shareholders' information and any shareholders' agreement.

#### Shareholders Structure

Name of Shareholders	Number of Shares As of 15/01/19	Percent
1. Trillit	50,100,000	35.18
Mr. Metha Trillit		
Mrs. Viphanee Trillit		
Dr. Viwat Trillit		
Ms. Ratchanee Trillit		
2. Pojanalai	16,800,000	11.80
Mr. Chaovut Pojanalai		
Mrs. Wantana Pojanalai		
Ms. Charina Pojanalai		
Mr. Churat Pojanalai		



3. Wesaratchawest	5,741,999	4.03
Mr. Suvit Wesaratchawest		
Ms. Pornpring Wesaratchawest		
Ms. Sutaree Wesaratchawest		
Mr. Thapanee Wesaratchawest		
Mrs. Wasana Wesaratchawest		
Ms. Warunee Wesaratchawest		
Mr. Karn Wesaratchawest		
Mr. Boonsak Wesaratchawest		
4. Choengvivatkit	9,061,850	6.36
Mr. Surachai Choengvivatkit		
Mr. Suwat Choengvivatkit		
Ms. Waraporn Choengvivatkit		
Ms. Ratchanee Choengvivatkit		
5. Free Float	60,668,201	42.63
Total	142,372,000	100.00

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

#### Principle 7.2

The board monitors the company's financial liquidity and solvency.

- The CFO is responsible for monitoring the financial position of the Company and reporting to the Board of Directors on financial ratios and financial liquidity at the Board of Directors meeting quarterly.
- The board has set significant transaction level as follows :

#### **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





- The board ensures that it does not consciously approve any transactions or propose any transactions for shareholder approval which could negatively affect business continuity, financial liquidity, and solvency.

#### Principle 7.3

The board ensures that risks to the financial position of the company or financial difficulties are promptly identified, managed and mitigated, and that the company's governance framework provides for the consideration of stakeholder rights.

- The board monitors liquidity, solvency, and financial problems of the company closely to ensure that the business operates with caution and comply with the disclosure requirements from CFO report at the Board of Directors meeting for the approval of the financial statements on a quarterly basis. The Managing Director reports problems encountered and the solutions. The board follows up the case to ensure fairness to stakeholders and the sensible of solutions are taken.

#### Principle 7.4

The board should ensure sustainability reporting, as appropriate.

### **Corporate Social Responsibility and Sustainability 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.

Food Security is a modern problem faced by many countries, especially developing countries, where such problem is increasingly severe due to the change of climate and limited area of agriculture. Therefore, each country has to come up with measures to cope with this problem.

For Thailand, we are capable of producing sufficient food crops for domestic consumption and exporting to other countries. However, the government should pay attention to the following factors in order to avoid future problems.

1. Agricultural areas have been used for producing alternative energy such as solar farm, which has gained increasing popularity, especially in Northeastern area.
2. Agricultural labor force has continuously decreased as new generations prefer to work in industrial sector. Therefore, agricultural sector has lacked of labor force due to its high demand in labor.

3. More foreigners have used legal loopholes to occupy agricultural areas causing some Thai people to lose the possessory right of their land and unable to use their land for agricultural purpose.
4. Factors of production such as chemical fertilizer and pesticide chemicals must be imported from other countries causing high manufacturing cost.

Weed Science Association of Thailand conducted a research and it was found that weeds are the number one enemy of farmers. Labor for agricultural sector is scarce and more costly than the use of herbicides. Due to the aforementioned factors, Thai farmers have to find the way to “produce more without expanding the area while making the efficient use of their existing labor”. Pato Chemical Public Company Limited was, therefore, established to answer the needs of Thai farmers for quality, increasing productivity, and rely on less labor by providing high-quality and effective pesticides at reasonable price while multinational companies focus on importing finished products, which are more expensive.

Pato Chemical Industry PCL. has imported both finished products and Technical Grade chemicals and laid down the policy to focus on 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.

### **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, as well as create enterprise value focusing on activities that are correct and honest.
2. To consider the meaningful existence of the company, moreover, the company emphasizes the rights of all stakeholders including employees, customers, competitors, commercial creditors, environment



and society at the well-balanced and prioritized appropriately, so all parties are satisfied and contribute to the sustainability.

### 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	<p>Board of Directors has a policy to treat their business partners with fairness and honesty. The goal of sustainability is to minimize customer complaints. and therefore establishes the principles below:</p> <ul style="list-style-type: none"><li>- Avoid any business or operations which may lead to the conflict of interest.</li><li>- Promote the freedom of fair competition and avoid favoritism treatment.</li><li>- Support the protection of intellectual property or patents.</li><li>- Establish the preventive measures to ward off bribery and corruption, by setting up the rectification process, as well as the monitoring function and penalty.</li><li>- Promote the anti-corruption campaign among the executives and staff.</li><li>- 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.</li></ul>
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<p>2. Anti - Corruption</p>	<p>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:</p> <ol style="list-style-type: none"><li>1. Public resources may turn to someone own illegally and unethically.</li><li>2. Distortion of resources use and as a result, public do not receive full benefits from funds spent on the project such as poor quality road or constructions which lead to a shorter working life than it seems, or people receive poor service.</li><li>3. Politicians may take opportunity to monopolize, not promoting effective and fair competition and result in weak and unprogressive organization.</li><li>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.</li></ol> <p>The company gives importance to good business management under the framework of good ethics, transparency, and being able to be investigated, especially processes related to or risking corruption within the company, with regulations as follows:</p> <ol style="list-style-type: none"><li>(1) The committee, directors, and employees are prohibited from engaging in corruption in all forms, whether directly or indirectly;</li><li>(2) Promoting values of honesty, integrity, and responsibility towards conducting duties;</li><li>(3) Promoting awareness to stakeholder to understand, realize, and cooperate for fighting corruption;</li><li>(4) Aiming to be a transparent organization, free from corruption, as well as not involving in any form of corruption;</li></ol>
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	<ul style="list-style-type: none"><li>(5) Treating employees fairly, conduct review process to penalize those who engaging in corruption, violating, or failing to comply with the standards. Each case will be proceeded under protocol and regulations in consideration of the penalization;</li><li>(6) Providing the measures to protect whistleblowers who inform details of corruption in the organization; and</li><li>(7) Providing review of compliance according to anti-corruption policies in line with changes in businesses, regulations, rules, and legal requirements.</li></ul>
3. Respect on human right	<p>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.</p> <p>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.</p>



<p>4. Attainment to the goal of fair treatment to laborers</p>	<p>The Company has secured the protection of employment by observing the fair employment codes of conducts with sustainable goal of low rate of turnover as follows:</p> <ol style="list-style-type: none"><li>1. Put the priority on the safety and sanitation by arranging appropriate occupational health and safety on working.</li><li>2. Provide skills and training to enhance the employee's competency and render career opportunity. There are clear policies and concrete guidelines.</li><li>3. Return appropriate remuneration to reflect the workloads and job entity.</li><li>4. Set out the pledge and complaint process appropriately.</li><li>5. Provide appropriate benefit welfare. The company's minimum wage applies to new unskilled workers. The wage applied is higher than that announced by the government and the daily worker wage is adjusted annually.</li><li>6. Create balance of working life and family well-being.</li><li>7. Prevent from unfair treatment or disciplinary punishment to the employees who honestly work.</li><li>8. Seek for discussions/cooperation between employer and employee for solutions and respect employees' opinions.</li><li>9. Develop and instill morals and ethics.</li><li>10. Offer employment to the disabled to return the benefits to the society.</li></ol>
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5. Responsibility for customers	<p>The following principles are observed:</p> <ol style="list-style-type: none"><li>1. 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.</li><li>2. 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.</li><li>3. Raise awareness among the consumers and manufacturers to recognize the importance of using the products with the least harm to the environment.</li><li>4. Develop the products to give the optimum benefits in an environmentally responsible way i.e. supplying environmental-friendly products with least toxic residues.</li></ol>
6. Responsibility for environment	<ol style="list-style-type: none"><li>1 Deploy the standard technology and manufacturing process by keeping in mind to minimize the waste amount which has been undergone the treatment.</li><li>2. Consume the resources in an efficient way by setting out energy-saving and recycling policies.</li><li>3. Develop more lines of environmental-friendly products.</li><li>4. Prepare for a contingency plan to handle the environmental rehabilitation.</li></ol>
7. Cooperation with society and community	<ol style="list-style-type: none"><li>1. Arrange social responsibility activities to fulfill the society and community development.</li><li>2. Maintain the pleasant surrounding environments in communities.</li><li>3. 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.</li></ol>



8. Use and Sharing of Innovation	<p>The Company plan to increase product lines with low residues in the environment. 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 doze of use which is the best for Thai plants. This process shall take more than 1 year to fulfill.</p>
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### Business Operation and CSR 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.

### CSR in Process

The Company's Risk Management Committee has studied the impacts of the company's business operations on stakeholders by taking into accounts the importance of all groups of stakeholders to ensure that its operations are appropriate, fair and complete on the basis of economy, society and environment in order to achieve sustainable development. After that, the committee has selected the relevant topics of risk, which are relevant to the Company by taking the Company's financial report into consideration.

In 2018, rainfalls were sufficient for cultivation indicating no drought or shortage of irrigation water this year. Prices of agricultural products in many crops has fallen significantly, such as palm oil, para rubber, pineapple, and sugarcane. Average price of rice paddy increases slightly, but still not up to the level that would be considered good, except for Jasmin Rice. The government was unable to solve this problem in sustainable way. Therefore, purchasing power of farmers decreased, and demand for agrochemical product decreased as well. Besides, there was low infestation of insects as well as fungus-based diseases and mites. Shortage of raw material and agrochemical products due to strict enforcement of environmental laws in China. Production capacity is limited while some manufacturers of raw materials are forced to shut down. Production capacity is reduced.





The Company's management recognizes that under the circumstances lead to the materiality topics that should be done to achieve the sustainability. The company select appropriate activities or projects to meet the need of farmers and employees as follows:

Needs	Activities or Projects to respond
<p>- Provide directors, executives and employees with annual vacation.</p>	<p><b>Visit Central Vietnam on Working Days</b></p> <p>The management agreed to organize educational excursion for all level of staff, housekeeper to manager. They will be able to enjoy new experience with disciplinary practice, team-working practice, generosity practice, and get the feeling of familiness in Vietnam on weekdays as follows:</p> <ol style="list-style-type: none"><li>1. The participants will be separated into 2 groups since they are working days. The company operates business as usual. Staff who do not travel will be able to do routine work on behalf of those who are travelling. This way, staff will be able to learn the work of each other. All tasks will be smoothly done without interruption. Convenient communication services making it possible to solve any problems more easily.</li><li>2. The travelling group should buy some souvenirs for the staff who are still working on the company's expenses for generosity practice</li></ol>



<p>- Raise awareness among farmers to attend to all covered up dress while working in the fields.</p>	<p><b>Proper dress code for safety</b></p> <p>The Company had studied until the conclusions appeared 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 to boost sales volume. At present, around 300,000 shirts have been distributed to Thai farmers nationwide and it was pleased that the shirts were well used by the farmers; moreover, some of the farmers were wearing in daily life. Furthermore, the company has launched a campaign of gloves wearing while applying, mixing, or spraying agrochemicals. The company has attached a pair of rubber gloves together with granule agrochemicals for farmers to use while sowing the chemicals into the fields.</p>
<p>Raise awareness for farmers to clean their bodies every time they touch or use agrochemicals.</p>	<p><b>Body Cleansing after exposure or use of chemicals project</b></p> <p>The market research from the company was found that soap bar was popular with farmer and the additional researches have studied more about the scent and brand favorite among them. The respective results were used for selection of the soap bar brand in order to distribute in the gift box to the customers. This is to raise the awareness of cleansing the body after the use or exposure of pesticides. The outcome has been successful and well accepted.</p>
<p>Raising awareness for farmers to wash clothes after using agrochemicals.</p>	<p><b>Project of Free Detergent</b></p> <p>Research of detergent favorable among farmers had been conducted. Brand and type of detergent approved is distributed as a gift in the packages of agrochemical for customers in order to encourage the importance of cleaning clothes after the use of agrochemicals. The outcome has been successful and well accepted as well.</p>

**CSR Activities in Process (ongoing)**

**Project of Low Toxic Residue Products to Farmers and Environment**

DOA has approved products of low toxic residue to farmers and environment as follows:

- Isoprothiolane 41.76% w/v EC. (Fuji-One), from Japan, which can be used as an element for herbicide to cure plant diseases i.e.; Rice Blast Disease
- Bispyribac-Sodium 20% WP, from China, used for controlling narrow-leaf weeds in paddy fields i.e. jungle rice, birds rice, 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 orange, papaya, durian, rambutan, longan, chili, lime, and cassava and Kansawai spider mite in rose gardens and orchid farms.
- Buprofezin 40% w/v SC. (Applaud 40 SC) from Japan, used to control brown plant hoppers in rice field and cotton leafhopper.
- Fenoxaprop-P-ethyl 6.9% EW (Patoweed 6.9) used to control weeds in wet seeding rice field (apply as post emergence) to control narrow leaf weed such as jungle rice and little ironweed.
- Azoxystrobin 25% W/V SC used to control and get rid of Black anther in orchid caused by Colletotrichum.

**In 2018**, the company has been granted with registration of Low Toxic Residue Products to Farmers and Environment as follows :

Fluazifop-P-butyl 15% W/V EC ,used to control narrow-leaf weeds as post-emergence in the Magnoliopsida as main crop, such as; jungle rice, little ironweed, fingergrass, Rhopalephora scaberrim, in vegetables like garlic, peas, peppers, eggplant, cassava and cotton.

Pyrazosulfuron-ethyl 10% WP ,used as post-emergence in wet seeded rice production and transplanting rice cultivation to control small flower umbrella sedge, common fringe-rush, and broad –leaf weeds such as; pickerel weed, goose weed, Fern and Water clover.

Hexaconazole 5 % W/V EC ,Fungicide used to control sheath blight disease in rice field, dirty panicle disease in paddy, anthracnose in grapes and mangoes, purple blotch in onion, rust, and leaf blight etc.

Ethephon 48% W/V SL, hormone used for plant flowering and ripening such as pine-apples, tomatoes etc.

Quinclorac 47% + Pyrazosulfuron-ethyl 3% WP used as post-emergence in wet seeded rice production to control narrow-leaf weeds such as; rice weeds, broad –leaf weeds such as goose weed and



sedge such as small flower umbrella sedge and Snake's bread.

Gibberellic Acid 2% W/V SL , hormone used to cross –pollinate flowers for cucumbers, induce fruiting for oranges, tomatoes, grapes, induce the development of flowers, and induce cell growth.

### **Safe and Proper Use of Pesticides Project**

Currently, pesticides are recognized worldwide as an important production factor in creating food security. If they are used correctly, it can produce safe food for consumers. On the contrary, incorrectly or excessively usage, it may cause side effects like overdose using of medicines in human.

One of the reason behind Thailand success in producing enough food for domestic consumption and ranking 1 among 10 countries who can feed the world's population is the use of production factors including fertilizers and pesticides. The data showed that the US has an area of 1,015 million hectares of cultivated area. The use of agrochemicals around 3.9 million tons per year is five times higher when compared with Thailand. The usage rate of 0.38 kg per hectares is two-fold higher than Thailand which is only 0.176 kg per hectare. China is the country of the highest usage rate of agrochemicals. It is 0.70 kg per hectare or four times higher than the rate of Thailand. Meanwhile, Japan has cultivated area of 27 million hectares. Agrochemicals usage rate is 2.3 kilograms per hectare or about 13 times higher than Thailand. Most of which are used in paddy fields.

Currently, Thailand has passed one of the most restrictive law to control the import of agrochemicals, *the Hazard Substances Act* B.E. 2551. More than 100 types of hazardous agrochemicals of high environmental impacts were banned. Agrochemicals that are allowed for import and sell in Thailand have passed screening process from manufacturers of over 10-year experiences. The products have been tested by the environmental agencies; Food and Agriculture Organization of the United Nations and have been gone through efficiency field trials in Thailand before being allowed to be sold.

Prior to the adoption of the *Hazard Substances Act* B.E. 2551, there were more than 25,000 hazardous products registered. Presently, only 9,000 products have been registered. However, there is no country in the world abolishes the use of pesticides decisively, but they launch a campaign of usage reduction. In Thailand, it can reduce the use of agrochemicals by 20-30%. Consequently, if farmers use pesticides wisely and have enough knowledge to diagnose problems and identify pests correctly as well as be able to know the features



of the products, they can use it economically and safely in the right time and at an appropriate rate. (Source: Dr. Weerawut Katanyukul, Ex-President Thai Agro Business Association).

Consequently, the Company organizes the agriculturist meetings so as to give them lectures about self-defense by wearing a protective clothing, proper use and appropriate dosage of chemicals for each crop, and correct harvesting period as per details prescribed on the label. Besides, there are a follow up program to ensure if the agriculturists follow our instructions, in order to instill understanding, reduce the of using wrong types and overuse of agrochemicals. The overuse may cause some impact to agriculturists themselves on toxic overdose, pest resistance, residues in plants and environmental contamination and adversely affect consumers. In addition, it may cause the losing of opportunities to export vegetables and fruits.

### **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. At present, the company can apply more registrations of hazardous substances. Moreover, the company has focused on the liquidity management by investing in general fixed income fund, bond, and equity fund of listed company with regular high performance and dividends paid to investors to enjoy tax privilege.

According to the performance, the company has been awarded with its third year of SET Awards for Outstanding Company Performance and the first year for Best Company Performance Awards for a small company which incomes under 2 billion baht. The company has provided shareholders with regular good dividend as per afore mentioned Dividend Policy topic.

In 2017, the company was awarded with the Outstanding Performance Award for the 4th time and in 2018, the company received the 5th Outstanding Performance Award and the 2nd Best Performance Award.

### **Renewal of Retiree Project.**

Presently, the elderly people is approximately 14.9% of all population. It is expected that people aged 60 and above will be around 13 million people or 20% of all population by 2020. (Information from Department of Older Persons) That means Thailand is moving towards aging society, but in fact, the elder people in Thailand still have healthy body and mind. They can work efficiently from the experiences gain. The company has policy for retired employees who still have the capability and have directed experience, healthy, and still want to help company. The renewal project will be considered annually from



accomplishment, capability and willingness. This is a morale support for those who dedicate to the company and willing to work to avoid being burden of families.

#### **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 and such behaviors descend from generation to generation.

#### **Project of Low Accident in Work Place**

The company operate to reduce accidents at work by;

1. Finding risk place where accidents may occur in work place.
2. Preparing plans against conflagration, chemicals spilled/leaked together with practice, evaluation, and review of the plans once a year.
3. Providing protector devices and arranging emergency response that suit the situations.
4. Training with understanding on how to; safety perform, control, solve, retrain, and mitigate hazards that may occur during operation, however, ones must follow MSDS (Material Safety Data Sheets). The operation will be controlled by staff who have a Qualification Certificate of safety or Safety officer.

According to the plan, numbers of accident in the work place is low and no serious accidents reported so far. Report submitted to the Department of Labor Protection and Welfare on quarterly basis for 2015-2018 is as follows:

<b>Year</b>	<b>Numbers of accident</b>
2015	1 accident, 1 employee slightly injured
2016	0 accident.
2017	1 accident, 1 employee slightly injured
2018	0 accident.

#### **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. 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. This project has been successful and made the customers place their royalty to the Company for more than 30 years.

#### **15 minute nap to have healthy brain project**

Researches show that sleeping during midday about 10-20 minutes is the time that your body stays in the Non-Rapid Eye Movement (NREM) period. When you wake up, you will feel refreshed and rejuvenated and your brain gets full rest which helps increase work performance. This is called “Power Nap”. This is the reason why the company encourages management and staff to take 15-20 minute nap after lunch. The project receives good cooperation from employees. Turn out the light after lunch break, not only help the company to save energy, but the employees also can get some rest and wake up with freshness

#### **Project of the 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:

- 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.
- Communication, questions and answers, complaints, and beneficial information to quality work of life among employees are done via Social Network Application for the same and equal understanding and practice.

#### **People with disabilities work at home Project.**

The government aid measure ask private sector to support people with disabilities to have the opportunity to work, earn money with welfare and get self-esteem not feeling to be family's or society's burden.

The company employ these people with disabilities by allowing them to work at home so as to save



expenses and increase safety. Public transportation or devices to facilitate people with disabilities are not completely ready in Thailand.

### **Project of Health Promotion**

The annual medical check-up has been provided to all employees, moreover, employees' family can attend this program at special discount price from hospital that join the company's project. 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. The annual blood test for employees and workers at factory in searching for residue in blood is provided and residue report has never been founded.

### **Child Safe Room Project**

At the factory, hazardous chemicals, flammable substances are kept apart from that, big trucks moves in and out occasionally. Unforeseen accidents could happen at any time. It is not a place where employees could bring their children, or any person into the factory. However, the company takes into account the circumstances that sometimes, it is inevitable for employees to take children inside the factory as no one can take care of their children. The management decides to build an air conditioned room equipped with enough facilities for children at the office building which is far from production site. Children can spend their free time doing homework while waiting for their parents. In order to bring safety for everyone in the plants, the rules for bringing children into the factory area are set as follows:

1. Permission from the factory manager must be granted in advance.
2. Limited number of times to use the room per week.
3. For safety and health reason of other children and staff, sick children are not allowed to come into this children room.

### **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. Bangkok Metropolitan Administration set up CCTV and led to lower crimes report significantly.





CSR after Process 2018

**Participate in a royal project called “The Spirit of Volunteering: We Do Good From the Heart” in which they performed good deeds and community work.**

In order to encourage employees and executives to understand the word "volunteer spirit", which means to go all out with our physical energy, things, or our donation to help others without expecting anything in return. This is to make them concentrate more on common benefit than our personal benefit or sacrifice for public purpose. Everyone will realize that he/she is valuable to society. Everyone can help to make the society a better place. When participating in the project, it stimulates the consciousness of having a public mind when seeing or entering in the event that someone needs help in any way, do what is suit to own capability. If we are not being able to help, at least inform the relevant authorities to help or when any public institutions announce for volunteers, join the project if possible.

**CSR after Process (On Going)**

#### **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 Uthaitaram 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 every year.

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.

In the past, there was no English teacher who graduated from the directly related to field of studies. Therefore, none of grade 6 students could pass the basic national test or o-net in English language. According to the test in 2010, a maximum score was 32 out of 100 and the minimum was 0. 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 from grade 5 and 6 to improve the



score result. Moreover, the Company also supported and provided o-net's exam for grade 6 students. The results have always been satisfactory. The purpose of coaching students have changed and focused on students to be fun with English, to be more assertive, and to learn about culture and tradition of other countries, however, keeping on practicing with O-NET test, and the result has been with satisfaction.

Every year, the Company coordinates with many parties to get sponsors for a beach trip or a farewell party for students grade 6, depends on convenience, in order to broaden their view of life experiences.

From such developments, the school has been chosen to be the one of a Dreamed School Project and in 2014, the school has been selected to receive royal award school for small school types in Bangkok. Awards provide the school with fund to further improve the school on academic performance.

Employee who has devoted her time to serve as school English teacher for eight years received honorary award in 2015 academic year.

In 2017, Wat Uthatharam School sent students for English Speech Contest. Company employee trained the students and the students receive 2 gold medals.

The 2018 academic year was the year that the school faced problem with no English teachers again. The regular teacher had resigned and moved to a school near the house. The company, therefore allows employees to help teach students in grade 6 by increasing to 2 hours per week, 1 hour regular course and 1 hour ONET tutorial course. In addition, in the other classes, there are another volunteer teachers.

The school had organized special tutorial course for all subjects on Saturdays for 3 months for grade 6 students. Pato set a staff as an English tutor.

PATO also sponsored an English camp which has been arranged by the AFS alumni association.

Wat Uthai Tharam School sent students to compete in speeches and story telling in English, Pato sent a staff as trainee to these students. Students won 2 silver medals for both types of competition. The company gave scholarships to students who won the contest.

Every academic year end, the directors will sponsor a farewell party for the 6th grade students who have graduated and Pato give scholarships to students who study well.

**Scholarships of Rajprachasamasai Foundation for orphans** whose parents died from AIDS. The children will be taken care off and given opportunity to study in 4 sections; elementary school, secondary school or vocational education, and university. This project has supported as many as 300 orphans for university graduation so far. Pato and its executives have supported the scholarship for students from elementary school to university level for 5 consecutive years.

#### **Donations in 2018**

- Lunch Fund for Mool Mang School, Luang Pu Chob Tan Samo.



- Budget for Children Day activities with Makasan Police station
- Budget for Children Day activities at Jamjun Vitaya School
- Education Fund for Sound Lab improvement, Scholarship for student who won the speech and story telling competition, and Budget for Children Day activities and budget for English camp at Wat Uthai Tharam School
- Scholarships to Alumni of Postgraduate, Mahidol University.
- Sponsorship of social activities provided under the cooperation with The Federation of Samutprakarn Industry.
- Sponsorship of social activities provided under the cooperation with Sub-district Administrative Organization, Praksa Samutprakarn.
- Sponsorship for Reforestation Project through Navamindradhiraj University
- Donation to Vajiravej Witayalai Foundation under the King's Patronage.
- Donation of obsolete computers and electrical appliances to the International Association of Persons with Physical Disability to be repaired, recycled or turned into fund for the use of association activities

In addition, The Company has participated in the religious ceremonies as appropriate.

#### Principle 7.5

The board ensures the establishment of a dedicated Investor Relations function responsible for regular, effective and fair communication with shareholders and other stakeholders such as analysts and potential investors.

#### **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 due to small number of shareholders so far, 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](mailto:pato2@cscoms.com)

The company allows an opportunity for analysts or investors to schedule telephone interview directly with the managing director or other related administrative members as well as responding to enquiries via email. In 2018, 2 analysts from local and overseas financial institution also scheduled meetings with the managing director.

#### Principle 7.6

The board ensures the effective use by the company of information technology in disseminating information. All stakeholders can reach [www.patochemical.com](http://www.patochemical.com) for more information.

### **Principle 8:**

Ensure Engagement and Communication with Shareholders

#### Principle 8.1

The board ensures that shareholders have the opportunity to participate effectively in decision-making involving significant corporate matters.

The Company is committed to operating its business to satisfy shareholders by creating good and continuous return. The Company arranges shareholders meeting for shareholders to consider various agendas and acknowledge the performance. The Company takes into account that attendees should receive accurate, adequate and timely information.

Shareholders will be able to propose any agendas to the board for consideration before 10 February 2019 by mail, fax or e-mail: [auditcom.pato@gmail.com](mailto:auditcom.pato@gmail.com). The company has made an announcement to shareholders to propose agendas or nominate director through website of the SET on December 25, 2018

#### Principle 8.2

The board ensures that the shareholders' meetings are held as scheduled, and conducted properly, with transparency and efficiency, and ensure inclusive and equitable treatment of all shareholders and their ability to exercise their rights.

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 2018, the company arranged Annual General Meeting of Shareholders on April 24, 2018 at The Royal Golden Jubilee 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 representative from Thai Investors Association observed the meeting, moreover, auditors and legal advisor are appointed to verify the votes.

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.

### Principle 8.3

The board ensures accurate, timely and complete disclosure of shareholder resolutions and preparation of the minutes of the shareholders' meetings.

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 2018, the company passed the meeting quality evaluation with the total score of 95. Evaluation result on Corporate Governance Report of PATO in 2018 was 84%.

