



## Appendix 6 Audit Committee Report

The Audit Committee independently performed their duties, in accordance with the Audit Committee Charter, which has been reviewed to keep up with current business situations and approved by the Board of Directors on an annual basis. In 2022, the Audit Committee placed emphasis on applying digital technology to auditing, governance, strategy identification, business operations, and monitoring in order to ensure that SCG achieved its goals and conducted business sustainably. To accomplish these goals, the Management and all SCG employees must have integrity, ethics, and a good understanding of their roles and responsibilities as specified by the Three Lines of Defense Model, as well as fulfill their duties in adherence to the Integrated Governance, Risk Management, and Compliance (Integrated GRC).

In 2022, the Audit Committee convened a total of six meetings, with attendance by all members every time. The annual year-end performance assessment of the Audit Committee as a whole and self-assessment were conducted, and the results were satisfactory. The areas under assessment were namely the structure and qualifications of the committee, the roles and responsibilities, the performance of duties and meetings, overall opinions, the performance of the Audit Committee's secretary, and the performance of the Internal Audit Office. In 2022, the Committee's duties could be summarized 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 for the year 2022, as well as the consolidated financial statements of SCG Ceramics Public Company Limited and its subsidiaries, which were prepared in accordance with the Thai Financial Reporting

Standards (TFRS) and in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material issues and special items and obtained sufficient clarification from the external auditors, the Management, and the Director of the Internal Audit Office. Having verified that the financial statements and the disclosure of the notes to the financial statements were in compliance with the relevant laws and financial reporting standards, the Audit Committee approved the financial statements, reviewed and audited by the external auditors, without reservation.

In addition, the Audit Committee held a meeting with the external auditors without the Management so as to freely discuss the acquisition and review of material information involved in the preparation of the financial statements, the disclosure of information in accordance with relevant financial reporting standards for the benefit of the user of the financial statements, and Key Audit Matters (KAM), as well as to see whether there was any suspicious information indicating potential fraud according to 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 2022, the external auditors made no remarks and did not find any indications of suspicious incidents. Furthermore, to ensure that no such incidents were discovered, the Audit Committee resolved that the President & CEO report the results of compliance with the aforementioned Act received from the Presidents and relevant responsible parties in all business units to the Audit Committee. In 2022, the President & CEO confirmed that no indication of such suspicious incidents had been found. Thus, the preparation of the financial statements and consolidated financial statements was conducted with

reliability, transparency, and compliance with standards, and the external auditors performed their duties independently and with verifiability.

**2. Review of Connected Transactions, Acquisition and Disposition Transactions and Transactions that might result in Conflicts of Interests** The Audit Committee reviewed the connected transactions, acquisitions or dispositions, and transactions that might result in conflicts of interest, as well as reports by relevant directors. These transactions and information were correctly reviewed and disclosed to the Stock Exchange of Thailand in a timely manner.

**3. Review of Corporate Governance** SCG continued to conduct its business in accordance with Sustainable Development and Corporate Governance principles, with reference to international standards including those of the Organization for Economic Co-operation and Development (OECD), the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET), and the Thai Institute of Directors Association (IOD). In 2022, the Audit Committee reviewed the efficiency and effectiveness of corporate governance and found that the directors, the Management, and all employees had strictly complied with the policy, with the Board of Directors and the Management serving as role models.

In 2022, There is an additional review of the guidelines and examples of the Company's Code of Conduct to be in line with relevant policies, good corporate governance principles at both national and international standards, and current operations. Moreover, learning and communication plans are prepared so that the guidelines can be adapted appropriately. To ensure the employees' awareness and understanding of business ethics, Ethics e-testing is implemented. All employees tested passed the test with a score of 100% for the eighth consecutive year. Additionally, SCG extended its commitment to its suppliers by compiling the SCG Supplier Code of Conduct for use as guidelines, with the goal of encouraging

its suppliers to be good citizens and make concrete social and environmental commitments beyond legal and regulatory requirements.

Furthermore, the Audit Committee reviewed the anti-corruption policy to be in accordance with the current business operations. SCG was also recertified by the Private Sector Collectiv Action Coalition Against Corruption Council (CAC) on September 30, 2020.

The Audit Committee, in addition to reviewing corporate governance in principle, also reviewed the practice of such matters by continuously reviewing compliance with the policy and practice of compliance. To ensure that SCG complies with regulations efficiently and effectively and prevents risks from non-compliance, SCG applied its Compliance Management System (CMS), which is in accordance with ISO19600, and integrated it into the management systems of each business unit as appropriate.

In 2022, in addition to the guidelines and checklists that are used as guidelines for the implementation of important policies, SCG has continued to ensure law compliance. In terms of important laws, a manual has been provided that includes the development and improvement of the new/changed law transmission system so that the new law is implemented accurately, promptly, and in a way that supports other compliance tools.

#### **4. Review of Risk Management Assessment**

The Audit Committee reviewed the efficiency and effectiveness of the Company's risk management process, overseen by the SCG Risk Management Committee. The committee is responsible for reviewing risk management structures and policies, risk management frameworks, and risk management plans, as well as reviewing risk profiles and monitoring the Company's risk management on a quarterly basis, presented in the form of a risk dashboard. In 2022, SCG focused on emerging risks such as business operations under prolonged geopolitical tensions, global recession caused by energy crises and inflation, the transition to a low-

carbon economy by reducing carbon emissions and circular economy, and cyber threats from increasing dependence on digital technology, all of which were considered risks of significance and were likely to materialize in the future. In preparation, the SCG Risk Management Committee has formulated risk management measures by developing medium-term plans as well as annual plans.

**5. Review of Internal Control System** The Audit Committee reviewed the results of the internal control assessment for both operational and information technology systems, both as reported on a quarterly basis and as assessed with the internal control adequacy assessment of the Securities and Exchange Commission (SEC). The Committee concluded that SCG's internal control was sufficient for its business operations. This corresponded with the external auditor's opinion that there was no material deficiency that might impact the Company's financial statements.

The Management continued to establish a decent internal control system in each work system and create an information technology system that can be applied in the company to support changes and business growth through policies, performance standards, and various practices. In addition, the Management continued to foster awareness and promote morality, ethics, anti-corruption, and internal control to its employees on an ongoing basis, by developing a Proactive and Preventive System which consists of: reviewing guidelines and adding examples of ethical practices, communicating implementation, and arranging an Ethics e-Testing and an e-Policy e-Testing.

The Internal Audit Office focused on raising awareness of governance, risk management, operational governance, and internal control matters, including cybersecurity and personal data protection. They also promoted accountability in risk management and control practices in accordance with the "Three Lines of Defense" model, as well as on presented case studies related to fraud and non-compliance with

laws, SCG's regulations, ethics, and commonly detected key issues. The goal is to give operators at all levels a better understanding of and a significant role in risk assessments, control planning, performance monitoring, impacts, and internal controls for the Company and its subsidiaries, which can all be applied to the business as appropriate and in line with the law and regulations related to both the original and the new work systems as well as the Company's new information technology system.

**6. Internal Audit** The Audit Committee conducted an annual review of the Audit Committee Charter and the Internal Audit Office Charter to ensure their relevancy to SCG's current risk and business environment. In 2022, the Internal Audit Office has promoted and supported the use of Machine Learning (ML), Robotics Process Automation (RPA), Data Analytics (DA), and IA Data lake to analyze risks more efficiently and reduce fieldwork as needed.

Furthermore, the Internal Audit Office organized online seminars to strengthen auditors' knowledge of information technology and digital technology on cybersecurity and personal data protection. Additionally, they organized workshops on the use of various techniques to create data analytics as well as organized a hackathon for the fourth consecutive year to enhance auditors' skills through project proposals under the concept of using digital technology to analyze data independently. The Office also published a document on auditing guidelines for internal control and dissemination security and collaborated with the first-line operators in developing reports using data analytics for the operators' application in supervising works under their responsibilities and for the auditors' implementation in the auditing as well.

On top of that, internal auditors have been upskilled through online seminars on anti-corruption, compliance with the ESG guidelines, and the International Standards for the Professional Practice of Internal Auditing to improve their abilities to assess the efficiency

and effectiveness of governance, risk management, and compliance with the law, regulations, and internal control.

**7. Review of the complaint and whistleblowing investigation** SCG adopted the guidelines for accepting complaints and clues and reviewed the complaints policy on fraud and misconduct to be in accordance with current business operations. Both internal and external complaints can be filed through the website: [www.scgceramics.com](http://www.scgceramics.com) in both Thai and English at any time, in addition to filing complaints via email or a letter to an independent director, the Audit Committee, the Internal Audit Office, and the Secretary of the Board.

In 2022, a total of 1 case involving non-compliance with laws, the Company's regulations, anti-corruption policy, corporate governance policy, the SCG Four Core Values, the SCG Code of Conduct, and the SCG Supplier Code of Conduct was filed through the SCG Whistleblowing System. A review and investigation were conducted but failed to substantiate the allegation. No case was related to non-compliance with the Anti-corruption Policy, the Anti-trust Policy or the Human Rights Policy. The damages were non-materiality. Findings from the investigation were taken into consideration for the determination of future procedures and preventive guidelines.

In addition, the Audit Committee reviewed the results of fraud investigations and fraud risk assessment as well as the impact of fraud cases in order to prescribe preventive guidelines for potential risks in operational systems, and consistently reviewed the measures for the revision of investigation protocols to ensure that they were up-to-date and appropriate for the business environment.

**8. Appointment of the External Auditor and Review of the Audit Fee for 2023** KPMG Phoomchai Audit Ltd. has been selected and appointed as the external audit firm of SCG and its subsidiaries. The audit firm must be selected every 5 years and reviewed, as well as proposed to the shareholders' meeting for approval

annually to take into account independence, compliance with auditing standards, quality of work, service offerings, audit methods, and to meet Key Audit Partner rotation guidelines, according to the announcement of the Office of the Securities and Exchange Commission. Based on their satisfactory performance, qualification as independent auditors, as well as their professional expertise, knowledge, experience in auditing SCG's businesses, and ability to share knowledge related to the Company's businesses in addition to auditing, the Audit Committee recommended that the Board of Directors seek approval at the Shareholders' Meeting for the appointment of Ms. Sureerat Thongarunsang, Certified Public Accountant Registration No. 4409; or Ms. Porntip Rimdusit, Certified Public Accountant Registration No. 5565; or Mr. Songchai Wongpiriyaporn Certified Public Accountant No. 10996; all of whom are auditors at KPMG Phoomchai Audit Ltd., as the Company's auditors for the year 2023; as well as for the approval of the Company's audit fee for the fiscal year 2023 and the annual audit and quarterly review fees for SCC's consolidated financial statements amounting to 1.75 Million Baht; and the acknowledgement of the annual audit fees for the year 2023 of the subsidiaries' financial statements and quarterly review fees for the financial statements of the listed subsidiaries audited by KPMG in Thailand and KPMG overseas. SCG subsidiaries were responsible for the audit fees totaling 1.163 Million Baht.

On behalf of the Audit Committee



**Dr. Prawit Ninsuwannakul**

Chairman of the Audit Committee