



# INTERNAL CONTROL AND RELATED TRANSACTIONS

## INTERNAL CONTROL

### Opinion of the Board of Directors on the internal control system

The Board of Directors Realize the importance and benefits of internal control, thus assigning the management to assess the sufficiency and appropriateness of the internal control system based on the internal control system sufficiency assessment form established by the Securities and Exchange Commission (SEC) in accordance with the guidelines of COSO 2013 (COSO: The committee of Sponsoring Organizations of the Treadway Commission). It also delegated the Audit Committee to review the results of the internal control assessment annually to ensure that the activities are carried out with efficiency, effectiveness, and in compliance with requirements, laws, and regulations, resulting in investigations, balancing, efficient resources usage for the benefit of the Company, assessment of 5 components of internal control in accordance with the international standard guidelines of COSO. Subject matters are as follows:

#### 1. Control Environment

The Board of Directors strongly adheres to the business ethics as well as the Code of Conduct as a part of its good corporate governance policy, specified in a written document and enforced on every director, executive and employee of the entire organization. Such principles and policies, like procurement ethics policy, are employed to prevent any conflict of interest and must be acknowledged and signed by everyone when being employed and must be reviewed annually or revised on a regular basis when information has been updated. Besides, the Company clearly specifies the duty and responsibility of the Board, including that of the Sub-Committee and the management. The Company also designs the management structure, approval authority and delegation of authority to achieve its objective under the oversight of the Board. With respect to personnel management, the Company defined the policy for the nomination and human resource development, including the succession plan, executive development plan, job rotation plan and job promotion plan to encourage employees and regularly conduct BCPG Satisfaction Survey to maintain employees' satisfaction and positive attitudes towards the organization. In 2021, the Company restructured its organization to accommodate a variety of business lines and to support the Company's business expansion, both domestically and internationally.

#### 2. Risk Assessment

The Company pays attention to the implementation of the policy and risk management processes. The Corporate Strategy Department, together with the Think Tag Tea (TTT) shall be responsible for determining the direction, strategy, policies and plans of the Company and its subsidiaries through the consideration of the Enterprise-wide Risk Management Committee (ERMC) and the Board of Directors, respectively. The Key Risk Indicator (KRI) has been used in the monitoring process, surveilling for the likelihood of such risk in order to be able to manage risks in a timely manner and to enable the operation and development of BCPG's risk management system so that it is able to comprehensively identify all types of risks, at the corporate level, the business unit level, the project level, and the process level. These shall allow the process owner to assess the risk of fraud in parallel with the continuous assessment of operational risks. Moreover, it shall also extend to the regular updates of the risk management manual in order to ensure that the content is up-to-date and consistent with the Company's business operations. In addition, the Company has also prepared an annual Business Continuities Plan (BCP) to strengthen confidence in the event of an emergency.

### 3. Control Activity

The Company has established control measures that are adequate to the risk appetite by formulating a policy, methodology in matters such as budgeting, finance and accounting, personnel management, procurement of supplies and connected transactions, which has integrated the use of technology to monitor approval of transactions according to the scope of authority and the budget specified by the Company so as to decentralize and prevent corruption; for example, randomly checking compliance with operating procedures, randomly checking compliance of counterparty with the conditions agreed in the procurement contract, etc. For access control and information security, the Company has been certified for Information Security Management System ISO/IEC 27001: 2013 and also communicates to employees about risks and how to prevent information technology threats. Regarding the supervision of joint venture companies, the Company has a governance policy for joint venture companies, which is to be used as a guideline for Company's appointed directors or executives of the joint venture companies to comply. In this regard, the Corporate Governance Department is responsible for overseeing the implementation of various policies in order to make the internal control system effective according to the guidelines set forth by the Company. Through to 2021, the Company has continued to adhere to the work-from-home policy since 2020. The management has preventive measures and internal communications in a systematic way.

### 4. Information & Communication

The Company provides sufficient important information and delivers such through multiple communication systems for the Board of Directors to consider in advance of the meeting. The Company has a department to collect information, as well as preparing minutes of Board of Directors' meetings to ensure that they contain appropriate details and are traceable while also being systemically stored.

In terms of communications, the Corporate Communications Department has a process for communicating information with both internal and external parties through the Company's website ([www.bcpvggroup.com](http://www.bcpvggroup.com)) and online channels such as Facebook, including investor relations department and company secretary, who is directly responsible for communicating with stakeholders and regulatory agencies such as SEC, SET, in order for the disclosure of information to be accurate, complete, adequate, transparent. The channels also include Intranet and email to cascade information to employees. Moreover, there is also a channel for receiving complaints or whistleblowing regarding corruption, violation of laws or codes of conduct, inaccurate financial reporting, or defective internal systems, both on the Company's website, email, and ordinary mail.

### 5. Monitoring Activity

The Company regularly monitors and assesses its internal control system by defining Key Performance Indicators (KPIs) for each department to ensure that they are periodically evaluated and analyze causes in a case where actual performance significantly differs from established goals. In addition, the Company stipulates improvement guidelines to be in accordance with current condition. The Internal Audit Office, under direct supervision of the Audit Committee, shall be responsible for evaluating the efficiency, effectiveness, operation and internal control system of the Company and its subsidiaries on a regular basis. When any defect or shortcoming of such system has been detected, the Internal Audit Office shall directly report to the management and the Audit Committee to formulate corrective measures and procedures which subsequently shall be proposed to the Audit Committee for continual consideration.

## CONNECTED TRANSACTIONS

Connected transactions of the Company with persons who may have conflicts of interest in the fiscal year ending December 31, 2020 and December 31, 2021 can be summarized as follows:

### Bangchak Corporation Public Company Limited (“BCP”)

BCP is considered an entity that may have conflicts of interest since BCP is a majority shareholder of the Company with 57.5 percent of total paid-up shares (data as of December 31, 2021). It has two directors in common, namely (1) Mr. Pichai Chunhavajira and (2) Mr. Chaiwat Kovavisarach; and Mr. Bundit Sapianchai as the company's Chief Executive.

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2020	Fiscal year ending Dec 31, 2021	
<b>Land leasing</b>			<p>BCPG leased land from BCP in Bang Pa-In district, Ayutthaya province, for a total of 457-2-53 rai to be used for a 38-MW capacity solar farm. The rental fee under the lease contract have been appraised by an independent appraiser approved by SEC. The contract lasts 22 years, and BCPG has no plan to use the land for other business purposes after contract expiry. On October 1, 2016, BCPG leased additional land of 32-3-70 rai from BCP for 21 years and 2 months, and another 8-1-38 rai on February 1, 2019, for 18 years and 10 months. The two leases, with the same terms of payment and other conditions, will end simultaneously. The transactions followed normal pricing terms and general business conditions.</p> <p>Refer to the accounting standard no. 16 (IFRS16) Leases, it was effective in 2020 which impacted on recognition of right-of-use assets, lease liabilities, depreciation expense and interest expense.</p>
- Expenditure for the period	-	-	
- Advance payment	-	-	
- Account payables	6.55	6.55	
- Right-of-use assets	97.59	91.82	
- Lease liabilities	94.26	90.75	
- Depreciation expense	5.77	5.77	
- Interest expense	3.76	3.63	
<b>Expenditure relating to a management contract</b>			<p>BCPG engaged in a management contract with BCP. The contract will expire on December 31, 2021. According to the contract, BCP will second its employees to BCPG under a scope of work it defined under job descriptions. The secondees for executives shall possess qualifications that meet the standards that are generally recognized in the business of the same nature.</p> <p>BCP will charge the service fee or employment rates based on estimated salary, bonus and other compensation of secondees to BCPG following conditions in the management contract.</p>
- Expenditure for the period	32.35	33.85	
- Account payables	2.88	3.01	

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2020	Fiscal year ending Dec 31, 2021	
			The transaction was to support normal business as needed. The fees for services due to these secondees will be charged to BCPG by their estimated employment rates.
<b>Expenditure relating to information system service contract</b> - Expenditure for the period - Account payables	2.77 0.26	2.56 0.33	BCPG engage the IT Service Contract starting from January 1 to December 31, 2021. The service provider was responsible on the system management and other information system services under scope of work specified in the contract.  These were normal business support transactions which occurred as needed and the service fees as specified in the contract.
<b>Expenditure for rental of office space</b> - Expenditure for the period - Account payables	0.51 0.05	0.39 0.02	BCP charges fees for using office spaces. The contract starts on April 1, 2021 to December 31, 2023 Under the said contract, BCP shall provide services in accordance with the scope specified in the contract.  These were normal business support transactions which occurred as needed and the service fees as specified in the contract.
<b>Other expenditure</b> - Expenditure for the period - Account payables	0.03 -	0.57 0.04	In 2020, BCP charged service fees for personnel recruitment, meeting room and van service.  In 2021, BCP charge service fees for personnel recruitment, sponsorship of mobile COVID-19 test and notebook rentals for new staff.  These were normal business support transactions which occurred as needed and the service fees were based on actual payment.
<b>Purchase of assets</b> - Expenditure for the period - Account payables	- -	8.28 8.86	The Company purchased assets such as surface decoration, system software, and office furniture from BCP for a total value of not more than THB 8.28 million. This is the book value as of October 31, 2021 and when comparing with the Depreciated Replacement Cost method, it is considered a reasonable purchase price for the purchase of such assets for the Company's new office space.
<b>Revenue from sales</b> - Revenue for the period - Account receivable	- -	0.03 -	In 2021, the Company sold carbon credit to BCP. These were normal trading transactions charged at the market price (TGO average price).

## Other Parties with Potential Conflicts of Interest

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2020	Fiscal year ending Dec 31, 2021	
<b>Bangchak Retail Company Limited</b>			
<b>Other expenditure</b>			BCR charged beverage expenses for sports sponsorship event. These were normal trading transactions charged at the market price.
- Expenditure for the period	0.10	0.14	
- Account payables	0.09	0.02	
<b>Revenue from electricity</b>			BCPG charged BCR electricity fees under the power purchase agreement (PPA) from solar power generation system. The contract started on the Commercial Operation Date (COD) to the last date of the calendar month of the specified anniversary of the COD in the contract. It was a normal business transaction with general commercial terms at the market prices.
- Revenue for the period	0.11	1.52	
- Account receivable	0.12	0.28	
<b>Bangchak Green Net Company Limited</b>			
<b>Other expenditure</b>			BCPG was charged by BGN for survival kits for victims.  It was a normal business support transaction which occurred as needed.
- Expenditure for the period	-	0.16	
- Account payables	-	-	
<b>Bangchak Biofuel Company Limited</b>			
<b>Revenue from electricity</b>			BCPG charged BBF electricity fees under the power purchase agreement (2.1 MW) between Bangchak Biofuel Company Limited (Purchaser) and the Company (Seller) on November 8, 2018. The contract started on the contract started on the Commercial Operation Date (COD) to the last date of the calendar month of the 5th anniversary of the contract. The contact was subject to 5-year automatic extension up to 25 years from COD. The electricity rate is based on the rate announced by the Provincial Electricity Authority (PEA) with a discount.
- Revenue for the period	7.79	6.81	
- Account receivable	0.77	0.69	

## Approval Measures and Procedures for Connected Transactions

Board Meeting No. 4/2015 on November 24, 2015, approved policies and principles for connected transactions of normal trade agreements and general trade conditions which can be summarized as follows.

BCPG set measures for connected transactions between BCPG and/or its subsidiaries with connected persons in compliance with the notifications of SET and the Capital Market Supervisory Board. The Audit Committee provided their views on the justification of the transactions and prices, taking into consideration related conditions which must be of normal business practices in the industry and/or that market price comparison is made and/or that prices or terms of such transactions at the same level exist for third parties and/or being able to demonstrate that such transaction engagement apparently contains reasonable or fair prices. If the Audit Committee lacks skills or expertise on potential connected transactions, BCPG shall arrange for an independent expert to provide opinions on such connected transactions to support the consideration of the Audit Committee, the Board of Directors, and/ or shareholders (as the case may be).

## Policies for Connected Transactions

1. Directors and executives must inform BCPG of a relationship or connected transactions of any business that may incur conflicts of interest.
2. Directors and executives must avoid engagement in connected transactions of potential conflicts of interest with BCPG or its subsidiaries. If it is necessary to engage in a transaction which is not a normal business practice or bears different trade conditions from those for other customers or third parties, BCPG must follow the regulations set forth by SET, SEC, and the Capital Market Supervisory Board.
3. Disclosure of transactions or related transaction with potential conflicts of interest must conform to the criteria specified by SET, SEC, and the Capital Market Supervisory Board.
4. The Internal Audit Office shall be assigned to audit these related transactions and report the findings to the Audit Committee on a quarterly basis. The office shall also define measures for the control, review, and random audit of such transactions to verify that they were actual and complied with the conditions under the contract or the stipulated policy or terms.

## Trends for Connected Transactions

BCPG and its subsidiaries have set a policy to avoid undertaking related transactions with potential conflicts of interest. However, the Company and its subsidiaries may still engage in connected transactions with BCP Group as necessary and for the continuity of the contracts, such as the lease of land for the 38-MW solar farm, management contract, IT service contract, and the installation of solar panels and service of solar power supply to BCP Group companies, etc.

Other future transactions apart from those mentioned above will be undertaken in compliance with the laws on securities and exchanges, regulations, notifications, orders, or requirements of the Capital Market Supervisory Board, SEC, and SET. For future normal transactions or those normal support transactions that may recur continually, BCPG has set a policy to set a scope for them to ensure the same pattern of normal transactions for all contract partners under the same circumstance and in compliance with the corporate governance code.

In addition, the Internal Audit Office will review such transactions to ensure that the prices are comparable to market prices under general trade conditions similar to other normal business practices while being comparable to other external business partners in the best interests of BCPG. The audit outcomes will be submitted to the Audit Committee on a quarterly basis. If the Audit Committee finds any transactions breaching the policy, it will promptly notify the Board of Directors or the Chief Executive Office and jointly find a solution.