

# INTERNAL CONTROL AND CONNECTED TRANSACTIONS

## INTERNAL CONTROL

Recognizing the benefit of internal control mechanisms, the Board of Directors assigned the management to assess the adequacy and suitability of the internal control system with the assessment form of the Office of the Securities and Exchange Commission (SEC), which follows the guidelines of the Committee of Sponsoring Organisations of the Treadway Commission (COSO 2013). The Audit Committee takes charge of reviewing the assessment to ensure that business activities are efficient, effective, and compliant with applicable laws and regulations, resulting in auditing and counterbalancing procedures as well as efficient use of resources for the Company's genuine benefit.

Results of the internal control assessment, made in five aspects, are summarized below:

### 1. CONTROL ENVIRONMENT

Highly valuing integrity, the Board incorporated the Code of Conduct as part of the Company's policy on good governance. The code contains written instructions on business ethics and morality standards for directors, executives, and staff. Procurement ethics are regarded as the most stringent regulations in the code, which serves to prevent conflict of interest. All directors, executives, and staff must sign a document acknowledging the Code of Conduct before joining the Company. The code is to be reviewed annually or whenever there is an update. It clearly defines the responsibilities of the Board of Directors, subcommittees, and the management, while providing the structure of reporting lines and delegation of authorities, as well as their scopes of work. This ensures that the organization can attain its goals under the oversight of the Board. Regarding human resource (HR) management, BCPG devised a policy on staff recruitment and development, leadership succession and development, staff rotation, and job promotion to motivate employees. The Company also conducts a BCPG Satisfaction Survey to ensure staff's satisfaction and happiness at work to foster staff's positive attitudes toward the organization. Moreover, in 2020, the Company was also assessed and evaluated by an independent professional from a third-party organization.

### 2. RISK ASSESSMENT

The Company values implementation of policies and procedures for risk management. The Corporate Strategic and Planning Team is responsible for defining the business direction, strategies, policies, and work plans for BCPG and subsidiaries by approval of the Enterprise-wide Risk Management Committee (ERMC) and the Board of Directors, respectively. Key Risk Indicators (KRI) are employed to track and surveil such risks in order to handle situations at once, and to ensure that the operation and development of BCPG's risk management system covers all sorts of risks, both at the corporate and process levels, which enable the process owner to look into chances of fraud concurrently with operational risk evaluation in a consistent manner. Moreover, the risk management manual has also been regularly updated to make sure that it is up to date and consistent with the Company's business operations.

### **3. CONTROL ACTIVITY**

BCPG has in place control measures considered adequate for its risk appetite. Policies and regulations have been devised for budget, finance and accounting, HR management, procurement, and related transactions. Technology has been harnessed to support approval authority based on the scope of work and the budget size to foster decentralization and prevent fraud; for example, random inspections of work instruction compliance, random inspections of the execution of procurement agreement, etc. In terms of accessibility control and information security, BCPG was certified with ISO 27001:2013, and it has communicated about risks and preventive guidelines against technological threats to all employees. For joint-venture governance, BCPG has a policy that oversees joint-venture companies which serves as a guideline to be complied by the persons appointed directors and executives of the joint venture. In this regard, the Corporate Governance unit was assigned to be responsible for ensuring compliance with the policy to achieve efficiency and alignment of their internal control.

### **4. INFORMATION & COMMUNICATION**

BCPG commands IT and communication systems and values fast, accurate data processing, which supports decision-making. The IT system must run stably and be ready for use. Regarding the Board's access to information, the unit in charge will collect proposal details and, via the IT system, present them to the Board for consideration before each meeting. The minutes of each Board meeting must contain sufficient detail, can be traced back, and are stored systematically. On the communication front, the corporate communication unit manages both internal and external communication on the Intranet and email with staff. For external communication, BCPG has established an Investor Relations unit, responsible by the Corporate Secretary. It is tasked to directly communicate with stakeholders to ensure accuracy, completion, sufficiency, transparency of information disclosure. Moreover, the information is also disseminated online, such as on the Company's Facebook Page, and there is also a channel to report whistleblowing on the Company's website.

### **5. MONITORING ACTIVITY**

BCPG regularly monitors and assesses the adequacy of internal control in line with prevailing circumstances. The Company set a business target according to strategies and business plans by defining KPIs for all business lines. There are also result evaluation and course analysis to see if the actual result and its target are significantly different. Moreover, for the control's up-to-date effectiveness, improvement guidelines are set regularly in accordance with current situations. Internal Audit, which has a direct reporting line to the Audit Committee, will assess the efficiency, effectiveness, operation, and system of internal control of BCPG and subsidiaries against business plans earlier approved by the Audit Committee. For shortcomings discovered or when improvement is to be made regarding internal control, the matter will be raised to the management and the Audit Committee to map out corrective actions and implementation plans. Internal Audit will follow up the results of the correction and regularly present findings to the Audit Committee for consideration.