

**SCG**  
**CERAMICS**



**Annual Report**  
**2021**

(Form 56-1 One Report)  
SCG Ceramics Public Company Limited

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## Message from the Board of Directors

“For the first half of 2021, the overall economic condition in Thailand was recovering from the COVID-19 epidemic situation before levelling off again during new epidemic in the third quarter of this year with the highest number of new infections. Due to COVID-19 situation, the real estate sector was largely affected, especially construction project of private sector that resulted in the delay of construction and new project launch since worker camps were temporarily closed. However, when looking at the big image, the ceramic demand in 2021 still remained on the same level comparing to previous year while market competition was constantly high in domestic manufacturer and imported goods.

Nevertheless, this very year was the right time for every sector to learn and get accustomed to the COVID-19 epidemic situation as well as new regulation in order to handle with this kind of situation punctually. On the other hand, the higher energy price was also one of the main factors that effected the company’s business. As a means to propel organization under the obstacles in the midst of this crisis. The company paid attention to the internal factor control and business management by

- Focusing on the staff’s safety under the Hybrid Workplace by allowing staff to work from home and only come to work in the office or factory (work on site) when necessary, including working on online system that was provided by the company (work from anywhere) in order to ensure that staff, family, and business partner were safe and able to provide service and goods for customers continuously.

- Adjusting way of thinking and procedure, especially capital reduction, and machine capacity enhancement by using Automation system to enhance manufacturing process and resource distribution in order to reduce the impact of the energy capital that was getting higher, add selling portion to the least impacted domestic and international market, and modify manufacturing level and import regarding the demands to maintain optimal number of products in warehouse. Also, promoting products and services that respond health care trend and residential extension demand: Hygiene Tile or anti-bacteria tile from COTTO, AIR ION tile or air purification tile, and Smart Flexible LT floor-paving tile by COTTO with beautiful design, easy install, fast, and eco-friendly, including installation service under the name C’TIS (Certified Tile Installation Service).

- Following significant plan that was consistently planned in order to elevate customer and supplier’s satisfaction such as resource distribution, capital and expense reduction, service ready product provision for all types of customer needs, selling platform extension both in online and offline, area coverage enlargement, energy business extension, and elevating Nongkhae industrial estate improvement to Eco Industrial Town on Eco-World Class level causing the company to be able to maintain market share and increase competitive capacity in the industry.

According to the turnover in 2021, the company’s total revenue was 11,194 million baht, increasing by 10% year-on-year. And the net profit was 584 million baht, increasing by 164 million baht from the previous year since the selling volume was higher as well as 131 million baht of the industrial estate selling. On 31 December 2021, the company had 11,521 million baht of assets and 2,271 million baht of debts, which were an increase of 6% and 8% year-on-year respectively.

For 2022, the economic growth in Thailand is projected to grow more than preceding year. Despite the fact that the budget disbursement under yearly expense budget and economic restriction are creating more opportunities for economic activities, the construction market and ceramic tile demand in this year are still on the same level as previous year since regarding the COVID-19 outbreak as well as the household and government debts problem. Furthermore, the company must closely monitor the energy price adjustment due to the rapid growth of energy demand after the reopening of many countries resulted in the rebound of world economy. As a result, the inflation pressure kept building causing the higher price adjustment. Despite the fierce industrial competition and external factor occurrence, the company still developed new growth-oriented business strategy: adding market share of product with distributor, Modern Trade store,

and continuously expanding Ceramic tile retail store branch throughout Thailand, accelerating selling network improvement in neighboring country, creating brand along with product and service improvement in order to comply with Megatrends, healthcare and sanitation. Also, serving customer needs during New Normal period, seeking for opportunities and reducing manufacturing capital as a means to reduce risk from material and energy capital factors that tend to be higher, including focusing on staff’s safety by working under Hybrid Workplace.

Due to the global warming and climate changes in modern day that leads to the global cooperation for carbon reduction, the main strategy of company must merge the idea of business procedure that align with Sustainable Development Goals (SDGs) of the United Nations, in accordance with ESG (Environment Social and Governance) Guidelines that include environmental, social and corporate governance aspects by focusing on life quality elevation in community, reducing social gap, promoting resource usage for highest purpose regarding circular economy, manufacturing and selling eco-friendly product, including managing business under the corporate governance. The company is certain to increase competitive capacity as well as sustainably enhancing business growth.

The Board of Directors would like to express gratitude to all shareholders, customers, partners, staff, and related parties, including financial institutes that support our business procedure throughout 2021. And we promise to operate business with prudent and ethics in accordance with principles of good corporate governance and sustainability to maximize benefits for all related parties as always.”

On Behalf of the President



**Nithi Patarachoke**

President & CEO

On Behalf of Managing Director



**Numpol Malichai**

Managing Director





## Part 1 Business and Performance

# Operating Overview of the Shareholder Structures and Company and its Subsidiaries



### Vision

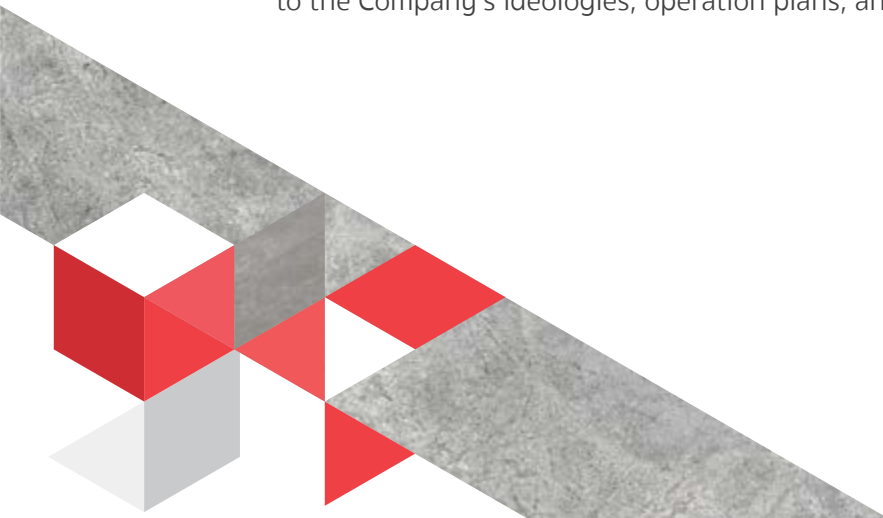
To excel in surfacing business, in addition to sanitary ware and related equipment, and satisfy target customers and improve their quality of life with high-quality products and services at fair price, while achieving the company's financial target and sustainable growth.

### Mission

- Produce and find surfacing products, in addition to sanitary ware and related equipment, to perfectly cater to the customers' need at competitive cost
- Develop one-stop service processes and methods by utilizing Digital Transformation
- Develop management system and employees' efficiency to improve Value Chains
- Conduct business in accordance to the ESG concept, which is concerned with environment, society, and corporate governance

### Strategy

- Cooperate with business alliances to strengthen the marketing channels within the CLMT countries.
- Strengthen the brand by developing and distributing new products which can improve quality of life
  - Accelerate sales growth of new products and related service business
  - Accelerate growth of energy business
  - Utilize technology to increase efficiency in production and sales
  - Develop efficiency and structure of human resource management in accordance to the Company's ideologies, operation plans, and strategies



### **1.1.2 The significant change and development 1) The growth-oriented service business group**

SCG Ceramics Public Company Limited has developed new growth-oriented business procedure: developing Energy Business under Engineering Solution Business (ESB) agency that provides skillful staff to improve business and provide services for internal and external Business projects. The aforesaid procedure consists of three core businesses: 1. Industrial Estate Management Business has designed and installed NK-IE Platform for effective utility management. 2. Energy Business has installed the carport that acts as an electric generator or the Solar Carport and enhanced Solar Monitoring system by providing efficient analysis function. Moreover, the Energy Business will install Solar Rooftop to sell electricity directly to business organization owner without the involvement of government sector. The previous procedure will open the door for private sectors to purchase electricity in lower price since purchasing from the Electricity Authority via Private Power Purchase Agreement (PPA) is more expensive. 3. Business Incubation is the agency that seek opportunity and support new business in many ways: planning, construction, water treatment plant, wastewater treatment system, designing and installing iFactory system for industry to monitor manufacturing efficiency and energy consumption for domestic and international industry sectors. According to business platform procedure, the business incubation team has designed and organized the aggregator platform for electricity trading to take part in the innovation testing project in which technology is being tested to support energy service (ERC Sandbox) with Energy Regulatory Commission of Thailand.

Besides, SCG Ceramics Public Company Limited has developed other new growth-oriented business procedure under new growth business team, relying on the fact that company has played an important role in manufacturing industry. The aforesaid procedure consists of

two business groups: 1. Sealants and chemical product business group has released tile sealer product, which can prevent bacteria, black fungus, corrosion, and reduce residues, under Cotto brand to support health-conscious customer during the New normal lifestyle. 2. Sanitary ware business group has expanded sanitary ware and fitting port under Sosuco brand to support customer needs by new growth business team in ceramics warehouse, resulting in high sales growth.

#### **2) New products and services**

In 2021, SCG Ceramics Public Company Limited has analyzed consumer needs, focusing on small particles or PM 2.5 that occurs in different areas. As a result, the company responds their needs in New Normal lifestyle by improving new products under AIR ION product group or air purification tiles for ground and wall paving.

#### **3) Klang Ceramics**

Klang Ceramics store has provided medium grade ceramic tiles down to low grade ceramic tiles, including various brands and imported ceramic tiles. The store mainly serves any customer who love convenience and prefer to purchase various high-quality product in reasonable price, in accordance with the slogan “Fair Fine Fabulous”. With great strength, golden location, good customer base and spatial interaction, on December 31, 2021, the Ceramics stores have been distributed up to 68 branches all over Thailand, thanks to the agent collaboration in each region.

#### **4) The standard certification and important Awards**

- Hin Kong and Nongkhae 1 Factory is awarded CSR-DIW Continuous Award by the Federation of Thai Industries, The Ministry of Industry
- Nongkhae Estate Factory is awarded Eco-Industrial Estate 4.0 Award in Smart Energy category by The Ministry of Industry
- Nongkhae Estate Factory is awarded Eco-Industrial town system maintenance Award on Eco-World Class level by The Ministry of Industry

- AIR ION, LT, Solar SUSUNN tile products are certified by SCG Green Choice Label of SCG
- Nongkhae Estate Factory is certified as ECO Factory by the Industrial Estate Authority of Thailand and The Federation of Thai Industries

- Mosaic tile is certified as carbon footprint by Thailand Greenhouse Gas Management Organization (Public Organization)

- Industrial Waste heat recovery technology for Vapor absorption system framework is awarded Thailand Energy Awards by the Departure of Alternative Energy Development and Efficiency, The Ministry of Energy

- The product is certified as Made in Thailand (MiT) product by The Federal Industries

- Glazed Porcelain tile is certified as Environmental Product Declaration (EPD) by The National Science and Technology Agency (NSTDA) and Thailand Environment Institute

## **5) Task Improvement and Innovation Promotion**

5.1) Encouraging staff to participate in task improvement and the innovation and task improvement competition continuously

- Summarizing the innovation and task improvement Awards in 2021

- Presenting Thailand Quality Conference & The 22nd Symposium on TQM Best-Practices in Thailand Project

- Reduce Alumina Consumption Project
- Improve Calibro MC Accuracy to Reduce Size Diff Project

- Increase % Size M Floor Tiles 30x30 cm. Project

- Selecting project to participate in SCG CBM OE 2021

- Industry 4.0 Category
- ID 4.0 in Process Kiln201 (Model Line) Project

- Inquiries Assistance RPA Project
- Economy Category

- Increase % Size M Floor Tiles 30x30 cm. Project

- Improve Calibro MC Accuracy to Reduce Size Diff Project

- SHE Category
- Smart Accident Report Project

- Gaining Project Improvement Awards from SCG Continual Improvement Day 2021

- 360-degree pedestal Project
- Curved conveyor belt FT600x600 mm. set for Ceramics Project

5.2) Encouraging and supporting staffs to improve ID 4.0 Innovation and Automation tasks:

- Improving staff's knowledge in RPA Development to minimize mistakes in work performance causing by staff: Minimizing complex analysis errors and avoiding repetitive tasks. The overall performance will result in high precision and speed, in accordance with great management and decision making

- MES Application system can monitor electric and gas energy consumption, including Real time production quantity on the 201-tile kiln, in accordance with the Plant NKIE Model

- Tiles thickness weighting Automation can automatically calculate the tile weight and thickness during tape casting process to produce ceramic tile, in accordance with the Plant NKIE Model

- Improving tiles deflection measurement system by displaying Real time output on web on the 201-tile kiln, in accordance with the Plant NKIE Model

- Improving Qualitron machine by displaying real time data of defected tiles on web right on the tile sorting machine, in accordance with the Plant NKIE Model

- Reducing manpower by Automatic Belt pallet strapping machine

- Reducing manpower and enhancing sorting efficiency by Automatic shade and defect machine

And providing budget for enhancing ID 4.0 and Automation tasks improvement in other machine to create high-efficiency operation throughout the organization

### 5.3) Personal Data Protection Act

SCG Ceramics Public Company Limited has operated in accordance with the Personal Data Protection Act by setting Privacy Policy, which can protect company confidential information, and Privacy notice that can protect information in six categories: 1. Shareholders 2. Business Partners 3. Staff 4. Suppliers 5. Applicants and interns 6. Participants. Those policies were set to protect and conceal confidential information by setting accessibility and preventing important information from being edited or destroyed. Also, providing data readiness only for authorized person to access and retrieve information anytime.

### 6) Standard Certification

Hin Kong Factory's certification are as follows:

- Quality Management System ISO 9001:2015
- Environmental Management System ISO 14001:2015
- The laboratory is certified by TISI. 17025-2561 (ISO/IEC 17025: 2017)
- Occupational Health and Safety Management System ISO 45001: 2018
- Laboratory certificate ISO17025 (permanent) at HK factory about "Expand the scope of Water-absorption Test from NHRC. relating to TISI. 2398 vol.3

Nongkhae Factory's certification are as follows:

- Business Continuity Management System ISO 22301:2012
- Quality Management System ISO 9001:2015
- Environmental Management System ISO 14001:2015
- The laboratory is certified by TISI. 17025-2561 (ISO/IEC 17025: 2017)
- Occupational Health and Safety Management System ISO 45001: 2018
- Energy Management System ISO 50001:2018

Nongkhae 1 Factory's certification are as follows:

- Business Continuity Management System ISO 22301:2019

- Quality Management System ISO 9001:2015

- Environmental Management System ISO 14001:2015

- The laboratory is certified by TISI. 17025-2561 (ISO/IEC 17025: 2017)

- Occupational Health and Safety Management System ISO 45001: 2018

- Energy Management System ISO 50001:2018

Nongkhae industrial estate

- Business Continuity Management System ISO 22301:2012

- Environmental Management System ISO 14001:2015

- Energy Management System ISO 50001:2018

## 1.2 Nature of Business

### 1.2.1 Revenue Structure

In Million Baht

	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
Ceramic Tiles						
- Domestic	8,543	76.3	8,120	79.6	8,918	80.5
- Export	1,876	16.8	1,851	18.2	1,953	17.7
<b>Ceramic Tiles Business</b>	<b>10,419</b>	<b>93.1</b>	<b>9,971</b>	<b>97.8</b>	<b>10,871</b>	<b>98.2</b>
Industrial Estate Business	274	2.4	149	1.5	203	1.8
Solar Energy Equipment						
Installation Business	501	4.5	74	0.7	-	-
<b>Total Sales Revenue</b>	<b>11,194</b>	<b>100.0</b>	<b>10,194</b>	<b>100.0</b>	<b>11,074</b>	<b>100.0</b>

## 2.2. Product Information

### 1) Product or Service

#### 1.1) Ceramic Tiles Business

The Company is manufacturer and distributor of quality ceramic floor and wall tiles. The Company has ceramic tiles product portfolio as follows:

#### 1. Ceramic Floor Tiles

Ceramic floor tiles are the low water absorption tiles which were single fired at high temperature, resulting in the tiles being durable and better suited for heavy usage than ceramic wall tiles. In addition, ceramic floor tiles have a wide variety of pattern and glazed surfaces which can be properly used in various places, such as glazed tiles, cutting edge tiles and polished tiles, etc. Ceramic floor tiles are offered with diverse sizes.

#### 2. Ceramic Wall Tiles

Ceramic wall tiles are suitable for indoor use, light weight and firmly attached to wall. Ceramic wall tiles have glazed surfaces, shades and patterns that are suited for wall tile. They are easily cleaned and have multiple sizes.

### 3. Glazed Porcelain Tiles

A tile with glazed surface and porcelain body (strong body with white color) is suited for use in almost types of building and area. The tiles are dense, low water absorbed, heavy-loaded carrying capable and durable.

### 4. Mosaic Tiles

Mosaic tiles are not more than 4x4 inches, having several types of tile body and resisting to temperature changes. The mosaic floor and wall tiles can be used for indoor, outdoor, swimming pool, or decoration because small-sized mosaic tiles can be applicable for a number of flexible designs.

### 5. Glass Tiles

Glass tiles are made of glass, which is transparent, non-water absorption, not resistant under high pressure, and not resistant to temperature changes, making them suited for wall decoration in area of outside building. Using glass tiles for outdoor decoration is to print pattern on glass or use other techniques such as sand spray to make the tile's surface matte or creating patterns on tiles.



### 1.2) Industrial Estate Business

Nong Khae industrial estate locate on Phaholyothin Road kilometer 91, Nongkhae District, Saraburi. Nong Khae industrial estate is a collaboration project between SCG Ceramics and the Industrial Estate Authority of Thailand which is a state enterprise agency under the Ministry of Industry according to the Industrial Estate Authority of Thailand Act B.E. 2522 (1979). The company is a developer of land and utilities such as electrical systems, water systems, wastewater treatment systems, waste disposal systems and other facilities. The company also provides utility services after sale to industrial operators in Nong Khae Industrial Estate. As of 31 December 2021, the industrial estate has a total project area of 2,042 rai 3 ngan 23.5 square wa, divided into a distribution area of 1,593 rai 2 ngan 16.5 square wa and a utilities and reservoirs area of 449 rai 1 ngan 7 square wa.

The logo for COTTO features the word "COTTO" in a bold, black, sans-serif font. A small red square is positioned to the right of the letter "O".

#### 1) COTTO

COTTO is trusted in quality and beauty because of the continuous development of modern production technology to produce high quality products for consumers to be able to use tiles that are affordable, strong, and durable. The tiles meet international standards and have patterns designed according to the lifestyles of various target customers.

**Customer Segment:** Focus on middle- to upper-level customers that emphasizes realistic and diverse beautiful patterns such as marble patterns, wood patterns, etc.

#### 2) CAMPANA

CAMPANA offers tiles with various patterns. to suit all customer groups. Most of the products under the CAMPANA brand focus on natural patterns or patterns with warm colors that may be suitable for families living in a simple to modern style.

**Customer Segment:** Focus on mass market and middle-level customers and main cities with reasonable product prices.

### 1.3) Solar Energy Equipment Installation Business

Solar equipment installation business originated from the successful implementation of an energy conservation project in the ceramics factory, especially in the field of solar energy that has won many awards guaranteed by government agencies. The company has been engaged in Engineering, Procurement, and Construction (EPC) in many projects, including Solar Rooftop, Solar Farm, Solar Floating and Solar Carport in other businesses within SCG. Then, the company extended the market by offering consulting and outsourcing services to external agencies, both government and private agencies such as Betagro Public Company Limited, Ajinomoto Company (Thailand) Limited, Siam Kubota Corporation Company Limited and the Industrial Estate Authority of Thailand, etc.

#### Brand

The company has a variety of brands that can meet the needs of customers covering every customer segment, which are detailed as follows:

The logo for CAMPANA features the word "CAMPANA" in a bold, red, sans-serif font. The letter "A" at the end is stylized with a triangular shape.



### 3) SOSUCO

SOSUCO has a wide variety of patterns, for example, from natural (wood, stone) to flashy colorful patterns. A variety of styles to cover the needs of a wide variety of customer groups.

**Customer Segment:** Focus on mass market customers with affordable and diverse products.



### 4) Klang Ceramic

Ceramic tile store with products in mid to low price ranges. The products are regular products that have been received directly from the company and have been certified by many institutions, both domestic and international. Some imported tiles are also sold. Klang Ceramic store has branches all over the country with an average sales area starting from 1,000 square meters and a parking area to accommodate customers.

**Customer Segment:** Distributes ceramic tile products in mid to low price ranges.



### 5) COTTO Life

A store that offers a comprehensive collection of tiles, sanitary ware, and faucets. Meeting the lifestyle of urbanites with the concept of "Lifestyle Tiles & Solutions" that reflects modernity and individual styles in designing a unique resident. COTTO Life fulfills home decoration in all areas by providing full services by design specialist, from Creative Designer showing previews before important decisions to Tile Installation Service by a team of expert technicians guaranteeing a functional and reliable work. COTTO Life offers both offline and online stores in order to provide customers with a seamless experience.

**Customer Segment:** Focus on middle- to upper-level customers



### 6) LT by COTTO

LT by COTTO offers LT flooring sheet à la Smart Flexible by COTTO. Carefully selected designs and textures make for a beautiful flooring material that is realistic and natural with a variety of patterns to choose from, covering all areas. Smart Installation system provides expeditious installation. Selecting only Premium Healthy Grade raw materials that are friendly to human, animals, and the environment, LT by COTTO is world-class certified environmentally friendly.

**Customer Segment:** Focus on middle- to upper-level customers who focus on design and product quality.



## 7) C'TIS

C'TIS (Certified Tile Installation Service) provides building, repairing, decorating, adding, and installing tiles and paneling materials by a team of professional technicians certified by the Department of Skill Development for customers who want to renovate their residences or improve houses or small buildings such as adding a garage, tiling a swimming pool, tiling a condominium room floor, or decorating with large tiles.

**Customer Segment:** Focus on customers who want convenience, speed and reliable quality.

## 2. Market and Competition

### 1) Industry Overview

In the first half of 2021, the overall economic condition of Thailand has begun to recover from the COVID-19 pandemic situation that has begun to de-escalate before slowing down again due to the new wave of COVID-19 in the third quarter of this year, which is the time of year with the most intense outbreaks of COVID-19. The real estate sector was greatly affected, especially the construction projects of the private sector which has delayed construction and new projects. This was a result of the closure of construction workers' camps. However, when looking at the overall demand for ceramic tiles in the country in 2021, it is still considered to be at or close to the previous year. At the same time, the competition in the domestic market continues to be intense from both domestic manufacturers and imported products.

In this regard, 2021 is the year that all sectors have learned and become familiar with the COVID-19 pandemic situation, including various measures, enabling them to plan to deal with the situation in a timely manner. However, the increase in energy costs is also another important factor that affects the business of the company. To drive the organization under the challenges amid the crisis, the Company attaches great importance to internal control and has continuously managed its business.

- Prioritize the safety of employees through working in the form of Hybrid Workplace, where employees work mainly from their own residence (Work from Home) and come to work at the office or factory (Work on site) as necessary, including working through the online system provided by the company (Work from anywhere) to ensure that employees, families, and business partners are safe and able to deliver products and services to customers continuously.

- Adjusting the way of thinking and operating processes, especially to reduce costs and increase the efficiency of machines by introducing Automation systems to help in the production process and resource allocation in order to reduce the impact of rising energy costs; Adjusting the proportion of sales to less affected markets, both domestic and international; Adjusting production levels and importing in accordance with demand in order to control the amount of inventory to the appropriate level along with offering products and services that respond to the trend of hygiene and the need for renovation and improvement of homes, such as Hygienic Tile or Antibacterial Tile from COTTO, AIR ION Tile or Air Purifier Tile, Smart LT Floor Tile à la Smart Flexible by COTTO which is a flooring material that is beautifully designed, easy to install, and environmentally friendly as well as installation services under the name C'TIS (Certified Tile Installation Service).

- Continue to continuously focus on the implementation of important plans that have been set to enhance the satisfaction of customers and partners, including resource allocation, reduction production costs and expenses in various fields, procurement of products and services to meet the needs of all customer segments, expansion of sales channels in new forms, both offline and online, and increase the coverage of more areas as well as continuously expanding the energy business and enhance the development of Nong Khae Industrial Estate to be an eco-industrial city at the Eco-World Class level, resulting in the Company being able to maintain market share and competitiveness with competitors in the industry.

As for the operating results in 2021, the company had total sales revenue of 11,194 million baht, an increase of 10 percent from 2020. A total net profit of 584 million baht, increasing from the previous year by 164 million baht due to an increase in total sales volume, along with revenue from the sale of industrial land of 131 million baht. As of 31 December 2021, the company had assets of 11,521 million baht and liabilities of 2,271 million baht, an increase of 6% and 8% from the previous year, respectively.

For 2022, the overall economy in Thailand is expected to grow more than the previous year from disbursement under the annual budget expenditure framework and economic measures that have opened up more economic activities. However, due to the uncertainty of the COVID-19 pandemic situation, including the rising government and household debt problems, this should result in the construction market and the overall demand for ceramic tile products similar to the previous year. In addition, an increase in energy costs has to be monitored. Due to the

sudden increase in demand after the opening of several countries, the world economy recovered, resulting in higher product prices. However, due to the intense competition in the industry and external factors, the company will continue to focus on long-term business growth through key strategies including increasing the market share of the company's products, cooperating with a distributor which is the Modern trade store, continuously expand the ceramic tile retail business in Thailand, accelerating the development of distribution networks in neighboring countries, building a brand in conjunction with developing products and services to meet mega-trends in health and hygiene, meet the needs of consumers in the New Normal era, looking for opportunities and ways to reduce production costs to reduce the risk from rising raw material and energy costs, as well as emphasizing employee safety through working in the Hybrid Workplace model.

As the current global warming crisis and severe climate change bring in global cooperation to reduce carbon dioxide, the company's core strategy must integrate business ideas that are in line with the United Nations Sustainable Development Goals (SDGs) in accordance with the ESG (Environment Social and Governance) guidelines covering environmental, social, and governance dimensions. By focusing on improving the quality of life of people in the community, reducing inequality in society, promoting the best use of resources according to the circular economy principle, producing and distributing environmentally friendly products, along with managing business with good governance, the company is confident that it will increase competitiveness and enhance sustainable business growth.

## 2) Competition Overview

Company	Production Capacity (Million Square Meters per Year)
SCG Ceramics Public Co., Ltd.	80
Dynasty Ceramic Public Co., Ltd. *	87
Union Mosaic Industry Public Co., Ltd. *	22
Royal Ceramic Industry Public Co., Ltd.*	15

\* Note: Refer to the annual data report form 56-1 for the year 2020 of each company.

### 3) Distribution Channel and Target Customers

As of 31 December 2021, the company sells products or provides services both domestically and internationally through the company's dealer as well as retail customers and project owners. At present, the company has 515 domestic and international distributors, both large distributors and stores. The company also sells abroad such as in the US and Europe. The details of the company's sales are as follows:

Distribution	2021		2020		2019	
	Income (Million Baht)	Percent	Income (Million Baht)	Percent	Income (Million Baht)	Percent
<b>Domestic</b>						
Distributor	6,261	60	5,873	59	6,744	62
Retail Customer and Project Owner	2,282	22	2,247	23	2,174	20
<b>Total Domestic</b>	<b>8,543</b>	<b>82</b>	<b>8,120</b>	<b>81</b>	<b>8,918</b>	<b>82</b>
<b>Export</b>	<b>1,876</b>	<b>18</b>	<b>1,851</b>	<b>19</b>	<b>1,953</b>	<b>18</b>
<b>Total Income from Ceramic Tile Business</b>	<b>10,419</b>	<b>100</b>	<b>9,971</b>	<b>100</b>	<b>10,871</b>	<b>100</b>

## 3. Procurement of Products or Services

### 1) Factory, Production Capacity, and Important Policies

#### 1. Hinkong Factory (HK)

Location : 33/1 Moo 2 Suwannasorn Road, Koke Yae Sub-district,  
Nong Khae District, Saraburi Province 18230

Tel. : 0-3638-2888

#### 2. Nong Khae Industrial Estate Factory (NKIE)

Location : 61 Moo 1 Nong Khae industrial estate, Koke Yae Sub-district,  
Nong Khae District, Saraburi Province 18230

Tel. : 0-3637-6100

#### 3. Nong Khae 1 Factory (NK1)

Location : 40 Moo 2 Rim Klong Rapeepat Road, Nong Pling Sub-district,  
Nong Khae District, Saraburi Province 18140

Tel. : 0-3637-6400

#### 4. Nong Khae 2 Factory (NK2)

Location : 33/2 Moo 2 Rim Klong Rapeepat Road, Nong Pling Sub-district  
Nong Khae District, Saraburi Province 18140

Tel. : 0-3637-6300

As of 31 December 2021, all plants have the maximum overall production capacity as follows:

	2021	2020	2019
Maximum Production Capacity (Million Square Meters per Year)	80	81	94
Production Capacity Utilization (Percent)	70	64	64
Actual Production Volume (Million Square Meters per Year)	56	52	60

Note: The company works 3 shifts per day, 8 hours per shift. The production capacity utilization is determined from the production capacity to produce base products. In actual production, there may be certain types of products that utilize higher capacity than base products. Therefore, in some cases, lower production volumes may not indicate less production capacity utilization.

## 2) Ceramic tile manufacturing process can be divided into 6 steps as follows:

**1. Preparing Slurry:** Grind and mix raw materials, soil, rocks, and ores into slurry according to a specific proportion.

**2. Producing Powder:** Turn the slurry into powder by spraying through hot air before storing in a silo.

**3. Tile Forming:** Add powder that was stored in a silo to a mold and press with a high-pressure press, resulting in a tile as designed. Then, bake the tile in the oven to remove moisture.

**4. Glazing:** The formed and moisture-treated tiles pass through the glaze line to coat the surface with glaze and decorate with a pattern by using screen printing, printing with silicone, or printing with a digital printer, etc.

**5. Firing:** Bring decorated glazed tiles into the sintering process, burning the tiles at approximately 1,150 degrees Celsius. The tiles that have been fired are stronger and have colorful pattern

**6. Quality Classification:** Separate tiles into various quality layers by considering irregularities on the surface and measuring the size and deflection value. Tiles are grouped according to quality and transported into the box packing machine to print details of the tiles on the side of the box before being stored in the products warehouse.

## 3) Raw Materials

Raw materials for the production of ceramic tiles can be divided into two main types: raw material for the body of the tile and raw materials used as coatings and paints, as follows:

### 1. Raw Material for the Body of the Tile

The raw materials for the body of the tile are clay, black clay, sedimentary clay, Feldspar ore and Pottery Stone. These raw materials are locally sourced from a large source in the north, especially in Lampang and Tak provinces, which is considered an important source of raw materials for the ceramic industry.

### 2. Raw Materials Used as Coatings and Paints

The raw materials in this section include paints, chemicals and frit coatings, which are produced both domestically and internationally. The purchase decision is mainly based on properties, price, and reliability. Other factors that need to be taken into account include how properties and aesthetics fit the market as well as production techniques and impact such as production costs.

### 3. Raw Material Procurement

The company purchases raw materials from multiple vendors, with no single monopoly to remove the risk from negotiating prices and changing sellers. There are many sources of raw materials, both domestic and international. If there is a change of seller, the company can find a replacement as there are many suppliers in reserve.

## Main Raw Material Procurement

Type	Number of Sellers	Procurement Method	Domestic (Percent)	International (Percent)	Note
Clay	16	Investigate price, negotiate, then order according to agreed terms or contract for production	83	17	Own 1 clay source/ oursource production
Ore	20	Investigate price, negotiate, then order according to agreed terms	100	-	Procured through external vendors
Chemicals	51	Investigate and compare price, negotiate, then order according to agreed terms	92	8	Procured through external vendors/ from overseas
Frit Coatings	17	Investigate and compare price, negotiate, then order according to agreed terms	44	56	Procured through external vendors/ from overseas
Paints	16	Investigate and compare price, negotiate, then order according to agreed terms	99	1	Procured through external vendors/ from overseas

### 4) Environmental Impact

Water and dust generated in the production process will be transported to a treatment system that meet the standard. The water obtained from the treatment will be recycled to avoid impact on the environment. Process waste such as tile and clay powder are re-grinded and reused in the production process. Other types of waste are disposed of in accordance with the standards set by the Department of Industrial Works.

### 5) Nong Khae Industrial Estate, Saraburi

Location : Phahonyothin Road, Km. 91, Nong Khae District, Saraburi  
 Project Start Date : 8 February 1990  
 Project Area : 2,042 rai 3 ngan 23.5 square wah  
 Distribution Area : 1,593 rai 2 ngan 16.5 square wah  
 Ownership : SCG Ceramics Public Co., Ltd.  
 Project Type : Land development for sale

The company's industrial estate is a collaboration project between SCG Ceramics and the Industrial Estate Authority of Thailand which is a state enterprise agency under the Ministry of Industry according to the Industrial Estate Authority of Thailand Act B.E. 2522 (1979). The company is a developer of land and

utilities such as electrical systems, water systems, wastewater treatment systems, waste disposal systems and other facilities. The company also provides utility services after sale to industrial operators in Nong Khae Industrial Estate.

Currently, the management of Nong Khae Industrial Estate follows the guidelines of the Industrial Estate Authority of Thailand (IEAT) that wants the estate to become an eco-industrial city which operates business with a goal to enhance the quality of the environment and the quality of life for nearby communities. With serious and sincere cooperation and mutual assistance, entrepreneurs and communities can coexist in a sustainable manner. The Nong Khae Industrial Estate has plans for both short-term and long-term development of utilities and facilities as well as developing the surrounding communities at the same time to support business operations that focus on the environment and efficient use of resource and energy through participation from the community. This is for the harmonious coexistence and mutual support of the industrial sector and the communities surrounding the industrial area.

Project Area	Total Area					Sold Area		
	Rai	Ngan	Square Wah	Number of Plots	Percent	Number of Plots	Rai-Ngan-Square Wah	Percent of Total Area
1. Distribution Area								
1.1 General Industrial Area	1,521	2	26.2	84	95	75	1,461-0-14.1	96
1.2 Residential Area	71	3	90.3	1	5	1	71-3-90.3	100
Total Distribution Area	1,593	2	16.5	85	100	76	1,533-0-4.4	96
2. Utilities and Reservoirs Area								
2.1 Roads and Gutters	192	-	77.5	11				
2.2 Water Plant	8	3	99.6	1				
2.3 Reservoir	31	-	26.0	2				
2.4 Gas Station	1	1	5.9	1				
2.5 Wastewater Treatment Plant	14	2	75.6	1				
2.6 Lagoon, Front-back section	29	2	47.4	2				
2.7 Power Station	8	2	31.4	1				
2.8 IEAT office	6	1	72.0	1				
2.9 Park	155	3	86.8	33				
2.10 Backup Utilities	-	1	84.8	1				
<b>Total Utilities and Reservoirs Area</b>	<b>449</b>	<b>1</b>	<b>7</b>	<b>54</b>				
<b>Total Project Area</b>	<b>2,042</b>	<b>3</b>	<b>23.5</b>	<b>139</b>				
Project Duration	: 1990 to 1995							
Construction Period	: 1991 to 1995							
Number of Plots Sold	: 76 plots							
Number of Plots Transferred	: 76 plots							

## Target Customer Segment

### 1) Target Customer Segment of the Ceramic Tile Manufacturing and Distribution Business

1. General retail customers who own houses, buildings, or structures who buy ceramic tiles to decorate or repair the house, buildings, or structures

2. Project owners, such as hotel owners or condominium project owners, who need ceramic tiles to decorate, renovate, or repair the premises

3. Sales Agents who buy tiles from the company to sell to retail customers. The company has distributors across the country, both large and small retailers, and regularly support promotional activities for dealers and sub-stores.

The company's products are diverse in terms of types, properties, sizes, patterns, and prices which can meet the needs of target customers and cover all customer segments from the lower, middle, to upper level.

### 2) Target Customer Segment of the Industrial Estate Business

Target customers are industrial customers in construction materials and equipment, auto parts electronics, and consumer products and others. The business focuses on customers, both inside and outside the industrial estates, who want to expand investment and diversify risks due to flooding. The business also increases the original product (purchasing of land for industrial use) by adding land leasing for industrial use in order to create a variety of products and support customers who have access to such products. The business emphasizes entrepreneurs as follow.



1. Domestic entrepreneurs in Zone 1, consisting of Nakhon Pathom, Samut Sakhon, Nonthaburi, and Pathum Thani, who need to relocate their businesses due to environmental problems, flood affected area, or privileges received under the terms of the Investment Promotion Certificate (BOI) which are not the same. The government wants to diversify the investment in the outer perimeter, along with distribute income to people in the surrounding areas outside of Zone1, such as Nong Khae Industrial Estate which is classified as Zone 2 and receives more benefits than Zone 1 or entrepreneurs who want to expand their business to prevent risks in case of flood impact.

2. Domestic investors who will invest in new investments in industrial estates in Zone 2, the suitability of the type of business, and receive privileges according to the BOI.

3. Foreign investors, especially countries that are good trading partners with Thailand such as Japan, China, Taiwan, South Korea, the United States, Germany, Singapore, France, Australia, Italy, etc.

**Competitors in Industrial Estates/Zones in Saraburi Province**

Zone	Industrial Area	Project Area (Rai)
2	Nong Khae Industrial Estate	2,042
2	Hemaraj Saraburi	3,619
2	Saraburi (Kaeng Khoi)	1,494

The project of Nong Khae Industrial Estate has highlights as follows:

**1. Project Location**

- Nong Khae Industrial Estate has an entrance on Phaholyothin Road, which is a 10-lane highway used in transportation from Bangkok to the northern, northeastern (upper northeastern / lower), and eastern (Eastern Ring Road) part of the country and can also be used to export to neighboring countries

such as Lao PDR, Cambodia, and Vietnam, which are very useful in the business of integrated agro-industry.

- The transportation route is a route adjacent to the Outer Ring Road, which can be linked to exports to Laem Chabang Port without having to go through Bangkok or can be transported by air at Suvarnabhumi Airport

- The geographical condition of Nong Khae Industrial Estate is a prominent feature that can be developed into a regional collection and distribution center (Hub) for the region and provides opportunity for investors to develop logistics business.

- Transportation in accordance with Thailand's policy to connect countries in different regions and the transportation network (One Belt One Road). Thailand will be the logistics center of the ASEAN region and has invested in a high-speed rail project on the Bangkok-Nakhon Ratchasima route, which is expected to open in 2022 and has 6 stations, one of which will be in Saraburi (Across from Robinson, Bypass Road), which will be a transportation facility for Nong Khae Industrial Estate which is only 20 kilometers away.

**2. Labor Supply**

- High level workers: Nong Khae Industrial Estate is close to higher education institutions such as Thammasat University, Rangsit University, AIT Institute, etc., which are academic sources and have High Technology

- Skilled Labor: Nong Khae Industrial Estate is close to Saraburi Technical College, such as factory mechanics, power electricians, electronic technicians and welders, etc.

- Unskilled Labor: Because Nong Khae Industrial Estate is adjacent to the central region, there are a lot of Unskilled workers as well, such as from Phra Nakhon Si Ayutthaya Province and Provinces in the Northeast, etc.

### 3. Utilities

In every private industrial estate, there are different advantages and disadvantages. There must also be utilities that provide services to operators. Nong Khae Industrial Estate has advantages over other projects, namely:

- Natural Gas (from PTT): Nong Khae Industrial Estate Project has laid natural gas pipelines within the estate to enable operators to use clean energy that is cheaper than other types of energy in production, resulting in lower production cost than using other types of energy such as petroleum.

- Construction Structure: Nong Khae Industrial Estate is near a mountain, causing the bottom of the soil layer to be supported by rock layers. Therefore, the construction will cause Economies of Scale in using fewer piles and not having to drive the piles in very deep.

- Land Grading: The soil level of the sales plots of the Nong Khae Industrial Estate Project is higher than the road level. When there is a flood, the water will not flood the project. In addition, there is another layer of Dike protection to prevent flooding.

- Water System Advantage: Nong Khae Industrial Estate uses natural water sources from the Rapeepat Canal, which receives water from the Pa Sak River as the main water source, and also has groundwater as a reserve. The quality of tap water is water that can be used for consumption. In the past, Thailand has experienced a drought problem. Nong Khae Industrial Estate is aware that the continuity of the industry in Nong Khae Industrial Estate creates economic growth for Saraburi Province and the country. Therefore, a second raw water source with a capacity of 721,000 cubic meters was added and combined with the original. As a result, Nong Khae Industrial Estate has a maximum capacity of 991,000 cubic meters of water to support entrepreneurs in the estate, with a maximum water reserve of 60 days for tap water production. Currently, Nong Khae Industrial Estate has a maximum water supply

capacity of more than 28,800 cubic meters per day to support customers who want to increase their current production capacity and future customers.

- Electrical Power Supply System: Nong Khae Industrial Estate is stable in terms of electric power, with an electric system from the Provincial Electricity Authority and also receive a 10% discount for a period of 5 years. In addition, there is electricity from the private sector. Being close to the center of Fresh Vegetables and Fruit Market (Talad Tai) and the Si Mum Muang Market along with raw materials from the North and Northeast makes it a suitable place for setting up a food factory such as a processing plant, packing plant, and storage plant for fresh vegetables, fruits, etc. It is also located near the source of raw materials for the cement industry (Glazed clay), making it suitable for setting up continuous industrial plants.

### 6) Solar Energy Equipment Installation Business

Location : Phahonyothin Road, Km. 91,  
Nong Khae District, Saraburi

Ownership : SCG Ceramics Public Co., Ltd.

Project Type : Energy Business

At present, the company operates a comprehensive energy business aiming for excellence, being a Solution Provider in engineering, energy and industrial estates at the ASEAN level, with digital technology to provide customers with services that cover every solution with more than 20 years experience in energy, energy management services, optimizing energy consumption, development of renewable energy systems, and energy conservation. In the current industrial sector, besides industrial estate business, we have the experience, personnel, and tools to provide alternative energy systems such as Solar Roof, Solar Farm and Solar Floating; energy management services such as energy management certification; energy consumption analysis; and energy conservation projects to the customer's establishment with international standards.

## 1.1 Business Group

### 1. RENEWABLE ENERGY: Solar Solution

Design, install, and maintain the power generation system from solar energy, Solar Roof, Solar Farm, Solar Floating, and Solar carport.

The process of converting light energy into electrical energy includes using the solar panel as a photoreceptor to receive both direct radiations. The solar cell consists of a semiconductor that can absorb sunlight and act as an electrical conductor. When the sunlight hits the solar panel, the surface is transformed into a carrier and is positively and negatively charged to provide voltage at both terminals of the solar cell and generating electricity from solar panels.

We provide a full range of services from surveying, inspection, design, getting a permit, as well as installation and maintenance.

- Site Project Feasibility Studies and Site Survey

- System Design
- Licenses and Permits
- Procurement and Construction
- Final Inspection and Commissioning
- Monitoring System
- Operation and Maintenance (PV Cleaning, Infrared Thermo Scan, Performance Check)





- Financial Solution (Leasing, Private PPA //Power Purchase Agreement

The business had generated and distributed 36.15 MW of electricity, divided into

1.1 Solar energy from Solar Roof Project has already produced 23.8 MW.

1.2 Solar energy from Solar Fram Project has already produced 10.8 MW

1.3 Solar energy from Solar Floating Project has already produced 1.1 MW

1.4 Solar energy from Solar carport Project has already produced 0.36 MW

## 2. Solar Monitoring system

A service to check on the solar cell system on the Digital platform web in order to monitor plant performance, continuous power generation, and power generation efficiency.

- Energy Balance
- Inverter Level Comparison Power/Angle
- Weather Station
- Power Quality/ Power Meter
- Heat Map
- Alarm History and Report

### 3. Solar O&M

Services to check the solar cell system in order for the plant to produce electricity continuously and maintain good power generation efficiency. The services include cleaning solar panels, checking the condition of the solar cell system, system maintenance, and technical checks using Thermo-scan to check for heat and system faults including system safety before and after system installation.

### 4. Energy Management: Energy Efficiency Project

Business services in energy conservation projects both in the building and industrial plants by operating and providing services such as

- Combustion Technology
- Heat Recovery
- Energy Saving for Air Compressor
- Energy Saving for Chiller
- Co Generator

5. ENERGY MANAGEMENT: Verify the energy management report

Provides inspection and certification services for energy management by a licensee to inspect and certify energy management from the DED. Provides Energy Management Audit and Certification, along with providing services about Energy conservation or solving environmental problems arising from the use and production of energy.





# SUSUNN

## 2. Brand : SUSUNN

At present, the company operates a comprehensive energy business aiming for excellence, being a Solution Provider in engineering, energy, and industrial estates at the ASEAN level, with digital technology to provide customers with services that cover every solution with more than 20 years experience in energy, energy management services, optimizing energy consumption, development of renewable energy systems, and energy conservation. In the current industrial sector, besides industrial estate business, we have the experience, personnel, and tools to provide alternative energy systems such as Solar Roof, Solar Farm and Solar Floating; energy management services such as energy management certification; energy consumption analysis; and energy conservation projects to the customer's establishment with international standards.

### 1.3 Marketing and Competition

The private power generation business is expected to grow sequentially, both on the demand-side factors from having a market and on the supply side from the government's investment support policy according to the Power Generation Development Plan and the Renewable and Alternative Energy Development Plan, with a tendency to accelerate from 2021 onwards, such as solar power projects installing Solar Roof, Solar Farm and Solar Floating.

The growth direction of the power business and electricity generation is in line with the government's approval that has agreed to set Carbon Neutrality targets by 2065 -2070. There are 4 key guidelines:

- Increase the RE new power generation capacity by more than 50%
- Promote EVs in accordance with the 30@30 policy (30% EV production by 2030), with clear measures in place in Sept.
- Increase energy efficiency > 30%
- Restructuring the energy industry according to the 4D1E guidelines

Promoting clean energy will attract new investments and high use of energy. Clean energy procurement will meet investors who have announced Net Zero targets and increasing carbon credit value. There is an opportunity to create an investment value of over 2 trillion baht in the period of 30-40 years with a future society that cares more about sustainability. Energy consumption is still one of the essential factors for industrial development and economic growth. There is a large number of investors who provide services in this business. Also, in the past, there have been development of new technologies to make changes and replace traditional technology models. Therefore, there may be fierce competition as well.

## 4. Assets Used in Operations

### 4.1 Main Assets of the Company and its Subsidiaries

Assets according to the consolidated financial statements as of December 31, 2021 are 11,521 million baht, of which 51% are current assets, which mainly consists of inventories, trade accounts receivable, and other current receivables. The remaining 49 percent of assets are mostly land, building, and equipment.

Asset	2021 (Million Baht)	2020 (Million Baht)	2019 (Million Baht)	Proprietary Nature	Obligation
Land and Land Improvements	1,222	1,230	1,229	Owned	None
Buildings and Structures	1,034	1,126	1,177	Owned	None
Machinery and Equipment	2,209	2,373	2,641	Owned	None
Furniture and Office Equipment	66	71	92	Owned	None
Transportation and Equipment	88	89	3	Owned	None
Construction in Progress	206	182	181	Owned	None
<b>SCJ</b>	<b>4,825</b>	<b>5,071</b>	<b>5,323</b>		

### 4.2 Important Intangible Assets

#### 1) Patents

As of December 31, 2021, the Company and its subsidiaries have a total of 45 enforceable patents. The list of enforceable patents of the Company and its subsidiaries that do business is as follows:

Number	Patent Number	Patent Date	Request Number	Invention Patent	Product Design Patent	Expiration Date
1	Patent ZL200710305114.7 (China)	07/08/2011	ZL200710305114.7	The process of making patterns and forming ceramic plates and products obtained from this process	-	19/09/2027
2	Patent US8333916 B2 (USA)	18/12/2012	11/859684	The process of making patterns and forming ceramic plates and products obtained from this process	-	20/09/2027
3	Patent 11310 (Vietnam)	16/04/2013	1-2007-01913	The process of making patterns and forming ceramic plates and products obtained from this process	-	19/09/2027
4	Patent EP2036694B1 (Italy)	05/03/2014	7116535.1	The process of making patterns and forming ceramic plates and products obtained from this process	-	16/09/2027
5	Patent EP2036694 (Spain)	05/03/2014	7116535.1	The process of making patterns and forming ceramic plates and products obtained from this process	-	16/09/2027
6	Patent IT201600131820B (Italy)	21/05/2019	1020160001381820	Printing equipment and printing machinery for construction products	-	27/12/2036
7	Patent CN110430982B (China)	30/3/2021	201780081252.3	Printing equipment and printing machinery for construction products	-	27/12/2037

Number	Patent Number	Patent Date	Request Number	Invention Patent	Product Design Patent	Expiration Date
8	Patent 2869576 (Spain)	27/1/2021	ES17842334T	Printing equipment and printing machinery for construction products	-	27/12/2037
9	07/08/2015	07/08/2015	1503000634	Trowel for leveling surfaces and installing tiles.	-	29/04/2025
10	Petty Patent 10439	28/09/2015	1503000635	Notched trowel for installing and laying tiles on cement material	-	29/04/2025
11	50454	15/07/2016	1302000201	-	Floor Panel	31/01/2023
12	61920	11/04/2018	1602000240	-	Floor and Wall Panels	28/01/2026
12	61921	11/04/2018	1602000241	-	Floor and Wall Panels	28/01/2026
14	61925	11/04/2018	1602000693	-	Floor and Wall Panels	28/02/2026
15	64005	3/08/2018	0701004776	A set of tools and methods for making patterns and forming ceramic plates and products obtained from this process	-	20/09/2027
16	71886	4/10/2019	1702001123	-	Floor and Wall Pattern	30/03/2027
17	71887	4/10/2019	1702001124	-	Floor and Wall Pattern	30/03/2027
18	71888	4/10/2019	1702001125	-	Floor and Wall Pattern	30/03/2027
19	71889	4/10/2019	1702001126	-	Floor and Wall Pattern	30/03/2027
20	73001	6/10/2019	1702001127	-	Floor and Wall Pattern	30/03/2027
21	73002	6/12/2019	1702001128	-	Floor and Wall Pattern	30/03/2027
22	73003	6/12/2019	1702001129	-	Floor and Wall Pattern	30/03/2027
23	73004	6/12/2019	1702001130	-	Floor and Wall Pattern	30/03/2027
24	73005	6/12/2019	1702001131	-	Floor and Wall Pattern	30/03/2027
25	73006	6/12/2019	1702001132	-	Floor and Wall Pattern	30/03/2027
26	73007	6/12/2019	1702001133	-	Floor and Wall Pattern	30/03/2027
27	73008	6/12/2019	1702001134	-	Floor and Wall Pattern	30/03/2027
28	73009	6/12/2019	1702001135	-	Floor and Wall Pattern	30/03/2027
29	73019	6/12/2019	1702001136	-	Floor and Wall Pattern	30/03/2027
30	73010	6/12/2019	1702001137	-	Floor and Wall Pattern	30/03/2027
31	73011	6/12/2019	1702001138	-	Floor and Wall Pattern	30/03/2027
32	73012	6/12/2019	1702001139	-	Floor and Wall Pattern	30/03/2027
33	73013	6/12/2019	1702001140	-	Floor and Wall Pattern	30/03/2027
34	73018	6/12/2019	1702001141	-	Floor and Wall Pattern	30/03/2027
35	73014	6/12/2019	1702001142	-	Floor and Wall Pattern	30/03/2027
36	73015	6/12/2019	1702001143	-	Floor and Wall Pattern	30/03/2027
37	77922	11/08/2020	1802001642	-	Floor and Wall Pattern	23/04/2028
38	78578	16/09/2020	1802001652	-	Floor and Wall Panels	23/04/2028
39	78585	16/09/2020	1802001653	-	Floor and Wall Panels	23/04/2028
40	78575	16/09/2020	1802001654	-	Floor and Wall Panels	23/04/2028
41	78586	16/09/2020	1802001655	-	Floor and Wall Panels	23/04/2028
42	78582	16/09/2020	1802001656	-	Floor and Wall Panels	23/04/2028
43	185121	16/09/2020	1802001659	-	Floor and Wall Panels	23/04/2028
44	78584	16/09/2020	1802001660	-	Floor and Wall Panels	23/04/2028
45	18274	31/08/2021	2003001508	Kiln System	-	01/07/2030



## 2) Brands

Important trademarks of the Company and its subsidiaries such as COTTO, etc. There are 52 trademarks registered with the Department of Intellectual Property under the Ministry of Commerce.

The logo for COTTO, featuring the word "COTTO" in a bold, black, sans-serif font with a small red square to the right of the "O".The logo for CAMPANA, featuring the Thai word "คัมภีร์" in red, stylized font above the word "CAMPANA" in a red, sans-serif font.

## 3) Rights and Benefits from Investment Promotion

The company has received investment promotion from the Board of Investment (BOI) by receiving tax privileges and benefits such as exemption from import duties on machinery and equipment imported from abroad and exemption from corporate income tax on profits for the year for a specified period from the date of earning.

Product Type	Promotion Certificate Date	Tax Benefits and Expiration Date
Ceramic Tile Investment Promotion Certificate No. 61-1236-0-00-1-2	19 October 2018	Exemption from corporate income tax on net profits derived from promoted businesses combined not exceeding 100% of investment, excluding cost of land and working capital, for a period of 7 years. This income tax exemption will end on 6 March 2023.
Generate Electricity from Solar Rooftop Investment Promotion Certificate No. 61-1186-1-00-1-0	4 October 2018	Exemption of import duty on machinery and equipment imported from abroad (Has used the benefits)
Generate Electricity from Solar Farm Investment Promotion Certificate No. 64-0800-1-00-1-0	16 August 2021	- Exemption from corporate income tax on net profits derived from the promoted business combined not exceeding 100% of investment, excluding cost of land and working capital, for a period of 8 years starting from the date of earning (Has not started) - Exemption or reduction of import duties on machinery and equipment imported from abroad (Has not used the benefits)

**4. Summary of Important Contracts**

As of 31 December 2021, the Company has important contracts summarized as follows:

**1. Intellectual Property Agreements with companies in the SCG Group**

The Company is a contractual party to intellectual property rights, including trademarks and patents, with companies in the SCG group. The contracts are divided into two groups: (1) contracts or agreements in the form of joint ownership of intellectual property, i.e., COTTO Joint Ownership Memorandum and Memorandum of Co-ownership in Patents; and (2) Trademark Transfer Agreement of GEOLUXE as follows:

**COTTO Joint Ownership Memorandum**

The company and 2 companies in the SCG group that operate business related to sanitary ware products is a party that has co-ownership rights in the COTTO trademark with details and important conditions as follows:

<b>Contract Parties</b>	<ol style="list-style-type: none"> <li>1. SCG Ceramics Public Company Limited (“the Company”)</li> <li>2. Siam Sanitary Ware Company Limited ("SSW")</li> <li>3. Siam Sanitary Fittings Company Limited ("SSF")</li> </ol>
<b>Contract Period</b>	The agreement is effective from 2 July 2018 onwards.
<b>Nature of Co-ownership</b>	<ol style="list-style-type: none"> <li>1. The Company and SSW are joint owners of 15 trademarks registered in Thailand and 48 registered in foreign countries and have the right to use such trademarks on various sanitary ware products as specified in the memorandum.</li> <li>2. The Company and SSF are joint owners of 11 trademarks registered in Thailand and 47 registered in foreign countries and have the right to use trademarks on faucet products and various sanitary ware accessories as specified in the memorandum.</li> <li>3. The Company owns and has the sole right to use the COTTO mark and symbol in connection with any goods and/or services in the company's business.</li> <li>4. The company has the right to use trademarks and/or symbols and/or use the word COTTO in various forms and/or any other similar text to represent the company and the symbol, including being used as an abbreviation in the SET.</li> </ol>
<b>Compensation</b>	as stated in the memorandum.

**Memorandum of Co-ownership in Patents**

The Company is a contracting party that has co-ownership rights in patents for inventions and manufacturing methods of products arising from the use of Pyrolithic Stone Technology, including know-how and machine designs related to such inventions and processes, namely (1) Machine set and process for pattern making and forming of ceramic sheet and products obtained from this process; (2) Clay dispensing device for pattern making and forming of ceramic product, and (3) MG Full Version and MG 2 machine model with details and important conditions as follows:

<b>Contract Parties</b>	1.SCG Ceramics Public Company Limited (“the Company”) 2.SCG Building Materials Company Limited (“SCG Mat”)
<b>Contract Period</b>	The agreement is effective from 2 July 2018 onwards.
<b>Nature of Co-ownership</b>	<ol style="list-style-type: none"> <li>1. The company is a joint owner of intellectual property. Both sides agreed to jointly change the registration to reflect joint ownership of intellectual property in Thailand and abroad.</li> <li>2. Once the registration has been changed The Company has the same intellectual property rights as SCG Mat, with the right to use intellectual property in the production and distribution of products related to this intellectual property under the trademarks (1) GEOLUXE (2) Pyrolithic and (3) GeoMimicry relating to synthetic stone products as specified in the Memorandum.</li> <li>3. The Company has the right to request that SCG Mat determine the scope of permission for third parties to use the Intellectual Property or sell machinery related to the Intellectual Property, including the scope of the license, term of a license, or to set a price to sell the product and will share the profit and return from commercial exploitation in accordance with the investment proportion as agreed upon.</li> <li>4. The Company and SCG Mat are joint owners of the Intellectual Property that has been jointly developed, but in the event that (1) one party hires the other party to carry out research and development, or (2) Either party is solely engaged in research and development on Intellectual Property or hire a person or a third party to perform the research and development, the party performing the research and development or the employer party is the owner of the intellectual property rights in that part. However, in the case under (2), the other party has the first right (First Right of Refusal) to request permission for use in the research work developed, including product formulations and related knowledge, or offer to purchase machinery related to intellectual property according to the conditions specified in the memorandum.</li> </ol>
<b>Compensation</b>	as stated in the memorandum.

## GEOLUXE Trademark Transfer Agreement

The Company is the contracting party that has the right to receive the trademark transfer which has applied for registration with the Department of Intellectual Property, Ministry of Commerce, amounting to 3 trademarks: (1) GEOLUXE, (2) Pyrolithic and (3) GeoMimicry, for synthetic stone products as specified in the contract, and has been transferred the trademark which has been applied for registration with The Department of Foreign Intellectual Property includes (1) 16 trademarks of GEOLUXE, (2) 12 Pyrolithic trademarks, and (3) 13 GeoMimicry trademarks for synthetic stone products as specified in the contract.

<b>Contract Parties</b>	1. Cementsai Ceramics Company Limited (“CCCL”) 2. SCG Ceramics Public Company Limited (“the Company”)
<b>Contract Period</b>	The agreement is effective from 2 July 2018 onwards.
<b>Nature of Co-ownership</b>	1. CCCL transfers the trademark to the company. Both parties agree to jointly carry out the registration changes to change the ownership of trademarks both in Thailand and abroad. The Company will pay compensation to CCCL for the transfer of trademarks as stipulated in the agreement. 2. Once the registration has been changed the Company has rights as the trademark owner with the right to use the trademark in its own business forever, and CCCL ceases to be the owner and has no rights in the trademark anymore.
<b>Compensation</b>	as stated in the memorandum.

## 4.3 Investments in Subsidiaries and Investment Policy and Subsidiary Control

### 1) Investments in subsidiaries

Investments in subsidiaries are accounted for in the separate financial statements using the cost method. This is an investment in an entity in which the Company holds more than 50 percent of the total voting rights and the company has the power to control. Impairment of investment in subsidiaries is recorded as an impairment loss.

#### Investments and details of subsidiaries as of 31 December 2021

Subsidiary	Type of Business	Shareholding (Percent)	Registered and Paid Capital	Investment Value at Cost
Sosuco Ceramic Co., Ltd.	manufacturing and distributing ceramic floor and wall tiles	100	800 Million Baht	800 Million Baht

### 2) Investment Policy and Subsidiary Control

The company has a policy to invest in subsidiaries with the objective of supporting the business of the company, causing the company to have more operating results or profits, or a business that benefits the Company by being able to support the Company's core business to be more comprehensive (Synergy), or a business in an industry that has a growing trend and emphasizes the rate of return from an investment.

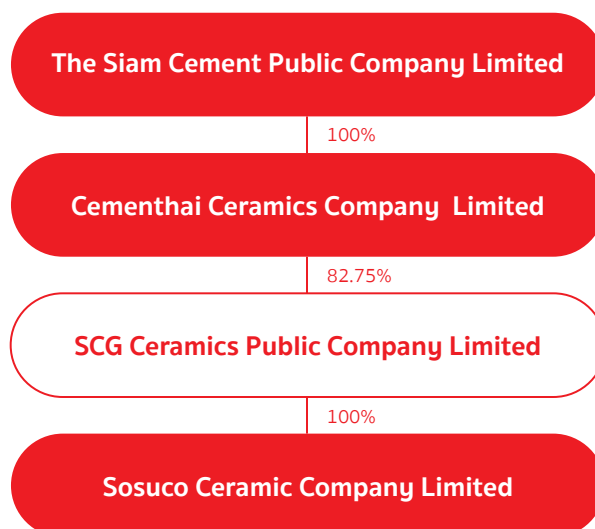
## 5. Undelivered Project

None

### 1.3 Shareholding Structures of Conglomerates

#### 1.3.1 Shareholding Structures of Conglomerates

On December 31, 2021, the company has a shareholding structure as follows:



#### 1.3.2 Investment in Subsidiaries and Other Companies

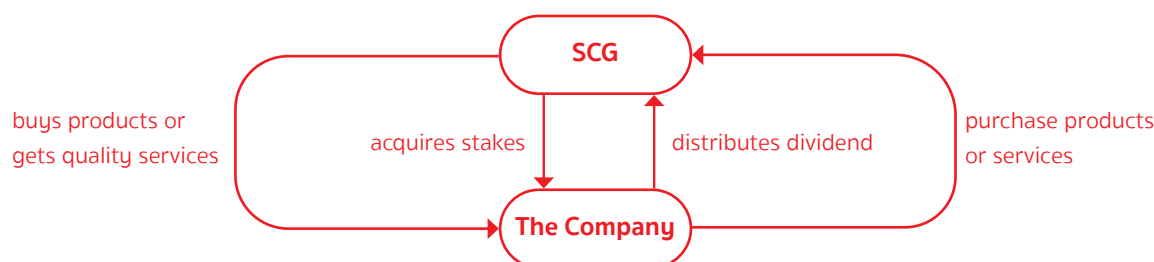
The company has policy to invest in company engaging ceramic tile business which is complement to its operation and creates opportunities to generate long-term returns to the company. As of December 31, 2021, the company has invested as follows:

Company Name	Business	Registered and paid-up Capital	Holding stake (%)	Book value of investment
Sosuco Ceramic Company Limited (SSC)	Manufacture and Distribution of floor and wall ceramic tiles	800 Million Baht	100	800 Million Baht

#### 1.3.3 Relationship with Major Shareholders

The company has Cementhai Ceramics Company Limited (“CCCL”) as a major shareholder which is a subsidiary of SCG. The company is also a part of SCG Cement-Building Materials of SCG. From past to present, the company has traded various kind of products with SCG. All purchases are made according to a normal trade agreement which consists of general trade terms that one ought to do with other parties in the same circumstances, and without exerting any leverage regardless of relation between companies. However, in terms of purchasing with SCG, who might have a conflict of interest with the company, the company will operate the policy of connected transactions according to information shown in Topic 9: Connected Transaction.

#### Relationship of major shareholders with the business unit



### 1.3.4 Shareholders

First 10 major shareholders (as of December 31, 2021)

NO.	Shareholders	No. of Ordinary Shares	% of Total Shares
1	Cementhai Ceramics Co., Ltd.*	4,934,046,562	82.750
2	Mr. Wongwut Wuttinan	108,608,848	1.821
3	Thai NVDR Co., Ltd.	85,734,438	1.438
4	Mr. Kiat Srijomkhan	15,891,104	0.267
5	Mr. Prasit Pheksapornphong	13,416,616	0.225
6	Miss Thanida Opanayikul	13,248,498	0.222
7	Mr. Sujin Wanglee	12,681,623	0.213
8	Miss Sukanya Opanayikul	10,710,454	0.180
9	Mr. Weerawat Opanayikul	9,789,421	0.164
10	Mr. Teerapol Sampansub	9,593,300	0.161

Remarks \*Served as a major shareholder of the company and a subsidiary of Siam Cement Public Company Limited

Strategic Shareholders, Board of Directors, President & CEO including those involved parties and related partners:

Full name	No. of Shareholders	No. of Shares	% of Paid-Up Capital (Ordinary shares)
1. Mrs. Nanthasiri Assakul	1	108,608,848	1.821
1.1 Mr. Wongwut Wuttinan (Father)	1	108,608,848	1.821
2. Miss Varunyu Opanayikul	2	19,783,199	0.332
2.1 Miss Varunyu Opanayikul	1	8,192,330	0.137
2.2 Mrs. Sulee Opanayikul (Mother)	1	11,590,869	0.194
3. Mrs. Voranun Sodanin	1	40,000	0.001
4. Mr. Numpol Malichai	1	11,331	0.000
4.1 Mrs. Oranuch Malichai (Wife)	1	11,331	0.000
5. Mr. Surasak Kraiwitthaicharoen	1	27	0.000
<b>Total</b>	<b>6</b>	<b>128,443,405</b>	<b>2.153</b>

#### 1.4 Registered Capital

The company has registered capital of 5,962,621,233 baht and paid-up capital of 5,962,621,233 baht. The company has ordinary shares of 5,962,621,233 shares, at the par value 1 THB per share. Preferred stock -None-

#### 1.5 Registered Capital for Issuing Other Securities

None

#### 1.6 Dividend Policy

The company has a policy to pay dividend at 30-50% of the net profit based on the company's consolidated financial statements after legal reserve deduction and loss carried forward (if any). The dividend payout is also subject to the company's cash flows, investment plan, terms and conditions of binding contracts, as well as, future obligations and commitments.

In 2021, the company generated annual profit of 584 Million Baht. And on March 25th 2021, the Board of Directors resolved to propose a full year dividend payment of 0.047 baht per share for the 2021 financial performance, representing a payout rate of 50% after legal reserve deduction.

#### Dividend Distribution Ratio in 2021, 2020, and 2019

Details of Dividend Distribution	2021	2020	2019
1. Net Income (Million Baht)	584	420	168
2. Retained Earnings (Million Baht)	1,720	1,306	984
3. Number of Shares (Share)		5,962,621,233	
4. Dividends (Baht/Share)			
- Interim Dividend (Baht/Share)	-	-	0.012
- Annual Dividend (Baht/Share)	0.047	0.029	-
5. Total Paid Dividend (Million Baht)	280	173	72
6. Dividend Payout Ratio to Net Income after Legal Reserve Deduction (%)	50	44	44
7. Legal Reserve (Million Baht)	24	28	7

# COTTO *Life*

COTTO Life, CDC Branch, 2nd Floor, SCG Experience, Road Along the Expressway

“COTTO Life” product distribution channel, which is located at CDC branch, 2nd floor of SCG Experience situated on the road along the Ekamai-Ramintra Expressway, is a showroom that gathers quality branded tiles from SCG Ceramics. In addition, COTTO Life has consulting, design, and installation services that meet all the area and use requirements under the concept of Lifestyle Tiles & Solutions. It seamlessly combines trading channels, both offline (shopping at the store) and online (buying products through online channels) for new generation customers.

Products in the showroom

- In the Lifestyles Area, products are arranged in all areas of the house so that customers can see the real products and precisely buy them according to their needs.
- In the Exclusive Collection zone, special collections only at COTTO Life are presented, such as Italia Collection, Grande Collection, Espana Collection, and other various services.
- Creative Designer by COTTO Studio is a product design service that designs an appropriate product use for the space customers have, helping customers to better visualize before making purchasing decisions.
- Tile Installation Service, full installation service from consulting to installation by experts.
- Free delivery in designated areas.







## Risk Management

### 2.1 Risk Management Policies

The company places great emphasis on the Enterprise Risk Management Framework. Thus, the company has implemented risk management framework in alignment with international standards and integrated it into the corporate business operations. This allows the company to identify expected risks or business opportunities in the future whether it is from internal or external factors including regulations, society, and environment that, in some cases, might impact the business continuity in an appropriate and timely manner, and to reduce the risks to an acceptable level or identify opportunities to add value to the organization in an attempt to achieve the established goals, meet the expectations of stakeholders, promote the sustainable business operation, and comply with the good corporate governance principles.

The company has implemented risk management framework that allows the company to review, follow up, evaluate risks that can impact the company's visions, goals, or business strategies, and introduce risk mitigation measures as a tool to manage risks. Furthermore, to emphasize the company's intention, the executives have established the risk management framework and cultivated the risk management culture as a part of organizational culture in employees as well as stakeholders. The framework allows every executive and employee to improve their expertise in risk management, use it as a framework in the company, and take it into account when making business or investment decisions. The company also promotes adopting advanced technology to cooperate with the risk management process of the company.

Regarding the intention shown in the risk management policy, the company proceeds to take concrete actions. As a result, factories and businesses in Nong Khae 1 and Nong Khae Industrial Estate have been certified in Business Continuity Management System (ISO 22301) for manufacturing floor and wall ceramic tiles. Not only that the framework has been certified by international standards, but the company also follows the SCG framework when considering business-related risk factors as well as having people in charge give directions to cope with each risk factor.

Risk management is an important process as it empowers a business to achieve its objectives and goals. The faster business can identify risks in advance, the more company can minimize impacts and can seek more business opportunities. Moreover, efficient risk management is a crucial element in devising strategies and investment decisions. All of this above will contribute to the attainment of creating innovations and ultimately lead to value added for the organization, shareholders, and other stakeholders, as well as contribute to the company's sustainable growth

#### **Risk Management Framework**

The company has improved the Enterprise Risk Management Framework to keep the framework up-to-date and compatible with the international standard and align with SCG Risk Management strategies. Also, the company also places importance on assessment of risks that may arise and create a far-reaching impact on the economy, society, and environment in the next 3-5 years, administers and disclose Risk Management Policies in Investment, Environment, Social and Governance (ESG), and Operation.

The company has provided training programs and communicated to staff and related entities in every department so that all employees acknowledge and implement accordingly, leading to value-added in Value Chain as well as fostering Risk Management Culture.

Additionally, the objectives and the level of risk appetite were clearly set so that all managements are carried out uniformly with the company's strategies.

Besides, the results of risk management in strategies and operations that might pose risk to the business operations and investments of shareholders are shown in Risk Dashboard displaying high, medium, and low risks along with the solutions to Risk Management Committee, Audit Committee, and the Board of Directors.

#### **Risk Management Committee**

The Risk Management Committee is to oversee and ensure that the company has systemic risk management and to devise a structure and strategies in line with the company's visions, missions, and objectives. The committee is also to assign responsibility for risk management, to administer and follow up the results of risk management, and to keep risks within the level of risk appetite. More importantly, the committee is to bring about the integration of risk management into the workings of the company, which would cultivate the Risk Awareness Culture and is set to be an agenda for the monthly meeting. The Risk Management Committee shall report the outcomes of risk management to the Audit Committee every quarter. The Risk Management Committee will implement risk management strategies, monitor, identify important trends and situations that could affect the goals of the company, evaluate a risk analysis, and find a measure for reducing risks that potentially affect the business of the company.

#### **Risk Management Committee Structure**

Risk Management Committee Structure is established to be responsible for setting the

Risk Management Framework for the company and follow up results of risk management.

A management representative is assigned to be a Risk Influencer, whose duties include ensuring processes necessary to the risk management are administered, executed, controlled, ordered, integrated as planned, as well as internal auditing to ensure that the Risk Management system is implemented properly by investigating the internal control and the risk management system. Also, a Risk Influencer is assigned to report their performance on Risk Management to top executives.

#### **Risk Management Operation Committee**

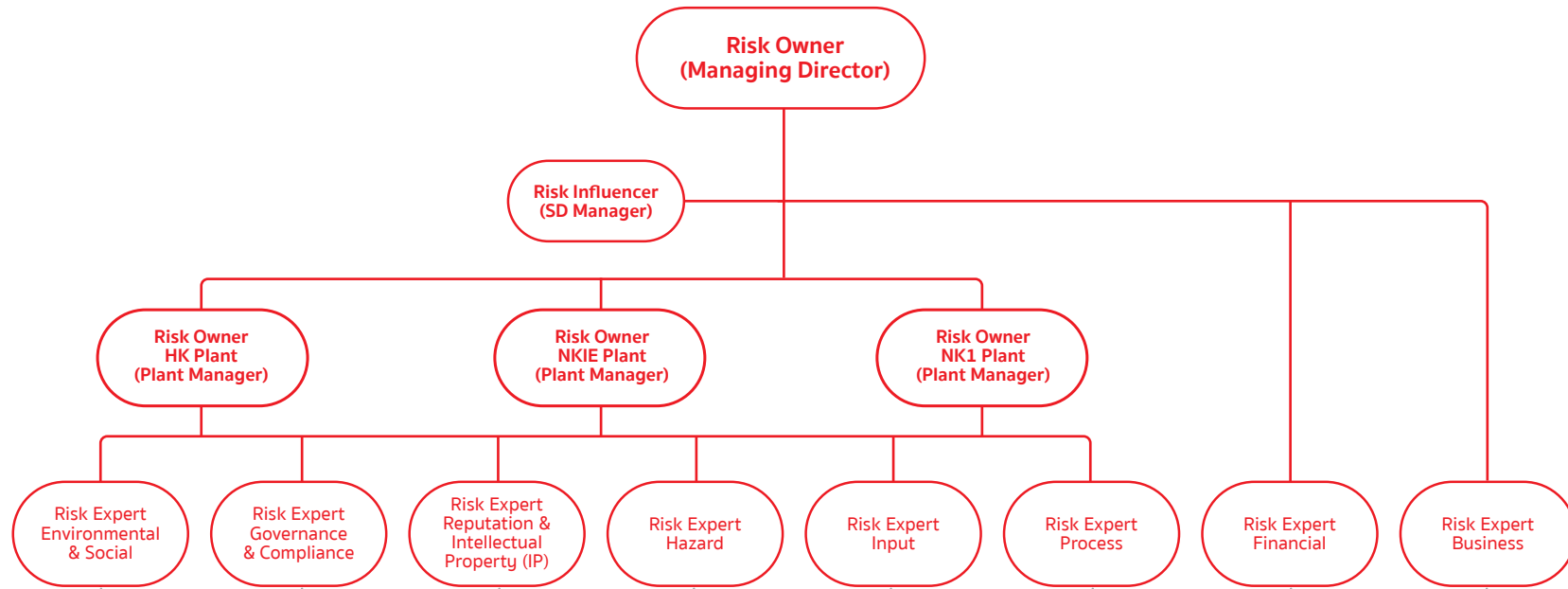
The company has Risk Management Operation Committee (subcommittee) whose duties are to follow up and assess risks in conformity with the assigned Risk Management Framework. The committee is also to assess risks that have an impact on the company's visions, missions, objectives, or business strategies, and to keep risks within the level of risk appetite continuously, along with proposing plans and results of risk management to the Risk Management Committee.

#### **Cultivating Corporate Risk Management Culture**

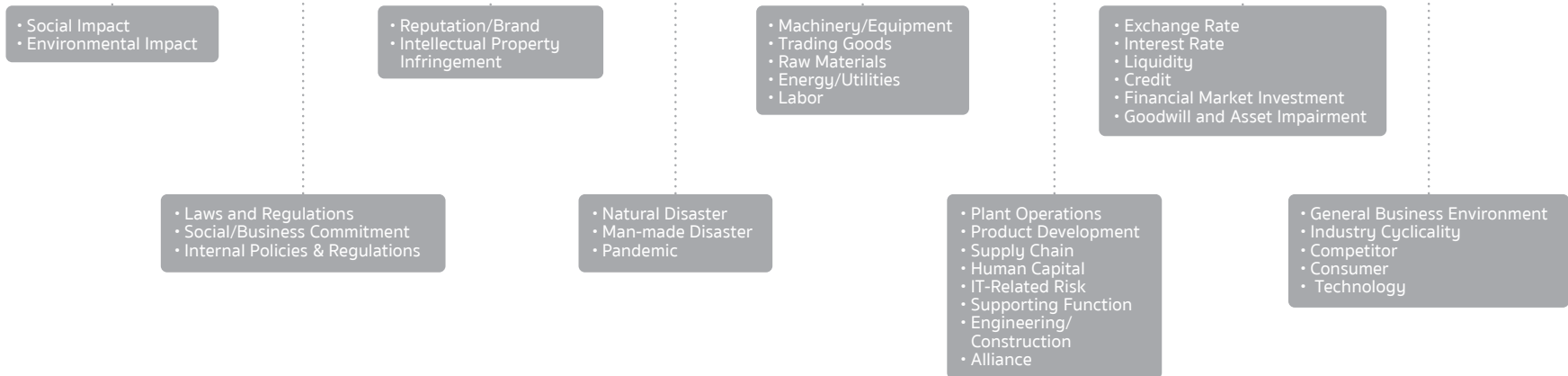
The company is aware of the fact that corporate risk management culture is crucial for success. Therefore, the company has formulated the guidelines in cultivating corporate culture about risk management as followings:

- Pass down the importance of risk management through the communication from executives and the role of executives as a role model for risk management.
- Include the risk management in the core values of the company and provide plans that align with the core values.
- Define the result of risk management as one of the KPI of the company or the department of that risk owner.
- Have the executives work alongside the committee to direct and oversee KPI, as well as

**Risk Management Committee**



**Risk Management Operation Committee**



closely monitor and support the plan to achieve the company’s goal.

- Improve the risk management system to add value to the company by monitoring progress and improving the performance of the risk management system.

- Develop pragmatic methods for implementation by assigning the Risk Management Committee the duty of supervising risk management, ensuring the use of common language about risks, determining risk appetite, and formulating a uniform system of risk evaluation.

- Define roles and responsibilities for employees who have accountability for each of the risk universe.

- Devise a system of risk management for the proposals of investment projects, the creation of annual business plans, and the development of short-term, medium-term, and long-term strategic planning.

- Set the agenda item about risks in the main meetings of the company, and report on the workings of risk management to the Board of Directors so that the risk owners can jointly manage the risks across multiple functions.

- Designate risk management as a part of training and development programs for executives and employees such as SCG Enterprise Risk Management Framework, RISK ASSESSMENT SYSTEM, and Business Continuity Management (BCM) ISO22301: 2019

**Risk Management Process**

The company has adopted the risk management guideline of SCG Risk Universe which applies to all potential risks that could affect the workings of the company. To be easy to understand and implement, risks are categorized into 8 types:

<p><b>1</b> <b>Environmental &amp; Social Risk</b></p> <p>1.1 Social Impact 1.2 Environmental Impact</p>	<p><b>2</b> <b>Governance &amp; Compliance Risk</b></p> <p>2.1 Laws And Regulations 2.2 Social/Business Commitment 2.3 Internal Policies &amp; Regulations</p>	<p><b>3</b> <b>Reputation &amp; Intellectual Property (IP) Risk</b></p> <p>3.1 Reputation/Brand 3.2 Intellectual Property Infringement</p>	<p><b>4</b> <b>Hazard Risk</b></p> <p>4.1 Natural Disaster 4.2 Man-Made Disaster 4.3 Pandemic</p>
<p><b>5</b> <b>Input Risk</b></p> <p>5.1 Machinery/Equipment 5.2 Trading Goods 5.3 Raw Materials 5.4 Energy/Utilities 5.5 Labor</p>	<p><b>6</b> <b>Process Risk</b></p> <p>6.1 Plant Operations 6.2 Product Development 6.3 Supply Chain 6.4 Human Capital 6.5 It-Related Risk 6.6 Supporting Function 6.7 Engineering/Construction 6.8 Alliance</p>	<p><b>7</b> <b>Financial Risk</b></p> <p>7.1 Exchange Rate 7.2 Interest Rate 7.3 Liquidity 7.4 Credit 7.5 Financial Market Investment 7.6 Goodwill And Asset Impairment</p>	<p><b>8</b> <b>Business Risk</b></p> <p>8.1 General Business Environment 8.2 Industry Cyclicity 8.3 Competitor 8.4 Consumer 8.5 Technology</p>

**Risk Assessment**

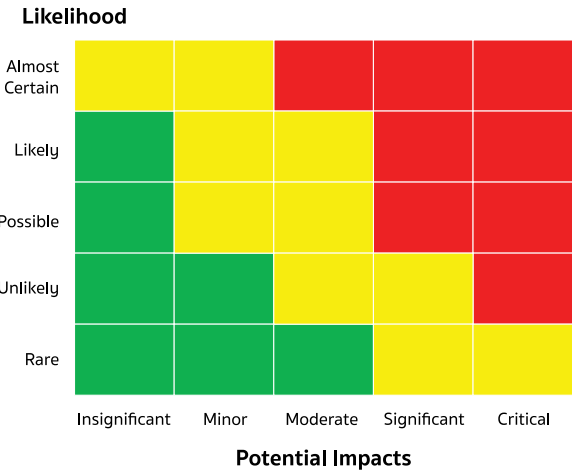


**1. Identification of Business Risk and Opportunity**

The potential risks and future are evaluated on Key Risk Indicators which are associated with the company’s strategies and goals.

**2. Assessment of Risk and Opportunity**

The company assesses risks under the same standard called Common Risk Metrics in which a risk owner utilizes various tools such as Risk Matrix – in assessing the likelihood and potential impacts of risks holistically from the identified risks to assess the opportunities and impacts of risks as well as rate them.



Risk Matrix: 5x5 Heat Map is put into consideration when prioritizing risks whether it is critical or needs to be monitored

According to Risk Matrix: a 5x5 Heat map is used to assess the potential risks and their impacts on the company. The risk items are plotted on the heat map based upon the

Potential Impacts and Likelihood of the breach happening. Thus, Red indicates a high level, Yellow indicates a medium level, Green is a low level.

Opportunities can be assessed through 3 dimensions by identifying the situation in terms of time:

- 1) Future Opportunities
- 2) Frequency of past incidents
- 3) Effectiveness of the current measures

for reducing potential risks

Impacts are assessed through 6 dimensions:

- 1) Financial Risk
- 2) Safety and Health Risk
- 3) Compliance Risk
- 4) Reputation Risk
- 5) Information System-related Risk
- 6) Business Continuity Risk

**3. Risk Response**

Risk response will be ranked in the likelihood and impacts of identified risks. After the analysis, the management plan and solutions are advised as follows:

1) If the assessment results are in the Red zone, which is a high level and impermissible, a mitigation plan is required to minimize risks to stay at a medium or low level.

2) If the assessment results are in the Yellow zone, which is a medium level, a mitigation plan is required to minimize potential risks or impacts at least one level.

3) If the assessment results are in the Green zone, which is a low level and acceptable, the efficacy of risk management shall be maintained.

In case of risks in a crisis, the Business Continuity Management: BCM, Emergency Response Plan, and

Business Continuity Plan are advised to be implemented aiming to cope with significant risks such as fire, natural disasters, terrorism, and pandemics to reduce its potential and severity. In case of the opportunity, a plan needs to be devised to make that opportunity happen.

#### **4. Reporting and Monitoring**

Reporting, monitoring, and assessing the risk management performance of the Risk Management Committee in the company, business units, and SCG respectively. The main risks and strategies to minimize those company's risks are as follows:

##### **1) Environmental and Social Risks**

Safety, health, and environmental operations from the production, transportation, and installation can face risks that might impact the safety among staff, business partners, community, and society; therefore, the company has devised strategies to manage risks in safety, health, and environment as follows:

- Employ SCG Safety Framework New Version 2021 and Safety Performance Assessment Program as a model for practice to increase the safety level in every factory.

- Impose Life Saving Rule upon the staff and business partners to ensure safety during operations and transportation, as well as foster awareness and impose the punishment on those who do not follow the guideline. This aims to reinforce behaviors that cultivate a corporate culture in line with the Safety Culture.

- Support a sense of safety leadership in executives or leaders and undertake the operational and shipping safety assessment for employees from the managing levels upwards.

- Operate under Good Transportation Safety Standard and Road Safety

Corporate Standard to increase the safety level of shipping and transporting on roads, as well as prevent accidents from taking place.

- In terms of the environment, the company practices the Sustainable Development Plan of SCG and uses it as a framework to control and support the business operation without harming the environment which might affect the community and other related parties. The company has implemented Environmental KPIs and plan to improve continuously in both Prevention Pollution, which needs to meet the legal standard and Energy Conservation that will cause the reduction of Green House Gases emission and will have a positive impact on a current issue of the world's temperature. The company has also assigned the person in charge and committee to follow up and evaluate the environmental performance on regular basis to enhance the environmental performance that meets international standards. Moreover, the company aims to improve the organization in alignment with the vision of becoming a model of sustainable development.

##### **2) Compliance with Rules, Regulations, and Laws Risks**

Risks associated with compliance with rules, regulations, and laws could change all the time.

The company has set up Legal Review Committee along with many different working groups to closely observe changing trends and the impacts of newly enforced laws, rules, and regulations to prevent wrongful conduct. The company consistently develops a supervisory and working framework (Compliance Framework) to create a systematic supervision and management process-i.e., starting from a good working process to a good monitoring process on roles and responsibilities of risk management and control.

According to the notification of Personal

Data Protection Act B.E. 2562 (PDPA) with the new effective date of June 1st, 2022, the company has prepared to operate the business in compliance with the act. Thus, the company has studied the act, adopted the SCG guideline, and appointed Data Protection Officers to oversee, control, and present suggestions to employees, devise plans and set up the committee by having each department be Data Controllers and report the progress to the Risk Management Committee regularly in alignment with the law.

**3)Reputation and Intellectual Property Risks**

- The company has the strategy of Brand Protection which consists of devising internal and external communication systems in both normal circumstances and crises so everyone understands and performs in the same way, also aims to build foundations of employee’s understanding to aware the risks that might affect the company’s reputation.
- Another important strategy is a Brand Building strategy. This strategy aims to strengthen the brand and increase its capability in the competition including building up the brand clarity for consumers to recognize.
- The company collaborates with the Corporate Technology Office of indirect major shareholders, the office of which will take care of all intellectual property-related matters to prevent an act of violation both done by and done to the company.
- The company also adopted an IT system, the CTK License management program, to be used in the organization. The program will send out a reminder about renewing trademarks and patents registered with the Department of Intellectual Property in advance to help control, prevent, and maintain the company’s rights in those registrations.

**4) Hazard Risks**

Natural disasters and man-made disasters are more frequent and likely to

be more severe nowadays, affecting the overall economy owing to losses of lives and properties. It also could result in a disruption in supply chains and business practices.

The company recognizes the importance of preparing measures in advance to mitigate effects. Regarding the current situation with the widespread of COVID-19, the company has prepared measures in preventing the spread of COVID-19 and the New Normal plan by following up and monitoring reliable sources such as government sectors and organizations. The measures are as follows:

- 1) Screening: Ask all individuals to go through the screening test before entering the factory and conduct ATK proactive screening for effective protection.
- 2) Monitoring: Set up the Village Health Volunteer (VHV) team to observe the symptoms of staff in their team in alignment with Prevention Measures to Prevent the Spread of the COVID-19
- 3) Prevent the spread of the COVID-19 by building the Bubble inside the factories to mitigate the spread and encourage staff and business partners to receive 2 doses of vaccine.
- 4) Treatment: Cooperate with SCG subsidiaries in setting up the Community Isolation and provide treatments to employees and permanent business partners during the monitoring period before continuing the treatment at hospitals.

Corporate Business Continuity Management (BCM) of SCG and BCM from other business groups is to monitor and analyze, to share information about situations, as well as to warn staff and other affiliates that could be affected by the impacts of situations with the intent to prepare the company for the situations, to familiar with drills for emergencies, and to improve the plan constantly in accordance with Business Continuity Plan (BCP).

### **5) Manufacturing Cost Risks**

Risks of Energy Price stemmed from the tendency that energy costs will rise continuously. To lower the energy cost, the company has set up an energy management project such as Burner Installation Project that effectively reduces the gas usage in tile kilns, Utilizing Gas Heat from Kilns to dry the tiles Project, Manufacturing materials from Wet Process to Dry Process Project, including the renewable energy projects such as Solar Energy and the study of Biomass for Hot Air Generator Project which directly affect the reduction of Green House Gases.

Risks of Materials also stemmed from the impacts of COVID-19 and the company has managed each material domestically and internationally such as monitoring On Hand Inventory, Domestic Shipping Schedule, Cargo Schedule, keeping Suppliers up to date with the current situations, finding alternative materials as well as improving the production formula according to the material sources.

### **6) Operational Risks**

The company has evaluated risks in each process of its operations and utilized tools to improve its operation to prevent and reduce risks in operations such as machine malfunction. The company recognizes the importance of and emphasizes staff participation in caring for their machine through systemic maintenance and regular training for staff to increase the effectiveness in solving and preventing problems quickly as well as to reduce the loss of tools efficiently. Moreover, the company has the policy to use a managing tool called Integrated Business Excellence (IBE) as the principle and culture of working for employees in the company to improve the outcomes of operations. Likewise, the company adopts Business Continuity Plan (BCP) and regularly review BCP so that the operation could resume rapidly.

COVID-19 situation has caused the change in market needs. The company has altered the production plans in response to the market needs which also contributes to the transferring of staff between factories; therefore, the Coaching and On the Job Training is revised and improved to support the transfer better. The company has also considered impacts from the workforce and the closure of factories affected by the spread of COVID-19. As a means to continue the business, the company has implemented measures that prevent and minimize the impacts such as stipulating Critical Staff to impose measures that prevent and reduce the risk of infection, the company also has specified the Critical Area to adopt the preventive measures inside the area and used Bubble & Seal principle in assigning staff in working areas.

### **7) Financial Risks**

Focusing on organizational management by carefully following the financial policy within the fixed budget as well as ensuring financial stability and turnover. Implementing debt management strategy effectively by seeking proper funding sources. Utilizing financial tools such as Forward to prevent risks from income and expenses in Foreign Currency. Maintaining a low debt-to-equity ratio so that the company can maintain strong liquidity.

Assessing customers' creditworthiness and ability to repay, and constantly revising the financial status of the customers on regular basis as well as adjusting it according to the situation. These factors will enhance flexibility in the company in terms of growing business and minimizing financial risks since the company can adapt to the rapidly changing environment.

### **8) Business Environment Risks**

The company's business is the Manufacture and Distribution of floor and wall ceramic tiles. The production base and target customers are in Thailand which currently faces the decline



of purchasing power in the country. Due to the spread of COVID-19 around the world, including the neighboring country like Myanmar, the domestic economy has slowed down and severely affected especially those in Tourism, Exports, and Construction businesses. The company is aware of these risks and gives importance to risk management; therefore, the company provides measures as follows:

- Accelerate development process and launch products that meet customer needs in terms of supporting healthy lifestyles such as Hygienic Tile and Air Ion Tile
- Market the products in relatively low Market Share areas such as Northeast Thailand, Cambodia, Laos, and Myanmar borders and support the selling of imported products among agents that sell imported products with high competition. Also, expand the ceramic supply stores.
- Drive sales of products into Modern Trade stores in which the company holds low shares. Research and pitch for government projects as well as collaborate with agents to increase sales.
- For international trades, the company drives export sales into countries that demand products and has a high growth rate such as Myanmar, Laos, and Cambodia to compensate for the decline of domestic sales as well as present the OEM products to partners in the Philippines and Malaysia to increase production capacity. Also, drive sales of mosaic products in the USA and other countries.

## **2.2 Risk Factors**

### **2.2.1 Risk Related to the Company's Business Operations**

The company assessed significant risk events, including current risks and emerging risks in the next 3-5 years.

All risks are identified and explained in terms of factors that significantly impact business, process, financial status, performance, and business existence. Moreover, the company also analyzed risks factors in environmental, social including human rights, and good

corporate governance aspects:

1. Social risks such as risks from the change of government laws and regulations related to the company.

The company's main business is the manufacture of ceramic tiles, Nong Khae Industrial Estate, and Energy Solution whose potential business growth depends on the government laws and regulations as well as the government economic performance. Related policies and issued laws and regulations might affect the investment and expansion of the company which can result in a decline in revenue and profits. The company has acted on this by analyzing the government's economic policies and their impacts on the company as well as planning for the change by cooperating with government agencies, attending seminars and meetings with the public sectors to provide information, and following up on the changes closely.

2. Environmental risks from the company's production process that might impact the community in the area. Therefore, the company sets up the environmental department to monitor environmental issues in accordance with laws and minimize threats that affect the community.

CSR department is also established to support the community in various ways such as Environmental Impact Assessment, joining meetings in the community, or discussing ways to improve the environment both inside and outside factories by using 3R principles: Reuse, Reduce, and Recycle. This can help reduce waste during the production process and material waste left outside. The company also makes improvements in the production process to reduce water and energy consumption, especially using solar energy for electricity by installing solar panels on the roof of factories and buildings. Moreover, the process is also improved to reduce the amount of particle pollution and monitor its impact constantly. From the results these past few years, the company has surpassed every industrial

benchmark and does not create a negative impact on the environment or harm the resources of the community.

3. Cyber Security Risks are serious threats that can hugely impact the company's activity, especially in important systems and personal information such as Network, Financial systems, Internal Management, and Human Resources since these systems contain personal information that the company owns. If a problem related to information technology or information access arises, the company's activity and reputation might be affected.

The company realizes the importance of cyber security; thus, the company has planned to invest in system development to support advanced technologies and protect everyone from cyber security risks. The plans are making improvement of Computer Network to avoid the Network or Server crash so that the system can continue working and prevent the Network malware as well as setting the strict cybersecurity protection such as Firewall, privileged access management system, progress reporting system, installation of Disaster And Recovery Site (DR Site) for emergency.

### **2.2.2 Investment Risks Associated with Investment of the Securities Holders**

The company has analyzed the risks associated with investment of the securities holders, however; there is no risk that the securities holders will not receive returns or rights that they should receive or lose their investments partially or entirely.




# COTTO<sup>®</sup> Life

COTTO Life, Chiang Mai Branch, CHOC Project,  
Mahidol Road

Due to the positive response from CDC branches, both the increase of number of customers and the increase in sales, together with SCG Ceramics plans to expand sales channels to more consumers in potential locations, the company therefore opened COTTO Life Chiang Mai branch under the CHOC project, on Mahidol road, near Chiang Mai International Airport to provide customers in the northern region with a full-service ceramic tile shopping experience from design to installation.

The target group of service users is architects, project owners, and high-end customers. It has a co-working space zone that can be used as a space for architects or project owners to meet, hold a meeting, or present work to customers.





## 3 Driving for sustainability

### 3.1 Sustainability Management Policies and Goals

From the vision of the company that attaches great importance to business operations for stable and sustainable growth in all dimensions covering the economy society and environment, the company therefore adopted the quality management system standards, energy, environmental, occupational health and safety, risk management and business continuity including concepts such as Corporate social responsibility (CSR), Green Industry, Environmental, Social and Governance (ESG) to create satisfaction for customers and take care of stakeholders in the business with sustainable growth as a tool that helps the business to achieve the expected results. The executives set sustainable management policies and other policies as guidelines in the organization. The executives set a mission and communicate it to those in charge of work to establish the objectives and goals of the organization for implementing a fair and verifiable ESG approach and appoint a working group to drive policies to achieve objectives and goals. The policies have been communicated to the stakeholders involved in the organization's business for acknowledgment in order to clarify the operation. The overall content is as follows. The company will operate the business with the safety of employees and business

partners as a primary concern, continuously develop employees and work efficiency in various fields, provide the resources necessary for the improvement plan to achieve the goals, preset and participate in supporting the care of the community, society and environmental. The company cooperates and is willing to take actions in accordance with the laws, regulations and other requirements. and prevent risks that affect management.

The company's overall strategic directions are as follows:

- In environmental aspect, the company is committed to developing businesses, adapting to a low-carbon society and applying circular economy principles in business operations.
- In social aspect, the company will operate its business with the safety of employees and business partners as the primary concern. Continuously develop employees and work efficiency in various fields. Provide support to the resources necessary for the improvement and development plans to achieve the intended results.
- In governance aspect, the company cooperates and operates in accordance with laws, regulations and other requirements. Furthermore, prevent risks affecting management, anti-corruption, adapting to changes and creating business growth.

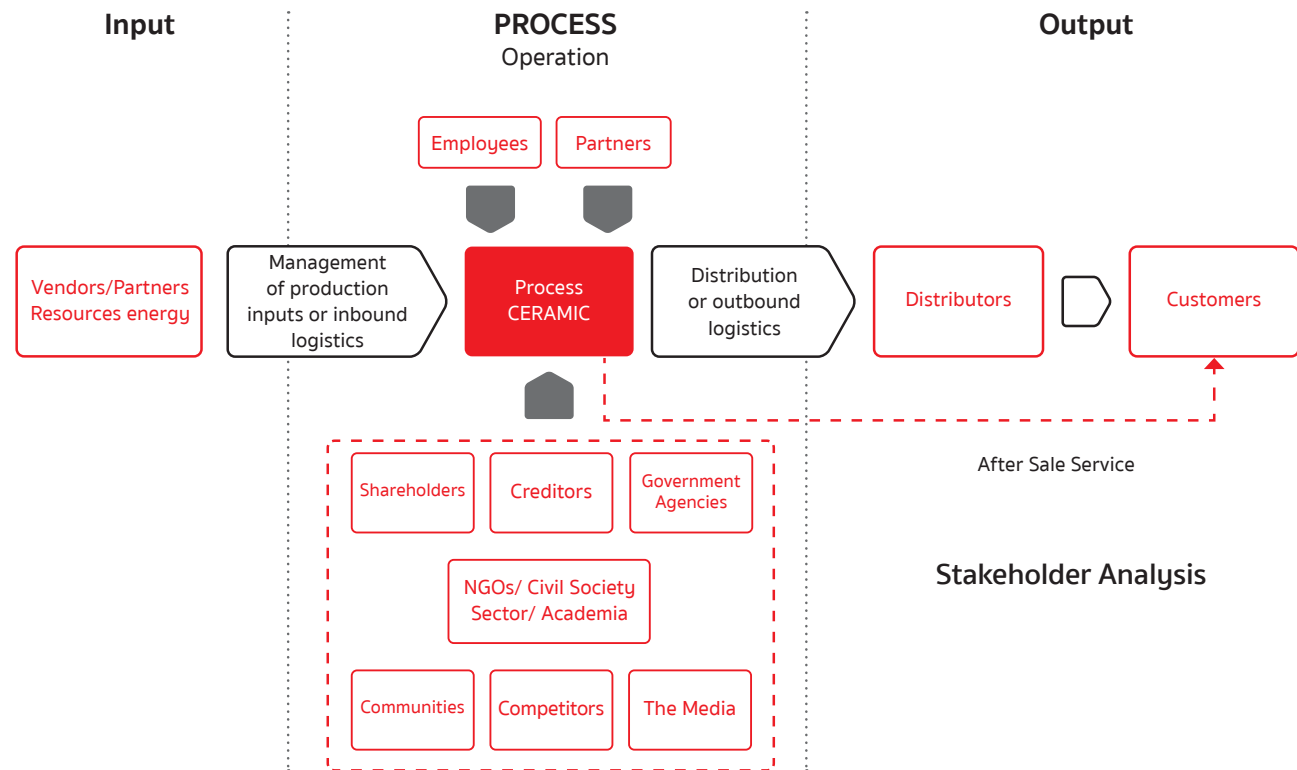
Dimensions	Strategy Directions	Short Term / Long Term Goals	Performance	Supporting the Sustainable Development Goals
Environmental aspect	Develop businesses to adapt to a low-carbon society.	<ul style="list-style-type: none"> <li>Control the amount of greenhouse gas emissions from production of 0.248 million tons CO2 equivalent in 2021.</li> <li>Review of greenhouse gas emissions according to Science base guidelines by reducing emissions by 20% from the base year in 2030 and reducing emissions to zero (Net Zero) in 2050.</li> </ul>	<ul style="list-style-type: none"> <li>The amount of greenhouse gas emissions from production is 0.250 million tons CO2 equivalent.</li> <li>Greenhouse gas emissions increased by 5.4% from production, an increase of 3.1% from the base year.</li> </ul>	 
	Apply SCG's circular economy principles in business operations.	<ul style="list-style-type: none"> <li>Develop products based on circular economy principles.</li> <li>Waste to Value, developing tiles using raw materials from ceramic waste more than 20%</li> <li>Zero Waste to landfill</li> </ul>	<ul style="list-style-type: none"> <li>Environmental information communication of goods and services, including carbon reduction label certification, EPD information communication, SCG green choice product information communication. (More details in Section 3.3.2 Development of environmentally friendly products)</li> <li>No waste from production that goes to landfill.</li> </ul>	
Social aspect	Create a good working environment and respect human rights	<p>Target year 2021:</p> <ul style="list-style-type: none"> <li>The number of fatal accidents is zero every year.</li> <li>Reduce the rate of accidents reaching zero time off by 2023.</li> <li>Reduce the rate of sickness and disease from continuous work.</li> <li>Zero complaints on human rights issues.</li> </ul>	<ul style="list-style-type: none"> <li>Number of fatal accidents <ul style="list-style-type: none"> <li>- 0 employees</li> <li>- 0 business partners</li> </ul> </li> <li>Accident rate of lost work / 1,000,000 hour-person <ul style="list-style-type: none"> <li>- 0 employees</li> <li>- 0 business partners</li> </ul> </li> <li>The rate of sickness and disease from continuous work is 0.</li> <li>No complaints on human right issues. (More details in Section 3.4 Health and Safety)</li> </ul>	
	Create values and enhance the quality of life of the community and society.	<ul style="list-style-type: none"> <li>Support social/local investment budgets.</li> <li>Support local employment.</li> </ul>	<ul style="list-style-type: none"> <li>Support social/local investment budgets for 37.84 million baht.</li> <li>Local employment equals to 60.83 percent.</li> </ul>	
Governance aspect	Comply with the principles of good corporate governance and SCG ethics.	<ul style="list-style-type: none"> <li>Eliminate non-compliance with laws, regulations and requirements to zero and prevent future recurrence.</li> </ul>	<ul style="list-style-type: none"> <li>There is no cause that does not comply with the law, rules and regulations.</li> </ul>	
	Adapt to change and create business growth.	<ul style="list-style-type: none"> <li>Creating value from business growth.</li> <li>Revenue from new business</li> <li>Business growth</li> </ul>	<ul style="list-style-type: none"> <li>Revenue from new products and services SUSUNN is 501 million baht or 4.5% of total revenue.</li> </ul>	 

### 3.2 Impact on stakeholders in the business value chain management

#### 3.2.1 Business value chain

The value chain of business represents the relationship of key stakeholders in activities related to upstream and downstream business operations, reflecting the company's commitment to creating value for its products and services to meet the expectations of stakeholders and has a stable and sustainable growth.

The company develops a management system and an internal management organization with excellence. Management of stakeholders both directly and indirectly related to the company which is also important. From the stakeholder analysis, it was found that direct stakeholders are shareholders, suppliers, employees, business partners, distributors, customers, communities around the company, creditors, government agencies and indirect stakeholders are competitors, the media, NGOs/civil society sector/academia, according to the stakeholder plan.



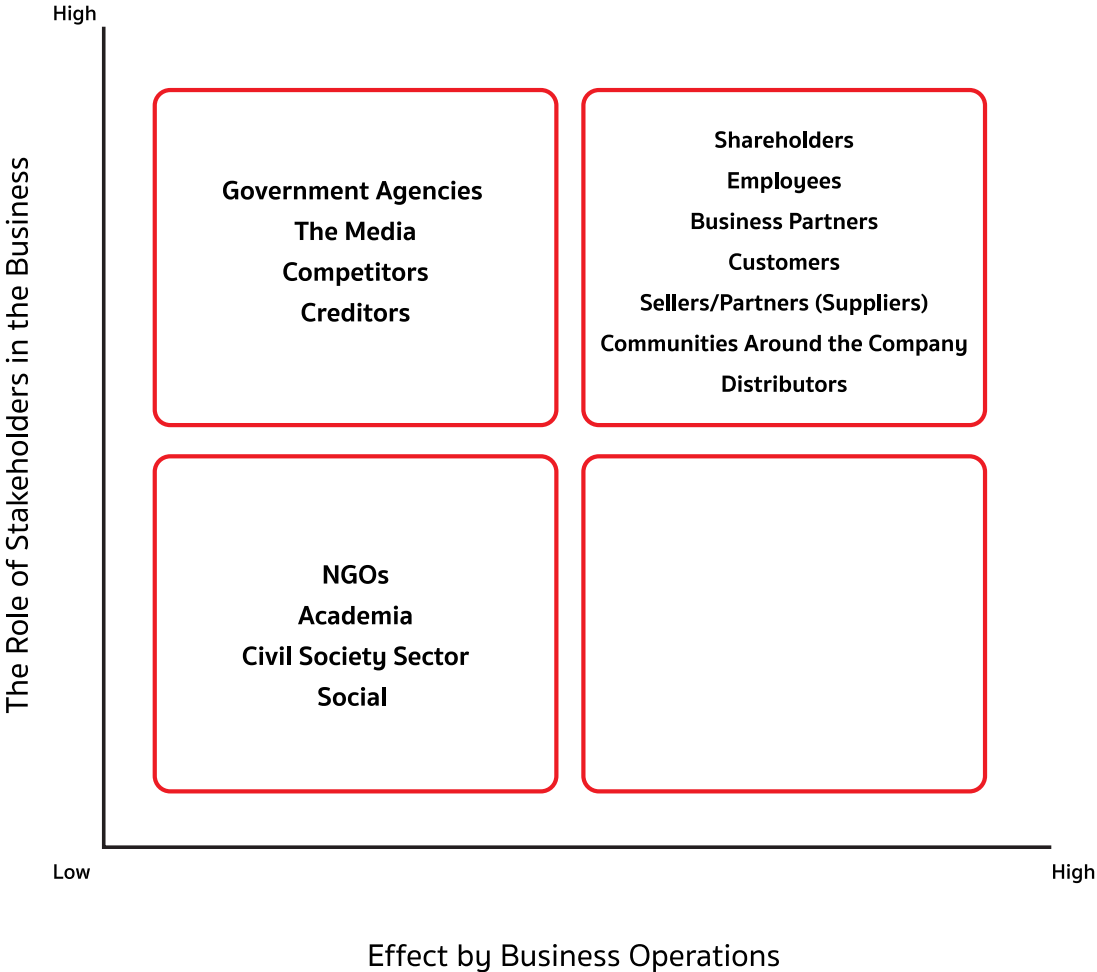
**3.2.2 Business Value Chain Stakeholder Analysis Role to Stakeholders**

The Company is committed to conducting business with integrity and adherence to social responsibility, conducting business based on the principle of creating shared values between the organization and all stakeholders for sustainable mutual benefits. The Board of Directors is responsible for overseeing the operations as required by law and as stipulated as guidelines for corporate governance, sustainable development practices, company codes of conduct and various related policies, including supervising to ensure that such rights are protected and treated with strict equality.

Based on the above context, the Board of Directors has adopted SCG's Stakeholder Engagement Policy as a guideline in order to provide employees with clear paths for business operations and to add value to stakeholders. And to take into account the impact on the Company to ensure that the treatment of stakeholders is fair, appropriate and complete.

By analyzing, identifying stakeholders and managing impacts on stakeholders as follows:

1. Identifying stakeholders by considering the role of stakeholders in the business and being affected by business operations



The guidelines for treating different groups of stakeholders can be summarized as follows:

Stakeholders	Stakeholders' Expectations	Meeting Stakeholders Expectations	Communication Channels with Stakeholders
1. Shareholders	<ul style="list-style-type: none"> <li>- An organization with good corporate governance, transparency and ethical conduct in business.</li> <li>- Profitable from doing business and growing sustainably, adding value to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Conduct business in accordance with corporate governance principles and company ideology</li> <li>- Employees did Ethics e-Testing</li> <li>- Systematic and audited by IA</li> <li>- Anti-Corruption Policy</li> <li>- Received an award for outstanding ethics (Business Ethics Standard Awards)</li> </ul>	The right to attend the shareholders' meeting, to propose meeting agendas and to nominate persons, to be elected as directors in advance of the date of the shareholders' meeting for the election of directors, the right to receive a fair return, including the rights of shareholders to make suggestions and opinions on the Company's business operations through independent directors.
2. Employees/ Business partners	Human rights	<ul style="list-style-type: none"> <li>- Protection of human rights by law</li> <li>- Compliance with the SCG Code of Conduct</li> <li>- Human rights and labor</li> <li>- Comply with international human rights principles</li> <li>- Human rights under a treaty that has obligations to be fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>- Annual survey</li> <li>- Access to communicate and receive information at the area operated by HR</li> </ul>
	Safety, hygiene and environmental protection	<ul style="list-style-type: none"> <li>- Using the SCG Occupational Health and Safety Management System (SCG Safety Framework)</li> <li>- Implement Life Saving Rules (SCG Life Saving Rule)</li> <li>- Accredited with ISO 45001 Occupational Health and Safety Management System</li> <li>- Compliance with SCG's Code of Conduct including laws, standards, regulations, and international agreements.</li> </ul>	<ul style="list-style-type: none"> <li>- Campaigning and communicating safety rules and regulations to employees</li> <li>- Cultivate the mind of the safety bureau for employees and related persons to have a duty to comply with the prescribed guidelines.</li> </ul>
	compensation	<ul style="list-style-type: none"> <li>- Comply with the employment contract</li> <li>- Pay reasonable compensation and be competitive in the industry or business by upholding fairness in accordance with the Company's performance.</li> </ul>	Personnel working group
	welfare	<ul style="list-style-type: none"> <li>- Proper welfare arrangements for employees</li> <li>- Work-related welfare such as allowances, travel expenses, accommodation, uniforms, health benefits</li> <li>- Welfare to help employees in various cases such as accident insurance, loan money, compensation</li> </ul>	Welfare committees have been established to regularly review welfare provisions in accordance with changing economic and social conditions.
	long-term employee care	<ul style="list-style-type: none"> <li>- Provident Fund</li> <li>- Establishment of various clubs</li> </ul>	<ul style="list-style-type: none"> <li>Personnel working group</li> <li>Welfare working group</li> </ul>
	competence development	<ul style="list-style-type: none"> <li>- Provident Fund</li> <li>- Establishment of various clubs</li> <li>- There is preparation for employees in terms of knowledge and abilities. both professionally, technically and in leadership Including technology that is currently through classroom training (Classroom Training), learning from experience and doing (Action Learning), learning from others (Coaching &amp; Consulting), starting to use learning methods through e-Learning</li> </ul>	Routine development plan



Stakeholders	Stakeholders' Expectations	Meeting Stakeholders Expectations	Communication Channels with Stakeholders
3. Customers	<ul style="list-style-type: none"> <li>- Products and services that meet the true needs of customers in terms of quality and fair prices.</li> <li>- The product must be safe to use.</li> <li>- Environmentally friendly</li> <li>- new innovations</li> <li>- Green choice</li> </ul>	<ul style="list-style-type: none"> <li>- Certified by TIS and other international standards</li> <li>- Accredited with various administrative and management system standards such as ISO 9001, 14001, 50001, etc.</li> <li>- Got Carbon label</li> <li>- Annual customer satisfaction survey in each business group</li> <li>- There is a research and development unit.</li> </ul>	<ul style="list-style-type: none"> <li>- Arrange for a customer service unit to provide feedback on products and services, including consulting on problems for after-sales services problems, including receiving complaints when there are problems in use.</li> <li>- Online channels such as Line : @cottolife Facebook : cottoofficial Instagram : cottolifeofficial www.cottolife.com www.scgceramics.com</li> </ul>
4. Seller/Partner (Supplier)	<ul style="list-style-type: none"> <li>- Comply with trade terms, stipulated contracts and pledges made with partners.</li> <li>- Comply with the framework of fair, transparent, and ethical trade competition</li> <li>- Working environment and safety</li> <li>- Economic, social and environmental operations</li> <li>- Promote the development of competence and development of knowledge both on and off the job of business partners to ensure the sustainability in business operations of partners</li> <li>- Green Procurement</li> </ul>	<ul style="list-style-type: none"> <li>- Has a policy to take care of business partners and operate in accordance with the Code of Conduct, SCG Business Partners (SCG Supplier Code of Conduct) and procurement procedures.</li> <li>- Identify key partners of the company.</li> <li>- Identify economic, social and environmental risks caused by the company's partners</li> <li>- Set social and environmental issues in the regulations for the selection of suppliers in procurement. Become the criteria for selecting new partners (New Approved Vendor)</li> <li>- Determination of credit term with partners</li> <li>- Accredited with ISO 45001 Occupational Health and Safety Management System</li> <li>- Received an award for outstanding ethics (Business Ethics Standard Awards)</li> </ul>	<ul style="list-style-type: none"> <li>- contract</li> <li>- business partner meeting</li> <li>- Business partner security certification</li> <li>- Disclosure of information about partner risks or risk management processes incurred by the Company's partners.</li> <li>- Disclosure of Supplier Code of Conduct</li> <li>- Monitoring or evaluating compliance with the Supplier Code of Conduct</li> <li>- Disclosure credit term policy with partners</li> <li>- Create plans/projects/activities to help develop sustainable business operations of partners</li> </ul>
5. community	<ul style="list-style-type: none"> <li>- Does not cause pollution from doing business</li> <li>- The community around the factory has been developed.</li> <li>- Comply with the law</li> </ul>	<ul style="list-style-type: none"> <li>- Got CSR-DIW award</li> <li>- Provided community agencies and government relations to participate in activities and receive advice from the community</li> </ul>	<ul style="list-style-type: none"> <li>- Projects to promote and develop communities in various fields, such as project sharing opportunities to draw the future, projects on career promotion, promotion projects, open-world knowledge</li> <li>- Taking students in small schools on excursions at learning resources</li> </ul>
6. Distributors	<ul style="list-style-type: none"> <li>- Price is reasonable to compete</li> <li>- The product is of the highest quality standards</li> <li>- Good after-sales service</li> <li>- Good image</li> <li>- Deliver products on time</li> <li>- Get the right products as the order</li> </ul>	<ul style="list-style-type: none"> <li>- production cost control</li> <li>- Quality control to meet the specified standards</li> <li>- Establishment of an after-sales service unit, good transportation management system</li> </ul>	<ul style="list-style-type: none"> <li>- Via marketing department</li> <li>- Online channels such as Line : @cottolife Facebook : cottoofficial Instagram : cottolifeofficial www.cottolife.com www.scgceramics.com</li> </ul>

Stakeholders	Stakeholders' Expectations	Meeting Stakeholders Expectations	Communication Channels with Stakeholders
7. Government agencies	<ul style="list-style-type: none"> <li>- Strictly comply with relevant laws and regulations</li> <li>- Cooperation with government agencies both academically and supporting various activities</li> <li>- Listen to opinions, suggestions or complaints from government agencies</li> </ul>	<ul style="list-style-type: none"> <li>- Provide a community agency and government affairs responsible for considering compliance and legal action, participating in activities and receiving advice from the community.</li> <li>- Anti-Corruption Policy</li> </ul>	<ul style="list-style-type: none"> <li>- Participation in activities including listening to recommendations from government agencies by community agencies and government affairs</li> </ul>
8. The Media	<ul style="list-style-type: none"> <li>- Disclosure of information quickly, accurately, openly and transparently</li> </ul>	<ul style="list-style-type: none"> <li>- Communication through the person responsible for each type of information</li> </ul>	
9. Competitors	<ul style="list-style-type: none"> <li>- Treat competitors fairly and honestly in accordance with the commercial competition law.</li> </ul>	<ul style="list-style-type: none"> <li>- Not seeking confidential information through dishonest or inappropriate means.</li> <li>- Not doing anything that infringes the intellectual property of competitors</li> <li>- Not damaging the reputation of competitors by making malicious accusations.</li> <li>- Support and promote free trade</li> </ul>	
10. Creditors	<ul style="list-style-type: none"> <li>- Comply with the contract and various conditions strictly agreed</li> <li>- Repayment of principal and interest on custody of collateral</li> </ul>	<ul style="list-style-type: none"> <li>- Operate in accordance with the SCG Code of Conduct</li> <li>- Awarded for outstanding ethics (Business Ethics Standard Awards)</li> <li>- Comply with the Company's policies and guidelines for creditors</li> </ul>	<ul style="list-style-type: none"> <li>- Organize various activities with SCG such as a presentation of the Company's financial position</li> </ul>
11. Civil society sector, academia, and opinion leaders (NGOs)	<ul style="list-style-type: none"> <li>- Aware of the importance of views, opinions and suggestions from civil society</li> <li>- Create value and benefit to society</li> <li>- Disclosure of complete, accurate, transparent and verifiable business information</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous CSR activities</li> <li>- Provide Open House event to welcome visitors to both government and private operations.</li> <li>- Focus on taking care and creating value for society, community, including expanding the industry throughout the Company's supply chain in order to create a common approach to sustainable business operations.</li> </ul>	<ul style="list-style-type: none"> <li>- Created discussions and exchanges of ideas during the activities.</li> </ul>

### Contact channels of stakeholders

The Company allows stakeholders to participate in making suggestions through the Company's investor relations channels. Tel: 0-2586-5474 Email: cottair@scg.com. The suggestions will be collected and screened for further reporting to senior management and the board of directors. The Company has provided its employees and external stakeholders with channels to contact, comment, complain, and report misconduct through the Whistleblowing System within the employee intranet, and website [www.scgceramics.com](http://www.scgceramics.com) for all groups of stakeholders to carry out

the following processes. When employees or stakeholders offer their opinions through the designated channels. All relevant information is confidential and will be disclosed to the extent necessary. The Company has measures to protect whistleblowers or complainants by conducting an investigation without revealing the complainant or the source of information. In addition, the complainant may request the Company to determine the appropriate protection measures, or the Company may impose protection measures without the complainant if it is deemed that the matter is prone to damage or insecurity.

### 3.3 Sustainability Management in the Environmental Dimension

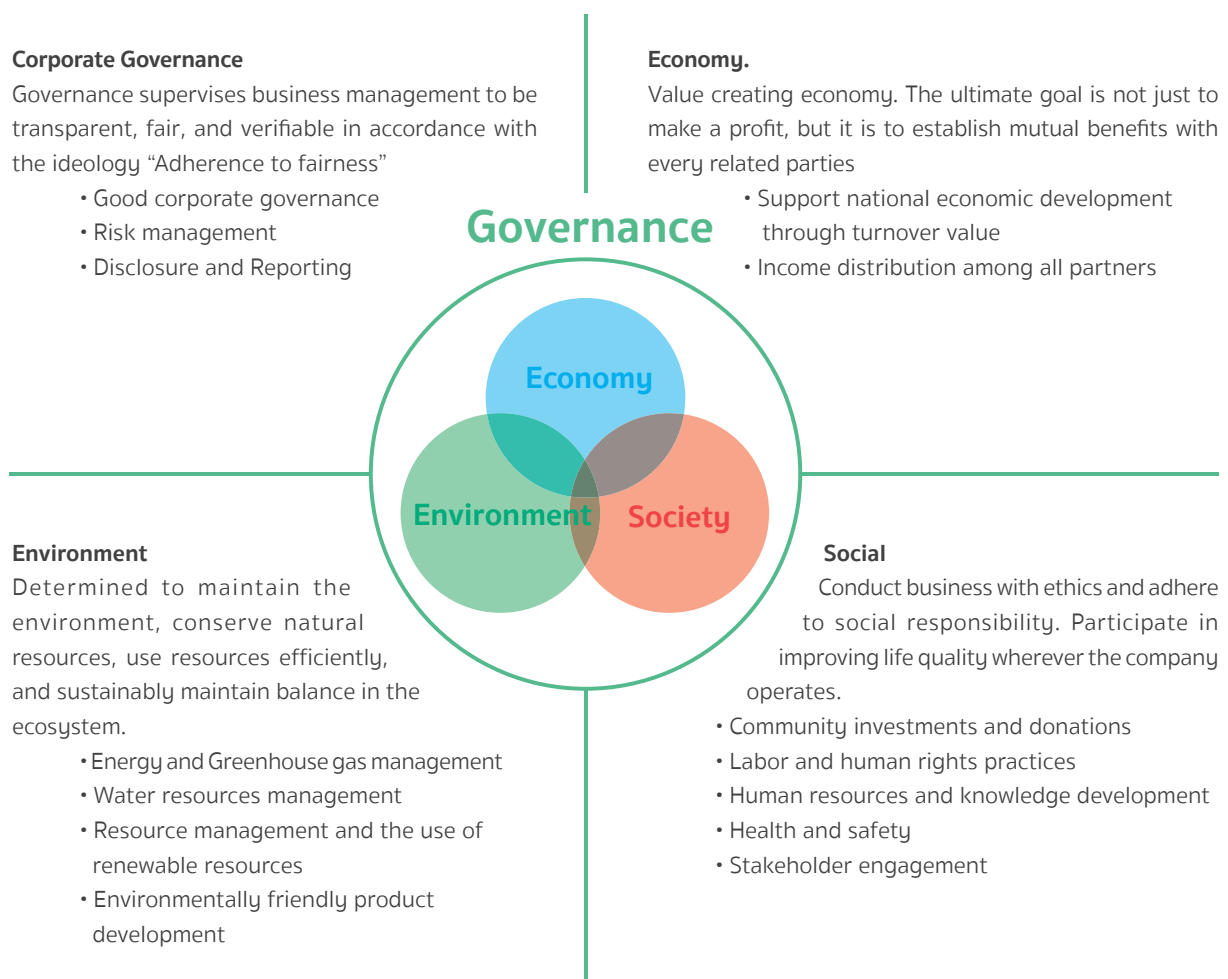
#### 3.3.1 Environmental Policies and Regulations

SCG Ceramics is determined to continually create value for the society through environmentally friendly business operations and readiness to share our knowledge, experience, and success through inclusive processes for all, including businesses related to our company from upstream to downstream, corporations, institutions, and social and

community institutions, to sustainably drive the society forward.

SCG Ceramics implements the international Code of Conduct, which covers economic, social, and environmental areas under good corporate governance (ESG: Environmental, Social, and Governance) that is fair and verifiable. Such implementation aims to conduct ethical business operations adhered to responsibility to all stakeholders for sustainable mutual benefits.

### Sustainable Development Framework



**Materiality Process**

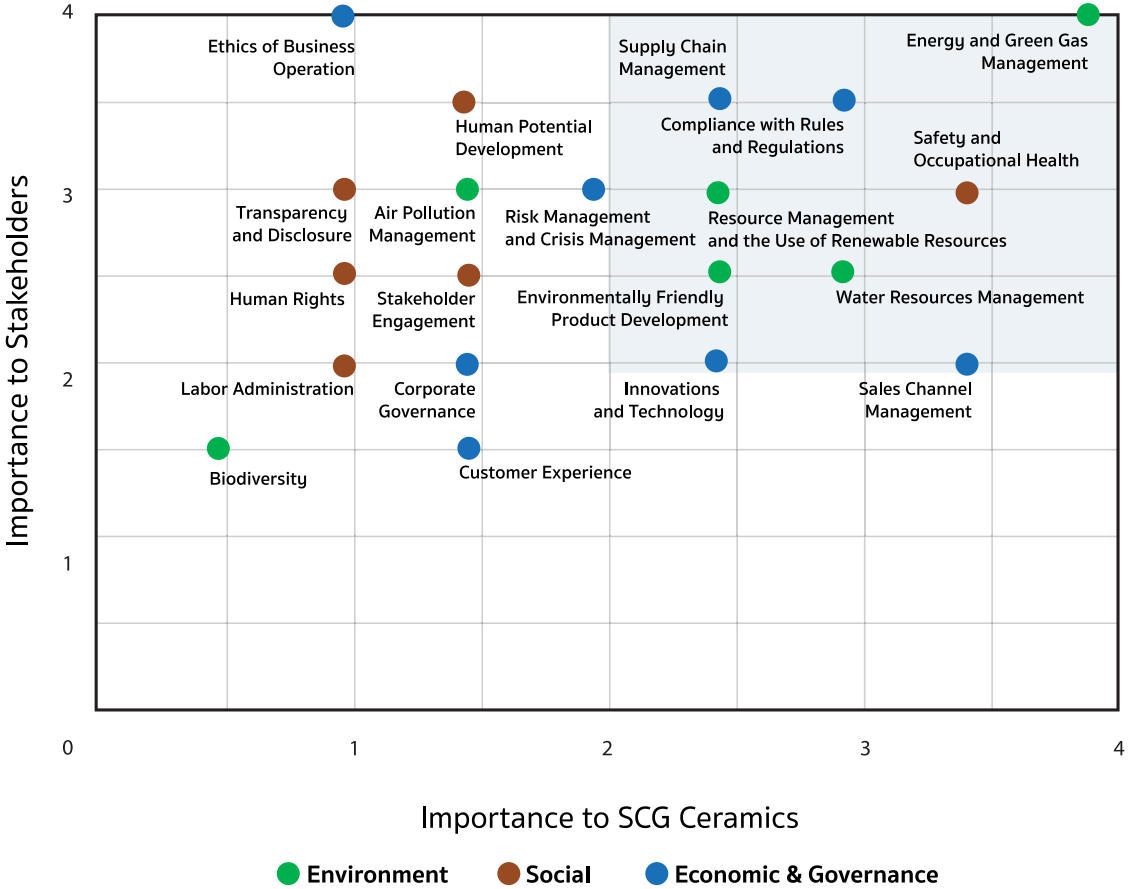
The company has compiled and assessed sustainable development issues in accordance with the GRI Sustainability Reporting Standards and through an analysis of sustainability issues relevant throughout the company's value chain by comparing issues on which the same industry, issues on which internal and external stakeholders, and issues on which social sectors focus in the context of sustainability and global changing trends, together with taking strategy guidelines and risk factors of the organization at present and in the future that may affect or serve as opportunities for business operations

into account in assessing the importance of sustainable development issues.







Sustainability key analysis can be done by engaging with the institutes responsible for each sustainability key and by considering internal and external elements, research findings and other surveys to define key issues of sustainability and to stipulate strategies, goals and indicators.

Conduct verification and certify the results of the assessment are carried out by presenting the analysis results in the management meeting to ensure that the company manages the impacts, opportunities and expectations of stakeholders most efficiently.

**SCG Ceramics Materiality**



## Environmental Issues and Support for Sustainable Development Goals

Key issues	Operations	Support for Sustainable Development Goals
Energy and Greenhouse gas management	Energy and Greenhouse gas management throughout the Value Chain to reduce carbon footprint and managing risks and business opportunities from climate change to support Net Zero goals.	 
Environmentally friendly product development	Product development, service provision, business model, and production process, both existing and newly developed, consider the whole value chain in response to the changing trends of consumers who are increasingly focused on environmentally friendly products.	
Water resources management	Integrated water risk management covers both physical risks, environmental risks, social perceived risk, and the risks of changing rules, regulations, and requirements.	
Resource management and the use of renewable resources	Resource utilization risk management, utilizing renewable resources, and management of production waste without landfill (Zero Waste to Landfill).	
Air pollution	Air pollutants from ceramic tile manufacturing processes that have been set according to the laws and regulatory control bases are dust (TSP), nitrogen oxides (NOx) per ton of product, and sulfur oxides (SOx).	

### 3.3.2 Environmental and Sustainable Development Performance

#### Energy and Greenhouse Gas Management

Climate change is an issue in which the society is interested in. This is evident from the collaboration of all sectors to tackle the problem of the continued increase in global average temperature. Therefore, climate change is an issue of interest to stakeholders such as partners, customers, NGOs, and government agencies. Moreover, in the manufacturing process of the ceramic industry, energy consumption for sintering is an important factor in the manufacturing process. Hence, it is an issue that SCG Ceramics attaches great importance to and is extremely challenging. The company has reviewed the goal of the Science

Base guidelines for reducing greenhouse gas emissions by 20 percent from the base year in 2030 and reducing greenhouse gas emissions to zero (Net Zero) by 2050, focusing on approaches of energy and greenhouse gas management as follows:

1. Reduce the use of fossil fuels by increasing the capacity of using renewable energy
2. Increase energy efficiency in the production process
3. Develop production technology and products
4. Use the SCG's Internal Carbon Pricing (ICP) in considering investments.
5. Create awareness on energy conservation of employees and business partners

**Operation improvement**

1. Increase the ability to use renewable energy. A total of 4.7 MW of rooftop solar power generation systems have been installed, which is estimated to reduce GHG emissions of approximately 3,243 tons of carbon dioxide equivalent (CO2e) per year.

2. Increase energy efficiency by bringing the hot air left over from the front of the chimney stack that must be released into the atmosphere back to use as waste heat recovery through the process of air-to-air heat exchanger. This is to bring clean hot air back to use in the drying

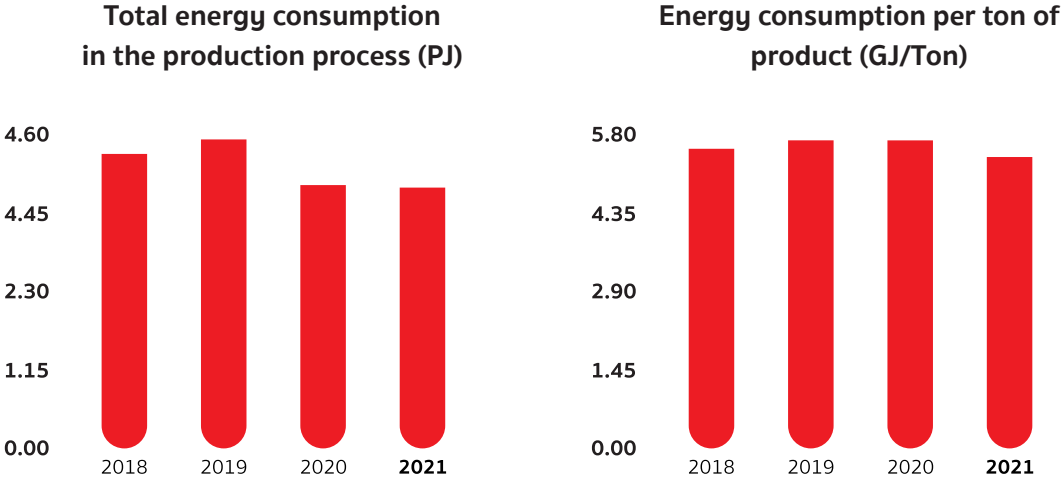
process. This will save energy from natural gas usage by 5,560 million BTUs per year and reduce the amount of carbon dioxide emitted into the atmosphere by 329 tons of carbon dioxide equivalent (CO2e) per year.

3. Optimizing the use of electrical energy by installing of a variable speed drive (VSD) control system in the production process which can save 940 megawatt-hours of electricity per year, equivalent to a reduction in GHG emissions of 469 tons of carbon dioxide equivalent (CO2e) per year.



**Performance of Energy Management**

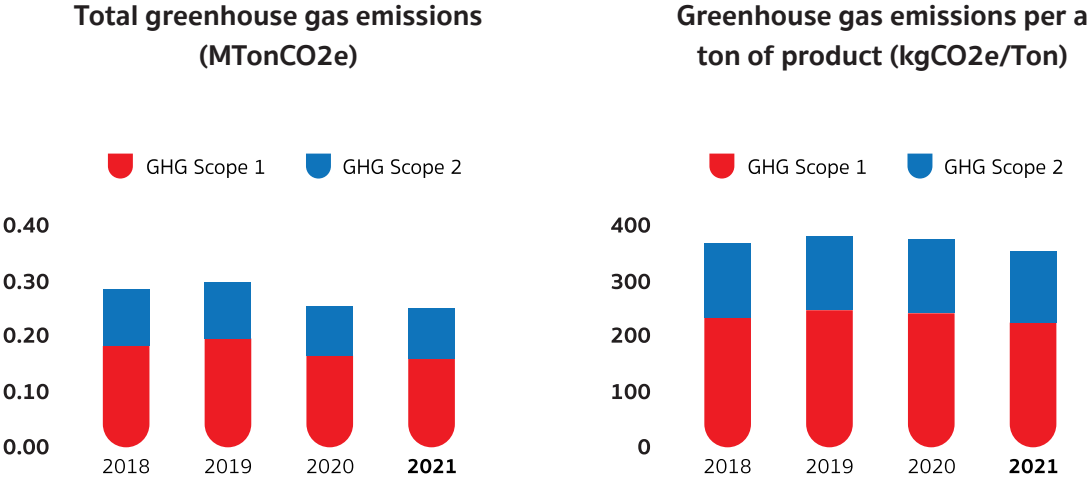
Total energy consumption in the production process is 3.75 petajoules (PJ). As for electrical energy, the proportion of electricity generated from solar energy is 6%, with details of total petajoule (PJ) energy consumption and energy consumption per ton of product (GJ/Ton) as shown in the following figure.



Greenhouse Gas Emission Management. The company has established a database of greenhouse gas emissions according to SCG practice. It covers the ceramic manufacturing process. There are activities related to greenhouse gas emissions as follows:

Direct greenhouse gas emissions from operations or machinery controlled by the company (GHG Emissions Scope 1)	Indirect greenhouse gas emissions from purchasing electricity and hot air for use in company activities (GHG Emissions Scope 2)
<ul style="list-style-type: none"> <li>• The use of natural gas in the production process</li> <li>• The use of diesel fuel in factory truck transport</li> <li>• The use of diesel fuel in the Company's emergency backup power generation</li> <li>• The use of LPG gas for transportation within the factory</li> <li>• The use of Carbonate-containing Raw Materials</li> <li>• The use of gasoline for transportation within the factory</li> </ul>	<ul style="list-style-type: none"> <li>• The use of electricity from an external power source</li> <li>• The use of hot air from an external production source</li> </ul>

The total amount of greenhouse gas emissions is 0.250 million tons of carbon dioxide equivalent (CO<sub>2</sub>e), which has a total greenhouse gas emissions in the unit of million tons of carbon dioxide equivalent (MTonCO<sub>2</sub>e), and the amount of greenhouse gas emissions per a ton of product in the unit kilogram of carbon dioxide equivalent per a ton of product (kgCO<sub>2</sub>e/Ton) as show in the following picture:



The report of the amount of greenhouse gas emissions in 2022, both direct greenhouse gas emissions from operations or machinery controlled by the company (GHG Emissions Scope 1) and indirect greenhouse gas emissions from the purchase of electricity and hot air for use in the company's activities (GHG Emissions Scope 2), has not yet been verified by a third-party auditors. The company has set a verification plan for the year 2022.

The investment project consideration will take into account investment projects or improvements in processes that have an effect on reducing greenhouse gas emissions by using Internal Carbon Pricing (ICP) as part of the project consideration. However, for the year 2021, there are no projects eligible for ICP yet.

**Environmental Friendly Product Development**

Fast change of the world and the increase of population cause the use of natural resources to increase as well. The company, as

a resource-based manufacturer of residential floor and wall covering products, has been aware and committed to improving its products to offer social responsibility. The company's products must pass the specified standards, such as the ceramic tile industry standard, ISO13006 standard, CE mark, and various environmental friendly label standards. This includes product information certification for LEED green building developers to ensure that consumers receive products that meet relevant regulatory requirements across all production lots. The management strategy is as follows.

1. Promote innovation and production technology and environmental friendly products.
2. Communicate and provide information on products that are environmental friendly.
3. Increase the proportion of sales of environmentally friendly products of SCG Green Choice.



## Performance

In promotion of innovation and environmental friendly production technology from the problem of small dust pollution (PM2.5) in the atmosphere, which affects health both in the short and long term, the company has developed the Air Ion tile product, air purification tile, which helps trap PM2.5 dust in a room lined with AIR ION tiles by releasing high levels of negative ions from a mixture of natural minerals.



In communication and information provision of environmental friendly products, our products has been certified as environmental friendly products according to the following international standards:



1. SCG Green Choice Label. The company's products are certified for environmental friendly products and services in the category of self-certification under the SCG Green choice label, which sets out the criteria for consideration of the ISO 14021 standard: Environmental Labels and Declarations Self-Declared Environmental Claims, along with consideration of the needs of stakeholders and Life Cycle Assessment (LCA) from SCG's technical team to certify products and services that have received the SCG eco value label to ensure reliability and consumer confidence.

2. Carbon Reduction Label or Global Warming Reduction Label. From the climate change awareness which all parties pay attention to, the company is committed to improving production processes, especially concerning energy conservation, making energy use more efficient. Moreover, when analyzed deeper into the product level, the company's products under the brand COTTO CAMPANA SOSUCO can pass the requirements for certification of Carbon Reduction Label or Global Warming Reduction Label from the Thai Environment Institute and Greenhouse Gas Management Organization (Public Organization), which is an assessment of greenhouse gas emissions throughout the product life cycle from the acquisition of raw materials, transportation, production, use, and post-production management.



3. Product Carbon Footprint Reduction Label. From the awareness of climate change that all parties are interested in, a transparent and verifiable report on the amount of greenhouse gas emissions per unit of product is the primary information that communicates to consumers and raises awareness of product selection. The company is committed to improving the production process and producing a report on greenhouse gas emissions per product unit of COTTO Mosaic.

4. Environmental Product Declaration (EPD). This label is intended to provide product information for green building users and uses EPD information to improve the company's manufacturing processes with a significant environmental impact through a research project “Life Cycle Assessment (LCA) and Environmental Label EPD (Environmental Product Declaration)” in accordance with ISO 14025 by the Centre of Excellence on environmental strategy for GREEN business(VGREEN-KU), Faculty of Environment of Kasetsart University as a consultant.

In terms of increasing the proportion of sales of products that are SCG Green choice, there are 74% of total sales of tile products (as of December 2021).



**Water Resources Management**

Water resources are essential to livelihood, both in agriculture and industry. Moreover, variability in natural water volumes due to climate change currently affects rainfall and runoff. The company realizes the significance of water management and makes water management one of the business-level risks. In terms of water supply, there will be a Risk Management and Business Continuity Management (BCM) working group that uses water stress data and drought risk index data for assessment to create a risk management plan in case of a drought. The drought is a risk factor that the company has continuously assessed and prepared for.

In terms of water quality management, the company has well water production and wastewater treatment systems to improve water quality to meet the standards of drinking water and industrial wastewater for use or reuse.

The company focuses on the efficient use of resources. The management strategy is as follows:

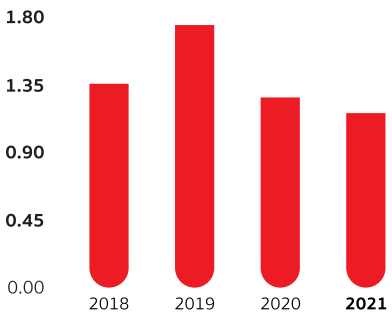
1. Reducing risks from issues of raw water sources.
2. Increase the efficiency of water use in the production process.
3. Reuse of treated water.
4. Developing the competence of personnel working on water resources.

**Performance**

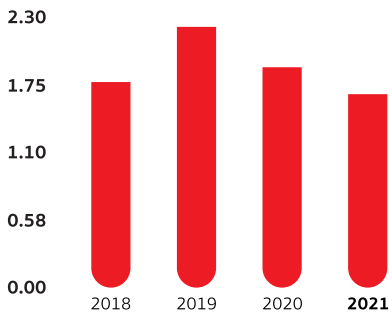
The total reserves of raw water resources, including the reserve water resources of Nong Khae Industrial Estate, are 1.08 million cubic meters.

The total water withdrawals for the production of ceramics is 1.16 million cubic meters, comprising 61% of surface water, 34% of tap water, and 5.0% of groundwater. Water consumption per ton of product as shown in the picture.

**The amount of water withdrawals (million cubic meters)**



**Water consumption per ton of product (cu.m./ton of product)**



**Resource Management and the Use of Renewable Resources**

Soil and mineral resources which are suitable for use as raw materials for ceramic production are limited resources that may be exhausted in the future. The company is aware of the efficient use of resources under SCG's 3Rs principle and has now expanded its perspective to cover the entire value chain. This is achieved by adopting the concept of Circular Economy (CE), which is the recycling of resources in the value chain to use as little new resources as possible for maximum benefit. The CE concept is adapted to the operation to make the most efficient use of resources, reduce the amount of waste that must be disposed of, and develop the production process to recycle waste to create more value continuously. For the waste that is handled outside the company, an annual management monitoring committee will be established to verify and communicate

with external contractors to manage the correct materials as permitted and to promote the separation of waste materials from the source for proper handling for each material. The management strategies are as follows.

- 1. Procurement policy
- 2. Reduce the amount of waste at source.
- 3. Research and develop innovations to recycle raw materials and waste and add value to waste.
- 4. Manage the production waste without landfill (Zero waste to Landfill).

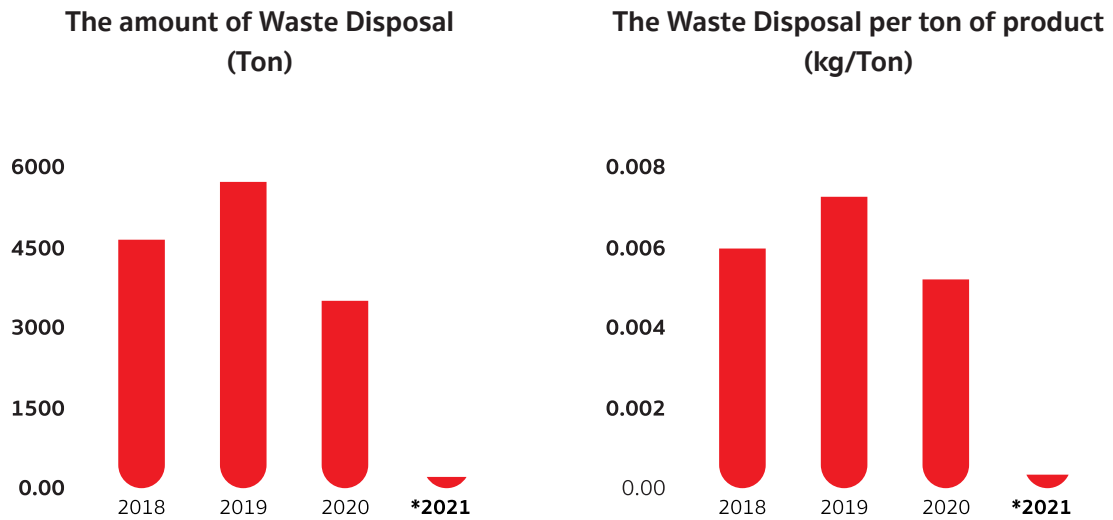
**Performance**

In the procurement process, the Paper X project was carried out with SCG Package Public Company Limited to promote awareness-raising activities for employees in separating and disposing of waste according to the specified types. As a result of this project, 4,041 kilograms of paper can be separated for recycling.



In terms of waste management and unused materials by recycling, wastewater treatment sludge and Reject soil powder are used as raw materials for new production in order to reduce the use of natural resources and increase the uptake of ceramic waste from external sources (Pre-consumer waste) into raw materials.

There are a reduction of waste generation and implementation Zero Waste to Landfill management. In 2021, waste was recycled into alternative feedstock or fuel mixes. The amount of waste disposal and the waste disposal per ton of product are shown in the figure.



\*In 2021, no biomass fuel was used. Hence, there was no waste from biomass fuel.

**Air pollution**

For the ceramics industry, the major air pollutants from the manufacturing process are particulate matter generated during the production of soil powder, pile collection, transportation, and fuel combustion. In the tile firing process, nitrogen oxides (NOx) and sulfur oxides (SOx) are released. The company has a management approach that focuses

on prevention and reduction of pollution at the source. Furthermore, appropriate control measures for each area of operation are introduced and a plan to stack emission monitoring is formulated to prevent impacts to the community and the external environment. The dust from dust collection system is re-processed. The management strategies are as follows.

Protection at the source	Preventive maintenance	Air emission monitoring
<p>Dust (TSP)</p> <ul style="list-style-type: none"> <li>• Install a bag filter in the place where raw material is being unloaded.</li> <li>• Install a wet scrubber system at the soil powder production process.</li> <li>• Find and eliminate leak points (Source of Contaminate : SOC).</li> </ul>	<ul style="list-style-type: none"> <li>• Preventive maintenance plans for machines.</li> </ul>	<ul style="list-style-type: none"> <li>• Stack emission and ambient air monitoring according to the law.</li> </ul>
<p>NOx and SOx</p> <ul style="list-style-type: none"> <li>• Use of low sulfur natural gas fuels</li> <li>• Excess Air furnace condition control</li> </ul>	<ul style="list-style-type: none"> <li>• Preventive maintenance plans for machines.</li> </ul>	<ul style="list-style-type: none"> <li>• Stack emission monitoring according to the law.</li> </ul>

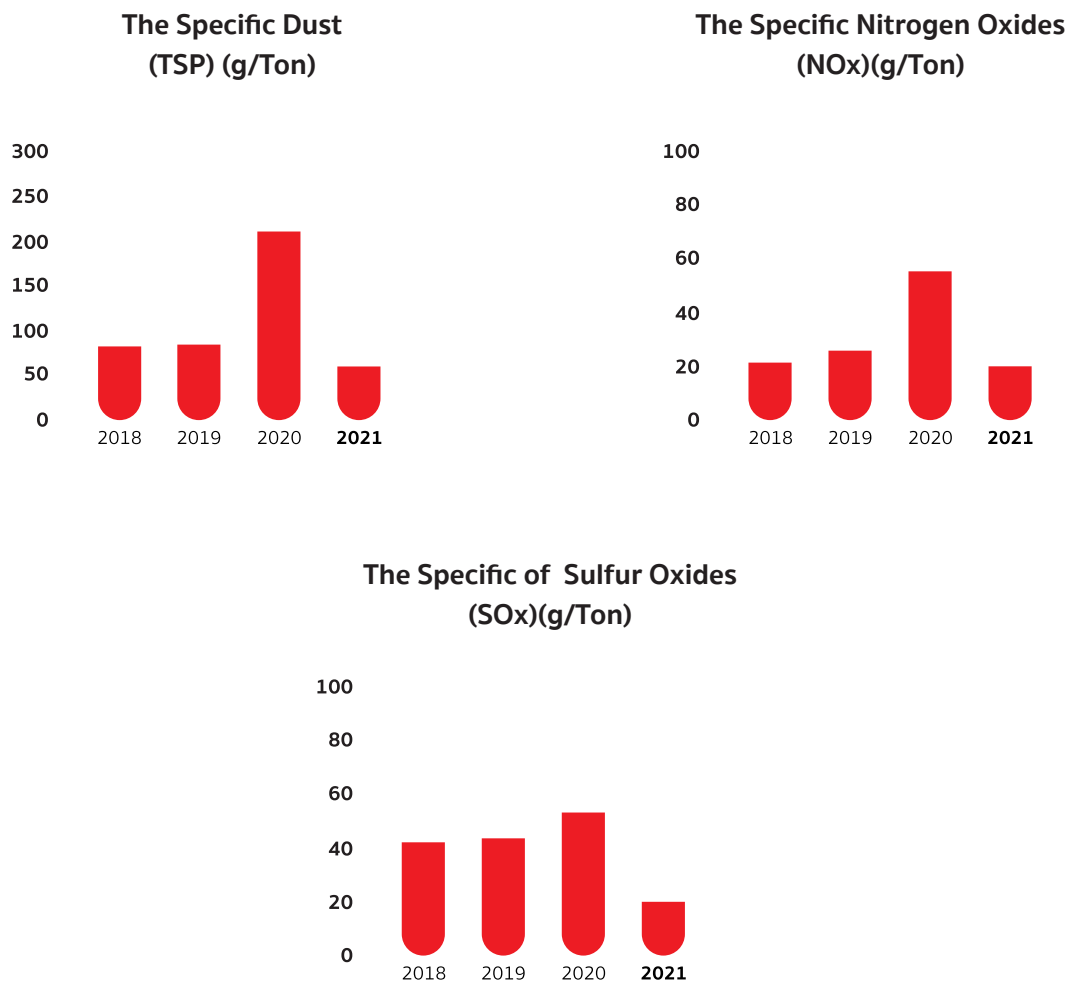
## Performance

Regarding the results of the measurement of the concentration of stack emission in 2021, items that have passed the legal standard are:

Air pollution	Unit	Measurement results	Standard value*
Dust value (TSP)	milligrams per cubic meter of air	3.6- 38.0	320
Nitrogen oxide value (NOx)	parts per million (ppm)	0.29- 10.0	200
Sulfur oxide value (SOx)	parts per million (ppm)	0.19- 4.6	60

\*Standard values are according to the notification of ministry of industry; the emission standard from a factory, B.E.2549 (2006).

The comparison of air pollution efficiency per ton product for dust (TSP), nitrogen oxides (NOx) and sulfur oxides (SOx) in grams per ton of product (g/Ton) are as follows:



### **3.4 Sustainability Management in Social Dimensions**

#### **3.4.1 Social Policies**

##### **Corporate Social Responsibility**

In order to achieve sustainable development and coexistence between all parties, the Company has always been responsible towards relevant parties in the process of business operation. According to SCG code of conduct, SCG anti-corruption policy, and SCG human rights policy for sustainability, the Company is striving to operate business, while improving and disclosing information about safety, environment, energy, and impact on stakeholders. The policies mentioned above can be concluded into practices in line with 8 principles of responsibility towards society, environment and stakeholders, as follows:

##### **1. Conduct Business with Fairness**

The Company ensures any groups of stakeholders with fairness, prevents monopoly and misuse of power in market distortion, operates business with transparency and disclosure of data, protects clients' data and privacy, and, finally, provides services with fairness. All the conducts must be undertaken within the scope of the frameworks of laws and trade agreements, which also comply with the sustainability policy of the Company's operations.

##### **2. Anti-Corruption**

The Company is trying its best to follow the principle of good corporate governance. Its corporate culture instructs employees and staff to work with honesty and transparency, and to treat other relevant parties with respect, sincerity, amiability, and impartiality. In accordance with SCG anti-corruption policy, the Board of Directors' determination is to fight against any forms of corruption. They also held firmly on practices relating to the act of receiving or giving gifts, assets or any benefits, so as to prevent any prejudices, uncomfortable feelings, or conflicts of interests that may affect decision making.

##### **3. Respect for Human Rights**

The Company attaches great importance to human rights issues, as can be seen from the

high priority it provides its stakeholders, both internal and external companies, so as to acquire legal rights concerning stakeholders and/or agreements with the Company. In accordance with SCG code of conduct, employees are obligated to treat colleagues and other relevant parties as equals, respect others' individualism and human dignity, and not to violate other employees' rights. Moreover, they are granted the rights to express their own opinions and to receive the Company's support to act as a representative in any Boards of Directors, such as the committee of employee benefits and the Committee of Occupational Safety and Environment.

##### **4. Fair Labor**

The Company pays great attention to fairness and impartiality of human resource management. All employees have a chance to boost their proficiency, in order to be prepared for the sustainable growth of the Company and themselves. As for corporate values, the Company aims to be shaped as an organization where employees with great capabilities get taken care of thoroughly, and are treated with fairness, so that they can feel like part of the organization. And in order to achieve that, compensation policy, provident fund, and benefits are all provided for every class of employees appropriately and competitively. Furthermore, the compensation budget is decided on the basis of the Company's long-term and short-term performance. The short-term one will be considered from the factors of the Company's performance each year, such as revenue from sales, net profit, and EBITDA. As for the long-term one, the Company's long-term comparatives including profit growth, market shares, sustainable development performance, overall operating results and ongoing operational enhancement are taken into consideration.

Moreover, the Company supports environmental management and employees' safety, while also encouraging and instructing its employees and other relevant parties to hold firmly to the guidelines written in the Company's policy. All employees are free to give

their opinions to the committee of employee benefits and the committee of occupational safety and environment via the provided platforms.

### **5. Responsibility towards Consumers**

Our products have been researched and developed to possess good properties and are up-to-standard. The factors like clients' expectation, safety, and environmental friendliness are taken into consideration. The Company even made an investment in technologies, just to make sure the pollution is ameliorated. If you have any suggestions or complaints about the products, please feel free to send them via <http://www.scgceramics.com/ติดต่อเรา> or call 02 586 3333, 02 586 4092. Then, the issue will be taken into consideration for the Company to keep on improving the products and services.

### **6. Environmental Protection**

Since environmental protection is considered to be important to us, the Company operates its business in accordance with the principle of sustainable development. The Company's sustainable development guideline and the principle of eco factory of the Federation of Thai Industries are applied to improve eco efficiency and product value, to decrease negative impact on environment, to develop environmentally-friendly production processes and services, to maximize the use of energy, and to lessen the emission of GHGs by changing the method of producing clay powder from wet process to dry grinding. Additionally, the Company is also improving the environmentally-friendly production process, maximizing the use of energy, and reducing the amount of carbon dioxide continuously emitted into the atmosphere.

### **7. Community and Society Development**

To strengthen the bond with the community, the Company has always been partaking in the development of community and the improvement of people's well-being by joining with SCG who sponsor many activities up to now, such as:

- Immediate COVID-19 Relief Effort for Communities Program, including donating funds for building field hospitals, making relief supplies bags, donating drinking water and basic test kit, and even sharing up-to-date knowledge and information on the COVID-19 situation to various groups.

- Tree Plantation to Increase Community Greenspace Program is a program where the Company plants native trees, such as Makha Mong tree (*Azelia xylocarpa*) and Siamese neem tree, in order to preserve native plants for the community youth to continue learning about them.

- Income generating activities for communities, such as bringing in local agricultural products to sell in factories' cafeterias to distribute products and generate income to community members, and buying wreaths from the community occupational group during funerals.

- As a tile manufacturer, it is only natural to donate tiles for renovation and construction of public architectures, such as schools, temples, and government offices, all free of cost. Moreover, the Company cooperated with Subdistrict Administrative Organizations' contributions to renovations of restrooms, and residence of senior citizens and disabled people.

- Additionally, the Company organized team-building activities with agencies on various occasions.

### **8. Corporate Social Responsibility and Innovation**

The Company has developed new innovations for the production process, in order for the employees to work safely, environmental friendliness, and manufacturing up-to-standard products. Moreover, the Company has developed IT systems for warehouse and inventory management, human resource management, and also organizational finance and account, under the concept of efficient and disclosed operation, such as SAP, E-procurement, Angel Store, Automation Touch

Scale, and E-smart. Information like scope of work, relevant parties, and lead authority can be input into these programs to work efficiently in less time.

### **3.4.2 Social Operations**

#### **Care of Employees**

##### **1) Remuneration Management**

The Company has established remuneration policies that offer appropriate remunerations to employees on all levels and are competitive with those of other companies in the same industry with adherence to fair and equitable compensation practices both within and beyond the Company. To maintain a shared sense of internal equity and fairness, remuneration is determined by job value. Each job is appropriately assigned and adjusted to a pay grade based on the employee's performance and requirements and responsibilities of each position. As for external equity, the Company pledges to align the compensation with the economic circumstances, inflation rates, the Customer Price Index, and other businesses in the same industry, the data of which is garnered through surveys of wages and remunerations of employees on all levels in external industries. The Company determines compensation in alignment with the Company's short and long-term operating results. In the short term, the annual operating results such as revenues from sales, net profit, and EBITDA will be factored into the equation. In the long term, the Company's long-term comparatives including profit growth, market shares, sustainable development performance, overall operating results and ongoing operational enhancement are taken into consideration.

##### **2) Employees Benefits Management**

The Company has established an appropriate employee benefits management policy. They are regularly reviewed to remain in alignment with changing socioeconomic circumstances. The benefits encompass numerous areas including work-related

benefits such as allowances, travel expenses, accommodations, uniform; medical benefits such as medical and dental expenses, annual checkups, sports and fitness center; and employee assistance benefits such as accident insurance, loans, etc.

##### **3) Long-term Employee Care**

The Company is committed to providing long-term employee care by establishing provident funds, registered as a juristic person with the Ministry of Finance under the Provident Fund Act B.E. 2530 for the Company employees. Employees who are members are to deposit monthly contributions to the fund at the rate of 2-15% of their basic salaries as stipulated by law, and the Company matches monthly contributions to the fund at 5-10% of their basic salaries depending on the length of employment. Moreover, the Company provides other long-term benefits to employees such as reimbursements of retirement medical expenses according to the criteria and conditions prescribed by the Company, a plan to help employees prepare for retirement in the areas of health, money management and investment, career promotion, and establishment of activity clubs.

##### **4) Knowledge and Skill Development**

The Company has prepared the employees' physique, mental, and skills, of which ranging from vocational, technical, and leadership. Moreover, modern technology has largely contributed to improving the employees' efficiency and thus, can cater to the customers' needs more swiftly. The Company has been developing the employees' potential to adjust and handle the ever-changing situation of the Company, in order for the employees to efficiently and harmonically coordinate within the whole company. To achieve excellence in the ceramic industry and sustainable growth, the Company utilizes the 70:20:10 model, which focuses not only on classroom training but also action learning as well as coaching and consulting. In addition, e-learning has been implemented as well.



### **Functional Training Program**

The Company emphasizes development of the employees' skill, knowledge, and ability in accordance with the Core Competency, which is necessary for adapting knowledge to practical execution, in addition to adjusting the manufacturing process which emphasizes resource management for most efficiency and effectiveness, of which meaning that all locations must be able to manufacture products of the same standard no matter the brands.

The Company, therefore, creates a learning process to raise all employees to the same working standard, in order to deliver products of the same standard which can cater to the customer's needs no matter which factory was the manufacturer. Starting with the Functional Competency program, from Basic Ceramic manufacturing standard and quality control, the program proceeds to the Knowledge Sharing process of each working function, in order to keep the knowledge standard and relate such knowledge to the currently responsible employees.

### **Leadership Development Program**

This program aims to instruct the employees on management, in order to allow them to be leaders and efficient team-player, in addition to changing employees which have supervising roles to be both capable in managing business and good role model as the Company has assigned, such as:

- Supervisory Skill Program: work management and basic staff management principle for supervisors.
- Business Concept Development Program (BCD): business strategy principle for leaders with at least 6 years of employment.
- Management Development Program (MDP): management program for managers with at least 10 years of employment.

### **Skill development program in accordance to Integrated Business Excellence (IBE)**

The Company implements this system in

order to develop problem solving perspectives, improving the working process of the whole company to improve coordination and adaptability. The programs are designed to develop the employees' skills and encourage their contributions in various fields, as listed below:

- Feedback & Coaching: techniques on giving and receiving feedback, and coaching guidelines.
- Performance Dialogue: principles on Visual Board utilization, team meeting, and problem-solving.
- Inspirational Leadership: conveying vision and developing leadership quality, including responsibility toward the vision which will lead to practical execution.
- Courageous Conversation: principles on efficient conversations, particularly difficult conversations.
- Delegation & Empowerment: principles on setting priority, work assigning, and decision-making.

### **Safety competency ability development program**

for relevant employees. From training employees as required by law, depending on the risk of a particular job position, and in accordance with the Company policy or management system. All for the employees to sustainably work efficiently and safely, without workplace injuries or sickness.

### **Problem solving skills development program**

for relevant executing employees or supervisors, in order to create understanding on problem-solving processes, which emphasizes on utilizing the statistical tools appropriately. In addition, the program encourages systematic analytical skill, which will lead to new solutions to problems or situations.

### **Design Thinking program**

A program to nurture the employees' creativity in finding solutions and processes in order to better cater to the customers' needs, such as Power BI, RPA, Office 365.

### **e-Policy assessment**

An assessment to educate employees on correct conducts since electronic transaction-related cyber laws and risks have become more intense,

### **Employees' efficiently assessment and People Characters**

Development Area for management employees in accordance with the Talent Management system. In addition, the Company's evaluation covers all 360 degrees. The results of Characters evaluation, on the other hand, will be used to develop employees' potential in the future.

### **Ethical assessment**

An assessment which encourages the employees to have knowledge, understanding, and awareness on morals, ethics, and anti-corruption, and for them to appropriately utilize it.

Way of Working: In 2021, the Company has revised the corporate culture in accordance with the strategy and business goals, in addition to keeping our approach to the working process up-to-date in order to adapt to the ever-changing situation from outside factors. The Company calls this the CHAMP Culture, which includes:

- CHALLENGE & ACHIEVEMENT: determined and always striving to be the best.

- GROWTH MINDSET: learning and adapting. Not clinging to the same success, but endeavors to try new things, in addition to the ability to quickly recover after mistakes.

- EMPATHY: understanding of the customers' needs and the colleagues' feelings.

- COLLABORATION: cooperating both internally and externally of the Company for mutual success.

The Company encourages employees to learn about CHAMP culture through various channels, such as: CHAMP Talk by MD, the 70:20:10 development model, and various activities which allow the employees to utilize

Way of Working (CHAMP Culture) in their work.

In 2021, each employee received an average of 0.5 day of training. More than 1,570,000 baht has been invested as funds for teaching and developing employees both internally and externally.

### **Labor and Human Rights**

The Company recognizes the importance of respecting every individual's human rights and treating every person without discrimination. Therefore, the Company carries out business with adherence to ethics in accordance with corporate governance principles and Code of Conduct under the Labor and Human Rights section. The Company abides by the laws of each country and complies with UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration of Human Rights (UNUDHR), and United Nations Global Compact (UNGC), which the Company has supported since 2012. Added to this are the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international requirements on human rights according to the binding treaties.

### **Occupational Health and Safety, and Workplace Environment**

SCG Ceramics deeply values health and safety, as the Company aims to keep employees, business partners, and related persons healthy, safe, and Injury & Illness Free.

#### **Goals**

1. reduce fatal accidents to zero every year.

2. reduce the Lost Time Injury Frequency Rate in 2022 to be 0.000 cases per 1,000,000 man-hours.

3. reduce illness and injury from continuous work frequency rate.

#### **Strategy**

Use occupational health and safety management systems focused on proactive risk management to raise safety standards

at all plants. Cultivate Total Safety Culture for all employees at all levels by encourage implementing with understanding.

### **Management**

1. Adopt SCG Safety Framework New Version 2021 as a guideline to enhance the efficiency of every factory operation to be equivalent and comply to SCG standard level.

2. Establish Life Saving Rules for employees and business partners to strictly follow to prevent serious accidents which may result in loss of life.

3. Cultivate a safety culture in the organization by promoting executives or supervisors to be safety leaders who take responsibility in closely oversee employees and business partners.

### **Safety Operating Results in 2021**

- Lost time injury frequency rate 0.00 cases per 1,000,000 man-hours

- Number of fatal accidents of employees: 0 cases

- Number of fatal accidents of business partners: 0 cases

### **Safety Performance**

- Adopt SCG Safety Framework New Version 2021 and Safety Performance Assessment Program which is the international equivalent standard. and in accordance with various business operations as a guideline for raising occupational health and safety standards in every factory to be complied to SCG standard level or develop more challenging occupational health and safety management to the Excellence level

- Enforce the “Life Saving Rule” on employees and business partners to ensure safety in working and transportation, including enhancing awareness and punishment for those who violate the rules to change their behavior and cultivate the Total Safety Culture

- Promote the roles of executives or supervisors as Safety leaders and requiring management-level employees to undergo assessments of their performance on

occupational safety, transportation, and logistics.

- Manage working operations conforming to Good Transportation Safety Standard and Road Safety Corporate Standard in order to enhance operational safety in transportation and road driving and to prevent, eliminate and reduce accidents

### **Customers**

The Company is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. The Company’s products and services must be safe, as per international safety standards, and environmentally friendly, as well as promote sustainable growth through excellence strategies in operating and human value marketing to ensure customer confidence and highest satisfaction.

To this end, the Company has established a unit responsible for customer relations management in order to offer suggestions on the Company’s products and services, provide counsel regarding troubleshooting and after-sales services, in addition to handling complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operational efficiency.

Furthermore, the Company has put in place a management system to foster good customer relations, the main factor of which is the voice of customers. As such, customer satisfaction in each business group is surveyed on a yearly basis to gauge the expectation and satisfaction level of customers, and customer insights discovered in the process are then further developed into new innovations, for instance, new product development in respect of size, coating, patterns, and delivery and after sales service as well as innovation development which encompasses knowledge management system, e-Service, e-Selling, and the business warehouse for the customer feedback process, resulting in a central database of customer information to facilitate

sales and service providing including customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers.

**Community and Society**

The Company carries out its business with responsibility towards the community and the society, by emphasizing on ameliorating pollution and refraining from any process that would negatively impact the quality of lives around the company.

Moreover, the Company contributed to quality of life development, in addition to encouraging cooperation with the community. Such ideas were realized in the forms of activities in which the Company has collaborated with the community and various organizations throughout 2021. The activities can be categorized as such:

- 1. Activities to help the community and the society with the COVID-19 crisis
- 2. Tree plantation to increase community greenspace program

3. Income generating activities for communities

4. Tiles donation to various organizations in Saraburi province

5. Other Corporate Social Responsibility activities

5.1 environmental activities

5.2 religious and cultural activities

5.3 educational activities

5.4 communal and societal activities

5.5 health activities

## 1. Activities to support and help communities to pass COVID-19 crisis



Support budget to field-hospital hosted by Saraburi hospital and Nong Khae hospital.



Donated drinking water to Nong Khae's COVID-19 screening center for inter-provincial movements

COVID-19 protection equipment and drinking water budget support for local organizations to manage the quarantined citizens and patients



Donate trash bins to schools around factories through “Drawing the Future” project



## 2. Income generating activities for communities



3. Tree Plantation Program to increase community greenspace at Wat Nongkanak, Nongpring subdistrict, Nong Khae district, Saraburi province





#### 4. Tile donation to various organizations in Saraburi province



#### 5. Other Corporate Social Responsibility activities

##### 5.1 environmental Activities





## 5.2 Religious and Cultural Activities





### 5.3 Educational Activities



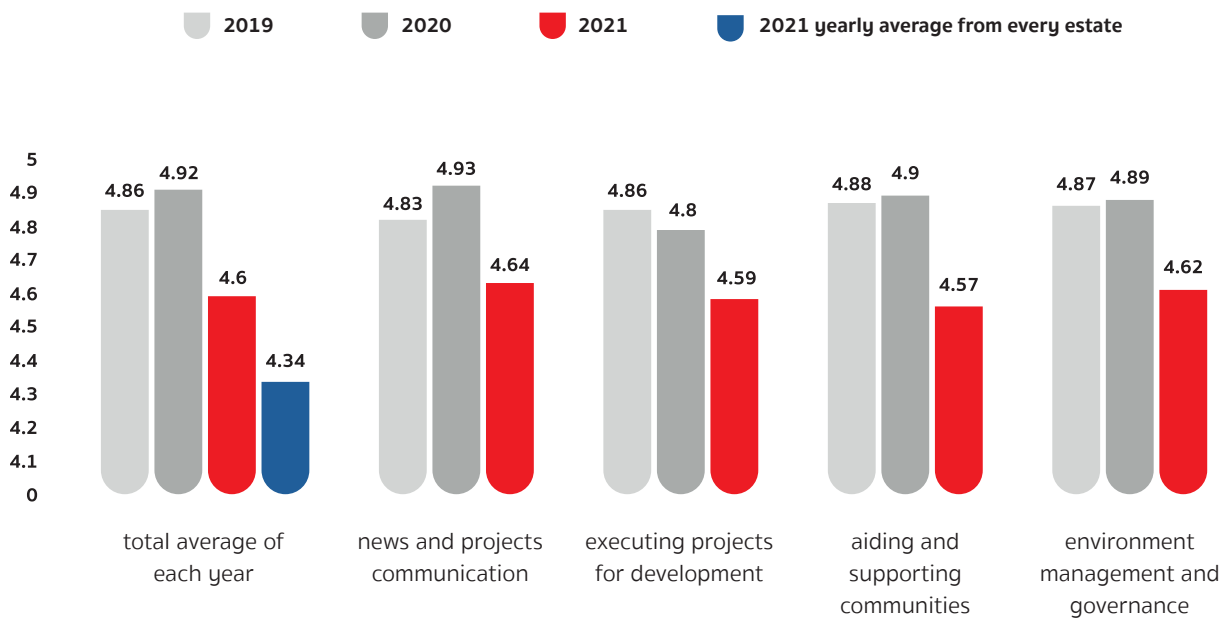
### 5.4 Communal and Societal Activities



## 5.5 Health Activities



## 2021 Community Satisfaction Survey Results



# COTTO *Life*

COTTO Life, Khon Kaen Branch, Maliwan Road,  
Mueang District

COTTO Life, Khon Kaen Branch, Maliwan Road, Muang District, is one of SCG Ceramics' sales channels in the Northeastern region. Initially opened as a showroom, VOA Space focused on the concept of community space and a meeting point for contemplating events. Later, the place was transformed into COTTO Life to increase the display of tile products.

This branch is designed to be used as a space for various use ranging from sitting and discussing work in small groups to organizing events for larger groups, which can be arranged in both indoor and outdoor. It is a Co-Creative Hub that fits the lifestyle of architects who are target customers. It is also a product center for architects to bring their own direct customers to walk and choose products. This is another way to expand the customer base to homeowners.





## Management Discussion and Analysis

### Business Overview

In the first half of 2021, Thailand's overall economic situation had started to recover when the COVID-19 situation began improving before an economic slowdown occurred after a new wave of COVID-19 breakout in the third quarter of the year. The highest cases of COVID-19 happened during this quarter as well. Therefore, the real estate industry has been greatly affected, especially the private sector's construction projects. Those projects had to slow down their construction and new projects because of worker camps closure. However, the overall demand for ceramic products in 2021 barely changed compared to, or even was on the same level as, the previous year, whereas the intense competition in the home market between domestic manufacturers and importers endured.

In 2021, every party has become more familiar with and learned more about the COVID-19 situation. In addition, there are various measures to immediately counter the situation. However, with an increase in energy cost still persisted as a factor which affected the Company's business. In order to operate the organization during time of crisis, the Company put great emphasis on controlling internal factors and managing business continually by:

The Company put great emphasis on employees' safety with Hybrid Workplace, which allows employees to mostly Work From Home while only Work On Site at the office or the factory when necessary. Moreover, employees can Work From Anywhere via an online platform prepared by the Company. All of this is to ensure that our employees, families, and business partners are safe and that we can continuously deliver products and service to the customers.

The Company adjusted mindset and operating process, especially cost reduction and machine efficiency improvement by implementing Automation systems in manufacturing process and resource management. The system is to minimize the effect of the increased energy cost. In addition, the Company adjusted the sales ratio toward markets which are not as negatively affected as the others, both domestically and internationally, and adjusted the manufacture and importation of products in accordance to the demands in order to control the inventory level to be appropriate. Moreover, the Company strives to deliver products and service which will follow the hygienic trend and cater to demands for house renovation and extension, such as Hygienic Tile, which is COTTO's antibacterial tile, AIR ION tile, which is an air purifying tile, 'Smart Flexible by COTTO' LT flooring, which is a beautifully-designed, quick-and-easy-to-install, and environmentally-friendly flooring material, in addition to CTIS (Certified Tile Installation Service)

The Company endeavored to proceed with business according to the framework to improve the satisfaction of our clients and partners through resources allocation, cost reduction, manufacture and distribution of products and services that served the needs of every client group. In addition, the company also opened up new offline and online marketing channels to cover more ground. Moreover, the Company expanded the energy business and developed Nong Khae Industrial Estate to become an Eco-World Class level Eco Industrial Town. These are all in order to maintain the present level of market share and competitive ability against competitors in the industry.

## Performance and Profitability

In 2021, SCG Ceramics' revenue from sales of ceramic tiles and service amounted to 11,194 Million Baht which was a 1,000 Million Baht or 10% increase from 2020. The sales of ceramic tiles both domestically and export are 63.7 million square meters, which is a 5% increase resulting from the increased demand. Moreover, company obtained revenue from land sale in Nong Khae Industrial Estate 131 Million Baht. In the fourth quarter, cost of sales increased by 813 Million Baht or 11% of sales volume compared to the previous year, because the price of natural gas was increasing. However, the Company has been continuously controlling management costs and improving production efficiency. Distribution cost increased by 143 Million Baht or 8% due to the increase of shipping cost. Administrative expenses decreased by 151 Million Baht or 19% due to efficient cost management, as a result the Company's net profit was 584 Million Baht, an increase of 164 Million Baht or 39% from 2020. Net profit per share in 2021 equal to 0.10 Baht, compared to the year 2020, in which net profit per share was 0.07 Baht, an increase of 0.03 Baht. From the above details, the Company's profitability increased with the rate of net profit per net sales of 5.2%, increasing from 2020, in which the net profit rate per net sales was 4.1%. Return for the shareholders was 7%, increasing from 2020, in which the return was 4.9%.

## Financial Overview

### Assets

Total assets of the company as at December 31, 2021 was 11,521 Million Baht, a 6% increase from the previous year. Key components of total assets comprise of property, plant and equipment at 42%, current assets at 51%.

**Current Assets:** amounted to 5,872 Million Baht as at the end of 2021, with an increase of 19% from the previous year, mainly from accounts receivable, cash and cash equivalents, and inventories.

## Property, Plant and Equipment :

amounted to 4,825 Million Baht as at the end of 2021, 5% decrease from previous year, mainly from depreciation, and the increasing in investment on production cost reduction. Key activities for cost reduction are to improve machinery for more productivity, and expand the retail store branches and distribution channels.

In 2021, the operating efficiency ratios increased from the previous year with 5.2% decreasing return on assets compared to 3.8% of the year 2020. Asset turnover is 1.0 times, increasing from to the previous year's 0.9 times.

## Liabilities

Total liabilities as at December 31, 2021 amounted to 2,271 Million Baht, increasing by 8% from the previous year. Most liabilities consist of trade account payables and other current payables by 65% and non-current liability provision for employee benefits by 25% of total liabilities. By the year 2021, the company's finance costs were 4 Million Baht, decreased by 3 Million Baht from the year 2020.

Net debt (liabilities with interest less cash and cash under management) of the Company as at the end of 2021 amounted to 1,324 Million Baht, increased by 593 Million Baht from the previous year, resulting from business profit. The ratio for net debt per share is similar to last year's debt ratio of 0.2 times.

## Shareholders' equity

Shareholders' equity as at December 31, 2021 amounted to 9,250 Million Baht, increasing by 5%, mainly from the business operation, dividend payout, and appropriation to legal capital reserve according to the ACT of Public Company Limited 1992 Article 116 and the company's regulation article 38, defining that the Company must allocate a portion of the net profit for a capital reserve not less than 5% of yearly net profit deducted by brought forward deficit total (if any) until the amount of reserves is not less than 10% of the authorized capital.



## Liquidity

At the end of the fiscal period, the Company outstanding balance is 1,324 Million Baht in Cash and cash equivalents, increasing by 593 Million Baht from 2020. Cash flows in 2021 are as follows: net cash obtained from operating activities 1,125 Million Baht, investing activities 254 Million Baht, mostly from investment in land, building, and equipment, and net cash used for funding activities 279 Million Baht from the annual dividend payout and lease liabilities repayment. . In 2021, liquidity ratio was 3.7 times, increasing from 2020 which was 3.4 times. Quick liquidity ratio in 2021 was 1.6 times, increasing from 2020, which was 1.2 times. The Company's liquidities were increased resulting from the increase of net cash from operating activities. By the fiscal year-end, the Company had no liabilities and

had enough cash money for operation. In addition, the Company also has a credit facility with domestic banks that have not yet been withdrawn which is sufficient for operation as well as obligation management. Trade receivables turnover was 10 times, increasing from 2020 which was 9.9 times, while the average debt collection period was 37 days. Moreover, for trade account receivables management in 2021, the Company was attentive about credit release and payment tracking by keeping on monitoring regularly.

Inventory turnover ratio was 3.0 times while average product sales period was 122 days, increasing from previous year. At the end of 2021, payable turnover ratio was 10.2 times and repayment period was 36 days, which was decreased from the previous year.

## Taxes to government and local government authorities

Unit : MB	Year		
	2021	2020	2019
Revenue from sales	11,063.4	10,194.0	10,871.2
Profit (loss) before tax	730.4	519.9	232.9
Reported Taxes	146.8	95.6	46.1
Effective Tax Rate (%)	20%	18%	20%
Headline CIT Tax Rate	20%	20%	20%
Cash Taxes Paid	151.9	50.9	102.5
Cash Tax Rate	21%	10%	44%
Additional information : Total liability of taxes to government and local government authorities			
Corporate Income Tax	130.1	80.1	110.0
Property Tax	1.9	3.1	10.9
Specific Business Tax	0.0	0.0	0.0
Others Tax	3.9	1.8	1.5
Total Taxes	135.9	85.0	122.4

In 2021, SCG recognized income tax expenses amounted to 146.8 Million Baht in consolidated financial statements and the calculated effective tax rate was 20%, equaling the corporation income tax rate. Total tax paid to government and local government authorities for the year 2021 amounted to 135.9 Million Baht.

### Financial ratio of SCG Ceramics Public Company Limited and its Subsidiary

<u>Liquidity ratio</u>		2021	2020	2019
Liquidity ratio	(times)	3.7	3.4	2.9
Quick liquidity ratio	(times)	1.6	1.2	0.9
Cash flow liquidity ratio	(times)	0.7	0.8	0.6
Trade receivables turnover	(times)	10.0	9.9	9.7
Average debt collection period	(days)	36.5	36.9	37.6
Finished goods turnover	(times)	3.0	2.6	2.8
Average finished goods sales period	(days)	121.7	140.4	130.4
Payable turnover ratio	(times)	10.2	9.5	9.9
Repayment period	(days)	35.8	38.4	36.9
Cash cycle	(days)	122.4	138.9	131.1
<u>Profitability ratio</u>				
Gross profit	(%)	27.8	28.7	26.5
Operating margin	(%)	6.6	5.2	2.2
Other income to total income ratio	(%)	0.7	0.7	1.9
Cash to profit ratio	(%)	153.4	234.0	541.4
Net profit	(%)	5.2	4.1	1.5
Return on equity	(%)	6.5	4.9	2.0
<u>Efficiency ratio</u>				
Return on assets ratio	(%)	5.2	3.8	1.5
Return on fixed assets ratio	(%)	24.3	20.9	13.4
Asset turnover ratio	(times)	1.0	0.9	1.0
<u>Financial policy ratio</u>				
Debt to equity ratio	(times)	0.2	0.2	0.3
Interest coverage ratio	(times)	392.4	165.1	160.5
Interest bearing debt to EBITDA ratio	(times)	0.1	0.1	0.2
Debt service coverage ratio	(times)	9.3	8.8	5.2
Dividend payout ratio	(%)	48.0	41.1	42.5



# คลัง เซรามิค

## Ceramics Warehouse

"Ceramic Warehouse" is another channel to sell products directly to consumers. It is a floor and wall tile center under the SCG Ceramics' concept of "Cheap, Beautiful, Good". It currently has 47 stores across the country and has plans to expand to 100 branches by 2023.

The "Ceramic Warehouse" has both shops that are operated by the company itself and a new model shop "Ceramic Family Warehouse", which is a collaboration with building material dealers in potential locations.

For branches of which expansion are being accelerated, the company focuses on opening the "Ceramic Family Warehouse", a business model that uses the company's strengths and merges with SCG's construction material dealers, establishing a product manufacturer that covers all market levels and are able to offer a variety of products for customers to choose from. Furthermore, the dealer shop has a customer base in the area and a suitable location, resulting in an enhancement of sales opportunities for both parties and an increase of products purchasing convenience for consumers as well.





## General Information and Significant Information

### 5.1 General Information

#### 1) Company Information

Name	SCG Ceramics Public Company Limited
Initial	COTTO
Registration Number	0107561000340
Website	www.scgceramics.com
Headquarter	1 Cement Road, Bangsue, Bangkok, 10800 Tel 0-2586-3333 Fax 0-2587-2118
Factory	61 Moo.1, Nongkhae Industrial Estate, Khok Yae, Nongkhae, Saraburi, 18230 Tel 0-3637-6100 Fax 0-3637-6162 (Industrial Estate)  33/1 Moo.2, Suwannason Rd., Khok Yae, Nongkhae, Saraburi, 18230 Tel 0-3638-2888 Fax 0-3638-2900 (Hin Kong Factory)  40 Moo.2, Rim Klong Rapeepat Rd., Nong Pling, Nongkhae, Saraburi, 18140 Tel 0-3637-6400 Fax 0-3637-6411 (Nongkhae Factory 1)
Business Procedure	Floor and wall tiles Manufacturer and Distributor Industrial Estate Business and Solar Powered Appliances Installation Business
Authorized capital	5,962,621,233 Baht, Par value of 1 Baht per share
Paid-up Capital	5,962,621,233 Baht, 5,962,621,233 Ordinary Shares (No Preferred Shares)
Par Value	1 Baht per share
Accounting Period	1 January- 31 December
Shareholders	Major Shareholder is Cementhai Ceramics Company Limited with 82.75% of total shares. Minor Shareholders

2) Subsidiary Company	
Name	Sosuco Ceramic Company Limited
Registration Number	0105534083386
Headquarter	33/2 Moo.2, Rim Klong Rapeepat Rd., Nong Pling, Nongkhae, Saraburi, 18140 Tel 0-3637-6300 Fax 0-3637-6309 (Nongkhae Factory 2)
Business Procedure	Floor and wall tiles Manufacturer and Distributor
Authorized Capital	800,000,000 Baht
Paid-up Capital	800,000,000 Baht
Accounting Period	1 January- 31 December

## 5.2 Other significant information

Share Registrar	Thailand Securities Depository Company Limited 93 Ratchadaphisek Rd., Din Daeng, Bangkok, 10400 Tel 0-2009-9000 Fax 0-2009-9991 TSD Call center: 0-2009-9999 Email: SETContactCenter@set.or.th Website: www.set.or.th/tsd
Auditor	KPMG Phoomchai Audit Company Limited By Mr.Wairoj Jindamaneepitak (CPA No.3565) or Mr.Charoen Pusamridlert (CPA No.4068) or Miss Thunyalak Kaedkaew (CPA No. 8179) 50-51 floor, Empire Tower, Sathon Rd, YanNawa, Sathon, Bangkok, 10120 Tel 0-2677-2000 Fax 0-2677-2222
Law Firm	SCG Legal Counsel Company Limited 1 Cement Road, Bangsue, Bangkok, 10800 Tel 0-2586-3333 Fax 0-2586-2976

**5.3 Legal Dispute** - None -

**5.4 Secondary Market** - None -

**5.5 Frequently contacted Financial Institution** - None -



SUSUNN is a business under SCG Ceramics that provides services including consulting, design, distribution and installation of power generation systems from renewable energy, which is various type of clean energy. In the past, the company has received guaranteed awards both nationally and internationally, both Thailand Energy Award and ASEAN Energy Award for many years. Customers have trusted us and chosen to use our service in a variety of industries, such as valve materials and industrial connectors industry, building materials industry, plastic bag products industry, and industrial estate industry.



**Solar Rooftop**

**Solar Farm**

**Solar Floating**



## 6 Corporate Governance Policy

The company operates with responsibility, transparency, and fairness. We uphold the ideals that have been passed down, within the Code of Conduct and with sustainable prosperity as the goal. The Board of Directors is a good role model in following SCG's operating policy and the Code of Conduct.

The company strives to become the role model for corporate governance, exacted in the Visions and Missions of the company. We believe that good governance will be a good management system which will bring fairness and transparency, increase revenues and value to the shareholders in a long term, and at the same time, strengthen the trust with all the stakeholders and promote the company's competitiveness. In addition, the company also upholds SCG's Sustainable Development Guidelines as stated in the Sustainable Development Report.

The company considers the Corporate Governance Policy to be a part of the company's business policy. The Nomination, Remuneration, and Corporate Governance Committee (NCCG Committee) is responsible for overseeing the corporate governance of the Company, including establishing policies and guidelines for monitoring the Board of Directors and Management to comply with the corporate governance policy of the company and SCG. As well as evaluating the performance of the corporate governance policy and annually reviewing the guidelines to ensure that they are suitable for business operations and are in accordance with corporate governance guidelines

at both the national and international levels. In fact, the corporate governance issue is one of the main agenda items in the Board of Directors and related sub-committees' meetings.

### **6.1 Overview of Policies and Management Guidelines**

#### **6.1.1 The company has established policies and guidelines regarding the Board of Directors, covering recruitment, skill development, independence of the Board from Management, performance evaluation, remuneration for the Directors and Executives, including management of subsidiaries and associates, as follows:**

The company adheres to Good Corporate Governance, including the CG Principles 2555 The Stock Exchange of Thailand (SET), the Corporate Governance Code (CG Code) of The Securities and Exchange Commission (SEC). The NCCG Committee will determine the policies and present them to the Board of Directors to be approved and established as the company's policy, as well as to be adhered. In the case of criteria in which hasn't been set as a policy, Management will report to the NCCG Committee to be reviewed at least once a year, or as they see fit.

All in all, the meeting of the Board of Directors has reviewed the additional CG Code guidelines, or the guidelines that were adapted from CG Principles, to increase the worth of the company. The performance after complying with each of the CG Code was also evaluated, to ensure that the performance and development plans are suitable with the business, based on Apply or Explain basis. It

is then approved to be maintained as the replacement measures as approved by the Board of Directors in 2020. For the guidelines that have not been exercised, they will be assigned to Management to be reported and reviewed, in compliance with the CG Code. As for the measures that do not conform with the CG Code in the annual statement / annual report 2021 (56-1 One Report), the company has policies and guidelines for operating in accordance with the CG Code, as follows:

**Principle 1: Recognize the roles and responsibilities of the Board of Directors as the leaders of the organization who have created the worth of the business.**

The Board of Directors consists of individuals who are competent and has a key role in setting objectives and goals, policies, visions and missions, as well as the company's business strategy by working with senior managers to plan both short-term and long-term operations and determine the monetary policy and risk management through the Risk Management Committee and the Audit Committee and overview the organization. They also independently supervise, examine and assess the company's performance and the performance of high-ranking directors to ensure that every operation is going as planned. The roles and duties of the Board of Directors are set out in the Board of Directors Charter.

According to the company's Articles of Association, Article 14, the company must have a Board of Directors of not less than 5 members and not less than half of the total number of these members must reside in the Kingdom. As of now, the company has 12 directors, consisting of 11 non-executive directors and 1 executive director, namely the Managing Director. All directors are residents of the Kingdom of Thailand. More than half of the non-executive directors have knowledge and work experience related to the company's main business. The Board of Directors has a duty to supervise the directors and executives to perform their duties with Accountability and Responsibility, Duty of

Care, Duty of Loyalty, for the best interests of the company, and to also comply with the law, objectives, regulations, resolutions of the Board of Directors' meeting and resolutions of the shareholders' meeting, including the company policies. There must be sufficient procedures to ensure that the operations of the company comply with the law, objectives, regulations, resolutions of the Board of Directors' meeting, resolutions of the shareholders' meeting and various policies of the company.

Independency of the Board of Directors from Management

In addition, the Board of Directors has established the scope of duties and responsibilities of the Board of Directors by preparing the Board of Directors' Charter and the Sub-Committees. This must be reviewed regularly at least once a year. The Board of Directors has also established a manual on the authority to operate, which clearly gives the authority to manage the business to the Managing Directors and the Management. The company's directors are responsible for formulating policies and supervising the operations of Management, ensuring that everything follows the company's policies. While Management is responsible for managing tasks so their operations go in accordance with specific policies. Therefore, the chairman of the board and the managing director are different people. In order to get the most suitable person, both positions must be selected by the Board of Directors after consideration and recommendation by the NCCG Committee. In addition, the Board of Directors also determines the succession plan of senior executives.

Management has been assigned the authority to operate under the policies set forth. It is responsible for the overall performance, expenses control and investment within the budget approved by the Board of Directors in the annual work plan, operate by the human resources policies, resolve issues or conflicts affecting the organization, and maintain effective communication with the stakeholders.



## **Principle 2: Setting objectives for the business**

The Board of Directors puts great importance on determining the objectives and main goals of the organization's business in order to grow alongside the society with sustainability, create value and benefit for the organization, customers, partners, employees, shareholders, stakeholders and society, create an organizational culture that is under the principles of corporate governance with the appropriate and safe use of innovation and technology. The Board of Directors has also set the values of the organization that reflect the characteristics of good corporate governance, such as the 4 ideologies of the company's Code of Conduct and has promoted and strengthened the objectives and goals of the organization to be reflected in the operations of personnel at every level for it to become the organizational culture.

## **Principle 3: Promoting capability of the Board**

### Recruiting and electing directors and senior managing directors.

The Board of Directors has assigned the NCCG Committee to review the Board structure annually, as well as to formulate policies and guidelines on the Board Diversity in terms of professional skills and specialized expertise. We believe that it will provide useful advice for the company's business operations in accordance with sustainable development guidelines. The NCCG Committee will recruit persons with skills, experience, knowledge and expertise who are beneficial to the company to be positioned as directors in place of those who have retired by rotation. For those who have retired for other reasons, the committee is to propose to the Board of Directors and/or the shareholders' meeting for consideration of an election.

### **1) Directors' Recruitment**

#### **Directors' recruitment guidelines**

The NCCG Committee is responsible for nominating qualified people to replace the

company's directors who are due to retire by rotation or by other reasons. The committee must propose to the Board of Directors for consideration of those who have been nominated to be elected at the next shareholder meeting. Approved by the Board of Directors, the directors' recruitment guidelines were based on SCG's corporate governance guidelines and candidate screening guidelines, according to the IOD's recommendation, as follows:

#### **Candidate screening (in accordance with SCG's corporate governance guidelines)**

The NCCG Committee is responsible for recruit directors to replace those who are retired by rotation or by other reasons to propose to the Board of Directors, and/or the shareholders' meeting in order to elect someone for the position. This sub-committee will select from qualified people with expertise from various professions, who has good leadership skills, broad vision, moral senses, and a transparent and unblemished work history, as well as having the ability to express unbiased opinions.

#### **Candidate screening guidelines (according to IOD's recommendation)**

During screening of the list of director candidates, the NCCG Committee should determine the guidelines used in the process. The elements that should be taken into account are as follows:

#### **1. Required characteristics of the candidates**

The NCCG Committee should consider and determine the characteristics of those who will be nominated in various aspects, such as:

- Morality and responsibility
- Information-based and logical decision
- Maturity and unbiasedness. Being a good listener and being able to express their impartial opinions.
- Competency and professionalism
- Other characteristics that the NCCG Committee deemed important.

## **2. Required skills of the candidates**

The NCCG Committee should define the expertise required of the Board of Directors, so that the board can formulate strategies, policies and effectively supervise the implementation of strategies.

## **3. Board Diversity**

In addition to defining the two elements forementioned, The NCCG Committee may also consider setting guidelines on the diversity of other qualifications of the entire board, such as belonging to different stakeholder groups and educational background, age, gender, and their knowledge and skills required for the board, such as:

- Knowledge in Macro-Management such as knowledge and expertise in the building material business, especially the tile manufacturing industry, ceramics marketing, and sales logistics management.

- Knowledge, experience or expertise in a specific area, such as knowledge and experience in accounting and financial statements review, and personnel management.

- Knowledge, expertise, or experience in corporate governance, including internal corporate governance, establishment of relevant policies and guidelines (CG Policy and Guidance), and stakeholder engagement.

## **2) Criteria and method for selecting individuals to be elected as directors**

The nomination of an individual to be elected during the shareholders' meeting to replace the director who is due to retire by rotation. The NCCF Committee will recruit and propose to the Board of Directors for consideration before proposing to the shareholders' meeting. All shareholders have equal rights to nominate other individuals. As for the power of appointing anyone to be a director, it is the power of all shareholders according to the Company's Articles of Association.

Article 16 states that

1. A shareholder has the suffrage equal to one share per one vote.

2. Each shareholder must use all the votes he has in accordance with number 1. It is possible to elect one person, or several people to be directors, but the votes cannot be divided to anyone.

3. The person receiving the highest votes in descending order will be elected as directors, with the amount equal to the number of directors needed or should be elected at that time. If the next-in-order candidate has equal number of votes, and the number of qualified candidates exceed the amount of position that needs to be filled at that time, the chairman will have the casting vote.

## The Board of Directors' Remuneration

The Board of Directors has assigned the NCCG Committee to annually review, study, consider, and proposing guidelines and methods of payment, including other benefits for the directors and senior executives of the company and propose to the Board of Directors' meeting for consideration and approval, and/or propose to the shareholders' meeting for approval, determining the remuneration before submitting for approval from the Board of Directors. They must take into account the responsibilities and the risks involved, as well as placing importance on increasing the long-term value of the shareholders' equity section to accompany the consideration and evaluation process.

The director's remuneration structure consists of fixed remuneration, including fixed remuneration, and variable remuneration consisting of meeting allowances and directors' bonuses which are proposed to be considered and approved at the shareholders' meeting by the Board of directors according to the proposal of the NCCG Committee.

The remuneration of the Board of Directors and the sub-committee has been considered based on the criteria and guidelines for considering the directors' remuneration that are appropriate, unbiased, and in accordance with the scope of duties and responsibilities of the Board of Directors and other sub-committees, as well as report comparisons with

leading companies listed on the Stock Exchange of Thailand and in the same industry group, together with appropriateness and various relevant factors. That is to say, the predicted earnings of the company for the year 2020, as well as the company's business expansion and current economic conditions.

In addition, according to Article 33 of the Articles of Association of the Company, directors are entitled to receive remuneration from the company in the form of money such as salaries, rewards, meeting allowances, bonuses, and are entitled to receive any other benefits or any other assets from the company as considered by the shareholders' meeting, which may be defined as a fixed number or set as rules and may be set cases by cases, or shall remain in effect until the shareholders' meeting resolves to change. The directors also have the right to receive allowances and welfare services according to the company's regulations. They will receive remuneration for the expenses that had been paid due to the operation of duties of the directors. The 2021 Annual General Meeting of Shareholders held on March 29, 2021, resolved to approve the remuneration of the Board of Directors and other sub-committees for the year 2021, effective from April 1, 2021, onwards, as detailed below:

#### **The Board of Directors' remuneration**

1. Monthly remuneration (not including meeting allowances)

- Chairman of the Board (1 person) receives remuneration at the rate of 45,000 baht per month.

- Directors (11 people) receive compensation at the rate of 30,000 baht per month per month.

2. Directors' bonus

Directors receive a bonus of no more than 1% of the dividends paid to shareholders. The Board of Directors will determine the appropriate amount and divide the payment among themselves.

#### **Audit Committee's Remuneration**

Remuneration of the Audit Committee's remuneration in the form of meeting allowance

based on the number of times the Audit Committee member attends the Audit Committee's meeting without monthly compensation at the following rates

- Chairman of the Audit Committee receives a meeting allowance of 60,000 baht per time
- Audit Committee member receive a meeting allowance of 40,000 baht per time

#### **The Nomination, Compensation and Corporate Governance Committee's Remuneration**

Remuneration for the NCCG Committee in the form of meeting allowances based on the number of times that the NCCG Committee member comes to the NCCG Committee meeting without monthly compensation at the following rates

- Chairman of the Nomination, Remuneration and Corporate Governance Committee receives a meeting allowance of 45,000 baht per time

- Member of the Nomination, Remuneration and Corporate Governance Committee receive a meeting allowance of 30,000 baht per time

#### **Executive Committee's Remuneration**

Abstaining of the Executive Committee's Remuneration

#### Senior Executives' Remuneration

The company's senior management's remuneration structure is appropriately set under clear, transparent, and reasonable rules for the business. It consists of a monthly stipend and an annual reward. By considering the performance in accordance with the pre-defined goals, company performance, overall business conditions, and the results of a survey on the remuneration of leading companies in the Stock Exchange of Thailand and companies in the same industry group.

#### Evaluation of the directors' performance and knowledge development

- Evaluation of the Board of Directors' performance To comply with the criteria of good corporate governance of listed companies in 2017 (CG Code), as well as in accordance with the charter of the NCCG Committee. which

specified that the company should review the assessment form annually, in the year 2021, the Board of Directors by recommendation of the NCCG Committee has considered and resolved to approve the use of the former performance appraisal form of the Board of Directors as approved by the Board of Directors Meeting in 2020, as it is still appropriate to be used. The assessment is divided into two types: 1) Assessment of the Board's performance as a whole and 2) Self-assessment. The assessment results will be analyzed by the Board of Directors and conclusions will be drawn to improve the efficiency of work and to enhance the knowledge and competence of the company's directors.

Performance evaluation as a whole and self-assessment consist of 8 main topics:

1. Knowledge and understanding of the roles and duties as directors in accordance with the law, rules and regulations issued by various agencies or institutions such as the SEC, the Stock Exchange of Thailand, or the Federation of Accounting Professions

2. Strategy setting and policy making

3. Performance of the Board/ the Board member

4. Financial reporting

5. Board Meetings

6. Recruitment of directors and managing directors

7. Consideration of remuneration for directors and senior management

8. Evaluation of the managing directors' performance

• Evaluation of the Audit Committee's performance

In 2021, the company has improved the evaluation form of the Audit Committee to comply with the Audit Committee Charter revised in accordance with the company's revised Anti-Corruption Policy 2021. The evaluation form is now divided into two types: 1) Performance assessment of the Audit Committee as a whole and 2)

Self-assessment. The Audit Committee and the Board of Directors will analyze and draw conclusions on the assessment results, in order to formulate measures to improve the performance of the Audit Committee. There are 6 assessment topics grouped as follows:

1. Structure and qualifications of the Audit Committee

2. Roles and Responsibilities of the Audit Committee

3. Performing duties and attending the meetings of the Audit Committee

4. Summary of overall opinions

5. Performance of the Audit Committee's secretary

6. Performance of the Audit Department

As for the evaluation process, after the Audit Committee has reviewed the annual assessment form, the corporate secretary will send an assessment form to all Audit Committee members to be reviewed. After that, the corporate secretary will summarize the results and present them to the Board of Directors for acknowledgment and for finding measures to further improve the performance of the Audit Committee.

In addition, in 2021, the Audit Committee held a meeting with the auditor, without the attendance of Management, to discuss freely on important information in the preparation of financial statements and disclosure of information that are of good standard and are useful to users of financial statements,

as well as to acknowledge reports of suspicious behavior of directors and executives in accordance with Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No. 4) B.E. The managing director reported that he did not find any reports that could be included in the aforesaid conditions. As a result, the company's financial statements truthfully and unbiasedly state the financial position, performance, and cash flows. They are reliable

and transparent, and the auditors are unbiased and can be audited, in accordance with financial reporting standards.

- Evaluation of the Nomination, Remuneration, and Corporate Governance Committee's performance. In 2021, the Board of Directors, by the recommendation of the NCCG Committee, approved to maintain the performance assessment form of the NCCG Committee, as well as approved to review the assessment form at least once a year. The assessment is divided into two types, like the evaluation of the Audit Committee's performance: 1) Assessment of the Board's Performance as a whole, and 2) Self-assessment. The Board of Directors has analyzed and drawn conclusions of the assessment results to establish measures to improve the performance of the NCCG Committee. The assessment consists of 6 main topics:

1. The readiness of the NCCG Committee members
2. Performing duties under the scope of the NCCG Committee's responsibilities
3. Meetings
4. Avoiding conflict of interest
5. Summary of overall opinions
6. Performance of the NCCG Committee's secretary

In addition, the process of evaluating the performance of the Board of Directors and the NCCG Committee, the NCCG Committee will review both the performance assessment form of the Board of Directors and of the NCCG Committee, including the Managing Director's performance assessment form, before submitting to the Board of Directors for consideration. After that, the corporate secretary will summarize the results and present the evaluation results to the Board of Directors for acknowledgment, and finding measures to improve the performance of the Board of Directors and various sub-committees, including the Managing directors

In this regard, for the year 2021, the performance assessment results of the committees and sub-committees in all topics were higher than the specified threshold at 90 percent, which are summarized as follows:

Committee/Sub-committee	Performance assessment as a whole (Percentage)	Self-assessment (Percentage)
1. The Board of Directors	97.05	96.58
2. The Audit Committee	99.50	99.58
3. The Nomination, Remuneration, and Corporate Governance Committee	99.00	99.00

#### Improving senior directors and executives

The Board of Directors deems necessary to organize activities that will continually increase knowledge related to duties and responsibilities of directors and senior management. The Board has encouraged participation in seminars and courses that are beneficial to the performance of duties, as well as meeting and exchanging opinions with the company's auditors regularly. The participating courses are organized by government regulators or independent organizations, such as the Thai Institute of Directors' Program of Directors, which the SEC requires directors of listed companies to participate in at least one training course.

These include Director Certification Program (DCP), Director Accreditation Program (DAP) and Audit Committee Program (ACP) by the Thai Institute of Directors Association (IOD) in order to bring knowledge and experience to develop the organization. Two people, namely Ms. Varunyu Opanayikul, attended an online forum on the topic "Visions, Challenges and the Next Step for Female Directors" organized by the SEC and Mr. Boonchue Polsinghorn attended a meeting between the SEC and the Audit Committee of listed companies. The objective is to communicate the roles and duties of the Audit Committee in good corporate governance, in order to improve the quality of corporate governance and the quality of financial reports.

In this regard, the Board of Directors has attended the training course of the Thai Institute of Directors Association, summarized as follows:

### Participation in director training programs organized by Thai Institute of Directors Association (IOD)

Training Programs	Finance for Non-Finance Director (FND)	Director Accreditation Program (DAP)	Director Certification Program (DCP)	Audit Committee Program (ACP)	Role of the Nomination/Governance Committee (RNG)	Financial Statements for Directors (FSD)	Driving Company Success with IT Governance (ITG)	Role of the Chairman Program (RCP)	Role of the Compensation Committee Program (RCC)
<b>List of Directors</b>									
1. Mr. Nithi Patarachoke		DAP 140/2017							
2. Mr. Cherapong Kamponpan			DCP 106/2008	ACP 24/2008	RNG 8/2016	FSD 21/2013	ITG 5/2017		
3. Mr. Chaovalit Ekabut		DAP 2004	DCP 84/2007					RCP 24/2010	
4. Mr. Lucksananoi Punkrasmee		DAP SCC/2004	DCP 122/2009						
5. Mrs. Nanthasiri Assakul	FND 21/2005	DAP 38/2005							
6. Mr. Boonchue Polsingkorn			DCP 106/2008	ACP 24/2008	RNG 8/2016	FSD 30/2016			
7. Mr. Prawit Ninsuvannakul		DAP 6/2003	DCP 42/2004	ACP 6/2005	RNG 3/2012			RCP 1/2000	
8. Mr. Arnut Changtrakul									
9. Mr. Damri Tunshevavong		DAP 2004	DCP 106/2008	ACP 24/2008				RCP 22/2009	RCC 10/2010
10. Ms. Varunyu Opanayikul									
11. Mr. Surasak Kraiwitthaichareon			DCP 220/2016						
12. Mr. Numpol Malichai		DAP 164/2019							

In addition, the auditor and the accounting policies and standards supervisor together summarize important changes in the laws, announcements and accounting standards that may affect the company and report to the Audit Committee. The Chairman of the Audit Committee will report the matter to the Board of Directors on a quarterly basis, including rules and regulations related to listed companies that the directors should be aware of, advice on preventing mistakes, business management, risk management, anti-corruption measures, and various case studies on fraudulent acts of companies listed on the Stock Exchange of Thailand, etc.

As for supporting the performance of duties of the Board of Directors, the company has a board secretary and corporate secretary to coordinate between the Board of Directors and Management. The company also has a corporate secretary unit responsible for coordinating relevant laws and regulations, overseeing the activities of the Board of Directors, and coordinating procedures to ensure that they follow the Board's resolutions, by referring to the Director's Manual which compiles a summary of laws, rules, charters, and guidelines related to the company's directors, for the directors to be aware of their roles, duties and guidelines. The manual has been continually updated to make the wording and display format more concise, easier to read and understand, and to edit and add various rules to be in accordance with the principles currently enforced together with the independent director handbook compiled by the Stock Exchange of Thailand.

#### SCG Director Induction

In the event that there is a newly appointed director, the company has guidelines on how to prepare for the director orientation program so that the newly appointed director can perform his or her duties as quickly as possible. The board secretary and the corporate secretary were commissioned to coordinate the

work in the 3 following areas based on the Orientation Program:

1.To compile necessary information for directors to ensure their compliance with laws, rules, and regulations related to directors.

2.To provide important information essential for the directors' performance of duty, such as the Memorandum of Association and the Articles of Association, Director Manual, the handbook for directors of listed companies, a summary of operating results, a summary of SCG corporate governance principles, and other relevant handbooks, to use as references.

3.To arrange for a meeting with the Chairman and directors and the executives or head of each function to stay informed and make queries about SCG's business in depth.

#### Board of Directors and Independent Directors' Term of Office

Article 17 of the Company's Articles of Association stipulates the term of office of directors in accordance with the Public Limited Companies Act B.E. 2535 that at every annual general meeting, one-third of the directors shall retire from office by rotation. If the number of directors cannot be divided into one-third, the closest number to one-third shall be taken into account. In addition, the directors holding office the longest shall retire from office. Nevertheless, a retiring director is eligible for re-election. If an independent director has been in office for more than nine years (three terms), or the re-election will cause his years of service exceed the limit of nine years at them time of next retirement, such information accompanied by the Board's opinion will be informed at the Annual General Meeting of Shareholders to support their consideration.

#### Limitation of the Number of Listed Companies in Which a Director May Hold Directorship

In 2018, the Board of Directors has set a policy to limit the number of listed companies in which a director may hold directorship in handbooks for directors, in

order to make transparent and in accordance with the consideration guidelines of the Thai Institute of Directors (IOD). The policy stipulates that each director should hold directorship of a maximum of five other listed companies listed in The Stock Exchange of Thailand.

#### Management of The Company's Subsidiaries

In order to have sustainable development, the Board of Directors believes that the organization must have a system of governance, risk management and internal control that is efficient, effective and in accordance with international standards, both the operations and information media system. Therefore, in order to supervise the operations of the subsidiaries to be in accordance with the business policies, the Board of Directors has established a mechanism for oversight. including controlling the management of subsidiaries by decentralizing powers to the Managing Director and/or the Management to supervise instead of the Board of Directors. For example, being the person who supervise the representative of the Company to be appointed as a director, an executive or a person with control, and report to the Board of Directors, etc.

And to ensure proper maintenance of benefits in the Company's investments, the Managing Director and/or the Management of the subsidiaries must report the subsidiaries' operating results to the Executive Directors of the Company at the Executive Board Meeting monthly, and report to the Board of Directors at the Board of Directors' meeting on a quarterly basis.

In addition, for the Company's representatives to be able to supervise the operations of the subsidiaries efficiently and in accordance with the Company's business policies, the scope of power, duties and responsibilities of the directors and executives who will be the representatives of the company in the subsidiaries are set forth in establishing policies that are important to business operations. By creating an authority

manual, the manual will help company representatives run their business with better flexibility. SCG will regularly review the manual to be consistent with the operations of the subsidiaries.

As for the regulatory mechanisms regarding disclosure of financial status and operating results, transactions between subsidiaries and concerned parties, acquisition, or disposition of assets, or making accurate important transactions reports, the Internal Audit committee, the Company's secretarial unit and Management will jointly supervise the aforementioned operations or transactions to comply with the rules and procedures as enforced by the Stock Exchange of Thailand Notifications.

#### **Principle 4 Nomination and Succession Plan for Executive Positions**

The Company has put in place a proper and transparent nomination process for key management positions at every level in order to ensure that all our top executives are professionals who perform their duties independently from the major shareholder and other shareholders. The succession plan for the Managing Director and executives is carried out by the Nomination, Remuneration and Corporate Governance Committee and considered by the Board of Directors. The Company's nomination process commences with the process of recruiting candidates who possess both talent and integrity. Young talents are the focus of recruitment, so that they can be groomed to become leaders in the future. Qualified employees will undergo a high potential assessment and pursue development courses following individual career development plan. These talents will be assigned challenging tasks, and their positions will be rotated periodically to further develop their leadership skills and all-round knowledge in every area of the Company's business. The plan is implemented at every level of employment to ensure that staff members are ready to fill any positions that become vacant.



### Performance Appraisals of the Managing Director and Executives

In 2018, the Board of Directors, 11 directors (excluding the Managing Director) conducted a performance assessment on the Managing Director, The Nomination, Remuneration and Corporate Governance Committee then uses the results as a reference in considering salary increase and bonus of the Managing Director. The performance assessment comprises two main topics, which are Managerial Leadership in various aspects, for example, business, human resource, social and governance, and personal and professional development. In addition, the Board of Directors is obliged to propose operation guidelines to the President & CEO, so that he can develop the business and enhance the Company's performance.

### Policy and Guidelines on the Company Executive's Directorship in Organizations outside the Company

The Company has implemented a policy and guidelines on the Company executive holding directorship

outside the Company by allowing the Managing Director and the Company's management to hold a directorship in companies that are not the Company subsidiaries or associates or to spend the Company's hours carrying out directorships for external institutes for the three following organizations:

1) Governmental organizations that are not established for benefit of a political party, in which their service represents their cooperation with the authorities and contribution to the general public.

2) Private organizations that are established for the benefit of the general public such as the Federation of Thai Industries, the Thai Chamber of Commerce, the Thailand Management Association, etc.

3) Private organizations that are established for trading purposes but present no conflicts of interest with the Company and do not consume time to the extent that it is disadvantageous for the Company.

The policy and guidelines stipulate the Managing Director to propose a directorship in other companies or external institutes for approval from the Board of Directors. As for management employees, the proposal must be submitted for approval in accordance with the Company's Approval Authority, in which case the proposal will be reviewed with consideration to the Company's intent to ensure that its employees demonstrate determination and effort and dedicate their working hours to their duties at the Company to the best of their ability, as well as adhere to the ethical guidelines regarding conflicts of interest, whereby employees do not engage in a conduct that constitutes a competitive with the Company's business. The approval of directorships or the use of the Company's working time on duties in external institutes/companies depends on the Company's judgment and is reviewed on a case-by-case basis. In this regard, the Company has informed relevant management employees of the aforementioned policy and process.

### Management and Development of Personnel to Increase Knowledge, Skills, Experience and Motivation

The Board of Directors has ensured that human resource management is in accordance with the direction and strategy of the organization. The Board has approved for the company to establish guidelines on clearly defined the treatment of stakeholders and employees in the organization. It includes both labor and human rights, safety, hygiene in the workplace, caring for the environment, knowledge and skills development, master's degree and PhD scholarships, including compensation, welfare and long-term care for employees, such as providing a provident fund and retirement planning program.

**6.1.2 SCG has established policies and guidelines on shareholders and stakeholders, including shareholder management, fair treatment of shareholders, encouraging to exercise shareholders' rights, internal information control, preventing conflict of**

**interests, responsibility to stakeholders, compensation in cases of infringement, anti-corruption and measures on dealing with those who do not comply to the policies and guidelines**

SCG has policies and guidelines on business management in such matters, according to the relevant CG Code, as follows:

**Principle 5 Nurture Innovation and Responsible Business**

Nurturing Innovation

The Company is committed to promoting innovation development. The guidelines for promoting development in various areas can be summarized as follows:

New Growth Product and Service, such as development of new business operations through the Engineering Solution Unit (ESB) by bringing the knowledge and expertise of an acknowledged team to develop business, consisting of 3 main businesses: 1. Nong Khae Industrial Estate Business: a business that manages land and create utilities such as water supply and wastewater treatment for entrepreneurs within the industrial estates. 2. Energy Business: It is a business of engineering, procurement, and construction (EPC) of Solar Rooftop systems, Solar Farm or Solar Floating, and inspecting energy audits, including Operation & Maintenance services 3. Business Incubation: an agency that acts as a starting point for establishing new businesses, such as EV Charger, by designing and constructing various utilities, as well as giving consultations on the ID4.0 system within the industrial plant by offering products and services under the new brand "SUSUNN"

2. Product and service development, such as the expansion of ceramic depot services for convenient access to customers, development of environmentally friendly products such as AIR ION tiles air purification tiles for flooring and upholstery. It can trap up to 89% of PM 2.5 dust within 30 minutes to increase fresh air for being able to breathe in fresh air 24 hours a day without using electricity.

3. Expanding the Integrated Business Excellence management system to various departments throughout the organization

4. Encouraging use of innovations to employees, including encouraging employees to participate in performance improvement and Innovation and Performance Improvement competition in various fields such as ID 4.0, improvement of production process and services, and improving safe operations.

5. Promoting investment in developing ID.4 and Automaton, including

5.1 Developing MES Application, for monitoring electricity and gas usage, as well as real-time production volume, with tile kiln machine at NKIE Plant as the model.

5.2 Tiles Thickness Weighting Automation, an automatic tile weighing and thickness gauge during stamping and forming tiles, with NKIE Plant as the model.

5.3 Developing a system for measuring tile deflection and showing the On Web results in real time, using the tile kiln machine 201 at NKIE Plant as the model.

5.4 Developing Qualitron machine to display tile defect information on web in real time, with tile quality grade sorting machine at NKIE Plant as the model.

There is also budget support to expand to other machines the results of ID 4.0 and Automation improvements, spreading efficient operation across the organization

6. Encouraging employees to participate in work improvement, by increasing knowledge of RPA employees of performance improvement. To reduce the losses during the process, such as reducing human errors in complex work, and reduce the time in performing repetitive tasks. This results in the overall efficiency of the work, which is accurate and speed, being completed in time to use in effective management and decision making.

7. Changes from the regulations, namely, the Company has complied with

Personal Data Protection Act by operating in accordance with the requirements of the Act, defining the Company's Privacy Policy and Privacy Notice of 6 categories of information as follows: 1. Shareholders 2. Joint venture partners 3. Employees 4. Business partners 5. Job applicants and internship students 6. Participants in the event, to conceal information and maintain confidentiality by specifying that only those who are authorized can access the information. This is to maintain the integrity of the data from being modified or destroyed, as well as the availability of the data. Only authorized persons can access and run the information at any time.

#### Operating Business with Responsibilities

The Company has consistently adhered to its philosophy of ethical business conduct and corporate social responsibility, as well as carried out its business to jointly create values with all stakeholders for mutual and sustainable benefits. This practice is overseen by the Board of Directors to ensure compliance with laws and regulations and adherence to the Corporate Governance Guidelines, the Sustainable Development Guidelines, the Code of Conduct, and other relevant policies, as well as protection of such rights and stringent equitable treatment.

Accordingly, the Board of Directors formally wrote the Company Stakeholders Engagement Policy of 2017 to serve as a clear guideline for employees on business conduct, create long-term added values for shareholders. The Board of Directors also considered the impacts on the Company to ensure complete and equitable engagement.

Stakeholder engagement guidelines are summarized below:

#### **1. Shareholders**

The Company attaches enormous significance to the shareholders, who are the business owners. Therefore, the Board of Directors, as a representative of shareholders,

as well as the executives and employees are committed to carrying out business in line with the principles of good corporate governance and the Company's business philosophy to ensure maximum benefits and long-term value for shareholders.

The Company respects the rights of its shareholders and recognizes its duty in ensuring equitable treatment of all shareholders. It includes both the fundamental rights stipulated by laws and the Articles of Association of the Company such as the rights to attend the Annual General Meeting of Shareholders, propose agendas and candidates for elections of directors in advance, fair remunerations, and voices opinions on the Company's business through independent directors, all of which will be compiled and presented to the Board of Directors for their future review.

In addition to aforementioned fundamental rights, the Company also carried out other measures to promote and facilitate the exercise of the rights of shareholders. The rights that shareholders are entitled to are disclosed under Section 1 The Rights of Shareholders and Section 2 The Equitable Treatment of Shareholders.

#### **2. Employees**

##### **Labor and Human Rights**

The Company carries out business with adherence to ethics in accordance with corporate governance principles and Code of Conduct under the Labor and Human Rights section. The Company abides by the laws of each country and complies with UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration of Human Rights (UNUDHR), and United Nations Global Compact (UNGC), which the Company has supported since 2012. Added to this are the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international requirements on human rights according to the binding treaties.

## **Safety in Life, Hygiene at Workplace, and Environmental Protection**

As safety is a key value of working, the Company works for employees' occupational safety, aiming for Injury and Illness Free workplace. The Company continuously controls risk of working by creating the management of occupational health and safety (the Company's Safety Framework), aiming for the operating framework and continuous safety development of each office. The Company has actively supported environmental protection, health, and safety of employees. The Company also determines to cultivate awareness among employees and relevant personnel to responsibly follow the guidelines for sustainability and adherence to SCG Code of Conduct, laws, regulations, and other international agreements. Employees' safety in life and hygiene have always been significant issues for the Company as seen in the Company's Code of Conduct, Occupational Safety and Health Policy, and support every office to have a proper occupational safety and health management.

For administration and management, all managers need to own Visible Safety Leadership to be a model for employees about safety, showing especial care and concerns about safety for employees and business partners. There are also tracking of leadership levels for continuous improvement and Safety Observation by managers observing working process of employees and business partners, ensuring adherence to safety work regulations. If employees work with safety, managers will give compliments as encouragement for employees. If risky issues are found, managers will cease the work process and provide employees proper understandings about safety at workplace. the Company determines to reduce risks and control work process continuously by reviewing and assessing risks of work with tendency of

death or severe injury and improving the operating system and continuous tracking for regular performance. The examples are implementation of Life Saving Rules, which is 10 items: unneglectable safety rules, creating standard of working at height from 1.8 meters and above, appointing Community of Practice (CoP) to follow working at height management system, standardizing, and installing machines under Foolproof Machine system, which is Safety Sensor system or Safety Interlock Switch, preventing accidents from employees' errors when working with machines. Additionally, the Company encourages to provide employees knowledge in working with machines and stopping pre-modified machines, standardize electric equipment and tools and have them checked regularly by expert technicians to ensure the machines readiness, and issue certificates for follow up check before using. To support safety culture and behavior, the Company enhances the participations among employees through various projects and activities. It is the key road to create knowledge and understanding of coworking, which help reduce errors and accidents during work process. The examples of activities are:

- Observing work process for safety (Behavior-based Safety, BBS) to cultivate occupational safety behaviors which are the key to safety culture.
- The KYT activity to analyze about the danger that might happen and remind it before working.
- Safety check by Safety Officer Supervisor and the Safety Committee to search for and to reduce unsafe occupational environment.
- 5S activity to maintain a clean and organized workplace for disciplinary and occupational safety.

For environment and energy management, the Company determines to

support employees' participation in work and additional activities related to energy conservation and reducing greenhouse gas emissions, such as surveying and reporting information of industrial air compressor leaks to the Energy Committee to improve and record for further development, the Environmental Management System ISO14001, and SHE Law & Regulations.

## **Care of Employees**

### **1) Remuneration Management**

The Company has established remuneration policies that offer appropriate remunerations to employees on all levels and are competitive with those of other companies in the same industry with adherence to fair and equitable compensation practices both within and beyond the Company. To maintain a shared sense of internal equity and fairness, remuneration is determined by job value. Each job is appropriately assigned to a pay grade that represents employees performing similar work in the compensation structures. Employees are entitled to fair and equitable compensation based on their performance and requirements and responsibilities of each position. As for external equity, the Company pledges to align the compensation with the economic circumstances, inflation rates, the Customer Price Index, and remunerations of other businesses in the same industry, the data of which is garnered through surveys of wages and remunerations of employees on all levels in external industries. The Company determines compensation in alignment with the Company's short and long-term operating results. In the short term, the annual operating results such as revenues from sales, net profit, and EBITDA will be factored into the equation. In the long term, the Company's long-term comparatives including profit growth, market shares, sustainable development performance, overall operating results and ongoing operational enhancement are taken into consideration.

### **2) Employee Benefits Management**

The Company has established an appropriate employee benefits management policy. They are regularly reviewed to remain in alignment with changing socio-economic circumstances. The benefits encompass numerous areas including work-related benefits such as allowances, travel expenses, accommodations, uniform; medical benefits such as medical and dental expenses, annual checkups, sports and fitness center; and employee assistance benefits such as accident insurance, loans, compensation, etc.

### **3) Long-term Employee Care**

The Company is committed to providing long-term employee care, establishing provident funds, registered as a juristic person with the Ministry of Finance under the Provident Fund Act B.E. 2530 for the Company employees. Employees who are members are to deposit monthly contributions to the fund at the rate of 2-15% of their basic salaries as stipulated by law, and the Company matches monthly contributions to the fund at 5-10% of their basic salaries depending on the length of employment. Moreover, the Company provides other long-term benefits to employees such as reimbursements of retirement medical expenses according to the criteria and conditions prescribed by the Company, a plan to help employees prepare for retirement in the areas of health, money management and investment, career promotion, and establishment of employee clubs.

### **4) Knowledge and Skill Development**

The company has prepared for employees in terms of physicality, mentality, and knowledge, in the sense of professionalism, technicality and in leadership, as well as technology that currently plays an important role in enhancing the performance of employees, making them more efficient and able to respond to customers more effectively. The company has developed the potential of employees to adapt and cope with the

company's ever-changing situation, so that all employees can work in harmony, effectively through the 70:20:10 development system which focuses not only on classroom training but also on action learning, coaching, and consulting. This also includes the introduction of e-Learning methods to achieve excellence in the ceramics business and readiness for sustainable growth.

#### Functional Training Program

Emphasizing to the employees the skill development, knowledge, and abilities according to the Core Competency principle that are necessary for applying knowledge and skills in their work operations. Production process is adjusted to focus on the joint management of resources in order to be the most efficient and effective, every location must be able to produce products with the same standard for every brand.

Therefore, the company has set up a learning process to establish standards in the operation of employees, to work in the same methods, to deliver products of the same standard, regardless of which factory the products are produced in, and to meet the needs of customers as well. Starting with the Functional Competency course, from the standard of ceramic tile production and quality control (Basic Ceramic), followed by the Knowledge Sharing process of each function in order to obtain a standard of knowledge and then transfer that knowledge to the front office staff.

#### Leadership Development Program

It is a course that encourages employees to learn about management, in order to be able to become a leader, work with others effectively, and manage change. Employees with leadership roles must manage business operations and be a good role model, in accordance with the operation guidelines that the company has set, for example

- Supervisory Skill Program: principles of administration and basic team management for supervisor level employees.

- Business Concept Development (BCD) Program: business management guidelines for supervisors who have worked with SCG for 6 years or more.

- Management Development Program (MDP) Program: management course for managers who have worked with SCG for 10 years or more.

#### Skills Development Program According Integrated Business Excellence (IBE) Policies

It is a system that companies use to develop a perspective on how to deal with problems, improving streamline work processes throughout the company to be consistent and to be ready for change. There are courses that have been developed to develop employees' skills to enhance their participation in various fields as follows:

- Feedback & Coaching: giving and receiving feedbacks and coaching techniques.

- Performance Dialogue: Visual Board guidelines, team meetings and problem solving.

- Inspirational Leadership: expressing visions and improving leadership which applies visions to operations.

- Courageous Conversation: effective conversations, especially complex conversations.

- Delegation & Empowerment: managing priorities, assigning tasks and authority, and decision making

#### Safety Competency Program

For related employees to train and develop according to legal requirements, depending on the risks of each job position and depending on the policy or management system. In order for all employees to be able to work efficiently and safely, free from injuries from work.

#### Problem Solving Program

For related employees at the operational and command level to create an understanding of the problem-solving process that focuses on the proper use of

statistical tools and systematic analysis, which will lead to a solution to the problem or situation

#### Design Thinking Programs

To encourage employees to be creative in finding ways and processes to work more efficiently, in order to respond to the needs of customers in the present days.

#### Digital-Related Programs

Adapting digital tools for more efficiency. and better response to customer needs such as Power BI, RPA, Office 365, etc.

#### E-Policy Assessment

For employees to learn how to behave properly because intense legal and cyber threats related to electronic transactions have been increasing in the present days.

#### Employee Performance Assessment and People Characters

A guideline on Development Area for managers, according to Talent Management System, by using the 360-degree factor assessment, as well as determining Characters. The results will be used to further enhance the potential of employees.

#### Work Ethics Assessment

To encourage employees to gain knowledge, understanding and awareness of morality, Code of Conduct, anti-corruption policy. And for them to implement this knowledge appropriately

Way of Working: In 2021, the company has adjusted its corporate culture to be in line with its strategy and business goals, along with adjusting its thinking and working methods to keep up with changing situations in order to be ready for rapid adaptation from external factors, by using the term CHAMP Culture (Corporate Culture to Champion), which consists of

- **CHALLENGE & ACHIEVEMENT:** challenging and striving oneself to be the number one.

- **GROWTH MINDSET:** learning and adapting, not sticking to the same old ways,

being courageous to try new things, bouncing up quickly after the fall

- **EMPATHY:** understanding the needs of customers and feelings of the team

- **COLLABORATION:** working as a team, with both internal and external personnel, to obtain success together

SCG encourages the employees to have an understanding of CHAMP Culture through different channels such as the CHAMP Talk by MD, 70:20:10 development system, and other activities so that the employees can apply CHAMP Culture to their work.

In 2021, the Company's employees have an average of 0.5 days of training per person, and have spent over 1,570,000 baht on of learning and developing both internal and external employees.

### **3. Customers**

The Company is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. the Company products and services must be safe as per international safety standards and environmentally friendly, as well as promotes sustainable growth through excellence strategies in operating and human value marketing to ensure customer confidence and highest satisfaction.

To this end, the Company has established a unit responsible for customer relations management in order to offer suggestions on the Company's products and services, provide counsel regarding troubleshooting and after-sales services, and handle complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operation efficiency. Furthermore, the Company has put in place a management system to foster good customer relations, the main factor of which is the voice of customers. As such, customer satisfaction in each business group is surveyed on a yearly basis to gauge the

expectation and satisfaction level of customers, and customer insights discovered in the process are then further developed into new innovations, for instance, new product development in respect of size, coating, patterns, and delivery and after sales service as well as innovation development which encompasses knowledge management system, e-Service, e-Selling, and the business warehouse for the customer feedback process, resulting in a central database of customer information to facilitate sales and service providing including customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers.

#### **4. Suppliers/Business Partners**

The Company adheres to a framework of fair and transparent trade competition and strictly complies with the trading terms and conditions agreed upon, Code of Conduct, and pledges given to its suppliers. To this effect, the Company determines appropriate and fair sale prices, taking into account the reasonableness, the quality, and the entailed services. In addition, regulations regarding procurement and operations are clearly established. These include refraining from demanding or accepting benefits from suppliers, supporting environmentally friendly procurement, avoiding purchasing products from suppliers that violate human rights or intellectual property law as well as dealing business with suppliers that carry out illegal acts.

As for its business partners, the Company has a policy of taking good care of its business partners regarding the environment, work safety, and remunerations through provision of knowledge, counsel, and motivation in order to bring about development in the environmental management system through a supplier safety certification system and consideration of appropriate and fair remunerations. In

addition, the Company is resolved to develop the capabilities and knowledge of its business partners both within and outside their lines of work to enable them to work more efficiently. At the same time, the Company also encourages its business partners to enhance their knowledge to achieve highest efficiency in their work.

The Company adopted the SCG Supplier Code of Conduct, to ensure an accurate understanding and give business guidelines among the Company's suppliers.

To ensure ethical business conduct and responsibility toward society and the environment, the Company refuses to conduct business with a person or a juristic person who violates the law or demonstrates behavior involving corruption. The policy is published on the Company's website

#### **5. Creditors**

The Board of Directors considers equitability of every related party, the Code of Conduct, and adherence to conducting business that creates reliability and fairness to creditors. The creditors treatment policies and guidelines are:

1. Make contracts with all creditors in accordance with the law, equality, fairness and transparency without taking advantage of the contracting parties.

2. The Company will not use fraudulent methods or conceal any important information that may cause damage to the creditors.

3. The Company strictly complies with any agreed terms and conditions with all types of creditors accurately, including paying loans and interests, managing collaterals, commitment and contingent liability.

4. The Company manages its finances to create an appropriate financial structure and to maintain the creditors' confidence.

5. The Company strives to maintain sustainable relations with the creditors, and to trust each other.



## **6. Joint Venture Partners**

SCG respects the rights of joint venture partners, treats every partner equitably and fairly, and does not exploit partners. The Company also collaborates with joint venture partners to promote, support, and strengthen the operation of joint ventures; encourage exchange of opinions and suggestions; formulate business plans; determine an appropriate and transparent allocation of interest and monitor and drive the operation of the joint ventures to be in accordance with the laws and sustainable development guidelines, in order for the joint ventures to achieve the shared goals.

## **7. Community**

The Company carries out its business with concern for fairness for every stakeholder and is committed to socially responsible business conduct. As a result, the Company has supported activities that improve the quality of life and benefit the communities where the Company operates, especially the development and support of youth potential. In addition, the Company also cultivates and promotes in its employees and related operators a consciousness of a good and responsible citizen who strives for the betterment of the communities and society. Furthermore, communities and every stakeholder are also encouraged to participate in activities or projects held by the Company as well as provide suggestions or lodge complaints about any impact from the Company operations, so that the industry and communities can coexist sustainably. Because it is the Company's conviction that strong communities and society form the foundation for the prosperity of the country, the Company strives to improve the quality of lives of those in communities. To this end, the CSR Committee for Sustainable Development is tasked with directing policies, projects, and activities as well as promoting employee participation. The Company divides its community development management into two parts as described below:

- Society and communities around the plants: The Company's policies are to take care of the quality of life of people in the local communities. For example, the "Sharing Opportunities, Drawing the Future Project" and the "Career Promotion Project," both of which aim to bring about sustainable and harmonious coexistence between the industry and the communities, provide healthcare for the communities, reach eco industry standards, spread knowledge on community care, and host training courses to foster knowledge and competency in various areas for people in the communities.

- Society at large: The Company's policies in this regard focus on developing human potentials, the quality of life, as well as the well-being of people in society through the combination of the Company's body of knowledge and expertise with the society's potential. The example is "Providing Knowledge, Widening the World Project" which aims to provide basic science and technology knowledge for students in small schools by holding field trips to the learning centers in nearby provinces.

## **8. Government Agencies**

The Company considers government agencies as its stakeholders. The guidelines for engaging in transactions with government agencies in the Code of Conduct and Anti-corruption Policy are clearly defined. The Company ensures strict compliance with relevant laws and regulations despite varying conditions, procedures, or practices in each locality. In addition to refusing to engage in an act that could provide an incentive for officers in government agencies to commit an inappropriate or unlawful deed, the Company also cooperates with government agencies in providing academic assistance or support for various activities and is open to comments, suggestions, and complaints from government agencies.

## **9. The Media**

The Company attaches significance to the timely, accurate, and transparent

disclosure of information to the media, so they can communicate the information to the public with accuracy and in a timely fashion. Several activities have been held such as presenting financial status of the Company, in order to create continuous media engagement and foster good relations with the media.

#### **10. Competitors**

The Company has a policy to treat competitors fairly under an honest competition framework. The Company is committed to carrying out business fairly in compliance with the law and Code of Conduct and with concern for trade ethics and transparency. The Company also refuses to gain an unfair advantage over its competitors through unlawful activities, seeks confidential information through unethical or inappropriate means, engage in any action that violates competitors' intellectual properties rights, or destroy competitors' reputations with defamatory and untruthful statements. In addition, the Company supports and promotes free trade.

#### **11. The Civil Society Sector, Academia, and Opinion Leaders**

The Company conducts business with concern for social responsibility and all stakeholders. In addition to full, accurate, transparent, verifiable disclosure of information, the Company recognizes the importance of comments and suggestions from the civil society sector, which reflect issues that the Company can improve to create values and benefit for society. The focus is on the care and the creation of value for society and communities as well as strive to include the industry and the entire supply chain to create a shared business practice for sustainability.

#### **Contacts for Stakeholders**

The Company has opened opportunities for stakeholders to offer suggestions through investor relations, telephone number: 0-2586-5474, e-mail: [cotto\\_ir@scg.com](mailto:cotto_ir@scg.com). All suggestions will then be compiled, screened, and reported

to the Company's top executives and the Board of Directors.

In addition, the Company has also provided channels through which employees and external stakeholders can contact, offer opinions, lodge complaints, and report violation cases, namely the Whistleblowing System via SCG intranet (for employees) and [www.scgceramics.com](http://www.scgceramics.com) (for every stakeholder) for further actions to be taken. The procedures are as follows: Employees or stakeholders file suggestions via designated channels. The information provided is considered confidential and revealed only as necessary. The Company has also put in place informant/complaint lodger protection measures, and the investigation does not require the revelation of the informant's identity or the information source. In addition, informants can demand appropriate protection measure, or the Company might implement extra protection measures without having received any demand informants if the issue can potentially cause damage or danger.

#### **Principle 6 Effective Risk Management and Internal Control**

##### Risk Management and Internal Control

The Board has ensured that the Company has appropriate risk management and internal control systems in order to efficiently achieve its objectives and goals and complies with relevant laws and standards. The Board of Directors has appointed an internal audit unit, consisting of 4 independent directors to act as agents in overseeing the risk management process and internal control of the Company. (The scope of duties and responsibilities are written in the Audit Committee Charter as disclosed in attachment 5). The internal audit unit will review the risk management process and the internal control system, report the results to Management, Audit Committee, and Board of Directors.

SCG has disclosed details in this matter in Section 2 Risk Management and Section 9 Internal Control and Related Transactions on

pages 29 and 142 respectively. This includes details of the Audit Committee's performance in Section 8 Corporate Governance Report, and 8.2 Audit Committee's Performance on page 138.

#### Anti-Corruption

SCG recognizes the importance of fighting corruption and has formulated the Anti-corruption Policy, approved by the Board of Directors and the Governance and Nomination Committee in 2019. Integrated into the corporate culture, this policy has always served as guidelines for business operations. The company has joined the Thai Private Sector Collective Action Coalition Against Corruption (CAC). In 2020, the Thai Private Sector Collective Action Coalition (CAC) has certified SCG Ceramics Public Company Limited as a Certified Company. SCG has revealed details of this matter in Section 8 Corporate Governance Report, Article 8.1.4 Monitoring Compliance with Policies and Guidelines for Corporate Governance, under the topic of Anti-Corruption, page 136

#### Receiving complaints and taking actions in cases of whistleblowing

To build confidence among employees and stakeholders that reporting or providing information or clues about corruption, or not complying with the law, rules, regulations, company's Code of Conduct and anti-corruption policy, or finding any irregularities in the company's business operations will not cause damage to informants. The Board of Directors has therefore established a policy of protection and fair treatment for those who have reported information or given clues about corruption. or not complying with the law, rules, regulations, company's Code of Conduct and anti-corruption policy (Whistleblowing Policy)

The Company has provided ways for employees and external stakeholders to report or provide information on such actions in the Whistleblowing System via Web Intranet for employees and website www.

scgceramics.com for all stakeholders. SCG has established a mechanism for protecting and relieving the distress that might occur to the informant from unjust treatment. The information obtained is confidential and will disclose as necessary. The company has measures to investigate without revealing the complainant or the source. The company has disclosed details in this matter in Section 8 Corporate Governance Report, 8.1.4 Conducting operations under business management policies and guidelines, under the topic of Whistleblowing, on page 137

#### Management of Information Security Systems

The Board of Directors has established a Privacy Policy on personal data protection. By requiring that collecting, using, and disseminating personal data must be carried out in accordance with the law. For example, obtaining the consent of the data owner, having the rights required by law, notifying the purpose and details of the use of personal information to owners, setting up measures to protect information, setting up measures to support the rights of personal data subjects. If the rules are not complied, there will be civil, criminal, and administrative penalties. This is to ensure appropriate management of personal information, respect the privacy rights of customers, shareholders, employees of the Company and related parties. And to ensure that such persons will receive complete protection of their rights in accordance with Privacy Laws

#### Preventing Conflicts of Interest

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, SCG top executives, and employees in a prudent, fair, and transparent manner. Consequently, the Board of Directors has established policies and measures regarding conflicts of interests. As well as monitoring and managing potential conflicts of interest. This includes preventing misuse of company assets, information, and opportunities, and making transactions with

those who are related to the Company in an inappropriate manner. The company has disclosed details in this matter in Section 8 Corporate Governance Report, 8.1.4 Ensuring that operations follow business management policies and guidelines, under the topic of Prevention of Conflicts of Interest on page 134

#### Internal Information Control

The Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. In response, the Company has established Insider Trading Policy and Insider Trading Guidelines, as well as defining the Blackout Period of the Board of Directors, Management, and other relevant employees in written form. These practices comply with the guidelines of SEC and code of conduct of other listed companies, the details of which are disclosed under Section 8 Corporate Governance Report, Article 8.1.4 Monitoring Compliance with Policies and Guidelines for Corporate Governance, under the topic of Using Internal Information for One's Own Benefit, page 135

In the preceding year, there was no record of the misuse of information of the directors, top executives, or other relevant employees

#### **Principle 7 Ensure Disclosure and Financial Integrity**

##### **The Duties of the Board of Directors are as follow:**

1.Overseeing and monitoring the Company's liquidity and debt service coverage together with emergency plans and mechanisms in case of problems arising.

2.Overseeing and monitoring to ensure that the preparation of financial statements and disclosure of material information are accurate, sufficient, timely and complying with the relevant regulations and guidelines.

SCG recognizes the importance of information disclosure because it greatly affects decision making by investors and stakeholders. It is necessary, therefore, to define and administer measures concerning the disclosure of information, both financial and non-financial. Information shall be complete, sufficient, transparent, reliable and up to date. Details in Thai and English are published on the SETLink system of The Stock Exchange of Thailand and the company's website. As well as to ensure that the disclosure of the financial statements and the 56-1 One Report form efficiently reflect the financial status and operating results. The Board also encourage the Company to prepare a Management Discussion and Analysis (MD&A) to disseminate to the shareholders and investors, and to better understand the changes that occur in the company's financial status and performance in each quarter.

In disclosing the company's information, the Board of Directors also supervises the disclosure of information by preparing a sustainability report as see fit. This includes fair treatment. respect for human rights, social and environmental responsibility -- taking into account the international reporting framework as a part of the Company's 56-1 One Report form, as well as ensuring that the disclosed information reflects the practice that will lead to creating sustainable business value and is viewed as important.

The Board of Directors adheres to the disclosure of the Company's information to revise and systemize the disclosure policy and prevent the damage from any improper disclosure. The efforts ensure shareholders, investors, public, and all stakeholders that the Company is committed to the accurate and transparent disclosure of information in compliance with the laws and in an equitable manner. In 2018, The Board of Directors

approved the disclosure policy as suggested by the Nomination, Remuneration and Corporate Governance Committee and the Executive Committee. It is to align with the current laws and best practice guidelines of the SEC and the SET.

#### The Company's Information Distribution Channels

The Company places great importance upon transparency and full disclosure of significant financial, operational, and other relevant information. In addition to fulfilling legal reporting requirements, the Company has established its own broad infrastructure of dissemination channels to reach interested parties. These communications channels include:

1. Establishing the Investor Relations Department, which is responsible for direct communication with both local and international investors.
2. Press release of quarterly results, news on investment projects and important activities of the Company.
3. Activities to meet up with investors and interested parties.
4. Activities to disseminate policy and operational guidelines to employees.
5. Systematic distribution to the media of press releases, photo captions, news, advertisements.
6. Periodical publications and media, such as annual reports, customer journals, dealer journals, and employee journals.
7. Electronic media for communications with employees, such as intranet, e-mail and social media.
8. Distributing information through website: "www.scgceramics.com" and social media sites.

#### The Investor Relations Department

The Investor Relations Department of the Company is responsible for communications with institutional investors, retail investors, shareholders, analysts and relevant government bodies on an equal

and fair basis. Should the shareholders require additional information, they can contact the Investor Relations Department directly via:

- Address: 1 Headquarter Building 2, Floor 2, SCG Ceramics Public Co.,Ltd., Siam Cement Road Bangsue, Bangkok 10800
- Telephone number:0-2586-5474
- Website: www.scgceramics.com
- E-mail: cotto\_ir@scg.com

In 2021, the epidemic situation of COVID-19 in Thailand continues and has become more severe than preceding year. However, the company still has various activities for the Managing Director and Chief Finance and Accounting Officer to regularly meet with retail investors, institutional investors and analysts. These meeting are held under social distancing policies to reduce the spread of COVID-19. SCG presented the operating results, financial statements, financial position, management discussion and analysis, as well as future trends. The Investor Relations Department has modified the meeting method to be a Virtual Conference, in order to reflect with the situation and continue to provide information for the investors. There were 2 analyst conferences, 2 press conferences, 3 non-deal road shows and participation in activities organized by the Stock Exchange of Thailand, Opportunity Day, 3 times.

#### Financial Flexibility and Liquidity Ratio

The Board of Directors has monitored to ensure that the financial flexibility and liquidity ratio are adequate. It has assigned Management to report on monitoring and assessment of the Company's financial status to the Board of Directors on a quarterly basis and to the MD&A quarterly. A risk warning signal has also been set. Management has reported the solution to the Audit Committee and the Board of Directors for consideration. The company has disclosed details on this matter in Section 4, Management's

analysis, and explanation on page 73

## **Principle 8 Ensure Engagement and Communication with Shareholders**

### Supporting and Promoting the Rights of Shareholders

The Board of Directors has a policy to support, promote and facilitate all shareholders, all groups, including Institutional shareholders to exercise their rights both as investors and as owners of companies through accepted methods and standards. The rights of shareholders include the right to buy, sell, and transfer shares they hold independently, get a share of profits from the company, attend the shareholders' meeting, propose agenda in advance, nominate candidates for the election of board members, express opinions at the meeting independently, and participate in decision-making in important company matters such as the election of directors, appointment of auditors and determination of audit fees, approval of remuneration of the Board of Directors and sub-committees, amendments to the Memorandum of Association and the Company's Articles of Association, and approval of important transactions that affects the direction of the company's business operations. All shareholders have the right to vote according to the number of shares held. Each share holds one vote, and no shares have special privileges over other shareholders.

In addition to the basic rights above, the Company has taken other actions to promote and facilitate the exercise of additional shareholders' rights as follows:

1. Provide important and necessary information for shareholders about business operations clearly and publicly. The information is available through both the Company's website and the Stock Exchange of Thailand.

2. To ensure that every shareholder receive clear and comprehensive information and have enough time to study the information in advance of the shareholders' meeting, The Company has clearly disseminated information about the date, time, place, and agenda of the

shareholders' meeting by disseminating such information in both Thai and English via the SETLink system of the SET and on the Company's website at least 1 month prior to the meeting date.

For the notice of the shareholders' meeting, the company has provided details of each agenda item with an explanation of the reasons and the opinion of the Board of Directors. The company has published the meeting invitation letter together with related documents such as registration form, documents and evidence that attendees must present before attending the meeting, proxy procedure, registration and proxy form in both Thai and English on the Company's website more than 30 days prior to the meeting date and deliver the above documents to the shareholders 24 days prior to the meeting date.

3. The Company provides an opportunity for shareholders who are unable to attend a meeting to appoint a representative, e.g., an independent director or any other person, to act as proxy, using one of the proxy forms attached to the notice of the meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce allow shareholders to exercise their voting rights as they wish. The Company also attaches documents and evidence required prior to attending the meeting, proxy procedure, and registration to the notice along with the information of independent directors that the company has designated as proxies for shareholders and is an independent director who has no conflict of interest in the agenda for the election of directors. The proxy forms are available in both Thai and English on the company's website.

4. The Company allows shareholders to submit questions for additional information on each agenda or other important information of the Company prior to the date of the shareholders' meeting via the following channels:

- Address: Corporate Secretary Office,  
No. 1, Siam Cement Road, Bang Sue,  
Bang Sue, Bangkok 10800
- Website: [www.scgceramics.com](http://www.scgceramics.com)
- Email: [cotto-ind-dir@scg.com](mailto:cotto-ind-dir@scg.com)

5. In 2021, the Company held an annual general meeting of shareholders on March 29, 2021, in which 11 directors attended the meeting out of a total of 12 directors (91.67%), of which 1 director was absent.

6. The company has a policy to promote and facilitate the shareholders, including institutional investors, to attend the shareholders' meeting. As at the beginning of 2021, there was a newly emerged COVID-19 pandemic in Thailand, the company is very concerned about the safety of the attendees, including those who participate in the meeting. Therefore, the Board of Directors had approved scheduling the Annual General Meeting of Shareholders for the year 2021, which was held on 29 March 2021, in the form of a single electronic conference. There is a place to control the meeting system at Hall 1, 10th floor, Multipurpose Building. The Siam Cement Public Company Limited. The company has complied with the rules prescribed by law regarding electronic conferencing and has provided a meeting system that provides various conveniences to shareholders so that shareholders can be informed of the Company's operating results and can interact and ask for various information with the directors and executives of the company immediately as if attending a real meeting like every year. Said shareholders' meeting was carried out smoothly and efficiently.

7. Prior to the date of the shareholders' meeting with electronic meeting format on March 29, 2021, the company has set up a call center with staff to facilitate and assist shareholders in registering to attend the meeting via electronic media. At the same time, the company has sent the process of submitting the request form to attend the meeting and how to use the meeting system via electronic media together with the notice of the shareholders'

meeting so that the shareholders can prepare to study and understand how to use the meeting system in advance. The Company has allowed shareholders or proxies to submit an application form and relevant documents in advance since March 22, 2021.

8. Before the meeting, the secretary of the board of directors and the corporate secretary explained the details of voting methods, vote counting, and notification of vote-counting results in the meeting which can be summarized as follows:

8.1 Company Articles of Association allots a number of vote equal to the number of shares held and granted by proxy by the shareholders to vote in various agendas, counting one share as one vote. Any shareholder with special interest in a specific agenda will not have the right to vote in that agenda.

8.2 Voting must be done openly. The chairman of the meeting will propose each agenda to the shareholders to consider and vote by asking shareholders or proxies to vote as according to the wish of shareholders or proxies through the Inventech Connec system.

8.3 In counting the votes, the system will use the method of deducting the disapproving and abstaining votes from the total number of votes attending the meeting in that agenda and the remainder will be considered as the agreeing votes. In considering such votes, the votes that the shareholders have expressed in the proxy forms will also be taken into account.

8.4 The system will process the votes of the shareholders according to the voting procedure for each agenda and will inform the shareholders of the results for every agenda before the meeting ends. The Company has arranged for representatives of independent auditors to act as witnesses in the vote counting throughout the meeting.

9. The company gives the right to shareholders who attend the meeting after the chairman of the meeting has opened the meeting to be able to vote on the agenda under consideration and not yet voted and count as

a quorum attending the meeting onwards, so there may be different votes in each agenda.

10. At the 2021 shareholders' meeting, the meeting considered various matters in the agenda as specified in the notice of the meeting sent to shareholders in advance without changing the order of such agenda and without requesting the meeting to consider any matters other than those specified in the notice of the shareholders' meeting. In addition, after the meeting had considered all matters under the agenda completely, the chairman of the meeting gave the shareholders an opportunity to ask additional questions before the meeting was adjourned.

11. The Company disclosed the resolutions of the 2021 Annual General Meeting of Shareholders to the public regarding the voting results in each agenda via SETLink of the SET after the meeting.

12. The company has recorded the minutes of the meeting in its entirety. The minutes contains important information such as the list of directors and management attending the meeting, voting procedures and methods, resolutions of the meeting, voting results for each agenda including questions, explanations, and opinions of shareholders by type of shareholder (attending the meeting in person or as a proxy) asking questions or expressing opinions. The company prepared the minutes of the 2021 Annual General Meeting of Shareholders within 14 days from the date of the meeting and sent the minutes to the Stock Exchange of Thailand and the Ministry of Commerce within the period specified by law. The minutes were also published on the company's website.

13. After the Annual General Meeting of Shareholders in 2021, if shareholders have questions and suggestions, the management will collect them and propose to the Board of Directors to determine the appropriate course of action as well as improving the Annual General Meeting of Shareholders for the following year.

### Equitable Treatment of Shareholders

The Company is fully aware of its duty to protect the interests of every shareholder, major or minor, individual or institutional as well as Thai or foreign investors to ensure equality and fair treatment for all to further ensure the maximum benefits of shareholders. The efforts are as follows:

1) Provision of Opportunities for Minor Shareholders to Propose Matters to be Included in the Meeting Agenda and to Nominate Candidates for the Election of Board Members prior to the Date of the Shareholders Meeting. The Company has prescribed criteria and procedures whereby minority shareholders may propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company for three months before the Meeting such rules and procedures are posted on SETLink and the Company's website.

For the 2022 Annual General Meeting of Shareholders, the Company provided an opportunity to shareholders to submit proposals to be included on the agenda and nominate qualified candidate(s) to be considered for election as a director of the Company during August 13–November 15, 2021 (not less than 3 months before the end of the accounting period). The information was published in the Company's website and disclosed to the Stock Exchange of Thailand on July 27, 2021 after the approval from the Board of Directors on the same day. Shareholders must fill in the Agenda Proposal Form for 2022 Annual General Meeting of Shareholders and Director Nomination Form which were available for download at the Company's website and submit the Forms and required documents to the Secretary to the Board of Directors and the Corporate Secretary at "No. 1, Siam Cement Road, Bangsue, Bangkok 10800" following the rules below.

#### 1. Rules for Proposal Submission

1.1 Eligibility: one or several shareholders holding in aggregate at least 5 percent of all



issued shares of the Company (not less than 298,131,061 shares).

1.2 Procedures: The Board of Directors takes responsibility for screening the issues before including on the Meeting agenda. Should the proposed agenda item be included on the Meeting agenda, the Company shall specify it in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in the event the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.

2. Rules for the Nomination of Directors Shareholders are entitled to nominate any qualified candidates for the election of Board members. The Nomination, Remuneration and Corporate Governance Committee, following the recommendation of the Executive Committee, will consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the nominees to the Board for consideration before proposing them to the Shareholders Meeting for approval."

In the past year, no shareholder proposed any agenda item or candidate for the election of Board members prior to the 2022 Annual General Meeting according to the above-mentioned criteria and procedures. The Executive Committee therefore considered the nomination for the election of the Board of Directors according to the Company's criteria for the nomination of directors and presented to the Nomination, Remuneration and Corporate Governance Committee for consideration. Thereafter, the candidates were presented to the Board of Directors for consideration before proposing to the Shareholders Meeting for approval.

2) Facilitation to Shareholders Unable to Attend a Meeting

The Company provides an opportunity for shareholders who are unable to attend a meeting to appoint a representative, e.g., an

independent director or any other person, to act as proxy, using one of the proxy forms attached to the notice of the meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce allow shareholders to exercise their voting rights as they wish. The Company also attaches documents and evidence required prior to attending the meeting, proxy procedure, and registration to the notice of the meeting by post no less than 21 days prior to the meeting. The aforementioned documents are published both in Thai and English on the Company's website more than 30 days prior to the meeting.

3) Assignment of Independent Directors to Support the Benefits of the Company and Shareholders.

Independent directors have an important role in corporate governance and the Company acknowledges the importance of the performance of their duties to support policies beneficial to shareholders or opposing any inequitable or non-transparent decisions that may affect the benefits of shareholders. The Company established channels through which shareholders can voice their opinions and make inquiries to independent directors at email: [cotto-ind-dir@scg.com](mailto:cotto-ind-dir@scg.com). Independent directors will consider the issues, for example, fact-checking, and find the suitable measures to compensate. If independent directors consider an issue to have an effect on shareholders or the Company's operating results. Independent directors will present the issue in the Board of Directors Meeting to consider including as an agenda item in the Shareholders Meeting. Prior to this time there have not yet been any shareholders expressing their opinions or complaints.

## **6.2 Code of Conduct**

### Code of Conduct and 4 Core Values

The Company has been developing constantly with stability up until now because of the Core Values of fair business operation,

which are complemented and attached with great significance by the Board of Directors, the Management and every level of employees. The Company's directors conduct themselves as good role models in accordance with the ideology of conducting business with integrity in all 4 components, which the Board of Directors, the management and employees at all levels have consistently followed and given importance to: "Adherence to Fairness, Dedication to Excellence, Belief in the Value of the Individual, Concern for Social Responsibility" along with being a good citizen of every country in which we do business to create the highest value and benefit to the organization.

#### Promoting awareness of corporate governance and Governance, Risk and Compliance (GRC)

The Board of Directors has compiled the Company's and the Company Principles to use as a guideline in the establishment of "SCG Code of Conduct", which is expected to act as a guideline assisting employees in the study and comprehension of the code of practice, especially those directly relating to individuals' fields of works. The Code of Conduct is easy to understand and can be conveniently applied to the establishment of Whistleblowing Policy, to protect any employee who files a complaint or reports on improprieties or suspected violations of laws, rules and regulations, the Company's Articles of Association, SCG Code of Conduct, and Whistleblowing Policy. In this regard, the Company has formed a working team responsible for devising policies and providing consultancy regarding compliance with SCG Code of Conduct. This team comprises the Top Management in business units responsible for relevant matters and the Internal Audit Office, each of whom is tasked with monitoring the performance results and providing counsel on relevant matters. In addition, the Company has established channels through which employees can voice their opinions and make inquiries about the Code of Conduct, which can be found on the

Company's website under "Code of Conduct" and "Code of Conduct Consultation System".

Besides, SCG Code of Conduct is revised and added with subjects concerning the Code of Conduct, examples and distinct definitions of terms relating to each matter, in accordance with laws, the Company's Policy, international practices and present situation. In order to promote the realization of the Code of Conduct, The Management organizes an activity, which provides related knowledge and encourages employees at all levels to comply with Code of Conduct by emphasizing the foster of good subconscious in employees since the first day in office through publication on the website, so that all of the employees understand and rigorously comply with the Code of Conduct, which is also one of the essential factors in the employees' annual efficiency assessment. Furthermore, since 2012, SCG has been constantly publicizing the Code of Conduct through VDO Clip, which emulates different situations according to subjects within the code, as well as providing employees with opportunities to answer questions and exchange experience. To make the messages understandable for employees, so that they can adapt the Code of Conduct to their daily work life, the Company also publicizes the Code of Conduct via e-Newsletter by sending emails to employees' mailboxes as well as via the Company's website.

In 2021, due to the epidemic situation of COVID-19, the Company has adjusted some activities in accordance with the situation and measures of the government by using online channels to communicate with employees. Various activities were organized which can be summarized as follows:

- Promote awareness and understanding about the Code of Conduct and related policies by using infographics via internal communication channels
- Raise awareness and encourage employees to express their opinions related to the Company's Code of Conduct and correct

operational guidelines by publicizing the GRC Helpline system, which is a consulting channel for employees to perform tasks related to Governance, Risk, Compliance, and Internal Control to promote efficiency in the work of employees, even when working from home.

- Distribute the GRC VOICE e-Newsletter quarterly to communicate working guidelines based on GRC principles so that employees can apply into practices.

- Publicize the GRC e-book to provide employees with knowledge and understanding of the concept of applying GRC to their work.

### **6.3 Significant Changes and Developments in Policies, Practices, and Corporate Governance Systems in the Past Year**

The Company firmly upholds and complies with the principles of corporate governance. Examples include the 2012 Principle of Good Corporate Governance for Listed Companies (CG Principles 2555) of the Stock Exchange of Thailand, 2017 Corporate Governance Code (CG Code) of the Securities and Exchange Commission and the Stock Exchange of Thailand with cooperation with the Task Force for Sustainability in Listed Companies, as well as the Corporate Governance Report of Thai Listed Companies (CGR) of Thai Institute of Directors (IOD). The Executive Committee, the Nomination, Remuneration and Corporate Governance Committee and the Audit Committee take charge of considering and proposing to the Board of Directors the establishment and implementation of the policy and guidelines for their approval.

#### Review of the application of the SEC's Corporate Governance Code

In 2021, the Board of Directors, following the recommendation of the Nomination, Remuneration and Corporate Governance Committee and the Executive Committee, approved the implementation of the practice guidelines outlined in Corporate Governance Code for Listed Companies 2017 (the CG Code) developed by the Securities and Exchange

Commission (SEC) into the Company's business operations. As the governing board of the Company, all the directors considered the Code thoroughly and understood the benefits and importance of adopting the CG Code for the Company's sustainable value creation. Where the practice guidelines have not yet been adopted as a policy or not put into practice, the Board of Directors stipulated that substitute measures be set forth. The Management will report to the Executive Committee, the Nomination, Remuneration and Corporate Governance Committee, and the Audit Committee to take into review and consideration at least once per year.

The Board of Directors acknowledged and considered the principles of the CG Code that were added or revised in addition to the CG Principles and understood the benefits and importance of adopting the CG Code for the Company's sustainable value creation. The Board of Directors also examined the evaluation of the application of each CG Code principle to ensure the suitability of the application and the development plan for business operations on the principle of Apply or Explain and resolved to approve the replacement measures as approved by the Board of Directors in 2020 for practices that the Company did not apply to the business context and assign the management to disclose the report on the review of the Board of Directors' compliance with the CG Code and a replacement measure for practices that are not yet compliant with the CG Code in the Annual Registration Statement/Annual Report Form 56-1 One Report, in accordance with the CG Code, which consists of the following 8 main sections in its entirety.

- Principle 1 Establish Clear Roles and Responsibilities of the Board

- Principle 2 Define Objectives that Promote Sustainable Value Creation

- Principle 3 Strengthen Board Effectiveness

- Principle 4 Ensure Effective CEO and People Management

Principle 5 Nurture Innovation and Responsible Business Operations

Principle 6 Strengthen Effective Risk Management and Internal Control

Principle 7 Ensure Disclosure and Financial Integrity

Principle 8 Ensure Engagement and Communication with Shareholders

Since 2018, the company has applied the CG Code to its business context, along with the 2012 CG Principles. For practices not suitable to the company's operation, The Board of Directors has considered and determined the appropriate replacement measures and recorded them as part of the Board's resolutions for annual review. In 2021, the following matters have not yet been complied with by the Company:

1. Chairman of the Board is an independent Director.

The current Chairman of the Board is a representative of the major shareholders. The duties of the Chairman were specified clearly in the Charters of the Board of the Committee so that emphasis is placed on the interests of the Company, shareholders, and stakeholders.

2. Specify the numbers of the consecutive terms in office of a director, such as no more than three consecutive terms, and the numbers of the consecutive terms of the Sub-committee. Currently, the Board of Directors reviews the terms of a member of the Board of the Directors and Sub-committees based on each individuals' terms of service and qualifications. The resulting diversity, as well as needed areas of knowledge and expertise are also put into consideration as additional information for the nomination of a director.

3. All members of the Nomination Committee are independent directors.

Currently, the Nomination, Remuneration and Governance Committee comprises three members, two of whom are independent directors, constituting more than half of the committee. However, the Company reviews the membership of each member of the Sub-

committees on a yearly basis, taking into account the qualifications and appropriateness as specified in the Charters of the Sub-committees.

4. The board should specify that the independent director has a term of office not exceeding 9 years from the date of first appointment as an independent director. In the case of continuing to appoint such independent directors to hold office, The Board should reasonably consider the necessity.

At present, the Company has 2 independent directors who hold offices for more than 9 years, namely Mr. Cherapong Kamponpan and Mr. Boonchue Polsingkorn. Both independent directors who have served more than 9 years are able to express their opinions independently and still have all the qualifications in accordance with the Company's independent director qualifications. They also brought knowledge, experience, and expertise to provide useful suggestions in formulating strategies and business policies of the Company in accordance with sustainable development guidelines. Both can still perform duties as an independent director very well.

Nevertheless, the aspects of which the Company has not yet complied are mainly relating to the structure of the Board of Directors. In response, the Management reports these issues to the Nomination, Remuneration and Governance Committee for consideration and review on a yearly basis.

As the Board of Directors recognizes the importance of corporate governance, it has established clear guidelines to give management independence to initiate and carry out continual improvements in corporate governance under recommendation of the Nomination, Remuneration and Governance Committee and Audit Committee.

In 2021, which is the third year that the Company has been assessed on various corporate governance matters as follows:

- Received the IOD 2021 CGR results in the "Excellent" category (91% overall average score).

- Received a full score of 100 for the 3rd year in a row since 2019 for the quality of the 2021 Annual General Meeting of Shareholders (AGM Checklist) by the Thai Investors Association.

- Has been selected for the “Sustainable Companies to Invest in” or the ESG Emerging List and is listed in the Universe tier of the ESG 100 in 2021.

In addition, in 2021, the Company has taken important actions regarding the review of policies, practices, and the corporate governance system, or the charter of the committees and sub-committees in order for the company to have a continuous corporate governance system and increase the efficiency of governance and demonstrate that the company's corporate governance standards are elevated corresponding to the CG Code of 2017 as follows:

- 1) Review the charter and the performance appraisal form of the committee and sub-committees.

- 2) Review the performance assessment form of the committee, subcommittee, and managing director.

- 3) Review the policy of allowing minor shareholders to propose meeting agendas and nominate candidates for the election of b

# LT

by COTTO<sup>®</sup>

## LT by COTTO, Smart Flexible Floor Tiles

Smart Flexible Floor Tiles by COTTO or SPC Flooring (Stone Plastic Composite Flooring) is a product that enhances the quality of life in the residence to the next level with innovation of Limber Technology (LT), the latest innovation of creating flooring materials that combines natural stone with high quality plastic, making the floor mats able to meet the needs of every lifestyle.

The highlights of LT Smart Flexible Floor Tiles are its unique design, which is beautiful and realistic in every touch, smart installation, fast and complete matting, and its uplifting effect in life quality.

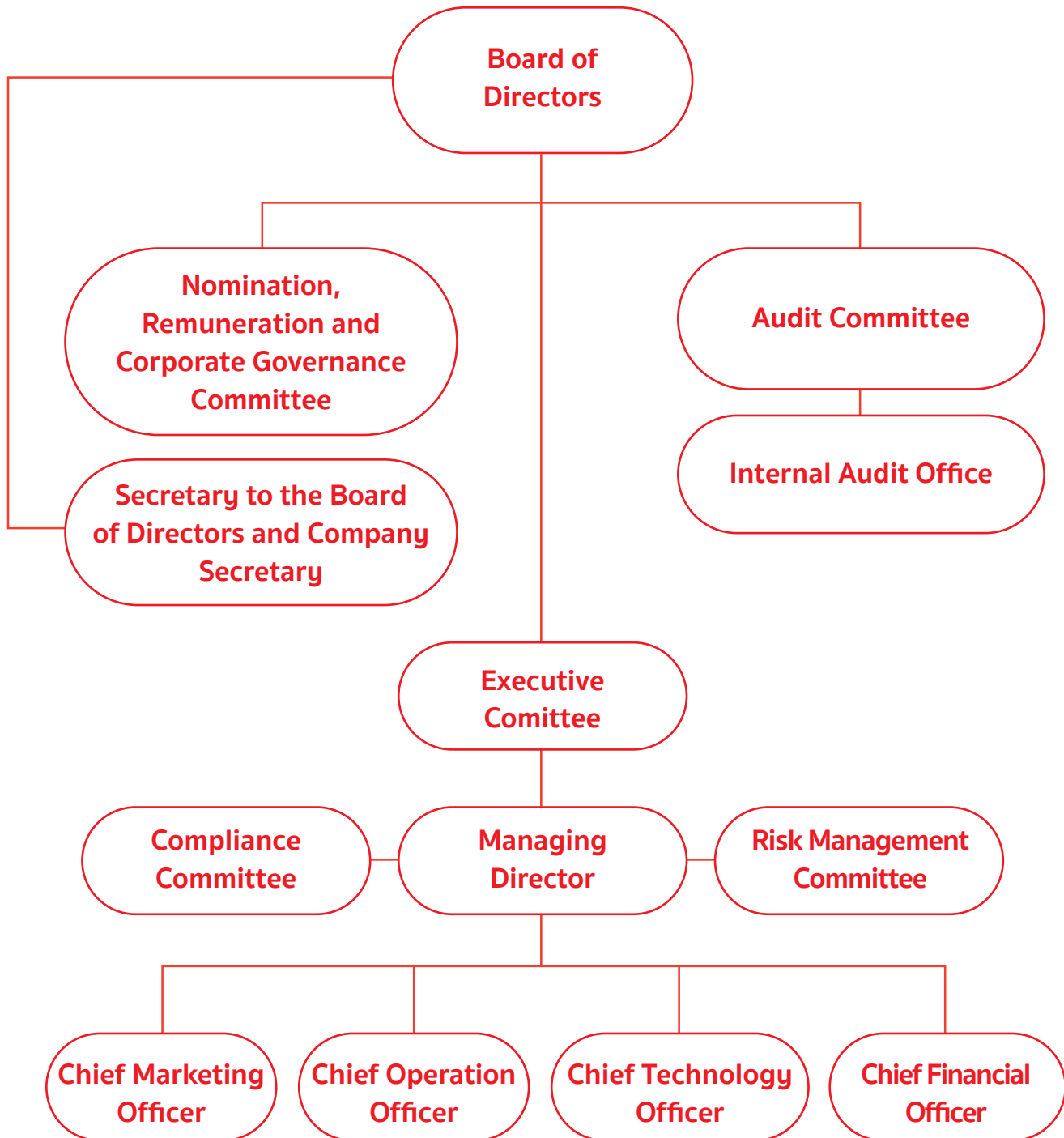
- It is easy to install and strong. The floor tiles will not separate from each other due to its click lock system.
- It is easy to maintain, easy to clean, moisture proof, termite and insect proof.
- It is beautiful but strong with coating and protective wear layer against bumps and scratches.





## Corporate Governance Structure and Important Information about Board of Directors, Sub-Committees, Executives, Employees, and others.

### 7.1 Corporate Governance Structure as of December 31, 2021



## 7.2 Information about the Board of Directors

### 7.2.1 Composition of the Board of Directors

The Board of Directors comprises knowledgeable and competent people whose qualifications suit the Company's business strategy. The Board plays important role in drawing up corporate policy, vision and mission collaborating with the executives in making corporate objective and operating plans both short-term and long-term goal, financial policy, risk management through the Risk Management Committee and the Audit Committee and organizational overview. The Board is also responsible for overseeing, monitoring and assessing the performance of the Company and executives on an independent basis.

According to the Company's Articles of Association, Article 14, the Company has a Board of Directors of not less than 5 members and not less than half of the total number of directors must reside in the Kingdom of Thailand. The Board, at present, is comprised of twelve directors in compliance with the Articles of Association of the Company that is eleven non-executive directors and one executive director (the Managing Director). In this regard, more than half of the non-executive directors have relevant experience to the Company's main business operation as the following.

1. Mr. Nithi	Patarachoke	Chairman
2. Mrs. Kaisri	Nuengsigkapan	Independent Director
3. Mr. Cherapong	Kamponpan	Independent Director
4. Mr. Chaovalit	Ekabut	Director
5. Mr. Tatipong	Kesornkul	Independent Director
6. Mrs. Nanthasiri	Assakul	Director
7. Mr. Boonchue	Polsingkorn	Independent Director
8. Mr. Prawit	Ninsuvannakul	Independent Director
9. Mr. Padung	Likitsajjakul	Independent Director
10. Ms. Varunyu	Opanayikul	Director
11. Mr. Surasak	Kraiwitthaicharoen	Director
12. Mr. Numpol	Malichai	Managing Director

The 12 members of the Board of Directors do not have any prohibited qualifications as follows:

1. No criminal record in property-related offenses committed in corruption.
2. No history of transactions that may cause conflicts of interest with the Company in the

past year.

Details appear in the Board of Directors information in Attachment 1, pages 1-19, which are published on the Company's website. [https://scgceramics.com/Attachment1\\_2021en](https://scgceramics.com/Attachment1_2021en)

#### Authorized Directors

Authorized Directors are three directors as follows:

1. Mr. Nithi	Patarachoke	Chairman
2. Mr. Surasak	Kraiwitthaicharoen	
3. Mr. Numpol	Malichai	Managing Director



### Signing Condition

Any two of three directors, namely Mr. Nithi Patarachoke or Mr. Surasak Kraiwitthaicharoen or Mr. Numpol Malichai, jointly sign their names together.

### Independent Directors

There are six directors who are fully qualified as independent director in accordance with the qualifications of independent director set forth by the Company which are more stringent than those prescribed by the Capital Market Supervisory Board, higher than the standard of Securities and Exchange Commission. The independent directors do not have business relationship or provision of professional services at a value exceeding the specified amount in Notification of the Capital Market Supervisory Board regarding Application for Approval and Granting of Approval for Offering of Newly Issued Shares and independent from authorized condition. The independent directors are responsible for monitoring the Management, expressing opinion, supporting highest advantageous policy of shareholders and protesting unjust or unclear decision of the Company which impact shareholders' profit and interested person in related groups as well as governing the Company to set and disclose policies regarding connected transactions to ensure the Company and shareholders of the highest profit.

- |                    |               |
|--------------------|---------------|
| 1. Mr. Prawit      | Ninsuvannakul |
| 2. Mr. Boonchue    | Polsingkorn   |
| 3. Mr. Lucksananoi | Punkrasamee   |
| 4. Mr. Damri       | Tancheewawong |
| 5. Mr. Cherapong   | Kamponpan     |
| 6. Mr. Arnut       | Changtrakul   |

The Nomination, Remuneration, and Corporate Governance Committee is responsible for considering and nominating a person who is qualified to be an independent director in accordance with the qualifications set forth by the Board of Directors on July 22, 2019 as follows:

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the

Company, its parent Company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director.

2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent Company, subsidiary, associate, major shareholder or controlling person (unless the foregoing status has ended not less than two years).

3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of other directors, of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary.

4. Shall neither have nor have ever had a business relationship with the Company in a manner that may interfere with his/her independent judgment, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company (unless the foregoing relationship has ended not less than two years).

Business relationship under the first paragraph including Normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or offering loans, guaranteeing, providing assets as collateral against debts, and any other similar actions which cause the Company or the contracting party has obligations to pay to the other party at least 3% of the net tangible assets of the Company or from 20 million baht or more, whichever is lower. In this regard, the calculation of such indebtedness shall be in accordance with the method for calculating the value of connected transactions under the Notification of the Capital Market Supervisory Board Re: Rules on Connected Transactions

mutatis mutandis. But in considering such debt burden shall include debt obligations incurred during 1 year prior to the date of business relationship with the same person.

5. Shall not be nor have ever been an auditor, a significant shareholder, controlling person, or partner of an audit office which employs auditors of the Company, its parent Company, subsidiary, associate, major shareholder or controlling person (unless the foregoing relationship has ended not less than two years).

6. Shall not be nor have ever been a provider of any professional services such as legal advisor or financial advisor who receives service fees exceeding 2 Million Baht per year, a significant shareholder, a controlling person, and a partner of that professional services (unless the foregoing relationship has ended not less than two years).

7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is relating to a major shareholder of the Company.

8. Shall not undertake any business with the same nature and is competitive to that of the Company or its subsidiary, nor be a partner in partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another Company which undertakes business in the same nature and is in significantly competitive to that of the Company or its subsidiary.

9. Shall be able to attend meetings of the Board of Directors and make independent judgment.

10. Shall express opinions independently regarding the Company's operations.

11. Shall be able to look after the interests of all shareholders equally.

12. Shall be able to prevent conflicts of interest.

If qualified according to all items 1-12 specified above, the independent director may

be assigned by the Board of Directors to make decisions relating to business operations of the Company, its parent Company, subsidiary, associate, same tier subsidiary or any juristic person with a conflict of interest on the basis of collective decision, whereby such actions of the independent director are not deemed partaking of management.

In the case that the person appointed by the Company to be an independent director is a person who has or had a business relationship or provides professional services in excess of the value specified under Clause 4 or Clause 6, the Company shall be waived the prohibition of having or having had a business relationship or providing professional services in excess of such value only when the Company provided an opinion of the Board of Directors showing that it had considered in accordance with Section 89/7 of the Securities and Exchange Act that the appointment of such persons does not affect the performance of duties and independent opinions, and the relevant information has been disclosed in the notice of the shareholders' meeting in the agenda to consider the appointment of independent directors.

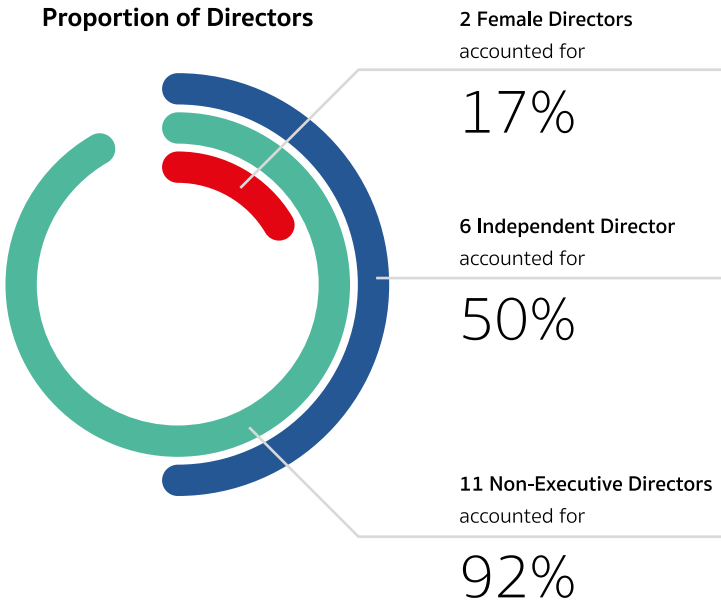
In 2021, the Company's independent directors no. 1, 2, 3, 5, and 6 have no business relationship or professional service that exceeds the criteria specified in the Notification of the Capital Market Supervisory Board Re: Application for Approval. and permission to offer for sale of newly issued shares except for the 4th independent director based on the consideration of the qualifications of independent directors as of December 31, 2021. Founded that Mr. Damri Tanchewawong is an authorized director of Siam Yamato Steel Co., Ltd., a company having business relationship with The Siam Cement Public Company Limited, which is the parent company of the company, which has a transaction value of more than 20 million baht (the main value of the transaction comes from the management, sending staff to help work, dividend payment, leasing

land and buildings with the parent company of the company) which is inconsistent with the qualifications of independent directors specified under the Notification of the Capital Market Supervisory Board No. กจ. 39/2559 regarding Application for and authorization to offer for sale of newly issued shares (Amended) and the Company's independent director qualifications.

Nonetheless, the Board of Directors is of the opinion that Mr. Damri Tanchewawong is still suitable to be an independent director of the Company from the past performance of duties. While the business relationship between Siam Yamato Steel Co., Ltd., which Mr. Damri Tanchewawong is a director,

and the parent company of that company, The Board of Directors has considered in accordance with Section 89/7 of the Securities and Exchange Act B.E. 2535, It does not affect the performance of duties and independent opinions. Therefore, Mr. Damri Tanchewawong is regarded as fully qualified to hold the position of independent director in accordance with the guidelines that have been waived this qualification from the 2020 Annual General Meeting of Shareholders for the agenda to consider appointing directors to replace those who retire by rotation which the 2020 Annual General Meeting of Shareholders held on 29 June 2020 has received information on business relationships and has approved it.

**Composition of the Board of Directors**



## 7.2.2 Information of the Board of Directors and the Company's controllers individually

### Information on holding positions in various sub-committees

List of Directors		Board of Directors (12 persons)	Audit Committee (4 persons)	Nomination, Remuneration and Governance (3 persons)	Executives (3 persons)
Mr. Nithi	Patarachoke	Chairman	-	Director	Chairman
Mr. Prawit	Ninsuvannakul	Independent Director	ประธาน	-	-
Mr. Boonchue	Polsingkorn		Director	Chairman	-
Mr. Lucksananoi	Punkrasamee	Independent Director	Director	-	-
Mrs. Nanthasiri	Assakul	Director	-	-	-
Mr. Damri	Tancheewawong	Independent Director	-	Director	-
Mr. Chaovalit	Ekabut	Director	-	-	-
Mr. Cherapong	Kamponpan	Independent Director	Director	-	-
Mr. Surasak	Kraiwitthaicharoen	Director	-	-	Director
Miss Varunyu	Opanayikul	Director	-	-	-
Mr. Arnut	Changtrakul	Independent Director	-	-	-
Mr. Numpol	Malichai	Managing Director	-	-	Director

### Persons with authority to control the company

The parent company and the highest parent company are Thai Ceramic Cement Co. Ltd., which holds 82.75 percent in the Company as of December 31, 2021, and The Siam Cement Public Co. Ltd. which holds shares in Thai Ceramic Cement Co. Ltd., as of December 31 2021, 100% respectively, both companies are incorporated in Thailand.

### 7.2.3 Responsibilities of the Board of Directors

The Board of Directors is the driving force of the organization with roles and duties in formulating strategies and policies in the Company's business operations. The Board of Directors must perform duties with responsibility, caution and prudence with honesty for the best interests of the Company on the basis of social and environmental responsibility and fair to all stakeholders under

the principles of good corporate governance. There is also a role and duty to supervise and evaluate the performance of the management and the managing director in managing the company's business to be successful in accordance with the established plans. The details related to the important roles and duties of the Board of Directors are summarized as follows:

#### **Scope of Authority of the Board of Directors**

As the Board of Directors has resolved to establish the Board of Directors' charter the Company has to review the charter of the Board of Directors annually to ensure that all directors are aware of their duties and responsibilities in order to perform their duties properly and to create sustainable values for the company, customers, stakeholders and society as a whole. In 2021, the Board of Directors Meeting held on 29 November 2021 reviewed the Board of

Directors' charter and resolved to approve the continued use of the current Charter as it still covered the duties and responsibilities of the Board of Directors as well as in accordance with the principles of good corporate governance for listed companies in 2017 (CG Code). The Board of Directors' charter states that the Board of Directors has the following duties:

Acting in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:

1. Performing its duties with responsibility and all due circumspection and caution (Duty of Care).

2. Performing its duties with faithfulness and honesty (Duty of Loyalty).

3. Performing its duties in compliance with laws, objectives, Articles of Association, the resolutions of the Board of Directors and resolutions of Shareholders' Meetings (Duty of Obedience).

4. Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).

Determine and review the structure of the Board of Directors regarding the number of directors, proportion of independent directors, various qualifications in terms of knowledge, expertise, experience, and specific abilities of directors to suit the company's business operations including appointing sub-committees to assist and support the performance of duties of the Board of Directors and may also appoint the chairman of the sub-committees.

Directing the Company's visions, missions, and business strategies, with an annual revision and approval.

Reviewing the major operating plan, budgets, business 92 goals, and business policies and enhancing the capabilities of the Company to reach a globally competitive level.

Overseeing and monitoring the implementation of the Company's strategies; overseeing and monitoring of each business unit's and the Company's overall performance by

requiring their performance reports periodically; and setting policies to develop and improve the business operations with concern for safety, hygiene, social and environmental responsibility, and development of the Company's employees.

Directing the Company's operation in compliance with the laws, objectives, Articles of Association, resolutions of the Board of Directors and resolutions of Shareholders' Meetings in good faith and with care, prudence, and integrity to preserve the highest interests of the Company with fairness to all involved parties.

Supervise and support the creation of innovations that create value for the company along with creating benefits for all stakeholders, taking responsibility for society and the environment, as well as ensuring that the management allocate and manage resources efficiently and effectively.

Supervise the management of information technology and measures to maintain the security of information technology systems. Specifying risk management policies and overseeing to ensure effective risk management systems and internal control together with reviewing and assessing the systems periodically and in the wake of a change in risk levels.

Overseeing and developing the Company's corporate governance to keep it consistent with international standards to provide guidelines for business operations while monitoring to ensure compliance with corporate governance and Code of Conduct.

Encouraging staff at all levels to be conscious of ethics and morality and comply with the Company's principles of corporate governance, Code of Conduct and the Anticorruption policy while promoting awareness of the importance of internal control system and internal audit to reduce the risk of fraud and abuse of authority and prevent any illegal act.

Monitoring financial liquidity and debt repayment ability Including plans or mechanisms to correct if problems occur.

Supervise the financial reporting system and disclosure of important matters that are

accurate, adequate, timely and in accordance with relevant rules and guidelines.

Realizing the responsibilities of the Board of Directors, respecting the rights of shareholders, ensuring the equitable and transparent treatment of shareholders and other stakeholders, establishing a clear process and channels for receiving and handling complaints from informants or stakeholders effectively and ensuring an opportunity for every stakeholder to contact or lodge complaints about potential issues directly to the Board of Directors.

Reviewing top executive development plans and the succession plan for the President & CEO while overseeing to ensure the effective performance assessment of top executives on an annual basis and determining appropriate remuneration in line with the Company's operating results to provide both short-term and long-term incentives.

Assessing the performance of the Board of Directors annually by performing two types of assessments, namely that of the Board and its Sub-committees as a whole and that of each individual director as a self assessment, as well as reviewing the assessment results of the Board and Sub-committees on a regular basis. Overseeing and monitoring to ensure the selection and nomination process of a director is carried out transparently and the remunerations for directors and Sub-committee members are determined appropriately.

Devoting sufficient time to perform their duties, attending all meetings of the Board of Directors and Shareholders' Meetings, except in unavoidable circumstances. The directors who are unable to attend a meeting must notify the Chairman or the Secretary to the Board in advance of the meeting.

Monitor and manage conflicts of interest that may arise between the Company and the management, the Board of Directors, or shareholders, supervising the prevention of improper use of the Company's assets and transactions with those who having

a relationship with the Company in an unreasonable manner.

Developing their knowledge and competency related to their duties consistently through courses or curricula related to directorial duties or seminars that enhance their knowledge.

Performing its duties, the Board of Directors may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate.

#### Scope of Authority of the Chairman of the Board of Directors

The Board of Directors' charter stipulates that the chairman of the board has the following duties:

1. Sets Board meeting agenda in consultation with the Executive Committee and oversees to ensure Board members receive accurate, complete, timely, and clear information prior to the meeting to assist in their decision-making process.

2. Provides leadership and direction to the Board of Directors and chairs meetings of the Board.

2.1 Conducts a Board meeting according to the agenda, the Company's Articles of Association, and applicable laws.

2.2 Encourages and allocates sufficient time to each Board member to discuss and express their free and frank opinion with due circumspection and concern for all stakeholders.

2.3 Sums up the Board meeting resolutions and the actions to take clearly.

2.4 Sets up a Board meeting without the presence of the Executive Director if deemed necessary.

3. Chair's meetings of shareholders according to the agenda, the Company's Articles of Association, and relevant laws by allocating time appropriately along with providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' inquiries are responded to appropriately and transparently.

1. Supports and be a role model in compliance with the principles of good corporate governance and the Code of Conduct.

2. Fosters a positive working relationship between the Board of Directors and the Management and supports the performance of the duties of the Managing Director and the Management in accordance with the Company's policy.

3. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.

4. Oversees to ensure the Board of Directors has appropriate structure and composition.

5. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.

6. Oversees assessment of the Board of Directors as a whole, individual director, and the Sub-committees' performances to develop their performances and strengthen knowledge and abilities of the Board of Directors and Sub-committees.

#### **Board of Directors' Meetings**

It is the duty of the Board to attend the Board's meetings consistently to stay informed of the Company's operations and participate in making business decisions. The Board holds at least four scheduled meetings per year, which are arranged in advance every year and informed to each director at the last quarter meeting of the previous year, so that all the directors will be able to manage their schedule for the meetings. In addition, special meetings might be held to consider urgent matters.

In calling a meeting of the Board of Directors, the chairman of the board or the secretary of the board of directors by order of the chairman of the board shall notify the directors at least 7 days prior to the meeting date, unless, in case of urgency, the meeting may be called by other means or the meeting date can be determined. sooner than that

In a meeting of the Board of Directors, the chairman of the board or the chairman of the

meeting may schedule a meeting via electronic media where attendees, even if they are not in the same place, can meet to discuss and express opinions among themselves by following the prescribed rules and procedures.

#### **The Board of Directors' Authorization**

The Board of Directors is empowered to authorize various matters in accordance with the scope of authority stipulated by laws, the Company's Articles of Association, the Board of Directors charter, and the shareholders' meeting resolutions. Such matters include defining and reviewing corporate vision, mission, operating strategies, operating plans in the preceding fiscal year, risk management policy annual budget and business plans and medium range term business plan, target operating results to ensure they are consistent with the plan, and overseeing capital expenditure, accompanied by policy regarding a quorum.

#### **Separation of the Roles of the Board of Directors and the Management**

The Company defines clear roles and responsibilities regarding the Board of Directors and the Management. The Board shall be responsible for establishing the policies and overseeing the Management's implementation of those policies. The Management, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. Therefore, the Chairman and the Managing Director of the Company shall not be the same person, and each must be nominated and elected by the Board in order to ensure their appropriateness. Furthermore, the Board is responsible for establishing a succession plan.

The Chairman shall not be a member of the Management and shall not participate in the Management of the Company's business. This is to clearly define separate roles between supervision of the Company's overall policy, and business management.

The management is authorized to manage the Company's operations in accordance with the policies set by the Board; take responsibility

for the Company's operating results; control expenses and capital expenditures within the limits approved by the Board in the annual operating plan; manage human resources in line with the prescribed policy; resolve problems or conflicts that affect the Company; and maintain effective communication with the stakeholders.

#### **Directors' Term of Office**

Article 17 of the Company's Articles of Association stipulates the term of office of directors in accordance with the Public Limited Companies Act B.E. 2535 that at every annual general meeting, one-third of the directors shall retire from office by rotation. If the number of directors cannot be divided into one-third, the closest number to one-third shall be taken into account. In addition, the directors holding office the longest shall retire from office. Currently, the Board comprises twelve directors, each of whom has directorship term of three years. Nevertheless, a retiring director is eligible

for reelection. This guideline also applies to an independent director. If an independent director has been in office for more than nine years (three terms), or the re-election will cause his years of service exceed the limit of nine years at them time of next retirement, such information accompanied by the Board's opinion will be informed at the Annual General Meeting of Shareholders to support their consideration.

#### **7.3 The Sub-committees**

The Board has further established the Audit Committee, the Nomination, Remuneration and Corporate Governance Committee, and the Executive Committee to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, the Company put in place its Charter of the Sub-committees specifying duties and responsibilities, which is published on the Company's website, the details are as follows:

Directors			The Sub-Committees		
			The Board of Directors	Audit Committee	Nomination, Remuneration and Corporate Governance Committee
Mr. Nithi	Patarachoke	Chairman	-	Director	Chairman
Mr. Prawit	Ninsuvannakul	Independent Director	Chairman	-	-
Mr. Boonchue	Polsingkorn	Independent Director	Director	Chairman	-
Mr. Lucksananoi	Punkrasamee	Independent Director	Director	-	-
Mrs. Nanthasiri	Assakul		-	-	-
Mr. Damri	Tancheewawong	Independent Director	-	Director	-
Mr. Chaovalit	Ekabut		-	-	-
Mr. Cherapong	Kamponpan	Independent Director	Director	-	-
Mr. Surasak	Kraiwitthaicharoen	Director	-	-	Director
Ms. Varunyu	Opanayikul	Director	-	-	-
Mr. Arnut	Changtrakul	Independent Director	-	-	-
Mr. Numpol	Malichai	Managing Director	-	-	Director



## 1. Audit Committee

The Audit Committee comprises four Independent Directors:

1. Mr. Prawit Ninsuvannakul \*  
Chairman of the Audit Committee
2. Mr. Lucksananoi Punkrasamee\*
3. Mr. Boonchue Polsingkorn
4. Mr. Cherapong Kamponpan

\* The Audit Committee with knowledge and experience in reviewing Company's financial statements.

### Audit Committee's Term of Office

The Audit Committee has a term of office according to the term of office of the Company's director by the end of the term on the date of the annual general meeting of shareholders. However, upon the expiration of the term, it may be considered reappointed for another position.

**Scope of Authority of the Audit Committee** (as indicated in the Charter of the Audit Committee) As appeared in the Audit Committee Charter in Attachment 5 published on the Company's website [https://scgceramics.com/Attachment5-12\\_2021en](https://scgceramics.com/Attachment5-12_2021en))

1. Oversee the financial reporting system in compliance with Thai and International Accounting Standards, ensuring that the process and proof supporting the accounting record are true and fair, transparent and verifiable.

2. Consider connected transactions, acquiring or selling of assets, or those with possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Securities and Exchange Commission, Thailand.

3. Assess the Company's risk management system, and consequently encourage the Company to adapt risk management system in compliance with international standards. The system must be able to indicate significant risk with appropriate index, manage risk with great efficiency, and verify the validity and

effectiveness of the process. Moreover, the system should possess abilities to carry out the procedure of risk management, controlling, supervising and securing the data and the system of communication networks with high competency, in compliance with international standards.

4. Assess the effectiveness of the encouragement and awareness in risk assessment, internal controls, incorporation of proactive preventive system, the verification and review of self-assessment regarding anticorruption according to guidelines of compliance management units, such as Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), Thailand's Institute of Directors (IOD) and National Anti- Corruption Commission.

5. Verify the control procedure and compliance on the basis of the Securities and Exchange Act, Articles of Association, and other laws relevant to the Company's Business.

6. Assess the internal control system to ensure that important transactions are conducted with appropriate and sufficient internal control system, preventing the business from any significant damage. Also, assess the overview of the Company's internal control system with Internal Control Framework COSO 2013.

7. Prepare the financial statements as well as organize manpower of the Internal Audit Office, then report to the Audit Committee for consideration.

8. Review to have a preventive and beneficial work system for the unit to increase efficiency and effectiveness of operations.

9. Consider selecting, proposing, appointing or dismissing individuals who are independent to act as the Company's auditors to propose to shareholders for approval, including to propose the remuneration of the Company's auditors and to assess their efficiency. Making judgments in the event that the management and the auditors have

disagreements about the financial reports and consider the performance other than the audit of the Company's auditor

10. Prepare the report of the Audit Committee, then present to the Chairman for further consideration and signature for an approval of the disclosure of the information in the Company annual report. Must contain at least the following information:

10.1 Opinions on the accuracy, completeness, and reliability of the company's financial reports.

10.2 Opinions on the adequacy of the Company's internal control system.

10.3 Opinions on compliance with the Securities and Exchange Act, regulations of the Stock Exchange of Thailand or laws related to the Company's business.

10.4 Opinions on the suitability of the auditor.

10.5 Opinions on transactions that may cause conflicts of interest.

10.6 Number of Audit Committee Meetings and attendance of each Audit Committee.

10.7 Overall opinions or observations received by the Audit Committee in the performance of duties under the Charter.

10.8 Other items that shareholders and general investors should be aware of under the scope of duties and responsibilities assigned by the Company.

11. Implement the Audit Committee's performance assessment as a whole and as self-assessment on an annual basis.

12. Review and coordinate with the auditors and arrange a meeting with the auditor without the management attending at least once a year.

13. Review and supervise the internal audit unit in the following matters:

13.1 Consider and approve the internal audit unit's charter, internal audit work plan, budget, and personnel of internal audit operations or select internal auditors in the case of using services from external

agencies (Outsourcing), including to approve the appointment, removal, transfer or dismissal of the head of the internal audit unit or the change of internal auditors in the case of using services from external agencies (Outsourcing).

13.2 Consider the independence of the internal audit unit by considering the functions and reports including the chain of command and reviewing the internal audit performance to be assessed according to global standards.

13.3 Review and give opinions on the performance of the internal audit unit.

14. Review and give opinions on the performance of the internal audit unit.

To fulfill its duties under its scope of authority, the Audit Committee is authorized to call for and order management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the committee may seek independent opinion from professional consultants as deemed appropriate, at the Company's expense.

The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

## **2. Nomination, Remuneration and Corporate Governance Committee**

The Nomination, Remuneration and Corporate Governance Committee comprises three members, two of whom are Independent Directors. This indicates that more than half of the positions is occupied by Independent Directors, and that all the members are non-executive directors. The lists are as followed:

1. Mr. Boonchue Polsingkorn  
Chairman of the Nomination,  
Remuneration and Corporate  
Governance Committee  
(Independent Director)

2. Mr. Damri Tancheewawong  
(Independent Director)

3. Mr. Nithi Patarachoke

#### Nomination, Remuneration and Corporate Governance Committee's Term of Office

The Nomination, Remuneration and Corporate Governance Committee is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

**Scope of Authority of the Nomination, Remuneration and Corporate Governance Committee** (as indicated in the Charter of the Nomination, Remuneration and Corporate Governance Committee in Attachment 5 published on the Company's website [https://scgceramics.com/Attachment5-12\\_2021en](https://scgceramics.com/Attachment5-12_2021en))

The Nomination, Remuneration and Corporate Governance Committee is authorized to fulfill the following duties:

#### **The Nomination**

1. Review the independence of the Board of Directors, as well as any potential conflicts of interest in the performance of its duties.

2. Review the appropriateness of retaining the directorship should there be any change in a director's qualifications.

3. Report regularly on progress and performance results to the Board of Directors after every meeting of the Nomination, Remuneration and Corporate Governance Committee.

4. Specify qualifications of any person to be nominated for directorship and lay down the director nomination process to replace the retiring director, considering diverse candidates with skills, experience and expertise useful for the Company.

5. Identify qualified candidates to replace directors retiring at the end of their terms, or whatever the case may be, and submit a list of nominees to the Board of Directors and/or Shareholders' Meeting for resolution.

6. Review and give advice to the Board of Directors on the Charters, should there be an alteration on the issues concerning the nomination of the directors, to propose for an approval to keep it up-to-date and appropriate.

7. Perform other duties as assigned by the Board of Directors.

#### **The Remuneration**

1. Propose guidelines and methods for remuneration to be paid to the Board of Directors and the Subcommittees appointed by the Board of Directors, including annual total remuneration and attendance fee.

2. Recommend the policy on Management incentive to the Company's executives. The policy includes salary and annual bonus, in line with the Company's operating results and the performance of each top executive. Whenever it deems appropriate, the Committee shall consider the hiring of consulting firms to advise on project implementation.

3. Evaluate the performance of managing directors on an annual basis so as to arrange remuneration prior to recommending to the Boards of Directors for approval.

4. Review salary increase budget, salary and remuneration change, and annual reward of top executives before presenting to the Boards of Directors for approval.

5. Review, study, and monitor changes and trends in remuneration for the Board of Directors as well as top executives regularly in order to propose to the Board of Directors for approval.

6. Consider the remuneration of the Board of Directors and top executives and compare the Company's remuneration to that of other listed companies of the same field in order to retain leadership in the markets and businesses in that industry as well as to generate motivation in developing business administration.

7. Report progress and performance results to the Board of Directors on a regular basis after every meeting of the Remuneration Committee.

8. Assess the performance of the Remuneration Committee and report the result to the Board of Directors for acknowledgement.

9. Review and propose to the Board of Directors for approval if there to be any alteration and improvisation in the Remuneration Charter so as to keep it fit for purpose and up-to-date.

10. Perform other duties as assigned by the Board of Directors.

#### Corporate Governance

1. Draw up a framework and policy on corporate governance and present to the Board of Directors.

2. Give recommendations about the Company's corporate governance guidelines, advise the Board of Directors about corporate governance relating topics, and monitor the operations of the Board of Directors and the Management to ensure that it complies with the Company's corporate governance policy.

3. Review the Company's corporate governance guidelines so that it suits business conducts and is in accordance with international standards of practice, and propose to the Board of Directors for approval in order to improve and keep it up-to-date continuously.

4. Recommend methods for performance assessment of the Board of Directors and Sub-committees, review the assessment process annually, as well as monitor and report the assessment results to the Board of Directors for improving performance efficiency and increasing knowledge and competence of the Board of Directors.

5. Report progress and performance results to the Board of Directors on a regular basis after every meeting.

6. Review and give the Board of Directors advices about the structures, roles, responsibilities, and frameworks of the Board of Directors and the Sub-committees, as well as review and propose to the Board of Directors for approval if there to be any

alteration and improvisation in the Charter of the Board of Directors and subcommittees so as to keep it fit for purpose and up-to-date.

7. Perform annual performance assessment of the Board of Directors and subcommittees by both assessment as a whole and self-assessment by each director

8. Perform other duties assigned by the Board of Directors.

To fulfill its responsibilities under the scope of authority, the Nomination, Remuneration and Corporate Governance Committee shall have authority to request the Management, head of offices or employees concerned to share opinions, to attend meeting or submit necessary documents. In addition, at the Company's expenses, the committee may seek outside consultations from independent consultants or experts in other disciplines if deemed necessary and appropriate.

#### **3. Executive Committee**

The Executive Committee comprises three directors:

1. Mr. Nithi Patarachoke Chairman
2. Mr. Surasak Kraiwitthaicharoen
3. Mr. Numpol Malichai Managing Director

#### Executive Committee's Term of Office

The term of office of directors is 3 years according to the term of office of their own Company, taking effect as of each annual general meeting until the end of the next annual general meeting. After the expiration of the term of office, the directors may be elected for office again.

#### The Authority and Duties of the Executive Committee

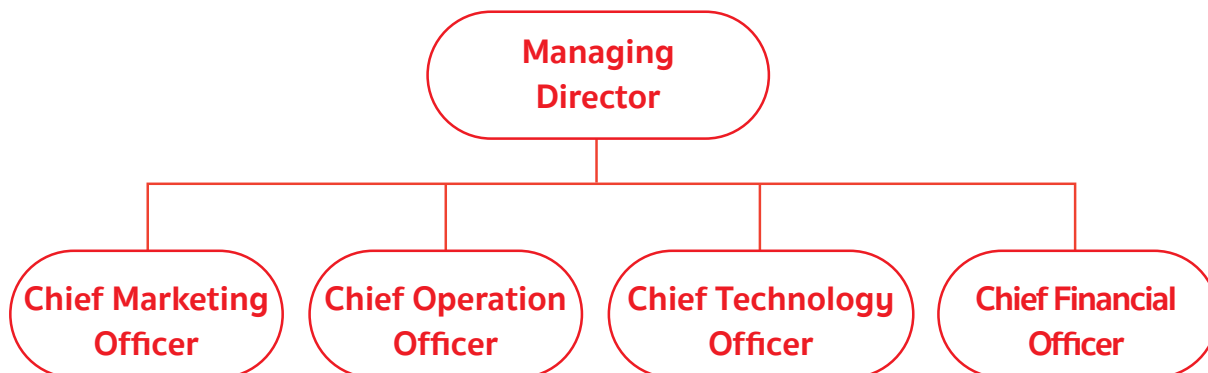
The Executive Committee has authority, duties, and responsibilities for the administration of business assigned by the Board of Directors in compliance with the Company's policies and goals. The scope of authority of directors is under laws, the Company's objectives, articles of association, approval authority, resolution of the Board of Directors, and good corporate governance guidelines.

## 7.4 Information of Executive Committees

### 1. List and position of executive committees

#### Management Structure

As of December 31, 2021



As of December 31, 2021, the Company has five executive committees as follows:

1. Mr. Numpol	Malichai	Managing Director
2. Mr. Sitichai	Sukkitprasert	Chief Marketing Officer
3. Mr. Kitiphot	Sitilertpisan	Chief Operation Officer
4. Ms. Chanthana	Limranangkun	Chief Technology Officer
5. Mrs. Voranun	Sodanin	Chief Financial Officer

\* Mr. Numpol Malichai is the Managing Director of Sosuco Ceramic Company Limited, a subsidiary of the Company.

All of the above Managing Director and Chief Officer are "executives" of the Company according to the SEC Notification Re: Determination of Definitions in Notifications Regarding Issuance and Offering of Securities.

The information, expertise, skills, and experience of executives committees appear in the profile of senior executives in Attachment 1, pages 18-19, published on the Company's website. [https://scgceramics.com/Attachment1\\_2021en](https://scgceramics.com/Attachment1_2021en)

### 2. Performance Appraisals of the Managing Director and Executives

In 2021, the Board of Directors (excluding the Managing Director) conducted a performance assessment on the Managing Director. The Nomination, Remuneration and Corporate Governance Committee then uses the results as a reference in considering salary increase and bonus of the Managing Director. The performance assessment comprises two main topics, which are Managerial Leadership in various aspects, for example, business, human resource, social and governance, and personal and professional development. In addition, the Board of Directors is obliged to propose operation guidelines to the President & CEO, so that he can develop the business and enhance the Company's performance.

### 3. Remuneration of Executives

The Company's senior management's remuneration structure is appropriately set under clear, transparent, and reasonable criteria for the business. Consisting of monthly remuneration and annual rewards based on pre-set target performance, company performance, overall business conditions, and remuneration surveys of leading companies listed on the Stock Exchange of Thailand and same industry group.

The total remuneration for the four Executives (including the Managing Director) in the form of salary, bonus, variable pay, contribution to the provident fund for the executive as employees of the Company and others amounted to 33,565,510 Baht

## 7.5 Employees

As of December 31, 2021, the Company has a total of 3,301 employees to whom has been paid compensation such as salary, overtime pay, bonuses, living allowance, social security and provident fund contributions, etc., amounting to 1,465 million baht. In addition, the subsidiary has paid compensation to employees in the same amount of 219 million baht.

Type	Number of employees (people)		Total (People)
	Company	Subsidiaries	
Office	983	26	1,009
Factory	2,318	508	2,826
<b>Total</b>	<b>3,301</b>	<b>534</b>	<b>3,835</b>

## 7.6 Other Information

**7.6.1 List of people who are directly assigned responsibilities in other key positions are as follows:**

### 1. Secretary to the Board of Directors and Company Secretary

As of May 1, 2019, the Board of Directors resolved to appoint Ms. Kanchanee Tamsuk to be the Secretary of the Board and Company Secretary to act as the Board Secretary and Company Secretary as required by law and as assigned by the Board of Directors by qualifications of the person holding the position as Company Secretary appears in the profile of the Secretary of the Board and Company Secretary in Attachment 1, pages 26-27, published on the Company's website. [https://scgceramics.com/Attachment1\\_2021en](https://scgceramics.com/Attachment1_2021en)

### 2. Person who is directly responsible for accounting supervision

The Company has assigned Mrs. Voranun Sodanin, a Chief Financial Officer, to be directly responsible for overseeing the Company's accounting. The qualifications of those who are directly responsible for accounting supervision appear in the history of those who have been assigned the highest responsibility in the accounting and finance line and who are directly responsible for the accounting supervision in Attachment 1, pages 25-26, published on the Company's website [https://scgceramics.com/Attachment1\\_2021en](https://scgceramics.com/Attachment1_2021en)

### 3. Internal Audit Supervisor

The Company assigns Mr. Pittaya Janboonmee to be the supervisor of the internal audit to take care of the internal audit of the Company. The qualifications of the person holding the position as an internal audit supervisor appear in Attachment 3, published on the Company's website. [https://scgceramics.com/Attachment3\\_2021en](https://scgceramics.com/Attachment3_2021en)

### 7.6.2 Head of Investor Relations

The Company assigns Mrs. Voranun Sodanin, a Chief Financial Officer, who has knowledge and skills in finance and investment, to be the head of the Company's investor relations to communicate with investors, institutions, retail investors, shareholders, including analysts and related government agencies, equally and fairly. If shareholders need additional information, please contact investor relations directly through the following channels.

Address: 1 Siam Cement Road, Bang Sue Subdistrict, Bang Sue District, Bangkok 10800

Telephone: 0 2586 5474

Fax: 0 2587 0162

E-mail: [cotto\\_ir@scg.com](mailto:cotto_ir@scg.com)

### 7.6.3 Auditor Remuneration

The company has paid audit fee for KPMG Phoomchai Audit Company Limited, which is the Auditor Office, as follows

Unit: Baht

<b>List</b>	<b>Audit Fee</b>
<b>SCG Ceramics Public Company Limited</b>	
Annual Financial Statement Audit Fee	1,420,000
- Separate Financial Statements	1,312,000
- Consolidated Financial Statements	108,000
Quarterly Financial Statements	615,000
- Separate Financial Statements	561,000
- Consolidated Financial Statements	54,000
<b>Total</b>	<b>2,035,000</b>
<b>Sosuco Ceramic Company Limited</b>	
Annual Financial Statement Audit Fee	337,000
<b>Total</b>	<b>337,000</b>
<b>Auditor Total Remuneration</b>	<b>2,372,000</b>

Remark: The above table includes only Audit Service, excluding Non-audit Service.



COTTO  
**AIR ION**  
กระจกฟอกอากาศ

### AIR ION, Air Purification Tiles

Due to the problem of small dust or PM2.5 dust that is higher than standard, resulting in air pollution and harm to people's health, COTTO has developed an innovative product "AIR ION Air Purifier Tiles", which is in a Health and Clean product group, to help fulfill the quality of life in the residence.

A special feature of the wear layer of the tiles which contain natural minerals, Tourmaline, is to trap PM2.5 dust that floats in the air using the method of releasing negative ions at the level of 3,000 ions/cm<sup>3</sup> to capture dust in the air and make it fall to the ground. If AIR ION is installed in at least 40% of the area, it also adds fresh air mass to the installed area all 24 hours without using electricity.

AIR ION is certified to have passed the test from ALS Laboratory Group (Thailand). Once installed, it can be used for the lifetime of the product.

## การทำงานของกระจกฟอกอากาศ How an AIR ION works?

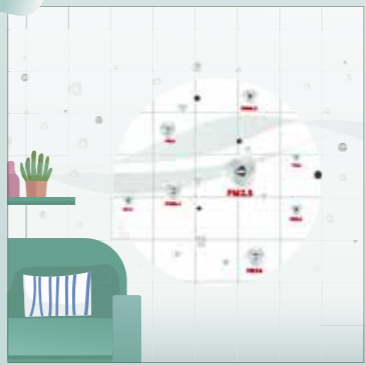
1.



กระจกฟอกอากาศ ปล่อยประจุไอออนลบ ในบริเวณพื้นที่ที่ติดตั้ง

*Air ion tile diffuses Negative ions throughout the space*

2.



ประจุไอออนลบเข้าจับอนุภาคฝุ่นละออง ในอากาศ ขนาดต่าง ๆ ได้อย่างดีเยี่ยม

*I breathe clean air!*

3.



เข้าจับ และนำฝุ่นละอองตกลงสู่พื้น

*Charged particles are attracted to the surface*

4.



ให้คุณหายใจในอากาศที่สะอาด

*I breathe clean air!*







## Report on Key Performance in Corporate Governance

### 8.1 Summary of the performance of the Board of Directors in the past year

The Board of Directors is considered the leader or the person who is the most responsible for the organization. They are responsible for conducting business and operating under good corporate governance and the framework of the company's Code of Conduct in order for the company to have good long-term performance and reliability, build confidence for shareholders and investors, as well as conduct business with fairness and responsibility to all stakeholders to enhance competitive advantages and create value for sustainable business growth.

Throughout the past, The Board of Directors has formulated and reviewed various policies, measures and practices for managing the organization in accordance with corporate governance principles in order for directors, executives and employees to use as guidelines for conducting business with responsibility, transparency and fairness, with examples of important operations as follows:

- Reviewing the implementation of the CG Code to create sustainable company value. In the review process, the results of the evaluation of each company's CG Code compliance are considered to ensure that the results and development plans are appropriate for the company's business. For matters that the company does not apply to the business context, appropriate replacement measures have also been established.

- Reviewing the Charter of the Board of Directors and of Sub-Committees to define the scope of duties in accordance with the CG Code and the changing business operations to enhance competitive advantages.

- Determining the company's privacy policy to establish rules, mechanisms,

regulatory measures, and a clear and appropriate management of personal information in the company. Respecting the privacy rights of customers, shareholders, employees of the company and other people related to the company to ensure that those people will receive full protection of their rights in accordance with the personal data protection law and communicating such issues to directors, executives and all employees to gain mutual understanding.

- Providing an “Ethics e-Testing” test for all employees regarding morality, ideology, code of conduct and anti-corruption policy of the company. All employees must pass the 100 percent criteria to promote awareness of correspondence with good corporate governance principles.

The Board of Directors has supervised to ensure that the policies established and the company's operations have sufficient mechanisms for effective implementation, as well as followed-up on performance and regularly reviewed policies and practices.

The Board of Directors has appointed the Nomination, Remuneration, and Corporate Governance Committee to oversee the corporate governance of the company, from formulating policies and guidelines, monitoring and evaluating correspondence with the corporate governance policies, as well as considering reviewing the guidelines to make them suitable for business operations and in line with corporate governance practices at both national and international levels. The matter of corporate governance is one of the main agenda items in the Board of Directors' meetings.

The Board of Directors has appointed the Audit Committee to review the efficiency and

effectiveness of the risk management process. The Risk Management Committee is responsible for determining the structure, responsible persons, policies, strategies, risk management frameworks, and risk management plans, as well as reviewing the risks and monitoring risk management throughout the organization. A risk management unit is responsible for the preparation of risk reports and risk management in the form of a risk dashboard, with an emphasis on emerging risks which is a consideration of significant and potential risks that may arise in the future. In addition, the audit committee has reviewed the results of the internal control system evaluation, both the operating system and the information technology system reported by the audit office and the auditor.

#### **8.1.1 Recruiting, Developing and Evaluating the Performance of the Board of Directors**

The recruitment, development and evaluation of the Board's performance is of paramount importance according to the company's corporate governance principles. This is because the Board of Directors is considered a key player in formulating business strategies and guidelines for sustainable growth. The company has disclosed information and details about the rules and processes regarding the selection of directors and managing directors on page 81

on the development of directors and managing directors on page 85 and on the evaluation of the performance of the Board of Directors, Sub-committee, and Managing Director on page 83

(1) Nomination of Independent Directors  
Board of Directors by recommendation of the Nomination, Remuneration and Corporate Governance Committee will cooperatively consider the qualifications of the independent director candidates by considering the qualifications and prohibited characteristics of the directors in concert with the Public Company Act, Securities Act, announcements

of the Capital Market Supervisory Board, announcement of regulations and/or related regulations. In addition, the Board of Directors will consider selecting independent directors from experts with work experience and other suitability and will then propose to the shareholders' meeting for director appointment consideration. In the case of appointing an independent director who has been in a continuous position for more than 9 years from the date of their first appointment as an independent director to hold the position, the Board will reasonably consider such necessity.

The company has directors who are qualified as independent directors as specified by the definition of the company, which is more stringent than the regulations of the Capital Market Supervisory Board, of 6 people more than the criteria of the Securities and Exchange Commission. These 6 directors don't have the authority to sign to bind the company. These directors are responsible for checking the work of the management, commenting, supporting policies that are beneficial to shareholders or opposing unfair or suspicious decisions of the company. This may affect the benefits of the shareholders of the company and various groups of stakeholders. The mentioned directors also supervise the company to determine and disclose the policy on connected transactions to ensure that the company and its shareholders receive the maximum benefit. This includes details of independent directors who hold directorships in other companies that have business relationships with the company, as well as reasons and necessity to nominate such person as a director of that company. The company disclosed information about the Board of Directors in section 7.2 under the heading of Independent Directors of the company on page 112

(2) Nomination of Directors and Executives  
Nomination, Remuneration and Corporate Governance Committee is responsible for the nomination of candidates qualified for

directors of the company to replace those who retire by rotation or under other circumstances and the proposal to the Board of Directors and/or the shareholders' meeting to consider the election of qualified candidates with diverse background and profession expertise, leadership, a breath of vision, integrity and ethics, clear and unblemished career records, as well as the ability to express opinions independently. For the recruitment of senior executives, the company aims to emphasize the appropriateness and transparency of the selection of candidates for all important management positions to confirm that the company has executives who are professional and can manage independently from major shareholders or other shareholders. The Nomination, Remuneration and Corporate Governance Committee is responsible for formulating a succession plan for the Managing Director position with the recommendation of the Executive Committee in order to propose to the Board of Directors for consideration. The company has disclosed information and details about the nomination of directors on page 81 under the Code of Conduct 3 "Strengthen the Effective Board" and information and details about the selection of Senior Executives on page 88 under the Code of Conduct 4 "Recruitment and Development of Top Executives and Personnel Management".

As for the rights of shareholders to elect directors, the company has provided a ballot individually to all shareholders to cast their votes for candidates one by one. The article 16 of the company's Articles of Association stipulates the rules as follows:

Article 16 The shareholders' meeting shall elect directors in accordance with the following rules and procedures:

(1) A shareholder shall have one vote for each share he/she holds or represents.

(2) Each shareholder must use all of his/her votes under (1) to elect one or more persons to be directors. The vote shall not be distributed.

(3) The candidates shall be ranked in descending order from the highest number of votes to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for the candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman of the meeting shall cast the deciding vote.

### **8.1.2 Meeting Attendance and Individual Board Remuneration**

#### Directors' Meeting

It is each member of the Board's duties to consistently attend the Board's meeting to stay informed of SCG's operations to make decisions. The Board holds at least four scheduled meetings per year, the schedules of which are arranged in advance every year and submitted to each director at the end of the preceding year so all the directors can arrange their schedule for the meetings. In addition, special meetings might be held to consider urgent matters.

At the meetings, the Board of Directors of the company jointly set agenda items and determine which agenda items are related to the meetings. Every individual member of the Board is entitled to propose agenda items.

The Board of Directors has established a meeting attendance policy to encourage consistent meeting attendance of directors, as well as rules and procedures for e-Meeting to be in line with technological advancements and effective management. The chairman of the board or the chairman of the meeting shall have the power to convene an e-Meeting in accordance with the Royal Decree or convene a meeting where directors are allowed to attend the meeting via electronic media or through other channels as well. The quorum shall be counted in accordance with the relevant rules.

In 2021, there were 6 meetings of the Board of Directors, which were 5 pre-scheduled meetings and 1 special meeting. 98.59% of the Board of Directors attended the meeting, including the directors who attended the

meeting and expressed their opinions via electronic media. This is compliant with the Board of Directors' meeting attendance policy and e-Meeting Rules above. All directors have a percentage of attendance of not less than 75%.

In each meeting, the company has sent documents supporting each agenda item to each director 5 business days prior to the meeting date in order to allow the directors to have enough time to study each matter.

When considering the matters presented to the Board, the Chairman of the Board as the Chairman of the meetings allocates sufficient time for the meeting and allows directors to express their opinions independently. Resolutions are passed with a majority vote, whereby one director is eligible for one vote. A director with a vested interest in the issue under consideration shall be excused and/or abstained from voting on that issue. In case of a tied vote, the Chairman of the meeting will cast his vote to reach a resolution.

SCG executives are allowed to attend the Board's meetings to provide useful information to the Board, and to learn directly about the Board's initiatives and policies for effective implementation. However, the executives are not allowed to attend the meeting for certain agenda items which are reserved only for the Board of Directors or for non-executive directors in order to ensure independence of consideration.

In addition, the Board attaches significance to managing the conflicts of interest of the concerned parties with prudence, fairness, and transparency. The information shall be fully disclosed. Any director with a vested interest in the matter under consideration must not be involved in the decision process.

After the meeting, the company secretary is responsible for preparing the minutes for all directors. The minutes must then be approved as the first agenda item of the following meeting of the Board, which is the duly signed by the Chairman. Directors may make comments, corrections, or additions to ensure maximum accuracy and completeness. After approval, minutes of the meeting are stored securely as confidential documents in the corporate secretary's office together with all the documents relating to the meeting agenda, which are backed up electronically to facilitate data searches.

In addition, the company holds a meeting between non-executive directors without the Management when necessity arises in order to discuss various significant issues and problems concerning management to allow non-executive directors to express their opinion independently as shown in the schedule of meeting attendance of the Board of Directors in 2021 held for consideration of the following agendas:

## Schedule of Meeting Attendance of Directors in 2021

Directors		Meeting Attendance (times)				
		Board of Directors	The Audit Committee	Nomination Remuneration and Corporate Governance Committee	Executive Directors	The 2021 General Meeting of Shareholders
Mr. Nithi	Patarachoke	6/6	-	3/3	6/6	1/1
Mr. Prawit	Ninsuvannakul	6/6	4/4	-	-	1/1
Mr. Boonchue	Polsingkorn	6/6	4/4	3/3	-	1/1
Mr. Lucksananoi	Punkrasamee	6/6	4/4	-	-	1/1
Mrs. Nanthasiri	Assakul	6/6	-	-	-	1/1
Mr. Damri	Tunshavong	6/6	-	2/2*	-	1/1
Mr. Chaovalit	Ekabut	6/6	-	-	-	1/1
Mr. Cherapong	Kamponpan	6/6	4/4	-	-	1/1
Mr. Surasak	Kraiwitthaicharoen	6/6	-	-	6/6	1/1
Miss Varunyu	Opanajikul	5/6	-	-	-	1/1
Mr. Arnut	Changtrakul	4/4**	-	-	-	-
Mr. Numpol	Malichai	6/6	-	-	6/6	1/1
Mr. Padung	Likitsajjakul	1/1***	-	1/1***	-	0/1
<b>The Total Number of the Meetings (times)</b>		<b>6</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>1/1</b>
<b>The Average Meeting Attendance (percent)</b>		<b>98.59</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>91.6</b>

\* Mr. Damri Tunshavong was appointed as a member of the Nomination, Remuneration and Corporate Governance Committee since March 29, 2021.

\*\* Mr. Arnut Changtrakul was appointed as a director of the company since March 29, 2021.

\*\*\* Mr. Padung Likitsajjakul retired from the position of the company's director by rotation and vacated from the Nomination, Remuneration and Corporate Governance Committee since March 29, 2021.

### The Remuneration for the Board of Directors and the Sub-committees

Article 33 of the Company's Articles of Association stipulates that directors are entitled to receive remuneration from the company in the form of money such as salaries, rewards, meeting allowances, bonuses and any other benefits or any other assets as per consideration of the shareholders' meeting. It may be defined as a fixed number or set as rules and may be prescribed from time to time or shall remain in effect until the shareholders' meeting resolves to change. Furthermore, the directors are entitled to receive allowances and welfare according to the company's regulations and received reimbursement for the expenses that had been paid due to the performance of duties of the directors. The 2021 Annual General Meeting of Shareholders held on March 29, 2021 resolved to approve the

remuneration of the Board of Directors and the Sub-committees for the year 2021, effective from April 1, 2021 until the meeting resolved to change otherwise as the following details:

#### Directors' Remunerations

1. Monthly Remuneration (no meeting allowance)
  - Chairman of the Board (1 person) receives remuneration at the rate of 45,000 baht per month.
  - Directors (11 people) receive compensation at the rate of 30,000 baht per month per month.
2. Directors' Bonus
 

Directors receive a bonus of not more than 1% of the dividends paid to shareholders. The appropriate amount of bonus is determined by the Board of Directors. The directors are eligible

to consider dividing the payment among themselves.

3. Other benefits

None

Audit Committee Remuneration (no monthly remuneration)

- Chairman of the Audit Committee receives meeting allowance according to the attendance of the meeting of 60,000 baht per time.

- Audit Committee receives meeting allowance according to the attendance of 40,000 baht per meeting.

Remuneration of the Nomination, Compensation and Corporate Governance Committee (no

monthly remuneration)

- Chairman of the Nomination, Remuneration and Corporate Governance Committee receives meeting allowance according to the attendance of the meeting of 45,000 baht per time.

- Member of the Nomination, Remuneration and Corporate Governance Committee receives meeting allowance according to the attendance of the meeting of 30,000 baht per time.

Executive Board Remuneration

Omission of Executive Committee Remuneration

The 2021 Criteria and Remuneration Rates of the Board of Directors and Sub-Committees					
Directors	Position	Monthly Fixed Fee (Baht/Person/ Month)	Meeting Allowance (Baht/Person/ Time)	Bonus	Other Benefits
The Board of Directors	Chairman	45,000	ไม่ได้กำหนด	Not more than 1% of the dividends paid to shareholders	None
(1 Chairman and 11 Directors)	Director	30,000			
The Audit Committee	Chairman	Indeterminate	60,000	Indeterminate	None
(1 Chairman and 3 Directors)	Director		40,000		
Nomination Remuneration and Corporate Governance Committee	Chairman	Indeterminate	45,000	Indeterminate	None
(1 Chairman and 2 Directors)	Director		30,000		
Executive Directors	Chairman	Refrained	Refrained	Refrained	None
(1 Chairman and 2 directors)	Director				

In this regard, the amount of remuneration for the Board of Directors and the Sub-Committees in 2021 is 7,252,632.27 baht in total, which is consistent with the criteria approved by the 2021 Annual General Meeting of Shareholders as the following details:

1. Monthly remuneration of the Board of Directors

- Chairman receives remuneration at the rate of 45,000 baht per month.

- Directors receive remuneration at the rate of 30,000 baht per month.

Total amount 4,500,000 baht

2. Bonus to the Board of Directors is drawn from the dividend payment for the year 2020 at the rate of 1% of the dividend paid to shareholders, amounting to 172,916,016 baht (at the rate of 0.029 baht per share). The Board of Directors' meeting determine the amount of the bonus and allocate the payment as assigned by the shareholders' meeting at the following rates:

- Chairman receives a bonus at the rate of 1.5 parts of the bonus paid to directors, amounting to 207,499.20 baht.

- Directors receive a bonus at the rate of 1

part of the bonus paid to directors, amounting to 1,510,133.07 baht.

The total amount is 1,717,632.27 baht. The company has paid bonuses to all directors on April 28, 2021, after the dividend payment to shareholders on April 22, 2021.

(Details of bonus payment for individual directors appear in “Summary table of directors’ remuneration in 2021” below)

3. Audit Committee Remuneration (4 independent directors for 4 meetings), amounting to 720,000 baht.

4. Remuneration of the Nomination, Remuneration and Corporate Governance Committee (3 directors for 3 meetings), amounting to 315,000 baht.

### Summary Table of Directors' Remuneration in 2021

Directors		The Board of Directors		The Audit Committee	Nomination Remuneration and Corporate Governance Committee	Executive Directors	Total (baht)
		Monthly (baht)	Bonus <sup>(1)</sup> (baht)	Meeting Allowance <sup>(2)</sup> (baht)	Meeting Allowance <sup>(2)</sup> (baht)	Meeting Allowance <sup>(2)</sup> (baht)	
Mr. Nithi	Patarachoke	540,000	207,499.20	-	90,000	๓๓๓	837,499.20
Mr. Prawit	Ninsuvannakul	360,000	138,332.80	240,000	-	-	738,332.80
Mr. Boonchue	Polsingkorn	360,000	138,332.80	160,000	120,000 <sup>(3)</sup>	-	778,332.80
Mr. Lucksananoi	Punkrasamee	360,000	126,805.07 <sup>(4)</sup>	160,000	-	-	646,805.07
Mrs. Nanthasiri	Assakul	360,000	138,332.80	-	-	-	498,332.80
Mr. Damri	Tunshevavong	360,000	69,166.40 <sup>(5)</sup>	-	60,000 <sup>(6)</sup>	-	489,166.40
Mr. Chaovalit	Ekabut	360,000	138,332.80	-	-	-	498,332.80
Mr. Cherapong	Kamponpan	360,000	138,332.80	160,000	-	-	658,332.80
Mr. Surasak	Kraiwitthaicharoen	360,000	138,332.80	-	-	๓๓๓	498,332.80
Miss Varungu	Opanajikul	360,000	138,332.80	-	-	-	498,332.80
Mr. Arnut	Changtrakul	270,000 <sup>(7)</sup>	-	-	-	-	270,000.00
Mr. Numpol	Malichai	360,000	138,332.80	-	-	๓๓๓	498,332.80
Mr. Padung	Likitsajjakul	90,000 <sup>(8)</sup>	138,332.80	-	45,000 <sup>(8)</sup>	-	273,332.80
Mr. Tatipong	Kesornkul	-	69,166.40 <sup>(9)</sup>	-	-	-	69,166.40
<b>Total (baht)</b>		<b>4,500,000</b>	<b>1,717,632.27</b>	<b>720,000</b>	<b>315,000</b>	<b>-</b>	<b>7,252,632.27</b>

(1) Bonus paid to directors according to the term of office in 2020 from dividend payment for the year 2020 to shareholders at the rate of 0.029 baht per share, or a total amount of approximately 172.9 million baht.

(2) The amount of meeting allowance of each director may include the rate which varies according to the position in the sub-committee.

(3) Total meeting allowances received from attending the meeting as the Chairman of the Nomination, Remuneration and Corporate Governance Committee 2 times as appointed as the Chairman of the Nomination, Remuneration and Corporate Governance Committee in place of Mr. Padung Likitsajjakul from March 29, 2021.

(4) Mr. Lucksananoi Punkrasamee has taken the position of the company's director since January 23, 2020.

(5) Mr. Damri Tunshevavong has taken the position of the company's director since June 29, 2020.

(6) Mr. Damri Tunshevavong was appointed as a member of the Nomination, Remuneration and Corporate Governance Committee instead of Mr. Padung Likitsajjakul since March 29, 2021.

(7) Mr. Arnut Changtrakul has taken the position of the company's director since March 29, 2021.

(8) Mr. Padung Likitsajjakul has retired from the position of the company's director by rotation as well as vacated from the Nomination, Remuneration and Corporate Governance Committee since March 29, 2021.

(9) Mr. Tatipong Kesornkul has resigned from the position of the Company's director by rotation since June 29, 2020.

### **8.1.3 Oversight of Company's Subsidiaries and Associates**

#### 1. Principle

The appointment of directors and executives of a subsidiary to oversee and manage its operation is a key governance mechanism that ensures the subsidiary complies with SCG's policy, goals, vision, medium-term business plans, and strategic growth plan efficiently. As such, the Board of Directors approved the formulation of the policy for the appointment of directors and executives to subsidiaries.

#### 2. The Policy for the Appointment of Directors and Executives to Subsidiaries

The appointment of directors and executives to a subsidiary should be carried out with due consideration to ensure that the appointed person is qualified and knowledgeable and processes work ethics, a sense of responsibility, and leadership qualities, all of which will enable them to manage a subsidiary efficiently, create long term returns and add value for shareholders, inspire confidence in all stakeholders, promote proper auditing and the system of check and balance in the subsidiary, as well as support the sustainable implementation of the company's policies in order to oversee the operation of the subsidiary to be in line with business policies set by the Board of Directors.

In addition, the mechanism of disclosure of financial information and operating results, connected transactions between subsidiaries and/or associates, and making important transactions complete and correct are jointly overseen by internal audit office, company secretary, and company management department to be compliant with rules and procedures prescribed and enforced in the Notification of the Stock Exchange of Thailand.

### **8.1.4 Monitoring for compliance with corporate governance policies and guidelines**

The Company has applied the Good Corporate Governance Principles for Listed Companies 2017 or the Corporate Governance Code (CG Code) of the Stock Exchange of Thailand (SEC) to apply to the Company's business context to create benefits and create sustainable values. The duties of the Board of Directors are set out in accordance with the CG Code in the Board of Directors' charter. In addition, there is supervision to review policies and guidelines on corporate governance annually. Moreover, the awareness of SCG's Code of Conduct of the company's employees is encouraged with the company's directors and senior executives as role models to lead to operations that are in line with the ideology of ethical business practices that will lead to the creation of true sustainable values.

Furthermore, the company has monitored for compliance with good corporate governance in 4 issues as follows:

#### **(1) Preventing Conflicts of Interest**

The Company realizes the importance of managing the conflicts of interest of related parties, namely, Board of Directors, SCG's management, and employees in a prudent, fair and transparent manner. As a consequence, The Board of Directors has established policies and measures regarding conflicts of interest as follows:

- Directors, and top executives must file a report with the company stating their and their related persons' interests in the management of the company or a subsidiary when they first take the office. They must also file a report should there be any changes in their interests and at the beginning of every year.

- The Company Secretary shall deliver a copy of such report to the Chairman and the Chairman of the Audit Committee within seven days upon the receipt of the report in compliance with the Securities and Exchange Act B.E. 2535 and to use such information for monitoring and preventing any conflict



of interests.

- The shareholding structure in jointly controlled business and other companies, as well as the name of the major shareholders are fully disclosed to ensure shareholders of transparency of the company structure with no cross-shareholding with major shareholders, preventing any conflict of interest to any particular party.

- At a Board of Directors' meeting, any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.

- In case the connected transaction requires shareholders' approval, shareholders with a vested interest must abstain from voting on such agenda item as stimulated by law and the company's regulations.

## **(2) Use of Internal Information to Seek Benefits**

The Company supervises the use of internal information by adhering to the laws, rules and regulations prescribed by the Stock Exchange of Thailand (SEC) and other government agencies, as well as strictly adhering to the Principles of Good Corporate Governance. The company also regularly monitors changes to ensure that the laws, rules and regulations that SCG adheres to are correct and to establish a guarantee for shareholders to believe in the transparency, correctness, and straightforwardness of our business operation. These actions are as detailed below:

1. Prepare various reports in accordance with the laws related to directors and high-ranking executives and report to the SEC as follows:

- 1.1 Report on the change of the company's securities holding via the SEC website when there is a purchase, sale, transfer, or acceptance of transfer of the

company's securities (form 59-2) within 3 business days from the date of the change.

- 1.2 Displaying the names of directors and high-ranking executives of securities issuing companies in the information system (form 35-E1) within 7 business days from the date of holding office.

2. Determine the policy for directors and senior executives to report their and their related persons' interests in the management of the company. The criteria and methods of reporting are as follows:

- 2.1 Report on the first time of taking office as a director or senior executives.

- 2.2 Report every time there is a change in stake or interest information.

- 2.3 Report annually at the beginning of the year.

- 2.4 In cases that a director vacated office and is continually appointed back into the office, that director does not have to submit a new report if there is no change to the stake or interest information.

- 2.5 Require Directors and senior executives submit a conflict of interest report form to the company secretary. The company secretary must send a copy of this report to the Chairman of the Board and Chairman of the Audit Committee within 7 working days from the date of receipt of the report.

3. Determine the policy for directors to disclose/report the purchase-sale/holding of SCG's ordinary shares to the Board of Directors' meeting for acknowledgment in every meeting, as well as report directors' and high-ranking executives' holding of debenture and ordinary shares of affiliated companies, including the shareholding of spouses and minor children of such persons to the Board of Directors every quarter. In addition, the disclosure of securities holdings of senior executives, both directly and indirectly (spouse or minor children of senior executives), are required by the company. Furthermore, SCG sets a policy for disclosing information on changes in securities holdings

of directors and senior executives by showing the number of shares held at the beginning of the year, at the end of the year, and traded during the year in the annual registration statement (form 56-1 One Report).

4. Prepare a report on the Board of Directors' responsibility for the financial reports and present it together with the auditor's report in the annual report.

5. Disclose of financial and non-financial information accurately, completely, and timely.

6. Disclose the roles and responsibilities of the committees and sub-committees, the number of meetings, and the number of times each director attends the meeting individually.

7. Disclose the date, month and year of appointment as a director in the annual report.

8. Disclose the method of nomination of directors and the method of evaluating the performance of the Board of Directors.

9. Disclose policy on remuneration payment to directors and high-level executives, including the kind and amount of remuneration that each director individually receives for his/her membership of sub-committees.

10. Disclose the information of each individual director on participation in director training courses organized by the Thai Institute of Directors Association (IOD).

11. Clearly disclose the operating structure.

12. Disclose audit fees and other service fees in the annual report.

13. Disclose the Memorandum of Association and the Articles of Association of the Company on the Company's website.

14. Disclose environmental and social stewardship policies and policy implementation results.

15. Disclose corporate governance policy and policy implementation results.

16. Disclose key investment projects and impact on investment projects by

disclosing information through the SETLink system of the SET and company website to provide shareholders, investors, analysts, media and related parties with accurate, thorough and transparent information.

### **(3) Preventing corruption**

The company has paid attention to the Anti-corruption Policy, which was approved by the Board of Directors, to be guidelines for business procedure and organization culture implantation, in accordance with the fourth ideology. They are as follows: embed in fairness by impartially perform duties and provide accomplice with honesty, honor, and fairness. As a result, the company was certified as "Certified Company" by Thai Private Sector Collective Action Against Corruption (CAC) on 30 September 2020. The Anti-Corruption Policy Specification can be searched on ([www.scgceramics.com](http://www.scgceramics.com)).

In 2021, The company educated Committee, Administrator, and staff to comply with the Anti-corruption Policy, in accordance with NACC Announcement. The previous procedure are as follows:

1) Organizing activities to strengthen awareness and improve Proactive and Preventive System continuously

- Holding the 7th Ethics e-testing to create an understanding of Ethics and Anti-corruption and every staff must get 100% to pass the exam. Moreover, the company has analyzed answers by selecting the frequently wrong answers to educate staff

- Implanting Responsibility & Accountability Awareness to manage risk and comply with Three Lines Model

- Educating study case of significant corruption by reflect responsibility, in accordance with Three Lines Model

2) Clarifying Anti-corruption Policy to align policy with modern-day management and evaluate oneself to improve updated version 4.0 of Anti-corruption system, in accordance with Thai Private Sector Collective Action Against Corruption (CAC)

3) Improving company's ethics guidelines for clarity and coverage, in accordance with the improved policy, guidelines, and business procedures.

4) Using Compliance Management System as a tool to compile various information: Business Law, risk assessment, duties, responsibility, Three Lines Model Management, related agencies, procedure monitoring, report verification including internal and external report. The forementioned information can prevent corruption.

5) Providing Whistleblowing system in case of any action against the law, regulation, corporate governance, and ethics

Besides, the Audit office will assess and monitor the management, and ethics and policy cooperation. Afterwards the office will inform to Audit committee in the conference. According to the 2021 conference, misconduct was not detected.

#### (4) Whistleblowing

Board of Directors have approved "Policy of protection and justice for complainants who give information or evidence relating to corruption or any action against the law, discipline, regulation, ethics, and Anti-corruption policy (Whistleblowing Policy)" to represent well-organized management that allow staff and stakeholders to report any misbehavior via any channel provided by the company. In case, they detect any action against the law enforcement, well-organized management, Anti-corruption policy and ethics. Consequently, the previous policy can establish a trusting relationship with staff and

stakeholders by ensuring that their report or evidence will not negatively affect them; being victimized or threatened. The company has allowed Internal Audit office to protect data via Whistleblowing system. Furthermore, the company has already instructed staff and outsiders on how to report via the previous system, which can always support complainants in both English and Thai comments.

Staff can complain via mobile phone, letter, e-mail, or Web Intranet. Also, they can reveal or conceal their name when reporting to these persons as follows:

- Trusted Supervisor
- Director of SCG central personnel office
- Director of SCG Audit Office

(Internal Auditor)

- SCG Board Secretary

(Company Secretary)

- Director

Outsiders can complain via [www.scgceramics.com](http://www.scgceramics.com) or send written evidence via e-mail/letter to these persons as follows:

- SCG Secretary office  
(Company Secretary)
- SCG Audit office  
(Internal Auditor)
- Independent committee
- Audit committee

In 2021, neither insiders nor outsiders have complained via the system. If any complaint messages report to the system in the future, the company will take those messages to improve and regulate new guidelines under Internal Audit office responsibility. Afterwards, they will report to Audit Committee in every meeting.

## 8.2 Audit Committee Performance Report in the previous year

### 8.2.1 Number of meetings and meeting attendance of each Audit committee

#### Audit committee meeting in 2021

Name	Meeting Attendance/Total number of meetings	
	1 January-31 December 2021	
1. Mr. Prawit Ninsuvannakul		4/4
2. Mr. Boonchue Polsingkorn		4/4
3. Mr. Cherapong Kamponpan		4/4
4. Mr. Luksananoi Puengrassamee		4/4

#### Audit Committee Performance

Audit Committee performed their duties independently, in accordance with the Audit Committee Charter, which was improved to align with today situation and approved by Board of Directors every year.

In 2021, Audit committee mainly focused on Digital Technology Application for Verification, Monitoring, Strategic Planning, Operation, and Outcome Monitoring by organizing Audit Committee meeting four times with Audit Committee participation in every time, which was considered 100% of all meetings. At the end of every year, Audit Committee will assess their work performances by divided into two categories: 1) Audit Committee Performance assessment (As a whole) and 2) Self-Assessment. According to the assessment, the results were in line with expectation. The criteria for the assessment: Structure and Qualification, Role and Responsibility, Operation and Meeting, Overall Opinion Outline, Secretary and Audit committee performances, and Audit office performance.

Moreover, in 2021, the Auditor participated in Audit committee meeting

without Administrative team involvement in order to freely discuss the significant information in making financial statements and data exposure to comply with standard and useful for users, including suspicious behavior of Committee and Administrator, in accordance with section 89/25 under the Securities and Exchange Act. According to the meeting in 2021, the committee reported that they did not detect any suspicious behavior. As a result, the financial statements creation, work performance and cash flow were significantly true and fair regarding the submission of financial statements and reliable. Also, the Auditors were independent and verifiable. In the previous year, the company appointed KPMG Phoomchai Audit Company Limited to audit company's financial statements only without other services.

The significant of operation in 2021 were as follows: the collation of Financial statements, Connected Transaction or Conflict of Interest, Risk Management, Monitoring, Internal Audit system, Internal Audit, Complaint and Evidence Verification, and Auditor Appointment and Audit Fee Consideration in 2022.

### **8.3 Performance summary of the sub-committees**

#### **8.3.1 Performance Results of the Sub-committees**

##### Assessment of the Audit Committee's Performance

In 2021, SCG arranges for an assessment and review of the performance of the Audit Committee by dividing the assessment into two types: 1) Assessment of the performance of the Audit Committee as a whole and 2) self-assessment of performance. The Audit Committee and the Board of Directors have analyzed the assessment results and drawn conclusions in order to formulate measures to improve the performance of the Audit Committee. There are 6 assessment topics grouped as follows:

1. Structure and Qualifications of the Audit Committee
2. Roles and responsibilities of the Audit Committee
3. Performance and the Audit Committee meeting
4. Summary of the overall opinion
5. Performance of the Secretary of the Audit Committee
6. Performance of the Audit Department

For the evaluation process, after the Audit Committee reviewed the assessment form, which is carried out annually, the Company Secretary will send an assessment form to all Audit Committee members. After that, the Company Secretary will summarize the results and present the evaluation results to the Board of Directors for acknowledgment in order to find measures to improve the performance of the Audit Committee further.

##### Performance assessment of the Nomination, Remuneration and Corporate Governance Committee

In 2021, the Board of Directors by recommendation of the Nomination, Remuneration and Corporate Governance Committee has approved to maintain

the performance appraisal form of the Nomination, Remuneration and Corporate Governance Committee, as well as to review the mentioned assessment form regularly at least once a year. The assessment is divided into two types similar to the performance appraisal of the Audit Committee: 1) Assessment of the Board's Performance as a whole and 2) Self-assessment Performance. The Board of Directors has analyzed the assessment results and drawn conclusions to determine measures to improve the performance of the Nomination, Remuneration and Corporate Governance Committee. The assessment consisted of 6 main topics:

1. The readiness of the directors
2. Performance of duties within the scope of duties of the Nomination, Remuneration and Corporate Governance Committee
3. Meeting
4. Preventing conflicts of interest
5. Summary of the overall opinion
6. Performance of the Secretary of the Nomination, Remuneration and Corporate Governance Committee

In addition, for the process of evaluating the performance of the Board of Directors and the Nomination, Remuneration and Corporate Governance Committee, the Nomination, Remuneration and Corporate Governance Committee will consider both the performance appraisal form of the Board of Directors, and of the Nomination, Remuneration and Corporate Governance Committee (including the Managing Director's performance evaluation form) before submitting to the Board of Directors for consideration. After that, the Board Secretary and Company Secretary will summarize the results and present the assessment results to the Board of Directors for acknowledgment. as well as to find measures to improve the performance of the Board of Directors and Sub-committees, including the Managing Director.

In this regard, for the year 2021, the performance appraisal results of the Sub-committees in all topics were higher than the specified threshold at 90 percent, which can be summarized as follows:

<b>Sub-Committees</b>	<b>Evaluation of the Performance of the Whole Committee (As a Whole) (percent)</b>	<b>Evaluation of Individual Performance (Self-assessment) (percent)</b>
1. The Audit Committee	99.50	99.58
2. The Nomination Remuneration and Corporate Governance Committee	99.00	99.00

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## Internal Control and Connected Transaction

### 9.1 Internal Control

#### Board of Directors' opinion on Company's Internal Control system

According to the first Board of Directors meeting in 2022 on 25 January 2022, the Board of Directors assessed the Internal Control System of Company and its subsidiaries relying on the Internal Control sufficiency, in accordance with the COSO 2013 (Committee of Sponsoring Organization of Treadway Commission), which consisted of five components as follows: Internal Control in organization, risk management, operation control, information system and communication, and tracking system that was already approved by Audit Committee. The Board of Director agreed that the Internal Control System of Company and its subsidiaries are sufficient and suitable. Also, significant deficiencies were not detected since both company and its subsidiaries have provided enough personnel for complying with the law, principle, policy, and ethics including practices efficiently. Furthermore, the company and its subsidiaries have already provided control and tracking system to prevent properties from being exploited by Committee or Administrator without consent or authorization, including any conflicted and related party transactions.

Training Administrative team, Manager, and Staff to be cautious and operate work by focusing on Risk Management, Operation Control, and Internal Control by providing enough personnel and selecting proper information technology system for operation in accordance with Internal Control System efficiently and effectively.

In 2021, Administrative team approved guidelines to improve tools regarding the

time-varying risk to create preventive system in business procedure and support better internal control system than the previous year. The forementioned guidelines are as follows:

#### 1. Proactive and Preventive System

The main factors that lead organization to the goal and sustainability are the fact that staff must be virtuous persons and morally perform their duties. As a means to do so, the company has generated the Proactive and Preventive System that consist of:

##### 1.1 Business Ethics Guidebook Procedure

- Reviewing and improving Business Ethics Guidebook for clarity and coverage in accordance with related policy, corporate governance at national level and international standard, and modern-day business procedure. Also, adding more examples for guidebook application to help staff in every level to understand the operation and improve their performances.

- Holding the 7th Ethics e-testing for staff in every level and the 5th e-Policy and e-Testing to implant knowledge and awareness. Also, the staff will be able to use the Virtue, Fourth Ideology, Anti-corruption Policy, Information Technology Application Guide, and e-Policy to improve their performance for the best outcome. In 2021, every staff in the company passed the exam. Besides, the company has analyzed answers by selecting the frequently wrong answers to educate them. The previous test will be revised every year regarding the time-varying risk. Apart from the ethics and Anti-corruption policy, the content includes Personal Data Protection Act (PDPA) and the Integration, Governance, Risk Management,



Operation Control, and Internal Control (Integrated GRC)

1.2 Using the Three Lines Model, which is universally recognized, as an Operational Framework for every departure. The Framework consists of Governing Body, Administrative Team, operator, and Audit Office. The First Line Administrative Team leads Three Lines Model to success in many aspects: risk management, governance, monitoring, and assessment including coordinating with internal audit office information sharing. Moreover, the company has implanted awareness in different aspects by allowing the company's first line or office to communicate with staff, organize workshop for execution. Also, the Administrative Team will closely monitor First Line and Second Line and using two-way communication to communicate with Governing Body.

1.3 Communicating "The study case of Corruption, Action against the law, Policy, Ethics and Anti-corruption Policy" including emerging risks in behavior and operation from internal and external study case with New Normal operation provided such as Cyber Attack and Online transaction in order to implant awareness and avoid those incidents.

1.4 Assessing Internal Control both in operation and information technology system to examine Internal Control system sufficiency and indicate whether the system is suitable for business procedure. Suggesting good operation guideline to generate Proactive and Preventive System for risk modification.

## **2. Integrated Governance, Risk Management, Compliance and Control-Integrated GRC**

The company processed Governance, Risk Management, and Compliance (GRC) and enhanced to universal standard (Integrated GRC) to increase efficiency and reduce operational complexity in each method from governance, strategic planning, risk

management to result. In 2021, the company improved Data Integration by revealing significant information for operation between organization with the same database in order to link business continuity that will be effective and useful to overall procedure and decision making. Also, the Chief Executive will educate every single staff to pay attention to the importance of using GRC for operation as a means to support their operation that may lead to sustainably growth of the business. Moreover, the company provided GRC Helpline Application, which was able to operate via Intranet and Mobile, as a platform that allowed staff to ask specialist about the correct operation of governance, risk management, compliance, and internal control.

## **3. Operational governance and related compliance**

The company has complied with the Compliance Policy and Guideline continuously under the Compliance Management System-CMS that is an important mechanism to create effective compliance by structuring the operator as the First Line with highly reliable work process that can prevent Compliance Risk.

Besides, the mechanism structures the regulator as the Second line that can support Management system to come into use by providing knowledge, understanding, awareness, suggestion, and control schedule to prevent Compliance Risk, including sending new information about new laws right to the operators so that they can operate immediately, in accordance with the law.

In 2021, the company not only continuously improve guidelines and checklists for developing effective compliance policy: Anti-Trust Policy, Insider Trading Policy, and Disclosure Policy, but the company also improve Business License Management System by using IT system as a tool to store, check law compliance, and

intermittently report to the risk management committee.

#### **4. Anti-corruption compliance**

The company was certified as “Certified Company” by Thai Private Sector Collective Action Against Corruption (CAC) on 30 September 2020. The company mainly focused on Transparency and fairness in business operation. In 2021, the company clarified Anti-corruption Policy to align policy with modern-day management and evaluated oneself to improve updated version 4.0 of Anti-corruption system. Also, every staff was trained to comply with the rules and the Internal Audit Office created Anti-corruption Compliance Checklist as an audit guideline to evaluate corruption risk and Internal Control efficiency for building administrative team’s confidence.

#### **5. Information Technology Management, Data Security, and Communication Network**

5.1 Since the company’s information technology in modern day is a high and complex technology, the company must have SCG IT Governance Team that comprised of IT agent who develops policy and regulation of information technology and communication (e-Policy) relating to the ISO/IEC 27001 in order to align every staff with the policy. In 2021, the company enhanced the previous policy by adding two significant rules as follows:

- Providing standard/procedure/additional operating guidelines in three aspects: IoT Security, Social Media Application guidelines and online communication tools.
- Reviewing and improving two new policies: Mobile device and Bring Your Own Device Policy (BYOD) and System Access Control Policy regarding to the previous policy in 2020 in order to cope with the COVID-19 pandemic and operation during work-from-home period.

5.2 Publishing documents of Internal control audit/security guidelines: Audit guideline of the company’s main ERP system, IoT

security, Web Application Security, Cloud Development, and Data Governance.

5.3 Assessing internal control in information security aspect relating to the ISO27001 in order to examine Internal Control system sufficiency and indicate whether the system is suitable for business procedure. Suggesting good operation guideline to generate Proactive and Preventive System for risk modification.

5.4 Reviewing and modifying audit strategy, in accordance with the COVID-19 incident and the risk during New Normal period by using Machine Learning (ML), Robotics Process Automation (RPA), and Data Analytics (DA) for highly effective risk analysis.

#### **6. Improving and promoting Data Analytics for business**

The company provides various information system to detect anomalies rapidly and promptly. The internal audit office creates report for every department in company using data analytics as a tool for analyzing, monitoring, editing anomalies, and defining prevention by analyzing data and displaying a plot for output. Consequently, the user can analyze output easier, faster with higher efficiency. In order to do so, the company has promoted and improved knowledge in some aspect: Digital Technology and Coding. Moreover, the company has raised awareness for auditors to adapt themselves to the digital world through training, operational seminar, and other activities such as Data Analytics Hackathon, which is organized for the third year, has allowed the auditors to propose their project under the digital technology application in auditing.

#### **7. Whistleblowing system**

The Board of Directors have approved Policy of protection and justice for complainant relating to corruption or any action against the law, discipline, regulation, and ethics. The company have also improved the Whistleblowing Policy that allow staff and

external stakeholders to access to the system anytime. Also, staff can report any actions against Corporate governance, Ethics guidebook, governance, principle, regulation, law, and anti-corruption policy, including verbal and written misconduct. The staff can report via Web Intranet and the external stakeholders can report via [www.scgceramics.com](http://www.scgceramics.com) in both Thai and English comments or via e-mail, letter, and mobile phone since the company has clearly defined the operation method when receiving reports. The operation method are as follows: gathering evidence without revelation, appointing investigation team for factual investigation, appointing investigative committee, analyzing penalty approval, including result report. Besides, the whistleblowing system is literally protected by the internal audit office. Moreover, the complainants can follow their result via this system. This whistleblowing system can truthfully and sustainably support business procedure. Furthermore, the system security will provide double password protection and separate server from other usage to preserve security and prevent data leakage.

#### **Internal Control Monitoring**

In 2021, the Internal Audit Office has operated four projects relating to the risk-based internal audit that the audit committee has approved the plan on 10 November 2020. The internal audit office is responsible for internal control system assessment and detected issue improvement, including monitoring the internal system. The company and its subsidiaries have already provided control and tracking system to prevent properties from being exploited by Committee or Administrator without consent or authorization, including any conflicted and related party transactions. Afterwards, the internal audit office will pose the issue

for the audit committee's approval before reporting to the board of directors quarterly.

According to the result in 2021, significant deficiencies of internal control system were not detected, and the internal audit office have already improved internal control, in accordance with the detected issue. Also, the administrative team have already improved, in accordance with the suggestion within specified period. Besides, KPMG Phoomchai Audit Company Limited, the auditor of the company, reported that any significant deficiencies were not detected.

#### **Audit Committee opinion**

The internal auditor has submitted the issue for audit committee's opinion in different topics: the well-organized governance, risk management, operation, and internal control in 2021 according to the attachment 6 Audit committee report

#### **Internal auditor**

The audit committee has approved of promoting Mr. Pitaya JanBoonmee as the internal auditor that is directly responsible for internal auditing, publishing report and suggestion for the administrative team to improve in accordance with the company's internal plan and policy.

The audit committee has analyzed his qualification and ensured that he is suitable for the internal auditor promotion regarding the qualification, education degree, work experience, and training attendance. The forementioned aspects can prove that he is qualified. Also, the company have summarized his qualification, education degree, and working experience in attachment 3.

Moreover, the consideration, approval, promotion, dismissal, and relocation his position must be approved by the audit committee.

**9.2 Connected Transaction**

The Board of Directors emphasizes the consideration of approval for connected transactions or related transactions in agreement with Securities and Exchange Act (No.4) B.E. 2551 section 89/12, then resolves unanimously to approve the principles of transactions which are commercial terms with general trading conditions in consequence as follows:

1. A director, an executive or a future related person may enter any transaction with the company. The management has the authority to approve a transaction in case the transaction with the same commercial terms as those an ordinary person would agree with any unrelated counterparty under the circumstances, on the basis of the commercial negotiation and without any dependent interest resulted from the status of the director, executive or related person, as well as the management shall prescribe trading conditions in accordance with general trading terms to ensure the Company of the highest profit.

2.The management of the company shall prepare an up-to-date report regarding any transaction in an amount exceeding 3 percent of net assets of the Company in compliance with the financial statement which is reviewed and re-examined by the appointed auditor and shall report to the Board of Directors in every quarter.

The Board of Directors shall arrange the approval procedures for connected transactions or related transactions which are under ethical framework through the consideration of the audit committee and in consideration of the benefits of the Company and the shareholders, as well as monitor the procedures in compliance with a guideline from the Capital Market Supervisory Board, the Securities Exchange of Thailand, along with the consideration for disclosing information of connected

transaction or related transaction to public for its accuracy and completion.

Connected Transaction and Related Transaction shall be bounded fairly in accordance with the market price and general trade in consideration of the company’s highest profit which arranges the price policy for each statement as follows:

Pricing Policy	
Purchase	Market Price
Service Fee	Market Price
Sales Revenue	Market Price
Other Revenue	Market Price
Dividend Income	Regarding the amount announced

**Connected Transaction Tendency**

Connected Transaction of the company in the future is a regular commercial process under the same policy as previous year regarding the market price mechanism without any transfer of interest in accordance with the announcement of the capital market supervisory board about connected transaction and the announcement of the securities and exchange commission of Thailand about data revelation, listed company procedure on connected transaction, including the law and regulations.

**Transaction Details**

The company enters into a connected transaction with the listed companies and subsidiaries through a general business transaction which the company has evaluated trading price and service expense in accordance with the market determinant. Consolidated Financial Statement information for the annual period ended on 31 December 2021, 31 December 2020 and 31 December 2019 proved by an auditor which the company and its subsidiaries proceed the connected transactions with an individual who may have a potential conflict, is as follows:

**Connected Transaction between SCG Ceramics Public Company and its subsidiaries, and businesses or persons that may cause conflicts.**

Type of Transaction	Connected Companies / Relationship	Transactions Value (Thousand Bath)			Necessity and Validity of Transaction
		2021	2020	2019	
<b>1. Ultimate Parent Company</b>					
Service Expenses	The Siam Cement Public Company Limited	83,170	91,315	104,791	Market Price and Trading Conditions Equated with Outside Entities
<b>2. Parent Company</b>					
Service Expenses	Cementhai Ceramics Company Limited	26,584	48,746	42,848	Market Price and Trading Conditions Equated with Outside Entities
Other Income		6,642	10,495	13,741	
<b>3. SCG's Subsidiaries</b>					
Revervue Form	SCG Home Retail Co., Ltd.	225,256	-	-	Market Price and
Sales and	Cementhai Gypsum Co., Ltd	196,480	-	-	Trading Conditions
Rendering of	Mariwasa-Siam Ceramics, Inc	109,388	77,086	24,822	Equated with
Services	Siam Fibre Cement Group Co., Ltd.	76,692	4,099	7	Outside Entities
	SCG Distribution Co., Ltd.	73,498	67,356	14,406	
	PT Kokoh Inti Arebama Tbk	49,689	18,649	3,845	
	Siam Sanitary Fitting Co., Ltd.	24,808	-	-	
	Quality Construction Public Co., Ltd.	23,797	2,388	-	
	SCG Paper Energy Co., Ltd.	17,936	30,537	-	
	Siam Fiberglass Co., Ltd.	12,722	-	-	
	SCG-Sekisui Sales Co., Ltd.	11,153	16,145	11,300	
	SCG-Boonthavorn (Cambodia) Co., Ltd.	7,357	-	-	
	SCG Cement-Building Material Co., Ltd.	5,683	14,590	9,242	
	Siam Sanitary Ware Industry Co., Ltd.	4,920	3,250	4,021	
	Siam Sanitary Ware Industry (Nong Khae) Co., Ltd.	2,861	-	-	
	Thai Containers Group Co., Ltd.	92	11,254	5	
	Nawa Plastic Industries Co., Ltd.	54	4,357	-	
SCG Living and Housing Solution Co., Ltd.	-	-	5,266		
Other Income	SCG Roofing Co., Ltd.	4,703	2,008	1,718	Market Price and
	SCG Logistics Management Co., Ltd.	3,076	713	302	Trading Conditions
	Siam Sanitary Ware Industry Co., Ltd.	2,685	2,494	5,423	Equated with
	Mariwasa-Siam Ceramics, Inc	1,421	3,461	13,947	Outside Entities
	Eco Plant Services Co., Ltd.	-	2,844	41	
	The Siam Fibre-Cement Co., Ltd.	-	-	4,861	
	SCG Cement Co., Ltd.	69	224	4,414	
SCG Cement-Building Material Co., Ltd.	646	331	3,487		

Type of Transaction	Connected Companies / Relationship	Transactions Value (Thousand Bath)			Necessity and Validity of Transaction	
		2021	2020	2019		
Purchases	SCG International Hongkong Limited	984,159	229,394	-	Market Price and	
	SCG Trading Middle East Dmcc	234,383	63,402	-	Trading Conditions	
	Prime Trading, Import and Export One Member Limited Liability Company	170,958	-	-	Equated with Outside Entities	
	Thai Containers Group Co., Ltd.	114,047	105,733	113,144		
	SCG International India Private Limited	33,328	1,512	-		
	Siam Sanitary Ware Industry Co., Ltd.	23,304	14,374	6,213		
	SCG Distribution Co., Ltd.	13,185	4,741	-		
	SCG Cement Co., Ltd.	12,882	15,994	31,574		
	The Siam Fibre-Cement Co., Ltd.	12,240	3,342	9		
	The Siam Cement (Kaeng Khoi) Co., Ltd.	11,006	11,620	12,758		
	SCG International China (Guangzhou) Co., Ltd	5,709	11,013	10,001		
	Prime International Import - Export and Service Trading Company Limited	5,379	98,601	167,149		
	SCG International Corporation Co., Ltd.	2,714	-	-		
	Siam Fibreglass Co., Ltd.	2,616	72	523		
	SCG Cement-Building Material Co., Ltd.	152	4,287	4,816		
	PT Keramika Indonesia Assosiasi, Tbk.	-	2,159	71,059		
	Prime Group Joint Stock Company	-	-	16,186		
	The Siam Cement (Ta Luang) Co., Ltd.	-	-	14,926		
	Service Expenses	SCG Logistics Management Co., Ltd.	548,180	239,178	229,906	Market Price and
		SCG Cement-Building Material Co., Ltd.	60,706	62,553	43,936	Trading Conditions
SCG Experience Co., Ltd.		17,698	16,646	14,450	Equated with	
Siam Fibre Cement Group Co., Ltd.		5,411	-	-	Outside Entities	
Myanmar CBM Services Co., Ltd.		4,792	8,595	37		
SCG Distribution Co., Ltd.		4,550	883	-		
SCG Legel Counsel Co., Ltd.		3,392	4,495	3,799		
SCG Building Materials Co., Ltd.		230	870	3,050		
Siam Sanitary Ware Industry Co., Ltd.		149	643	2,874		
<b>4. SCG's Associate Companies</b>						
Revervue Form	Siam Global House PCL.	262,488	160,959	560,832	Market Price and	
Sales and	Siam Kubota CO., Ltd.	16,421	-	-	Trading Conditions	
Rendering of	Noritake SCG Plaster Co., Ltd.	14,202	-	-	Equated with	
Services	Sekisui-SCG Industry Co., Ltd.	1,823	4,001	9,791	Outside Entities	
Purchases	Noritake SCG Plaster Co., Ltd.	30,753	29,343	27,641		
Service Expenses	IT One Co., Ltd.	19,290	16,798	19,678		
	Siam Global House PCL.	3,368	2,586	971		

Type of Transaction	Connected Companies / Relationship	Transactions Value (Thousand Bath)			Necessity and Validity of Transaction
		2021	2020	2019	
5. Other Companies with SCG Ceramics's executives as boards director					
Revenue Form	Opanayikul Co., Ltd.	5,713	25,683	53,389	Market Price and Trading Conditions Equated with Outside Entities
Sales and Rendering of Services	Miss Varunyu Opanayikul				
6. Other Companies with common director or major shareholder as SCG Ceramics					
Other Income	The Deves Insurance PCL.	1,301	437	4,806	Market Price and Trading Conditions
	Siam Sindtorn Co., Ltd.	204	-	-	
Service Expenses	The Deves Insurance PCL.	16,454	15,969	5,746	Equated with Outside Entities
Interest Received	Siam Commercial Bank PCL.	357	634	665	Interest Rate
Interest Paid off	Siam Commercial Bank PCL.	-	-	-	Under the Agreed Contractual
Service Expenses	Siam Commercial Bank PCL.	4,550	1,485	1,288	Fees Under the Agreed Contractua
	Bangkok Bank PCL.	258	-	-	
Deposit Accepted (31 Dec 2021)	Siam Commercial Bank PCL.	73,949	67,585	272,044	Fees Under the Agreed Contractua
	Bangkok Bank PCL.	2,508	-	-	
Hedging Contract (31 Dec 2021)	Siam Commercial Bank PCL.	546,019	279,367	320,280	Fees Under the Agreed Contractual
	- Foreign Currency Acquisition contract	384,818	177,326	234,426	
	- Foreign Currency Retail contract	161,201	102,041	85,854	



## 10 Report on the Board of Directors' Responsibilities for Financial Statements in 2021

The Board of Directors is responsible for the financial statements of the SCG Ceramics Public Company Limited and its subsidiaries, which have been prepared in accordance with the financial reporting standard under the Accounting Act, B.E. 2543, and the regulations of the Securities and Exchange Commission regarding the preparation and submission of financial statement under the Securities and Exchange Act, B.E. 2535. The accounting policies are deemed appropriate and consistently upheld by the Board of Directors. Additionally, important information is disclosed sufficiently in the footnotes to financial statements which are reassessed and audited by the company's auditors whose opinions on the financial statements are unconditionally provided in the auditors' report.

The Board of Directors is responsible for overseeing and improving corporate governance, Code of Conduct, and Anti-Corruption Policy, as well as organizing and maintaining risk management system and internal control to ensure an accurate, comprehensive, and punctual recording of accounting information which is adequate for safeguarding the company's assets against corruption and significant irregular operations. The Board of Directors has appointed Audit Committee which comprises of independent committees to oversee financial statements as well as to evaluate and ensure the effectiveness and efficiency of the internal control and internal audit system. The views of Audit Committee as appearing in the Audit Committee's Report are presented in this annual report.

The Board of Directors believes that the internal control system and the internal audit of the company will ensure that the financial statements of SCG Ceramics Public Company Limited and its subsidiaries present the appropriate financial status, operational outcomes, and cash flows in accordance with the essence of financial reporting standards.

**Nithi Patarachoke**

President & CEO

**Nampon Malichai**

Managing Director





## งบการเงินและข้อมูลทางการเงินที่สำคัญ

### Independent auditor's report

#### To the Board of Directors of SCG Ceramics Public Company Limited

I have audited the consolidated financial statements of SCG Ceramics Public Company Limited and its subsidiary (the “Group”) and separate financial statements of SCG Ceramics Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2021; the consolidated and separate income statement and statement of comprehensive income; the consolidated and separate statements of changes in shareholders’ equity and cash flows for the year then ended and condensed notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, as at 31 December 2021, their consolidated financial performance and cash flows and the separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matter*

Key audit matter is the matter that, in my professional judgment, was of most significance in my audit of the consolidated and separate financial statements of the current period. The matter was addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of inventories	
Refer to Notes 3 and 7 to the financial statements.	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
I focused on this area because inventories account is a significant balance and the Group's and the Company's market is high price competition and there are some long-outstanding finished goods which may not be sold at the expected selling price. The Group's and the Company's accounting policy is to set-up allowance for decline in value of inventories at the lower of their cost and net realizable value and review the allowance for decline in value of inventories. Such reviews require high judgment of management level.	My audit procedures included inquiring the management who is responsible for this to obtain the Group's and the Company's policy in relation to provisioning of inventory. I review the compliance with the Group's and the Company's policy and randomly test provision of inventories whether it is in accordance with the Group's and the Company's policy. In addition, my procedures included testing calculation of allowance for decline in value of inventory by comparing the cost of inventories against expected net realizable value from the selling price less selling expense.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon.

My opinion on the consolidated and separate financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Vairoj Jindamaneepitak)  
Certified Public Accountant  
Registration No. 3565

KPMG Phoomchai Audit Ltd.  
Bangkok  
14 February 2022

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of financial position

As at 31 December 2021

Assets	Note	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
<i>(in thousand Baht)</i>					
<b>Current assets</b>					
Cash and cash equivalents	5	1,323,902	731,232	826,460	370,763
Trade and other current receivables	4, 6	1,348,127	1,103,839	1,348,198	1,103,175
Inventories	7	2,770,613	2,628,830	2,545,596	2,419,908
Land development for sale		429,701	486,406	429,701	486,406
<b>Total current assets</b>		<b>5,872,343</b>	<b>4,950,307</b>	<b>5,149,955</b>	<b>4,380,252</b>
<b>Non-current assets</b>					
Long-term investment in other company		16,605	16,605	16,605	16,605
Investment in subsidiary	8	-	-	1,333,935	1,333,935
Other non-current receivables		91,960	109,644	91,960	109,644
Investment property	9	400,945	401,997	398,732	399,785
Property, plant and equipment	10	4,825,227	5,071,246	4,392,608	4,600,062
Goodwill		25,350	25,350	-	-
Other intangible assets	12	83,990	101,373	82,891	101,037
Deferred tax assets	13	189,195	212,916	165,300	185,848
Other non-current assets		15,763	23,097	15,763	23,097
<b>Total non-current assets</b>		<b>5,649,035</b>	<b>5,962,228</b>	<b>6,497,794</b>	<b>6,770,013</b>
<b>Total assets</b>		<b>11,521,378</b>	<b>10,912,535</b>	<b>11,647,749</b>	<b>11,150,265</b>

The accompanying notes are an integral part of these financial statements.

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of financial position

As at 31 December 2021

Liabilities and shareholders' equity	Note	Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<b>Current liabilities</b>					
Trade and other current payables	4, 16	1,487,241	1,231,937	1,498,267	1,299,515
Current portion of lease liabilities	15	57,820	75,029	56,635	67,723
Corporate income tax payable		25,076	46,976	17,963	38,302
Current provisions					
for employee benefits		27,443	90,370	23,996	69,192
<b>Total current liabilities</b>		<b>1,597,580</b>	<b>1,444,312</b>	<b>1,596,861</b>	<b>1,474,732</b>
<b>Non-current liabilities</b>					
Lease liabilities	15	91,142	64,535	89,539	49,140
Non-current provisions					
for employee benefits	17	566,232	578,622	496,212	501,611
Other non-current provisions		10,640	12,442	2,820	3,694
Other non-current liabilities		5,227	654	5,227	654
<b>Total non-current liabilities</b>		<b>673,241</b>	<b>656,253</b>	<b>593,798</b>	<b>555,099</b>
<b>Total liabilities</b>		<b>2,270,821</b>	<b>2,100,565</b>	<b>2,190,659</b>	<b>2,029,831</b>

The accompanying notes are an integral part of these financial statements.

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of financial position

As at 31 December 2021

Liabilities and shareholders' equity	Note	Consolidated		Separate	
		financial statements	financial statements	financial statements	financial statements
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<b>Shareholders' equity</b>					
Share capital					
<i>Authorized share capital</i>					
		<i>(5,962,621 thousand ordinary shares,</i>			
		<i>par value at Baht 1 per share)</i>			
		<b>5,962,621</b>	<b>5,962,621</b>	<b>5,962,621</b>	<b>5,962,621</b>
<i>Issued and paid share capital</i>					
		<i>(5,962,621 thousand ordinary shares,</i>			
		<i>par value at Baht 1 per share)</i>			
		5,962,621	5,962,621	5,962,621	5,962,621
Share premium on ordinary shares	18	1,133,594	1,133,594	1,133,594	1,133,594
Other surpluses	18	211,060	211,060	274,225	274,225
Retained earnings					
<i>Appropriated</i>					
		<i>Legal reserve</i>			
	18	267,056	242,610	267,056	242,610
		<i>Unappropriated</i>			
		1,720,083	1,305,942	1,819,594	1,507,384
Other components of shareholders' equity		(43,857)	(43,857)	-	-
<b>Total shareholders' equity</b>		<b>9,250,557</b>	<b>8,811,970</b>	<b>9,457,090</b>	<b>9,120,434</b>
<b>Total liabilities and shareholders' equity</b>		<b>11,521,378</b>	<b>10,912,535</b>	<b>11,647,749</b>	<b>11,150,265</b>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Income statement

For the year ended 31 December 2021

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
Revenue from sales and rendering of services	4	11,063,430	10,194,023	11,063,484	10,193,823
Revenue from sales of land		130,680	-	130,680	-
Cost of sales and rendering of services	4, 7	(8,019,632)	(7,263,713)	(8,389,915)	(7,581,693)
Cost of sales of land		(57,450)	-	(57,450)	-
<b>Gross profit</b>		<b>3,117,028</b>	<b>2,930,310</b>	<b>2,746,799</b>	<b>2,612,130</b>
Other income	4	82,032	69,944	92,149	273,671
<b>Profit before expenses</b>		<b>3,199,060</b>	<b>3,000,254</b>	<b>2,838,948</b>	<b>2,885,801</b>
Distribution costs	20	(1,831,800)	(1,688,467)	(1,661,668)	(1,533,647)
Administrative expenses	21	(633,367)	(784,433)	(561,903)	(694,468)
<b>Total expenses</b>		<b>(2,465,167)</b>	<b>(2,472,900)</b>	<b>(2,223,571)</b>	<b>(2,228,115)</b>
<b>Profit from operations</b>		<b>733,893</b>	<b>527,354</b>	<b>615,377</b>	<b>657,686</b>
Finance costs		(3,513)	(7,403)	(3,174)	(6,567)
<b>Profit before income tax</b>		<b>730,380</b>	<b>519,951</b>	<b>612,203</b>	<b>651,119</b>
Tax expense	23	(146,776)	(95,643)	(123,277)	(84,206)
<b>Profit for the year</b>		<b>583,604</b>	<b>424,308</b>	<b>488,926</b>	<b>566,913</b>
Profit attributable to					
<b>Owners of the parent</b>		<b>583,604</b>	<b>420,190</b>	<b>488,926</b>	<b>566,913</b>
Non-controlling interests		-	4,118	-	-
		<u>583,604</u>	<u>424,308</u>	<u>488,926</u>	<u>566,913</u>
<b>Basic earnings per share (in Baht)</b>					
<b>Attributable to owners of the parent</b>		<b>0.10</b>	<b>0.07</b>	<b>0.08</b>	<b>0.10</b>

The accompanying notes are an integral part of these financial statements.



**SCG Ceramics Public Company Limited and its Subsidiary**

**Statement of comprehensive income**

**For the year ended 31 December 2021**

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<b>Profit for the year</b>		<b>583,604</b>	<b>424,308</b>	<b>488,926</b>	<b>566,913</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gain on remeasurements of defined benefit plans	17	34,874	6,304	25,807	3,707
Income tax relating to items that will not be reclassified subsequently to profit or loss	23	(6,975)	(1,261)	(5,161)	(741)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>27,899</b>	<b>5,043</b>	<b>20,646</b>	<b>2,966</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>27,899</b>	<b>5,043</b>	<b>20,646</b>	<b>2,966</b>
<b>Total comprehensive income for the year</b>		<b>611,503</b>	<b>429,351</b>	<b>509,572</b>	<b>569,879</b>
Total comprehensive income attributable to					
<b>Owners of the parent</b>		<b>611,503</b>	<b>425,233</b>	<b>509,572</b>	<b>569,879</b>
Non-controlling interests		-	4,118	-	-
		<u>611,503</u>	<u>429,351</u>	<u>509,572</u>	<u>569,879</u>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of changes in shareholders' equity

For the year ended 31 December 2021

Consolidated financial statements											
<i>Other components of shareholders' equity</i>											
	Note	Issued and paid share capital	Share premium on ordinary shares	Other surpluses	<i>Retained earnings</i>		Changes in other components from shareholders	Total other components of shareholders' equity	Total equity attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
					Appropriated Legal reserve	Unappropriated					
<i>(in thousand Baht)</i>											
<b>Balance at 1 January 2020</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>211,060</b>	<b>214,264</b>	<b>980,607</b>	-	-	<b>8,502,146</b>	<b>527,041</b>	<b>9,029,187</b>
<b>Transactions with owners, recorded directly in shareholders' equity</b>											
<i>Contributions by and distributions to owners of the parent</i>											
Dividends	25	-	-	-	-	(71,552)	-	-	(71,552)	-	(71,552)
<b>Total contributions by and distributions to owners of the parent</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71,552)</b>	<b>-</b>	<b>-</b>	<b>(71,552)</b>	<b>-</b>	<b>(71,552)</b>
<i>Changes in ownership interests in subsidiary</i>											
Changes that do not result in a loss of control		-	-	-	-	-	(43,857)	(43,857)	(43,857)	(531,159)	(575,016)
<b>Total changes in ownership interests in subsidiary</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>(531,159)</b>	<b>(575,016)</b>
<b>Total transactions with owners, recorded directly in shareholders' equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71,552)</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>(115,409)</b>	<b>(531,159)</b>	<b>(646,568)</b>
<b>Comprehensive income for the year</b>											
Profit or loss		-	-	-	-	420,190	-	-	420,190	4,118	424,308
Other comprehensive income		-	-	-	-	5,043	-	-	5,043	-	5,043
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>425,233</b>	<b>-</b>	<b>-</b>	<b>425,233</b>	<b>4,118</b>	<b>429,351</b>
Transfer to legal reserve	18	-	-	-	28,346	(28,346)	-	-	-	-	-
<b>Balance at 31 December 2020</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>211,060</b>	<b>242,610</b>	<b>1,305,942</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>8,811,970</b>	<b>-</b>	<b>8,811,970</b>

The accompanying notes are an integral part of these financial statements.

**SCG Ceramics Public Company Limited and its Subsidiary**

**Statement of changes in shareholders' equity**

For the year ended 31 December 2021

<b>Consolidated financial statements</b>										
<i>Other components of shareholders' equity</i>										
	<i>Note</i>	Issued and paid share capital	Share premium on ordinary shares	Other surpluses	<u>Retained earnings</u>		Changes in other components from shareholders	Total other components of shareholders' equity	Total equity attributable to owners of the parent	Total shareholders' equity
					Appropriated Legal reserve	Unappropriated				
<i>(in thousand Baht)</i>										
<b>Balance at 1 January 2021</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>211,060</b>	<b>242,610</b>	<b>1,305,942</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>8,811,970</b>	<b>8,811,970</b>
<b>Transactions with owners, recorded directly in shareholders' equity</b>										
<i>Contributions by and distributions to owners of the parent</i>										
Dividends	25	-	-	-	-	(172,916)	-	-	(172,916)	(172,916)
<b>Total contributions by and distributions to owners of the parent</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(172,916)</b>	<b>-</b>	<b>-</b>	<b>(172,916)</b>	<b>(172,916)</b>
<b>Total transactions with owners, recorded directly in shareholders' equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(172,916)</b>	<b>-</b>	<b>-</b>	<b>(172,916)</b>	<b>(172,916)</b>
<b>Comprehensive income for the year</b>										
Profit or loss		-	-	-	-	583,604	-	-	583,604	583,604
Other comprehensive income		-	-	-	-	27,899	-	-	27,899	27,899
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>611,503</b>	<b>-</b>	<b>-</b>	<b>611,503</b>	<b>611,503</b>
Transfer to legal reserve	18	-	-	-	24,446	(24,446)	-	-	-	-
<b>Balance at 31 December 2021</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>211,060</b>	<b>267,056</b>	<b>1,720,083</b>	<b>(43,857)</b>	<b>(43,857)</b>	<b>9,250,557</b>	<b>9,250,557</b>

The accompanying notes are an integral part of these financial statements.

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of changes in shareholders' equity

For the year ended 31 December 2021

	Note	Separate financial statements					Total shareholders' equity
		Issued and paid share capital	Share premium on ordinary shares	Other surpluses	Retained earnings		
					Appropriated Legal reserve	Unappropriated	
<i>(in thousand Baht)</i>							
<b>Balance at 1 January 2020</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>274,225</b>	<b>214,264</b>	<b>1,037,403</b>	<b>8,622,107</b>
<b>Transactions with owners, recorded directly in shareholders' equity</b>							
<i>Contributions by and distributions to owners of the parent</i>							
Dividends	25	-	-	-	-	(71,552)	(71,552)
<i>Total contributions by and distributions to owners of the parent</i>		-	-	-	-	(71,552)	(71,552)
<b>Total transactions with owners, recorded directly in shareholders' equity</b>		-	-	-	-	(71,552)	(71,552)
<b>Comprehensive income for the year</b>							
Profit or loss		-	-	-	-	566,913	566,913
Other comprehensive income		-	-	-	-	2,966	2,966
<b>Total comprehensive income for the year</b>		-	-	-	-	<b>569,879</b>	<b>569,879</b>
Transfer to legal reserve	18	-	-	-	28,346	(28,346)	-
<b>Balance at 31 December 2020</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>274,225</b>	<b>242,610</b>	<b>1,507,384</b>	<b>9,120,434</b>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of changes in shareholders' equity

For the year ended 31 December 2021

	Note	Separate financial statements					Total shareholders' equity
		Issued and paid share capital	Share premium on ordinary shares	Other surpluses	Retained earnings		
					Appropriated Legal reserve	Unappropriated	
<i>(in thousand Baht)</i>							
<b>Balance at 1 January 2021</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>274,225</b>	<b>242,610</b>	<b>1,507,384</b>	<b>9,120,434</b>
<b>Transactions with owners, recorded directly in shareholders' equity</b>							
<i>Contributions by and distributions to owners of the parent</i>							
Dividends	25	-	-	-	-	(172,916)	(172,916)
<i>Total contributions by and distributions to owners of the parent</i>		-	-	-	-	<b>(172,916)</b>	<b>(172,916)</b>
<b>Total transactions with owners, recorded directly in shareholders' equity</b>		-	-	-	-	<b>(172,916)</b>	<b>(172,916)</b>
<b>Comprehensive income for the year</b>							
Profit or loss		-	-	-	-	488,926	488,926
Other comprehensive income		-	-	-	-	20,646	20,646
<b>Total comprehensive income for the year</b>		-	-	-	-	<b>509,572</b>	<b>509,572</b>
Transfer to legal reserve	18	-	-	-	24,446	(24,446)	-
<b>Balance at 31 December 2021</b>		<b>5,962,621</b>	<b>1,133,594</b>	<b>274,225</b>	<b>267,056</b>	<b>1,819,594</b>	<b>9,457,090</b>

The accompanying notes are an integral part of these financial statements.

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of cash flows

For the year ended 31 December 2021

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<b><i>Cash flows from operating activities</i></b>				
Profit for the year	583,604	424,308	488,926	566,913
<b><i>Adjustments for</i></b>				
Tax expense	146,776	95,643	123,277	84,206
Depreciation and amortization	644,594	694,631	571,806	614,455
(Reversal) loss on impairment	1,118	(6,258)	1,118	(6,258)
Loss on inventories devaluation	8,821	1,045	7,160	3,179
Provisions for employee benefit expenses	43,066	52,883	37,181	46,276
Loss (gain) on foreign currency exchange	(3,065)	3,684	(2,947)	3,683
Dividend income	-	-	-	(200,000)
Interest income	(3,733)	(2,592)	(1,896)	(1,312)
Interest expense	3,511	7,398	3,171	6,562
Loss on sales of assets and others	1,329	27,928	887	28,487
<b>Cash flows generated from operations</b>				
<b>before changes in operating assets and liabilities</b>	<b>1,426,021</b>	<b>1,298,670</b>	<b>1,228,683</b>	<b>1,146,191</b>
<b><i>Decrease (increase) in operating assets</i></b>				
Trade and other current receivables	(250,667)	52,516	(242,520)	52,819
Inventories	(138,438)	223,354	(129,499)	120,966
Land development for sale	56,705	-	56,705	-
Other assets	23,593	22,692	23,593	22,692
<b>Net decrease (increase) in operating assets</b>	<b>(308,807)</b>	<b>298,562</b>	<b>(291,721)</b>	<b>196,477</b>
<b><i>Increase (decrease) in operating liabilities</i></b>				
Trade and other current payables	240,926	(181,271)	182,167	(167,626)
Provisions for employee benefits	(83,509)	(130,582)	(61,968)	(138,632)
Other liabilities	2,771	(609)	3,699	81
<b>Net increase (decrease) in operating liabilities</b>	<b>160,188</b>	<b>(312,462)</b>	<b>123,898</b>	<b>(306,177)</b>
<b>Net cash flows generated from operations</b>	<b>1,277,402</b>	<b>1,284,770</b>	<b>1,060,860</b>	<b>1,036,491</b>
Income tax paid	(151,929)	(50,943)	(128,230)	(40,619)
<b>Net cash flows provided by operating activities</b>	<b>1,125,473</b>	<b>1,233,827</b>	<b>932,630</b>	<b>995,872</b>

The accompanying notes are an integral part of these financial statements.

# SCG Ceramics Public Company Limited and its Subsidiary

## Statement of cash flows

For the year ended 31 December 2021

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<b><i>Cash flows from investing activities</i></b>				
Acquisition of non-controlling interests	-	-	-	(574,860)
Proceeds from sale of property, plant and equipment	2,578	6,139	3,028	5,580
Acquisition of property, plant and equipment	(252,345)	(202,518)	(202,731)	(161,486)
Acquisition of intangible assets	(7,757)	(9,446)	(6,774)	(9,446)
Dividends received	-	-	-	200,000
Interest received	3,733	2,675	1,896	1,395
<b>Net cash flows used in investing activities</b>	<b>(253,791)</b>	<b>(203,150)</b>	<b>(204,581)</b>	<b>(538,817)</b>
<b><i>Cash flows from financing activities</i></b>				
Payments of changes in ownership interests in subsidiary that do not result in a loss of control	-	(574,860)	-	-
<b><i>Payments of borrowings</i></b>				
Short-term borrowings from financial institutions	-	(160,000)	-	(160,000)
Payments of lease liabilities	(102,563)	(116,223)	(96,262)	(107,329)
<b>Net decrease in borrowings</b>	<b>(102,563)</b>	<b>(276,223)</b>	<b>(96,262)</b>	<b>(267,329)</b>
<b><i>Dividends paid</i></b>				
Dividends paid	(172,916)	(71,552)	(172,916)	(71,552)
<b>Total dividends paid</b>	<b>(172,916)</b>	<b>(71,552)</b>	<b>(172,916)</b>	<b>(71,552)</b>
Interest paid	(3,533)	(8,219)	(3,174)	(7,387)
<b>Net cash flows used in financing activities</b>	<b>(279,012)</b>	<b>(930,854)</b>	<b>(272,352)</b>	<b>(346,268)</b>
<b>Net increase in cash and cash equivalents</b>	<b>592,670</b>	<b>99,823</b>	<b>455,697</b>	<b>110,787</b>
Cash and cash equivalents at beginning of the year	731,232	631,409	370,763	259,976
<b>Cash and cash equivalents at end of the year</b>	<b>1,323,902</b>	<b>731,232</b>	<b>826,460</b>	<b>370,763</b>
<b><i>Supplementary information for cash flows</i></b>				
<b><i>Non-cash transactions at end of the year</i></b>				
Account payables from purchase of assets	34,580	19,459	30,313	13,634

The accompanying notes are an integral part of these financial statements.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

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**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages and were approved and authorized for issue by the audit committee, as appointed by the Board of Directors of the Company, on 14 February 2022.

**1 General information**

SCG Ceramics Public Company Limited, (the "Company"), is incorporated in Thailand. The Company's registered office were at:

- Head office - 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand
- Factory - 61 Moo 1 Nong Khae Industrial Estate, Tambon Kokyae, Amphur Nongkhae, Saraburi 18230, Thailand  
- 33/1 Moo 2, Suvannasorn road, Tambon Kokyae, Amphur Nongkhae, Saraburi 18230, Thailand  
- 40 Moo 2, Rim Klong Rapeepat road, Tambon Nong Pling, Amphur Nongkhae, Saraburi 18140, Thailand  
- 33/2 Moo 2, Rim Klong Rapeepat road, Tambon Nong Pling, Amphur Nongkhae, Saraburi 18140, Thailand

The Company and its subsidiary (the "Group") principal activities are engaged in manufacturing and sales of ceramic floor tiles and wall tiles and industrial estate development and installation service of solar equipment.

The immediate and ultimate parent companies were Cementhai Ceramic Co., Ltd. and The Siam Cement Public Company Limited, respectively. Both were incorporated in Thailand.

**2 Basis of preparation of the financial statements**

**(a) Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRSs"); guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission.

The Group has adopted the amendment to TFRS 16 *COVID-19-related rent concessions* which provides an option for lessees not to assess whether eligible COVID-19 related rent concessions are lease modification. The Group adopted amendment to TFRS 16 since 1 January 2021. However, the change in accounting policy has no material effect on the consolidated financial statements.

**(b) Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

**(c) Use of estimates and judgments**

The preparation of financial statements in conformity with TFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

The COVID-19 outbreak resulted in estimation uncertainty. In 2020, the Group elected to apply accounting guidance on *temporary accounting relief measures for additional accounting options in response to impact from the situation of COVID-19* by excluding COVID-19 situation for consideration of impairment of assets, fair values measurement and lease modifications. As the accounting guidance already expired on 31 December 2020, the Group has adjusted the value of assets of the year 2021 that has no material impact on the consolidated financial statements.

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Basis of consolidation**

The consolidated financial statements relate to the Company and its subsidiary (together referred to as the “Group”).

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated but only to the extent that there is no evidence of impairment.

*Subsidiary*

Subsidiary is entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*Non-controlling interests*

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(b) Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows comprise cash on hand, saving deposits, current deposits and highly liquid short-term investments which has a maturity of three months or less from the date of acquisition and are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In addition, bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**(c) Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration. A trade receivable is measured at transaction price less allowance for expected credit loss. Bad debts are written off when incurred.

The Group estimates lifetime expected credit losses (ECLs), using a provision matrix to find ECLs rate. This method groups the debtors based on shared credit risk characteristics and past due status by taking into account historical credit loss data, adjusted for factors that are specific to the debtors and an assessment of both current economic conditions and forward-looking general economic conditions at the reporting date.

**(d) Inventories**

Inventories are measured at the lower of cost or net realizable value.

Cost is calculated using the following formula:

Finished goods	-	at standard cost which approximates actual production cost
Merchandise	-	at average cost
Work in progress	-	at standard cost
Raw materials, spare parts, stores supplies and others	-	at average cost

Cost comprises costs of purchase, costs of conversion or relevant direct costs incurred in acquiring the inventories. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the costs to complete and to make the sale.

**(e) Land development for sale**

Land development for sale is stated at cost which consists of cost of land, cost of development and direct related project cost less accumulated impairment losses.

**(f) Investments**

*Investment in subsidiary*

Investment in subsidiary in the separate financial statements of the Company is accounted for using the cost method.

**(g) Investment property**

Investment properties are properties which properties that are held as right-of-use assets, as well as properties that are owned by the Group. Investment properties are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment properties includes the cost of materials, direct labor, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs of a qualifying asset.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

Depreciation is calculated on a straight-line basis over the estimated useful lives of each asset and recognized in profit or loss. No depreciation charged on freehold land.

The estimated useful lives are as follows:

Buildings and structures	10 - 30	years
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Any gains and losses arising from differences between the proceeds from disposal and the carrying amount of investment property are recognized in profit or loss.

*Reclassification to property, plant and equipment*

When the use of an investment property changes that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

**(h) Property, plant and equipment**

*Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs of a qualifying asset. Licensed software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses arising from differences between the proceeds from disposal and the carrying amount of property, plant and equipment are recognized in profit or loss.

*Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, its carrying amount is recognized and reclassified as investment property.

*Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment, including major inspections, is recognized in the carrying amount of the item when the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of property, plant and equipment, or other amount substituted for cost, less its residual value.

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Depreciation is calculated on a straight-line basis over the estimated useful lives of each component of an asset and recognized in profit or loss. No depreciation is provided on freehold assets and construction in progress.

The estimated useful lives are as follows:

Land improvements	5 - 20	years
Buildings and structures	3 - 40	years
Machinery and equipment	2 - 20	years
Furniture, fixtures and office equipment	2 - 20	years
Transportation and equipment	4 - 10	years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(i) Deferred mining costs**

Deferred mining costs are stated at cost less accumulated amortization and accumulated impairment losses. It is amortized according to quantity of reimbursement.

**(j) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in profit or loss as incurred.

*Amortization*

Amortization is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is calculated on a straight-line basis over the estimated useful lives of intangible assets and recognized in profit or loss, from the date that they are available for use.

The estimated useful lives are as follows:

Software licenses	2 - 10	years
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Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

**(k) Leases**

At inception of a contract, the Group assesses that a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices of each component.

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For the leases of property, the Group has elected not to separate non-lease components and accounted for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognized as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured at cost, less any accumulated depreciation and accumulated impairment loss, and adjusted for any remeasurements of lease liability.

The cost of right-of-use asset includes the initial amount of the lease liability, any lease payments made at or before the commencement date, adjusted for any prepaid lease payments, plus any initial direct costs and an estimate of restoration costs, less any lease incentives received.

Depreciation of right-of-use asset is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful lives of the underlying asset which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease. The Group uses the Group's incremental borrowing rate to discount the lease payments to the present value. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in lease term, change in lease payments, or a change in the assessment of options specified in the lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment in the statement of financial position.

**(l) *Impairment of non-financial assets***

The carrying amounts of the Group's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group will estimate the assets' recoverable amounts. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

*Calculation of recoverable amount*

The recoverable amount is the greater of the asset's value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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*Reversal of impairment*

Impairment losses of assets recognized in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or accumulated amortization, if no impairment loss had been recognized.

**(m) Trade and other payables**

Trade and other payables are stated at amortized cost.

**(n) Employee benefits**

*Defined contribution plans*

Obligations for contributions to provident fund for the Group's employee are expensed as the related service is provided.

*Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method which is based on actuarial valuation method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized in other comprehensive income. The Company determine the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

*Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

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*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(o) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

**(p) Fair value measurement**

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects its non-performance risk.

Measuring the fair value of an asset or a liability, the Group use observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are unobservable inputs for the asset or liability.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and asset positions at a bid price and liabilities and liability positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

**(q) Revenue from contracts with customers**

*(1) Revenue recognition*

Revenue is recognized when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

*Sale of goods and rendering of services*

Revenue from sales of goods is recognized at a point in time when the Group transfers control of the goods to customers, generally on delivery of the goods to the customers. For the sales that permit the customers to return the goods, the Group estimates the returns based on the historical return data, does not recognize revenue for this transaction and remains recognition of inventory for the estimated products to be returned.



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Revenue for rendering of services is recognized over time based on progress towards complete satisfaction of performance obligation.

For bundled packages, the Group recognizes revenue from sales of products and rendering of services separately if a product or service is separately identifiable from other items and a customer can benefit from it or the multiple services are rendered in different reporting periods. The consideration received is allocated based on their relative stand-alone selling prices which are determined based on the price list at which the Group sells the products and services in separate transactions.

The Group has a timing of revenue recognition mainly from sales of goods which is recognized at a point in time.

*Revenue from industrial estate development*

Revenue is recognized in profit or loss when the right of land has been transferred.

*Other income*

Other income comprises dividend income, interest income and others that recognized on accrual basis except dividend income is recognized in profit or loss on date the Group's right to receive payments is established.

*(2) Contract balances*

Contract assets are recognized when the Group has recognized revenue before it has an unconditional right to receive consideration. The contract assets are measured at the amount of consideration that the Group is entitled to, less allowance for expected credit loss. The contract assets are classified as trade receivables when the Group issues an invoice.

Contract liabilities are the obligation to transfer goods or services to the customer. The contract liabilities are recognized when the Group receives or has an unconditional right to receive non-refundable consideration from the customer before the Group recognizes the related revenue.

**(r) Expenses**

*Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

*Early retirement expense*

The Group offered certain qualifiable employees the option to take early retirement from the Group. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Group records expenses on early retirement upon mutual acceptance.

**(s) Income tax**

Income tax expense for the year comprises current and deferred tax, which is recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

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Current tax is recognized in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries, joint ventures and associate to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(t) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the foreign exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currencies at the exchange rates at that date.

Non-monetary assets and liabilities arising from the payment or receipt of advance consideration measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognized in profit or loss.

**(u) Financial instruments**

*Classification and measurement*

Debt securities that the Group issued are initially recognized when they are originated. Other financial assets and financial liabilities, except trade receivables and trade payables are initially recognized when the Group becomes a party to the contractual provisions of the instrument, and measured at fair value by taking into account for transaction costs that are directly attributable to its acquisition or issue of the securities, except for financial assets and financial liabilities measured at FVTPL, which are initially and subsequently measured at fair value, and any transaction costs that are directly attributable to its acquisition or issue of the securities are recognized in profit or loss.

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On initial recognition, a financial asset is classified as measured at: amortized cost; fair value to other comprehensive income (FVOCI); or fair value to profit or loss (FVTPL).

An equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

On initial recognition, financial liabilities are classified as measured at amortized cost using the effective interest method, except held for trading or derivative are classified as measured at FVTPL. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition are recognized in profit or loss.

Financial assets measured at amortized costs are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by expected credit losses. Interest income, foreign exchange gains and losses, expected credit loss and gain or loss on derecognition are recognized in profit or loss.

Debt investments measured at FVOCI are subsequently measured at fair value. Interest income which calculated using the effective interest method, foreign exchange gains and losses and expected credit loss are recognized in profit or loss. Gains and losses from changes in fair value are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments measured at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss on the date on which the Group's right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Gains and losses from changes in fair value are recognized in OCI and never reclassified to profit or loss.

*Derecognition and offset*

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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*Derivatives*

Derivative are recognized at fair value and remeasured at fair value at each reporting date. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting.

*Hedge accounting*

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the risk, the economic relationship between the hedged item and the hedging instrument, including consideration of the hedge effectiveness at the inception of the hedging relationship and throughout the remaining period to determine the existence of economic relationship between the hedged item and the hedging instrument.

*Impairment of financial assets*

The Group recognizes allowances for expected credit losses (ECLs) on financial assets measured at amortized cost, debt investments measured at FVOCI and lease receivables.

The Group recognizes ECLs equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or credit-impaired financial assets or trade receivables under simplified approach, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are a probability-weighted estimate of credit losses based on forward-looking and historical experience. Credit losses are measured as the present value of all cash shortfalls discounted by the effective interest rate of the financial asset.

The Group considers a financial asset to have low credit risk when its credit rating is the investment grade. The Group recognizes ECLs for low credit risk financial asset as 12-month ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, significant deterioration in credit rating, significant deterioration in the operating results and existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Increase in loss allowance is recognized as an impairment loss in profit or loss.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering. Subsequent recoveries of an asset that was previously written off, are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*Interest*

Interest income and expense are recognized using the effective interest method.

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In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to carrying amount of the financial assets after impairment losses. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**(v) Business segment reporting**

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**(w) Related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

**4 Related parties**

Relationships with related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation</b>	<b>Nature of relationships</b>
The Siam Cement Public Company Limited	Thailand	Ultimate parent company
Cement Thai Ceramics Co., Ltd.	Thailand	Immediate parent company
Sosuco Ceramic Co., Ltd.	Thailand	A subsidiary of SCG Ceramics Public Company Limited
SCG Building Materials Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Roofing Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Fibre-Cement Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Fiberglass Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Landscape Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Sanitary Ware Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Sanitary Fittings Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Sanitary Ware Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Sanitary Ware Industry (Nongkhae) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Saraburirat Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Fibre Cement Group Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG-Sekisui Sales Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited

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<b>Name of entities</b>	<b>Country of incorporation</b>	<b>Nature of relationships</b>
Quality Construction Products Public Company Limited	Thailand	A subsidiary of The Siam Cement Public Company Limited
Nexter Living Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Cement Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Cement (Ta Luang) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Cement (Kaeng Khoi) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Cement (Lampang) Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
ECO Plant Services Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Concrete Products and Aggregate Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
The Siam Refractory Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
CPAC Construction Solution Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCI Eco Services Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Nawaplastic Industries Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Chemicals Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Learning Excellence Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Bangsue Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Legal Counsel Limited	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Distribution Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Cement-Building Materials Company Limited	Thailand	A subsidiary of The Siam Cement Public Company Limited
Nexter Digital Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Home Retail Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Experience Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG International Corporation Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG International Middle East Dmcc	United Arab Emirates	A subsidiary of The Siam Cement Public Company Limited
SCG International India Private Limited	India	A subsidiary of The Siam Cement Public Company Limited
SCG International Hong Kong Limited	China	A subsidiary of The Siam Cement Public Company Limited

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<b>Name of entities</b>	<b>Country of incorporation</b>	<b>Nature of relationships</b>
SCG International China (Guangzhou) Co., Ltd.	China	A subsidiary of The Siam Cement Public Company Limited
SCG International USA Inc.	United States of America	A subsidiary of The Siam Cement Public Company Limited
PT Keramika Indonesia Assosiasi, Tbk.	Indonesia	A subsidiary of The Siam Cement Public Company Limited
PT KIA Serpih Mas	Indonesia	A subsidiary of The Siam Cement Public Company Limited
PT KIA Keramik Mas	Indonesia	A subsidiary of The Siam Cement Public Company Limited
PT Kokoh Inti Arebama Tbk.	Indonesia	A subsidiary of The Siam Cement Public Company Limited
Myanmar CBM Services Co., Ltd.	Myanmar	A subsidiary of The Siam Cement Public Company Limited
Mariwasa-Siam Ceramics, Inc.	Philippines	A subsidiary of The Siam Cement Public Company Limited
SCG-Boonthavorn (Cambodia) Co., Ltd.	Cambodia	A subsidiary of The Siam Cement Public Company Limited
Kampot Cement Co., Ltd.	Cambodia	A subsidiary of The Siam Cement Public Company Limited
Prime Trading, Import and Export One Member Limited Liability Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Prime International Import - Export and Service Trading Company Limited	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Prime Group Joint Stock Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Prime Dai Viet Joint Stock Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Prime - Vinh Phuc Joint Stock Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
Prime Dai Loc Joint Stock Company	Vietnam	A subsidiary of The Siam Cement Public Company Limited
SCG Logistics Management Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Skills Development Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Express Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Thai Containers Group Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Invenique Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Packaging Public Company Limited	Thailand	A subsidiary of The Siam Cement Public Company Limited
Siam Kraft Industry Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Thai Paper Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Paper Energy Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited

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<b>Name of entities</b>	<b>Country of incorporation</b>	<b>Nature of relationships</b>
Cementhai Gypsum Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Sekisui-SCG Industry Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Noritake SCG Plaster Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
IT One Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Siam Global House Public Company Limited	Thailand	An associate of The Siam Cement Public Company Limited
Siam Kubota Corporation Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited
Siam Yamato Steel Co., Ltd.	Thailand	Other related parties of The Siam Cement Public Company Limited

The pricing policies for particular types of transactions are explained further below:

<b>Transactions</b>	<b>Pricing policies</b>
Purchases	Market price
Service fee	Market price
Revenue from sales and rendering of services	Market price
Other income	Market price
Dividend income	Upon declaration

Significant transactions with related parties for the years ended 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<i>Ultimate parent</i>				
Service fees	83,170	91,315	73,649	86,025
Revenue from sales and rendering of services	-	446	-	446
Other income	10	-	10	-
<i>Parent</i>				
Service fees	26,584	48,746	25,112	44,424
Other income	6,642	10,495	6,642	10,495
<i>Subsidiary</i>				
Purchases	-	-	1,412,851	1,298,179
Service fees	-	-	4,216	6,728
Dividend income	-	-	-	200,000
Revenue from sales and rendering of services	-	-	286	310
Other income	-	-	15,620	6,371



**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<i>Other related parties</i>				
Purchases	1,660,772	596,935	1,618,142	564,117
Service fees	672,981	357,724	555,033	326,324
Revenue from sales and rendering of services	1,149,481	421,721	1,149,481	421,721
Other income	19,377	20,859	19,377	20,859

Balances as at 31 December with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<i>Trade receivables</i>				
Ultimate parent	-	29	-	29
Other related parties	200,145	70,687	200,145	70,687
<b>Total</b>	<b>200,145</b>	<b>70,716</b>	<b>200,145</b>	<b>70,716</b>
<i>Other current receivables</i>				
Ultimate parent	19,662	19,933	19,620	19,933
Parent	3,201	3,034	3,201	3,034
Subsidiary	-	-	4,241	2,361
Other related parties	40,746	5,354	40,644	5,354
<b>Total</b>	<b>63,609</b>	<b>28,321</b>	<b>67,706</b>	<b>30,682</b>
<i>Trade payables</i>				
Subsidiary	-	-	174,899	180,801
Other related parties	169,686	171,562	153,209	163,069
<b>Total</b>	<b>169,686</b>	<b>171,562</b>	<b>328,108</b>	<b>343,870</b>
<i>Other current payables</i>				
Ultimate parent	12,482	17,616	12,086	16,908
Parent	4,244	9,984	4,002	9,807
Subsidiary	-	-	1,222	1,416
Other related parties	32,506	27,237	30,081	26,266
<b>Total</b>	<b>49,232</b>	<b>54,837</b>	<b>47,391</b>	<b>54,397</b>
<i>Advance payment from software license fee shown under non-current assets</i>				
Ultimate parent	54,539	72,711	54,539	72,711
Parent	2,238	3,088	2,238	3,088
<b>Total</b>	<b>56,777</b>	<b>75,799</b>	<b>56,777</b>	<b>75,799</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

*The Board of Directors and key management compensation*

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<i>For the years ended 31 December</i>				
Short-term employee benefits	38,358	38,832	38,358	38,832
Post-employment benefits	3,140	3,011	3,140	3,011
<b>Total</b>	<b>41,498</b>	<b>41,843</b>	<b>41,498</b>	<b>41,843</b>

The Board of Directors and key management compensation comprises the remuneration paid to the directors of SCG Ceramics Public Company Limited under the articles of the Company and the remuneration paid to the management as staff expenses in terms of salary, bonus, others and contribution to defined contribution plans.

**5 Cash and cash equivalents**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Cash at banks - savings accounts	1,286,624	679,706	789,334	319,385
Cash at banks - current accounts	30,986	49,134	30,933	49,086
Cash on hand and others	6,292	2,392	6,193	2,292
<b>Total</b>	<b>1,323,902</b>	<b>731,232</b>	<b>826,460</b>	<b>370,763</b>

**6 Trade receivables**

	Note	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<i>At 31 December</i>					
<i>Trade receivables</i>					
Related parties	4	200,145	70,716	200,145	70,716
Other companies		1,019,575	951,466	1,019,575	951,466
Less allowance for expected credit loss		(172)	(105)	(172)	(105)
<b>Net</b>		<b>1,019,403</b>	<b>951,361</b>	<b>1,019,403</b>	<b>951,361</b>
<b>Total</b>		<b>1,219,548</b>	<b>1,022,077</b>	<b>1,219,548</b>	<b>1,022,077</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
<i>(in thousand Baht)</i>				
<b>As at 31 December</b>				
<b>Trade receivables</b>				
<b>Related parties</b>				
Within credit terms	197,196	61,416	197,196	61,416
Overdue:				
Less than 1 month	293	2,146	293	2,146
1 - 3 months	2,656	2,862	2,656	2,862
Over 3 - 12 months	-	603	-	603
Over 12 months	-	3,689	-	3,689
<b>Total</b>	<b>200,145</b>	<b>70,716</b>	<b>200,145</b>	<b>70,716</b>
<b>Other companies</b>				
Within credit terms	970,721	893,455	970,721	893,455
Overdue:				
Less than 1 month	45,906	49,031	45,906	49,031
1 - 3 months	1,926	6,314	1,926	6,314
Over 3 - 12 months	-	2,562	-	2,562
Over 12 months	1,022	104	1,022	104
	1,019,575	951,466	1,019,575	951,466
Less allowance for expected credit loss	(172)	(105)	(172)	(105)
<b>Net</b>	<b>1,019,403</b>	<b>951,361</b>	<b>1,019,403</b>	<b>951,361</b>
<b>Total</b>	<b>1,219,548</b>	<b>1,022,077</b>	<b>1,219,548</b>	<b>1,022,077</b>

The normal credit term granted by the Group is 30 - 120 days.

As at 31 December 2021, the outstanding overdue amounts of above accounts receivable have credit bank guarantees amounting to Baht 62 million (2020: Baht 48 million).

	Consolidated and Separate financial statements	
	2021	2020
<i>(in thousand Baht)</i>		
<b>Allowance for expected credit loss</b>		
<b>At 1 January</b>	<b>105</b>	<b>13,614</b>
Addition	122	-
Reversal	(55)	(6,274)
Write-off	-	(7,235)
<b>At 31 December</b>	<b>172</b>	<b>105</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**7 Inventories**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Finished goods	2,313,230	2,240,167	2,152,331	2,085,337
Work in progress	83,300	86,056	71,266	72,854
Raw materials	269,070	233,259	243,199	212,246
Spare parts, stores, supplies and others	224,841	212,707	194,562	189,989
Finish goods, raw materials and spare parts in transit	164,434	148,323	162,718	145,744
<b>Total</b>	<b>3,054,875</b>	<b>2,920,512</b>	<b>2,824,076</b>	<b>2,706,170</b>
Less allowance for decline in value	(284,262)	(291,682)	(278,480)	(286,262)
<b>Net</b>	<b>2,770,613</b>	<b>2,628,830</b>	<b>2,545,596</b>	<b>2,419,908</b>
Cost of inventories recognized as an expense in cost of sales	8,035,873	7,254,408	8,404,857	7,572,052
Write-down to net realizable value	132,540	97,556	130,755	97,556
Reversal of write-down	(148,781)	(88,251)	(145,697)	(87,915)
Changes in inventories of finished goods and work in progress	(70,307)	186,831	(65,406)	87,540
Raw materials and supplies used	(2,280,803)	(1,991,713)	(1,862,642)	(1,635,514)

**8 Investment in subsidiary**

	Ownership interest		Paid-up capital		Cost method		Dividend income	
	2021	2020	2021	2020	2021	2020	2021	2020
	<i>(%)</i>		<i>(in thousand Baht)</i>					
Sosuco Ceramic Co., Ltd.	100	100	800,000	800,000	<b>1,333,935</b>	<b>1,333,935</b>	-	200,000

In March 2020, the Company purchased additional ordinary shares of Sosuco Ceramic Co., Ltd. (“SSC”), totaling 3,686 shares or representing 46.11% amounting to Baht 575 million. As a result, the Company’s ownership increased from 53.89% to 100%.

The following summarized the effect of the change in the Group’s ownership.

Carrying amount of non-controlling interests acquired	<i>(in thousand Baht)</i> 531,159
Less consideration paid to non-controlling interests	(575,106)
<b>Decrease in other components of shareholders’ equity</b>	<b>(43,857)</b>

At the Board of Directors’ Meeting of Sosuco Ceramic Co., Ltd. held on 14 September 2020, the directors approved to pay the 2020 interim dividend at the rate of Baht 25,000 per share to the shareholders entitled to receive dividends totaling approximately Baht 200 million and payment was made on 25 September 2020.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2021

### 9 Investment properties

	Consolidated financial statements		
	Land	Buildings and structures (in thousand Baht)	Total
<b>Cost</b>			
At 1 January 2020	409,815	74,531	484,346
Additions	-	767	767
<b>At 31 December 2020 and 2021</b>	<b>409,815</b>	<b>75,298</b>	<b>485,113</b>
<b>Accumulated depreciation and accumulated impairment losses</b>			
At 1 January 2020	9,599	72,624	82,223
Depreciation charge for the year	-	893	893
<b>At 31 December 2020</b>	<b>9,599</b>	<b>73,517</b>	<b>83,116</b>
Depreciation charge for the year	-	1,052	1,052
<b>At 31 December 2021</b>	<b>9,599</b>	<b>74,569</b>	<b>84,168</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>400,216</b>	<b>1,781</b>	<b>401,997</b>
<b>At 31 December 2021</b>	<b>400,216</b>	<b>729</b>	<b>400,945</b>
<b>Separate financial statements</b>			
	Land	Buildings and structures (in thousand Baht)	Total
<b>Cost</b>			
At 1 January 2020	398,004	73,235	471,239
Additions	-	767	767
<b>At 31 December 2020 and 2021</b>	<b>398,004</b>	<b>74,002</b>	<b>472,006</b>
<b>Accumulated depreciation and accumulated impairment losses</b>			
At 1 January 2020	-	71,328	71,328
Depreciation charge for the year	-	893	893
<b>At 31 December 2020</b>	<b>-</b>	<b>72,221</b>	<b>72,221</b>
Depreciation charge for the year	-	1,053	1,053
<b>At 31 December 2021</b>	<b>-</b>	<b>73,274</b>	<b>73,274</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>398,004</b>	<b>1,781</b>	<b>399,785</b>
<b>At 31 December 2021</b>	<b>398,004</b>	<b>728</b>	<b>398,732</b>

The Group determined fair value of investment properties in consolidated and separate financial statements as at 31 December 2021 at open market values on an existing use basis. The fair value was Baht 1,049 million (2020: Baht 1,049 million) and Baht 1,032 million (2020: Baht 1,032 million), respectively.

The fair value measurement for investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is market and income approach.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

**10 Property, plant and equipment**

	Consolidated financial statements						Total
	Land and land improvements	Buildings and structures	Machinery and equipment	Furniture fixtures and office equipment <i>(in thousand Baht)</i>	Transportation and equipment	Construction in progress	
<i>Cost</i>							
At 1 January 2020	1,524,935	3,414,001	15,418,683	373,266	172,093	181,128	21,084,106
Additions	9,496	9,848	84,079	14,932	55,033	99,510	272,898
Disposals/written off	(143)	(9,556)	(62,128)	(17,519)	(39,702)	(3,647)	(132,695)
Transfer in (out)	3,682	11,433	75,061	2,571	141	(92,888)	-
Transfer to other non-current assets	-	(38,393)	(489,677)	(477)	(3,474)	-	(532,021)
Transfer to other intangible assets	-	-	-	-	-	(2,411)	(2,411)
<b>At 31 December 2020</b>	<b>1,537,970</b>	<b>3,387,333</b>	<b>15,026,018</b>	<b>372,773</b>	<b>184,091</b>	<b>181,692</b>	<b>20,689,877</b>
Additions	24,794	14,886	110,111	15,875	62,668	166,690	395,024
Disposals/written off	(9,207)	(15,117)	(56,532)	(9,507)	(33,104)	-	(123,467)
Transfer in (out)	-	1,495	125,759	15,143	-	(142,397)	-
Transfer to other non-current assets	-	(338)	(40,523)	(486)	-	-	(41,347)
<b>At 31 December 2021</b>	<b>1,553,557</b>	<b>3,388,259</b>	<b>15,164,833</b>	<b>393,798</b>	<b>213,655</b>	<b>205,985</b>	<b>20,920,087</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

	Land and land improvements	Buildings and structures	Consolidated financial statements			Construction in progress	Total
			Machinery and equipment	Furniture fixtures and office equipment	Transportation and equipment		
			<i>(in thousand Baht)</i>				
<b><i>Accumulated depreciation and accumulated impairment losses</i></b>							
At 1 January 2020	279,480	2,185,879	12,744,576	279,692	42,104	-	15,531,731
Depreciation charge for the year	28,809	112,476	417,185	35,781	71,418	-	665,669
Disposals/written off	(143)	(2,835)	(43,882)	(12,950)	(15,554)	-	(75,364)
Transfer to other non-current assets	-	(34,522)	(464,932)	(477)	(3,474)	-	(503,405)
<b>At 31 December 2020</b>	<b>308,146</b>	<b>2,260,998</b>	<b>12,652,947</b>	<b>302,046</b>	<b>94,494</b>	-	<b>15,618,631</b>
Depreciation charge for the year	32,884	105,286	387,071	35,517	58,990	-	619,748
Disposals/written off	(9,207)	(11,740)	(43,589)	(9,468)	(28,170)	-	(102,174)
Transfer to other non-current assets	-	(338)	(40,521)	(486)	-	-	(41,345)
<b>At 31 December 2021</b>	<b>331,823</b>	<b>2,354,206</b>	<b>12,955,908</b>	<b>327,609</b>	<b>125,314</b>	-	<b>16,094,860</b>
<b><i>Carrying amount</i></b>							
<b>At 31 December 2020</b>							
Owned assets	1,219,693	1,102,220	2,351,941	66,849	1,917	181,692	4,924,312
Right-of-use assets	10,131	24,115	21,130	3,878	87,680	-	146,934
	<b>1,229,824</b>	<b>1,126,335</b>	<b>2,373,071</b>	<b>70,727</b>	<b>89,597</b>	<b>181,692</b>	<b>5,071,246</b>
<b>At 31 December 2021</b>							
Owned assets	1,201,101	1,024,784	2,171,348	64,830	1,104	205,985	4,669,152
Right-of-use assets	20,633	9,269	37,577	1,359	87,237	-	156,075
	<b>1,221,734</b>	<b>1,034,053</b>	<b>2,208,925</b>	<b>66,189</b>	<b>88,341</b>	<b>205,985</b>	<b>4,825,227</b>

In 2021, the right-of-use assets of the Group has increased amounting to Baht 9 million (2020: Baht 147 million).

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

Separate financial statements

	Land and land improvements	Buildings and structures	Machinery and equipment <i>(in thousand Baht)</i>	Furniture fixtures and office equipment	Transportation and equipment	Construction in progress	Total
<b>Cost</b>							
At 1 January 2020	1,382,411	2,795,554	12,708,590	309,407	168,082	158,990	17,523,034
Additions	13,150	8,451	42,793	13,867	55,033	88,669	221,963
Disposals/written off	(143)	(9,556)	(9,460)	(15,483)	(37,892)	(3,647)	(76,181)
Transfer in (out)	3,682	11,425	53,263	2,571	141	(71,082)	-
Transfer to other non-current assets	-	(38,393)	(489,677)	(477)	(3,474)	-	(532,021)
Transfer to other intangible assets	-	-	-	-	-	(2,411)	(2,411)
<b>At 31 December 2020</b>	<b>1,399,100</b>	<b>2,767,481</b>	<b>12,305,509</b>	<b>309,885</b>	<b>181,890</b>	<b>170,519</b>	<b>17,134,384</b>
Additions	25,798	10,823	89,294	15,738	61,419	145,306	348,378
Disposals/written off	(9,207)	(15,117)	(28,840)	(9,507)	(32,135)	-	(94,806)
Transfer in (out)	-	1,495	117,982	15,143	-	(134,620)	-
Transfer to other non-current assets	-	(338)	(40,523)	(486)	-	-	(41,347)
<b>At 31 December 2021</b>	<b>1,415,691</b>	<b>2,764,344</b>	<b>12,443,422</b>	<b>330,773</b>	<b>211,174</b>	<b>181,205</b>	<b>17,346,609</b>



**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2021**

	Land and land improvements	Buildings and structures	Separate financial statements			Construction in progress	Total
			Machinery and equipment <i>(in thousand Baht)</i>	Furniture fixtures and office equipment	Transportation and equipment		
<b><i>Accumulated depreciation and accumulated impairment losses</i></b>							
At 1 January 2020	279,480	1,663,629	10,282,958	221,876	42,104	-	12,490,047
Depreciation charge for the year	28,809	101,581	351,322	34,099	70,176	-	585,987
Disposals/written off	(143)	(2,835)	(9,188)	(10,914)	(15,227)	-	(38,307)
Transfer to other non-current assets	-	(34,522)	(464,932)	(477)	(3,474)	-	(503,405)
<b>At 31 December 2020</b>	<b>308,146</b>	<b>1,727,853</b>	<b>10,160,160</b>	<b>244,584</b>	<b>93,579</b>	-	<b>12,534,322</b>
Depreciation charge for the year	33,218	94,285	327,442	34,102	58,339	-	547,386
Disposals/written off	(9,207)	(11,740)	(28,472)	(9,468)	(27,475)	-	(86,362)
Transfer to other non-current assets	-	(338)	(40,521)	(486)	-	-	(41,345)
<b>At 31 December 2021</b>	<b>332,157</b>	<b>1,810,060</b>	<b>10,418,609</b>	<b>268,732</b>	<b>124,443</b>	-	<b>12,954,001</b>
<b><i>Carrying amount</i></b>							
<b>At 31 December 2020</b>							
Owned assets	1,083,745	1,015,513	2,145,349	61,423	1,916	170,519	4,478,465
Right-of-use assets	7,209	24,115	-	3,878	86,395	-	121,597
	<b>1,090,954</b>	<b>1,039,628</b>	<b>2,145,349</b>	<b>65,301</b>	<b>88,311</b>	<b>170,519</b>	<b>4,600,062</b>
<b>At 31 December 2021</b>							
Owned assets	1,062,231	945,015	1,988,840	60,682	1,104	181,205	4,239,077
Right-of-use assets	21,303	9,269	35,973	1,359	85,627	-	153,531
	<b>1,083,534</b>	<b>954,284</b>	<b>2,024,813</b>	<b>62,041</b>	<b>86,731</b>	<b>181,205</b>	<b>4,392,608</b>

In 2021, the right-of-use assets of the Company has increased Baht 32 million (2020: Baht 122 million).

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
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**11 Leases**

The Group leases a number of office equipment for 3-5 years, with extension options at the end of lease term. The rental is payable monthly as specified in the contract.

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
<i>For the year ended 31 December</i>				
<i>Amounts recognized in profit or loss</i>				
Depreciation of right-of-use assets:				
- Buildings and land improvements	28,727	33,822	29,062	33,822
- Equipment	8,033	7,209	2,290	-
- Vehicles	57,848	68,869	57,198	67,628
- Others	3,180	4,370	3,180	4,370
Interest on lease liabilities	3,511	4,467	3,171	3,632
Expenses relating to short-term leases	3,447	1,619	3,286	747
Expenses relating to lease of low-value-assets	14,394	15,987	12,918	14,225

**12 Other intangible assets**

	Software licenses	Consolidated financial statements		Total
		Other intangible assets	Development cost	
<i>(in thousand Baht)</i>				
<b>Cost</b>				
At 1 January 2020	220,145	54,019	6,966	281,130
Additions	866	1,232	7,350	9,448
Disposals/written off	(49)	-	-	(49)
Transfer in (out)	7,544	1,334	(6,467)	2,411
<b>At 31 December 2020</b>	<b>228,506</b>	<b>56,585</b>	<b>7,849</b>	<b>292,940</b>
Additions	429	930	7,757	9,116
Disposals/written off	(635)	-	-	(635)
Transfer in (out)	4,500	-	(4,580)	(80)
Transfer to other non-current assets	-	(37)	-	(37)
<b>At 31 December 2021</b>	<b>232,800</b>	<b>57,478</b>	<b>11,026</b>	<b>301,304</b>
<b>Accumulated amortization</b>				
At 1 January 2020	146,076	16,942	-	163,018
Amortization charge for the year	18,798	9,800	-	28,598
Disposals/written off	(49)	-	-	(49)
<b>At 31 December 2020</b>	<b>164,825</b>	<b>26,742</b>	<b>-</b>	<b>191,567</b>
Amortization charge for the year	17,628	8,790	-	26,418
Disposals/written off	(634)	-	-	(634)
Transfer to other non-current assets	-	(37)	-	(37)
<b>At 31 December 2021</b>	<b>181,819</b>	<b>35,495</b>	<b>-</b>	<b>217,314</b>
<b>Carrying amount</b>				
At 31 December 2020	63,681	29,843	7,849	101,373
At 31 December 2021	50,981	21,983	11,026	83,990

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	Software licenses	Separate financial statements Other intangible assets (in thousand Baht)	Development cost	Total
<b>Cost</b>				
At 1 January 2020	215,714	54,019	6,966	276,699
Additions	866	1,232	7,350	9,448
Disposals/written off	(49)	-	-	(49)
Transfers in (out)	7,544	1,334	(6,467)	2,411
<b>At 31 December 2020</b>	<b>224,075</b>	<b>56,585</b>	<b>7,849</b>	<b>288,509</b>
Additions	429	930	6,774	8,133
Disposals/written off	(635)	-	-	(635)
Transfers in (out)	4,500	-	(4,580)	(80)
Transfer to other non-current assets	-	(37)	-	(37)
<b>At 31 December 2021</b>	<b>228,369</b>	<b>57,478</b>	<b>10,043</b>	<b>295,890</b>
<b>Accumulated amortization</b>				
At 1 January 2020	142,268	16,942	-	159,210
Amortization charge for the year	18,511	9,800	-	28,311
Disposals/written off	(49)	-	-	(49)
<b>At 31 December 2020</b>	<b>160,730</b>	<b>26,742</b>	<b>-</b>	<b>187,472</b>
Amortization charge for the year	17,408	8,790	-	26,198
Disposals/written off	(634)	-	-	(634)
Transfer to other non-current assets	-	(37)	-	(37)
<b>At 31 December 2021</b>	<b>177,504</b>	<b>35,495</b>	<b>-</b>	<b>212,999</b>
<b>Carrying amount</b>				
At 31 December 2020	63,345	29,843	7,849	101,037
At 31 December 2021	50,865	21,983	10,043	82,891

**13 Deferred tax assets (deferred tax liabilities)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, and are included in the consolidated statement of financial position as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Deferred tax assets	257,292	277,289	232,297	250,221
Deferred tax liabilities	(68,097)	(64,373)	(68,097)	(64,373)
<b>Net</b>	<b>189,195</b>	<b>212,916</b>	<b>165,300</b>	<b>185,848</b>

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Movements in total deferred tax assets and liabilities during the years were as follows:

	At 1 January 2020	Consolidated financial statements Credited (charged) to		At 31 December 2020
		profit or loss	other comprehensive income	
		<i>(note 23)</i> <i>(in thousand Baht)</i>		
<b><i>Deferred tax assets</i></b>				
Inventories	54,894	6,084	-	60,978
Investment properties	41,132	(100)	-	41,032
Property, plant and equipment	19,632	1,433	-	21,065
Provisions for employee benefits	149,817	(15,026)	(1,261)	133,530
Others	26,144	(5,460)	-	20,684
<b>Total</b>	<b>291,619</b>	<b>(13,069)</b>	<b>(1,261)</b>	<b>277,289</b>
<b><i>Deferred tax liabilities</i></b>				
Property, plant and equipment	(60,064)	(4,309)	-	(64,373)
<b>Net</b>	<b>231,555</b>	<b>(17,378)</b>	<b>(1,261)</b>	<b>212,916</b>
		<i>(note 23)</i> <i>(in thousand Baht)</i>		
	At 1 January 2021	profit or loss	other comprehensive income	At 31 December 2021
<b><i>Deferred tax assets</i></b>				
Inventories	60,978	521	-	61,499
Investment properties	41,032	(100)	-	40,932
Property, plant and equipment	21,065	(3,237)	-	17,828
Provisions for employee benefits	133,530	(7,986)	(6,975)	118,569
Others	20,684	(2,220)	-	18,464
<b>Total</b>	<b>277,289</b>	<b>(13,022)</b>	<b>(6,975)</b>	<b>257,292</b>
<b><i>Deferred tax liabilities</i></b>				
Property, plant and equipment	(64,373)	(3,724)	-	(68,097)
<b>Net</b>	<b>212,916</b>	<b>(16,746)</b>	<b>(6,975)</b>	<b>189,195</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2021

	At 1 January 2020	Separate financial statements Credited (charged) to		At 31 December 2020
		profit or loss	other comprehensive income	
		(note 23) (in thousand Baht)		
<b><i>Deferred tax assets</i></b>				
Inventories	54,688	2,564	-	57,252
Investment properties	39,168	(99)	-	39,069
Property, plant and equipment	19,632	1,433	-	21,065
Provisions for employee benefits	132,598	(17,965)	(741)	113,892
Others	19,515	(572)	-	18,943
<b>Total</b>	<b>265,601</b>	<b>(14,639)</b>	<b>(741)</b>	<b>250,221</b>
<b><i>Deferred tax liabilities</i></b>				
Property, plant and equipment	(60,064)	(4,309)	-	(64,373)
<b>Net</b>	<b>205,537</b>	<b>(18,948)</b>	<b>(741)</b>	<b>185,848</b>

	At 1 January 2021	Separate financial statements Credited (charged) to		At 31 December 2021
		profit or loss	other comprehensive income	
		(note 23) (in thousand Baht)		
<b><i>Deferred tax assets</i></b>				
Inventories	57,252	(1,556)	-	55,696
Investment properties	39,069	(100)	-	38,969
Property, plant and equipment	21,065	(3,237)	-	17,828
Provisions for employee benefits	113,892	(4,707)	(5,161)	104,024
Others	18,943	(2,063)	-	16,880
<b>Total</b>	<b>250,221</b>	<b>(11,663)</b>	<b>(5,161)</b>	<b>233,397</b>
<b><i>Deferred tax liabilities</i></b>				
Property, plant and equipment	(64,373)	(3,724)	-	(68,097)
<b>Net</b>	<b>185,848</b>	<b>(15,387)</b>	<b>(5,161)</b>	<b>165,300</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
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**14 Changes in liabilities arising from financing activities**

Changes in significant liabilities arising from financing activities were as follows:

	Consolidated financial statements Lease liabilities	Separate financial statements Lease liabilities
	<i>(in thousand Baht)</i>	
At 1 January 2020	<b>220,741</b>	<b>179,658</b>
Changes from financing cash flows	(116,223)	(107,329)
Other non-cash movement	35,046	44,534
<b>At 31 December 2020</b>	<b>139,564</b>	<b>116,863</b>
Changes from financing cash flows	(102,563)	(96,262)
Other non-cash movement	111,961	125,573
<b>At 31 December 2021</b>	<b>148,962</b>	<b>146,174</b>

	Consolidated and Separate financial statements Short-term borrowings from financial institutions	
	2021	2020
	<i>(in thousand Baht)</i>	
At 1 January	-	160,000
Changes from financing cash flows	-	(160,000)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

**15 Interest-bearing liabilities**

	Consolidated financial statements					
	2021			2020		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	<i>(in thousand Baht)</i>					
<b>Current</b>						
Current portion of lease liabilities	-	57,820	57,820	-	75,029	75,029
	-	<b>57,820</b>	<b>57,820</b>	-	<b>75,029</b>	<b>75,029</b>
<b>Non-current</b>						
Lease liabilities	-	91,142	91,142	-	64,535	64,535
<b>Total interest-bearing liabilities</b>	<b>-</b>	<b>148,962</b>	<b>148,962</b>	<b>-</b>	<b>139,564</b>	<b>139,564</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
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	Separate financial statements					
	Secured	2021 Unsecured	Total (in thousand Baht)	Secured	2020 Unsecured	Total
<b><i>Current</i></b>						
Current portion of lease liabilities	-	56,635	56,635	-	67,723	67,723
	-	<b>56,635</b>	<b>56,635</b>	-	<b>67,723</b>	<b>67,723</b>
<b><i>Non-current</i></b>						
Lease liabilities	-	89,539	89,539	-	49,140	49,140
<b>Total interest-bearing liabilities</b>	-	<b>146,174</b>	<b>146,174</b>	-	<b>116,863</b>	<b>116,863</b>

All of interest-bearing liabilities are in Thai Baht.

As at 31 December 2021, the Group has overdraft lines with several banks amounting to approximately Baht 100 million (2020: Baht 100 million).

**16 Trade and other current payables**

	Note	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<b><i>Trade payables</i></b>					
Other parties		689,433	537,666	593,096	474,057
Related parties	4	169,686	171,562	328,108	343,870
		<b>859,119</b>	<b>709,228</b>	<b>921,204</b>	<b>817,927</b>
<b><i>Other current payables</i></b>					
Related parties	4	49,232	54,837	47,391	54,397
Other parties					
Accrued expenses		438,529	350,822	403,360	329,531
Suspense value added tax and withholding tax		40,358	43,658	36,919	38,732
Construction payables		32,453	17,332	28,187	11,507
Employee payables		9,638	15,377	9,630	15,348
Others		57,912	40,683	51,576	32,073
		<b>628,122</b>	<b>522,709</b>	<b>577,063</b>	<b>481,588</b>
<b>Total</b>		<b>1,487,241</b>	<b>1,231,937</b>	<b>1,498,267</b>	<b>1,299,515</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
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**17 Non-current provisions for employee benefits**

The Group operates defined benefit plans based on the requirement of the Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long-term benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

*Non-current provisions for employee benefits in statements of financial position as at 31 December*

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Post-employment benefits				
Legal severance payments plan	543,518	555,345	473,555	478,385
Other long-term employee benefits	21,986	22,316	21,929	22,265
<b>Total non-current provisions for defined benefit plans</b>	<b>565,504</b>	<b>577,661</b>	<b>495,484</b>	<b>500,650</b>
Other employee benefits	728	961	728	961
<b>Total</b>	<b>566,232</b>	<b>578,622</b>	<b>496,212</b>	<b>501,611</b>

*Movements in the present value of non-current provisions for defined benefit plans*

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Non-current provisions for defined benefit plans at 1 January	577,661	584,816	500,650	499,394
<b><i>Included in profit or loss</i></b>				
Current service costs	33,967	37,262	29,129	32,004
Interest on obligation	8,190	10,408	7,147	9,045
Actuarial losses	910	5,212	904	5,226
	<b>43,067</b>	<b>52,882</b>	<b>37,180</b>	<b>46,275</b>
<b><i>Included in other comprehensive income</i></b>				
Actuarial gains	(34,874)	(6,304)	(25,807)	(3,707)
<b><i>Others</i></b>				
Benefits paid	(17,929)	(32,376)	(14,862)	(26,095)
Transfer to current provisions	(2,421)	(21,357)	(1,677)	(15,217)
	<b>(55,224)</b>	<b>(60,037)</b>	<b>(42,346)</b>	<b>(45,019)</b>
<b>Non-current provisions for defined benefit plans at 31 December</b>	<b>565,504</b>	<b>577,661</b>	<b>495,484</b>	<b>500,650</b>



**SCG Ceramics Public Company Limited and its Subsidiary**  
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Actuarial losses (gains) recognized in other comprehensive income as of the end of the reporting period arising from:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<b><i>For the years ended 31 December</i></b>				
Demographic assumptions	8	(925)	8	(844)
Financial assumptions	(43,339)	8,398	(38,689)	7,116
Experience adjustment	8,457	(13,777)	12,874	(9,979)
<b>Total</b>	<b>(34,874)</b>	<b>(6,304)</b>	<b>(25,807)</b>	<b>(3,707)</b>

***Actuarial assumptions***

*Principal actuarial assumptions as of the end of the reporting period*

	2021	2020
	<i>(%)</i>	
Discount rate *	1.95 - 2.07	1.40 - 1.44
Salary increase rate	0.50 - 8.50	1.00 - 7.00
Employee turnover rate **	4.00 - 17.00	4.00 - 19.00
Mortality rate ***	50.00 of TMO2017	50.00 of TMO2017

\* Market yields on government's bonds for legal severance payments plan and pension

\*\* Upon the length of service

\*\*\* Reference from TMO2017: Thai Mortality Ordinary Table 2017

At 31 December 2021, the weighted-average duration for payment of long-term employee benefits was approximately 12-13 years.

***Sensitivity analysis***

Reasonably possible changes at the end of the reporting period to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provisions for defined benefit plans by the amounts shown below.

**Effect on the non-current provisions for defined benefit plans at 31 December**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>Increase (decrease)</i>			
	<i>(in thousand Baht)</i>			
Discount rate				
0.5% increase	(26,506)	(30,584)	(23,445)	(26,719)
0.5% decrease	28,470	32,986	25,193	28,833
Salary increase rate				
1.0% increase	53,968	61,013	47,864	53,469
1.0% decrease	(47,960)	(53,956)	(42,507)	(47,244)
Employee turnover rate				
10.0% increase	(22,047)	(24,784)	(19,540)	(21,701)
10.0% decrease	23,266	26,205	20,626	22,953

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Although the analysis does not take account of the full distribution of cash flows expected under the plan, it provides an approximation of the sensitivity of the assumptions shown.

**18 Legal reserves and premiums**

*Share premium*

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

*Legal reserve*

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

*Premium on amalgamation under common control*

Premium on amalgamation under common control recorded in shareholders’ equity is the difference between the carrying amounts of net assets of subsidiaries on the amalgamation date and amounts of consideration paid, and the difference between the carrying amounts of subsidiaries in consolidated financial statement and separate financial statements before the amalgamation and the carrying amounts of each subsidiary.

**19 Business segment information**

Segment information is presented in respect of the Group’s business segments. The primary format, business segments, is based on the Group’s management and internal reporting structure.

Segment assets, revenues and results of operations include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises the following main business segments:

- Manufacturing and sales of ceramic tiles business
- Industrial estate development, real estate business and installation service of solar equipment

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Information regarding the results of each reportable segment use to evaluate performance and allocate resources for management. The Group measured performance based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information relating to business segments for the years ended 31 December was as follows:

	Manufacturing and sales of ceramic tiles		Industrial estate development, real estate and installation service of solar equipment		Total	
	2021	2020	2021	2020	2021	2020
<i>(in thousand Baht)</i>						
<b>Information from consolidated income statement</b>						
Revenue from sales and rendering of services	10,418,793	9,970,668	644,637	223,355	11,063,430	10,194,023
Revenue from land sales	-	-	130,680	-	130,680	-
Other income	62,729	61,796	15,570	5,556	78,299	67,352
Interest income	3,733	2,592	-	-	3,733	2,592
Finance cost	3,513	7,403	-	-	3,513	7,403
Depreciation and amortization	621,441	675,478	23,153	19,153	644,594	694,631
Profit before income tax	592,565	451,335	137,815	68,616	730,380	519,951
Tax expense	(119,203)	(86,617)	(27,573)	(9,026)	(146,776)	(95,643)
Profit for the year	<u>473,362</u>	<u>364,718</u>	<u>110,242</u>	<u>59,590</u>	<u>583,604</u>	<u>424,308</u>

	Manufacturing and sales of ceramic tiles		Industrial estate development, real estate and installation service of solar equipment		Total	
	2021	2020	2021	2020	2021	2020
<i>(in thousand Baht)</i>						
<b>Information from consolidated statement of financial position</b>						
Land development for sale	-	-	429,701	486,406	429,701	486,406
Segment assets	10,363,082	9,855,129	728,595	571,000	11,091,677	10,426,129

**Geographical segment**

The Group has presented information on the basis of geographical information, revenue information is based on the geographical location of customers. However, the Group has no assets located in foreign countries.

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*Geographical segment information*

	2021	2020
<b>Revenue from sales and rendering of services</b>	<i>(in thousand Baht)</i>	
Thailand	9,317,836	8,343,105
Other countries	1,876,274	1,850,918
<b>Total</b>	<b><u>11,194,110</u></b>	<b><u>10,194,023</u></b>

*Major customer*

Revenues from one major customer of the Group's manufacturing and sales of ceramic tiles segment represents approximately Baht 1,292 million for the year 2021 (2020: Baht 1,177 million) of the Group's total revenues.

**20 Distribution costs**

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Freight	804,584	692,305	663,932	578,421
Salary, welfare and personnel expenses	493,065	488,222	476,142	464,116
Sales promotion and advertising expenses	244,479	241,837	243,491	236,550
Depreciation and amortization expenses	145,251	142,677	135,723	132,295
Outside wages	14,156	13,732	13,894	14,562
Rental expenses	9,690	16,103	9,535	15,682
Communication expenses	3,535	3,585	3,518	3,554
Others	117,040	90,006	115,433	88,467
<b>Total</b>	<b><u>1,831,800</u></b>	<b><u>1,688,467</u></b>	<b><u>1,661,668</u></b>	<b><u>1,533,647</u></b>

**21 Administrative expenses**

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Salary, welfare and personnel expenses	304,963	342,296	275,823	304,963
IT fees	110,097	108,076	95,499	97,774
Professional and other fees	86,476	79,247	75,810	68,394
Depreciation and amortization expenses	44,942	47,876	41,785	43,906
Impairment loss on assets and loss for decline in value of inventories	11,780	28,973	10,120	31,665
Mutual separation plan expenses	9,812	76,776	8,488	62,731
Rental expenses	5,680	6,551	6,147	7,009
Maintenance and supplies	5,421	7,569	3,386	4,529
Outside wages	5,122	5,606	1,872	1,899
Others	49,074	81,463	42,973	71,598
<b>Total</b>	<b><u>633,367</u></b>	<b><u>784,433</u></b>	<b><u>561,903</u></b>	<b><u>694,468</u></b>

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**22 Employee benefit expenses**

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Salaries and wages	1,679,002	1,704,494	1,464,768	1,476,541
Welfares and others	143,207	153,170	128,633	137,987
Contribution to defined contribution plans	111,626	116,668	101,371	104,539
Contribution to defined benefit plans	43,067	52,006	37,180	45,009
Mutual separation plan expenses	9,812	76,776	8,488	62,731
<b>Total</b>	<b><u>1,986,714</u></b>	<b><u>2,103,114</u></b>	<b><u>1,740,440</u></b>	<b><u>1,826,807</u></b>

The Group has provident fund plans to provide retirement and gratuity benefits to employees upon resignation at 5% to 10% of the employees' salaries, depending on the length of employment.

The defined contribution plans comprise provident funds established by the Group for its employees in addition to the above provident fund. The provident funds were registered with the Ministry of Finance under the Provident Fund Act B. E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 2% to 15% of their basic salaries and by the Company at 5% to 13% of the members' basic salaries, depending on the length of employment.

**23 Income tax**

*Income tax recognized in profit or loss*

	Note	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
<b>Current tax</b>					
Current tax		130,142	80,098	108,340	67,098
Over provided in prior years		(112)	(1,833)	(450)	(1,840)
		<b><u>130,030</u></b>	<b><u>78,265</u></b>	<b><u>107,890</u></b>	<b><u>65,258</u></b>
<b>Deferred tax</b>					
Movement in temporary differences	13	16,746	17,378	15,387	18,948
<b>Total</b>		<b><u>146,776</u></b>	<b><u>95,643</u></b>	<b><u>123,277</u></b>	<b><u>84,206</u></b>

*Income tax recognized in other comprehensive income*

	Note	Consolidated financial statements		Separate financial statements	
		2021	2020	2021	2020
		<i>(in thousand Baht)</i>			
Losses on remeasurement of defined benefit plan	13	<b><u>(6,975)</u></b>	<b><u>(1,261)</u></b>	<b><u>(5,161)</u></b>	<b><u>(741)</u></b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
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*Reconciliation of effective tax rate*

	Consolidated financial statements			
		2021		2020
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expenses		730,380		519,951
Income tax using the Thai corporation tax rate	20	146,076	20	103,990
Expenses deductible at a greater amount		(4,299)		(11,592)
Expenses not deductible for tax purposes and others		(11,635)		(12,300)
<b>Current tax</b>		<b>130,142</b>		<b>80,098</b>
Over provided in prior year		(112)		(1,833)
Movements in temporary differences		16,746		17,378
<b>Income tax expenses</b>	<b>20</b>	<b>146,776</b>	<b>18</b>	<b>95,643</b>
	Separate financial statements			
		2021		2020
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax expenses		612,203		651,119
Income tax using the Thai corporation tax rate	20	122,441	20	130,224
Income not subject to tax		-		(39,985)
Expenses deductible at a greater amount		(3,565)		(9,148)
Expenses not deductible for tax purposes and others		(10,536)		(13,993)
<b>Current tax</b>		<b>108,340</b>		<b>67,098</b>
Over provided in prior year		(450)		(1,840)
Movements in temporary differences		15,387		18,948
<b>Income tax expenses</b>	<b>20</b>	<b>123,277</b>	<b>13</b>	<b>84,206</b>

**24 Promotional privileges**

By virtue of the provision of the Investment Promotion Act B.E. 2520, referred to the promotional certificates dated 7 July 2014, the Company were granted certain promotion privileges in the manufacturing and sales of ceramic tiles business include, among others, exemption from payment of corporate income tax on the net profit derived from the promoted activity for a period of seven (7) years from the start of commercial operations, and exemption of fifty percent from payment of import duty on imported machinery, etc.

As a promoted company, the Company must comply with certain terms and conditions prescribed in the promotional certificate.

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The Company's revenue classified under promoted and non-promoted businesses for the years ended 31 December are as follows:

Consolidated financial statements						
	2021			2020		
	Promoted Business	Non-Promoted Business	Total	Promoted Business	Non-Promoted Business	Total
	<i>(in thousand Baht)</i>					
Local	31,651	9,286,185	9,317,836	40,022	8,303,083	8,343,105
Export	39,455	1,836,819	1,876,274	44,976	1,805,942	1,850,918
<b>Total</b>	<b>71,106</b>	<b>11,123,004</b>	<b>11,194,110</b>	<b>84,998</b>	<b>10,109,025</b>	<b>10,194,023</b>

Separate financial statements						
	2021			2020		
	Promoted Business	Non-Promoted Business	Total	Promoted Business	Non-Promoted Business	Total
	<i>(in thousand Baht)</i>					
Local	31,651	9,286,239	9,317,890	40,022	8,302,883	8,342,905
Export	39,455	1,836,819	1,876,274	44,976	1,805,942	1,850,918
<b>Total</b>	<b>71,106</b>	<b>11,123,058</b>	<b>11,194,164</b>	<b>84,998</b>	<b>10,108,825</b>	<b>10,193,823</b>

## 25 Dividends

On 19 March 2020, the meeting of the Board of Directors passed a resolution to postpone the 2020 Annual General Meeting of Shareholders of the Company which was scheduled on 27 March 2020 to 29 June 2020 due to the situation of the COVID-19 outbreak.

The dividends paid by the Company to the shareholders were as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in thousand Baht)
<i>2021</i>				
Final dividend 2020	29 March 2021	22 April 2021	0.029	172,916
<b>Total</b>			<b>0.029</b>	<b>172,916</b>
<i>2020</i>				
Interim dividend 2019	19 March 2020	17 April 2020	0.012	71,552
<b>Total</b>			<b>0.012</b>	<b>71,552</b>

## 26 Financial instruments

### (a) Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at amortized cost if the carrying amount is a reasonable approximation of fair value.

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	Consolidated financial statements				Fair value		Total
	Fair value through profit or loss	Carrying amount Fair value through other comprehensive income	Amortized cost	Total (in thousand Baht)	Level 2	Level 3	
<i>At 31 December 2021</i>							
<b><i>Financial assets</i></b>							
Cash and cash equivalents	-	-	1,323,902	1,323,902			
Trade receivables	-	-	1,219,548	1,219,548			
Derivatives assets	3,204	-	-	3,204	3,204		3,204
Long-term investment in other company	-	16,605	-	16,605		16,605	16,605
<b>Total financial assets</b>	<b>3,204</b>	<b>16,605</b>	<b>2,543,450</b>	<b>2,563,259</b>			
<b><i>Financial liabilities</i></b>							
Trade payables	-	-	859,119	859,119			
Lease liabilities	-	-	148,962	148,962			
Derivatives liabilities	1,734	-	-	1,734	1,734		1,734
<b>Total financial liabilities</b>	<b>1,734</b>	<b>-</b>	<b>1,008,081</b>	<b>1,009,815</b>			



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	Consolidated financial statements				Fair value		Total
	Fair value through profit or loss	Carrying amount Fair value through other comprehensive income	Amortized cost	Total (in thousand Baht)	Level 2	Level 3	
<i>At 31 December 2020</i>							
<b><i>Financial assets</i></b>							
Cash and cash equivalents	-	-	731,232	731,232			
Trade receivables	-	-	1,022,077	1,022,077			
Derivatives assets	1,848	-	-	1,848	1,848		1,848
Long-term investment in other company	-	16,605	-	16,605		16,605	16,605
<b>Total financial assets</b>	<b>1,848</b>	<b>16,605</b>	<b>1,753,309</b>	<b>1,771,762</b>			
<b><i>Financial liabilities</i></b>							
Trade payables	-	-	709,228	709,228			
Lease liabilities	-	-	139,564	139,564			
Derivatives liabilities	3,143	-	-	3,143	3,143		3,143
<b>Total financial liabilities</b>	<b>3,143</b>	<b>-</b>	<b>848,792</b>	<b>851,935</b>			

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	Separate financial statements				Fair value		Total
	Fair value through profit or loss	Carrying amount Fair value through other comprehensive income	Amortized cost	Total (in thousand Baht)	Level 2	Level 3	
<i>At 31 December 2021</i>							
<b><i>Financial assets</i></b>							
Cash and cash equivalents	-	-	826,460	826,460			
Trade receivables	-	-	1,219,548	1,219,548			
Derivatives assets	3,204	-	-	3,204	3,204		3,204
Long-term investment in other company	-	16,605	-	16,605		16,605	16,605
<b>Total financial assets</b>	<b>3,204</b>	<b>16,605</b>	<b>2,046,008</b>	<b>2,065,817</b>			
<b><i>Financial liabilities</i></b>							
Trade payables	-	-	921,204	921,204			
Lease liabilities	-	-	146,174	146,174			
Derivatives liabilities	1,734	-	-	1,734	1,734		1,734
<b>Total financial liabilities</b>	<b>1,734</b>	<b>-</b>	<b>1,067,378</b>	<b>1,069,112</b>			

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	Separate financial statements				Fair value		Total
	Fair value through profit or loss	Carrying amount Fair value through other comprehensive income	Amortized cost	Total (in thousand Baht)	Level 2	Level 3	
<i>At 31 December 2020</i>							
<b>Financial assets</b>							
Cash and cash equivalents	-	-	370,763	370,763			
Trade receivables	-	-	1,022,077	1,022,077			
Derivatives assets	1,848	-	-	1,848	1,848		1,848
Long-term investment in other company	-	16,605	-	16,605		16,605	16,605
<b>Total financial assets</b>	<b>1,848</b>	<b>16,605</b>	<b>1,392,840</b>	<b>1,411,293</b>			
<b>Financial liabilities</b>							
Trade payables	-	-	817,927	817,927			
Lease liabilities	-	-	116,863	116,863			
Derivatives liabilities	3,143	-	-	3,143	3,143		3,143
<b>Total financial liabilities</b>	<b>3,143</b>	<b>-</b>	<b>934,790</b>	<b>937,933</b>			

**SCG Ceramics Public Company Limited and its Subsidiary**  
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**Financial instruments measured at fair value**

The Group determined Level 2 fair values for financial assets and financial liabilities using valuation techniques as follows:

- Investment in debt instruments and share which are simple over-the-counter securities are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar financial instrument at the measurement date. Fair values reflect the credit risk of the financial instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.
- Derivatives assets and liabilities such as forward exchange contracts and commodity contracts were calculated using the rates initially quoted by the Group's bankers which were based on market conditions existing at the end of the reporting period to reflect current fair values of the contracts. The fair value of interest rate swap is calculated from the difference between the present value of future cash flows based on the yield curve of the contractual interest rate and the expected interest rate based on observable market for similar financial instruments.

The Group determined Level 3 fair values for financial assets and financial liabilities using valuation techniques as follows:

- Investments in equity instruments which is not actively traded in market were calculated using valuation techniques such as the latest reporting net assets adjusted by relevant factors. This was because the equity instruments were not listed on any stock exchanges and there were no recent observable arm's length transactions in the instruments.
- Contingent consideration using the discounted cash flow technique: significant unobservable inputs such as expected cash flows and risk-adjusted discount rate.

**(b) Financial risk management policies**

***Risk management framework***

The Group's Finance Committee has responsibility for the establishment of financial risk management policies and guidelines including foreign currency risk related to capital expenditures, investment borrowing, deposit and international trade transaction. This also includes establishing policies and overseeing the process of financial derivatives and cash management for efficiency of the Group's financial operation under risk appetite and consistent practice. The policies are appropriately reviewed to the changing situation. The Group's Finance Committee monitors financial status and reports regularly to the Group's Management Committee.

***(b.1) Credit risk***

Credit risk is the risk of Group's financial loss if a customer or a financial counterparty fails to meet its contractual obligations.

**(b.1.1) Cash and cash equivalent and derivatives**

The Group's credit risk arising from cash and cash equivalents and derivatives is limited because the counterparties are banks and financial institutions which the Group considers having low credit risk.

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(b.1.2) Trade receivables

The Group's credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before credit limit, credit term and trade terms are offered. In case of sales exceeding the limits, it must be approval by authorized person.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period. Outstanding trade receivables are regularly monitored by the Group. An impairment analysis is performed by the Group at each reporting date. The provision rates of expected credit loss are based on days past due to reflect differences between economic conditions in the past, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Information relevant to trade receivables are disclosed in note 6.

**(b.2) Liquidity risk**

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management for the Group's operations including payment of liabilities that are due and to mitigate the risk from the lack of future liquidity.

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature were as follows:

	Consolidated financial statements			Total
	Effective interest rates (% p.a.)	Within 1 year	After 1 year but within 5 years (in thousand Baht)	
<b>Year 2021</b>				
<b>Current</b>				
Lease liabilities	1.38 - 3.19	60,724	-	60,724
<b>Non-current</b>				
Lease liabilities	1.38 - 3.19	-	93,734	93,734
<b>Total</b>		<b>60,724</b>	<b>93,734</b>	<b>154,458</b>
Less : deferred interest-lease liabilities				(5,496)
<b>Net</b>				<b>148,962</b>
<b>Year 2020</b>				
<b>Current</b>				
Lease liabilities	1.83 - 3.13	76,841	-	76,841
<b>Non-current</b>				
Lease liabilities	1.83 - 3.13	-	67,152	67,152
<b>Total</b>		<b>76,841</b>	<b>67,152</b>	<b>143,993</b>
Less : deferred interest-lease liabilities				(4,429)
<b>Net</b>				<b>139,564</b>

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	Effective interest rates (% p.a.)	Separate financial statements Within 1 year	After 1 year but within 5 years (in thousand Baht)	Total
<b>Year 2021</b>				
<b>Current</b>				
Lease liabilities	1.38 - 3.19	59,486	-	59,486
<b>Non-current</b>				
Lease liabilities	1.38 - 3.19	-	93,625	93,625
<b>Total</b>		<b>59,486</b>	<b>93,625</b>	<b>153,111</b>
Less : deferred interest-lease liabilities				(6,937)
<b>Net</b>				<b>146,174</b>
<b>Year 2020</b>				
<b>Current</b>				
Lease liabilities	1.83 - 3.13	69,705	-	69,705
<b>Non-current</b>				
Lease liabilities	1.83 - 3.13	-	50,447	50,447
<b>Total</b>		<b>69,705</b>	<b>50,447</b>	<b>120,152</b>
Less : deferred interest-lease liabilities				(3,289)
<b>Net</b>				<b>116,863</b>

**(b.3) Market risk**

The Group has the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is as follow:

**(b.3.1) Foreign currency risk**

Foreign exchange risk arises from the fluctuation of foreign exchange rate.

The Group has foreign exchange risk arisen from the fluctuation of foreign exchange rate from purchase, sale, payment of machines and equipment and other receipt and payment which are denominated in foreign currencies. The Group manage that risk by entering forward exchange contracts to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

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As at 31 December, the Group has foreign currency risk from foreign currency assets and liabilities are as follows;

	Consolidated financial statements		
	USD	Others	Total
<i>Currency risk</i>			
<i>As at 31 December 2021</i>			
Trade receivables	147,787	11,266	159,053
Trade payables	(148,414)	(76,119)	(224,533)
<b>Net statement of financial position exposure</b>	<b>(627)</b>	<b>(64,853)</b>	<b>(65,480)</b>
<b>Net forecast transaction exposure</b>	<b>(627)</b>	<b>(64,853)</b>	<b>(65,480)</b>
Forward exchange contracts			
Forward exchange selling contracts	(149,987)	(11,214)	(161,201)
Forward exchange purchase contracts	431,041	24,824	455,865
<b>Net exposure</b>	<b>280,427</b>	<b>(51,243)</b>	<b>229,184</b>
<i>As at 31 December 2020</i>			
Trade receivables	148,558	5,960	154,518
Trade payables	(114,255)	(110,107)	(224,362)
<b>Net statement of financial position exposure</b>	<b>34,303</b>	<b>(104,147)</b>	<b>(69,844)</b>
<b>Net forecast transaction exposure</b>	<b>34,303</b>	<b>(104,147)</b>	<b>(69,844)</b>
Forward exchange contracts			
Forward exchange selling contracts	(94,847)	(4,979)	(99,826)
Forward exchange purchase contracts	181,954	27,469	209,423
<b>Net exposure</b>	<b>121,410</b>	<b>(81,657)</b>	<b>39,753</b>
<i>Currency risk</i>			
<i>As at 31 December 2021</i>			
Trade receivables	147,787	11,266	159,053
Trade payables	(144,636)	(74,336)	(218,972)
<b>Net statement of financial position exposure</b>	<b>3,151</b>	<b>(63,070)</b>	<b>(59,919)</b>
<b>Net forecast transaction exposure</b>	<b>3,151</b>	<b>(63,070)</b>	<b>(59,919)</b>
Forward exchange contracts			
Forward exchange selling contracts	(149,987)	(11,214)	(161,201)
Forward exchange purchase contracts	431,041	24,824	455,865
<b>Net exposure</b>	<b>284,205</b>	<b>(49,460)</b>	<b>234,745</b>
<i>As at 31 December 2020</i>			
Trade receivables	148,558	5,960	154,518
Trade payables	(111,047)	(108,221)	(219,268)
<b>Net statement of financial position exposure</b>	<b>37,511</b>	<b>(102,261)</b>	<b>(64,750)</b>
<b>Net forecast transaction exposure</b>	<b>37,511</b>	<b>(102,261)</b>	<b>(64,750)</b>
Forward exchange contracts			
Forward exchange selling contracts	(94,847)	(4,979)	(99,826)
Forward exchange purchase contracts	181,954	27,469	209,423
<b>Net exposure</b>	<b>124,618</b>	<b>(79,771)</b>	<b>44,847</b>

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*Sensitivity analysis*

A reasonably possible strengthening and weakening of functional currency against foreign currencies at 31 December would not have affected the measurement of financial instruments denominated in a foreign currency and not affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

(b.3.2) Interest rate risk

*Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 1% in interest rates would not have significantly increased or decreased in equity. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

**27 Commitments and contingent liabilities**

As at 31 December 2021

- (a) The Company had letters of guarantee issued by banks to government, state enterprises, private sectors and others totaling approximately Baht 22 million (2020: Baht 17 million).
- (b) The Group had commitments for construction building and machinery totaling approximately Baht 50 million (2020: Baht 13 million).
- (c) The Group had entered into various lease agreements. The periods of these agreements are 5 years expiring in various dates up to January 2026. Under the terms of these agreements, the Group has to pay annual rental as follows:

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
Within one year	10,574	12,486	9,275	11,299
After one year but within five years	10,058	8,032	8,748	6,877
<b>Total</b>	<b>20,632</b>	<b>20,518</b>	<b>18,023</b>	<b>18,176</b>

- (d) The Company has entered into a purchase agreement with a local company to purchase electricity and heat energy with a price which is calculated under the conditions as indicated in the agreement. This agreement shall be in effect for the period of fifteen (15) years commencing on June 2012.



**SCG Ceramics Public Company Limited and its Subsidiary**  
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**28 Capital management**

The management of the Group has the capital management policy to maintain a strong capital base by emphasis on planning and determining the operating strategies resulting in good business' s performance and sustained good cash flows management. In addition, the Group considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustained future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

**29 Events after the reporting period**

- (a) At the Board of Directors' Meeting of the Company held on 25 January 2022, the directors approved to submit for approval at the Annual General Meeting of Shareholders, the payment of a dividend for 2021 at the rate of Baht 0.047 per share, totaling approximately Baht 280 million is scheduled for payment on 22 April 2022.
- (b) At the Board of Directors' Meeting of the Company held on 25 January 2022, the Board has resolved to establish SUSUNN Smart Solution Co. Ltd., with an investment amounting to Baht 100 million and propose it to the 2022 Annual General Meeting of Shareholders. The Company's business restructuring for service solution business by transferring the Energy Business and Incubation Business to the SUSUNN Smart Solution Co., Ltd., a wholly owned subsidiary of the Company, including but not limited to assets, liabilities, contracts, licenses, rights, duties and all liabilities, related to the above business of the Company that can be transferred under relevant law.

**30 Thai Financial Reporting Standards (TFRSs) that have been issued but are not yet effective**

The Federation of Accounting Professions has revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2022 and have not been adopted in the preparation of these consolidated financial statements because they are not yet effective. The Group has assessed the potential initial impact on the financial statements of these revised TFRSs and expected that there will be no material impact on the financial statements in the year of initial application.

**SCG Ceramics Public Company Limited and its Subsidiary**  
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**31 Reclassification of accounts**

Certain accounts in the financial statements as at 31 December 2020 and the income statement for year ended 31 December 2020 have been reclassified to conform to the presentation in the 2021 financial statements were as follows:

	Consolidated financial statements		
	Before reclassification	Reclassification <i>(in thousand Baht)</i>	After reclassification
<b><i>Consolidated income statement</i></b>			
<b><i>For the year ended 31 December 2020</i></b>			
Revenue from sales and rendering of services	9,950,976	243,047	10,194,023
Cost of sales and rendering of services	(7,164,577)	(99,136)	(7,263,713)
Other income	213,855	(143,911)	69,944
	Separate financial statements		
	Before reclassification	Reclassification <i>(in thousand Baht)</i>	After reclassification
<b><i>Income statement</i></b>			
<b><i>For the year ended 31 December 2020</i></b>			
Revenue from sales and rendering of services	9,950,466	243,357	10,193,823
Cost of sales and rendering of services	(7,482,557)	(99,136)	(7,581,693)
Other income	417,892	(144,221)	273,671

## Appendix

More details are indicated in the attachment on the website [www.scgceramics.com](http://www.scgceramics.com)



### Appendix 1

Information of Directors, Executives,  
Chief Officers in Accounting and Finance and Company Secretary

[https://scgceramics.com/Attachment1\\_2021en](https://scgceramics.com/Attachment1_2021en)



### Appendix 2

Board of Directors of Subsidiary Company

[https://scgceramics.com/Attachment2\\_2021en](https://scgceramics.com/Attachment2_2021en)



### Appendix 3

Internal Auditor Profile

[https://scgceramics.com/Attachment3\\_2021en](https://scgceramics.com/Attachment3_2021en)



### Appendix 4

Assets Used in Operations and Asset Valuation Report

[https://scgceramics.com/Attachment4\\_2021en](https://scgceramics.com/Attachment4_2021en)



### Appendix 5

Policy and Guidelines for Corporate Governance and Business Ethics

1. Operational Governance Policy

[https://scgceramics.com/Attachment5-1\\_2021en](https://scgceramics.com/Attachment5-1_2021en)



2. Information Disclosure Policy

[https://scgceramics.com/Attachment5-2\\_2021en](https://scgceramics.com/Attachment5-2_2021en)



3. Policy of the management of internal information that may affect share price

[https://scgceramics.com/Attachment5-3\\_2021en](https://scgceramics.com/Attachment5-3_2021en)



4. Trade Competition Policy

[https://scgceramics.com/Attachment5-4\\_2021en](https://scgceramics.com/Attachment5-4_2021en)



5. The Board of Directors Meeting Attendance Policy

[https://scgceramics.com/Attachment5-5\\_2021en](https://scgceramics.com/Attachment5-5_2021en)



6. Anti-Corruption Policy

[https://scgceramics.com/Attachment5-6\\_2021en](https://scgceramics.com/Attachment5-6_2021en)



7. Policy of protection and justice for staff who give information or evidence relating to corruption or any action against the law, discipline, regulation, and ethics (Whistleblowing Policy)

[https://scgceramics.com/Attachment5-7\\_2021en](https://scgceramics.com/Attachment5-7_2021en)



8. Dividend Payment Policy

[https://scgceramics.com/Attachment5-8\\_2021en](https://scgceramics.com/Attachment5-8_2021en)



9. Privacy Policy

[https://scgceramics.com/Attachment5-9\\_2021en](https://scgceramics.com/Attachment5-9_2021en)



10. Code of Conduct

[https://scgceramics.com/Attachment5-10\\_2021en](https://scgceramics.com/Attachment5-10_2021en)



11. Charter of The Board Of Directors

[https://scgceramics.com/Attachment5-11\\_2021en](https://scgceramics.com/Attachment5-11_2021en)



12. Charter of The Audit Committee

[https://scgceramics.com/Attachment5-12\\_2021en](https://scgceramics.com/Attachment5-12_2021en)



13. Charter of The Nomination, Remuneration and Corporate Governance Committee

[https://scgceramics.com/Attachment5-13\\_2021en](https://scgceramics.com/Attachment5-13_2021en)



#### **Appendix 6**

The Audit Committee's Report

[https://scgceramics.com/Attachment6\\_2021en](https://scgceramics.com/Attachment6_2021en)



#### **Appendix 7**

Nomination, Remuneration and Corporate Governance Committee Report

[https://scgceramics.com/Attachment7\\_2021en](https://scgceramics.com/Attachment7_2021en)

Note : In the case that this form 56-1 One report refers to the information disclosed on the Company's website, it shall be deemed that the disclosed information on that website is a part of this 56-1 One Report form. The Board of Directors is responsible for the accuracy and completeness of the referenced information as well as the information presented in this 56-1 One Report form.

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