

Internal Control and Risk Management

1. Internal Control

Thai Central Chemical Public Company Limited recognizes the importance of developing of internal control system to continuously support good corporate governance and increase an efficiency and effectiveness in operations, utilization of resources and assets of the Company, financial information report, as well as to ensure compliance with the laws, rules and regulations relating to the Company's business. The Company's internal control system is as follows:

1.1 Governing Structure of Internal Control System

The Board of Directors has assigned the Audit Committee to review the Company's internal control and to report to the Board of Directors on a quarterly basis regarding sufficiency and appropriateness of internal control system. This responsibility is in accordance with the authority and responsibility of the Audit Committee as assigned by the Board, and in accordance with the related laws on a review of an appropriateness and effectiveness of the Company's internal control system and internal audit function, and the independence of the internal audit function.

1.2 Internal Control Process

Internal control activities are part of the internal control system that the Company determines for each division to decrease risks and increase an efficiency of business operations, and increase the management's confidential level in the effectiveness of the internal control system. Therefore, the Company provides control processes separated into three parts based on natures and necessities of each business unit, as described below:

- (1) Preventive Control: This is the control that prevents errors or misappropriation from occurring. This control includes segregation of duties in any business activity, setting the schedule of authority, etc.
- (2) Detective Control: This is intended to detect errors that might have occurred. This control is directly a mission of Internal Audit Office which operates in accordance with the audit plan, and as specially required by the management.
- (3) Corrective Control: This is to correct errors or find the solutions to prevent recurring errors under the agreement between relevant units and the management.

1.3 Internal Audit Work

Internal Audit Office has duties to perform audit engagements to assess and monitor the Company's activities in ensuring that the Company's internal control system remains active and efficient. The audit activities are performed according to the annual audit plan to cover risks that are significant to the Company's business, under close supervision of the Audit Committee.

The Board of Directors' opinion toward the Company's internal audit

The Board of Directors had the meeting for acknowledging the internal audit report in every quarter through the report of Independent Directors and Audit Committee, which is comprised of Mr. Suvat Suebsantikul, Mr. Opas Sripornkijachorn, and Mr. Kasemsak Masayavanich, and having the Executive Board answering such questions of reports in points of the Company's business operation control including ordering to appropriately improve internal control systems to accustom with the change of business trend in regular.

In conclusion, in year 2016, upon the evaluation result of internal audit that the Board of Directors received the Audit Committee's report and the evaluation of the Executive Board, the Board of Directors view that the Company's internal audit control has been developed as preventive controls to better avoid problems and risks that would affect to the Company. Moreover, the Company assigns personnel to conduct the operation in compliance with the control mandatory to support the Company's operation effectively, and assigns personnel of Internal Audit Office to monitor the internal audit control systems of the Company and its subsidiaries ensuring that the system is suitable and is in the same direction.

Besides, the Board of Directors viewed that another directions in governing the Company's business by forming the Compliance Committee to set and review the Code of Conduct and Ethics, which is the guideline for directors and all employees to comply with, will control and set the direction of good performance and governance of the Company's personnel. According to the internal audit evaluation through the whole year, the Audit Committee did not note any significant error of the internal audit procedure that would affect the Company's business operation of which was the same as independent auditors which they had given only minor observations to improve controls for more effectiveness.

2. Risk Management

Thai Central Chemical Public Company Limited recognizes risk management as an integral part of good corporate governance which is fundamental to achieve the Company's objectives. Risk management not only will support better decision making, but also it will assist to spot opportunity and mitigate material impacts to shareholders and stakeholders.

The Company has adopted a standard risk management methodology consistent with Enterprise Risk Management: Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) recommended by The Stock Exchange of Thailand to implement the Company's risk management process.

The Board of Directors has appointed Risk Management Committee comprising of executives form all business groups to formulate the policy, strategy, and criteria of risk management, as well as to provide an assurance that major business risks are regularly identified, assessed, and having efficiency control measures. Furthermore, the Company has formulated Risk Management Sub-Committee comprising of divisional heads of each business units to operate risk management process in divisional level under the acceptable risk level.

The Boards' opinion toward the Company's risk management

The Board of Directors and the Executive Board are in views that such risk management tools and mechanism could be apparently implemented in the Company. In order to have risk awareness and understanding of risk assessment under job responsibilities, the Company has supported in providing knowledge of risk management to the management and employees in all levels. As such, the Company has been able to identify key strategic and operational risks, and is in the process of preparing an official risk mitigation plan of such strategic and operational risks for further controls and monitors with those risks to be under acceptable level. The information of key strategic risks is disclosed in page 37.

3. Head of Internal Audit Office

The Audit Committee considered and proposed to the Management to appoint Mr. Phaitoon Inuthai as General Manager of Internal Audit Office of the Company since 1 October 2007. His roles and responsibilities are to govern and supervise internal auditors in monitoring and evaluating the internal audit procedure of the Company and its subsidiaries to ensure the business operation would be effectively conducted and appropriately served to the business nature.

The Audit Committee deemed appropriate that Mr. Phaitoon Inuthai is well-educated and have enough experience in the internal audit field. In particular, he has been in the internal audit field of chemical fertilizer business for 16 years. Moreover, he had been trained about internal audit standard and related business administration. Therefore, he is qualified to take the aforementioned roles and responsibilities.

Recruitment, dismiss and remove a person, whom is a Head of General Manager of Internal Audit Office, is under the discretion and approval of the Audit Committee.