



**Annual Report**  
**2018**

SCG Ceramics Public Company Limited



**SCG**  
**CERAMICS**

# Content

01	Vision & Mission	12	Corporate Social Responsibility
	<b>01</b>		<b>76</b>
02	Message from the Board of Directors	13	Report of Risk Management, Internal Control, and Internal Audit 2018
	<b>02</b>		<b>86</b>
03	Financial Results SCG Ceramics Public Company Limited and its Subsidiary	14	Report of Anti-Corruption Efforts 2018
	<b>04</b>		<b>93</b>
04	Operating Overview	15	Connected Transactions
	<b>05</b>		<b>95</b>
05	Key Sustainable Development Operations in 2018	16	Report on the Board of Directors' Responsibilities for Financial Statements
	<b>06</b>		<b>100</b>
06	Other Information	17	The Audit Committee's Report
	<b>08</b>		<b>101</b>
07	Securities and Shareholders Information	18	Performance Analysis and Financial Status
	<b>11</b>		<b>103</b>
08	Management Structure	19	Consolidated Financial Statements and Financial Statements of SCG Ceramics
	<b>12</b>		<b>105</b>
09	The Nomination, Remuneration and Corporate Governance Committee's Report	20	Investor Information
	<b>38</b>		<b>171</b>
10	Corporate Governance	21	References
	<b>40</b>		<b>172</b>
11	Sustainable Business Strategy		
	<b>63</b>		

01

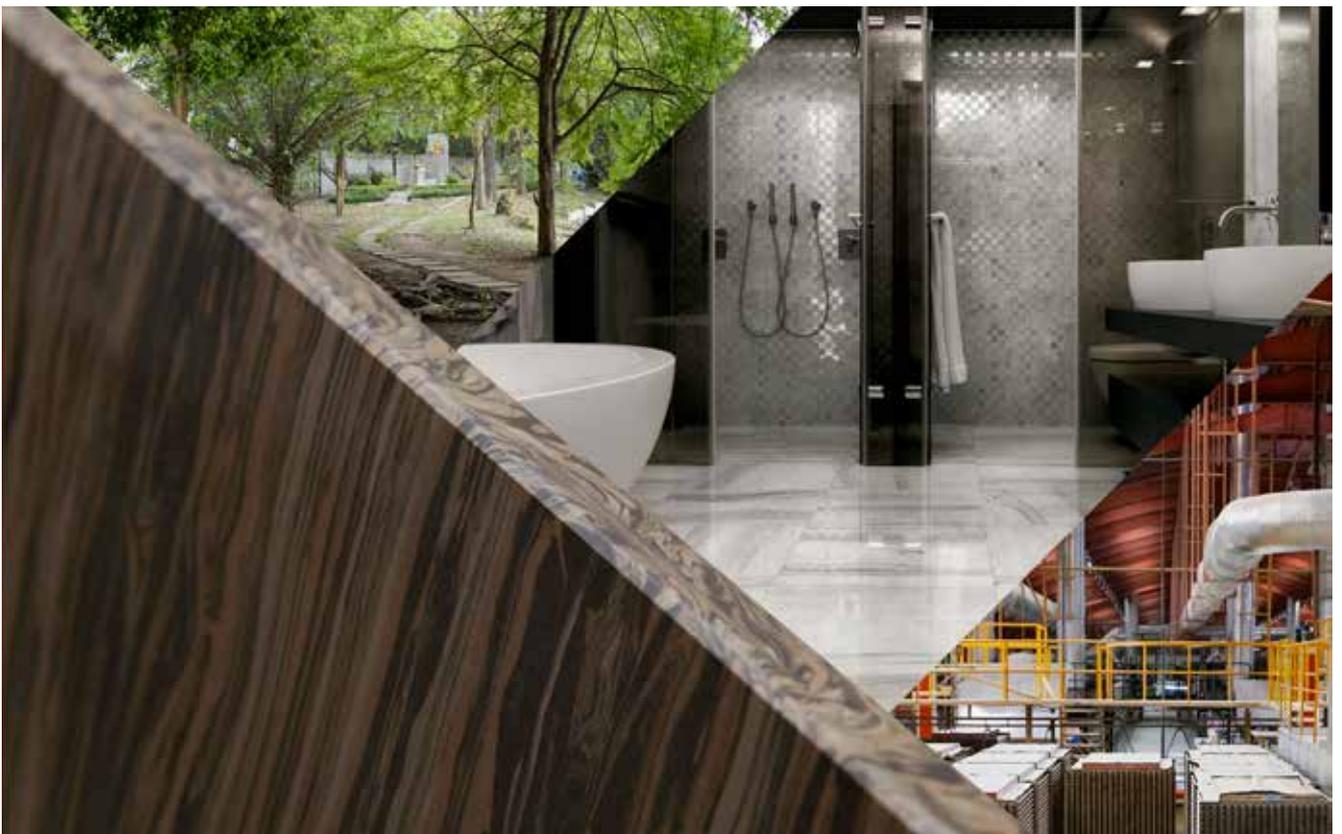
# Vision & Mission

## Vision

To excel in ceramic business and satisfy target customers with high-quality products and services at fair price, while achieving the company's financial target and sustainable growth.

## Mission

- Develop the management system to improve efficiency of the production system and provide the effective management throughout the value chains
- Implement Digital Transformation to serve Customer needs with speed and efficiency
- Deliver Superior product and service at competitive cost
- Maximize assets and resources utilization
- Continuously identify and capture values from new business initiatives

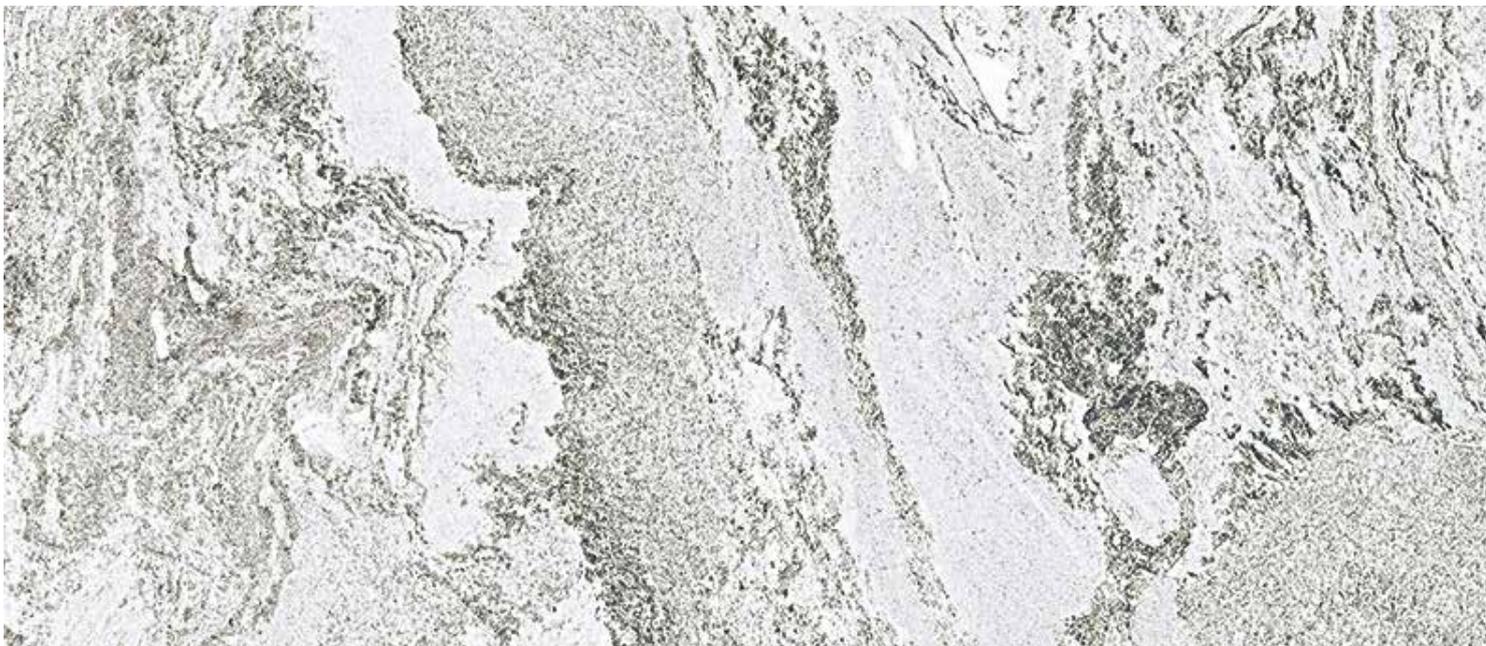


## Message from the Board of Directors

“In 2018, despite the improvement in Thailand’s overall economic situation and the increase in growth rate driven by the positive world economic and logistic situation, household consumption expenditure and agricultural income barely grew compared to previous year, while household debt still remained high. As a result, the demand of ceramic products within Thailand had decreased by 2% year-on-year, whereas the intense competition in the home market between domestic manufacturers and importers endured.

After merging with the subsidiaries in the middle of 2018, the company constantly endeavored to proceed with business according to the framework by focusing mainly on improving 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 groups. In addition, the company also opened up new marketing channels to maintain the present level of market share and to bring all the costs and consumption under control.

“ For 2018, the company reported revenue from sales of 11,557 Million Baht, decreasing by 11% year-on-year. And the net profit was 10 Million Baht, decreasing by 566 Million Baht from the preceding year as a result of fierce competition, higher energy costs as well as irregular expenses. At December 31, 2018, the company had 11,725 Million Baht of assets and 2,186 Million Baht of debts, which were a decrease of 8.3% and 2.2% year-on-year respectively. ”



As for 2019, Thailand's economy growth rate is expected to remain stable. Due to higher investment of government and private sectors, the demand of ceramic products compared to previous year, possesses a possibility to make a slight increase. However, since market competition remains intense, the company must observe and evaluate the situation more attentively, together with enhancing the management system and proficiency of the operation to handle the change in market situation efficiently and promptly. The aforementioned practice can ensure high quality products and services under competitive costs, providing an opportunity to expand our business to other businesses both domestic and overseas. Henceforth, the company will continue to operate our business with transparency as well as concentrate on the manufacture and distribution of eco-friendly products. The company will adhere to circular economy, develop products corresponding to clients' demand and constantly reduce costs especially energy costs. Besides, the company is determined to develop land and facility system for industrial estates and handle environmental issues with corporate social responsibility. Above all, the company firmly believe that the aforesaid framework would be able to enhance company's competitiveness, thus, assuring a sustainable and steady growth of the company.

The Board of Directors would like to express gratitude to all shareholders, clients, partners, employees, financial institutes and other relevant parties for your support in the company's business and merging of the subsidiaries. And we promise to operate business with prudence and ethics in accordance with principles of good corporate governance and sustainability to maximize benefits for all relevant parties as always.



## Financial Results

### SCG Ceramics Public Company Limited and its Subsidiaries

Million Baht

<b>Consolidated Statements of income</b>		
	<b>2018</b>	<b>2017</b>
Revenue form sales	11,557	12,977
Other income	233	214
Costs and expenses	11,656	12,440
Profit before finance income tax	730	1,415
Profit for the year <sup>1</sup>	10	576
<b>Consolidated Statements of financial position</b>		
Asset	11,725	12,781
Liabilities	2,816	2,881
Shareholders ' equity	8,909	9,901
Equity holders of the company	8,397	8,603
<b>Financial Ratios</b>		
Number of shares issued (million shares)	5,963	5,963
Book value per share (Baht)	1.4	1.4
Earnings per share (Baht)	0.002	0.10
Profit margin for the year per revenue from sales (%)	0.1	4.4
Return on Shareholders (%)	0.1	6.7
Return on Equity (%)	0.1	4.5
Debt to Equity Ratio (times) <sup>2</sup>	0.3	0.3

1. Represents profit for the year attributable to equity holders of the company

2. Debt to equity ratio = Debt to Equity

#### Revenue structure

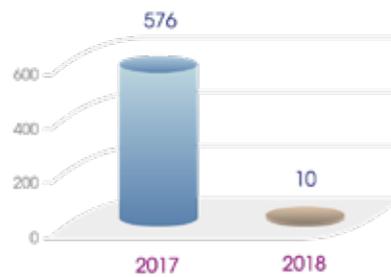
	<b>2018</b>		<b>2017</b>	
	<b>Million Baht</b>	<b>Proportion (percent)</b>	<b>Million Baht</b>	<b>Proportion (percent)</b>
Ceramics	11,513	99.6	12,754	98.3
Land	44	0.4	223	1.7
Total	11,557	100.0	12,977	100.0

## Operating Overview

Revenue form Sales (Million Baht)



Profit for the Year (Million Baht)



Return on Revenue form Sales (Percent)



Dividends per Share Rate (Percent)



As for the operating result in 2018, the company's revenue from the sale of ceramic products was 11,513 million baht, a decrease of 1,241 million baht or 10% versus 2017. A cost of sales decreased 620 million baht or 7% from last year due to a decline in the domestic market and intense market competition. The company's revenue from land sales was 44 million baht, a 81% decrease from the previous year. Consequently, the company's net profit amounted to 10 million, a decrease from 566 million baht or 98% from 2017, mainly caused by 1) a rise in the price of materials and natural gas, 2) a decline in profit from land sales in Nong Khae Industrial, 3) irregular expenses such as expenses for mutually agreed resignation schemes and consultations on the development of organizational management and operational effectiveness, largely due to the third quarter and, 4) a sales revenue decrease owing to a 10% decline in sales volume with an average sales price similar to that of last year.

The company has quickly implemented its business plan after merging the company. The plan includes allocating and moving manufacturing base of some products to the factory with lowest cost, reducing manufacturing cost in each process, producing and finding quality products and services that meet the needs of comprehensive groups of customers, as well as expanding selling channel that covers both areas and product portfolios. Besides, the company emphasizes on the importance of elevating the satisfactory level of customers and trade partners in order to maintain the company's market share and control manufacturing costs as well as other expenses.

According to the operating result above, the company's net profit to net sales rate was 0.1 %, a decrease from 4.4 % in 2017 while the dividends per share rate was 0.1 %, a decrease from 6.7 in 2017.

## Key Sustainable Development Operations in 2018

Energy Consumption	4.33 Petajoules	Alternative Fuel	0.14 Petajoules	Solar Energy	0.012 Petajoules
GHG Emission	0.28 Million tons CO <sub>2</sub> e	Water Discharge	1.35 Million cu.m.	Recycled Water	62 Percent
SCG eco-Value Products and Services	35 Percent	Alternative raw materials	10 Percent	Lost Time Injury Frequency Rate (Employee/ Contractor)	0.017 Case / 200,000 man-hour

### Important Sustainable Development Activities in 2018

1. The Nongkhae 1 Factory of SCG Ceramics Public Company Limited was awarded “Eco Factory” by the Federation of Thai Industries and certified as Green Industry 4 or Green Culture (GI4) by the Ministry of Industry in 2018 Green Industry Forum.

ECO Factory is a benchmark of the Federation of Thai Industries which certifies factories with necessary qualifications according to the standard established by the Ministry of Industry. The standard covers waste management, effective use of raw materials and energy, and credible activities supporting stakeholders or society.



2. SCG Ceramics Public Company Limited was granted PM Award 2018 (Prime Minister’s Export Award) for Best Thai Brand. Given by the Department of International Trade Promotion, Ministry of Commerce, it is the foremost award granted to outstanding entrepreneurs to represent the image of a commitment to develop a brand continuously and to reflect Thai business’ success.



3. Nongkhae Industrial Estate was certified as Eco-industrial town on an Eco Excellence level by the Industrial Estate Authority of Thailand.

Eco-Industrial Town is a model of sustainable industrial development based on economic, environmental and social balance complying with laws and technological possibilities by employing resources and energy effectively, minimizing waste emission, and maximizing production efficiency to improve the quality of life and environment overall. The model is also based on the principles of collaboration, by the Ministry of Industry, among entrepreneurs in the industrial business sector, industrial estate developers, local government agencies, and communities for common interests.

4. With extraordinary design, COTTO Blend Series is a tile product which can create a global impact. The series won iF DESIGN AWARD on Product Design from Germany. Internationally recognized, iF DESIGN AWARD is considered an important award in the design industry from Germany which has a long history and was founded in 1953.

5. “COTTO” received Thailand’s Most Admired Brand 2018 award. Within the market of floor and wall tiles, COTTO has become the most popular and trusted brand for seven consecutive years according to research conducted by Thailand’s Most Admired Brand & Why We Buy. Together with leading national educational institutes in every region and employing research methodologies with high standards leading to the most accurate results, the magazine carried out the research for the purpose of finding brands carrying consumers’ favor in each type of products. The ceremony was held at Sasin Graduate Institute of Business Administration.

6. SCG Ceramics Public Company Limited’s management system is certified as follows.

- 6.1 Nongkhae Estate Factory is certified
  - Energy Management Systems ISO 50001: 2011 (Nongkhae Industrial Estate)
  - Environmental Management Systems ISO 14001: 2015 (Nongkhae Industrial Estate)
  - Quality Management Systems ISO 9001:2015
  - Environmental Management Systems ISO 14001:2015
- 6.2 Nongkhae 1 Factory is certified
  - Quality Management Systems ISO 9001:2015
  - Environmental Management Systems ISO 14001:2015
  - CSR-DIW Continuous Award from the Department of Industrial Works
- 6.3 Hin Kong Factory is certified
  - Quality Management Systems ISO9001:2015
  - Environmental Management Systems ISO14001:2015
  - Health & Safety Management System OHSAS18001



## Other Information

**SCG Ceramics Public Company Limited** established from the amalgamation of the companies as follows:

1. Thai Ceramic Company Limited (TCC)
2. Thai-German Ceramic Industry Public Company Limited (TGCI)
3. The Siam Ceramic Group Industries Company Limited (SGI)
4. Sosuco and Group (2008) Company Limited (SSG)
5. Gemago Company Limited (GMG)

### Business Timeline

- 1969 Established and registered Thai-German Ceramic Industry Public Limited (TGCI), the first ceramic tile manufacturer in Thailand with the trade name "AGROB"
- 1979 Thai-German Ceramic Industry Public Company Limited (TGCI) changed the trade name from "AGROB" to "CAMPANA" and listed on the Stock Exchange of Thailand.
- Established and registered Thai Ceramic Company Limited (TCC) was established and registered on 24 September 1979 by joint investment between The Siam Cement Public Company Limited and affiliated companies.
- 1980 Thai Ceramic Company Limited (TCC) acquired and managed the Royal Mosaic Export Company (RMEX) on behalf of RMEX Limited
- 1981 Thai Ceramic Company Limited (TCC) manages the Royal Mosaic Export Company (RMEX) on behalf of Thai Ceramic Company Limited
- 1982 Thai Ceramic Company Limited (TCC) merged into a subsidiary of Siam Cement Public Company Limited on 1 January 1982
- 1989 Establishment of Nong Khae Industrial Estate, Saraburi Province by Thai-German Ceramic Industry Public Company Limited and the Industrial Estate Authority of Thailand (IEAT) on 6 November 1989
- 1993 Thai-German Ceramic Industry Public Company Limited (TGCI) moved the factory from Rangsit to a new location at Nong Khae Industrial Estate area, Saraburi
- 1994 Established and registered The Sosuco Group Industries Company Limited on 15 June 1994
- 2003 Thai-German Ceramic Industry Public Company Limited (TGCI) relocated its production at Rangsit Plant and Bangkok factory to Nong Khae factory which located in Nong Khae Industrial Estate, Saraburi
- 2004 The Sosuco Group Industries Company Limited changed its name to The Siam Ceramic Group Industries Company Limited (SGI) on 1 November 2004
- 2008 SCG by Cementsai Ceramics Company Limited join the business with Thai-German Ceramic Industry Public Company Limited, then is the part of building materials business in SCG (SCG Cement Building Materials)
- 2018 SCG Ceramics Public Company Limited was listed on the Stock Exchange of Thailand on 1 November 2018 using the name COTTO

### SCG Ceramics Public Company Limited

#### Headquarter location

1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand  
 Tel: 02-586-3333, 02-586-64092 Fax: 02-587-0162  
 Website <http://www.scgceramics.com>

#### Factories Location

1. Hin Kong factory ("HK")  
 Address: 33/1 Moo 2 Suwannasorn Road, Koke Yae Sub-district, Nong Khae District, Saraburi Province 18230
2. Nong Khae industrial estate factory ("NKIE")  
 Address: 61 Moo 1 Nong Khae industrial estate, Koke Yae Sub-district, Nong Khae District, Saraburi Province 18230
3. Nong Khae factory 1 ("NK1")  
 Address : 40 Moo 2 Rim Klong Rapeepat Road, Nong Pling, Sub-district Nong Khae District, Saraburi Province 18140

## Core Business of SCG Ceramics

Top manufacturer and distributor of floor and wall ceramic tile under brand of COTTO, SOSUCO, CAMPANA and the developer of Nong Khae industrial estate.

## Product or Service

### 1. Ceramic Tiles Business

The Company is manufacturer and distributor of quality ceramic floor and wall tiles. The Company has production capacity and quantity of 94.0 million square meters per year (In 2017). The New Company has ceramic tiles product portfolio as follows:

#### 1.1 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.

#### 1.2 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 cleanable and have multiple sizes.

#### 1.3 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.

#### 1.4 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.

#### 1.5 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.



## 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 Industrial Estate Authority of Thailand established on 6 November 1989 locate in Khok Yae Subdistrict and Nong Khai Nam Subdistrict which has total area approximately 2,042 rai 2 ngan, and 71.50 square wah. The area is divided as follow:

1. The total sale area 1,629 Rai, 3 Ngan and 56.30 Square Wah which consist of 3 sections.
  - 1.1 General industrial zone 1,519 Rai, 2 Ngan and 37.90 Square Wah.
  - 1.2 Residential zone 71 Rai, 3 Ngan and 90.30 Square Wah.
  - 1.3 Commercial zone 0 Rai, 0 Ngan and 0 Square Wah.
2. Area for infrastructure system installation and reservoir

### Awards and Important Standards in 2018

1) **Hin Kong factory's** award and certification are as follows:

1. Quality Management System ISO 9001 : 2015 from TÜV Rheinland  
(Continuos from Thai Ceramic Company Limited)
2. Environmental Management System ISO 14001 : 2015 from TÜV Rheinland  
(Continuos from Thai Ceramic Company Limited)
3. Occupational Health and Safety Management System OHSAS 18001 from TÜV Rheinland  
(Continuos from Thai Ceramic Company Limited)
4. CCC Certificate and CCC MARK from China Building Material Test & Certification Group Co.,Ltd.  
(Continuos from Thai Ceramic Company Limited)

2) **Nong Khae Industrial Estate factory** and Nong Khae Industrial Estate's award and certification are as follows:

1. Quality Management System ISO 9001:2015 from BSI Certification Institute
2. Environmental Management System ISO 14001:2015 from BSI Certification Institute
3. Occupational Health and Safety Management System OHSAS 18001
4. Energy Management System ISO 50001: 2011 Nong Khae industrial Estate from BSI Certification Institute
5. Environmental Management System ISO 14001: 2015 Nong Khae industrial estate from BSI Certification Institute
6. Green Industry Award 4 (Green Industry Green Culture) from Ministry of Industry
7. Nong Khae Industrial Estate awarded Eco Industrial Town Award Eco Excellence Level from Industrial Estate Authority of Thailand
8. Thailand Kaizen Award 2018 "Automatic Packing Machine" (Silver Award) from Technology Promotion Association (Thailand-Japan)
9. Thailand Kaizen Award 2018 "Easy Forklift" (Silver Award) from Technology Promotion Association (Thailand-Japan)

3) **Nong Khae 1 factory's** award and certification are as follows:

1. Quality Management System ISO 9001:2015  
(Continuos from The Siam Ceramic Group Industries Company Limited)
2. Environmental Management System ISO 14001:2015  
(Continuos from The Siam Ceramic Group Industries Company Limited)
3. Occupational Health and Safety Management System OHSAS 18001  
(Continuos from The Siam Ceramic Group Industries Company Limited)
4. Energy Management System ISO 50001: 2011  
(Continuos from The Siam Ceramic Group Industries Company Limited)
5. Business Continuity Management (BCM) ISO 22301:2012  
(Continuos from The Siam Ceramic Group Industries Company Limited)
6. CSR-DIW Continuous Award from Department of Industrial Works
7. Eco Factory Certification (Eco) from The Industrial Environment Institute, The Federation of Thai Industries

## Securities and Shareholders Information

### The Company Securities

• Authorized Capital	5,962,621,233 Baht
• Par Value	1 Baht
• Paid-up Capital	5,962,621,233 Baht
• Divided into	5,962,621,233 Ordinary Shares (No Preferred Shares)

### Shareholder Structure

#### First 10 major shareholders

(as at December 28, 2018)

No.	Shareholders	No. of ordinary shares	% of total shares
1.	Cementhai Ceramics Company Limited*	5,428,587,893	91.044
2.	Mr. Wongwut Wuttinan	108,608,848	1.821
3.	Mr. Veraphan Theepsuwan	24,211,514	0.406
4.	Mr. Kiat Srijomkhan	15,891,104	0.267
5.	Mr. Prasit Pheksapornphong	13,484,416	0.226
6.	Miss Thanida Opanayikul	13,248,498	0.222
7.	Mr. Sujin Wanglee	12,831,623	0.215
8.	Miss Sukanya Opanayikul	10,710,454	0.180
9.	Mr. Chalit Opanayikul	10,293,041	0.173
10.	Mr. Weerawat Opanayikul	9,789,421	0.164

Remark \* Cementhai Ceramics Company Limited is the major shareholder of the Company and a subsidiary company of the Siam Cement Public Company Limited.

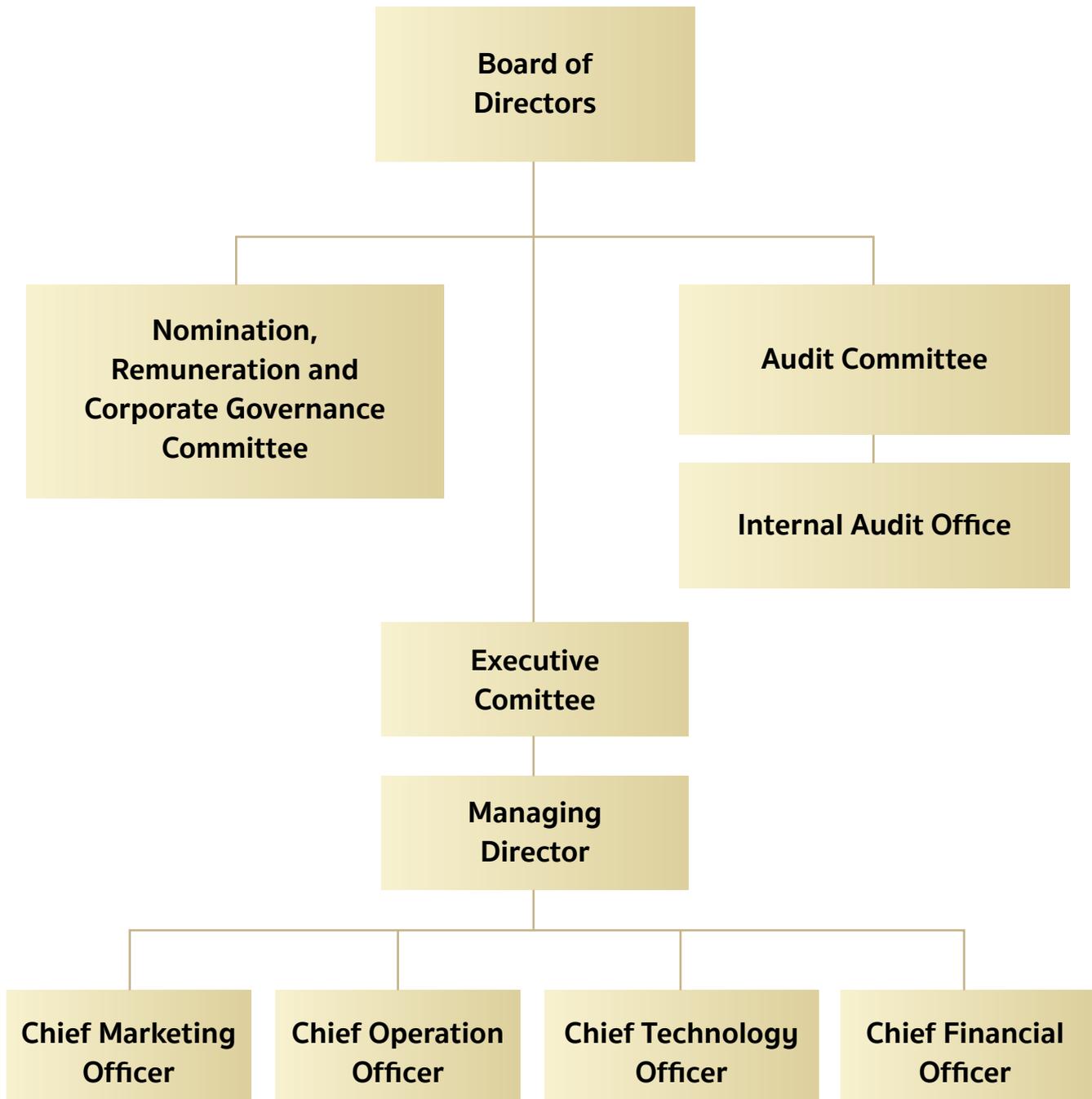
### Dividend Payout Policy

The Company has a policy to distribute dividend at 30–50 percent of net profit represented in the consolidated financial statements for each fiscal year after deduction of legal reserve and accumulated loss carried forward (if any). The dividend distribution shall be based on cashflow, investment plan, terms and conditions of contracts which the Company has liability for as well as other future necessities and suitability.

# Management Structure

Organization Structure

As at January 1, 2019



### Board of Directors

1. Mr. Nithi	Patarachoke	Chairman
2. Mrs. Kaisri	Nuengsigkapien	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

### Audit Committee

1. Mr. Prawit	Ninsuvannakul*	Chairman of the Audit Committee
2. Mrs. Kaisri	Nuengsigkapien	Member
3. Mr. Cherapong	Kamponpan	Member
4. Mr. Boonchue	Polsingkorn	Member

\*These committees are well accepted and have a full understanding of, and experience in, accounting or finance.

### Nomination, Remuneration and Corporate Governance Committee

1. Mr. Padung	Likitsajjakul	Chairman of the Nomination, Remuneration and Corporate Governance Committee
2. Mr. Boonchue	Polsingkorn	Member
3. Mr. Nithi	Patarachoke	Member

### Executive Committee

1. Mr. Nithi	Patarachoke	Chairman of the Executive Committee
2. Mr. Surasak	Kraiwitthaicharoen	Member
3. Mr. Numpol	Malichai	Member

### Executives

1. Miss Juntana	Limranangkura	Chief Technology Officer
2. Mr. Numpol	Malichai	Chief Marketing Officer
3. Mr. Visan	Chotitanmapong	Chief Operation Officer
4. Mrs. Voranun	Sodanin	Chief Financial Officer

### Internal Auditor

1. Mr. Pitaya	Chanboonmi
---------------	------------

### Secretary to the Board of Directors and Company Secretary

1. Ms. Veranuch	Sethameteekul
-----------------	---------------

## Composition of the Board of Directors

### 1. 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. 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.

#### Authorized Directors are three directors as follows\*:

- |                |                    |                   |
|----------------|--------------------|-------------------|
| 1. Mr. Nithi   | Patarachoke        | Chairman          |
| 2. Mr. Surasak | Kraiwitthaicharoen | Director          |
| 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

- |                  |               |
|------------------|---------------|
| 1. Mrs. Kaisri   | Nuengsigkapan |
| 2. Mr. Cherapong | Kamponpan     |
| 3. Mr. Tatipong  | Kesornkul     |
| 4. Mr. Boonchue  | Polsingkorn   |
| 5. Mr. Prawit    | Ninsuvannakul |
| 6. Mr. Padung    | Likitsajjakul |

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.

The Nomination, Remuneration and Corporate Governance Committee nominates persons who are qualified as independent directors by the rules and procedures in accordance with the nomination guideline agreed upon by the Board of Directors as per details in Corporate Governance section regarding Responsibilities of the Board of Directors before proposing to the Board of Directors for consideration which complies with the policy and guideline of the Board for board diversity, both professional skills and specialized expertise.

\* As of January 24, 2019

## Positions in Sub-committees

Directors			Board of Directors	Audit Committee	Nomination, Remuneration and Corporate Governance Committee	Executive Committee
1.	Mr. Nithi	Patarachoke	Chairman	-	Member	Chairman
2.	Mrs. Kaisri	Nuengsigkapien	Independent Director	Member	-	-
3.	Mr. Cherapong	Kamponpan	Independent Director	Member	-	-
4.	Mr. Chaovalit	Ekabut	Director	-	-	-
5.	Mr. Tatipong	Kesornkul	Independent Director	-	-	-
6.	Mrs. Nanthasiri	Assakul	Director	-	-	-
7.	Mr. Boonchue	Polsingkorn	Independent Director	Member	Member	-
8.	Mr. Prawit	Ninsuvannakul	Independent Director	Chairman	-	-
9.	Mr. Padung	Likitsajjakul	Independent Director	-	Chairman	-
10.	Ms. Varunyu	Opanayikul	Director	-	-	-
11.	Mr. Surasak	Kraiwitthaicharoen	Director	-	-	Member
12.	Mr. Numpol	Malichai	Managing Director	-	-	Member

## **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.

As for the meetings, the Executive Committee cooperates to determine agenda items which are relevant to the meetings. Every individual member of the Board is authorized to propose agenda items.

In 2018 (During August 1-December 31), there were three meetings held, two scheduled meetings and one special meeting with 97.2% of the Board of Directors attending. Five working days before the meetings, the agenda and supporting documents were submitted to every director to allow adequate time for their preparation.

In consideration of matters presented to the Board, the Chairman of the Board who presides at the meeting provides adequate time and allows all members of the Board 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 abstain from voting. In case of a tied vote, the chairman of the meeting will cast his vote to reach a resolution.

At the meeting of the Board of Directors, the Management is allowed to attend the meeting to provide pertinent information and be informed the policies directly for the effective implementation. However, the Management 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 of Directors places importance on managing the conflicts of interest of the concerned parties with prudence, fairness and transparency where the information on such matters 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 Secretary to the Board of Directors is responsible for the preparation of the minutes. The minutes must then be adopted on the first agenda item of the following meeting of the Board, which are duly signed by the Chairman. Directors may make comments, corrections or additions to ensure maximum accuracy and completeness. The adopted minutes are stored systematically as confidential documents at the Corporate Secretary Office and backed up in electronic form to facilitate data searches together with all related documents.

In addition, the Board of Directors imposes policies to hold the meeting between non-executive directors without the Management present in order to discuss various issues of public interest and allow non-executive directors to express their opinions independently as well as the policy regarding the minimum quorum during the passing of a resolution by the Board of Directors that there must be at least two-thirds of all directors present at the meeting regardless of Articles 24 of the Company's Articles of Association which stipulates that a quorum of the meeting of the board of directors shall comprise not less than one-half of the total number of directors (6 of 12 directors). During 2018, two-thirds of all directors (8 of 12 directors) were present at every meeting of the Board of Directors as shown in the table, summarizing the attendance at the Board of Directors meetings, the Sub-committees meetings, and the 2018 Annual General Meeting of Shareholders to consider matters according to the agendas as follows:

Meeting Attendance of Directors – 2018

(August 1 – December 31, 2018)

Directors		Meeting Attendance (Times)				
		Board of Directors (12 directors)	Audit Committee (4 members)	Nomination, Remuneration and Corporate Governance Committee (3 members)	Executive Committee (3 members)	2018 Annual General Meeting of Shareholders* (12 directors)
Chairman		Mr. Nithi Patarachoke	Mr. Prawit Ninsuvannakul	Mr. Padung Likitsajakul	Mr. Nithi Patarachoke	
1. Mr. Nithi	Patarachoke **	3/3	-	3/3	5/5	-
2. Mrs. Kaisri	Nuengsigkapien	3/3	3/3	-	-	-
3. Mr. Cherapong	Kamponpan	3/3	3/3	-	-	-
4. Mr. Chaovalit	Ekabut	3/3	-	-	-	-
5. Mr. Tatipong	Kesornkul	3/3	-	-	-	-
6. Mrs. Nanthasiri	Assakul	3/3	-	-	-	-
7. Mr. Boonchue	Polsingkorn	3/3	3/3	3/3	-	-
8. Mr. Prawit	Ninsuvannakul	3/3	3/3	-	-	-
9. Mr. Padung	Likitsajakul	3/3	-	3/3	-	-
10. Ms. Varunyu	Opanayikul	3/3	-	-	-	-
11. Mr. Surasak	Kraiwitthaicharoen	3/3	-	-	5/5	-
12. Mr. Numpol	Malichai ***	-	-	-	1/1	-
Mr. Aree	Chavalitcheewingul***	2/3	-	-	4/4	-
Total Number of Meetings		3	3	3	5	-
Percent of Attendance		97.2	100	100	100	

Remarks:

\* The Company was established on August 1, 2018, hence, no Annual General Meeting of Shareholders was held in 2018.

\*\* Mr. Nithi Patarachoke was appointed as the Chairman of the Board of Directors since October 1, 2018 in replacement for Mr. Aree Chavalitcheewingul who remained a director of the Company. This was informed to the Stock Exchange of Thailand on September 17, 2018.

\*\*\* Mr. Numpol Malichai was elected as a director of the Company and appointed as a member of the Executive Committee in replacement for Mr. Aree Chavalitcheewingul and as the Managing Director in replacement for Mr. Surasak Kraiwitthaicharoen since December 1, 2018. This was informed to the Stock Exchange of Thailand on November 8, 2018.

## Board of Directors Profiles

The Board of Directors (As at January 1, 2019) comprised of 12 Directors as follows:

### Mr. Nithi Patarachoke

Authorized Director

<b>Positions</b>	Chairman of the Board of Directors, Chairman of the Executive Committee, and Member of the Nomination, Remuneration and Corporate Governance Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	56 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	<ul style="list-style-type: none"><li>• Bachelor of Engineering in Industrial Engineering, Chulalongkorn University</li><li>• Master of Business Administration (M.B.A.) (Finance and Operations Management), The University of Chicago, USA</li><li>• Advanced Management Program (AMP), Harvard Business School, USA</li></ul>
<b>Director Training</b>	Thai Institute of Directors Association 2017 Director Accreditation Program (DAP) 140/2017
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Companies (4)</b> <ol style="list-style-type: none"><li>1) Since 2012 Director, Siam Global House Public Company Limited</li><li>2) Since 2017 Commissioner, PT Kokoh Inti Arebama Tbk, Indonesia*</li><li>3) Since 2018 President, Cement-Building Materials Business, in charge of Vice President-Living Solution and Housing Product Business, The Siam Cement Public Company Limited</li><li>4) Since 2019 Chairman of the Board of Directors and Chairman of the Executive Committee, Quality Construction Products Public Company Limited</li></ol> <b>Other Incorporations</b> <ol style="list-style-type: none"><li>1) Since 2013 Vice Chairman, Thailand Management Association</li><li>2) Since 2018 Director, The Federation of Thai Industries</li></ol> Holding positions as chairman and directors in SCG's subsidiaries, associates, and other companies as assigned
<b>Experience</b>	2005–2010 Corporate Planning Director, The Siam Cement Public Company Limited 2010–2013 Managing Director, SCG Logistics Management Company Limited 2013–2017 Vice President-Domestic Market, Cement-Building Materials Business, The Siam Cement Public Company Limited 2014–2018 Director, Asia Cement Public Company Limited 2016–2018 Vice Chairman, The Federation of Thai Industries 2017–2018 Vice President-Building Products and Distribution Business, Cement-Building Materials Business, The Siam Cement Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent) Executive Committee: 5/5 meetings (100 percent)

#### Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: None

#### Family Relationship among Directors and Executives: None

#### Prohibited Characteristics

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

Remarks: \*Listed Company in Indonesia

## Mrs. Kaisri Nuengsigkapan

Qualified as Independent Director

<b>Positions</b>	Director and Member of the Audit Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	58 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	<ul style="list-style-type: none"><li>• Bachelor of Accounting, Thammasart University</li><li>• Master of Business Administration, Thammasart University</li><li>• Certified Public Accountant</li></ul>
<b>Director Training</b>	Thai Institute of Directors Association 2000 Director Certification Program (DCP) 0/2000 2013 Role of the Chairman Program (RCP) 30/2013 2013 Role of the Compensation Committee Program 16/2013
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company (1)</b> 1) Since 2016 Chairman of the Board of Directors and Chairman of the Executive Committee, MC Group Public Company Limited <b>Other Incorporations (5)</b> 1) Director, TOP T 2015 Co., Ltd. 2) Director and Treasurer, Rakkaew Foundation 3) Member of the Corporate Governance Committee, Bank of Thailand 4) Director, Thai Institute of Directors 5) Chairman of the Board of Directors, Buono (Thailand) Co., Ltd.
<b>Experience</b>	2003–2015 Chief Executive Officer, KPMG Thailand 2010–2014 Director, The Stock Exchange of Thailand 2016–2017 Advisor, The Securities and Exchange Commission, Thailand (SEC)
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent) Audit Committee: 3/3 meetings (100 percent)
<b>Shareholding (Ordinary Shares) (as at December 31, 2018)</b>	<ul style="list-style-type: none"><li>• Held personally: None</li><li>• Held by spouse or minor children: None</li></ul>
<b>Family Relationship among Directors and Executives:</b>	<b>None</b>
<b>Prohibited Characteristics</b>	<ul style="list-style-type: none"><li>• Never dishonestly committed an office against property: None</li><li>• Never entered into any transaction which may cause conflict of interest against the Company during the year: None</li></ul>

# Mr. Cherapong Kamponpan

Qualified as Independent Director

<b>Positions</b>	Director and Member of the Audit Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	70 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1973 Bachelor of Accountancy, Chulalongkorn University
<b>Director Training</b>	Thai Institute of Directors Association 2008 Director Certification Program (DCP) 106/2008 Audit Committee Program (ACP) 24/2008 2009 Monitoring the System of Internal Control and Risk Management (MIR) 6/2009 2010 Monitoring Fraud Risk Management (MFM) 4/2010 2011 Advanced Audit Committee Program (AACP) 6/2011 Monitoring the Internal Audit Function (MIA) 10/2011 Monitoring the Quality Financial (MFR) 14/2011 2013 Financial Statements for Directors (FSD) 21/2013 2016 Role of the Nomination and Governance Committee (RNG) 8/2016 2017 Driving Company Success with IT Governance (ITG) 5/2017
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company (1)</b> <ul style="list-style-type: none"><li>• Since 2010 Independent Director and Member of the Audit Committee, Quality Construction Products Public Company Limited</li><li>• Since 2014 Chairman of the Nomination, Remuneration and Corporate Governance Committee, Quality Construction Products Public Company Limited</li></ul> <b>Other Incorporations</b> <ul style="list-style-type: none"><li>• None</li></ul>
<b>Experience</b>	2002–2006 Procurement Director, Siam Cement Industry Co., Ltd. 2008–2018 Independent Director and Chairman of the Audit Committee, Thai-German Ceramics Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent) Audit Committee: 3/3 meetings (100 percent)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: None

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

## Mr. Chaovalit Ekabut

<b>Position</b>	Director
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	60 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	<ul style="list-style-type: none"><li>• Bachelor of Engineering in Mechanical Engineering, First Class Honours, Chulalongkorn University</li><li>• Master of Engineering in Industrial Engineering and Management, Asian Institute of Technology</li><li>• Advanced Management Program (AMP), Harvard Business School, USA</li></ul>
<b>Director Training</b>	Thai Institute of Directors Association 2004 Director Accreditation Program (DAP) 2004 2007 Directors Certification Program (DCP) 84/2007 2010 Role of the Chairman Program (RCP) 24/2010
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company</b> <ul style="list-style-type: none"><li>• None</li></ul> <b>Other Incorporations (3)</b> <ol style="list-style-type: none"><li>1) Executive Director, SCG Foundation</li><li>2) Director, the Chulalongkorn University Intellectual Property Foundation</li><li>3) Director and Treasurer, Friends of AIT Foundation</li></ol>
<b>Experience</b>	2005–2010 President, SCG Paper Public Company Limited (currently known as SCG Packaging Public Company Limited) 2005–2010 Chairman, Thai Cane Paper Public Company Limited 2005–2010 Chairman, Thai British Security Printing Public Company Limited 2011–2018 Vice President – Finance and Investment, The Siam Cement Public Company Limited 2018–2018 Vice President – Office of the President, The Siam Cement Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent)
<b>Shareholding (Ordinary Shares) (as at December 31, 2018)</b>	<ul style="list-style-type: none"><li>• Held personally: None</li><li>• Held by spouse or minor children: None</li></ul>
<b>Family Relationship among Directors and Executives: None</b>	
<b>Prohibited Characteristics</b>	<ul style="list-style-type: none"><li>• Never dishonestly committed an office against property: None</li><li>• Never entered into any transaction which may cause conflict of interest against the Company during the year: None</li></ul>

# Mr. Tatipong Kesornkul

Qualified as Independent Director

<b>Position</b>	Director
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	67 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	2517 Bachelor of Engineering in Mechanical Engineering, King Mongkut's University of Technology North Bangkok
<b>Director Training</b>	Thai Institute of Directors Association 2012 Director Certification Program (DCP) 162/2012 2013 Financial Statements for Directors (FSD) 21/2013 Audit Committee Program (ACP) 45/2013 2016 Driving Company Success with IT Governance (ITG) 2/2016
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company</b> • None <b>Other Incorporations</b> • None
<b>Experience</b>	1997–2002 Deputy Managing Director, Siam Aisin Co., Ltd. 2003–2007 Managing Director, Siam Fiberglass Co., Ltd. 2012–2018 Independent Director and Member of the Audit Committee, Thai-German Ceramic Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: None

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an offence against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

## Mrs. Nanthasiri Assakul

<b>Position</b>	Director
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	47 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1993 Bachelor of Political Science, Chulalongkorn University 1997 Master of Business Studies (M.B.S.), University of Kent at Canterbury, United Kingdom 2005 Master of Management (M.M), Sasin Graduate Institute of Business Administration of Chulalongkorn University
<b>Director Training</b>	Thai Institute of Directors Association 2005 Director Accreditation Program (DAP) 38/2005 2005 Finance for Non-Finance Directors Program (FND) 21/2005
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Companies</b> • None <b>Other Incorporation (1)</b> 1) Khomapastra Co., Ltd.
<b>Experience</b>	1999–2018 Director, Thai-German Ceramic Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent)

### **Shareholding (Ordinary Shares) (as at December 31, 2018)**

- Held personally: None
- Held by spouse or minor children: None

### **Family Relationship among Directors and Executives: None**

### **Prohibited Characteristics**

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

# Mr. Boonchue Polsingkorn

Qualified as Independent Director

<b>Positions</b>	Director, Member of the Audit Committee, and Member of the Nomination, Remuneration and Corporate Governance Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	70 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1991 Bachelor of Management Science, Sukhothai Thammathirat Open University
<b>Director Training</b>	Thai Institute of Directors Association 2008 Director Certification Program (DCP) 106/2008 Audit Committee Program (ACP) 24/2008 2009 Monitoring the System of Internal Control and Risk Management (MIR) 6/2009 2010 Monitoring Fraud Risk Management (MFM) 4/2010 2011 Advance Audit Committee Program (AACP) 6/2011 Monitoring the Internal Audit Function (MIA) 10/2011 Monitoring the Quality Financial (MFR) 14/2011 2016 Role of the Nomination and Governance Committee (RNG) 8/2016 Financial Statements for Directors (FSD) 30/2016
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Companies</b> • None <b>Other Incorporations</b> • None
<b>Experience</b>	2007 Advisor to Managing Director, Cementhai Sales and Marketing Co., Ltd. 2008–2018 Director, Member of the Audit Committee, and Chairman of the Nomination, Remuneration and Corporate Governance Committee Thai-German Ceramic Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent) Audit Committee: 3/3 meetings (100 percent) Nomination, Remuneration and Corporate Governance Committee: 3/3 meetings (100 percent)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: None

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an offence against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

# Mr. Prawit Ninsuvannakul

Qualified as Independent Director

<b>Positions</b>	Director and Chairman of the Audit Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	76 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	<ul style="list-style-type: none"><li>• Bachelor's Degree in Business Administration (B.B.A.), Accounting, Chulalongkorn University</li><li>• Master's Degree of Accounting Science, University of Illinois at Urbana-Champaign, USA</li><li>• Ph.D., Accounting, Ph.D. University of Illinois at Urbana-Champaign, USA</li><li>• Certified Public Accountant</li><li>• ASEAN Chartered Professional Accountants</li><li>• Chartered Director (IOD)</li></ul>
<b>Director Training</b>	<p>Thai Institute of Directors Association</p> <p>2000 Role of the Chairman 2000 Program (RCP) 1/2000</p> <p>2003 Director Accreditation Program (DAP) 6/2003</p> <p>2004 Director Certification Program (DCP) 42/2004</p> <p>2005 Audit Committee Program (ACP) 6/2005</p> <p>2008 Chartered Director Class (CDC) 3/2008</p> <p>Director Forum 2/2008</p> <p>Audit Committee: Getting Up to Speed</p> <p>Current Issue Seminar 4/2008 Getting Ahead of the Curve: Understanding the Implications</p> <p>2009 Work Shop 2/2009 Developing and Implementing A Code of Ethics</p> <p>2010 Director Forum 3/2010 CSR Index and Corporate Governance Development of Thai Listed Companies, Thai Institute of Directors Association</p> <p>2012 Role of the Nomination and Governance Committee (RNG) 3/2012</p>
<b>Positions in other Organizations (Director/Executive)</b>	<p><b>Listed Company (1)</b></p> <p>1) Since 2009 Independent Director, and Chairman of the Audit Committee, Nonthavej Hospital Public Company Limited</p> <p><b>Other Incorporations (8)</b></p> <p>1) Since 1980 Chairman, Ninsuvan Management Consultants Co., Ltd.</p> <p>2) Since 1994 Director, Finance and Property Committee, Suranaree University of Technology</p> <p>Since 2017 Director, Intellectual Property Committee, Suranaree University of Technology</p> <p>3) Since 1994 Director, Finance and Property Committee, Mae Fah Luang University</p> <p>4) Since 1994 Director, Finance and Property Committee, Walailak University</p> <p>5) Since 1997 Director, Fund Management Committee, King Prajadhipok's Institute</p> <p>6) Since 2000 Director, Internal Audit Development for Civil Service, Ministry of Finance</p> <p>Since 2003 Director, Government Accounting Standards and Policies, The Comptroller General's Department, Ministry of Finance</p> <p>Since 2009 Member of the Audit Committee, Federal of Accounting Professions Performance Evaluation of State Enterprise Committee, Ministry of Finance</p> <p>7) Since 2009 Director, The Cultural Promotion Fund, Thailand Ministry of Culture</p> <p>8) Since 2016 Member of the Subcommittee on Audit, Thailand Institute of Nuclear Technology (Public Organization),</p>

**Experience**

- Dean, Faculty of Business Administration, National Institute of Development Administration (NIDA)
- Director, NIDA Consulting Center
- Associate Dean, Faculty of Commerce and Accountancy, Chulalongkorn University
- Head of Department of Accountancy, Faculty of Commerce and Accountancy, Chulalongkorn University
- Chairman of Accountancy Doctoral Ph.D. Curriculum, Chulalongkorn University
- Director and Chairman of the Audit Committee Krung Thai Bank Public Company Limited
- Director and Member of the Audit Committee, MCOT Public Company Limited
- Director and Member of the Audit Committee, Port Authority of Thailand
- Director Petroleum Authority of Thailand
- Assistant Professor, Chulalongkorn University
- Chairman of the Ethics Committee, Federal of Accounting Professions
- Expert Member, Public Sector Audit and Evaluation Committee (PAEC) and Chairman of the Sub-committee, Provincial Cluster 4, Public Sector Audit and Evaluation Committee (14 southern provinces and 4 lower central provinces, 18 provinces in total), The Prime minister's Office
- Director and Chairman of the Audit Committee, Thai Plastic And Chemicals Public Company Limited

**Meeting Attendance**

Board of Directors:	3/3 meetings	(100 percent)
Audit Committee:	3/3 meetings	(100 percent)

**Shareholding (Ordinary Shares) (as at December 31, 2018)**

- Held personally: None
- Held by spouse or minor children: None

**Family Relationship among Directors and Executives: None****Prohibited Characteristics**

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

# Mr. Padung Likitsajjakul

Qualified as Independent Director

<b>Positions</b>	Director and Member of the Nomination, Remuneration and Corporate Governance Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	67 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1974 Bachelor of Arts in Political Science, Politics and Government, Thammasart University 1976 Master of Public Administration, National Institute of Development Administration
<b>Director Training</b>	Thai Institute of Directors Association 2016 Director Certification Program (DCP) 229/2016
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company (1)</b> 1) Since 2012 Independent Commissioner and Chairman of the Audit Committee, PT. KERAMIKA INDONESIA ASSOSIASI Tbk.* Since 2017 Chairman of the Nomination, Remuneration and Corporate Governance Committee, PT. KERAMIKA INDONESIA ASSOSIASI Tbk.* <b>Other Incorporations (3)</b> 1) Since 2009 Chief Corporate Culture Development Officer, DT. Group 2) Since 2010 Director, Courtesy Services Corporation Company Limited 3) Since 2016 Director, MQDC Social Enterprise Limited
<b>Experience</b>	2000–2001 Human Resource Director, Cementhai Building Products Co., Ltd. 2001–2009 Human Resource Director, SCG Building Materials Co., Ltd. 2013–2018 Independent Director, Thai-German Ceramic Industry Public Company Limited 2014–2018 Member of the Nomination, Remuneration and Corporate Governance Committee, Thai-German Ceramic Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent) Nomination, Remuneration and Corporate Governance Committee: 3/3 meetings (100 percent)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: None

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an offence against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

Remarks: \* Listed Company in Indonesia

## Ms. Varunyu Opanayikul

<b>Position</b>	Director
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	67 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1978 Bachelor of Economics, Ramkhamhaeng University 1985 Master of Science in Economics, California State Polytechnic University, Pomona, USA
<b>Director Training</b>	None
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company</b> • None <b>Other Incorporation (1)</b> 1) Since 1998 Director, Thai-German Plastic Co., Ltd.
<b>Experience</b>	1996–2018 Director, Thai-German Ceramics Industry Public Company Limited
<b>Meeting Attendance</b>	Board of Directors: 3/3 meetings (100 percent)

### **Shareholding (Ordinary Shares) (as at December 31, 2018)**

- Held personally: None
- Held by spouse or minor children: None

### **Family Relationship among Directors and Executives: None**

### **Prohibited Characteristics**

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

# Mr. Surasak Kraiwitthaicharoen

Authorized Director

<b>Positions</b>	Director and Member of the Executive Committee
<b>Date of Appointment</b>	August 1, 2018
<b>Age</b>	61 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	1979 Bachelor of Science in Ceramics, Chulalongkorn University 1988 Master of Business Administration (M.B.A.) in Finance and International Business, Sasin Graduate Institute of Business Administration of Chulalongkorn University 2010 Advanced Management Program (AMP), Harvard University, USA
<b>Director Training</b>	Thai Institute of Directors Association 2016 Director Certification Program (DCP) 220/2016
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company (1)</b> 1) since 2011 Commissioner PT. KERAMIKA INDONESIA ASSOSIASI Tbk.* <b>Other Incorporations</b> Holding positions as directors of non-listed companies under SCG as assigned
<b>Experience</b>	2002–2006 Managing Director, Cementhai Retail Co., Ltd. (Currently known as SCG Sourcing Co., Ltd.) 2006–2012 Director, Mariwasa Siam Holding, Inc. the Philippines 2011–2017 Managing Director, Thai-German Ceramic Industry Public Company Limited 2018 Director, Thai-German Ceramic Industry Public Company Limited 2018 Managing Director, SCG Ceramics Public Company Limited
<b>Meeting Attendance</b>	Board of Directors 3/3 meetings (100 percent) Executive Committee 5/5 meetings (100 percent)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: 27 shares (0.0000005 percent)
- Held by spouse or minor children: None

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

Remarks: \* Listed Company In Indonesia

# Mr. Numpol Malichai

Authorized Director

<b>Positions</b>	Director, Member of the Executive Committee, Managing Director, and Chief Marketing Office
<b>Date of Appointment (Managing Director)</b>	December 1, 2018
<b>Age</b>	48 years
<b>Nationality</b>	Thai
<b>Education/Training</b>	<ul style="list-style-type: none"><li>• Bachelor of Business Administration (Finance), Bangkok University</li><li>• Master of Business Administration, Khon Kaen University</li><li>• Executive Development Program (EDP)</li><li>• Facilitative Leadership (LDP)</li><li>• Management Development Program (MDP)</li></ul>
<b>Director Training</b>	None
<b>Positions in other Organizations (Director/Executive)</b>	<b>Listed Company (1)</b> 1) Since 2018 Commissioner, PT. KERAMIKA INDONESIA ASSOSIASI Tbk.** <b>Other Incorporation (1)</b> 1) Managing Director, Global House Franchise (Myanmar) Co., Ltd.
<b>Experience</b>	1994–1995 Analyst, The Siam Cement Public Company Limited 1995–2002 Sales Representatives, The Siam Cement Public Company Limited 2002–2010 Electricity and Equipment Manager, CEMENTHAI RETAIL CO., LTD. 2006–2010 Vice President Sales and Marketing, Mariwasa Siam Ceramic Inc., the Philippines 2010–2012 Managing Director, SCG Landscape Co., Ltd. 2010–2012 Managing Director, Saraburirat Co., Ltd. 2012–2016 Director–Global House Project SCG Cement–Building Materials 2016–2017 Director, Souvanny Home Center Public Company* 2016–2018 President Director, PT. KERAMIKA INDONESIA ASSOSIASI Tbk.**
<b>Meeting Attendance</b>	Board of Directors: - meetings*** Audit Committee: 1/1 meeting (100 percent)

(Appointed on December 1, 2018)

## Shareholding (Ordinary Shares) (as at December 31, 2018)

- Held personally: None
- Held by spouse or minor children: 11,331 shares (0.00019 percent)

## Family Relationship among Directors and Executives: None

## Prohibited Characteristics

- Never dishonestly committed an office against property: None
- Never entered into any transaction which may cause conflict of interest against the Company during the year: None

Remarks: \*Listed company in Laos

\*\*Listed company in Indonesia

\*\*\*Mr. Numpol Malichai was elected as a director of the Company and appointed as a member of the Executive Committee in replacement for Mr. Aree Chavalitcheewingul and was appointed as the Managing Director in replacement for Mr. Surasak Kraiwitthaicharoen while Mr. Surasak Kraiwitthaicharoen remained a director of the Company since December 1, 2018

Report on Changes in Securities Holding of Directors

(As at December 31, 2018)

No.	Directors	SCG Ceramics			Affiliated Companies*			
		Ordinary shares (shares)			Ordinary shares (shares)		Debentures (units)	
		Own	Spouse/ Cohabiting/ Immature Children	Increase/ (decrease) during Aug 1–Dec 31, 2018	Own	Increase/ (decrease) during Aug 1–Dec 31, 2018	Own	Increase/ (decrease) during Aug 1–Dec 31, 2018
1.	Mr. Nithi Patarachoke	-	-	-	4,000	-	-	-
2.	Mrs. Kaisri Nuengsigkapien	-	-	-	-	-	-	-
3.	Mr. Cherapong Kamponpan	-	-	-	2,400	-	4,000	-
4.	Mr. Chaovalit Ekabut	-	-	-	30,000	-	-	-
5.	Mr. Tatipong Kesornkul	-	-	-	-	-	-	-
6.	Mrs. Nanthasiri Assakul	-	-	-	-	-	-	-
7.	Mr. Boonchue Polsingkorn	-	-	-	1,000	-	20,000	-
8.	Mr. Prawit Ninsuvannakul	-	-	-	-	-	-	-
9.	Mr. Padung Likitsajjakul	-	-	-	-	-	-	-
10.	Ms. Varunyu Opanayikul	8,192,330	-	-	-	-	5,100	-
11.	Mr. Surasak Kraiwitthaicharoen	27	-	-	-	-	-	-
12.	Mr. Numpol Malichai	-	11,331	-	-	-	-	-

Remarks: 1. SCG Ceramics has a registered capital and paid-up of capital of 5,962,621,233 Baht and ordinary shares of 5,962,621,233 shares.

2. According to the Public Limited Companies Act, an “affiliated company” means a public limited company with a relationship to a private company, a public limited company, or companies in the following manner:

- Any company that has the authority to control the appointment and removal of directors with full management authority or that has majority management authority.
- Any company that holds more than 50% of issued shares.

3. \* The Siam Cement Public Company Limited (SCC)

4. Securities holding information might be changed if the directors; or their spouse, cohabiting and immature children, sold the securities after the identified date.

## Executive Profiles

(As at January 1, 2019)

### Mr. Numpol Malichai

Current Position in the Company Director, Member of the Executive Committee, Managing Director, and Chief Marketing Office

**Age** 48 Years  
**Nationality** Thai  
**Education** • Bachelor of Business Administration (Finance), Bangkok University  
• Master of Business Administration, Khon Kaen University  
**Experience** • Managing Director, SCG Landscape Co., Ltd.  
• Director–Global House Project SCG Cement–Building Materials  
• President Director, PT. KERAMIKA INDONESIA ASSOSIASI Tbk.  
**Shareholding in the Company** None

### Ms. Juntana Limranangkura

Current Position in the Company Chief Technology Officer

**Age** 54 Years  
**Nationality** Thai  
**Education** Bachelor of Science in Materials Science, Chulalongkorn University  
**Experience** • Technical Manager, Thai–German Ceramic Industry Public Company Limited  
• Managing Director, The Siam Ceramic Group Industries Co., Ltd.  
**Shareholding in the Company** None

### Mr. Visan Chotitanmapong

Current Position in the Company Chief Operation Officer

**Age** 61 Years  
**Nationality** Thai  
**Education** Bachelor of Science in Chemistry, Chiang Mai University  
**Experience** Production Manager, Thai Ceramic Co., Ltd.  
**Shareholding in the Company** None

### Mrs. Voranun Sodanin

Current Position in the Company Chief Financial Officer

**Age** 47 Years  
**Nationality** Thai  
**Education** Bachelor of Accounting, Thammasart University  
**Experience** • Chief Accounting Officer, Thai Plastic and Chemicals Public Company Limited  
• Head of BAR – Vinyl and NPI, The Siam Cement Public Company Limited  
• Accounting and Finance Division Manager,  
Thai-German Ceramic Industry Public Company Limited  
**Shareholding in the Company** None

## Report on Changes in Securities Holding of Executives

(As at December 31, 2018)

No.	Directors	Ordinary shares (shares)	
		Own	Spouse/ Cohabiting/ Minor Children
1.	Mr. Numpol Malichai	-	11,331
2.	Ms. Juntana Limranangkura	-	-
3.	Mr. Visan Chotitammapong	-	-
4.	Mrs. Vorranan Sodanin	-	-

- Remarks:
1. SCG Ceramics has a registered capital and paid-up of capital of 5,962,621,233 Baht and ordinary shares of 5,962,621,233 shares.
  2. According to the Public Limited Companies Act, an “affiliated company” means a public limited company with a relationship to a private company, a public limited company, or companies in the following manner:
    - Any company that has the authority to control the appointment and removal of directors with full management authority or that has majority management authority.
    - Any company that holds more than 50% of issued shares.
  3. Securities holding information might be changed if the directors; or their spouse, cohabiting and immature children, sold the securities after the identified date.

## Internal Auditor Profile

### Mr. Pitaya Chanboonmi

Age 52 years

**Position in the Company** Internal Auditor

#### Education/Training

- Master of Business Administration, Kasetsart University
- Bachelor of Business Administration in Finance and Banking, Ramkhamhaeng University
- Bachelor of Accountancy, Chulalongkorn University
- Management Development Program, The Wharton School, The University of Pennsylvania
- Executive Development Program, International Institute for Management Development

#### Director Training

#### Thai Institute of Directors Association

- None

#### Director/Executive Positions in other Organizations

#### Listed Company

- None

#### Other non-listed Company

- None

#### Five-year Past Experience and/or Remarkable Positions

2009–2011 Chief Account Officer,

SCG Chemicals Company Limited

2012–2018 Head of Finance and Accounting Operations,

The Siam Cement Public Company Limited

**Shareholding in the Company** None

## Secretary to the Board of Directors and Company Secretary Profile

### Ms. Veranuch Sethameteekul

Age 46 Years

#### Position in the Company

Secretary to the Board of Directors and Company Secretary

#### Education/Training

- Bachelor of Arts (Second Class Honors), Chulalongkorn University
- Master of Arts and Communication (Honors), The National Institute of Development Administration

#### Seminar on Role and Responsibility of Company Secretary

#### Thai Institute of Directors Association

- 2007 Company Secretary Program (CSP) 22/2007

#### Five-year Past Experience and/or Remarkable Positions

2006–2010 Secretary to the Audit Committee and Assistant Secretary to Board of Directors, Thai British Security Printing Public Company Limited

2008–2009 Assistant Secretary to the Board of Directors and Assistant Secretary to the Audit Committee,

Thai Cane Paper Public Company Limited

2008–2014 Assistant Secretary: The Board of Directors, the Audit Committee, the Executive Committee, Thai-German Ceramic Industry Public Company Limited

2010–2014 Assistant Secretary: The Board of Directors, the Audit Committee, the Executive Committee, Quality Constructions Products Public Company Limited

2012–2013 Assistant Secretary to the Board of Directors, Thai Plastic and Chemicals Public Company Limited

2013–2018 Secretary to the Board of Directors and Company Secretary, Secretary to the Sub-committees (Audit Committee, Nomination, Remuneration and Corporate Governance Committee, and Executive Committee), Quality Constructions Products Public Company Limited

2013–2018 Secretary to the Board of Directors and Company Secretary, Secretary to the Sub-committees (Audit Committee, Nomination, Remuneration and Corporate Governance Committee, and Executive Committee), Thai-German Ceramic Industry Public Company Limited

2009–2018 Secretary to the Board of Directors of SCG' Subsidiaries (SCG Cement–Building Materials Business) as assigned

#### Other current Positions

Assistant Secretary: The Audit Committee and the Governance and Nomination Committee, The Siam Cement Public Company Limited

**Shareholding in the Company** 9 shares (0.00000015 percent)

## The Remuneration of the Board of Directors and the Sub-committees

The Company's Articles of Association, Chapter 5 (Board of Directors), Article 33 stipulates that a director is entitled to receive cash remuneration from the Company, namely salary, gratuities, meeting allowances, bonuses or any other nature of interests or other assets pursuant to the consideration of the shareholders meeting. Such remuneration may be specified as a fixed amount or as predetermined conditions, and will remain effective from time to time or until there is a change by resolutions of the shareholders meeting. The director is also entitled to receive allowances and fringe benefits in accordance with the code of conduct of the Company, and shall be paid with the expenses advanced by himself as part of his duties as the director of the Company. The Joint Shareholders Meeting on July 31, 2018 approved the remuneration of the Board of Directors and the Sub-committees for the year 2018 being effective from August 1, 2018 (the date of the Amalgamation) onwards as follows:

### Remuneration of the Board of Directors

1. Monthly Remuneration (no attendance fees provided)

- Chairman (1 person) entitled to receive remuneration at the rate of 45,000 Baht/month
- Members (11 persons) entitled to receive remuneration each at the rate of 30,000 Baht/month

2. Bonus

The Board of Directors would receive a bonus of not exceeding 1 percent of the dividend distributed to shareholders where the allocation of which shall be determined by the Board of Directors themselves.

---

### Remuneration of the Audit Committee

The remuneration payment to the members of the Audit Committee in the form of attendance fee payable (no monthly remuneration provided) in accordance with their meeting attendance at the following rates:

- Chairman 60,000 Baht per meeting
- Member 40,000 Baht per meeting

---

### Remuneration of the Nomination, Remuneration and Corporate Governance Committee

The remuneration payment to the members of the Nomination, Remuneration and Corporate Governance Committee in the form of attendance fee payable (no monthly remuneration provided) in accordance with their meeting attendance at the following rates:

- Chairman 45,000 Baht per meeting
- Member 30,000 Baht per meeting

---

### Remuneration of the Executive Committee

The remuneration payment suspension of the Executive Committee

During 2018, the Company paid the remuneration to the Board of Directors (monthly remuneration and bonus) and the attendance fees of the Audit Committee and the Nomination, Remuneration and Corporate Governance Committee paid in accordance with the actual number of meeting attendance during 2018, totaling 2,730,000 Baht in conformance with the criteria approved by the Joint Shareholders Meeting as the following details:

1) Monthly remuneration of the Board of Directors (12 persons) for fiscal year 2018 after being approved by the Joint Shareholders Meeting on July 31, 2018, being effective from August 1, 2018 (the date of the Amalgamation) onwards at the following rates:

- Chairman (1 person) entitled to receive remuneration at the rate of 45,000 Baht/month
- Members (11 persons) entitled to receive remuneration each at the rate of 30,000 Baht/month  
totaling 1,875,000 Baht

2) Bonus of the Board of Directors (12 persons): there being no dividend payment to shareholders after the Joint Shareholders Meeting on July 31, 2018; hence, no bonus payment to the Board of Directors.

3) Remuneration of the Audit Committee (4 independent directors for 3 meetings) totaling 540,000 Baht.

4) Remuneration of the Nomination, Remuneration and Corporate Governance Committee (3 directors for 3 meetings) totaling 315,000 Baht.

### Summary of Director Remuneration–2018

Directors		Board of Directors		Audit Committee	NRC	Executive Committee	Total
		Monthly Remuneration	Bonus				
1. Mr. Nithi	Patarachoke	195,000	-	-	90,000	Suspended	285,000
2. Mrs. Kaisri	Nuengsigkapan	150,000	-	120,000	-	-	270,000
3. Mr. Cherapong	Kamponpan	150,000	-	120,000	-	-	270,000
4. Mr. Chaovalit	Ekabut	150,000	-	-	-	-	150,000
5. Mr. Tatipong	Kesornkul	150,000	-	-	-	-	150,000
6. Mrs. Nanthasiri	Assakul	150,000	-	-	-	-	150,000
7. Mr. Boonchue	Polsingkorn	150,000	-	120,000	90,000	-	360,000
8. Mr. Prawit	Ninsuvannakul	150,000	-	180,000	-	-	330,000
9. Mr. Padung	Likitsajjakul	150,000	-	-	135,000	-	285,000
10. Ms. Varunyu	Opanajikul	150,000	-	-	-	-	150,000
11. Mr. Surasak	Kraiwitthaicharoen	150,000	-	-	-	Suspended	150,000
12. Mr. Numpol	Malichai*	30,000	-	-	-	Suspended	30,000
Mr. Aree	Chavalitcheewingul*	150,000	-	-	-	Suspended	150,000
Total		1,875,000	-	540,000	315,000	-	2,730,000

Remark \*Mr. Numpol Malichai was elected as a director of the Company and appointed as a member of the Executive Committee in replacement for Mr. Aree Chavalitcheewingul and as the Managing Director in replacement for Mr. Surasak Kraiwitthaicharoen since December 1, 2018. This was informed to the Stock Exchange of Thailand on November 8, 2018.

Board of Directors and Sub-committees	Positions	Criteria and Rates of Remuneration		
		Monthly Remuneration	Attendance Fee	Bonus
		(Baht/person/month)	(Baht/person/meeting)	
Board of Directors	Chairman	45,000	-	Not exceeding 1 percent of the dividend distributed to shareholders
(1 chairman and 11 members)	Member	30,000	-	
Audit Committee	Chairman	-	60,000	-
(1 chairman and 3 members)	Member	-	40,000	-
Nomination, Remuneration and Corporate Governance Committee	Chairman	-	45,000	-
(1 chairman and 2 members)	Member	-	30,000	-
Executive Committee	Chairman	Suspended	Suspended	Suspended
(1 chairman and 2 members)	Member	Suspended	Suspended	Suspended

In this regard, the Company provides no other remuneration and benefits to the directors apart from those mentioned above.

#### Remuneration of Executives

Executive Remuneration paid to the 4 Executives (the Managing Director included) in the forms of salary, bonus, special remuneration, contribution made by the Company to the executive's provident fund as an employee and others amounted to 23,678,333 Baht.

# The Nomination, Remuneration and Corporate Governance Committee's Report

In 2018, the Nomination, Remuneration and Corporate Governance Committee performed their duty according to three main responsibilities assigned by the board of directors. The first task was to nominate qualified candidates to be a member of the board replacing the members as their term of office would expire or due to other cases. The committee additionally not only stipulated remuneration of the Board of Directors and Sub-committees, but formulated and suggested policies, practices and the operation of corporate governance of the company which cover five categories of the Principles of Good Corporate Governance for Listed Companies 2012, (CG Principles 2555) of the Stock Exchange of Thailand including right of stockholders, equitable treatment of stockholders, role of stakeholders, disclosure and transparency, and responsibilities of the Board, the five categories correspond to eight categories of Corporate Governance Code (CG Code), issued by the Securities and Exchange Commission Committee (SEC) in collaboration with the Sustainable Development Committee of listed companies, is comprised of establishing clear leadership role and responsibilities of the board, defining objectives that promote sustainable value creation, strengthening board effectiveness, nurturing innovation and responsible business, strengthening effective risk management and internal control, ensuring disclosure and financial integrity, and ensuring engagement and communication with stockholders.

According to a charter, it is required that the Nomination, Remuneration and Corporate Governance Committee attend meetings when it is necessary and appropriate, and the meetings must be arranged at least twice a year. The committee consequently held three meetings in 2018 which the members' attendance is accounted for 100 percent. Summary of the committee's duty in 2018 is mentioned below.

## 1. Nomination

The Board of Directors provided an opportunity to all shareholders to nominate qualified candidates for election of directors in replacement for those who were due to retire by rotation in prior to the 2019 Annual General Meeting of Shareholders. The Nomination, Remuneration and Corporate Governance Committee (excluding the directors with conflicts of interest) considered the qualifications of each candidate for election of directors in replacement for those who were

due to retire by rotation with all due circumspection using the criteria and the guidelines for nomination of director agreed upon by the Board of Directors, the diversity of skills, experience, and expertise as well as the qualifications of director stipulated by the Public Limited Companies Act B.E. 2535, the qualifications of independent director set forth the Company which are more stringent than those prescribed by the Capital Market Supervisory Board, and the potential conflicts of interest which may arise from performing their duties according to the aforesaid definition, and therefore agreed to propose that the 2019 Annual General Meeting of Shareholders elect the four directors who were due to retire by rotation, namely, Mr. Cherapong Kamponpan, Mrs. Nanthasiri Assakul, Mr. Boonchue Polsingorn, and Mr. Surasak Kraiwitthaicharoen as the directors of the Company for another term.

The Nomination, Remuneration and Corporate Governance Committee, furthermore, held a special meeting on November 8, 2018 for the purpose of considering and following the succession plan of the Company. The Committee made a recommendation to the Board of Directors to elect Mr. Numpol Malichai, Chief Marketing Officer, as a director of the Company and appoint as a member of the Executive Committee in replacement for Mr. Aree Chaowalitchewinkul and as the Managing Director in replacement for Mr. Surasak Kraiwitthaicharoen who remained a director of the Company. The appointment became effective from December 1, 2018 as disclosed to the Stock Exchange of Thailand on November 8, 2018.

## 2. Remuneration

The Nomination, Remuneration and Corporate Governance Committee made a recommendation to the Board of Directors to review the criteria and rates of remuneration of the Board of Directors and the Sub-committees as appointed by the Board which included monthly remuneration, bonus and attendance fee for 2019 to be in line with the Company's operating results by comparing with other leading listed companies in the same industry and the same business, regularly monitoring the changes and trends of director's remuneration in order that the Company could maintain its market leadership in this industry in terms of motivation for business management before proposing to the 2019 Annual General Meeting of Shareholders for approval. Furthermore, all forms of remuneration were set on the

agenda for approval at the Annual General Meeting of Shareholders every year despite there being no change in the approved criteria and rates of remuneration.

### 3. Corporate Governance

In 2018, the Board of Directors approved the Committee's proposal concerning implementing and revising corporate governance policy and guideline as follows:

#### 3.1 Corporate Governance Policy

• Considered carefully the principles of 2017 CG Code whose parts were recently added or revised from CG Principles 2012 and current operation guidelines of the Company which have and have not been executed and complied with CG Code until its utility and principle are well understood and employed to sustainable value creation of the Company to ensure that the Company's guideline and development plan are continuously fit for business base on the principle of Apply or Explain and agreed to propose to the Board for consideration. On November 8, 2018 the Board resolved to approve as proposed by the Nomination, Remuneration and Corporate Governance Committee, summarized as follows:

1) Acknowledged CG Code principles of The Securities and Exchange Commission Committee (SEC) which implement eight main principles for the board of directors focusing on the integration of social and environmental issues and the CG principles with business process for sustainable development.

2) Approved of the proper application of CG Code for the company's business every year by imposing measures substituting some guidelines that have not complied with CG Code.

3) Approved of the Management division to disclose the Board's reports on considering complying with CG Code and to implement substitutional measures in place of guidelines which have not complied with CG Code in the 2018 annual report and in the 56-1 form. (For reports which must be sent from 2019 onwards (the 2018 Annual Report))

• Suggested the Board to consider that the company should employ indirect major stockholders' ideologies, ethics and code of conduct which correspond with the manual of corporate governance. It is also advisable that the manual be disseminated as a guideline for all employees. It should be used as a part of "employee regulations" with which the employees should comply and neglecting the compliance possibly implies disciplinary offense.

• Considered the Management's proposal to apply the indirect major shareholder's policies consisting of a compliance policy and other three related policies which are 1) disclosure policy 2) policy of internal information management which affects property price and 3) trade competition policy properly and agreed to propose the Audit Committee and the Board of Directors for

consideration. On November 8, 2018, the Board approved of the aforesaid 4 policies of the indirect major shareholder to be employed appropriately by the Company.

#### 3.2 Corporate Governance Guideline

• Reviewed the independence of directors and deemed that Mr. Padung Likitsajjakul and Mr. Boonchue Polsingkorn, the Nomination, Remuneration and Corporate Governance Committees, were still fully qualified as independent directors according to the qualifications of independent director set forth by the Company which are more stringent than those prescribed by the Capital Market Supervisory Board. As a result, more than half of the Nomination, Remuneration and Corporate Governance Committee consists of independent directors and the Chairman is an independent director.

• Proposed that the Board of Directors approve the annual performance assessment of the Board of Directors and the Nomination, Remuneration and Corporate Governance Committee both as a whole and self-assessment as well as the performance assessment of the Managing Director. The Board approved of the assessment forms approved by the Board of Directors Meeting No. 3/2015 of Thai-German Ceramic Industry Public Company Limited on July 31, 2015 to be used for the assessments for 2018 and assigned the Nomination, Remuneration and Corporate Governance Committee to consider the review annually before proposing to the Board for approval. This is to be in line with Principles of Good Corporate Governance concerning the Board's responsibilities as defined by SEC and IOD and to be used as supporting information in consideration for the nomination of director to replace those who are due to retire by rotation at the 2019 Annual General Meeting of Shareholders as well as the planning of knowledge development of the Board of Directors.

On behalf of the Nomination,  
Remuneration and Corporate Governance Committee



**(Mr. Padung Likitsajjakul)**

Chairman of the Nomination,  
Remuneration and Corporate Governance Committee

# Corporate Governance

## Corporate Governance

The practice of corporate governance consists of six main topics as follows:

1. Corporate Governance Policy
2. Sub-committees
3. Nomination and Appointment of Directors and Executives
4. Internal Information Control
5. Audit Fee, and
6. Good Corporate Governance Guidelines in other Aspects

The summary is as follows:

### 1. Corporate Governance Policy

The Company conducts business with responsibility, transparency, and fairness, adhering to the long-practiced business principles defined by the framework of SCG Code of Conduct and dedication to sustainable and balanced benefits. The Board of Directors behaves as role model in compliance with SCG's Principles of Corporate Governance and Code of Conduct.

The Company is resolved to become a role model in corporate governance, encapsulating it in the Company's Vision and Missions with the conviction that the Company's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders whilst creating confidence among all stakeholders and enhancing the Company's competitiveness. The Company adheres to the TGCI Policies for Sustainability which were established by Thai-German Ceramic Industry Public Company Limited. The Company also adheres and follows SCG Sustainable Development Policies which appear in SCG Sustainable Development Report.

The Company considers corporate governance to be one of the business operation policies. The Nomination, Remuneration and Corporate Governance Committee is entrusted with overseeing the corporate governance matters, encompassing the establishment of policy and guidelines as well as monitoring the performances of the Board of Directors and the Management to ensure their compliance with the Company's and SCG corporate governance policy. The Committee also monitors and evaluates the corporate governance practices together with periodically reviewing the guidelines to ensure their alignment with business operations and corporate governance practices at national and international levels. Moreover, corporate governance is specified as one of the main items on the agenda at the Board of Directors meeting and the concerned Sub-committees.

## Practices on the Company's Corporate Governance

The Company firmly upholds and complies with the principles of corporate governance. Examples include the 2012 Principle of Good Corporate Governance for Listed Companies of the Stock Exchange of Thailand, 2017 Corporate Governance 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. For issues that have yet been covered or implemented, the Management is to report to the Executive Committee, the Nomination, Remuneration and Corporate Governance Committee, the Audit Committee and the Board of Directors for review regularly at least once per year. On November 8, 2018, 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 unanimously resolved follows:

1) Acknowledged the CG Code of the Securities and Exchange Commission which defines the eight practice principles for the Board of Directors. The focus is on the integration of social, environmental and corporate governance issues into business operations for sustainable development.

2) Approved the annual review of the application of CG Code in business operations and set forth substitute measures where the practice guidelines fell short of accommodating the business.

3) Assigned the Management to disclose the report assessing the adherence of the Board of Directors to the CG Code and the substitute measures for the practice that is not in accordance with the CG Code in the 2018 annual report and the 56-1 Form (for the report that is to be submitted from 2019 onwards).

In addition, the Board of Directors meeting approved the charter of the Board of Directors and is resolved to define, revise and update charters of the Sub-committees to be aligned with the current scope of duty, related laws, and good principles that have always been practiced annually, which are published on the Company's website ([www.scgceramics.com](http://www.scgceramics.com)).

After thorough consideration, the Management opined that the 2018 report on good governance principles according to 2012 CG Principles, which consists of five sections, were appropriate and sufficient. The report also showed that the Company is complying with CG Code which include the following eight principles:

Principle 1	Establish Clear Leadership Role 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
Principle 6	Strengthen Effective Risk Management and Internal Control
Principle 7	Ensure Disclosure and Financial Integrity
Principle 8	Ensure Engagement and Communication with Shareholders

### 1. The Rights of Shareholders

The Company has the policy to support, promote, and facilitate every shareholder including institutional investors to ensure that shareholders, both as investors and owners of the Company, are entitled to all basic rights meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend Shareholders' Meetings, the right to propose in advance the Meeting agenda, the right to nominate a person to be a director, the right to express

opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of directors, the appointment of auditors and fixing of the audit fee, the remuneration of the Board of Directors and Sub-committees, approval of significant transactions influencing the Company's direction, as well as amendment of Memorandum of Association and Articles of Association of the Company, etc. A shareholder shall have one vote for each share he holds or represents and no shares have special rights beyond the others.

Apart from the abovementioned rights of the shareholders, the Company has made additional efforts to encourage and facilitate shareholders to exercise their rights. For example, the Company provides essential, clear, and up-to-date information for shareholders regarding the Company's business. The Company will notify shareholders of the information through the Company's website and the Stock Exchange of Thailand.

### 2. The 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:

#### 2.1 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 SET Portal and the Company's website.

For the 2019 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 31–November 30, 2018. The information was published in the Company's website and disclosed to the Stock Exchange of Thailand on August 1, 2018 after the approval from the Board of Directors on the same day. Shareholders must fill in the Agenda Proposal Form for 2019 Annual General Meeting of Shareholders and Director Nomination Form for 2019 Annual General Meeting of Shareholders 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 Company 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 2019 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.

## **2.2 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 in a letter 14 days prior to the meeting. The aforementioned documents are published both in Thai and English on the Company's website 30 days prior the meeting.

## **2.3 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. 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 yet been any shareholders expressing their opinions or complaints.

## **2.4 Protection of Internal Information**

The Company attaches significance to preventing the misuse of internal 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. The Board of Directors, following the suggestion from the Nomination, Remuneration and Corporate Governance Committee, approved in 2018 the establishment of Insider Trading Policy and Insider Trading Guidelines to provide guidelines for the performance of duty for the Board of Directors, top executives, employees and contractors who know or possess the Company's material confidential information to prevent them from committing offenses. Such policy and guidelines are published on the Company's website and communicated to all concerned persons for them to strictly uphold.

Furthermore, the Company reviewed the measures to prohibit trading in the securities of the Company or other listed companies related to insider information (Blackout Period) to comply with the Securities and Exchange Act and to align the Company's practices with the SEC and the SET best practices. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions (as well as their spouses or cohabiting couples and minor children) are prohibited from trading the securities of the Company or other listed companies related to insider information before one month of the public disclosure of quarterly and annual financial statements and until 24 hours after the disclosure of the information.

- In addition, if directors, top executives, employees in the section involved with internal information (as well as their spouses or cohabiting couples and minor children) become aware of the undisclosed information that could have any impact on the listed Company or related companies' share

price, the persons must not make any transaction with the shares of the said companies until 24 hours past the time the information become disclosed to the public.

- The Corporate Secretary has always been informing members of the Board of Directors and their related persons including their spouses or cohabiting couples and minor children through letters at least one month prior to the Blackout Period.

- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company and to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within three business days of the date of any changes and inform the Corporate Secretary within one day prior to the transaction.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report. In 2018, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

### **2.5 Preventing Conflicts of Interests**

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, top executives, and employees in a prudent, fair, and transparent manner. As a consequence,

- Directors, top executives, and their related persons must file a report with the Company stating their 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 every year end. The Company Secretary shall deliver a copy of such report to the Chairman and 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.

- There is elaborate revelation of the structure of shareholding in enterprises which have shared controlling power, other companies and influential shareholders to ensure shareholders that the Company has a clear and transparent structure of shareholding, and that there is no cross shareholding with major shareholders so there will be no conflicts of interests to any parties.

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 there have to be an approval of connected transaction that has to be approved by a shareholder, the shareholder involved will possess no rights to vote in that agenda.

### **3. Role of Stakeholders**

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.

The Company also believes in the importance of strengthening good relationship with its shareholders. For example, shareholders can visit the factories regularly, concerning suitability and readiness of the place for shareholders' safety.

## **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 item 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 knowledges 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 of 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) Employees 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**

With firm belief in human values and strive for excellence, the Company is determined to invest in providing the best learning experience to all employees, as well as to develop them to be honest and competent, capable of contributing to the Company's sustainable competitiveness and growth. In order for training to be more efficient and relevant to the business, the Company has adjusted the experience in various ways, from learning structure to administration system, in accordance with the Company. Learning and talent transformation program is structured to apply role-based competencies to every position, so that employees understand their role according to the performance standard. Every employee, from the least to the most senior, has their own personal competency profile, which consists of three areas of competency:

1) Leadership competency, for employees in leader positions, applicable across the Company, e.g. First Line Manager, Manager of Manager, Business Leader

2) Professional competency, for employees in the same profession, applicable across the Company, e.g. HROD, Accounting, Supply Chain

3) Technical competency, for employees in different businesses, whose working process and production differ from each other. Ceramics kiln operation and color coating for ceramics, for instance, are competencies of ceramics businesses.

If an employee is promoted to a leader position with subordinates, the employee must acquire the leadership competency. Every year, from December to February, the Company conducts competency assessment and devises for every employee an individual development plan (IDP), in which supervisors and subordinates work together to specify efficiency improvement goals that respond to annual demands of the business and individual career growth. All employees must undergo training to improve both professional and technical competencies in the 70:20:10 model, which focuses not only on classroom training but also action learning as well as coaching and consulting. In addition, leaders are assessed for knowledge and trained to strengthen leadership competencies as well.

The Company offers every employee at every level opportunity to develop their potential in preparation for individual and business growth since their first day at work. New employees participate in Warm Welcome Program, aimed at acquainting them with the Company from the perspective of top executives. Then, they participate in SCG Ready Together Program, which fosters the Company's work style, teaches business, enables connections, as well as emphasizes environmental and social responsibility. The curriculum incorporates E-learning in certain aspects of teaching, enabling the employees to learn anywhere, anytime. Moreover, every step an employee takes to a position with higher leadership, they are trained for knowledge, understanding and expectation of their new role through Onboarding Program, a structured dialogue designed to set the expectations at each level, from First Line Manager to Enterprise Leader, between supervisors and employees with increased leadership. Furthermore, New to Role and Assigned Programs are created to develop employees according to leadership competency such as Management Development Program (MDP) and Management Acceleration Program (MAP), which are codesigned with Duke Corporate Education, a leading college at the international level. The programs' purposes are to extend knowledge and skills required for leadership at each level, as well as to prepare supervisors, a major force of the Company, to be ready for new challenges in the future. In order for employee learning and development to achieve highest efficiency and effectiveness, and to develop ability to work towards business goals in a sustainable fashion in

line with learning adjustment guidelines, the development of employees seeks improvement not only from lectures but also through direct and hands-on experience, and mainly from colleagues as well. At the same time, it gives importance to enhancing role-based competency for individuals, especially what they truly “Need to Know” for their job and to sharpen their business administration skills according to the principles of Integrated Business Excellence (IBE), using the 70 and 20 development scheme.

Recognizing the importance and opportunity for business growth, the Company has formulated the Way of Working “S-CASH” principles as follows:

- Synergy: collaborate, communicate consistently, respect and trust each other, produce team outcomes that help achieve the Company’s goals
- Customer-Centric: study the facts until deep understanding is gained and use the knowledge to satisfy end users and fulfill their demands
- Accountability & Commitment: work diligently to the best of one ability; accept, learn and readily improve from failures; build on successes for even better outcomes
- Speed with Quality: swift in solving problems and satisfying demands of end users while being able to adapt to constantly changing situations
- Hands on: acquire expertise from direct experience in the field and apply it for business success

The Company encourages employees to understand S-CASH and the 70:20:10 development model through various channels, so that they can utilize Way of Working S-CASH when they work.

### **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 and to establish policies and practices which are irrelevant to all kinds of corruptions.

The Company adopted the SCG Supplier Code of Conduct, in which suppliers are defined as any suppliers, contractors, and/or service providers for the Company, to ensure an accurate understanding among the Company's suppliers. The Code serves as mutual standards for business conduct and the Company's suppliers are required to sign the acknowledgment of the Code of Conduct before conducting business with the Company.

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 the Company's website.

## **5. Creditors**

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

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

2. In case that the Company could not follow any agreed terms and conditions, the Company has to inform the creditors in advance without concealment of material facts or information in order to reach a reasonable solution together.

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

4. The Company strives to constantly keep creditors abreast of the Company's business status and maintain sustainable relations with creditors.

## **6. 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 ecoindustry 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.

## **7. 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.

## **8. 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.

## **9. 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.

## **10. 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 up opportunities for stakeholders to offer suggestions through investor relations, telephone number: 0-2586-5474, e-mail: 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 (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 dangers.

#### **4. Disclosure and Transparency**

The Company 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 Securities Exchange of Thailand's SET Portal and the Company's websites.

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 is committed to strictly obeying the law, and the regulations and obligations mandated by the SEC, SET, and relevant government bodies. Regular amendment takes place to ensure accurate information disclosure and to guarantee the Company's transparency in conducting business. For example, we:

1. Compile reports as required by laws related to directors and chief executives and submit the reports to the Securities and Exchange Commission as follows:

- 1.1 Report of change in securities holding of the Company via SEC websites within 3 business days from the date of purchase, sale, transfer, or acceptance of transfer of securities (Form 59-2).

- 1.2. Listing names of directors and executives of securities issuing Company onto the database (Form 35-E1) within 7 business days from the date of appointment.

2. Establish a policy that requires the Company's Directors and Executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries according to the criteria and reporting procedures as follows:

- 2.1. Report when first appointed as a director or an executive

- 2.2. Report of change in shareholding.

- 2.3. Report annually at year end.

- 2.4. In the event that a director is vacating from office and reappointed consecutively as a director, the director does not need to submit the report if there is no change.

- 2.5. Directors and Chief Executives must send report on their change of interests to the Company Secretary and the Company Secretary must send the copy of the report to the Chairman of the Board and the Chairman of the Audit Committee within 7 days of the receipt of each report.

3. Established a policy requiring all the directors to disclose/report their securities trading to the Board of Directors meeting and prescribing the directors and executives to report their holdings of the Company's debentures and ordinary shares in the Company's affiliates, as well as the ordinary shareholdings of their spouse and minors, to the Board of Directors every quarter. They are also required to report the number of shares they hold both directly and indirectly (their spouse and minors) at the beginning of the year and at yearend together with the number of those traded during the year in the Company's Annual Report.

4. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.

5. Disclose financial and non-financial information accurately and timely

6. Disclose the roles and responsibilities of the Board of Directors and Sub-committees, the number of meetings held, and the number of meetings each individual director and Sub-committee member attended.

7. Disclose the date of the director's appointment

in the Company's Annual Report.

8. Disclose the Board member selection process and the Board's performance assessment.

9. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.

10. Disclose details of each individual director's attendance of courses offered by the Thai Institute of Directors Association (IOD).

11. Disclose the clear operating structure

12. Disclose the audit fee and other non-audit fees in the Company's Annual Report

13. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.

14. Disclose policy on environmental and social responsibility and related performance.

15. Disclose corporate governance policies and related performance.

16. Reveal significant investment projects and relevant impacts of the projects via the SET Portal of the Stock Exchange of Thailand and the Company's website to ensure that shareholders, investors, the press, and related parties are kept informed of information accurately, extensively, and transparently.

### 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. The Investor Relations Department, which is responsible for direct communication with both local and international investors.

2. Activities to disseminate policy and operational guidelines to employees.

3. Systematic distribution to the media of press releases, photo captions, news stories, advertisements, and social media.

4. Periodical publications and media, such as annual reports, customer journals, dealer journals, and employee journals.

5. Electronic media for communications with employees, such as intranet, e-mail and social media.

6. Website: "www.scgceramics.com" and social media

### 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 7, 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

## 5. Responsibilities of the Board of Directors

### 5.1 The Structure of the Board of Directors

The Board of Directors comprises nationally respected, knowledgeable and competent persons who are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

The Articles of Association of the Company, Article 14, prescribe that there must be no fewer than 5 of The Board of Directors and no fewer than half of all directors must be resident of the Kingdom. At present, the Board of Directors is composed of 12 directors: 11 non-executive directors and 1 executive director. All directors are resident of the Kingdom of Thailand. Many of the directors who are not the managers have prior experiences related to the main business of the Company, as described in the Board of Directors' profiles in page xx-xx. The names of the directors are as follows:

1) Mr. Nithi	Patarachoke	Chairman
2) Mrs. Kaisri	Nuengsigkapien	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

In this regard, the Company has 6 qualified independent directors (No. 2, 3, 5, 7, 8, and 9) in accordance with the Company's qualifications of independent director which are more stringent than those prescribed by the Capital Market Supervisory Board. The duties of these independent directors

include auditing the management, providing opinions and comments, supporting policies beneficial to shareholders and stakeholders, and disclosing policies regarding connected transaction supervision to ensure the maximum benefit of the Company and its shareholders.

## **5.2 Scope of Authority of the Board of Directors**

(Revised as of August 1, 2018 by the board of Directors resolution)

The Board of Directors has the following authorities:

1. Acting in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:

1.1 Performing its duties with responsibility and all due circumspection and caution (Duty of Care).

1.2 Performing its duties with faithfulness and honesty (Duty of Loyalty).

1.3 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).

1.4 Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).

2. Directing the Company's visions, missions, and business strategies, with an annual revision and approval

3. 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.

4. 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.

5. Devoting sufficient time without trying to benefit from the Company for any director or any person and prohibiting from any action which is contrast to or competitive to the Company's interests.

6. 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.

7. 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

8. 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.

9. 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.

10. Overseeing interests of both major and minor shareholders equitably and support the rights of shareholders to protect their interests and receive complete, accurate, verifiable, and timely information.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

## **5.3 Scope of Authority of the Chairman of the Board of Directors**

(Revised as of August 1, 2018 by the Board of Directors resolution)

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. Chairs 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.

4. Supports and be a role model in compliance with the principles of good corporate governance and the Code of Conduct.

5. 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.

6. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.

7. Oversees to ensure the Board of Directors has appropriate structure and composition.

8. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.

9. 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.

#### **5.4 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. Added to this is the defining of target operating results to ensure they are consistent with the plan, and overseeing capital expenditure, accompanied by policy regarding a quorum. The Board of Directors can only cast votes with a quorum of two-third, even though only half of the total directors (six from twelve members) is required to be present at the meeting according to the Company's Articles of Association. In 2018, every meeting was attended by not less than two-third of the directors (eight from twelve members). The details were displayed in the meeting attendance sheet of The Annual General Meetings of Board of Directors, Sub-committee and Shareholders 2018 on the management structure of this annual report to provide consideration upon various agenda mentioned above.

#### **5.5 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.

#### **5.6 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 the 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.

#### **5.7 Policy on Directors and Top Executives Holding Directorship in Organizations outside the Company**

##### **5.7.1 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. This policy aims to protect the Company's best interest because it helps ensure that directors have sufficient time to handle their duties. The policy stipulates that each director should hold directorship of a maximum of four other listed companies.

##### **5.7.2 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 hour 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.

#### **5.8 Performance Appraisal and Knowledge Enhancement**

##### **5.8.1 Performance Appraisal of the Board of Directors, Sub-committees, and the Managing Director**

###### **Performance Assessment of the Board**

In 2018, under the suggestion of the Nomination, Remuneration and Corporate Governance Committee and the Executive Committee, the Board has stipulated a performance assessment and a review of the results of the Board of Directors at least once a year for the first time. The assessment is divided into two types just like those of the Audit Committee, namely the performance assessment of the Board of Directors as a whole and the self-assessment. The Board of Directors then analyzes and summarizes the results of the assessment to further enhance the efficiency and knowledge of the Board of Directors.

The performance assessment of the Board of Directors as a whole and self-assessment consists of eight core topics, as followings:

1. Realization of one's role as a director according to laws, regulations and articles of other sectors or institutes, for example SEC SET or Directors' Federation of Accounting Professions.
2. Strategy setting and policy making.
3. Directors/ the Board of Directors' performance.
4. Follow up on financial reporting.
5. The Board of Directors' meeting.
6. The nomination of directors and managing director.
7. Consideration of remuneration for directors and executives.
8. Performance appraisal of the Managing Director.

###### **Performance Assessment of the Audit Committee**

In 2018, the Company has stipulated a performance assessment and a review of the results of the Audit Committee. The assessment is divided into two types, namely the performance assessment of the Audit Committee as a whole and self-assessment. The Audit Committee and the Board of Directors then analyze and summarize the results of the assessment to further enhance the efficiency of the Audit Committee. The assessment consists of six core topics, as followings:

1. Structure and Qualification of the Audit Committee.
2. Roles and responsibilities of the Audit Committee.
3. Performance and meeting of the Audit Committee.
4. Overall opinion.
5. Performance of the Secretary to the Audit Committee.
6. Performance of the Internal Audit Office.

For the assessment procedure, after the Audit Committee had carried out the annual review of the assessment forms, the Corporate Secretary Office distributed them to the Audit Committee for further assessment. Afterwards, the Corporate Secretary summarized and presented the results of the performance assessment to the Audit Committee and the Board of Directors, so as to adopt measures for further enhancement of the Audit Committee's performance.

In 2018, the Audit Committee held a meeting with external auditors, without the attendance of the Management, to arrange an independent consultation on the information concerning the making of financial statements and disclosure of information in accordance with the legally defined Financial Reporting Standards and benefits of users of financial statements. Moreover, the Audit Committee must be informed about suspicious behavior of directors or executives which may violate Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No.4) B.E. 2551. According to the approval of the Code of Conduct and the annual report of 2010, Managing Director must present the results of the corporate governance in accordance to the mentioned acts to the Audit Committee once a year. As for 2018, the Audit Committee reported that no indication of such suspicious behavior was found. Thus, the preparation of financial statements was conducted with reliability and transparency, complying with Thai Financial Reporting Standards. Consequently, the Company's financial position, results of operations and cash flow were all true and fair, while the external auditors performed their duties independently and with verifiability.

#### **Performance Assessment of the Nomination, Remuneration and Corporate Governance Committee**

In 2018, the Board of Directors has stipulated a performance assessment and a review of the results of the Nomination, Remuneration and Corporate Governance Committee. The assessment is divided into two types just like those of the Audit Committee, namely the performance assessment of the Nomination, Remuneration and Corporate Governance Committee as a whole and the self-assessment. The Board of Directors then analyzes and summarizes the results of the assessment to further enhance the efficiency of the Nomination, Remuneration and Corporate Governance Committee. The assessment consists of six core topics, as follows:

1. Preparation of the directors.
2. Performance according to the scope of authority of the Nomination, Remuneration and Corporate Governance Committee.
3. Meeting.
4. Prevention of Conflicts of Interest.
5. Overall opinion.
6. Performance of the Secretary to the Nomination, Remuneration and Corporate Governance Committee.

Regarding the process of performance assessment of the Nomination, Remuneration and Corporate Governance Committee, the assessment forms of the Board of Directors and the Nomination, Remuneration and Corporate Governance Committee were taken into account (as well as the assessment forms of Managing Director) before reporting the results to the Board of Directors for further consideration. Thereupon, the Secretary to the Board of Directors and the Corporate Secretary summarized and presented the results of the performance assessment to the Nomination, Remuneration and Corporate Governance Committee, so as to adopt measures for further enhancement of the Board of Directors', Sub-committee's and Managing Director's performance.

In 2018, the performance assessment results of the Board of Directors and the Sub-committees were higher than the criteria which was set at 90% in every topic as follows:

<b>Board of Directors/Sub-committees</b>	<b>As a whole (percent)</b>	<b>Self-assessment (percent)</b>
1.The Board of Directors	97.06	97.18
2. The Audit Committee	95.33	95.33
3. The Nomination, Remuneration and Corporate Governance Committee	98.33	98.73

## 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.

## Remuneration of Executives

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 23,678,333 Baht.

## 5.8.2 The Directors and Executives Development

The Board of Directors proposes that the Company should constantly conduct activities which help enhance the directors and Executives' knowledge relating to their duties and responsibilities. The Board enthusiastically encourages and supports participation in a seminar and courses most beneficial to their performance, allowing them to meet and exchange opinions with the Board of Directors and Top Executives from different organizations, qualified persons from the SEC and the SET, as well as external auditors from time to time. Some of these courses are organized by governmental agencies or independent organizations, such as the directors' course of the Thai Institute of Directors Association (IOD). The SEC requires directors of all listed companies to complete at least one of the following training courses: Director Certification Program (DCP), Director Accreditation Program (DAP) or Audit Committee Program (ACP), all of which are organized by IOD. Experience gained from these courses is useful to the Company's development.

Directors	Training Courses	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)
1. Mr. Nithi Patarachoke			DAP 104/2007						
2. Mrs. Khaisri Nuengsigkapan									
3. Mr. Cherapong Kamponpan				DCP 106/2008	ACP 24/2008	RNG 8/2016		ITG 5/2017	
4. Mr. Chaovalit Ekabut			DAP 2004	DCP 84/2007					24/2010
5. Mr. Tatipong Kesornkul				DCP 162/2012	ACP 45/2013			ITG 2/2016	
6. Mrs. Nanthasiri Assakul		FND 21/2005	DAP 38/2005						
7. Mr. Boonchue Polsingkorn				DCP 106/2008	ACP 24/2008	RNG 8/2016	FSD 30/2016		
8. Mr. Prawit Ninsuvannakul									
9. Mr. Pad-ung Likitsajakul				DCP 229/2016					
10. Ms. Varunyu Opanayikul									
11. Mr. Surasak Kraiwitthaicharoen				DCP 220/2016					
12. Mr. Numpol Malichai									

Moreover, the Internal Auditor joins the Head of Policies and Accounting Standards in summarizing essential information regarding the change of laws, notifications and accounting standards which may affect the Company to the Audit Committee. The Chairman then reports the summary to the Board of Directors quarterly. In addition, the Board are also presented with significant rules and regulations concerning listed companies, advice on mistake prevention, good corporate governance and risk management, as well as anti-corruption policy and other case studies relating the corruption of listed companies in the Stock Exchange of Thailand, etc.

To support the Board's responsibilities, the Company has assigned the Secretary to the Board and Corporate Secretary to work in coordination with the Board and the Top Executives. In addition, the Corporate Secretary Office is responsible for overseeing the legal matters, relevant standard practices and activities of the Board to ensure implementation of the Board's resolutions. The Company prepared a handbook for directors, which includes the summary of laws, rules and regulations related to the directors as well as practices to keep directors informed of roles, duties, principles and practices for a director. The handbook is revised all the time, phrases and expressions are simplified, making it concise and easier to understand. Besides, the handbook is corrected or added regularly,

making the book and the handbook for Independent Directors which was collected by the Stock Exchange comply with the present Code of Conduct.

### 5.8.3 Readiness Preparation for Directorship

For new directors, the Company established a Director Induction Program to facilitate their prompt performance of duties. The Company has commissioned the Corporate Secretary to coordinate the work relating to compilation of necessary information for directors to ensure their compliance with laws, rules, and regulations related to the directors. In addition, the Corporate Secretary is also commissioned to provide important information essential for the directors' performance of duty, such as the Charter of the Board of Directors, the Company's director handbook, Articles of Association, and summary of operating results, for use as quick reference.

## 2. 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 Board of Directors	Audit Committee	Nomination, Remuneration and Corporate Governance Committee	Executive Committee
1.	Mr. Nithi	Patarachoke	Chairman	-	Member	Chairman
2.	Mrs. Kaisri	Nuengsigkapien	Independent Director	Member	-	-
3.	Mr. Cherapong	Kamponpan	Independent Director	Member	-	-
4.	Mr. Chaovalit	Ekabut	Director	Member	-	-
5.	Mr. Tatipong	Kesornkul	Independent Director	-	-	-
6.	Mrs. Nanthasiri	Assakul	Director	-	-	-
7.	Mr. Boonchue	Polsingkorn	Independent Director	Member	Member	-
8.	Mr. Prawit	Ninsuvannakul	Independent Director	Chairman	-	-
9.	Mr. Padung	Likitsajjakul	Independent Director	-	Chairman	-
10.	Ms. Varunyu	Opanayikul	Director	-	-	-
11.	Mr. Surasak	Kraiwitthaicharoen	Director	-	-	Member
12.	Mr. Numpol	Malichai	Managing Director	-	-	Member

## 1. Audit Committee

The Audit Committee comprises four Independent Directors:

1. Mr. Prawit Ninsuvannakul \*  
Chairman of the Audit Committee
2. Mrs. Kaisri Nuengsigkapan  
Member of the Audit Committee
3. Mr. Cherapong Kamponpan  
Member of the Audit Committee
4. Mr. Boonchue Polsingkorn  
Member of the Audit Committee

\* The Audit Committee with knowledge and experience in reviewing Company's financial statements.

### Audit Committee's Term of Office

The Audit 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 Audit Committee (as indicated in the Charter of the Audit Committee)

The Audit Committee is authorized to fulfill the following duties:

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. Also make sure that the footnotes to financial statements provide enough disclosure of information, and at the same time, consider the effects from the change in accounting standards as well as the choice of accounting policy, then report to the Audit Committee.

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 anti-corruption 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. Review the process of operating performance and promote good Compliance Procedure.

6. 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.

7. 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.

8. Verify corruption and complaint in compliance with Articles of Association and laws, then define guidelines to correct and prevent corruption.

9. Define and develop a preventive system as well as auditing method to promote preventive business operation for greater benefits and values of the organization, achieving goal with efficiency and effectiveness in compliance with the Company's Articles of Association, together with the Securities and Exchange Act, etc.

10. Consider and propose the appointment of the Company's auditor as well as the remuneration of the auditor to the Audit Committee. Besides, coordinate with the auditor to exchange data on the audit, and also organize a meeting with the audit without the attendance of the management at least once a year.

11. 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.

12. Prepare the financial statements as well as organize manpower of the Internal Audit Office, then report to the Audit Committee for consideration.

13. Implement the Audit Committee's performance assessment as a whole and as self-assessment on an annual basis.

14. May seek from professional consultants, independent opinion beneficial to consideration of the Company's operation, at the Company's expense.

15. Perform other actions as required by law or as assigned by the Board of Directors or the Audit Committee.

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. Padung Likitsajjakul  
Chairman of the Nomination, Remuneration and Corporate Governance Committee (Independent Director)
2. Mr. Boonchue Polsingkorn  
Member of the Nomination, Remuneration and Corporate Governance Committee (Independent Director)
3. Mr. Nithi Patarachoke  
Member of the Nomination, Remuneration and Corporate Governance Committee

### **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)**

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 Sub-committees 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 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	Member
3. Mr. Numpol	Malichai	Member

#### 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.

## 3. Nomination and Appointment of Directors and Executives

### 1. Independent Directors

The number of directors who are qualified as independent directors according to the qualifications of independent directors set forth by the Company which are more stringent than those prescribed by the Capital Market Supervisory Board, is 6 persons, which is above the standard of Securities and Exchange Commission. Independent directors do not have a business relationship or provide professional services at a value exceeding under the amount specified in the Notification of the Capital Market Supervisory Board regarding the Application for Approval and Granting of Approval for Offering of Newly Issued Shares, as well as do not have authority to bind the Company. Independent directors are to audit the operations of the management, to share opinions, to support policies benefiting shareholders, to oppose decisions unjust or not transparent, which may affect the benefits of the Company's shareholders and stakeholders, and to oversee that the Company sets up and disclose policies on connected transactions so as to assure that the Company and shareholders gain maximum benefits. The names of independent directors are as follows:

#### Independent Directors

1. Mrs. Kaisri	Nuengsigkapien
2. Mr. Cherapong	Kamponpan
3. Mr. Tatipong	Kesorunkul
4. Mr. Boonchue	Polsingkorn
5. Mr. Prawit	Ninsuvannakul
6. Mr. Padung	Likitsajjakul

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 August 1, 2018.

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) in the following manners of relationship:

4.1 Normal business transaction, rental or lease of immovable property, transaction relating to assets or services or

4.2 Granting or receipt of financial assistance through receiving or offering loans, guaranteeing, providing assets as collateral against debts, and any other similar actions,

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.

13. Shall not have been convicted of unfair trading in shares or perpetration of deception, fraud, or corruption whether Thai or foreign laws.

14. If qualified according to all items 1-13 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, sametier 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 2018, all four independent directors do not have a business relationship or provide professional services at a value exceeding the specified value in the Notification of the Capital Market Supervisory Board regarding the Application for Approval and Granting of Approval for Offering of Newly Issued Shares

## **2. Nomination and Appointment of Directors and Executives**

### **Nomination of Board Members Guideline**

The Nomination, Remuneration, and Corporate Governance Committee is responsible for selecting qualified candidates to replace the directors who are retiring by rotation at the end of their terms, or due to other cases, and proposing a list of candidates to the Board for further consideration, then the Board will propose the nominees for the election at the Shareholders' Meeting. This guideline incorporates the nomination guideline in accordance with the Company Corporate Governance, and the guideline of screening qualified candidates for nomination and election as a director (as suggested by IOD) into the nomination criteria approved by the Board of Directors.

- The selection of members of the Board of Directors (The Company's Corporate Governance Guidance)

The Nomination, Remuneration, and Corporate Governance Committee is tasked with the duty of selecting candidates to replace the retiring directors at the end of their terms, or due to other cases, to propose to the Board of Directors and/or at the Annual General Meeting of Shareholders to be appointed. The Sub-committee selects qualified candidates based on backgrounds, expertise from various professions, excellent leadership, visions, morality and ethics, transparent and clean record of working experience, as well as capability to express opinion independently.

- The screening of nominated candidate for nomination and election as a director (IOD Guideline)

In the process of consideration and screening candidates for nomination as a member of the Board of Directors, the Nomination, Remuneration, and Corporate Governance Committee shall draw up screening guidelines encompassing the following factors:

1) Qualifications needed of each nominated candidate

The Nomination, Remuneration, and Corporate Governance Committee should take into consideration each nominated candidate's personal qualifications in various facets such as:

- Integrity and accountability
- Informed and sound judgment
- Maturity, stability, characteristics of a good listener, and the ability to express individual independent opinion.
- Commitment to upholding principles, standards, and professionalism
- Other qualities the Committee deems significant

## 2) Knowledge and expertises required for directors

The Governance and Nomination Committee should take into consideration areas of expertise and specialization that a nominated candidate should possess so that the committee can formulate strategies and policies as well as effectively supervise the implementation.

## 3) Diversity of directors

In addition to the two aforementioned factors, the Nomination, Remuneration, and Corporate Governance Committee might consider drawing up guidelines regarding the diversity of other qualifications of a nominated candidate such as an equal representation of different groups of stakeholders, educational backgrounds, age, gender, etc. as well as knowledge and specialization essential for the Board:

- Specific knowledge and expertise in macro-management such as building materials related business, especially ceramic tiles manufacturing industry, marketing and sales, and logistics management.
- Specific knowledge, experience or expertise such as in accounting, financial auditing, human management, and
- Specific knowledge, expertise and experience in good corporate governance whether internal control, CG Policy and Guidance formulation or stakeholder engagement.

## 3. Rules and Procedures for the Election of Directors

To propose the names of persons to replace directors who are due to retire by rotation to the Annual General Meeting of Shareholders for directors election, the Nomination, Remuneration and Corporate Governance Committee shall propose the list of nominees to the Board of Directors for consideration before proposing to the Annual General Meeting of Shareholders for approval and it is an equitable right of all shareholders to nominate other qualified persons. The authority to select persons for directorships rests with the shareholders as stipulated by Article 16 of the Articles of Association of the Company as follows:

1. One shareholder shall have one vote per share;
2. Each shareholder shall cast all of his/her votes under (1) to elect one or several persons as directors but cannot allot his votes to a person unevenly;
3. Persons receiving the highest number of votes in descending order shall be appointed as directors until all of

the director positions for such election are filled. Where the votes cast for the persons in descending order are tied, which would cause the number of directors to exceed the required number, the chairman shall have the casting vote.

## 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 of 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 in order 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

## 4. 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 defined the Blackout Period of the Board of Directors, the 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 2 the Equitable Treatment of Shareholders' of the Annual Report.

In the preceding year, there was no record of the misuse of information of the directors, Top Executives or other relevant employees.

## 5. Audit Fee

The Company paid audit fees to KPMG Phoomchai Audit Ltd., the audit firm in which the auditors worked for. The payment details are as follows:

Unit : Baht

Items	Audit Fees (from the Registration Date of the Amalgamation until December 31, 2018)
Annual audit fees (August - December 2018) <ul style="list-style-type: none"><li>• Separate financial statements 1,250,000 Baht</li><li>• Consoliated financial statements 105,000 Baht</li></ul>	1,355,000
Audit fees for quarterly review 3/2018 <ul style="list-style-type: none"><li>• Separate financial statements 179,000 Baht</li><li>• Consoliated financial statements 15,000 Baht</li></ul>	194,000
Audit fee for comparative financial statements*	1,200,000
Initial audit fee after the Amalgamation*	339,000
<b>Total Fees</b>	<b>3,088,000</b>

Remark : \*One-Time Payment

The above audit fee is exclusive of the fee for non-audit service.

## 6. Implementation of Corporate Governance Code in Other Matters

In 2018, the Company considered applying the practice guidelines of Corporate Governance Code (the CG Code) along with the Principles of Good Corporate Governance 2012 (CG Principles 2012) which have been implemented throughout the years. Nevertheless, the aspects of which the Company has not yet complied are listed below.

### 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 dated August 2018, 1, so that emphasis is placed on the interests of the Company, shareholders and stakeholders.

### 2. 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.

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 for consideration and review on a yearly basis.

Other than operating in compliance with the Sector 5 of the Principles of Good Corporate Governance 2012 along with all eight Sectors of the Corporate Governance Code, SCG, as an indirect major shareholder, also adopts other Code of Conduct related to the Good Corporate Governance Policy of the Company as follows:

### **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:

“Adherence to Fairness, Dedication to Excellence,  
Belief in the Value of the Individual, Concern for Social  
Responsibility”

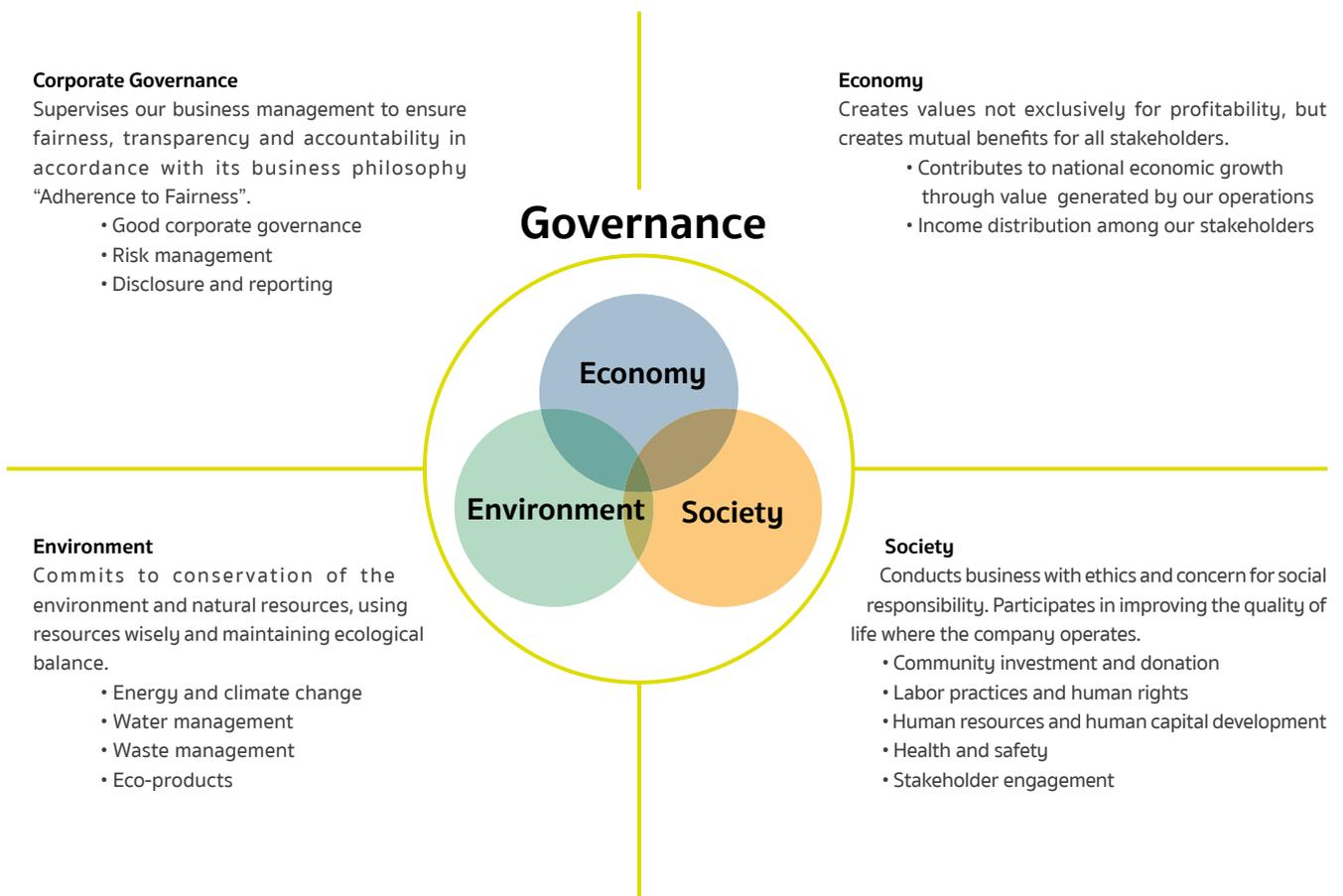
The Board of Directors has compiled the Company’s and the Company Principles to use as a guideline in the establishment of “SCG Code of Conduct”, which is expected to act as a guideline assisting employees in the study and comprehension of the code of practice, especially those directly relating to individuals’ 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 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.

# Sustainable Business Strategy

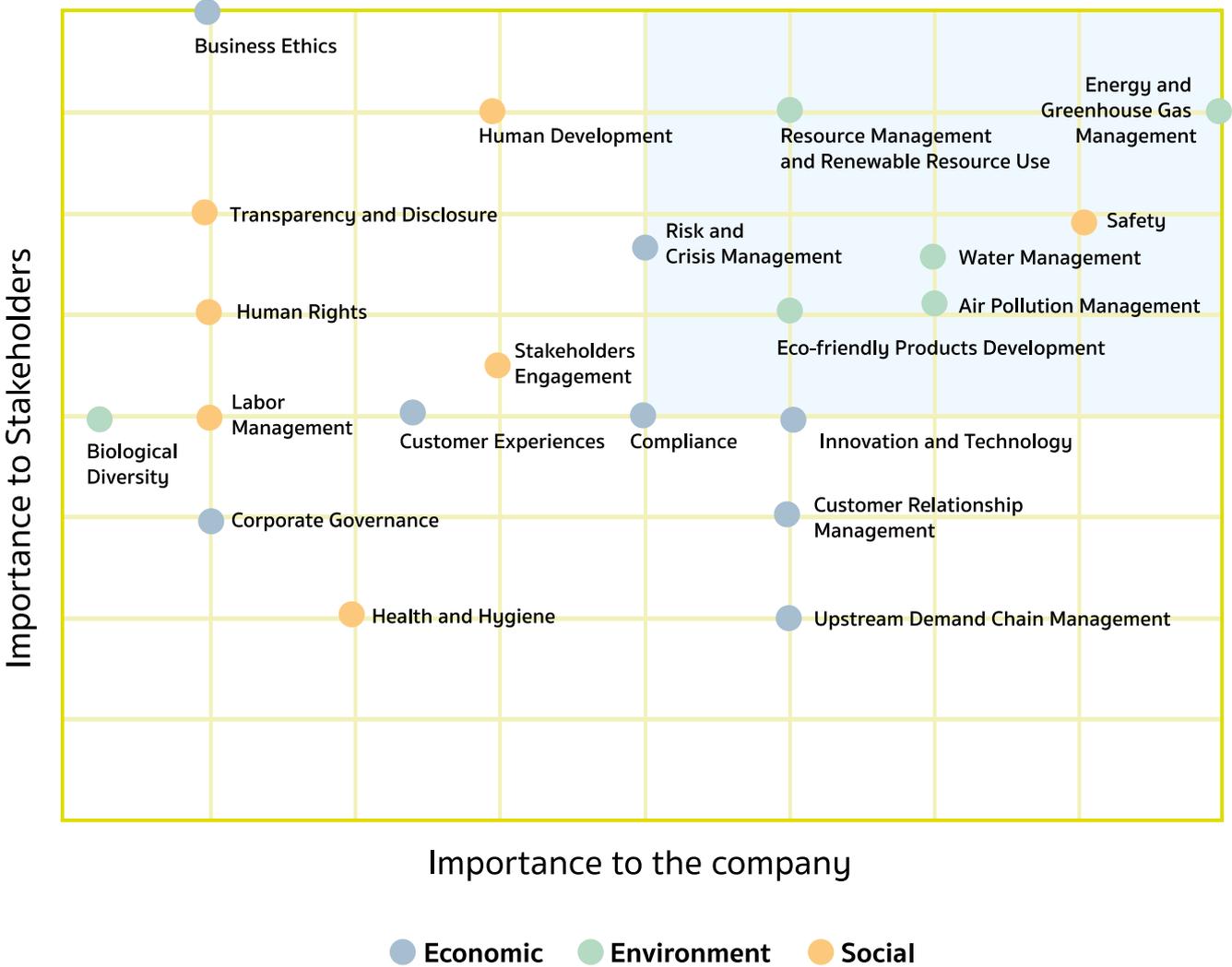
The company has continuously been committed to creating value to society through conducting an entire eco-friendly business. The company is willing to share knowledge, experiences and accomplishments through the engagement of every party, including relevant businesses throughout upstream and downstream, business organizations, and other institutions such as social institution and community so as to drive society towards sustainable development.

The company adopts international guidelines which cover economic, social, and environmental aspects under the principle of good corporate governance in order to conduct business with ethics while adhere to responsibilities the company bears to all stakeholders for the sustainability in mutual benefits of every party.



**Sustainable Development Issues**

SCG Ceramics has gathered and assessed sustainable development issues through the analysis of sustainability issues appertaining to the value chain of SCG Ceramics, comparing issues that a peer group prioritize, that internal and external stakeholders give special importance to, and that international organizations deem significant in the context of sustainability and changing global trends. Additionally, the company’s strategies together with risk factors at present and in the future that might affect or benefit the company’s business opportunities are taken into account of evaluating the importance of sustainable development issues.



## Sustainable development issues

Materiality	Description	Topic in This Report
Energy and Greenhouse Gas Management	Greenhouse gas management throughout value chain to reduce carbon footprint, as well as a management of risks and opportunities for business transactions due to climate change	Energy and Climate Change
Safety	Endorsements of safety policies, standards, and projects whose operational process involves safety management to prevent and mitigate loss	Health and Safety
Environmentally Friendly Products Development	Development of products, services, business models, and manufacturing process, whether old or newly developed, by considering the whole value chain in order to response to the changing trend that customers give more value to eco-friendly products	Eco-friendly Products Approval
Water Management	Integrated risk management concerning water including physical, environmental, social perception risk as well as risk from a change in laws, rules, and regulations	Water Management
Air Pollution	A management of risk due to air pollution, as well as air quality control and measurement	Air Pollution
Resources Management and Renewable Resources Use	A management of risk from the use of resources and renewable resources Use	Materials and Industrial Waste Management

## Sustainability Performance

### Energy and Climate Change

Climate change is the focus of attention worldwide as evidenced in the agreement of every sector in tackling rising average global temperature. Thailand has also ratified the agreement with mutual goal of keeping the rise in average global temperature under 2 degree Celsius. Hence, climate change becomes the issue that stakeholders such as trade partners, customers, independent organizations, and government officials prioritize. Moreover, energy plays a crucial role in all phases of the manufacturing process of ceramics industry. Correspondingly, The company has given priority to energy management and set up the guidelines for energy management and greenhouse gas administration as followings:

1. Reduce the impacts from fossil fuel use
2. Enhance the efficiency of energy use
3. Increase the capability of renewable energy use
4. Cultivate a sense of environment conservation in employees

## The Improvement of Energy and Greenhouse Gas Management

1. Increase the capacity of renewables use by installing 4.7 MW rooftop solar power panels, approximately comparable to the reduction of GHG emission of 3,747 tons carbon dioxide equivalents (CO<sub>2</sub>e) per year.



PV Solar Rooftop,  
1.8 MW capacity,  
at Nong Khae Industrial  
Estate.



PV Solar Rooftop,  
0.9 MW capacity,  
at Nong Khae Plant No. 1



PV Solar Rooftop,  
2.0 MW capacity,  
at Hin Gong Plant.

2. Enhance the effectiveness of energy use by waste heat recovery, transferring waste heat at a chimney stack, which would be rejected into air, through Air To Air Heat Exchanger process in order to use clean air for drying tiles at a ceramics dryer. This helps save heat energy from natural gas usage by 5,560 million BTU per year and reduce carbon dioxide emission by 329 tons carbon dioxide equivalents (CO<sub>2</sub>e) per year.



Waste Heat Recovery from Kiln's Chimney (Air to Air Heat Exchanger )

3. Enhance the effectiveness of electricity use by changing to energy-saving lightbulbs, LED Tube and High Bay, 13,900 lightbulbs in total. This can save 1,330 MW-Hour per year, equivalent to the reduction of GHG emission by 773 tons carbon dioxide equivalents (CO<sub>2</sub>e) per year.

**For the 2018 operating result**

overall energy consumption in the manufacturing process is 4.33 petajoules or 5.60 gigajoules per tons of product when compared to the effectiveness of energy use. Of overall energy consumption, fossil fuels accounts for 96.8 % while alternative energy such as biomass and solar power accounts for 3.2 %.

The company has established a database containing the amounts of greenhouse gas from the company's activities. The amounts of greenhouse gas in this report addresses only ceramics business. The followings are activities relevant to the emission of greenhouse gas:

**Direct GHG Emissions from the Operations, Activities, and Machines of the Company (GHG Emissions Scope 1)**

**Indirect GHG Emissions from Purchasing Electricity for Activities of the Company (GHG Emissions Scope 2)**

- Using natural gas in manufacturing process
- Using diesel fuel in transportation by truck within factories
- Using diesel generator in emergency power system of the company
- Using LPG in transportation
- Using materials with carbonate as constituent
- Using benzene fuel in transportation
- Using SF6 and HFCs

- Using electricity from outside sources

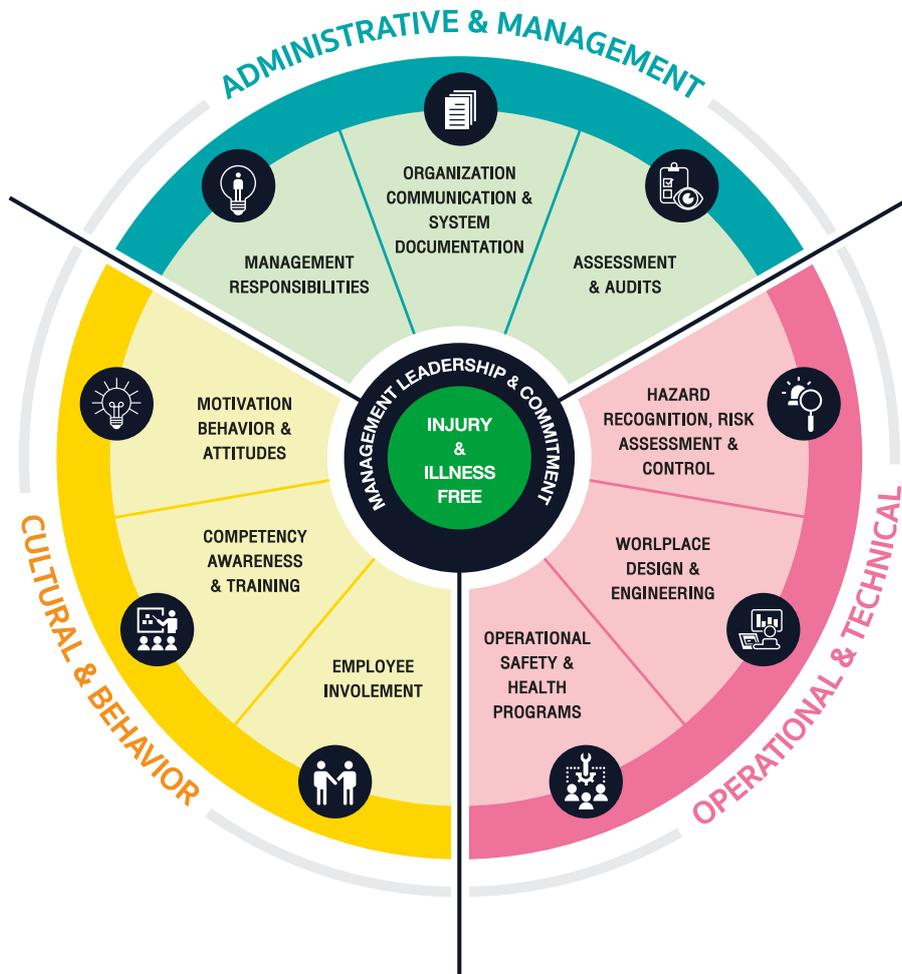
---

Overall greenhouse gas emission is 0.28 million tons carbon dioxide equivalents (CO2e). When compared to production effectiveness, direct GHG emission from operations is 234 kilograms carbon dioxide equivalents (CO2e) per ton of products while indirect GHG emission from purchasing electricity for the company's operations is 126 kilograms carbon dioxide equivalents (CO2e) per ton of products.

## Health and Safety

Safety is extremely important for working; thus, The company is concerned and really wants employees and every relevant entities to be safe and free from any injury and illness from works by controlling risks in workplace through the implementation of SCG Safety Framework. The company aims that each department has a safety management and continuing safety development system that could be used in Safety Performance Assessment Program (SPAP). The company has carried out SCG Safety Framework systematically as well as assessed safety performance as followings:

## SCG Safety Framework



## Administration and Management

All directors must be a leader and responsible for risk management (Visible Safety Leadership) by being a role model about safety so that employees and business partners realize that directors care and fully acknowledge the importance of their safety. Additionally, directors shall follow up on the result of leadership evaluation in order to continue improving.

Safety observation by directors is an observation of employees and business partners' works so as to examine if the works comply to safety regulations or safe work method. If staff are able to work safely, directors shall compliment in order to raise morale among staff. If risks are identified, directors shall halt the work and provide understanding for staff so that they change to safe work method.

## Operation and Techniques

The company has long been committed to reducing risks and operational controls by reviewing and assessing risks in working that are likely to bring about loss of life and severe injury. Moreover, the company has improved operational and monitoring system in order to ensure regular practices such as:

- Implement Life Saving Rules which consist of 10 obligatory rules of safety. The rules are considered to be mutual agreement which belonged to the employment contract between the company and the contractors. Any parties neglecting the Life Saving Rules, will be subjected to severe punishment as specified in the contracts.

### 10 Life Saving Rules

 <p><b>Use fall protection equipment when working at height</b></p>	 <p><b>No alcohol or drugs prior to or while working or driving</b></p>
 <p><b>Cut off electricity/energy sources &amp; use lockout/tagout system</b></p>	 <p><b>Wear your seat belt</b></p>
 <p><b>Obtain authorization before overriding or disabling safety equipment</b></p>	 <p><b>Wear safety helmet while riding a motorcycle</b></p>
 <p><b>Obtain authorization before entering a confined space</b></p>	 <p><b>Do not use mobile phone while driving without hands-free device</b></p>
 <p><b>Work with a valid work permit when required</b></p>	 <p><b>No truck parking on roadside</b></p>

10 Life Saving Rules written on staff badges



- As for matters concerning assignments on a place 1.8 meter above ground, the Community of Practice have been established to perform tasks in accordance with 6 processes of Work at Heights Management System: risk indication and evaluation to look for preventive measures, selection of employee specialized in the job, explanation of regulations and safe working methods, instruction and physical examination, and supervision and inspection over the safety during the processes of works by developing equipment and devices that ensure safety and convenience throughout the operation.



using a drones to observe works on the roofs to reduce the hazards of taskmasters and Watch Man.

- The standardization is made, along with the installation of machines which was carried out according to the Foolproof Machine System, the Safety Sensor or Safety Interlock Switch System used to prevent any accidents caused by mistakes of employees who operates the machine. Moreover, the company also promote and encourage the practice of educating employees in operating a machine and stopping a machine before a modification.

- The equipment/electric devices must go through the process of standardization and constant maintenance by expert technicians. A certificate for an inspection of equipment and electric devices must also be issued before the usage. This certificate covers both employees' and contractors' equipment and devices, so as to prevent any accidents that may occur due to malfunction of equipment and electric devices.

- Our company ensures high safety in the operation of Forklift, by assigning our staffs to take courses and register as Forklift operators with certifications. The company also collaborates with contractors to design the safety standards of Forklift, such as operator identification Interlock System, speed limit, the installation of Blue Spot to use as a warning sign when the operator are backing up the forklift.

## Culture and Safety Behaviors

The company emphasizes the interaction between employees and contractors through various projects and activities. This is an important guideline for the promotion of learning, mutual understanding and cooperation in order to decrease occupational mistakes and accidents by means of continuous interactive activities, as followings:

Behavior- Based Safety, BBS	Job Safety Analysis, JSA	Kiken Yoshi Training, KYT
To cultivate safe working behavior, which leads to safety culture	To analyze potential danger and prepare preventive measures	To analyze and search for potential danger, and remind each other of it before the operation

---

Safety Communication	Safety Check	5s Activities
To communicate and build up awareness of safety, inside and outside of works	Security check by safety officer supervisors and the committee of safety to look for and lessen dangerous working situation	To take care of working space, making it neat and tidy, and strengthen working discipline and safety

For the data on safety performance in 2018, no fatal accident occurred to both employees and contractors. Nevertheless, there was an accident that cause one of the contractor’s employee to be hospitalized for a time. The Lost Time Incident Frequency Rate was 0.017 person/ 200,000 hours of work. However, our company is still committed to improve our safety management and promise to bring the accident rate down to zero.

## The Approval of Eco Products

Due to the rapid change of the world, consumption rate of natural resources inevitably ascends. As one of the consumer of natural resources, the company continuously persists in improving products and corporate social responsibility. Our products must comply with every relevant standards, for instance, Thai Industrial Standard of Ceramic Tiles, TIS 2508-2555, ISO13006, CE marking, ECO Labeling, and LEED Certified Products for Commercial Green Buildings in order to guarantee that consumers are provided with products conforming to significant regulations in every batch of production.

In 2018, sales volume of eco products under the brand COTTO, CAMPANA and SOSUCO amounted to 35% of total sales.

Here are lists of our Eco products that had been approved:

### 1. SCG Eco Value Label

Since 2009, SCG Ceramics' products had been certified as eco-friendly products and services through Self-declared Environmental Claims under SCG eco value label. The criteria for assessment was set in accordance with ISO 14021: Environmental Labels and Declarations Self-Declared Environmental Claims, together with consideration of matters regarding stakeholders' demand and Life Cycle Assessment. Finally, quantitative data of our products and services, approved by SCG eco label, was verified by SCG Technical Team to establish credibility and assurance in consumers.



### 2. Carbon Label/Climate Change Label



Carbon Reduction Label



Carbon Footprint Reduction Label



Carbon Footprint Label

Having realized the situation of global climate change, which is now of concern to every individual, the company is striving to improve the processes of manufacture, especially those relating water conservation by optimizing the use of energy efficiently. When delving into the company's products, the company had already succeeded in promoting products under the brand COTTO, CAMPANA and SOSUCO to receive a certification of Carbon Label/Climate Change Label from Greenhouse Gas Management Organization (Public Organization) and Thailand Environment Institute, which measure greenhouse gas emissions of the products throughout their life cycle, starting from raw material acquisition, transportation, manufacture, use to disposal.



### 3. EU Flower Label

Above all, the company is also determined to develop eco-friendly products. By comparing our products' performance with other international standards, it is certainly that COTTO's Glazed porcelain tiles are efficient enough to receive EU Flower Certification from EU Ecolabel, an organization that certifies eco-friendly products within EU.

## Water Management

Water resources are vital for life to exist, both in performing agricultural and industrial activities. However, due to climate change, the water amount in natural resources are fluctuating wildly, negatively affecting rainfall and runoff. Our company, being fully aware of the necessity of water management, considered water management as a business risk. As for the water amount, the company will establish a team to carry out Risk Management and Business Continuity Management, so as to make up plan in response to potential drought or inundation.

On the subject of water quality management, the company already set up a resources management team to be in charge of clean water production and wastewater treatment. The company also instructed every department to focus on the efficacy of resources usage on the basis of 3Rs guidelines. Here are the management strategies:

1. Reduce risk regarding water issues
2. Reduce water usage by optimizing production process and products
3. Recycle treated wastewater
4. Enhance competency of staffs in charge of water management

Regarding the performance of water management in 2018, the external water footprint was 1.35 million cubic-meter, consisting of surface water, water supply and groundwater, which amounted to 73%, 23% and 4% respectively. For production effectiveness, 1.75 cubic-meter of water was required per ton of product.

## Pollution Emission

As for ceramic industries, principal pollutants are dust dispersed during the process of clay powder production, material storage, transportation, and the process of firing clay tiles which emits large amount of nitrogen oxide (NOx) and sulphur oxide (SOx). The company's management guideline is to focus on the prevention and reduction of pollutants from their sources as well as adopt a proper policy to cope with different operating areas. Besides, the company will measure air pollution from factory's chimneys to curb the emission of pollutants, impeding them from affecting nearby communities and environment. After that, the collected dusts will be put into new production process to reduce resources consumption. In addition, the company will stay alert in gauging the pollution level to make sure that air quality is maintained at moderate level.

Sources Prevention	Protective Maintenance	Quality Measurement
<b>Dusts</b> <ul style="list-style-type: none"> <li>• Installation of Bag Filter on Material Shipping Point</li> <li>• Installation of Wet Scrubber in the Process of Clay Powder Production</li> <li>• Search and Elimination of Source of Contaminate</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery Protective Maintenance Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Measurement of Pollution from Chimney according to the Law</li> </ul>
<b>NOx and SOx</b> <ul style="list-style-type: none"> <li>• Use of Low-sulphur Fuel</li> <li>• Control of Kiln's Excess Air Condition</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery Protective Maintenance Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Measurement of Pollution from Chimney according to the Law</li> </ul>

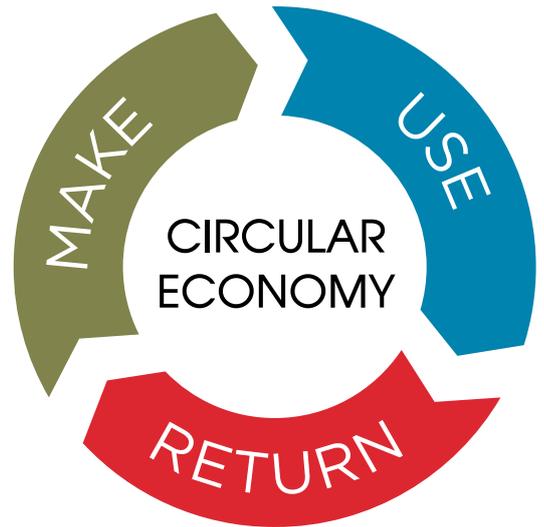
Regarding the performance of emission in 2018, the amount of nitrogen oxide and sulphur oxide emission didn't exceed the limit as specified in the law. For production effectiveness, the amount of dusts, NOx and SOx emitted were 82, 25 and 108 gram per ton of product respectively.

### Material and Industrial Waste Management

Soil and mineral resources which are suitable materials for the making of ceramic products are finite resources, and might be exhausted in the future. Being well aware of the necessity of efficient resources consumption, our company issued SCG 3Rs Principle and has now provided effective management throughout the value chain, by researching and applying the concept of Circular Economy-circulation of resources within the value chain to minimize the consumption of new resources and utilize them to their fullest potential-to business operation, maximizing the use of resources, reducing the waste waiting for disposal, and developing production process to recycle and increase its value continuously. The Strategies for Material and Industrial Waste Management are:

1. Reduce waste from the origin.
2. Research and develop innovation to recycle material and waste, as well as increase waste's value.
3. Reduce ineffective waste incineration.

Regarding waste management within the factory, sludge left from the process of wastewater management, clay powder and rejects are used as materials in the next production to reduce the consumption of natural resources. Ceramic shards from other companies are also acquired to be used as materials in the process. The proportion of Alternative Raw Material used amounts to 10% of Virgin Raw Material. However, the production process also contributes to 5.8 kilogram of untreated waste per ton of product, 82% of which is leftover ash from the combustion of biomass energy.



# Corporate Social Responsibility

In order to achieve sustainable development and coexistence between 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, we are 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, protect 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, and also comply with the sustainability policy of the company.

## 2. Anti-Corruption

The company is trying its best to follow the principle of good corporate governance. Its corporate culture instructs employees and staffs 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, Board of Directors' determination is to fight against any forms of corruptions. 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

Our company attaches great importance to human rights issues, as can be seen from the high priority we provide our stakeholders, both internal and external company, so as to acquire legal rights concerning stakeholders and/or agreements with the company. In accordance with SCG code of conduct, employees are obliged 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 with 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 the 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 should 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 being parts of the organization. And in order to do that, compensation policy, provident fund and benefits are all provided for all classes of employees appropriately and competitively. Furthermore, 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 company's each year performance, 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, and also encourages and instructs 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

Product 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, we 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> or call 02 586 3333, 02 586 4092, then the issue will be taken into consideration and the company keeps on improving the products and services.

## **6. Environmental Protection**

Since environmental protection is considered to be important to us, we operate our business in accordance with the principle of sustainable development. The company 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 environmental-friendly production process 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. In addition, the company also improving the environmental-friendly production process, maximize the use of energy and reduce 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 Excellent Model School Program, Sharing Opportunities, Drawing the Future Program, Program, Children's Day Activities with the collaboration of Department of Local Administration and Rice Planting in Honor of His Majesty the King.

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

The company has developed new innovation for production process, financial management, human resource management, and also organizational finance and account, under the concept of efficient and disclosed operation, such as SAP, E-procurement 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.

## **Stakeholder Engagement**

After realizing the great influence of stakeholders on business operation in the present, SCG Ceramics Public Company Limited established an office responsible for a particular purpose of engaging in different groups of stakeholders on the basis of Stakeholder Engagement Policy and Guidelines, which comply with the universal practices, such as ISO90012015, ISO140012015, OHSAS18001 and CSR-DIW of the Department of Industrial Works. All the stakeholders are ranked and prioritized according to their influence, expectations towards the company, forms and opportunities of participation, and lastly, means to handle with possible risk caused by any stakeholders.

## Stakeholder Engagement and Communication

Groups of stakeholders	Communication/Channel	Interesting Topics	Examples of Taken Actions
<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Joint-Venture Partners</li> <li>• Creditors</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Annual Report and Annual Report on Sustainable Development</li> <li>• Analysts Conference</li> <li>• Investor Relation (IR) Notification to the Investors of the Performance/Schedule</li> <li>• Hotline and Email Management by IR</li> <li>• Website</li> <li>• Factory Tours Organization and CSR Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Performance and Business Growth</li> <li>• Short/Long-Term Operational Strategy with Countermeasures to Risk and Challenges</li> <li>• Transparent Business Operation with the Balance of Social Economy and Environment</li> </ul>	<ul style="list-style-type: none"> <li>• Information Provision on Sustainability to Those Interested</li> </ul>
<ul style="list-style-type: none"> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent Communication via the Organization's e-newsletter</li> <li>• Meeting Arrangement between The Management Team and Employees</li> <li>• Assessment of Employees' Satisfaction</li> <li>• Questionnaire on Official and Unofficial Opinions</li> <li>• Email</li> <li>• Whistle Blower</li> </ul>	<ul style="list-style-type: none"> <li>• Business Direction and Adaptability</li> <li>• Career Advancement and Stability</li> <li>• Benefits and Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in Employees' Benefits, such as Infirmary</li> <li>• Re-Employment Program for Competent and Retired Employees</li> <li>• SCG Ready Together Program the Cultivation of Working Methods and Business Concepts in New Employees</li> </ul>
<ul style="list-style-type: none"> <li>• Suppliers</li> <li>• Contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Visit to Suppliers/Contractors to Hear Out Their Complaints and Suggestions</li> <li>• Study on Suppliers/Contractors' Problems to Enhance Business Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Safety and Health Management</li> <li>• Ability and Potential Enhancement According to the Directions of SCG Ceramics</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Suppliers Development Program</li> <li>• Driving Skills Development for Suppliers</li> </ul>
<ul style="list-style-type: none"> <li>• Clients</li> </ul>	<ul style="list-style-type: none"> <li>• Application of Clients' Demand to Improve Products/Services</li> <li>• Facebook</li> <li>• Architectural Blog</li> <li>• Hearing Out Clients' Complaints and Suggestions</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Products and Services to Meet with Clients' Demand</li> <li>• Information Provision Relating to Products and Services</li> </ul>	<ul style="list-style-type: none"> <li>• Visit to Clients and Accepting Advice Relating to Package Reduction to Decrease Waste Discharge</li> </ul>
<ul style="list-style-type: none"> <li>• Community</li> </ul>	<ul style="list-style-type: none"> <li>• Community Visit and a Survey on People's Demand or Suggestions through Community Relations</li> <li>• Establishment of a Consultation Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Community's Well-Being Improvement</li> <li>• Impact of SCG Operation towards Community</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Promotion and Money Earning Program for Excellent Model School, Improve Local Products</li> </ul>
<ul style="list-style-type: none"> <li>• Government Sector</li> <li>• Civil Society</li> <li>• Academics</li> </ul>	<ul style="list-style-type: none"> <li>• Factory Tours</li> <li>• Provision of Organization's Operation via Articles, Multimedia, Discussion Platform, Academic Exhibition and Other Seminars</li> </ul>	<ul style="list-style-type: none"> <li>• Thorough and Transparent Disclosure of Information</li> </ul>	<ul style="list-style-type: none"> <li>• Revision of SCG Guidelines According to Suggestions</li> <li>• Cooperation with the Government and Private Sectors in "San Palang Pracharat" Program</li> </ul>

## Social Responsibility

Right now, the community is being affected by the rapid change of the world situation. In response, the company is committed to engage the community in the learning process to achieve self-reliance. Sustainable Development Goals and Sufficiency Economy Philosophy are applied to help promote collaboration in constructive problem-solving, enabling the community to adjust swiftly to the constantly-changing world. And here are the list of undergone programs:

### 1. Model Programs to Promote a Sustainably Strong Community

**1.1 Excellent Model School** In order to implement the policy to raise vocational education standard, SCG has established “Excellent Model” School Program with the collaboration of the Office of Vocational Education and private sectors. Schools that meet the standard required are recruited into the program, so as to produce and develop competent manpower for industrial sectors, and to undergo the curriculum revision, so that all the students can catch up with the technological changes and get better career opportunities in the future. Up to now, 14 students from Nakhon Nayok Technological College have been recruited into the program.

**1.2 Alternative Wetting and Drying Rice Field Demonstration** The demonstration field is located within the area of Nong Khae Industrial State between Koke Yae SAO, Hin Kong Municipality and Nong Kai Nam SAO, where most people earn a living as a farmer. This program is a result of a cooperation between the company and the community, especially local farmers, whom we encourage to observe the program, or even join the experiment. Aims of the program are to raise farmers’ income, reduce chemical usage and also preserve local farmers’ traditional way of life at the same time. This program was born in 2016, the year in which the government request farmers to refrain from rice cultivation due to the drought. Nong Khae Industrial State then did a research about rice cultivation with less water usage. After all the research and experiments were done, we put all the data together and finally got the answer. Alternative wetting and drying was the most suitable cultivation method for the soil and weather in Saraburi Province. Later on in 2016, we led a group of farmers who were interested in the method to observe the cultivation process at Chai Nat Province. Moreover, Nong Khae Industrial State also demonstrated the alternative wetting and drying method in its own territory, covering about 3 acres the land. The crops there were all organic, and after the harvest was done, all the yields were sent to a local school in the vicinity of the industrial state as ingredients for a school lunch.



**1.3 Multiple Cropping** Multiple cropping is a form of farming practice, for example, a crop rotation between soybean and rice, can help increase soil fertility and reduce chemical usage throughout the agricultural cycle. According to the data on soymilk production in Thailand, more than 98% of soybean used in the production is imported, even though Chiang Mai 60, the variety of soybeans used for the production of soymilk can be cultivated within Thailand, and its quality is even equal to those imported. After that, the industrial state conducted



แปลงปลูกข้าว  
โครงการ  
“ผูกปิ่นโตข้าว”



a training course to instruct the farmers on how to increase crop yields and reduce chemical usage in the cultivation of beans. All the farmers participate in the experiment in the demonstration field, learning to cultivate soybeans and sell their seeds at Mae Taeng Cooperative Community, Chiang Mai Province, Agricultural Plants Research and Propagation Center, Lopburi Province and Soybean Field, Uthai Thani Province. Then we reached a conclusion that Lopburi 84 suited Lopburi Province's physical features of land and weather the most. After the process of rice cultivation in November 2017 and harvest in April 2018 were all done, the group of farmers were now ready to try planting the soybeans. The yields were still a work in progress and needed further modification before they can be used to make soymilk, so those soybeans ended

up being sold to vegetarian restaurants, and were processed into soybean milk and fried tofu instead. However, the findings of this program revealed to us that Lopburi 84 could be excellently processed into food. Therefore, Nong Khae Industrial State still continued to increase value of the products by making a research on the procession of soybeans into tofu.

**1.4 Gor Kor 43 Demonstration Field** In this program, the demonstration rice field was prepared for the cultivation of Gor Kor 43 (กข43) Rice, which is suitable for diabetes patients, due to low sugar content. This program was a continuation of the Alternative Wetting and Drying Program in Nong Khae Industrial State. Its objectives were to increase income of farmer community around Nong Khae Industrial State, to increase value of rice by choosing the variety of rice that was high in nutrients, met market demand and had low rate of saccharification, and as a result, Gor Kor 43 was chosen to be the test subject. After the process of cultivation and harvest, we tested the rice on local diabetes patients, if this went well, it would be able to help improve local people's well-being and draw up new agricultural guidelines, which care for the health of both producers and consumers.

**1.5 Pook Pinto Kao, Food Carrier** This is one of the program conducted by Nong Khae Industrial State, which was still in a preparation phase at the time. Its aim is to increase the community's income by allowing groups of farmers to match themselves with factories' canteens, so that local farmers can learn to cultivate varieties of rice according to the need of the factories' canteens within the industrial state they match with. This way, the farmers can get their own customer base with ease. The model program will be implemented in the canteen within the Nong Khae Factory.

**1.6 Pracharat School** The school, located in Nong Khae District, Saraburi Province, is partly supported by SCG Ceramics Public Company Limited. School's teachers and the board of directors were all brought to Sathya Sai School in Lopburi Province to observe and learn effective ways of educational management. It was our honor that Dr. Ajong Chumsai Na Ayutthaya greeted and provided us an informative lecture by himself. As for more detail about the program, it was run in 2018 fiscal year with budget support of 250,000 baht. And another thing, Wat Huai Sai School is a model school located in the area of Hin Kong Factory.

**1.7 Ceramic Tiles Paving Course for Soldiers** In this program, SCG Ceramics Public Company Limited joined hands with military officers to run ceramic tiles laying courses continuously for to-be- discharged enlisted soldiers.

## **2. Enhancing Community Potential with Support from Employees Project**

Due to the belief that a pleasant society is consisted of “good people and smart people” with public awareness. Therefore, SCG Foundation started and has still been carrying on with a program called “Sharing Opportunities, Drawing the Future”. The program relies mainly on the participation of staffs and the organization to drive it towards success. We have been taking many actions to improve society’s well-being, as well as enhancing its potential, such as community development, occupational promotion and educational support for youths. By the year 2018, staffs of SCG Ceramics have initiated and implemented many projects under Sharing Opportunities, Drawing the Future Program, as followings

### **2.1 SCG Ceramics Nong Khae 1 Factory’s Program**

**1) Computers for the Community and Children “Technology enable children access to useful information.”** The computer room of Pa Mued School, Province Chiang Rai, was built in 1961 and has been in service for more than 50 years. The room is in a really bad condition, the wires are all worn out, and even though many renovations have been undergone, the place didn’t get any better. Having realized the situation, our fellow voluntary staffs jumped in to construct a new computer room to replace the old one in the old building. This new computer room will act as a learning area for the students, and in addition, the services here will be open for the local people as well.

**2) Cafeteria for Children and Market for the Community “A cafeteria with proper sanitation makes little guys healthy.”** The cafeteria of Ban Nong Waeng School in Srisaket Province has no place for hygienic food preparation, because the kitchen is used as a storage room for equipment and music instrumentals as well, causing thorough cleaning to be out of the question. The utensils washing area is located in front of the toilet, leaving a big opening for dogs and chickens to come and eat the wastes. For this reason, our fellow voluntary staffs volunteered to build the students a new standardized cafeteria, which going to be big enough to accommodate all the students. Additionally, the cafeteria will also act as a connection between the school and the community by allocating some areas to the local villagers, giving them a place to open a shop and earn extra income.

**3) Kindergarten Renovation “Students’ safety blows away teachers and parents’ worry.”** Ban Klong Gha School, located in Saraburi Province, was one of the schools which lack a renovation budget. At that time, many places of the building were damaged, some even possessed a risk of causing an accident. And then our fellow voluntary staffs in order to ensure the safety within the schoolyard, went in to renovate the school building. Right now, the students can use the building with more convenience and confidence. As for the parents, they can

now rest assured for the building has finished its renovation, and is now in the best condition.

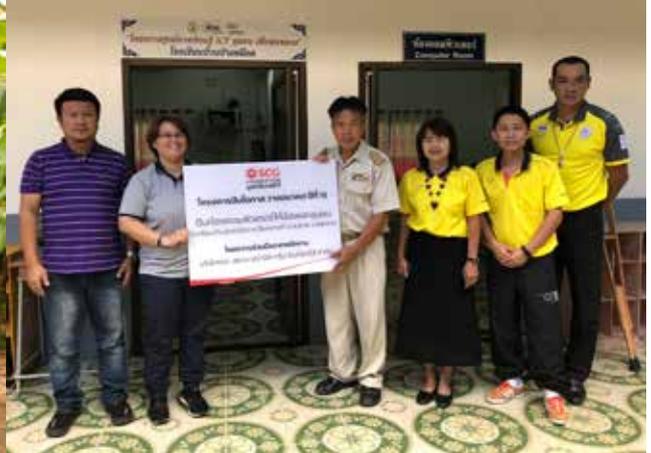
**4) Fixing a Temple’s Pavilion in Rural Area “A reparation of a religious place can ensure safety and happiness in the community.”** Nongnangkao Temple is a spiritual center of the people within the Nongnangkao Village. It is a remote temple, in need of a reparation of pavilion’s walls to prevent animal disturbance and keep the pavilion clean. Seeing the temple was short of the necessary budget, our fellow voluntary staffs held out their hands, and helped with the reparation. Now the pavilion is as good as new, neat and tidy, and free of animal issues. Furthermore, the staffs also cleaned and redecorated the temple area, so that it can continue its role as a spiritual center for the community as long as possible.

**5) Parking for Safety “Build a parking lot to decrease accidental risk.”** Health Promotion Hospital, Dan Sub-district, Rasi Salai District, Srisaket Province, needed to accommodate patients from 13 villages, but the hospital lacked a parking lot, resulting in patients parking at the roadside, which could lead to an accident. Our fellow voluntary staffs, therefore, helped renovate the old parking building, making it possible for ambulances to park there, and consequently increase the safety for all the patients.

**6) Medical Room Renovation “up-to-standard treatment can bring well-being to the local people.”** Ban Na Ling School is an opportunity expansion school, which does not have enough budget for a renovation or any improvement. The part of the school that needed an improvement the most is medical room. It was too cramped to accommodate enough ill students and also had bad ventilation, even first aid kits and other tools were inadequate. Our fellow then helped them improve the medical room into a standardized and hygienic medical one. Right now, it is not only a place for first aid, but also a health information center, providing all the students and staffs in the school with knowledge about health issues and diseases.

### **2.2 Projects from Hin Kong Factory, SCG Ceramics**

**1) This Roof is just for you “New roof of the cafeteria can satisfy our hunger and mind.”** Kok Kloi School was found in 1960. This opportunity expansion school is located in a remote area in Kao Kok Sub-district, Prakon Chai District, Buriram Province. The school had provide lunch for students, but the problem was that the cafeteria was dilapidated, its structure had started to lose its strength, and the roof was leaking terribly, causing it impossible to use the cafeteria when it rained. Our fellow voluntary staffs rushed in to replace the roof with a new one. The replacement not only make students have lunch more conveniently, but also help strengthen relation between the school and the community, by providing them an opportunity to cooperate in this replacement project.



**2) Playground for Kids “With a playground comes creativity.”** Satta Sira-art School is one of the schools that was fully aware of the advantages of a playground. According to them, a playground could help stimulate the development in children’s bodies, brains, muscles, disposition and mind. Moreover, children could also learn social discipline and mutual sharing during the process of recreation. Therefore, our fellow voluntary staffs built a playground, in which every students can have fun together, for the school with materials with high durability, and in addition, all the equipment in the playground were picked out deliberately to help promote students’ learning skills.

**3) Drinking Water for the Community “An expense reduction makes everyone happy.”** Since the water retrieved by filtering was not clean enough for consumption, community 3, Huapluag Sub-district, Saohai District, Saraburi Province, was having a big drinking water issue. So our fellow voluntary staffs went there to install a nano water machine, which is easy to take care, and can reduce expense of the local people, as well as improving everyone’s well-being by providing clean drinking water.

**4) Kindergarten Renovation “Safe classroom, carefree students”** Huaykhamin School, Huaykhamin Sub-district, Nong Khae District, Saraburi Province, was in need of classroom renovation, because many parts of the school building were damaged and worn out. So the fellow voluntary staffs helped them with the reparation and improvement of the building, turning the old classrooms into beautiful, safe and clean classrooms. The students and teachers in the school can now enjoy a better quality of life.

**5) Lunch Table for Children “A good table for a convenient lunch”** Bantangmho School is a small school

located in a remote area, and had a few numbers of buildings. Among them is a cafeteria, where all the students have lunch. In order to ensure sanitation and prevent students from rain, its roof was built into a dome shape. However, the cafeteria didn’t have enough tables and chairs to accommodate all the students, then this project was born. Not only are the students benefited from the tables and the chairs in having lunch, but also in using them as a multipurpose area for other activities. Other than that, they can also act a waiting area for their parents as well.

### **2.3 Projects from Nong Khae Factory, SCG Ceramics**

**1) Green House for Bio Compost Mixing, WatBanprig School “Knowledge and compost for careers and future”** Due to the endless fall of country-almonds’ leaves, WatBanprig School, Nakhon Nayok Province decided to use them as materials for a bio compost project. The aim of the project was to promote students’ participation in school activities, as well as organic fertilizer mixing skills. This project’s expected benefits were to cut down the expense on chemicals and to encourage students to spend their free time productively. Informed of the project, our fellow voluntary staffs went to the school hands in hands to help expand the project by building a glasshouse for the use of bio compost mixing. Because of the glasshouse, the students can now carry out the mixing process more conveniently, providing them an opportunity to make money from selling the compost or even earn themselves a living in the future.

**2) Building of Happiness “A solid building motivates students to learn more eagerly.”** Banbangpu School, Samroiгод District, Prachuab Khiri Khan Province, is a small-scale school located in countryside. Four of its classrooms were in a terrible condition, and hadn’t gone





through reparation in ages, resulting in a high possibility of an accident. To ensure safety for the student and teachers there, our fellow voluntary staffs started the construction of a new building, in which contained classrooms and a library, a necessary learning resource for students. Since all the students in the school are our future and the primary force in administering and developing our country, it is necessary to provide them with a solid building, because it equals to their steady education in the future.

**3) Toilets for Bankanlum Community Museum “A toilet brings pleasure.”** Kanlum Village has been entitling as a sufficiency economy model since 2015, and Bankanlum Community Museum was established by local people in the same year to promote tourism within the community. In 2017, a large numbers of tourists came to visit the museum, which was good for both the community and villagers. However, the museum had only one unisex toilet, which was apparently not enough to accommodate all the visitors. So our fellow voluntary staffs stepped in to build toilets specified only for male or female, to ensure visitors’ better comfort and safety.

### 3. Program for the Promotion of Well-being

**3.1 FTI’s Golden Jubilee Bicycles Sharing for Disadvantaged Schools** was a project of SCG Ceramics Public Company Limited in collaboration with The Federation of Industries Saraburi to contribute shared bicycles to students for a commute to school, which lacked of bicycles. The contribution was implemented through the Department of Social Affairs of the Federation of Industries, on the occasion of FTI’s golden jubilee.

**3.2 Support government sectors in the renovation of public toilets,** such as the toilet renovation program for the Industrial Office Saraburi, The toilet renovation program for guesthouses in Khao Samlan National Park and the toilet renovation program for the Department of Lands Saraburi.

**3.3 Building Home for Chamois, Bringing Back the Forest** One of the projects that we joined hands with Protected Area Regional Office 1, Saraburi Branch with the objectives to excavate water sources for chamois and other animals. By utilizing clean energy, more precisely solar energy, to pump up groundwater, then build a reservoir laid with leak-proof materials, the reserved water storage for all animals in dry season was completed.

**3.4 Scholarships for Students with excellent academic record from low-income families** The representatives of the Board of Directors gave the scholarships to the students, who were studying in the schools in the proximity of the factory, with a total value of 300,000 baht. On February 27, 2018, the COTTO scholarship ceremony was held at the meeting room of Siam Sanitary Ware Factory, by having Mr.Kiattisak Trongsiri, the Deputy Governor of Saraburi Province as the president of the ceremony.

**3.5 Local Community & Public Hearing** on October 2017, SCG Ceramics had held a consultation forum, open to any opinions concerning environmental effects on the community around Hin Kong Factory. The Energy Office of Saraburi Province also attended the forum, and exchanged information and opinions with the local people. As a result, the community endorsed the installation of solar cell system to save energy.

**3.6 Elderly Care Program for the community around the factory** With the cooperation of Saraburi Provincial Health office, SCG Ceramics provided the knowledge related to health management to the elderly in the community which is one of the groups that SCG Ceramics attaches great importance to.

# Report of Risk Management, Internal Control, and Internal Audit 2018

## **Risk Management**

Risk management plays a significant role in the attainment of the company's objectives and goals. If the company could identify risks in advance, the company would be able to mitigate the impacts of such risks and get opportunities in finding more channels for business conducts. Moreover, the efficient risk management is an integral part in investment decisions, innovation development, and value added for the company, shareholders, and stakeholders, as well as contributing to the company's sustainable development.

## **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. This is in line with the risk management strategies of indirect major shareholders. The company has provided training programs and communicated the framework to staff and related entity in every department so that all employees acknowledge and implement accordingly, leading to value added in value chains 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. Besides, the results of risk management in the form of risk dashboard showing high, medium, and low risks are presented along with the solutions to Risk Management Committee, Audit Committee, and the Board of Directors.

## **Board of Directors/Audit Committee**

The Board of Directors is to be a policymaker, guiding and overseeing that the risk management is implemented efficiently and effectively. The Audit Committee, on behalf of the Board of Directors, is responsible for re-evaluating the company's risk management so that it is applicable to all aspects, compatible with global standards and comply with the Charter of Audit Committee for Independent Assessment of Risk Management. The focus of the re-evaluation is on the practicality of implementation. Moreover, the Audit Committee is also responsible for following up results of risk management, giving Risk Warning Signal or Red Flags to monitor if any risk exceeds the level of risk appetite as well as informing and having the company set out urgent and appropriate handling strategies.

## **Risk Management Committee**

The Risk Management Committee is to oversee and ensure that the company has a 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 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. The Risk Management Committee shall report the outcomes of risk management to the Audit Committee on a quarterly basis. The Risk Management Committee will implement risk management strategies, monitor 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.

## **Internal Audit**

The Internal Audit is to investigate, evaluate, and provide suggestions about the efficiency and effectiveness of risk management system in accordance with the Charter of Internal Audit approved by the Audit Committee. Likewise, the Internal Audit is to ensure that the company has the global standard practice of risk management that could identify significant risks as well as to ensure that the company has appropriate risk indexes, risk warning signals, and efficient risk management. The Internal Audit shall present the evaluation results to the Audit Committee while regularly communicate the feedbacks and suggestions from the Audit Committee to Risk Management Committee and implementers in order to devise and improve the risk management process.

**Risk Management Process**

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

Besides, the company has incorporated the eight SCG Risk Universe into the management of investment project risk and strategic risk so as to formulate/devise medium-term plan and annual plan that accommodates the changes in risks.



**Risk Assessment**



SCG assesses risks under the same standard called Common Risk Metrics in which a risk owner utilizes various tools-including statistical tools such as Scenario Analysis, Correlation Analysis, and Benchmarking-in assessing the likelihood of risks, the severity of impacts from risks, and the manageability of risks while compares the result of assessment to the Risk Limit, which correlates to the Risk Appetite. If risk owners discover that the residual risk exceeds the risk limit, they must formulate measures to manage/solve the risk and report the situation to the Risk Management Committee until that risk returns to the acceptable level.

**Cultivating Corporate Risk Management Culture**

The company is aware of the fact that apart from good tools and good standards, corporate risk management culture is crucial for the success of risk management. If every personnel in the organization understands the Risk Management or Risk Appetite differently or has different concepts about risk management which is not in line with the company’s guidelines, they could make mistakes in decision-making. 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 (Tone at the Top) and through the role of executives as a role model for risk management.
- Improve the risk management system to add value to the company by monitoring progress and improving the performance of risk management system.

- Develop pragmatic methods for implementation by assigning the Risk Management Committee the duty of supervising risk managements, 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.

- Draw up mutual agreements between main associates through meetings/interviews/and opinion seeking on a regular basis.

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

- Set the agenda item about risks in the main meetings of the company.

- Designate risk management as a part of training and development programs for executives and employees.

## **Main Risks and Strategies for Risk Management of the Company**

### **1. Safety, Health, and Environment Risks**

The company fully recognizes the importance of safety and health of staff and business partners; therefore, the company emphasizes on raising awareness of safety among staff and business partners (Think Safe Work Safe). Likewise, the company is determined to reduce injuries from work, because it considers the prevention and reduction of loss an important mission. Risks in every activities are identified and analyzed to find measures to control risks while the occupational health and safety management system of indirect major shareholders (SCG Safety Framework) is employed as a model for practice so that all departments have a management system that improves consistently, leading to an increase in the safety level. The efficiency of safety performance is evaluated according to the Safety Performance Assessment Program (SPAP) while Life Saving Rules, which cannot be disregarded, are imposed. This fosters a sense of management leadership in executives, the role model for risk management. Consequently, employees could feel that the executives care and acknowledge fully the importance of safety for employees. Also, a safety observation would reinforces behaviors that cultivate corporate culture in line with the company's Total Safety Culture.

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

Risks associated with compliance with rules, regulations, and laws cover risks from non-compliance with external and internal rules and regulations such as laws, government policies, anti-corruption policies, the company's Code of Conduct, prominent guidelines and obligations to third parties. Laws and government policies could change all the time. Non-compliance or failure to fully comply with laws and policies could damage the

company's reputation, leading to punishment, fine or loss in business opportunities. 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 so as to prevent wrongful conducts. The company consistently develop supervisory and working framework (Compliance Framework) in order to create a systematic supervision and management process-i.e., starting from good working process to good minorng process on roles and responsibilities of risk management and control.

### **3. Reputation and Intellectual Property Risks**

The company collaborates with Corporate Technology Office of indirect major shareholders, the office of which will take care of all intellectual property-related matters so as to prevent an act of violation both done by and done to the company.

### **4. Hazard Risks**

Natural disasters and man-made disasters are more frequent and likely to be more severe nowadays, affecting 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-evaluate potential risks of different disasters, monitor and stay alert for ensuing disasters through reliable sources from government or other organizations. Corporate Business Continuity Management (BCM) of indirect major shareholders and BCM from other business groups are to monitor and analyze, to share information about disaster situations, as well as to warn staff and other affiliates that could be affected from the impacts of disasters with the intent to prepare the company for disasters, to familiar with drills for emergency situations, and to improve risk management constantly in accordance with Business Continuity Plan (BCP).

### **5. Manufacturing Cost Risks**

As a result of the amalgamation, the company gains benefit in terms of manufacturing cost from product allocation, which plan to manufacture product at a low-cost factory. As for material cost risk, the company tried to look for renewable energy sources while tried to adapt production recipe to material resources. However, energy cost, especially natural gas which is the main source of energy in the manufacturing process, tends to increase continuously. The company has set up energy reduction plan and implemented according to such plan continually. Moreover, the company has studied and tried to use renewable energy in order to mitigate the impact on production cost due to the cost of energy.

### **6. Operational Risks**

The company has evaluated risks in each process of its operations and utilized tools to improve its operation For example, Total Quality Management (TQM) and Total Productive Maintenance (TPM) are used to assist

manufacturing management so as to prevent and reduce risks in operations such as machine malfunction. The company recognizes the importance of and emphasizes on staff participation in caring for their own machine through systemic maintenance and regular training for staff in order to increase the effectiveness in solving and preventing problems quickly as well as to reduce the loss of tools efficiently. Moreover, the company has a 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.

### 7. Financial Risks

Risks in business operations are regularly due to the exchange rate of foreign currencies and contractor's non-compliance with the provisions of contract. The company does not hold or issue any financial instruments that are derivatives for speculation or for trade.

#### 7.1 Risks from foreign currencies

The company has no significant risks from the exchange rate of foreign currencies.

#### 7.2 Risks from credits

The company has risks from loans relating trade debtors; however, the company establishes a policy of giving loans carefully and sell products to customers whose credit shows good financial status and ability to repay debts. Moreover, the company has made insurance of trade loans. Thus, the company believe that there will be no loss in collecting these debts.

### 8. Business Environment Risks

The company, manufacturer of ceramic tiles for floor and wall, has main production and customer bases in Thailand. In recent years, the company faces with the deceleration of purchasing power due to domestic factors such as the decline in the prices of agricultural produces and foreign factors such as the slowdown in foreign investments and the higher competition, especially tiles imported from Europe, China, and India. The company is aware of these risks and recognizes the importance of risk management; therefore, the company aims

1) to enter markets in neighboring countries, such as Cambodia, Laos, and Myanmar, that are growing, are familiar with, and widely accept the company's brand

2) to design more diverse products for comprehensive groups of customers along with new services that meet with customers' demand more and

3) to enhance the effectiveness of management process regularly, which would help make the management processes above more effective and faster, able to compete, and flexible to changes of business environment so that the company grows sustainably.

### Internal Control

The company set up visions for being a market leader and is determined to conduct business while fostering sustainable development in every community with which the company interacts. The company aims to add value to customers, staff, and all affiliates under global-standard management in accordance with good corporate governance and high safety standard. Additionally, the company is determined to improve the quality of life and livelihood of everyone by quality products and services from its management, technological development, and development of significant innovation. The executives believe that to be a leading company requires effective and efficient methods such as governance system, risk management, operation supervision, internal control, and internal audit, which comply with the global standards in terms of practices and information technology. The Audit Committee is responsible for framing policies for corporate governance, risk management, operation supervision, internal control, and internal audit of the company with reference to international operational standards:

- Corporate Governance Reference organizations: Organization for Economic Co-operation and Development (OECD)/ Stock Exchange of Thailand (SET)/ Thai Institute of Directors Association (IOD)
- Risk Management Reference standards: COSO Enterprise Risk Management/ ISO 31000
- Operation Supervision Reference: relevant laws and regulations/ISO 19600
- Internal Control Reference standards: COSO Internal Control Framework 2013/COBIT5

The Board of Directors, the Audit Committee and the Management have formulated internal control system to comply with COSO 2013 (The Committee of Sponsoring Organization of Tradeway Commission). In agreement with this, the Internal Audit assesses the adequacy of internal control system and submits the result to the executives for consideration.

The Board of Directors has examined the result and agreed that internal control system is sufficient and efficient to the company's business transactions, complies with laws and regulations, protects assets and uses resources effectively, and shows no significant flaws about the internal control system.

The Management, on behalf of the Board of Directors, encourages the developments of tools in accordance with constant changes of risks so as to set up a preventive system for conducting business:

### **1. Proactive and Preventive System**

A crucial factor contributing to the achievement of the company's goals and sustainability is that staff must work with virtues and ethics. To instill morals, ethics, and Code of Conduct into staff, the company has organized a preventive system "Proactive and Preventive System" in the company, the system of which includes:

1.1. Organize Ethics e-testing to instill, spread knowledge and raise awareness about ethics among staff members of all levels so that the employees could incorporate morals, 4 Business Policy, Code of Conduct and Anti-Corruption policy in their works and apply these principles appropriately and effectively.

1.2 Promote "Good Responsibilities of Risk Management and Internal Control in Accordance with Three Lines of Defense Guideline" to employees and supervisors in each company/office (First Line), supporting units (Second Line), and the Internal Audit (Third Line) so as to continuously apply the guideline in their operations, starting from risk assessment to the establishment of control, monitoring, and evaluation process. The First line staff is considered the most important role in making this guideline successful and effective.

1.3 Communicate "Case Studies of Corruptions and Non-Compliance with Laws, Regulations, Company's Policies and Company's Code of Conduct" to employees in order to raise awareness about operations and prevention of repeated cases.

### **2. Integrated Governance, Risk Management, Compliance and Internal Control (Integrated GRC)**

The company has implemented corporate governance, risk management, compliance, and internal control (GRC) to bring its standard up to global standard "Integrated GRC", which will enhance effectiveness and efficiency and reduce overlapping duties in governance, strategic planning, risk management, and monitoring process. Informed by Top Executives, employees realize the importance of incorporating GRC into their works which would assist them through workings towards sustainable business growth.

### **3. Compliance**

The company set up compliance policies such as Compliance Policy, Trading Competition Policy, Management Policy for Internal Information that Influences SET Values, and Information Disclosure Policy, which are established on the basis that First Line staff can work with confidence that they would succeed preventing compliance risks. Besides, the company has implement SCG Compliance Management System (CMS) in accordance with ISO 19600.

### **4. Anti-Corruption**

The company has adopted the Anti-Corruption Policy of indirect major shareholders as the guideline for business conducts. In 2018, the company corroborated

its intent against corruption by joining Thailand's Private Sectors Collective Action Coalition Against Corruption (CAC) and formulated the Anti-Corruption Policy to propose to the Board of Directors for further approval.

### **5. Information Technology Governance and Information and Network System Safeguarding**

5.1 At present, the company has more advanced and complex information technology system; hence, IT Governance team of SCG is established to oversee IT system usage so as to reach maximum benefits and safety by recognizing risks from rapid changes in technology, IT system security (Network), and incorporating information from IT system into the business management process.

5.2 The company has adopted SCG e-policy of indirect major shareholders, which was updated in accordance with the international standard COBIT5, the changes in technology, and newly emerging risks. The policy covers the technology that the company currently uses as well as those the company plans to use in the future in order to prevent employees from using technology for the wrong purposes and illegally under the law of operational country, to prevent potential damages that could occur with the IT or network system, and to keep confidential information secure.

5.3 The company has adopted the policy of Cybersecurity Governance Committee of indirect major shareholders so as to oversee that the cybersecurity is in line with the company's guideline on business practices and to ensure efficient preventive measures of cyber threats. Apart from this, the company also set up IT guideline that emphasizes on communication and sharing knowledge about e-policy and Cyber Awareness, which would raises awareness about cybersecurity-the most important part in safeguarding the company's confidential information. In addition, the company organized seminars to share knowledge to employees as well as released media of various types such as videoclip, infographics, posters, etc.

### **6. Whistleblowing System**

The company has adopted SCG Whistleblower System so as to set up a channel to report non-compliance with corporate governance, code of conduct, rules, regulations, laws and Anti-corruption policy as well as bribery. The company Employees can report via Web Intranet while outside stakeholders can file a written complaint via email and regular mail. The company clearly set the process for lodging a complaint, starting with gathering facts in a confidential manner, appointing fact-finding committee, appointing investigating committee, deciding a course of action, as well as reporting the result of the complaint. All complaints are closely monitored and safeguarded by the Internal Audit.

## Internal Audit

Audit Committee oversees that the operations of the Internal Audit committee are independent, impartial, ethical, and professional in line with the International Standard for Professional Internal Audit Practice (The Institute of Internal Auditors: IIA) and International Information Technology System Auditing Standard (Information Systems Audit and Control Association: ISACA and Global Technology Audit Guide: GTAG). The missions, scope of work, authority, duties, and responsibilities of the Internal Audit committee as well as the audit guidelines, which are due to be reviewed annually for updates, are clearly stated in the Audit Committee Charter and Internal Audit Committee Charter.

Apart from risk based audit planning, the Internal Audit Office has developed audit procedures that accentuate on a proactive and preventive system in order to enhance effectiveness and efficiency for company, to strengthen assurance, and to enhance advices and business insights.

### The main operations in 2018 are summarized as follows:

#### 1. The Development of Audit Operations for Sustainable High Value Services

To promote good and comprehensive corporate governance, risk management, compliance and internal control (GRC), the Internal Audit Office performed as follows:

**1.1 Establishment of Internal Audit Digitalization Office** The Internal Audit established Internal Audit Digitalization Office in order to meet with changes in digital technology as well as encourage business groups to adopt digital technology in their audit processes.

**1.2 The Internal Audit encouraged the Three Lines of Defense Model** by raising awareness and encouraging the model of responsibilities for effective risk management and internal control in line with “Three Lines of Defense” model. The Internal Audit conducted workshops for supervisors and employees so that the supervisors and employees understand their roles and are able to apply the model with their works.

**1.3 Assessment of the Effectiveness of Internal Control according to COSO 2013** The Internal Audit assessed the effectiveness of the Internal Control in accordance with COSO 2013 so as to attain 3 objectives: operations, reporting, and compliance with rules and regulations.

**1.4 Assessment of Risks and Internal Control for a New Operational System** The Internal Audit assessed risk and internal control for new operational system by auditing, evaluating, and providing recommendations to First Line and Second Line staff in order to assure the Board of Directors and Audit Committee of the effectiveness and efficiency of risk management, compliance, and internal control of the company. Once

weakness discovered, the auditor will clarify, conduct workshops, give advices about the correct operational procedures and appropriate internal control, and follow up the outcomes after providing consultations. In 2018, the Internal Audit has provided consultations about the application of technology in operations as a means to reduce digital transformation risks. The Internal Audit also formulated the model to reduce operational risks such as procurement via E-commerce and payment by Corporate Credit Card.

**1.5 Information Technology Audit** The Internal Audit participated in the Information Technology Audit by sending representatives to give advices in the important IT development so as to reduce risks about digital transformation and cybersecurity. The Internal Audit also gave advices about appropriate internal control, examined the internal control system, and had the IT Audit recheck the IT system after the installment. Besides, the Internal Audit organized a seminar about security awareness “Cyber Aware Talks” for employees from different levels as well as other activities:

- Create and improve the Internal Control Document to correspond with changes in operational process due to the application of technology.
- Set up authority for operations about IT.
- Provide training for IT staff and vendors the company hires for developing operational systems such as secure coding and operational system penetration testing.

#### 2. Evaluation of the Internal Audit's Performance

Internal Audit Office set criteria for the satisfaction evaluation of the audited to ensure clear and effective audit performance in accordance with the internal audit policy and plan. The Key Performance Indicators of satisfaction and confidence in services (KPIs) was set at not less than 85% for each audit project. In 2018, the satisfaction levels passed the set criteria. The outcomes were presented to the Audit Committee and kept for further improving the Audit Office's performance.

#### 3. Development of Auditors' Competencies

To promote professional and expertise in business knowledge of auditors, the Internal Audit has performed the followings:

- 3.1 Developing Internal Audit Knowledge**
- Keep track on best practices in good corporate governance, risk management, compliance and internal control among leading audit professional institutions from both local and international institutions in order to apply with and develop the company's internal audit in accordance with the company's business conducts.
  - Encourage the development and continuous training both internal and external to be well equipped with knowledge, competence and expertise in internal auditing, as well as other necessary skills.

- Promote and support the internal auditors to improve themselves by obtaining a professional audit certification or other related professional certifications.

### **3.2 Development of Business Knowledge**

- Enhance internal auditors' business acumen by inviting experts from each business unit and external experts to share business knowledge and major business changes so that auditors can better assess risks and to provide practical consultations.

- Set up a policy to recruit competent personnels from business units to serve as internal auditors. Then, rotate the internal auditors to different business units to broaden knowledge.

- Regularly organize sessions for sharing knowledge on interesting issues or significant findings in the Internal Audit Office.

### **3.3 Development of IT Knowledge**

- Apply IT knowledge to auditing projects such as auditing process, building tools for data analysis, and monitoring Warning Signal/Red Flag in order to increase the performance speed and reduce damages arising from mistakes in operations and from bribery on business.

- Support the development of internal auditors' competence so that the auditors could examine and provide advices about IT Audit International Standard. For example, staff is encouraged to obtain the professional certification on auditing, controlling, and certifying IT safety system (the Certified Information System Auditor : CISA).

- Continuously raise IT awareness among auditors in preparation for digital transformation.

### **3.4 Enhancement of Integrated Audit Projects**

The Internal Audit consistently supports "Integrated Audit" and set up an audit team comprised of auditors for business groups and auditors for IT system who collaborate on an auditing project in order to discuss about the improvement of operational procedures and monitor possible irregularities that might occur by harnessing IT to enhance the audit effectiveness.

### **3.5 Development of Soft Side Skills**

The Internal Audit conducts a seminar about soft side skills in order to develop ideas, change set of beliefs, and develop new ideas that auditors could realize their full potential. This leads to self-improvement planning that will bring about successes in personal life and working.

# Report of Anti-Corruption Efforts 2018

## Efforts on Anti-Corruption

The company places a high priority on combating against corruption by adopting indirect major shareholders' policy of anti-corruption as a way of conducting business and fostering corporate culture. This is in accordance with one of the company's 4 Core Values named "Adherence to Fairness — working with honesty and transparency as well as treating all relevant parties with respect, sincerity, politeness, and fairness." In 2018, the company corroborated the intent against corruption by joining Thailand's Private Sectors Collective Action Coalition Against Corruption (CAC) and formulated the Anti-Corruption Policy to propose to the Board of Directors for further approval.

## Anti-Corruption Policy

The Board of Directors, Executives and employees are strictly forbidden to undertake or accept any forms of corruption whether directly or indirectly. This policy applies to all affiliates and related subsidiaries in every country. The reassessment of the implementation of anti-corruption policy should be carried out periodically. Additionally, the policy framework and provisions should be reviewed regularly in order to respond to the changes in business, rules, regulations, and laws. For mutual understanding, the term "corruption" is defined as followed.

**Scope of the Term "Corruption"** here refers to all forms of bribery-offering, promising to provide, giving, authorizing, requesting or accepting money, assets, or any undue benefits for government officers, government sectors, private sectors, or any directly or indirectly related entity with intention to induce such entity to act or refrain from acting in the exercises of his/her duties in order to procure or retain business, to direct business to the company specially, as well as to obtain or secure any undue business advantages. All actions similar to the statement above are prohibited unless laws, rules, regulations, notifications, norms, or trade customs have stated otherwise.

## Roles and Responsibilities of Employees in Each Level according to the Anti-Corruption Policy

- The Board of Directors, Executives, and all employees shall comply to this Anti-Corruption Policy and the company's Code of Conduct by not being involved in any types of corruption whether direct or indirect.

- All employees shall not ignore or overlook any practice suspicious of being corruption related to the company. The employees shall file their complaints to their managers or the responsible personnel and provide full support in the investigation process. If having any question or inquiry, the employees shall consult with his/her supervisor or any personnel in charge of supervising employees' compliance with the Code of Conduct via communication channels provided.

- SCG shall ensure fair treatment and protection for the employee who refuses to accept or reports on the company-related corruption through the protection measures for reporters or those giving support in reporting corruption.

In 2018, the company has launched communication program to raise awareness among the Board of Directors, Executives, and staff as well as to broaden their understanding about Anti-Corruption Guidelines by:

- 1) Organizing awareness-raising activities to share knowledge and improve "Proactive and Preventive System" against corruption as the followings:

- Running a test "Ethics e-Testing" which is separated into three levels based on the role and responsibility of employees. The employees are evaluated on the topics of morality, 4 Business Philosophy, Code of Conduct, and Anti-Corruption Guideline. All employees must pass the test with 100% correct. Also, the employees' responses are analyzed and the frequently mistaken questions are used to communicate the correct way of understanding to employees.

- Encouraging responsibility and accountability awareness of the effective risk management and control according to Three Lines of Defense Framework.

- Communicating important case studies that reflect responsibility according to Three Lines of Defense Framework to employees.

- 2) Offering a workshop about Internal Control, Risks, and Suggestions for the improvement of regulations and practice guidelines to produce correct and efficient models of practice.

- 3) Sharing and communicating information in the Code of Conduct Handbook and Anti-Corruption Guidelines to employees at all levels so that they acknowledge and abide by such handbook and policy through the use of VDO clips.

Moreover, the Internal Audit Department has evaluated and followed up on good corporate governances and compliances with the Code of Conduct and the Anti-Corruption Guidelines for every periodic review as well as reported to the Audit Committee for every meeting.

**Policy on Protection and Fairness for Informants or Those Cooperating by Giving a Trace about Corruption or Non-Compliance with Laws, Rules and Regulations, the Company's Articles of Association, Code of Conduct, and Anti-Corruption Guidelines (Whistleblower Policy)**

The company has adopted the Whistleblower Policy of SCG, indirect major shareholders, in line with its good corporate governance. The policy has provided channels through which employees and stakeholders can report on any suspected act considered breach of laws, violation of good corporate governance, bribery and corruption, non-compliance with Code of Conduct, and wrongdoings in business practices.

To provide assurance to employees and stakeholders that file a complaint or give a tip will be protected against reprisals and retaliation, the mechanism of protection is proposed as well as the mitigation for reporting individuals or informants that may suffer from unfair treatments whether from discrimination or threats. The Office of Internal Audits is in charge of this policy.

**Staff can file a complaint via phone, letter, and e-mail with/without the disclosure of his/her identity to the following personnel:**

- Trusted supervisors
- The Director of SCG Corporate Human Resources Office
- The Director of SCG Audit Office (a supervisor of SCG Internal Audits)
- The Secretary to the Board of Directors (a supervisor of SCG Corporate Secretary)
- Any member of the Company's Board of Directors

**External report could be filed in written form to the following offices:**

- The Secretary to the Board of Directors (a supervisor of SCG Corporate Secretary)
- The Director of SCG Audit Office (a supervisor of SCG Internal Audits)
- Independent Committee
- Audit Committee

As for 2018, there was no cases of internal and external complaints. If there to be any, the company will use the received complaint to improve this Anti-Corruption policy and to further set up prevention measures. The Office of Internal Audits will be responsible for following up, presenting and reporting every progress to Audit Committee in every meeting.

## Related Parties and Connected Transactions

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 into 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
Revenue from Sales/ Sales	Market price
Other Income	Market price
Purchases	Market price
Service Expenses	Contract price
Dividend Income	Announced rate

### Policy or Trend of Future Connected Transactions

Future Connected Transactions proceed based on traditional business practices and follow the policy of the market determining prices in negotiated transactions following the previous year. No special benefit will accrue either to companies or relevant individuals from connected transactions. The company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information as well as other regulations concerning the Connected Transactions, as well as the laws, regulations, notifications or orders relating to the execution of related transactions.

### Details of Transaction

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 agreed conditions. Consolidated Financial Statement information for the annual period ended at 31 December 2018 and the annual period ended at 31 December 2017, 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 transactions for the annual period ended at 31 December 2018 and 31 December 2017.

Type of transaction	Connected companies / Relationship	Transactions Value (Thousand Baht)		Necessity and Validity of Transaction
		Annual Period Ended at 31 Dec 2018	Annual Period Ended at 31 Dec 2017	
<b>1. Ultimate Parent Company : The Siam Cement Public Company Limited</b>				
Service Expenses		121,377	231,176	Market price and trading conditions equated with outside entities
Sales		447	748	
<b>2. Parent Company : Cementhai Ceramics Company Limited</b>				
Short-term Loan		-	844,394	Interest Rate according an agreement
Short-term Loan		-	119,136	
A/R Receivable				As announced rate
Devidend		443,316	223,109	
Service Expenses		121,957	244,181	Market price and trading conditions equated with outside entities
Sales		-	80	
<b>3. SCG's Subsidiaries</b>				
Sales	PT Kokoh Inti Arebama Tbk	349,051	175,907	Market price and trading conditions equated with outside entities
	Mariwasa-Siam Ceramics, Inc.	86,359	177,957	
	SCG Cement-Building Materials Co., Ltd.	53,520	20,969	
	SCG Experience Co., Ltd.	32,531	42,300	
	SCG-Sekisui Sales Co., Ltd.	29,457	18,127	
	Siam Sanitary Ware Industry Co., Ltd.	-	8,856	
	PT Surya Siam Keramik	5,974	8,306	
	Siam Sanitary Ware Co., Ltd.	4,305	-	
	Prime Trading, Import and Export One Member Limited Liability Company	2,758	834	
	SCG Trading USA Inc.	1,943	1,957	
	SCG Building Materials Co., Ltd.	-	1,227	
	Thai Polyethylene Co., Ltd.	1,211	-	
	SCG Landscape Co., Ltd.	449	1,825	
	SCG Cement Co., Ltd.	-	157	
	SCG packaging public Co., Ltd.	75	-	
	The Siam Cement (Lampang) Co., Ltd.	-	65	
	The Siam Cement (Ta Luang) Co., Ltd.	-	23	
	The Concrete Products and Aggregate Co., Ltd.	-	23	
	The Siam Fibre-Cement Co., Ltd.	5	-	
	Thai Ceramic Roof Tile Co., Ltd.	-	3	
The Siam Cement (Thung Song) Co., Ltd.	1	-		

Type of transaction	Connected companies / Relationship	Transactions Value (Thousand Baht)		Necessity and Validity of Transaction
		Annual Period Ended at 31 Dec 2018	Annual Period Ended at 31 Dec 2017	
Other Income	Cementhai Energy Conservation Co., Ltd.	36,012	-	Market price and trading conditions equated with outside entities
	The Siam Fibre-Cement Co., Ltd.	6,301	7,917	
	Siam Sanitary Ware Industry Co., Ltd.	6,803	4,922	
	SCG Cement-Building Materials Co., Ltd.	2,938	2,618	
	Saraburirat Co., Ltd.	1,273	2,725	
	SCG-Sekisui Sales Co., Ltd.	3,122	797	
	Quality Construction Products Public Co., Ltd.	2,096	1,787	
	SCG Cement Co., Ltd.	1,663	2,041	
	The Siam Cement (Ta Luang) Co., Ltd.	1,775	1,131	
	SCG Logistics Management Co., Ltd.	871	1,958	
	Thai Ceramic Roof Tile Co., Ltd.	1,376	1,193	
	The Concrete Products and Aggregate Co., Ltd.	1,336	1,069	
	Siam Sanitary Fittings Co., Ltd.	762	1,417	
	SCG Experience Co., Ltd.	722	970	
	PT Keramika Indonesia Assosiasi, Tbk.	-	1,347	
	PT KIA Serpih Mas	483	288	
	SCG Landscape Co., Ltd.	289	296	
	Mariwasa-Siam Ceramics, Inc.	207	319	
	The Siam Refractory Industry Co., Ltd.	345	140	
	The Siam Cement (Kaeng Khoi) Co., Ltd.	292	54	
	Siam Fiberglass Co., Ltd.	52	78	
	Siam Kraft Industry Co., Ltd.	48	68	
	Prime International Import - Export and Service Trading Company Limited	50	46	
	SCG Building Materials Co., Ltd.	19	74	
	Prime Trading, Import and Export One Member Limited Liability Company	-	92	
	SCG Yamato Express Co., Ltd.	74	-	
	The CPAC Roof Tile Co., Ltd.	50	17	
	The Siam White Cement Co., Ltd.	-	46	
	Siam Research and Innovation Co., Ltd.	33	-	
	Siam Mortar Co., Ltd.	-	33	
	SCG Learning Excellence Co., Ltd.	4	24	
	The Siam Cement (Thung Song) Co., Ltd.	6	-	
	ECO Plant Services Co., Ltd.	-	3	
	Siam Sanitary Ware Co., Ltd.	2	-	

Type of transaction	Connected companies / Relationship	Transactions Value (Thousand Baht)		Necessity and Validity of Transaction
		Annual Period Ended at 31 Dec 2018	Annual Period Ended at 31 Dec 2017	
Purchases	Prime Group Joint Stock Company	203,142	240,571	Market price and trading conditions equated with outside entities
	Thai Containers Group Co., Ltd.	126,353	128,003	
	PT Keramika Indonesia Assosiasi, Tbk.	69,141	24,150	
	SCG Cement Co., Ltd.	21,394	27,972	
	The Siam Cement (Ta Luang) Co., Ltd.	13,366	22,966	
	Siam Mortar Co., Ltd.	3,002	19,035	
	The Siam Cement (Kaeng Khoi) Co., Ltd.	21,526	-	
	SCG International China (Guangzhou) Co., Ltd.	-	6,183	
	SCG Building Materials Co., Ltd.	-	3,420	
	SCG Cement-Building Materials Co., Ltd.	1,007	1,433	
	Siam Fiberglass Co., Ltd.	1,080	1,125	
	The Siam Cement (Thung Song) Co., Ltd.	1,130	-	
	The Siam Fibre-Cement Co., Ltd.	-	676	
	Thai Paper Co., Ltd.	-	601	
	SCG Trading Co., Ltd.	549	-	
	SCI Eco Services Co., Ltd.	-	315	
	Siam Sanitary Ware Industry Co., Ltd.	-	277	
	The Concrete Products and Aggregate Co., Ltd.	-	152	
	Mariwasa-Siam Ceramics, Inc.	138	-	
	Siam Research and Innovation Co., Ltd.	-	18	
Service Expenses	SCG Logistics Management Co., Ltd.	246,167	257,707	Market price and trading conditions equated with outside entities
	SCG Cement-Building Materials Co., Ltd.	94,412	77,864	
	SCG Experience Co., Ltd.	13,499	13,931	
	SCG Cement Co., Ltd.	21,418	5	
	The Siam Fibre-Cement Co., Ltd.	12,792	-	
	SCG Learning Excellence Co., Ltd.	2,194	3,097	
	The Siam Cement (Ta Luang) Co., Ltd.	4,265	-	
	SCG International China (Guangzhou) Co., Ltd.	3,914	-	
	Siam Sanitary Ware Industry Co., Ltd.	2,649	1,093	
	SCG Building Materials Co., Ltd.	3,281	17	
	SCG Legal Counsel Limited	2,023	924	
	PT Surya Siam Keramik	1,242	1,399	
	SCG Trading USA Inc.	854	188	
	SCG Skills Development Co., Ltd.	227	397	

Type of transaction	Connected companies / Relationship	Transactions Value (Thousand Baht)		Necessity and Validity of Transaction
		Annual Period Ended at 31 Dec 2018	Annual Period Ended at 31 Dec 2017	
Service Expenses	SCI Eco Services Co., Ltd.	487	73	Market price and trading conditions equated with outside entities
	Thai Ceramic Roof Tile Co., Ltd.	361	-	
	The Concrete Products and Aggregate Co., Ltd.	324	-	
	SCG Yamato Express Co., Ltd.	143	95	
	Thai Paper Co., Ltd.	219	-	
	SCGP Excellence Training Center Co., Ltd.	195	5	
	SCG Landscape Co., Ltd.	181	-	
	The Siam Cement (Kaeng Khoi) Co., Ltd.	169	-	
	Myanmar CBM Services Co., Ltd.	113	37	
	SCG Accounting Services Co., Ltd.	98	24	
	ECO Plant Services Co., Ltd.	103	-	
	Siam Fiberglass Co., Ltd.	-	97	
	The Siam Refractory Industry Co., Ltd.	-	61	
	Siam Research and Innovation Co., Ltd.	42	-	
	Cement Thai Energy Conservation Co., Ltd.	41	-	
	SCG packaging public Co., Ltd.	-	28	
	Thai Polyethylene Co., Ltd.	8	-	
	Siam Sanitary Ware Co., Ltd.	-	6	
	The Siam Forestry Co., Ltd.	-	5	
	The Siam Cement (Thung Song) Co., Ltd.	4	-	

#### 4. SCG's Associate Companies

Sales	Siam Global House Public Co., Ltd.	472,058	472,139	Market price and trading conditions equated with outside entities
	Global House (Cambodia) Company Limited	6,545	-	
	Sekisui-SCG Industry Co., Ltd.	4,397	4,521	
Other Income	Noritake SCG Plaster Co., Ltd.	185	858	
	Sekisui-SCG Industry Co., Ltd.	15	13	
Purchases	Noritake SCG Plaster Co., Ltd.	36,532	30,439	
Service Expenses	IT One Co., Ltd.	21,807	21,210	
	Siam Global House Public Co., Ltd.	238	1,183	

## Report on the Board of Directors' Responsibilities for Financial Statements

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 so as 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

## The Audit Committee's Report

The Audit Committee independently performed its duties, in accordance with the Audit Committee Charter which has been reviewed in conformance with current affairs and approved by the Board of Directors. In 2018, the Audit Committee emphasized the role of Strategic and Monitoring Audit Committee to review governance, strategic identification, business operation and monitoring in order to achieve the Company's goals and business sustainability. By performing this, the Management and all employees must have moral principles and code of conduct, as well as understand their roles, authority, responsibilities and accountability according to the Three Lines of Defense model, together with working under the umbrella of Integrated Governance, Risk Management, Compliance and Control (Integrated GRC).

The Company was founded on 1 August 2018. The Audit Committee held 3 meetings with a full quorum for every meeting. The performance assessment of the Audit Committee as a whole and self-assessment are conducted at the end of each year.

The assessment result was on a satisfactory level. Assessment issues are the structure and qualifications of the Audit Committee, the roles, responsibilities and accountability, the performance and meetings, overall opinions, the performance of the Audit Committee's secretary and the performance of the Internal Audit Office.

### **In 2018, the Committee performed its duties as follows;**

**1. Review of Financial Statements** The Audit Committee reviewed significant data and information in the quarterly and annual financial statements of the Company, which were prepared in accordance with Thai Financial Reporting Standards (TFRS) which is in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material issues and special items and obtained clarification from the external auditors, the Management, and the Director of the Internal Audit Office, confirming that the financial statements and the disclosure in notes to the financial statements were in compliance with the relevant laws and financial reporting standards. The Audit Committee therefore approved the Financial Statements, which were reviewed and audited by the external auditors without reservation.

In addition, the Committee held a meeting with the external auditors without the Management so as to freely discuss obtaining information, important matters in the preparation of the financial statements and the disclosure

of information in accordance with financial reporting standards and to be beneficial to users of these financial statements, including Key Audit Matters (KAM), as well as to hear whether there was any suspicious information indicating potential fraud following Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No.4) B.E. 2551. In 2018, the external auditors did not discover any material misstatements or indications of suspicious incidents. Furthermore, to ensure that no such incidents were discovered, the Audit Committee resolved that the President and CEO reports the results to the Audit Committee. In 2018, the President and CEO confirmed that no indication of such suspicious incidents was found. Thus, the preparation of the financial statements and consolidated financial statements was conducted with reliability and transparency, in conformance with standards, and the external auditors performed their duties independently and with verifiability.

**2. Review of Connected Transactions, Acquisition and Disposition Transactions and Transactions which might results in Conflict of Interests** The Audit Committee reviewed the connected transactions and transactions which might result in conflict of interest, as well as information regarding the relevant directors. These transactions and information are disclosed to the Stock Exchange of Thailand in timely manner.

**3. Review of Corporate Governance** The Company continues to conduct its business in accordance with sustainable development and corporate governance principles, with reference to international standards including Organization for Economic Co-operation and Development (OECD), The Securities and Exchange Commission (SEC) Stock Exchange of Thailand (SET), and the Thai Institute of Directors Association (IOD). The Audit Committee reviewed the efficiency and effectiveness of good governance and found that the directors, the Management and employees have strictly complied with the policy by having the Board of Directors and the Management as the role model. Employees were tested on their knowledge and understanding of business ethics through Ethics e-Testing. Moreover, the Company has implemented indirect major shareholders' important regulation in a suitable manner which are the Supplier Code of Conduct and Anti-Corruption Policy.

**4. Review of Risk Management Assessment** The Audit Committee reviewed efficiency and effectiveness of the Company's risk management process by responsibility

of the Risk Management Committee. The Risk Management Committee has the duties to consider the structure, policy, applied the risk management framework of the indirect major shareholders, risk management plan, also review risk profile and monitor the Company's risk management on a quarterly basis in the form of a Risk Dashboard. In 2018, the Company prioritized the deceleration of purchasing power in Thailand, the increasing competitiveness especially from imported tiles from Europe, China and India, and the increasing production cost due to energy prices. It is a significant risk and has a chance of happening in the future. The Risk Management Committee has prepared risk management measures by setting a medium-term plan, an annual plan and taking investment project risks into consideration.

**5. Review of Compliance** The Company formed a policy to ensure compliance is in accordance with regulations, which is the Compliance Policy, Trade Competition Policy, Stock Prices Sensitive Internal Data Management Policy and Disclosure Policy as a basic guideline for employees as the First Line. Performance procedures that is certain to prevent risks from non-conformance of rules was set and developed a Compliance Management System which is in accordance with ISO19600 standard.

**6. Review of Internal Control System** The Audit Committee reviewed the results of internal control assessment, both in operational and information technology system, which were reported by the Internal Audit Office on a monthly and quarterly basis. It is one of the missions prescribed in the Internal Office Charter. It was found to be sufficient, appropriate for the Company's business operations and corresponded with the external auditor's opinion that there was no material deficiency which impacts the Company's financial statements. The Management emphasized on creating awareness to promote moral principles, ethical behavior, code of conduct and anti-corruption to employees continuously, focusing on developing the Proactive and Preventive System comprising of Ethics e-Testing, e-Policy e-Testing, risk management responsibility guidelines and good control practices in accordance with the Three Lines of Defense model. Workshops were organized for various business units, using important matters that had been discovered as case studies on corruption, non-conformance to laws, the Company's regulations, policies, and code of conduct to allow the person in charge at all levels to gain better understanding of the risks, impacts, and key internal controls involved in the operations.

**7. Internal Audit** The Audit Committee conducted a review of the Audit Committee Charter and the Internal Audit Office Charter to ensure their relevancy to the current risks and current situation. In 2018, the Internal Audit Office pushed forward the Three Lines of Defense model. For example, allowing the highest First Line of the

unit to hold important roles and be a role model to other employees, provide communication and suggestion to subordinates to evaluate risks, control identification and monitor the performance, etc. of the system, business or information technology system already in use and newly implemented by writing/improving the Internal Audit documents to support such work operations, including workshops for the Company's IT representatives to spread knowledge about international standards, risks, internal control and IT audit results, as well as providing knowledge on secure coding and holding penetration tests.

**8. Review of Fraud Investigations** The Company had implemented the Whistleblowing System where external and internal complainants can report through phone calls, letters, or emails to directors, Internal Audit Director, and the Board Secretary Director. In 2018, there were no complaints. Furthermore, the Audit Committee has reviewed the fraud preventive measures and guidelines in various systems, fraud audits according to standards, risk evaluation and investigation regulations to be updated and appropriate with continuous business operations.

**9. Appointment of the External Auditor and Review of the Audit Fee for 2019** KPMG Phoomchai Holdings Co., Ltd was selected and appointed as the external auditor, working independently with knowledge and skills, experience in auditing and knowledge related to business other than auditing. The Audit Committee thus proposed to the Board of Directors to consider and a resolution was passed for approval at the Shareholder's Meeting for the appointment of Mr. Wairoj Jindamaneepitak, Certified Public Accountant Registration No. 3565; or Mr. Charoen Phosamritlert, Certified Public Accountant Registration No. 4068; or Ms. Thanyalux Keadkaew, Certified Public Accountant Registration No. 8179 of KPMG Phoomchai Holdings Co., Ltd as the external auditors for the Company for 2019.

On behalf of the Audit Committee



**Dr. Prawit Ninsuvannakul**

Chairman of the Audit Committee

## Performance Analysis and Financial Status

### Business Overview

In 2018, despite the improvement in Thailand's overall economic situation resulting from export and global economic growth, household consumption expenditure and agricultural income barely grew compared to previous year and household debt remained high, as a result, the domestic demand of ceramic products had decreased by 2% year on year, and the competition on domestic market among key manufacturers and importers was intense.

After the amalgamation in the middle of 2018, SCG Ceramics constantly endeavored to proceed with business according to the framework by focusing mainly on improving 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 groups. In addition, SCG Ceramics also opened up new marketing channels to maintain the present level of market share and to bring all the costs and consumption under control.

In 2018, the Company had the expenditure for research and development of technology and innovation total 67 Million Baht, divided 0.6% from sales revenue.

### Performance and Profitability

In 2018, SCG Ceramics' revenue from sale of ceramic tiles amounted 11,513 Million Baht which was 1,241 Million Baht or 10% decreased from 2017 due to the declining of domestic market growth and extreme market competition. Cost of sales decreased by 620 Million Baht or 7% of sales volume compared to the previous year, while the price of raw materials and natural gas was increasing. The Company obtained revenue from land sale 44 Million Baht, a decrease of 179 Million Baht or 81% from previous year. Gross profit from land sale was 26 Million Baht. Distribution cost decreased by 295 Million Baht due to the reduction of shipping cost, promotional and advertising expenses. Administrative expenses increased by 211 Million Baht from the mutual separation program and consulting fee on the company's management system development and performance improvement, as a result the Company's net profit was 10 Million Baht. While in 2018 net profit decreased of 566 Million from 2017, or 98%, net profit amounted to 576 Million Baht. Net profit per share in 2018 amounted 0.002 Baht, compared to the year 2017, which net profit per share was 0.1 Baht, decreased of 0.09 Baht,

or 98%. From the above details, the Company's profitability declined with rate of net profit per net sales was 0.1%, reduced from 2017 which net profit rate per net sales was 4.4%. Return for the shareholders was 0.1%, decreased from year 2017 which the return was 6.7%.

### Financial Overview

#### Assets

Total assets of the company as at December 31, 2018 was 11,725 Million Baht, 8% decreased from the previous year. Key components of total assets comprise of property, plant and equipment at 48%, current assets at 45%.

Current Assets: amounted to 5,261 Million Baht as at the end of 2018, with a decrease of 15% from the previous year, mainly from inventories, accounts receivable, cash and cash equivalents, and loans. Cash and cash equivalents were reduced from organization restructure before the amalgamation of the companies.

Property, Plant and Equipment: amounted to 5,570 Million Baht as at the end of 2018, 178 Million Baht decreased from previous year, mainly from annual depreciation, and the increasing in investment on energy cost reduction which is the primary cost in production process. Key activities for cost reduction are to replace the existing energy with the circular energy and alternative energy, improve machinery for more productivity, and expand the retail store branches.

In 2018, the operating efficiency ratios declined from the previous year with 0.1% decreasing return on assets compared to 4.5% of the year 2017. Asset turnover is 1.0 times, closely to the previous year.

#### Liabilities

Total liabilities as at December 31, 2018 amounted to 2,816 Million Baht, decreasing by 2% from the previous year. Most liabilities consist of trade account payables and other current payables by 53%, short-term loans from financial institutions by 31%, and non-current liability provision for employee benefits by 14% of total liabilities. By the year 2018, the company's finance costs were 25 Million Baht, 11 Million Baht decreased from year 2017.

Net debt (liabilities with interest less cash and cash under management) of the Company as at the end of 2018 amounted to 441 Million Baht, increase 625 Million Baht from the previous year, resulting from the business restructure. The Company's analytic ratio for financial policy is similar to last year that is debt ratio is 0.3 times.

**Shareholders' equity**

Shareholders' equity as at December 31, 2018 amounted to 8,909 Million Baht, decreasing 992 Million Baht mainly from the amalgamation restructure, 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 424 Million Baht in Cash and cash equivalents, decreasing 487 Million Baht from 2017. Cash flows in 2018 are as follows: net cash obtained from operating activities 937 Million Baht, investing activities 878 Million Baht, purchase and sold investments from Cementhai Ceramics Company Ltd. 518 Million Baht, and net cash used for funding activities 546 Million Baht from the annual dividend payout. In 2018, liquidity ratio was 2.2 times, decreasing from 2017 which was 2.5 times. Quick liquidity ratio in 2018 was 0.7 times, decreasing from 2017 which was 1.0 times. The Company's liquidities were declined resulting from the reduction of net cash from operating activities. The Company has the ability to settle debt effectively. 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 including letter of credit which has been available without debt condition. Trade receivables turnover was 8.6 times, decreasing from 2017 which was 8.9 times, while the average debt collection period increased at 43 days compared to 41 days in previous year. Moreover, for trade account receivables management in 2018, the Company was attentive about credit release and payment tracking by keeping on monitoring regularly.

Inventory turnover ratio was 2.9 times while average product sales Period was 127 days, increasing from previous year. At the end of 2018, payable turnover ratio was 11.6 times and repayment period was 31 days, which was decreased from the previous year.

# Consolidated Financial Statement and Financial Statement of SCG Ceramics

## Independent Auditor's Report

### To the Shareholders of SCG Ceramics Public Company Limited

#### *Opinion*

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 2018, the consolidated income statement for the year ended 31 December 2018 and the separate income statement for the period 1 August 2018 (the date of amalgamation) to 31 December 2018, the consolidated comprehensive income for the year ended 31 December 2018 and the separate comprehensive income for the period 1 August 2018 (the date of amalgamation) to 31 December 2018; the consolidated statements of changes in shareholders' equity and cash flows for the year ended 31 December 2018 and the separate statements of changes in shareholders' equity and cash flows for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 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 2018, their consolidated financial performance and cash flows for the year then ended and the separated financial performance and cash flows for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 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 matter.

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 mainly domestic which 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 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.

### *Emphasis of matter*

I draw attention to Note 1 to the consolidated and separate financial statements, the Company was established in accordance with the amalgamation resolution of five subsidiaries under The Siam Cement Public Company Limited. The amalgamation is considered as amalgamation under common control, accordingly, the consolidated financial statements are presented as if the amalgamation had been taken place since 1 January 2017. My opinion is not modified in respect of this matter.

### *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 financial statements and my auditor's report thereon.

My opinion on the 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 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'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.

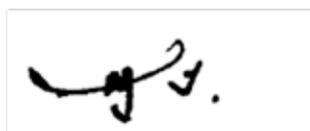
If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained 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  
12 February 2019

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Statement of financial position**  
**As at 31 December 2018**

<b>Assets</b>	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate</b>
		2018	2017	<b>financial statements</b>
			<i>(in Baht)</i>	2018
<b>Current assets</b>				
Cash and cash equivalents	5	424,433,394	911,722,111	119,856,847
Trade and other current receivables	4, 6	1,352,137,559	1,574,733,533	1,348,724,540
Short-term loans	4	-	119,136,338	-
Inventories	7	2,898,357,304	2,961,127,333	2,544,045,939
Land developed held for sales	8	581,581,908	597,036,717	581,581,908
Other current assets		4,596,185	2,056,334	4,596,185
<b>Total current assets</b>		<b>5,261,106,350</b>	<b>6,165,812,366</b>	<b>4,598,805,419</b>
<b>Non-current assets</b>				
Other long-term investment	9	16,605,300	16,873,849	16,605,300
Investments in subsidiary	10	-	-	758,918,880
Other non-current receivables		162,506,934	150,764,797	162,506,934
Investment properties	11	402,830,154	407,700,996	400,579,759
Property, plant and equipment	12	5,570,221,540	5,748,521,725	5,113,986,660
Assets not used in operations	13	13,890,916	12,174,483	13,890,916
Goodwill		25,350,470	25,350,470	-
Intangible assets	14	114,626,238	62,510,806	113,561,721
Deferred tax assets	15	138,964,175	167,808,745	119,680,915
Other non-current assets		19,338,710	23,908,520	19,338,710
<b>Total non-current assets</b>		<b>6,464,334,437</b>	<b>6,615,614,391</b>	<b>6,719,069,795</b>
<b>Total assets</b>		<b>11,725,440,787</b>	<b>12,781,426,757</b>	<b>11,317,875,214</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 2018**

<b>Liabilities and shareholders' equity</b>	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate</b>
		2018	2017 <i>(in Baht)</i>	2018
<b><i>Current liabilities</i></b>				
Bank overdrafts		-	2,908,145	-
Short-term borrowings from financial institutions	16	865,000,000	-	865,000,000
Trade and other current payables	4, 17	1,505,897,853	1,535,880,827	1,543,739,860
Short-term borrowings	4	-	844,393,903	-
Income tax payable		3,445,067	30,644,564	-
Current provisions for employee benefits		23,010,182	14,170,465	22,508,462
<b>Total current liabilities</b>		<b>2,397,353,102</b>	<b>2,427,997,904</b>	<b>2,431,248,322</b>
<b><i>Non-current liabilities</i></b>				
Non-current provisions for employee benefits	18	399,956,528	433,754,192	343,519,093
Other non-current provisions		16,429,926	17,698,431	6,276,227
Other non-current liabilities		2,385,831	1,053,637	2,385,831
<b>Total non-current liabilities</b>		<b>418,772,285</b>	<b>452,506,260</b>	<b>352,181,151</b>
<b>Total liabilities</b>		<b>2,816,125,387</b>	<b>2,880,504,164</b>	<b>2,783,429,473</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 2018**

<b>Liabilities and shareholders' equity</b>	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate</b>
		2018	2017	<b>financial statements</b>
			( <i>in Baht</i> )	2018
<b>Shareholders' equity</b>				
Share capital				
<i>Authorised share capital</i>				
- Ordinary shares	19	5,962,621,233	5,962,621,233	5,962,621,233
<i>Issued and paid up share capital</i>				
- Ordinary shares	19	5,962,621,233	5,962,621,233	5,962,621,233
Ordinary shares held before amalgamation	1	-	(51,744,000)	-
Premium on ordinary shares	20	1,133,593,746	1,133,593,746	1,133,593,746
Premium on amalgamation under common control	1,20	211,060,278	-	274,225,379
Retained earnings				
<i>Appropriated</i>				
Legal reserve	20	206,907,164	200,150,248	206,907,164
<i>Unappropriated</i>				
Other components of shareholders' equity	20	-	90,265	-
<b>Total equity attributable to owners of the parent</b>		<b>8,397,470,535</b>	<b>8,603,075,290</b>	<b>8,534,445,741</b>
Shareholders' equity before amalgamation		-	759,639,301	-
Non-controlling interests	21	511,844,865	538,208,002	-
<b>Total shareholders' equity</b>		<b>8,909,315,400</b>	<b>9,900,922,593</b>	<b>8,534,445,741</b>
<b>Total liabilities and shareholders' equity</b>		<b>11,725,440,787</b>	<b>12,781,426,757</b>	<b>11,317,875,214</b>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of income

	Note	Consolidated financial statements		Separate financial statements
		For the year ended		For the period
		2018	2017	1 August 2018 (the date of amalgamation) to 31 December 2018
				<i>(in Baht)</i>
Revenue from sales of goods	4	11,513,150,085	12,754,136,434	4,486,254,537
Revenue from sales of land		43,361,475	223,003,898	19,500,000
Cost of sales of goods	4, 7	(8,375,644,530)	(8,995,367,213)	(3,326,572,151)
Cost of sales of land		(17,281,933)	(97,215,423)	(4,841,629)
<b>Gross profit</b>		<b>3,163,585,097</b>	<b>3,884,557,696</b>	<b>1,174,340,757</b>
Other income	4	233,272,648	213,565,079	90,786,509
<b>Profit before expenses</b>		<b>3,396,857,745</b>	<b>4,098,122,775</b>	<b>1,265,127,266</b>
Distribution costs	23	(1,799,635,839)	(2,094,413,981)	(640,736,699)
Administrative expenses	24	(1,463,777,513)	(1,253,136,400)	(468,260,131)
<b>Total expenses</b>		<b>(3,263,413,352)</b>	<b>(3,347,550,381)</b>	<b>(1,108,996,830)</b>
<b>Profit from operations</b>		<b>133,444,393</b>	<b>750,572,394</b>	<b>156,130,436</b>
Finance costs		(25,200,003)	(36,648,620)	(7,214,368)
<b>Profit before income tax</b>		<b>108,244,390</b>	<b>713,923,774</b>	<b>148,916,068</b>
Tax expense	26	(82,750,490)	(107,947,770)	(21,289,212)
<b>Profit for the year/ period</b>		<b>25,493,900</b>	<b>605,976,004</b>	<b>127,626,856</b>
Profit (loss) attributable to				
<b>Owners of the parent</b>		<b>(3,583,331)</b>	<b>541,166,965</b>	<b>127,626,856</b>
Company in the Group before business restructuring		13,540,480	34,925,591	-
Non-controlling interests		15,536,751	29,883,448	-
		<b>25,493,900</b>	<b>605,976,004</b>	<b>127,626,856</b>
<b>Basic earnings per share (in Baht)</b>				
Attributable to owners of the parent	28	<b>0.00</b>	<b>0.09</b>	<b>0.02</b>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of comprehensive income

		Consolidated financial statements		Separate financial statements
		For the year ended 31 December		For the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	Note	2018	2017	
		(in Baht)		
<b>Profit for the year/ period</b>		<b>25,493,900</b>	<b>605,976,004</b>	<b>127,626,856</b>
<b>Other comprehensive income</b>				
<i>Components of other comprehensive income that will be reclassified to profit or loss</i>				
Reversal of remeasuring investments held as available for sale		(90,265)	(1,795)	-
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>		<b>(90,265)</b>	<b>(1,795)</b>	<b>-</b>
<i>Components of other comprehensive income that will not be reclassified to profit or loss</i>				
Defined benefit plan actuarial gain (losses)	18	8,405,763	(9,220,429)	8,579,411
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	26	(1,681,152)	1,607,212	(1,715,882)
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>		<b>6,724,611</b>	<b>(7,613,217)</b>	<b>6,863,529</b>
<b>Other comprehensive income for the year / period, net of tax</b>		<b>6,634,346</b>	<b>(7,615,012)</b>	<b>6,863,529</b>
<b>Total comprehensive income for the year / period</b>		<b>32,128,246</b>	<b>598,360,992</b>	<b>134,490,385</b>
Total comprehensive income attributable to				
<b>Owners of the parent</b>		<b>2,047,590</b>	<b>534,927,331</b>	<b>134,490,385</b>
Company in the Group before business restructuring		13,540,480	34,184,400	-
Non-controlling interests		16,540,176	29,249,261	-
		<b>32,128,246</b>	<b>598,360,992</b>	<b>134,490,385</b>

The accompanying notes are an integral part of these financial statements.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Statement of changes in equity**

	Note	Issued and paid-up share capital	Ordinary shares held before amalgamation	Premium on ordinary shares	Retained earnings	
					Appropriated	Unappropriated
<b>Balance at 1 January 2017</b>	1	5,962,621,233	(51,744,000)	1,133,593,746	189,779,798	1,071,206,572
<b>Transactions with owners, recorded directly in shareholders' equity</b>						
<i>Contributions by and distributions to owners of the parent</i>						
Dividends		-	-	-	-	(237,401,450)
<i>Total contributions by and distributions to owners of the parent</i>		-	-	-	-	(237,401,450)
<b>Total transactions with owners, recorded directly in shareholders' equity</b>		-	-	-	-	(237,401,450)
<b>Comprehensive income for the period</b>						
Profit or loss		-	-	-	-	541,166,965
Other comprehensive income		-	-	-	-	(6,237,839)
<b>Total comprehensive income for the period</b>		-	-	-	-	534,929,126
Transfer to legal reserve	20	-	-	-	10,370,450	(10,370,450)
<b>Balance at 31 December 2017</b>		<b>5,962,621,233</b>	<b>(51,744,000)</b>	<b>1,133,593,746</b>	<b>200,150,248</b>	<b>1,358,363,798</b>

The accompanying notes are an integral part of these financial statements.

**Consolidated financial statements**

*Other components of shareholders' equity*

*Other*

*comprehensive income*

Investments held as available for sale  <i>(in Baht)</i>	Total other components of shareholders' equity	Total equity attributable to owners of the parent	Shareholders' equity before amalgamation	Non- controlling interests	Total shareholders' equity
92,060	92,060	8,305,549,409	747,009,901	527,403,741	9,579,963,051
-	-	(237,401,450)	(21,555,000)	(18,445,000)	(277,401,450)
-	-	(237,401,450)	(21,555,000)	(18,445,000)	(277,401,450)
-	-	(237,401,450)	(21,555,000)	(18,445,000)	(277,401,450)
-	-	541,166,965	34,925,591	29,883,448	605,976,004
(1,795)	(1,795)	(6,239,634)	(741,191)	(634,187)	(7,615,012)
(1,795)	(1,795)	534,927,331	34,184,400	29,249,261	598,360,992
-	-	-	-	-	-
90,265	90,265	8,603,075,290	759,639,301	538,208,002	9,900,922,593

**SCG Ceramics Public Company Limited and its Subsidiary**

**Statement of changes in equity**

	Note	Issued and paid-up share capital (in Baht)	Ordinary shares held before amalgamation	Premium on ordinary shares	Premium on amalgamation under common control	Retained earnings	
						Legal reserve	Appropriated
<b>Balance at 1 January 2018</b>		<b>5,962,621,233</b>	<b>(51,744,000)</b>	<b>1,133,593,746</b>	<b>-</b>	<b>200,150,248</b>	<b>1,358,363,798</b>
<b>Transactions with owners, recorded directly</b>							
<b>in shareholders' equity</b>							
<i>Contributions by and distributions to owners of the parent</i>							
Dividends	29	-	-	-	-	-	(477,663,530)
<i>Total contributions by and distributions to owners of the parent</i>		-	-	-	-	-	(477,663,530)
<i>Changes in ownership interest in subsidiaries</i>							
Amalgamation	1	-	51,744,000	-	211,060,278	-	7,206,907
<i>Total changes in ownership interests in subsidiaries</i>		-	51,744,000	-	211,060,278	-	7,206,907
<b>Total transactions with owners, recorded directly</b>							
<b>in shareholders' equity</b>		-	51,744,000	-	211,060,278	-	(470,456,623)
<b>Comprehensive income for the period</b>							
Profit or loss		-	-	-	-	-	(3,583,331)
Other comprehensive income		-	-	-	-	-	5,721,186
<b>Total comprehensive income for the period</b>		-	-	-	-	-	2,137,855
Transfer to legal reserve	20	-	-	-	-	6,756,916	(6,756,916)
<b>Balance at 31 December 2018</b>		<b>5,962,621,233</b>	<b>-</b>	<b>1,133,593,746</b>	<b>211,060,278</b>	<b>206,907,164</b>	<b>883,288,114</b>

The accompanying notes are an integral part of these financial statements.

**Consolidated financial statements**

<i>Other components of shareholders' equity</i>					
<i>Other</i>					
<i>comprehensive income</i>					
Investments held as available for sale	Total other components of shareholders' equity	Total equity attributable to owners of the parent	Shareholders' equity before amalgamation	Non-controlling interests	Total shareholders' equity
90,265	90,265	8,603,075,290	759,639,301	538,208,002	9,900,922,593
-	-	(477,663,530)	(32,332,500)	(27,667,500)	(537,663,530)
-	-	(477,663,530)	(32,332,500)	(27,667,500)	(537,663,530)
-	-	270,011,185	(740,847,281)	(15,235,813)	(486,071,909)
-	-	270,011,185	(740,847,281)	(15,235,813)	(486,071,909)
-	-	(207,652,345)	(773,179,781)	(42,903,313)	(1,023,735,439)
-	-	(3,583,331)	13,540,480	15,536,751	25,493,900
(90,265)	(90,265)	5,630,921	-	1,003,425	6,634,346
(90,265)	(90,265)	2,047,590	13,540,480	16,540,176	32,128,246
-	-	-	-	-	-
-	-	8,397,470,535	-	511,844,865	8,909,315,400

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of changes in equity

#### Separate financial statements

	<i>Note</i>	Issued and paid share capital <i>(in Baht)</i>	Premium on ordinary shares	Premium on amalgamation under common control
<b>Balance at 1 January 2018</b>		-	-	-
<b>Transactions with owners, recorded directly in shareholders' equity</b>				
<i>Changes in ownership interests in subsidiaries</i>				
Amalgamation	<i>1</i>	5,962,621,233	1,133,593,746	274,225,379
<b>Total changes in ownership interests in subsidiaries</b>				
<b>Total transactions with owners, recorded directly</b>		<b>5,962,621,233</b>	<b>1,133,593,746</b>	<b>274,225,379</b>
<b>Comprehensive income for the period</b>				
Profit or loss		-	-	-
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		-	-	-
Transfer to legal reserve	<i>20</i>	-	-	-
<b>Balance at 31 December 2018</b>		<b>5,962,621,233</b>	<b>1,133,593,746</b>	<b>274,225,379</b>

The accompanying notes are an integral part of these financial statements.

<i>Retained earnings</i>		<i>Other components of shareholders' equity</i>		
Appropriated	Unappropriated	<i>Other comprehensive income</i>		
		Investments held as available for sale	Total other components of shareholders' equity	Total shareholders' equity
-	-	-	-	-
200,525,821	828,989,177	-	-	8,399,955,356
<b>200,525,821</b>	<b>828,989,177</b>	-	-	<b>8,399,955,356</b>
-	127,626,856	-	-	127,626,856
-	6,863,529	-	-	6,863,529
-	<b>134,490,385</b>	-	-	<b>134,490,385</b>
6,381,343	(6,381,343)	-	-	-
<b>206,907,164</b>	<b>957,098,219</b>	-	-	<b>8,534,445,741</b>

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of cash flows

	<b>Consolidated</b>		<b>Separate</b>
	<b>financial statements</b>		<b>financial statements</b>
	For the year ended		For the period
	31 December		1 August 2018
	2018	2017	(the date of amalgamation to 31 December 2018)
	<i>(in Baht)</i>		
<b><i>Cash flows from operating activities</i></b>			
Profit for the year / period	25,493,900	605,976,004	127,626,856
<b><i>Adjustments for</i></b>			
Tax expense	82,750,490	107,947,770	21,289,212
Depreciation and amortization	596,061,846	665,100,262	215,702,558
Doubtful and bad debts expenses	20,891	395,077	-
Loss on allowance for decline in value and slow-moving of inventories	15,962,609	24,462,076	3,246,504
Employee mutual separation plan expense	8,059,239	-	-
Provisions for employee benefit	64,086,463	40,938,952	30,733,908
Loss on impairment and written-off of assets not used in operations	20,494,910	26,020,000	15,838,166
Loss on sales of investment	28,366	-	-
Loss on sales, impairment and written-off of property, plant and equipment	7,632,238	11,130,976	(925,577)
Unrealised loss (gain) on exchange	(1,932,997)	(1,433,358)	3,520,016
Finance costs	25,200,003	36,648,620	7,214,368
Interest income	(4,351,849)	(5,278,731)	(228,265)
<b>Cash flows generated from operations</b>			
<b>before changes in operating assets and liabilities</b>	<b>839,506,109</b>	<b>1,511,907,648</b>	<b>424,017,746</b>
<b><i>Decrease (increase) in operating assets</i></b>			
Trade and other current receivables	221,092,065	106,343,844	352,431,444
Inventories	46,807,420	143,021,024	15,057,058
Land developed held for sales	15,454,809	61,980,906	4,274,629
Refundable value-added tax			
Other current assets	2,953,346	14,731,624	2,204,610
Other non-current assets	(7,209,030)	8,084,894	(24,206,214)
<b>Net decrease in operating assets</b>	<b>279,098,610</b>	<b>334,162,292</b>	<b>349,761,527</b>
<b><i>Increase (decrease) in operating liabilities</i></b>			
Trade and other current payables	(5,487,833)	(234,059,677)	(62,329,572)
Employee mutual separation plan expense	-	-	(245,451,057)
Provisions for employee benefit	(88,697,886)	(37,917,721)	(29,456,468)
Other non-current liabilities	63,689	(1,970,618)	2,099,354
<b>Net decrease in operating liabilities</b>	<b>(94,122,030)</b>	<b>(273,948,016)</b>	<b>(335,137,743)</b>

The accompanying notes are an integral part of these financial statements.

## SCG Ceramics Public Company Limited and its Subsidiary

### Statement of cash flows

	<b>Consolidated</b>		<b>Separate</b>
	<b>financial statements</b>		<b>financial statements</b>
	For the year ended		For the period
	31 December		1 August 2018
	2018	2017	(the date of amalgamation to 31 December 2018
	<i>(in Baht)</i>		
<b>Net cash flows generated from operations</b>	<b>1,024,482,689</b>	<b>1,572,121,924</b>	<b>438,641,530</b>
Income tax paid	(87,861,784)	(71,715,891)	(45,121,956)
<b>Net cash flows provided by operating activities</b>	<b>936,620,905</b>	<b>1,500,406,033</b>	<b>393,519,574</b>
<b><i>Cash flows from investing activities</i></b>			
Acquisition of property, plant and equipment and investment properties	(485,032,192)	(727,786,720)	(117,983,227)
Proceeds from sales of property, plant and equipment	5,412,908	5,131,119	2,172,330
Proceeds from sales of investment properties			
Acquisition of intangible assets	(35,279,526)	(1,076,876)	(9,389,793)
Acquisition of investments	(758,918,880)	(8,000)	-
Proceeds from sales of investments	240,491,069	-	-
Proceeds from short-term loans	119,136,338	-	-
Payments of short-term loans	-	(20,822,271)	-
Dividends received from shareholders before amalgamation	32,332,500	-	-
Interest received	4,355,167	5,278,789	228,265
<b>Net cash flows used in investing activities</b>	<b>(877,502,616)</b>	<b>(739,283,959)</b>	<b>(124,972,425)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from (payment of) bank overdrafts and short-term borrowings from financial institutions	862,091,855	(11,651,630)	(757,000,338)
Payment of short-term borrowings	(844,393,903)	(97,253,951)	-
<b>Net increase (decrease) in borrowings</b>	<b>17,697,952</b>	<b>(108,905,581)</b>	<b>(757,000,338)</b>
<b>Dividends paid</b>			
Dividends paid to owners of the parent	(477,663,530)	(237,401,450)	-
Dividend paid to shareholders before amalgamation	(32,332,500)	(21,556,000)	-
Dividends paid to non-controlling interests	(27,667,500)	(18,444,000)	-
<b>Total dividends paid</b>	<b>(537,663,530)</b>	<b>(277,401,450)</b>	<b>-</b>
Interest paid	(26,441,428)	(36,648,620)	(7,000,752)
<b>Net cash flows used in financing activities</b>	<b>(546,407,006)</b>	<b>(422,955,651)</b>	<b>(764,001,090)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(487,288,717)</b>	<b>338,166,423</b>	<b>(495,453,941)</b>
Cash and cash equivalents at beginning of the period	911,722,111	573,555,688	615,310,788
<b>Cash and cash equivalents at end of the period</b>	<b>424,433,394</b>	<b>911,722,111</b>	<b>119,856,847</b>
<b><i>Supplementary information for cash flows</i></b>			
<b>Non-cash transactions</b>			
Payables from purchase of property, plant and equipment	33,807,153	54,426,237	28,156,968

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 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

<b>Note</b>	<b>Contents</b>
1	Amalgamation and general information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related parties
5	Cash and cash equivalents
6	Trade and other current receivables
7	Inventories
8	Land developed held for sales
9	Other long-term investment
10	Investments in subsidiary
11	Investment properties
12	Property, plant and equipment
13	Assets not used in operations
14	Other Intangible assets
15	Deferred tax assets and deferred tax liabilities
16	Changes in liabilities arising from financing activities
17	Trade and other current payables
18	Non-current provisions for employee benefits
19	Share capital
20	Reserve and premiums
21	Non-controlling interest
22	Business segment information
23	Distribution costs
24	Administrative expenses
25	Employee benefit expenses
26	Income tax expense
27	Promotional privileges
28	Basic earnings (loss) per share
29	Dividends
30	Financial instruments
31	Commitments and contingent liabilities
32	Capital management
33	Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

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 12 February 2019.

### 1 Amalgamation and general information

SCG Ceramics Public Company Limited, the "Company", is incorporated in Thailand and has its registered offices 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, Suvannasom road, Tambon Kokyae, Amphur Nongkhae, Saraburi 18230 Thailand - 40 Moo 2, Rim Klang Rapeepat road, Tambon Nhnog Piing, Amphur Nongkhae, Saraburi 18140 Thailand - 33/2 Moo 2, Rim Klang Rapeepat road, Tambon Nhnog Piing, Amphur Nongkhae, Saraburi 18140 Thailand

The principal activity is engaged in manufacturing and sales of ceramic floor tiles and wall tiles and industrial estate development.

The immediate and ultimate parent companies during the financial year were Cementhai Ceramic Co., Ltd. and The Siam Cement Public Company Limited, respectively. Both were incorporated in Thailand.

Details of the Company's subsidiary as at 31 December were as follows:

Name of the entity	Type of business	Country of incorporation /nationality	Ownership interest (%)	
			2018	2017
Sosuco Ceramic Co., Ltd.	manufacturing and sales of ceramic tiles	Thailand	53.89	53.89*

\*Regarding of amalgamation under common control, the consolidated financial statements are prepared on a basis in accordance with the pooling of interest method. The amalgamation is considered as amalgamation under common control, the Company has presented the consolidated financial statement as if the amalgamation had been taken place since 1 January 2017.

SCG Ceramics Public Company Limited "the Company" has established from amalgamation of 5 subsidiaries under The Siam Cement Public Company Limited which manufacture and sales of ceramic tiles in order to restructure for synergy and efficiency. The amalgamation is expected to serve an expansion of ceramic industry both domestic and export. The Company was registered in Thailand and was listed on the Stock Exchange of Thailand on 1 August 2018 ( amalgamation date).

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

The amalgamated companies are as follows;

Name of the entity	Type of business	Country of incorporation /nationality	Ownership interest	
			31 July 2018	31 December 2017
			(% )	
Thai Ceramic Co., Ltd.	Manufacturing and sales of ceramic tiles	Thailand	100	100
Gemago Co., Ltd.	Retails and Whole-sales of ceramic floor tiles and wall tiles and tiles' related products	Thailand	100	100
The Siam Ceramic Group Industries Co., Ltd.	Manufacturing and sales of ceramic tiles	Thailand	100	100
Sosuco and Group (2008) Co., Ltd.	Trading of ceramic floor tiles and wall tiles both domestic and export	Thailand	100*	90*
Thai-German Ceramic Industry Public Company Limited	Manufacturing and sales of ceramic floor tiles and wall tiles and industrial estate development.	Thailand	74.71	74.71

\*In quarter 1 of 2018, the immediate company had purchased another 10% of non-controlling interests which made ownership interest of the immediate company be 100%.

The amalgamation was considered to be an amalgamation under common control of subsidiaries under The Siam Cement Public Company Limited. The consolidated financial statements are prepared on a basis in accordance with the pooling of interest method and the amalgamation is considered as amalgamation under common control. Under the accounting standards, the consolidated financial statements was presented as if the amalgamation had been taken place since 1 January 2017, even though, the relationship between the Company and its subsidiary is legally official afterwards, for the benefits of comparison. The Group has recognized assets and liabilities of the amalgamated companies at the book values presented in ultimate parent's consolidation financial statement of each company before the amalgamation including goodwill.

Significant transactions related to the restructure and amalgamation are as follows;

*Restructure*

- On 11 May 2018, Thai Ceramic Co., Ltd. acquired 53.9% of ordinary shares of Sosuco Ceramic Co., Ltd. from Cementhai Ceramic Co., Ltd. amounting to Baht 759 million resulting in discount on amalgamation under common control in the consolidated financial statements amounting to Baht 140 million.
- On 27 June 2018, Cementhai Ceramic Co., Ltd. acquired 9.8% of ordinary shares of The Siam Ceramic Group Industries Co., Ltd. which was ordinary shares held before the amalgamation amounting to Baht 52 million (presented as deducted transaction in the equity of consolidated financial statement for the year ended 31 December 2017) from Thai Ceramic Co., Ltd. amounting to Baht 241 million resulting in premium on amalgamation under common control in the consolidated financial statements and separate financial statements amounting to Baht 189 million.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### Amalgamation

- On 1 August 2018, the Company was established from amalgamation. Under the accounting standards, the Company is required to present the consolidated financial statements in order to reflect the economic substance of the companies under common control throughout the period as if the amalgamation had been taken place since 1 January 2017, resulting in shareholders' equity before amalgamation as at 1 January 2017 increased by Baht 747 million which comprises of retrospective adjustment before amalgamation as follows;

1. Shareholders' equity of Sosuco Ceramic Co., Ltd. as at 1 January 2017 in the proportion of 53.9% amounting to Baht 584 million which comprises of

- 1.1 Share capital of Baht 431 million
- 1.2 Legal reserve of Baht 43 million
- 1.3 Retained earnings of Baht 110 million

2. Difference between book value of the ultimate parent's consolidation financial statements of each company before the amalgamation and book value of their financial statements as at 1 January 2017 resulting in shareholders' equity before amalgamation increased by Baht 163 million and retained earnings in the consolidated financial statements and separated financial statements decreased by Baht 123 million and 67 million, respectively, details as below;

	Thai-German Ceramic Industry PCL. <i>(effect on separated financial statement)</i>	Sosuco Ceramic Co., Ltd. (Subsidiary)	<b>Total</b> <i>(effect on consolidated financial statements)</i>
	<i>(in thousand Baht)</i>		
Book value of shareholders' equity of each company presented in ultimate parent's consolidation financial statement before the amalgamation	956,586	175,961	1,132,547
Book value of shareholders' equity of each company	1,023,400	231,792	1,255,192
<b>Difference from adjustments resulting in</b>			
- Premium on amalgamation under common control /Premium on shareholders' equity before amalgamation increased	(85,450)	(77,172)	(162,622)
- Assets used in operation increased	18,636	21,341	39,977
<b>Retained earnings decreased</b>	<b>(66,814)</b>	<b>(55,831)</b>	<b>(122,645)</b>

The amalgamation resulted in premium on amalgamation under common control in the separated financial statements increased by Baht 85 million and premium on shareholders' equity before amalgamation in the consolidated financial statements increased by Baht 163 million. Moreover, assets used in operation in separated financial statements and consolidated financial statements increased amounted to Baht 19 million and 40 million, respectively and retained earnings in separated financial statements and consolidated financial statements decreased amounted to Baht 67 million and 123 million, respectively.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Therefore, the restructure and the amalgamation resulted in premium on amalgamation under common control in consolidation financial statements and separated financial statements increased by Baht 211 million and 274 million, respectively.

**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 (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group and the Company.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2019 and 2020 and have not been adopted in the preparation of these consolidated and separate financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 33.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for defined benefit obligations in the statements of financial position. Defined benefit obligations are measured at the present value of non-current provisions for defined benefit plans.

**(c) Functional and presentation currency**

The financial statements are presented in Thai Baht, which is the Group’s/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.

**(d) 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 accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

Note 15	Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used
Note 18	Measurement of non-current provisions for defined benefit plans - key actuarial assumptions

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### *Measurement of fair values*

A number of the Group and the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group and the Company have an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which these valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group and the Company 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 (unadjusted) in active markets for identical assets or liabilities that the entity 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 11                      Investment properties

### **3 Significant accounting policies**

The accounting policies set out below have been consistently applied 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").

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, 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) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group and the Company entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions.

*Derivative financial instruments*

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade and other receivables and payables, long-term receivables, loans, investments, borrowings and debentures.

The Group and the Company operates internationally and is exposed to risks from changes in interest and foreign exchange rates. The Group and the Company uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in profit or loss in the same period as the interest and exchange differences on the items covered by the hedge.

## SCG Ceramics Public Company Limited and its Subsidiary

### Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

#### (c) *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 that 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.

#### (d) *Trade and other receivables*

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is primarily assessed on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

Bad debts recovered are recognized in other income in profit or loss.

#### (e) *Inventories*

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the following formula:

Finished goods	-	at standard cost which approximates actual production cost
Merchandise	-	at average cost
Goods in process	-	at standard cost
Raw materials, spare parts, stores, supplies and others	-	at average cost

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and goods in process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

#### (f) *Land developed held for sales*

Land developed held for sales is stated at cost which consists of cost of land, cost of development and direct related project cost less accumulated impairment losses.

#### (g) *Investments*

##### *Investments in equity securities*

Equity securities which are not marketable are stated at cost less any accumulated impairment losses.

##### *Investment in subsidiary*

Investment in subsidiary in the separate financial statements of the Company is accounted for using the cost method.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**(h) Investment properties**

Investment properties are properties which 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 and direct labour, and other costs directly attributable to bringing the investment properties to a working condition for its intended use and capitalized borrowing costs of a qualifying asset.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each properties. The estimated useful lives are as follows:

Buildings and structures	10 - 30 years
--------------------------	---------------

*Reclassification to property, plant and equipment*

When the use of an investment properties change that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

**(i) Property, plant and equipment**

*Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and 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. Purchased 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

*Leased assets*

Leases in terms of which the Group and the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### *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 if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company, 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 an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvements	5 - 20	years
Buildings and building improvements	3 - 40	years
Machinery and equipment	2 - 20	years
Furniture and fixtures	2 - 40	years
Vehicles	4 - 10	years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(j) *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.

### **(k) *Intangible assets***

Intangible assets that are acquired by the Group and the Company, 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 recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

The estimated useful lives are as follows:

Software licenses	2 - 10 years
-------------------	--------------

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(l) Impairment**

The carrying amounts of the Group and the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. 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 if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

*Calculation of recoverable amount*

The recoverable amount of a non-financial asset is the greater of the asset's value in use and 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.

*Reversals of impairment*

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 cost.

**(n) Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

*Defined benefit plans*

The Group and the Company'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.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

The calculation of defined benefit obligations is performed annually 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 Group and 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 the 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 and the Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### *Other long-term employee benefits*

The Group and the Company'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.

### *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 Company 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 and the Company have 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 cost.

### **(p) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates allowed by the entity.

### *Sale of goods and rendering of services*

Revenue is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods. Revenue from rendering of services is recognized as services are provided.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

*Revenue from industrial estate development*

Revenue is recognized in profit or loss when the right of land has been transferred.

*Revenue from solar roof installation*

Revenue from solar roof installation is recognized when services are provided based on the percentage of completion.

*Interest income*

Interest income is recognized in profit or loss as it accrues.

**(q) Expenses**

*Operating leases*

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, dividends on preference shares classified as liabilities.

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.

*Mutual separation plan expense*

The Group and the Company offered certain qualifiable employees the option to take early retirement from the Group and the Company. 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 and the Company record expenses on early retirement upon mutual acceptance.

**(r) Income tax**

Income tax expense for the year comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

*Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### *Deferred tax*

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 following 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 and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Group and the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group and the Company believe that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for subsidiary in the Group. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### *(s) 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.

## **4 Related parties**

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control, common control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Relationships with related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
The Siam Cement Public Company Limited	Thailand	Ultimate parent company
Cementhai Ceramic Co., Ltd.	Thailand	Immediate parent company
Sosuco Ceramic Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Building Materials Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Thai Ceramic Roof Tile 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
Mariwasa-Siam Ceramics, Inc.	Philippines	A subsidiary of The Siam Cement Public Company Limited
PT Kokoh Inti Arebama Tbk	Indonesia	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 Keramik Mas	Indonesia	A subsidiary of The Siam Cement Public Company Limited
PT Surya Siam Keramik	Indonesia	A subsidiary of The Siam Cement Public Company Limited
Thai Containers Group 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
The Concrete Products and Aggregate 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 (Fa 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
SCG-Sekisui Sales Co., Ltd.	Thailand	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
SCG Experience 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
The Siam Sanitary Fittings Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
SCG Logistics Management Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Texplore Co., Ltd.	Thailand	A subsidiary of The Siam Cement Public Company Limited
Noritake SCG Plaster Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

Name of entities	Country of incorporation/ nationality	Nature of relationships
Siam Global House Public Company Limited	Thailand	An associate of The Siam Cement Public Company Limited
Global House (Cambodia) Company Limited	Cambodia	An associate of The Siam Cement Public Company Limited
IT One Co., Ltd.	Thailand	An associate of The Siam Cement Public Company Limited

The pricing policies for particular types of transactions are explained further below:

	Pricing policies
Sales of goods	Market price
Other income	Market price
Purchases of goods	Market price
Other expenses	Contractual price
Dividends	Announced rate

Significant transactions with related parties for the years ended 31 December 2018 and 2017 and for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 were as follows:

	Consolidated financial statements for the years ended 31 December		Separate financial statements for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	2018	2017	
	<i>(in thousand Baht)</i>		
<b>Ultimate parent</b>			
Sale of goods	447	748	447
Service expenses	121,377	231,176	32,158
<b>Parent</b>			
Sale of goods	-	80	-
Service expenses	121,957	244,181	22,390
Dividends	443,316	223,109	-
<b>Other related parties</b>			
Sale of goods	1,050,638	935,196	400,681
Purchases	498,360	507,335	191,049
Service expenses	401,140	379,445	147,502
Other income	69,203	34,340	41,399
Other expenses	33,241	-	10,172

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Balances as at 31 December with related parties were as follows:

*Trade receivables*

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Ultimate parent			
- The Siam Cement Public Company Limited	-	75	-
Parent			
- Cementhai Ceramic Co., Ltd.	-	27	-
Other related parties			
- Siam Global House Public Company Limited	46,370	5,995	46,370
- SCG Experience Co., Ltd.	9,206	13,677	9,206
- Global House (Cambodia) Company Limited	6,446	-	6,446
- Mariwasa-Siam Ceramics, Inc.	5,124	22,309	5,124
- SCG Cement-Building Materials Company Limited	903	5,808	903
- PT Kokoh Inti Arebama Tbk	645	44,338	645
- PT Surya Siam Keramik	-	3,354	-
- Others	3,819	5,198	3,819
<b>Total</b>	<b>72,513</b>	<b>100,781</b>	<b>72,513</b>

*Other current receivables*

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Ultimate parent			
- The Siam Cement Public Company Limited	12	59	12
Parent			
- Cementhai Ceramic Co., Ltd.	4,251	8,575	4,251
Other related parties			
- SCG-Sekisui Sales Co., Ltd.	1,623	59	1,623
- Siam Sanitary Ware Industry Co., Ltd.	1,355	1,602	1,355
- The Siam Sanitary Fittings Co., Ltd.	667	515	667
- SCG Cement-Building Materials Company Limited	639	3	639
- The Concrete Products and Aggregate Co., Ltd.	508	116	508
- Thai Ceramic Roof Tile Co., Ltd.	257	79	247
- SCG Experience Co., Ltd.	234	266	234
- PT KIA Keramik Mas	215	1,424	215
- The Siam Fibre-Cement Co., Ltd.	96	204	96
- Others	868	2,483	2,248
<b>Total</b>	<b>10,725</b>	<b>15,385</b>	<b>12,095</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### Short-term loans

	Consolidated financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
Parent		
- Cementhai Ceramic Co., Ltd.	<u>-</u>	<u>119,136</u>

Movements for the year ended 31 December on loans to related parties were as follows:

	Consolidated financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	119,136	98,314
Increase (decrease)	<u>(119,136)</u>	<u>20,822</u>
<b>At 31 December</b>	<u><b>-</b></u>	<u><b>119,136</b></u>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### Trade payables

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Other related parties			
- Sosuco Ceramic Co., Ltd.	-	-	174,156
- SCG Logistics Management Co., Ltd.	38,532	36,911	38,157
- Prime Trading, Import and Export One Member Limited Liability Company	22,793	25,116	22,793
- Thai Containers Group Co., Ltd.	11,572	15,679	6,467
- Noritake SCG Plaster Co., Ltd.	4,209	2,900	4,209
- The Siam Cement (Kaeng Khoi) Co., Ltd.	3,339	-	3,339
- SCG Cement Co., Ltd.	3,266	3,554	3,266
- PT Keramika Indonesia Assosiasi, Tbk.	2,134	2,367	2,134
- Others	3,871	2,833	3,872
<b>Total</b>	<b>89,716</b>	<b>89,360</b>	<b>258,393</b>

### Other current payables

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Ultimate parent			
- The Siam Cement Public Company Limited Parent	19,330	44,622	15,601
- Cementshai Ceramic Co., Ltd.	14,537	26,473	12,257
Other related parties			
- Texplora Co., Ltd.	9,004	-	9,004
- SCG Cement-Building Materials Company Limited	8,509	19,635	7,854
- IT One Co., Ltd.	5,568	3,397	5,366
- SCG Cement Co., Ltd.	2,385	5	2,003
- The Siam Cement (Ta Luang) Co., Ltd.	2,132	1,528	2,132
- SCG Experience Co., Ltd.	1,189	1,218	1,189
- Others	3,958	1,099	4,588
<b>Total</b>	<b>66,612</b>	<b>97,977</b>	<b>59,994</b>

### Short-term borrowings from related parties

	Consolidated financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
Parent		
- Cementshai Ceramic Co., Ltd.	-	844,394

## SCG Ceramics Public Company Limited and its Subsidiary

### Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

Movements for the year ended 31 December on short-term borrowings from related parties were as follows:

	Consolidated financial statements	
	2018	2017
At 1 January	844,394	941,648
Decrease	(844,394)	(97,254)
<b>At 31 December</b>	<b>-</b>	<b>844,394</b>

#### *Key management compensation*

	Consolidated financial statements for year ended 31 December		Separate financial statements for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	2018	2017	
	<i>(in thousand Baht)</i>		
Short-term employee benefits	48,288	71,162	23,713
Long-term employee benefits	2	3	1
Post-employment benefits	6,724	4,036	4,645
<b>Total</b>	<b>55,014</b>	<b>75,201</b>	<b>28,359</b>

Management benefit expenses comprise of the remuneration paid to the directors of SCG Ceramics Public Company Limited and its subsidiary under the articles of the Group and the Company and the remuneration paid to the management as staffs expenses in terms of salary, bonus, others and contribution to defined contribution plans.

## 5 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Cash on hand	1,262	2,732	1,162
Cash at banks - current accounts	26,040	67,940	25,964
Cash at banks - savings accounts	397,131	841,050	92,731
<b>Total</b>	<b>424,433</b>	<b>911,722</b>	<b>119,857</b>



**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Aging analyses for trade receivables were as follows:

	<i>Note</i>	Consolidated financial statements 2018	2017  (in thousand Baht)	Separate financial statements 2018
<b>Trade receivables</b>				
<b>Related parties</b>				
Within credit terms		68,548	83,248	68,548
Overdue:				
Less than 3 months		3,965	17,316	3,965
Over 3 - 6 months		-	217	-
	4	<u>72,513</u>	<u>100,781</u>	<u>72,513</u>
<b>Other parties</b>				
Within credit terms		1,096,842	1,267,957	1,096,842
Overdue:				
Less than 3 months		52,469	60,742	52,469
Over 3 - 6 months		11,902	11,241	11,772
Over 6 - 12 months		5,475	11,394	5,475
Over 12 months		3,545	636	3,545
		<u>1,170,233</u>	<u>1,351,970</u>	<u>1,170,103</u>
Less allowance for doubtful accounts		(6,786)	(11,182)	(6,786)
<b>Net</b>		<u>1,163,447</u>	<u>1,340,788</u>	<u>1,163,317</u>
<b>Total</b>		<u>1,235,960</u>	<u>1,441,569</u>	<u>1,235,830</u>

The normal credit terms granted by the Company range from 30 days to 120 days.

**7 Inventories**

	2018	2017  (in thousand Baht)	2018
Consolidated financial statements			
Separate financial statements			
Finished goods	2,253,761	2,236,904	1,951,758
Goods in process	139,752	145,011	125,625
Raw materials	264,283	330,061	246,667
Spare parts, supplies and others	239,354	266,467	215,158
Raw materials, spare parts and supplies in transit	154,044	119,556	151,155
<b>Total</b>	<u>3,051,194</u>	<u>3,097,999</u>	<u>2,690,363</u>
Less allowance for decline in value and slow-moving of finished goods	(106,244)	(115,712)	(103,208)
allowance for slow-moving of raw materials ,spare parts and supplies	(46,593)	(21,160)	(43,109)
<b>Net</b>	<u>2,898,357</u>	<u>2,961,127</u>	<u>2,544,046</u>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Cost of inventories recognized as an expense in cost of sales:			
Cost of sales	8,375,645	8,995,367	3,326,572
Less write-down to net realizable value	(26,856)	(25,759)	(3,939)
Add reversal of write-down	10,893	1,297	69
<b>Total</b>	<b>8,359,682</b>	<b>8,970,905</b>	<b>3,322,702</b>
Changes in inventories of finished goods and goods in process	11,598	283,879	(87,412)
Raw materials and supplies used	(92,891)	11,511	(45,579)

**8 Land developed held for sales**

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Land developed held for sales	581,582	597,037	581,582
Less allowance for decline in value	-	-	-
<b>Net</b>	<b>581,582</b>	<b>597,037</b>	<b>581,582</b>



**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**10 Investments in subsidiary**

Investments in subsidiary as at 31 December 2018, and dividend income for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 were as follows:

	Separate financial statements		Dividend income For the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	Ownership interest 2018 (%)	Paid-up capital 2018	
Sosuco Ceramic Co., Ltd.	53.89	800,000	758,919
<b>Total</b>			<b>758,919</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 11 Investment properties

	Consolidated financial statements		
	Land	Buildings and structures (in thousand Baht)	Total
<i>Cost</i>			
At 1 January 2017	500,406	74,531	574,937
Additions	-	-	-
<b>At 31 December 2017</b>	<b>500,406</b>	<b>74,531</b>	<b>574,937</b>
Transfer to property, plant and equipment	(3,159)	-	(3,159)
<b>At 31 December 2018</b>	<b>497,247</b>	<b>74,531</b>	<b>571,778</b>
<i>Accumulated depreciation</i>			
At 1 January 2017	97,031	69,537	166,568
Depreciation charge for the year	-	668	668
<b>At 31 December 2017</b>	<b>97,031</b>	<b>70,205</b>	<b>167,236</b>
Depreciation charge for the year	-	668	668
Adjustment	-	1,044	1,044
<b>At 31 December 2018</b>	<b>97,031</b>	<b>71,917</b>	<b>168,948</b>
<i>Carrying amount</i>			
<b>At 31 December 2017</b>	<b>403,375</b>	<b>4,110</b>	<b>407,701</b>
<b>At 31 December 2018</b>	<b>400,216</b>	<b>2,614</b>	<b>402,830</b>
	Separate financial statements		
	Land	Buildings and structures (in thousand Baht)	Total
<i>Cost</i>			
At 1 August 2018	485,436	73,235	558,671
Additions	-	-	-
<b>At 31 December 2018</b>	<b>485,436</b>	<b>73,235</b>	<b>558,671</b>
<i>Accumulated depreciation</i>			
At 1 August 2018	87,432	70,379	157,811
Depreciation charge for the year	-	280	280
<b>At 31 December 2018</b>	<b>87,432</b>	<b>70,659</b>	<b>158,091</b>
<i>Carrying amount</i>			
<b>At 31 December 2018</b>	<b>398,004</b>	<b>2,576</b>	<b>400,580</b>

The Group and the Company determined fair value of investment properties as at 31 December 2018 at open market values on an existing use basis. The fair value was Baht 1,049 million (31 December 2017: Baht 1,135 million) and Baht 1,032 million, respectively.

The fair value measurement for land has been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is market approach.

The fair value measurement for buildings and structures have been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is income approach.

## SCG Ceramics Public Company Limited and its Subsidiary

Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 12 Property, plant and equipment

Cost	Consolidated financial statements (in thousand Baht)						Total	
	Land	Land improvements	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles		Construction in progress
At 1 January 2017	1,076,052	383,221	3,543,171	17,399,454	333,771	54,301	185,343	22,974,322
Additions	-	12,102	32,234	309,043	26,732	167	339,119	719,397
Disposals/written off	-	-	(1,277)	(115,836)	(5,511)	(2,154)	-	(124,778)
Transfer in/(out)	4,057	16,200	40,847	54,303	5,952	-	(121,359)	-
Transfer to intangible assets	-	-	-	-	-	-	(305)	(305)
Transfer to asset not used in operation	-	-	(708)	(73,035)	(279)	-	-	(74,022)
<b>At 31 December 2017</b>	<b>1,080,109</b>	<b>411,523</b>	<b>3,614,267</b>	<b>17,573,929</b>	<b>359,665</b>	<b>52,323</b>	<b>402,798</b>	<b>23,494,614</b>
Additions	-	543	33,820	83,211	10,349	99	337,040	465,062
Disposals/written-off	-	(3,188)	(17,332)	(859,505)	(45,938)	(3,958)	-	(929,921)
Transfer in/(out)	-	11,350	29,480	276,783	35,725	-	(353,338)	-
Transfer from investment properties	3,159	-	-	-	-	-	-	3,159
Transfer to intangible assets	-	-	-	-	-	-	(29,398)	(29,398)
Transfer to asset not used in operation	(3,309)	(18,138)	(103,071)	(512,181)	(7,889)	(2,331)	-	(646,919)
<b>At 31 December 2018</b>	<b>1,079,959</b>	<b>402,090</b>	<b>3,557,164</b>	<b>16,562,237</b>	<b>351,912</b>	<b>46,133</b>	<b>357,102</b>	<b>22,356,597</b>

## SCG Ceramics Public Company Limited and its Subsidiary

### Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Consolidated financial statements						Total
	Land	Land improvements	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles	
	<i>(in thousand Baht)</i>						
<b>Accumulated depreciation and accumulated impairment losses</b>							
At 1 January 2017	-	210,304	2,263,343	14,489,767	257,502	47,558	17,268,474
Depreciation charge for the year	-	23,909	92,489	492,793	30,115	1,963	641,269
Impairment losses	-	95	7,073	3,547	-	155	10,870
Disposals/written off	-	-	(1,094)	(115,298)	(5,365)	(1,494)	(123,251)
Transfer to asset not used in operation	-	-	(238)	(50,936)	(96)	-	(51,270)
<b>At 31 December 2017</b>	-	<b>234,308</b>	<b>2,361,573</b>	<b>14,763,857</b>	<b>282,835</b>	<b>48,182</b>	<b>17,746,092</b>
Depreciation charge for the year	-	23,152	79,553	446,880	29,681	1,473	580,739
Disposals/written off	-	(594)	(12,161)	(855,043)	(44,968)	(4,113)	(916,879)
Transfer to asset not used in operation	-	(17,756)	(87,884)	(508,677)	(6,929)	(2,331)	(623,577)
<b>At 31 December 2018</b>	-	<b>239,110</b>	<b>2,341,081</b>	<b>13,903,033</b>	<b>259,940</b>	<b>43,211</b>	<b>16,786,375</b>
<b>Carrying amount</b>							
At 31 December 2017	1,080,109	117,517	1,380,628	2,685,388	77,941	4,141	5,748,522
At 31 December 2018	1,079,959	162,980	1,216,083	2,659,204	91,972	2,922	5,570,222

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 13,136 million (31 December 2017: Baht 14,046 million).

## SCG Ceramics Public Company Limited and its Subsidiary

Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Separate financial statements (in thousand Baht)					Total		
	Land	Land improvements	Buildings and building improvements	Machinery and equipment	Furniture and fixtures		Vehicles	Construction in progress
<b>Cost</b>								
At 1 August 2018	944,466	402,105	2,887,345	14,766,723	283,404	51,526	377,851	19,713,420
Additions	-	331	5,471	5,356	7,010	62	97,566	115,796
Disposals/written off	-	(62)	(4,935)	(414,148)	(2,385)	(3,125)	-	(424,655)
Transfer in/(out)	-	1,708	10,455	103,382	421	-	(115,966)	-
Transfer to asset not used in operation	(3,309)	(2,059)	(95,517)	(405,903)	(2,544)	(2,331)	-	(511,663)
Transfer to intangible assets	-	-	-	-	-	-	(6,306)	(6,306)
<b>At 31 December 2018</b>	<b>941,157</b>	<b>402,023</b>	<b>2,802,819</b>	<b>14,055,410</b>	<b>285,906</b>	<b>46,132</b>	<b>353,145</b>	<b>18,886,592</b>
<b>Accumulated depreciation and accumulated impairment losses</b>								
At 1 August 2018	-	231,984	1,751,251	12,255,395	196,286	48,240	-	14,483,156
Depreciation charge for the year	-	9,247	29,266	155,010	11,027	582	-	205,132
Disposals/written off	-	(62)	(4,395)	(414,169)	(1,679)	(3,280)	-	(423,585)
Transfer to asset not used in operation	-	(2,059)	(81,224)	(404,887)	(1,597)	(2,331)	-	(492,098)
<b>At 31 December 2018</b>	<b>-</b>	<b>239,110</b>	<b>1,694,898</b>	<b>11,591,349</b>	<b>204,037</b>	<b>43,211</b>	<b>-</b>	<b>13,772,605</b>
<b>Carrying amount</b>								
<b>At 31 December 2018</b>	<b>941,157</b>	<b>162,913</b>	<b>1,107,921</b>	<b>2,464,061</b>	<b>81,869</b>	<b>2,921</b>	<b>353,145</b>	<b>5,113,987</b>

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 10,492 million.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 13 Assets not used in operations

	Consolidated financial statements			Total
	Tile Machines	Generator	Other Machines and others	
	<i>(in thousand Baht)</i>			
<b>Cost</b>				
At 1 January 2017	119,979	331,332	-	451,311
Disposals	(23,585)	(304,476)	-	(328,061)
Transfer from property, plant and equipment	-	-	74,022	74,022
<b>At 31 December 2017</b>	<b>96,394</b>	<b>26,856</b>	<b>74,022</b>	<b>197,272</b>
Written off	(20,535)	-	(16,673)	(37,208)
Transfer from property, plant and equipment	505,723	-	141,196	646,919
<b>At 31 December 2018</b>	<b>581,582</b>	<b>26,856</b>	<b>198,545</b>	<b>806,983</b>
<b>Accumulated depreciation and accumulated impairment losses</b>				
At 1 January 2017	108,035	318,770	-	426,805
Impairment losses	8,105	-	17,915	26,020
Depreciation charge for the year	918	7,152	263	8,333
Disposals	(22,855)	(304,476)	-	(327,331)
Transfer from property, plant and equipment	-	-	51,270	51,270
<b>At 31 December 2017</b>	<b>94,203</b>	<b>21,446</b>	<b>69,448</b>	<b>185,097</b>
Impairment losses	356	-	2,079	2,435
Depreciation charge for the year	198	5,349	984	6,531
Written off	(8,790)	-	(10,358)	(19,148)
Transfer from property, plant and equipment	490,622	-	132,955	623,577
Adjustment	-	(5,400)	-	(5,400)
<b>At 31 December 2018</b>	<b>576,589</b>	<b>21,395</b>	<b>195,108</b>	<b>793,092</b>
<b>Carrying amount</b>				
<b>At 31 December 2017</b>	<b>2,191</b>	<b>5,410</b>	<b>4,574</b>	<b>12,175</b>
<b>At 31 December 2018</b>	<b>4,993</b>	<b>5,461</b>	<b>3,437</b>	<b>13,891</b>

## SCG Ceramics Public Company Limited and its Subsidiary

### Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Tile Machines	Separate financial statements		Total
		Generator	Other machines and others	
		<i>(in thousand Baht)</i>		
<b>Cost</b>				
At 1 August 2018	<b>75,860</b>	<b>26,856</b>	<b>192,604</b>	<b>295,320</b>
Transfer from property, plant and equipment	505,723	-	5,940	511,663
<b>At 31 December 2018</b>	<b>581,583</b>	<b>26,856</b>	<b>198,544</b>	<b>806,983</b>
<b>Accumulated depreciation and accumulated impairment losses</b>				
At 1 August 2018	74,325	19,148	188,989	282,462
Impairment losses	11,573	-	4,265	15,838
Depreciation charge for the year	69	2,247	378	2,694
Transfer from property, plant and equipment	490,623	-	1,475	492,098
<b>At 31 December 2018</b>	<b>576,590</b>	<b>21,395</b>	<b>195,107</b>	<b>793,092</b>
<b>Carrying amount</b>				
<b>At 31 December 2018</b>	<b>4,993</b>	<b>5,461</b>	<b>3,437</b>	<b>13,891</b>

The Group and the Company revalues the assets not used in operations as at 31 December 2018 at open market values on an existing use basis. The appraised value was Baht 34 million (2017: Baht 21 million) and Baht 34 million, respectively.

The fair value measurement for assets not used in operations have been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is replacement cost.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**14 Other intangible assets**

	Software licenses	Consolidated financial statements		Total
		Other intangible assets (in thousand Baht)	Development cost	
<b>Cost</b>				
At 1 January 2017	179,465	17,587	-	197,052
Addition	1,563	1,022	-	2,585
Transfer from property, plant and equipment	-	305	-	305
<b>At 31 December 2017</b>	<b>181,028</b>	<b>18,914</b>	<b>-</b>	<b>199,942</b>
Addition	34,122	354	804	35,280
Disposals/written off	(11,135)	-	-	(11,135)
Transfer in/(out)	5,316	(5,316)	-	-
Transfer from property, plant and equipment	1,642	21,450	6,306	29,398
<b>At 31 December 2018</b>	<b>210,973</b>	<b>35,402</b>	<b>7,110</b>	<b>253,485</b>
<b>Accumulated amortization</b>				
At 1 January 2017	116,900	5,703	-	122,603
Amortization charge for the year	11,833	2,996	-	14,829
<b>At 31 December 2017</b>	<b>128,733</b>	<b>8,699</b>	<b>-</b>	<b>137,432</b>
Amortization charge for the year	11,420	1,061	-	12,481
Disposals/written off	(11,054)	-	-	(11,054)
<b>At 31 December 2018</b>	<b>129,099</b>	<b>9,760</b>	<b>-</b>	<b>138,859</b>
<b>Carrying amount</b>				
<b>At 31 December 2017</b>	<b>52,295</b>	<b>10,215</b>	<b>-</b>	<b>62,510</b>
<b>At 31 December 2018</b>	<b>81,874</b>	<b>25,642</b>	<b>7,110</b>	<b>114,626</b>
	Software licenses	Separate financial statements		Total
		Other intangible assets (in thousand Baht)	Development cost	
<b>Cost</b>				
At 1 August 2018	167,372	35,357	30,647	233,376
Addition	-	5,361	4,029	9,390
Transfer in/(out)	39,188	(5,316)	(33,872)	-
Transfer from property, plant and equipment	-	-	6,306	6,306
<b>At 31 December 2018</b>	<b>206,560</b>	<b>35,402</b>	<b>7,110</b>	<b>249,072</b>
<b>Accumulated amortization</b>				
At 1 August 2018	121,038	6,876	-	127,914
Amortization charge for the year	4,712	2,884	-	7,596
<b>At 31 December 2018</b>	<b>125,750</b>	<b>9,760</b>	<b>-</b>	<b>135,510</b>
<b>Carrying amount</b>				
<b>At 31 December 2018</b>	<b>80,810</b>	<b>25,642</b>	<b>7,110</b>	<b>113,562</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 15 Deferred tax assets and deferred tax liabilities

Movements in total deferred tax assets for the year end 31 December 2018 and 2017 and for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 were as follows:

	At 1 January 2017	Consolidated financial statements Credited (charged) to		At 31 December 2017
		profit or loss	other comprehensive income	
		(Note 26) (in thousand Baht)		
<b>Deferred tax assets</b>				
Allowance for inventories	22,482	4,542	-	27,024
Difference of investment properties book values*	39,467	(99)	-	39,368
Provisions for employee benefits	87,128	837	1,607	89,572
Property, plant and equipment and assets not used in operations	21,130	(2,156)	-	18,974
Loss carry forward	21,208	(21,208)	-	-
Others	17,664	(2,167)	-	15,497
<b>Total</b>	<b>209,079</b>	<b>(20,251)</b>	<b>1,607</b>	<b>190,435</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	-	(22,626)	-	(22,626)
<b>Net</b>	<b>(209,079)</b>	<b>(42,877)</b>	<b>1,607</b>	<b>167,809</b>

\*The difference between investment properties' book value of each company before the amalgamation in ultimate parent's consolidated financial statement and investment properties' book value in each company financial statement.

	At 1 January 2018	Credited (charged) to		At 31 December 2018
		profit or loss	other comprehensive income	
		(Note 26) (in thousand Baht)		
<b>Deferred tax assets</b>				
Allowance for inventories	27,024	3,543	-	30,567
Difference of investment properties book values*	39,368	(100)	-	39,268
Provisions for employee benefits	89,572	(4,910)	(1,681)	82,981
Property, plant and equipment and assets not used in operations	18,974	(897)	-	18,077
Others	15,497	561	-	16,058
<b>Total</b>	<b>190,435</b>	<b>(1,803)</b>	<b>(1,681)</b>	<b>186,951</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(22,626)	(25,361)	-	(47,987)
<b>Net</b>	<b>167,809</b>	<b>(27,164)</b>	<b>(1,681)</b>	<b>138,964</b>

\*The difference between investment properties' book value of each company before the amalgamation in ultimate parent's consolidated financial statement and investment properties' book value in each company financial statement.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	At 1 August 2018	Separate financial statement Credited (charged) to		At 31 December 2018
		profit or loss	other comprehensive income	
		(Note 26)		
		(in thousand Baht)		
<b>Deferred tax assets</b>				
Allowance for inventories	28,440	823	-	29,263
Difference of investment properties book values*	39,310	(42)	-	39,268
Provisions for employee benefits	72,704	606	(1,716)	71,594
Property, plant and equipment and assets not used in operations	16,375	1,702	-	18,077
Others	22,331	(12,865)	-	9,466
<b>Total</b>	<b>179,160</b>	<b>(9,776)</b>	<b>(1,716)</b>	<b>167,668</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(37,519)	(10,468)	-	(47,987)
<b>Net</b>	<b>141,641</b>	<b>(20,244)</b>	<b>(1,716)</b>	<b>119,681</b>

\*The difference between investment properties' book value of each company before the amalgamation in ultimate parent's consolidated financial statement and investment properties' book value in each company financial statement.

## 16 Changes in liabilities arising from financing activities

Changes in significant liabilities arising from financing activities during the year 2018 and for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 were as follows:

	Consolidated financial statements short-term borrowings (in thousand Baht)
Balance at 1 January 2018	847,302
Changes from financing cash flows	17,698
<b>Balance at 31 December 2018</b>	<b>865,000</b>
	Separate financial statements short-term borrowings (in thousand Baht)
Balance at 1 August 2018	1,622,000
Changes from financing cash flows	(757,000)
<b>Balance at 31 December 2018</b>	<b>865,000</b>

As at 31 December 2018, the Group and the Company have promissory notes with 2 local banks amounted to Baht 865 million (2017: Baht 847 million) and bears interest at the rate 1.60-1.95 % per annum (2017: 0.50-1.95 % per annum).

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**17 Trade and other current payables**

		Consolidated financial statements as at 31 December		Separate financial statements for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	Note	2018	2017	
<i>(in thousand Baht)</i>				
<b>Trade payables</b>				
Other parties		709,094	557,155	646,028
Related parties	4	89,716	89,360	258,393
		<b>798,810</b>	<b>646,515</b>	<b>904,421</b>
<b>Other current payables</b>				
Accrued expenses		493,221	566,622	449,969
Other current payables - related parties	4	66,612	97,977	59,994
Revenue department payables		30,298	44,322	26,286
Construction payables		33,807	76,392	28,157
Employee payables		36,506	32,358	32,206
Deposit of land for sales		10,147	31,622	10,147
Others		36,497	40,073	32,560
<b>Total</b>		<b>707,088</b>	<b>889,366</b>	<b>639,319</b>
<b>Total trade and other current payables</b>		<b>1,505,898</b>	<b>1,535,881</b>	<b>1,543,740</b>

**18 Non-current provisions for employee benefits**

The Company operates defined benefits plans based on the requirement of the Thai Labour Protection Act B.E. 2541 to provide retirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

*Non-current provisions for employee benefits in statements of financial position as at 31 December*

	Consolidated financial statement		Separate financial statement
	2018	2017	2018
<i>(in thousand Baht)</i>			
Post-employment benefits			
legal severance payments plan	389,028	419,454	332,660
Other long-term employee benefits	7,823	8,649	7,753
Other employee benefits	3,106	5,651	3,106
<b>Total</b>	<b>399,957</b>	<b>433,754</b>	<b>343,519</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### *Movement in the present value of non-current provisions for defined benefit plans*

	Consolidated financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
<b><i>For the year ended 31 December</i></b>		
Non-current provisions for defined benefit plans at 1 January	428,103	414,908
<b>Included in profit or loss</b>		
Current service costs	26,986	27,633
Interest on obligation	13,755	13,550
Non-current provisions for defined benefit plans transferred from related parties	5,752	-
Non-current provisions for defined benefit plans transferred from restructuring	15,527	-
Actuarial (gains) losses		
Other long-term benefits	1,287	(244)
<b>Included in other comprehensive income</b>		
Actuarial (gains) losses		
Post-employment benefits	(8,406)	9,220
<b>Others</b>		
Benefits paid	(86,153)	(36,964)
<b>Non-current provisions for defined benefit plans at 31 December</b>	<b><u>396,851</u></b>	<b><u>428,103</u></b>
	Separate financial statements	
	2018	
	<i>(in thousand Baht)</i>	
<b><i>For the period 1 August 2018 (the date of amalgamation) to 31 December 2018</i></b>		
Non-current provisions for defined benefit plans at 1 August		346,693
<b>Included in profit or loss</b>		
Current service costs		9,230
Interest on obligation		4,545
Non-current provisions for defined benefit plans transferred from restructuring		15,527
Actuarial losses		
Other long-term benefits		1,245
<b>Included in other comprehensive income</b>		
Actuarial gains		
Post-employment benefits		(8,579)
<b>Others</b>		
Benefits paid		(28,248)
<b>Non-current provisions for defined benefit plans at 31 December</b>		<b><u>340,413</u></b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Actuarial losses (gains) recognized in other comprehensive income as of the end of the reporting period arising from:

	Consolidated financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
<i>For the years ended 31 December</i>		
Demographic assumptions	-	-
Financial assumptions	(7,116)	-
Experience adjustment	(1,290)	9,220
<b>Total</b>	<b>(8,406)</b>	<b>9,220</b>
	Separate financial statements 2018	
	<i>(in thousand Baht)</i>	
<i>For the period 1 August 2018 (the date of amalgamation) to 31 December</i>		
Demographic assumptions	-	-
Financial assumptions	(7,116)	-
Experience adjustment	(1,463)	-
<b>Total</b>	<b>(8,579)</b>	

**Actuarial assumptions**

*Principal actuarial assumptions as of the end of the reporting period:*

	Consolidated and separate financial statements 2018	Consolidated and separate financial statements 2017
	<i>(%)</i>	
Discount rate *	2.92 - 3.14	2.91 - 3.55
Salary increase rate	3.00 - 7.00	3.00 - 7.00
Employee turnover rate**	4.00 - 33.00	2.00 - 40.00
Mortality rate***	50.00 of TMO2017	25.00 of TMO2008

\* 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  
Reference from TMO2008: Thai Mortality Ordinary Table 2008

**Sensitivity analysis**

Reasonably possible changes as of 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.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### Effect on the non-current provisions for defined benefit plans at 31 December

	Consolidated financial statements		Separate financial statements 2018
	2018	2017 Increase (decrease) (in thousand Baht)	
Discount rate			
0.5% increase	(20,831)	(21,979)	(18,086)
0.5% decrease	22,532	23,809	19,575
Salary increase rate			
1.0% increase	44,133	56,852	38,388
1.0% decrease	(38,608)	(48,896)	(33,544)
Employee turnover rate			
10.0% increase	(19,841)	(20,998)	(17,490)
10.0% decrease	21,228	22,440	18,737

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

On 13 December 2018, the National Legislative Assembly approved a bill the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Group and the Company will recognize the increase in the non-current provisions for employee benefits approximately Baht 124 million and Baht 107 million, respectively resulting in the decrease in net profit approximately Baht 99 million and Baht 85 million, respectively.

## 19 Share capital

	Par Value (in Baht)	2018	
		Number (in thousand shares / thousand Baht)	Value
<b>Authorised</b>			
At 1 August			
- ordinary shares	1	5,962,621	5,962,621
<b>At 31 December</b>			
- ordinary shares	1	<b>5,962,621</b>	<b>5,962,621</b>
<b>Issued and paid-up</b>			
At 1 August			
- ordinary shares	1	5,962,621	5,962,621
<b>At 31 December</b>			
- ordinary shares	1	<b>5,962,621</b>	<b>5,962,621</b>

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**20 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.

**21 Non-controlling interests**

The following table summarizes the information relating to the Group's subsidiary that has a material non-controlling interest, before any intra-group eliminations:

	Sosuco Ceramic Co., Ltd.	
	2018	2017
	<i>(in thousand Baht)</i>	
<b><i>Non-controlling interests at 31 December</i></b>		
Non-controlling interest percentage	46.11%	46.11%
Current assets	842,975	899,414
Non-current assets	482,563	485,759
Current liabilities	(142,280)	(180,585)
Non-current liabilities	(66,591)	(67,569)
<b>Net assets</b>	<b>1,116,667</b>	<b>1,137,019</b>
Carrying amount of non-controlling interest before elimination	514,895	524,279
Less eliminated transactions	(3,050)	13,929
<b>Carrying amount of non-controlling interest after elimination</b>	<b>511,845</b>	<b>538,208</b>
<b><i>For the year ended 31 December</i></b>		
Revenue	1,295,657	1,422,715
Profit for the year before elimination	37,472	66,602
Less eliminated transactions	(3,777)	(1,793)
<b>Profit for the year after elimination</b>	<b>33,695</b>	<b>64,809</b>
Profit for the year after elimination		
- Attributable to owners of the parent	4,618	34,926
- Attributable to Company in the Group before business restructuring	13,540	-
- Attributable to non-controlling interest	15,537	29,883
	<b>33,695</b>	<b>64,809</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Sosuco Ceramic Co., Ltd.	
	2018	2017
	<i>(in thousand Baht)</i>	
Cash flows from operating activities	66,354	140,683
Cash flows from investing activities	(85,159)	(61,677)
Cash flows from financing activities	(60,000)	(40,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(78,805)</b>	<b>39,006</b>
<b>Dividends to non-controlling interest</b>	<b>27,668</b>	<b>18,444</b>

## 22 Business segment information

The Company has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Manufacturing and sales of ceramic tiles
- Industrial estate development and real estate

Information regarding the results of each reportable segment is included below. Performance is measured 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, in the Group's financial statements for the years ended 31 December was as follows:

	Consolidated financial statements					
	Manufacturing and sales of ceramic tiles		Industrial estate development and real estate		Total	
	2018	2017	2018	2017	2018	2017
	<i>(in thousand Baht)</i>					
External revenue	11,513,150	12,754,136	43,361	223,004	11,556,551	12,977,140
Other income	94,949	116,167	138,324	97,398	233,273	213,565
Interest income	4,352	5,279	-	-	4,352	5,279
Interest expense	26,441	36,649	-	-	26,441	36,649
Depreciation and amortization	573,616	636,920	25,540	27,823	599,156	664,743
Profit (loss) before income tax expense	(1,851)	560,083	110,095	153,841	108,244	713,924
Income tax expense	(60,731)	(77,180)	(22,019)	(30,768)	(82,750)	(107,948)
<b>Profit (loss) for the year</b>	<b>(62,582)</b>	<b>482,903</b>	<b>88,076</b>	<b>123,073</b>	<b>25,494</b>	<b>605,976</b>
Land developed held for sales	-	-	581,582	597,038	581,582	597,038
Segment assets	10,576,090	11,592,748	567,769	591,641	11,143,859	12,184,389

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

*Geographical information*

In presenting 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.

*Geographical information*

	Consolidate financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
<b>External revenue</b>		
Thailand	9,017,097	10,160,810
Other countries	2,539,414	2,816,330
<b>Total</b>	<b>11,556,511</b>	<b>12,977,140</b>

*Major customer*

Revenues from one major customer of the Group's manufacturing and sales of ceramic tiles segment represents approximately Baht 1,241 million for the year 2018 (2017: Baht 1,248 million) of the Group's total revenues.

**23 Distribution costs**

	Consolidated financial statements		Separate financial statements
	2018	2017	for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	<i>(in thousand Baht)</i>		
Freight	755,568	826,931	254,266
Sales promotion and advertising expenses	459,696	575,778	147,674
Salaries ,allowance and personnel expenses	395,273	424,236	164,767
Rental expenses	76,713	83,476	29,323
Outside wages	13,188	9,755	4,894
Communication expense	10,207	10,990	3,680
Others	88,990	163,248	36,133
<b>Total</b>	<b>1,799,635</b>	<b>2,094,414</b>	<b>640,737</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 24 Administrative expenses

	Consolidated financial statements		Separate financial statements
	2018	2017	for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	<i>(in thousand Baht)</i>		
Salary, welfare, personnel and management expenses	565,999	549,660	224,901
Mutual separation plan expenses	204,557	7,297	-
Professional and other fees	142,399	80,277	54,072
Intellectual property charge	69,141	43,273	35,876
Depreciation and amortization expenses	60,386	66,433	25,945
Impairment loss on assets	48,173	48,634	16,027
Rental expenses	50,333	33,074	28,534
Outside wages	43,406	58,427	9,587
Maintenance and supplies	28,936	35,472	12,998
Others	250,447	330,589	60,320
<b>Total</b>	<b>1,463,777</b>	<b>1,253,136</b>	<b>468,260</b>

### 25 Employee benefit expenses

	Consolidated financial statements		Separate financial statements
	2018	2017	for the period 1 August 2018 (the date of amalgamation) to 31 December 2018
	<i>(in thousand Baht)</i>		
Salaries and allowance	1,933,615	2,127,542	668,092
Benefits and others	235,756	237,843	100,557
Contribution to defined contribution plans	128,475	128,410	49,006
Contribution to defined benefit plans	63,093	43,644	31,102
Mutual separation plan expenses	204,557	7,297	-
<b>Total</b>	<b>2,565,496</b>	<b>2,544,736</b>	<b>848,757</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.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

**26 Income tax expense**

*Income tax recognized in profit or loss*

	Note	Consolidated financial statements		Separate financial statements
		2018	2017	2018
		<i>(in thousand Baht)</i>		
<b>Current tax</b>				
Current tax		55,023	67,405	897
Under (over) provided in prior years		563	(2,335)	148
		<u>55,586</u>	<u>65,070</u>	<u>1,045</u>
<b>Deferred tax</b>				
Movement in temporary differences	15	27,164	42,877	20,244
<b>Total</b>		<u>82,750</u>	<u>107,947</u>	<u>21,289</u>

*Income tax recognized in other comprehensive income*

Actuarial losses	15	1,681	(1,607)	1,716
------------------	----	-------	---------	-------

*Reconciliation of effective tax rate*

		Consolidated financial statements	
		2018	2017
	Rate (%)	<i>(in thousand Baht)</i>	Rate (%) <i>(in thousand Baht)</i>
Profit before income tax expenses		108,244	713,923
Income tax using the Thai corporation tax rate	20	21,649	142,785
Income not subject to tax		(3,520)	(941)
Expenses deductible at a greater amount		(7,965)	(13,230)
Expenses not deductible for tax purposes and others		(10,954)	(14,869)
Effects from the difference between tax base and accounting base arising from restructure		37,755	-
Tax losses before amalgamation (used)		18,058	(46,338)
<b>Current tax</b>		<u>55,023</u>	<u>67,405</u>
Under (over) provided in prior year		563	(2,335)
Movements in temporary differences		27,164	42,877
<b>Income tax expenses</b>		<u>82,750</u>	<u>107,947</u>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Separate financial statements 2018	
	Rate (%)	(in thousand Baht)
Profit before income tax expense		148,916
Income tax using the Thai corporation tax rate	20	<b>29,783</b>
Expenses deductible at a greater amount		(2,649)
Expenses not deductible for tax purposes and others		(26,237)
<b>Current tax</b>		<b>897</b>
Under provided in prior year		148
Movements in temporary differences		20,244
<b>Income tax expenses</b>		<b>21,289</b>

## 27 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 Group and 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 Group and the Company must comply with certain terms and conditions prescribed in the promotional certificate.

The Group and the Company's revenue classified under promoted and non-promoted businesses for the years ended 31 December 2018 and 2017 and for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 are as follows:

	Consolidated financial statements					
	2018			2017		
	Promoted Business	Non-Promoted Business	Total	Promoted Business	Non-Promoted Business	Total
	<i>(in thousand Baht)</i>					
Local	26,074	8,947,661	8,973,735	16,932	9,920,873	9,937,805
Export	73,406	2,466,009	2,539,415	135,919	2,680,412	2,816,331
<b>Total</b>	<b>99,480</b>	<b>11,413,670</b>	<b>11,513,150</b>	<b>152,851</b>	<b>12,601,285</b>	<b>12,754,136</b>

	Separate financial statements For the period 1 August 2018 (the date of amalgamation) to 31 December 2018		
	Promoted Business	Non-Promoted Business	Total
	<i>(in thousand Baht)</i>		
Local	12,835	3,607,196	3,620,031
Export	15,145	851,079	866,224
<b>Total</b>	<b>27,980</b>	<b>4,458,275</b>	<b>4,486,255</b>

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### 28 Basic earnings (loss) per share

The calculations of basic earnings (loss) per share for the years ended 31 December 2018 and 2017 and for the period 1 August 2018 (the date of amalgamation) to 31 December 2018 were based on the profit (loss) for the years attributable to equity holders of the Company and the number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements for the year ended 31 December		Separate financial statements for the period 1 August 2018 (the date of amalgamation) to 31 December
	2018	2017	2018
	<i>(in thousand Baht/ thousand shares)</i>		
Profit (loss) for the year attributable to equity holders of the Company	<u>(3,583)</u>	<u>541,167</u>	<u>127,627</u>
Number of weighted ordinary shares outstanding	<u>5,962,621</u>	<u>5,962,621</u>	<u>5,962,621</u>
<b>Basic earnings (loss) per share (in Baht)</b>	<b><u>0.00</u></b>	<b><u>0.09</u></b>	<b><u>0.02</u></b>

### 29 Dividends

At the Annual General Meeting of the Shareholders of Sosuco and Group (2008) Co., Ltd. held on 26 March 2018, the shareholders approved the appropriation of dividends of Baht 18 per share, amounting to Baht 18 million. The dividends were paid to the shareholders on 19 April 2018.

At the Annual General Meeting of the Shareholders of Thai-German Ceramic Industry Public Company Limited held on 26 March 2018, the shareholders approved the appropriation of dividends of Baht 0.08 per share, amounting to Baht 136 million. The dividends were paid to the shareholders on 25 April 2018.

At the Annual General Meeting of the Shareholders of The Siam Ceramic Group Industries Co., Ltd. held on 26 March 2018, the shareholders approved the appropriation of dividends of Baht 3.74 per share, amounting to Baht 359 million. The dividends were paid to the shareholders on 25 April 2018.

At the Annual General Meeting of the Shareholders of Sosuco Ceramic Co., Ltd. held on 11 May 2018, the shareholders approved the appropriation of dividends of Baht 7,500 per share, amounting to Baht 60 million. The dividends were paid to the shareholders on 28 May 2018.

### 30 Financial instruments

#### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# SCG Ceramics Public Company Limited and its Subsidiary

## Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

### *Credit risk*

Credit risk arises from the possibility that customers may not be able to settle obligations to the Group as per contracts which may cause financial loss. The Group has a policy to protect this risk by assessing the credit of customers, defining the credit limit, asking for bank guarantees and/or personnel guarantees, credit terms, controlling credit utilization and reviewing collections. Fair value of receivables which is presented in the statement of financial position is the balances net of allowance for doubtful accounts.

### *Interest rate risk*

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Group manages debts by using both fixed interest rates and floating interest rates, depending on the market circumstances.

The effective interest rates of loans receivable as at 31 December and the periods in which the loans receivables mature were as follows:

	Consolidated and separate financial statements			Total
	Effective interest rates (% p.a.)	Within 1 year	After 1 year but within 5 years (in thousand Baht)	
<b>Year 2018</b>				
<b>Current</b>				
Short-term loans from financial institutions	1.60 - 1.95	865,000	-	865,000

### *Foreign exchange risk*

Foreign exchange risk arises from the fluctuation of foreign exchange rates as the Group has trade receivables and trade payables in foreign currencies. However, as at 31 December 2018 and 2017, the Group do not have significant foreign exchange risk because the Group uses derivative financial instruments which are forward exchange contracts to manage its risk on foreign debts. This is in compliance with the policy and guidelines agreed and approved by the Board of Directors of the Company, and there are controls on operating procedures for compliance with the policy as disclosed in Note 31.

### *Fair values of financial assets and liabilities*

The fair value of short-term loans from financial institutes are taken to approximate the carrying value due to the relatively short-term maturity of these financial instruments.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

Financial assets and liabilities had the fair and carrying value at 31 December as follows:

	2018		2017	
	Contract amount	Fair Value	Contract amount	Fair Value
		(in thousand Baht)		
<b>Current</b>				
Forward exchange contracts *				
Forward receivable	94,167	93,069	154,250	153,181
Forward payable	254,341	251,252	235,529	234,949

\* The fair values of forward exchange contracts was 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.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

### 31 Commitments and contingent liabilities

As at 31 December 2018

- The Group had letters of guarantee issued by banks to government agencies and other companies totaling approximately Baht 82 million (2017: Baht 91 million).
- The Group had commitments for construction building and machinery totaling approximately Baht 64 million (2017: Baht 11 million).
- The Group had forward contracts with local and foreign banks in order to manage risk of foreign exchange rate details as follow:

	Contract amount		Equivalent to	
	Forward receivable		Baht	
	Currency		2018	2017
	2018	2017	2018	2017
	(in thousand)		(in thousand Baht)	
US Dollars	2,497	4,067	82,001	133,890
Euro	307	451	11,460	17,578
SGD	-	56	-	1,362
GBP	17	32	706	1,420
<b>Total</b>			<b>94,167</b>	<b>154,250</b>

## SCG Ceramics Public Company Limited and its Subsidiary

### Notes to the financial statements

For the year ended 31 December 2018 and

For the period 1 August 2018 (the date of amalgamation) to 31 December 2018

	Contract amount Forward payable			
	Currency		Equivalent to Baht	
	2018	2017	2018	2017
	<i>(in thousand)</i>		<i>(in thousand Baht)</i>	
US Dollars	7,121	5,474	233,560	179,548
Euro	549	1,321	20,781	51,445
SGD	-	0.4	-	11
GBP	-	0.9	-	413
Yen	-	14,118	-	4,112
<b>Total</b>			<b>254,341</b>	<b>235,529</b>

The above contracts will be gradually due within April 2019 (2017: due within November 2018).

- (d) The Group had entered into various building and car lease agreements. The periods of these agreements are 3 to 5 years expiring in various dates up to December 2023. Under the terms of these agreements, the Group has to pay annual rental as follows:

	Consolidated financial statements		Separate financial statements
	2018	2017	2018
	<i>(in thousand Baht)</i>		
Within one year	109,871	91,757	95,423
After one year but within five years	97,760	110,437	75,057
<b>Total</b>	<b>207,631</b>	<b>202,194</b>	<b>170,480</b>

- (e) 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.

## 32 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.

## 33 Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these consolidated and separate financial statements. The new and revised TFRSs that may be relevant to the Group and the Company's operations, which become effective for annual financial periods beginning on or after 1 January 2019 and 2020. The Group and the Company do not plan to early adopt these TFRSs.

**SCG Ceramics Public Company Limited and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2018 and**  
**For the period 1 August 2018 (the date of amalgamation) to 31 December 2018**

The Group and the Company have made assessment of potential impact on the consolidated and separate financial statements of the revised TFRSs and expects that there will be no material impact on the financial statements in the period of initial application.

The new TFRSs are set out below:

<b>TFRS</b>	<b>Topic</b>	<b>Effective</b>
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

\* TFRS - Financial instruments standards

**(a) TFRS 15 Revenue from Contracts with Customers**

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Group and the Company have made an assessment of the potential impact of adopting and initially applying TFRS 15 on the consolidated and separate financial statements and there will be no material impact on the consolidated financial statements in the period of initial application.

**(b) TFRS - Financial instruments standards**

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Group has made an assessment of the potential impact of adopting and initially applying TFRS – Financial instruments standards on the consolidated financial statements.

## Investor Information

<b>Company</b> ថ្នាក់ទី១	SCG Ceramics Public Company Limited COTTO
<b>Registration No.</b>	0107561000340
<b>Website</b>	www.scgceramics.com
<b>Head Office</b>	Head Office 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand Tel: 0-2586-3333, 0-2586-5474 Fax: 02-587-0162
<b>Factories</b>	<p>61 Moo 1 Nong Khae industrial estate, Koke Yae Sub-district, Nong Khae District, Saraburi Province 18230 Tel: 0-3637-6100 Fax: 0-36376-162 (Nong Khae Industrial Estate Factory)</p> <p>33/1 Moo 2 Suwannasorn Road, Koke Yae Sub-district, Nong Khae District, Saraburi Province 18230 Tel: 0-3638-2888 Fax: 0-36382-900 (Hinkong Factory)</p> <p>40 Moo 2 Rim Klong Rapeepat Road, Nong Pling Sub-district Nong Khae District, Saraburi Province 18140 Tel: 0-3637-6400 Fax: 0-36376-411 (Nong Khae 1 Factory)</p> <p>33/2 Moo 2 Rim Klong Rapeepat Road, Nong Pling Sub-district Nong Khae District, Saraburi Province 18140 Tel: 0-3637-6300 Fax: 0-36376-309 (Nong Khae 2 Factory)</p>
<b>Type of Business</b>	Manufacturer and distributor of Floor and Wall ceramic tiles (Core business) Industrial Estates Business (Secondary Business)
<b>Authorized Capital</b>	5,962,621,233 Baht at 1 baht par value
<b>Paid-up capital</b>	5,962,621,233 Baht Comprised of 5,962,621,23 Ordinary shares. (No preference shares)
<b>Fiscal Year</b>	1 January - 31 December
<b>Shareholders</b>	Cementhai Ceramics Co., Ltd., holds approximately 91.04% of shares while the remaining shares are held by other institutional and individual shareholders

## References

### Registrars

Thailand Securities Depository Company Limited  
 93 Ratchadapisek Road, Dindaeng, Bangkok 10400  
 Tel. 66-2009-9000 Fax 66-2009-9991  
 TSD Call Center : 66-2009-9999  
 e-mail SETContactCenter@set.or.th  
 Website www.set.or.th/tsd

### Auditors

Mr. Viroj	Jindamaneepitak	(Certificated Public Accountant No. 3565)
Mr. Charoen	Phosamritlert	(Certified Public Accountant No. 4068)
Ms. Thanyalux	Keadkeaw	(Certified Public Accountant No. 8179)

KPMG Phoomchai Audit Ltd.  
 50<sup>th</sup> Floor, Empire Tower, 1 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120  
 Tel. 66-2677-2000 Fax 66-2677-2222

### Legal Advisors

Legal Advisors SCG Legal Counsel Limited  
 Address 1 Siam Cement Road, Bangsue, Bangkok 10800  
 Tel. 66-2586-5777 or 66-2586-5888  
 Fax 66-2586-2976

**SCG**  
**CERAMICS**



SCG Ceramics Public Company Limited

Head Office 1 Siam Cement Road, Bang Sue Bangkok10800

Telephone: 0-2586-3333, 0-2586-5474 Fax: 0-2587-0162

[www.scgceramics.com](http://www.scgceramics.com)