

Internal Control

Siam City Cement Public Company Limited provides proper and adequate internal control system in order to manage the Company's business operations to be in accordance with the objectives, goals and related laws and regulations. The Company has set up a state-of-the-art Group Internal Audit and Compliance function, covering its operations in Thailand and overseas subsidiaries, responsible for internal control and internal audit activities, risk management system, governance and compliance processes leveraging technology and global best practices. Their main endeavor is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The internal control systems are designed to sustain efficiency and mitigate operational risks assuring fraud prevention.

In addition, SCCC's Board of Directors (BoD) has assigned Strategic Planning and Transformation team to perform business risk assessment and follow up on the corrective action plan to mitigate risk. This is a continuous activity in the Company to improve business performance and mitigate strategic and operational risks.

The BoD has conducted assessments on the internal control system through the Audit Committee (AC). The AC has approved SCCC's internal control system based on five factors per the internal standard given by the Committee of Sponsoring Organizations of the Treadway Commission or COSO, and the guidelines from the Stock Exchange Commission or SEC.

1. **Internal Control within the organization:** SCCC has committed to support the internal control within the organization under the internal control framework by shaping the policy landscape, updating working methods and communicating to all SCCC's staff. In 2020, the Company revised and upgraded its Organization Regulations, Manual of Authorities, various charters and implemented INSEE Minimum Controls (IMC) to further enhance the governance and transparency.
 - i. **Reviewing and updating the policies, working steps and methods.** These are continuously updated to serve with the current business plan of the Company, laws and any relevant regulations, and scheduling the regular review. The policies relating to overall governance and compliance are approved by the BoD and operational policies are approved by management. These are widely communicated to all staff for their common understanding through the effective channel.
 - ii. **Building the awareness of staff in the importance of the internal control,** implemented IMC across the Group starting from the understanding of the risk in operation, risk assessment and mitigation which the operating management themselves can perform the internal control to well serve with risks that may occur in their area of work.

- iii. **Whistle Blower Policy**, the Company has established a Whistleblowing Policy and a reporting channel called INSEE Speak Up, which is managed by a professional and independent external agency. This external helpline is set up for SCCC and its Group companies' employees and business partners to report and notify any wrongdoings, violation of laws and regulations relating to business operations, as well as violation of the Company's Code of Business Conduct such as corrupt practices, misuse of information and company assets etc. Accordingly, the concerns reported through this channel are properly investigated and reported to the AC.
2. **Operating Control:** The operating control activities happen at two levels, Group Level and Group Company (GC) Level. The Group EXCO (GEXCO) reviews the operating and financial performance every month with each GC CEO. Similarly, the GC CEO reviews the monthly performance with its senior executives (EXCO) before submitting to GEXCO. The performance is measured against the budgets, approved by Board, and its evolution from the previous year(s).
- The Finance and Controlling team also closely monitor the capital expenditure projects with regards to the estimated project costs which are regularly reported to the BoD.
- The business activities are performed basis the well-established policies, procedures and Manual of authorities. Exceptions, if any, are reported to the BoD.
- Besides, the Company has launched the IT solution (SAP) for a better internal control which enables the management and relevant staff to be alarmed of improper transaction and take corrective actions and measures in time.
- The access control to core system (SAP) has been rigorously reviewed to ensure proper authorization by considering proper Segregation of Duties (SoD) and restricted use on sensitive transaction throughout the year.
3. **Risk Management System** entails detail assessment of strategic, operational, financial and compliance risks, which are categorized in GC's risk heat map. It provides management and the BoD an overview and assessment on the criticality of the risks in the Group company based on impact and likelihood. The Group CEO (GCEO) oversees the GC's risk management process and holds regular reviews to ensure the mitigation actions are in place. In year 2020, risk management system was further enhanced with quarterly review and updated to the AC and the BoD to address any new risks arising from COVID-19 situation.

4. IT and Communication: The Company has invested in the whole information processing and reporting system which can keep all data, process and report the updated data on a real time basis, allow easy access (online and offline) and is fully secured. The system allows to digitize company business processes to eliminate manual work and enhance accuracy and fast decision making. The Company has good processes and controls to address and mitigate the risks from cyber security and enhanced its surveillance in 2020 along with additional measures on IT security for "Work From Anywhere".

In the opinion of the BoD, the Company internal control system is proper and adequate. The Company has provided sufficient personnel to efficiently carry out the controlling of activities in accordance with the system. In addition, the Company establishes internal control system to monitor the conduct of the subsidiaries' business operations. As such, the assets of the Company and its subsidiaries are safeguarded from being used through abusive self-dealing or without the authority of a director or an executive. Besides, the system also includes the review on the transactions of potential conflict of interest with connected persons. There is no deficiency in the internal control system and the risk management is set to promptly handle with an adverse situation.

The Appointment of Head of Group Internal Audit and Compliance

The BoD with the endorsement of the AC has appointed Mr. Ranjan Sachdeva to be the Head of Group Internal Audit and Compliance (Head GIAC) of the Company. Mr. Ranjan Sachdeva

graduated the Master of Business Administration (Corporate and International Finance) and be the Certified Internal Auditor, The Institute of Internal Auditor, Florida, USA. He is experienced in internal audit works in many leading companies as well as well-versed in the business operations of the company and therefore; considered to be suitable to perform such duties. A consideration and an approval for the appointment, removal or transfer of the Head GIAC of the Company must be approved or assented by the AC. The duties and responsibilities of the Head GIAC are as follows:

- To propose the Annual Audit Plan and Budget of the Group to the AC for approval
- To lead and supervise the activities of the Internal Audit and Business Process and Compliance Advisory Departments in accordance with the approved Annual Audit Plan including works specially assigned or requested by AC
- To update the GEXCO and the AC on all Internal audit reports and other activities on a monthly basis
- To maintain professional auditors who have adequate knowledge, skills and experiences and have been recognized as competent to attain the requirements set forth under the Charter of the Internal Audit; and
- To consolidate the group compliance dash board from all group companies and highlight the risk and exposure to GEXCO and the AC on a quarterly basis