

Internal compliance & control and risk management

The Board of Directors give precedence to the internal compliance & control system, risk management and internal audit by assigning the Audit Committee consisting of 3 independent directors to oversee and continually review the internal control system and risk management of the Company to be effective, sufficient and accurate in accordance with the framework of the Corporate Governance (CG) and anti-corruption measures in accordance with the spirit of the Private Sector Collective Action Coalition Against Corruption (CAC) which the Company was certified in 2016 by referring to The Committee of Sponsoring Organization of the Treadway Commission (COSO) - Internal Control Integrated Framework internal control framework, which specifies the 5 key components for internal compliance & control.

With the units under the Bureau of Internal Audit consisting of the internal audit department and the compliance and control department are responsible for examining and reviewing the operational systems of various departments and then reporting directly to the audit committee to ensure the efficient and effective operation by using various resources of the Company in a worthy manner including operational control, financial reports that are accurate, reliable and timely. The compliance and control shall be made to comply with the rules and regulations of the Company and in accordance with the requirements of the law and regulations of the government and related parties. The efficiency of the internal control system is regularly reviewed periodically in order to operate the business for the best interests of the shareholders based on the fairness of the benefits of all stakeholders.

The implementation of COSO's 5 key components are as follows;

1. Control Environment

1.1 The organization adheres to honesty and ethics: All executives of the Company manage works according to the good corporate governance policy by conducting themselves as good pattern of action and adhere to the guidelines set out in the Ethics Manual and Ethics of Demco Public Company Limited.

1.2 The committee demonstrates responsibility for oversight function: Roles and duties of the Board of Directors have been set to be independent from the management party clearly. As stipulated in the corporate governance policy of Demco Public Company Limited, the Board of Directors has established operational policies in accordance with the national strategy, legal

framework and regulations and the resolution of the shareholders' meeting for effective corporate governance.

1.3 Board and Management have clear command authorized power: The Company periodically reviews and improves the management structure to be suitable and consistent with the current situation to be ready to confront with any changes that can occur all the time including to conform to mission, operations management and business expansion.

1.4 Employee development and motivation: The Company concentrates to the importance of development and support of personnel by having training plans and human resource development plans in each position for knowledge development, the ability necessary to perform their duties or even in case of changing situations with both the annual plan and important positions plan including planning to prepare for succession plans in order to maintain the continuity and competence of personnel in important positions of the organization.

1.5 The organization encourages all positions to be responsible for internal control: The Company has organizational structure and sets job responsibilities and job description so that every position has a responsibility to internal control system through the performance evaluation process that set with clear indicators including award opportunity or appropriate staff punishment etc.

2. Risk Assessment

2.1 Objectives: The Company stipulates objectives to assess the risks that may arise from the nature of works or activities of the organization which the current internal control system does not cover or unable to prevent operational errors including non-compliance with the established internal control system.

2.2 Identify the risk and risks manage method: The Company identifies and manages the risks that may arise from internal or external factors including from stakeholders that may cause mistakes and resulting the Company unable to achieve the specified objectives including the risk of the work process that goods or service must be delivered to customer. This is to ensure that internal controls can reduce the risks down to acceptable level in accordance with good practices.

2.3 Opportunities for fraud: The Company uses the internal control system as a tool to prevent the risk of fraud in the procurement process which including the acquisition of an employment contract, performing the work according to the employment contract and work examining by employer's representative. Control points in activities that have risk factors shall be set to identify

measures to prevent weaknesses in the work process or in cases that are likely to cause fraud risk and the impact of the risk.

2.4 Identify and changes analysis: The Company identifies important risk factors by evaluating internal and external factors. There is a set of criteria for determining the importance of each risk after specifying risk factors by considering the assessment of the possibility and the severity of the impact when the risk occurs.

3. Control Activities

3.1 Controlling activities to reduce risks: The Company requires all parties to create action plans for activities that are assessed for risk at all levels to reduce the risk of the work process by designing the internal control activities to be in line with the risk level, such as which activities having high risk result after assessment activities, the plan / measures for internal control improvement must be established first.

3.2 General control activities in technology: To enable the Company to manage the information technology system to be able to use efficiently and worth the investment and with transparent management that can be inspected. The Company therefore considers the appropriate internal control of the information technology system to support the internal control system, for example, specifying the steps to perform in relation to the information technology system.

3.3 Policy and control methods: Control activities are determined according to the objectives of the organization for executives at all levels to know that what the key risks of the operating procedures are and at what stage of operation there is the level of importance and opportunity for risk occurrence. This is to prevent or reduce the risks from the assessment results which affect the achievement of the objectives of internal control.

4. Information and communication

4.1 Establish and use information systems: The Company has established the Office of Information Technology Development to determine the direction of operation and to support projects that are necessary to depend on the development of information technology system which has a systematic and secure data processing process.

4.2 Data communication within the organization: The Company communicates information within the organization in order for the personnel in the organization to receive information and

manage in the same direction to be successful by communicating through various channels appropriated.

4.3 Communicate with third parties: The Company communicates with external stakeholders with appropriate communication channels according to the target group, such as community groups. To participate in various community activities regularly for good relationship including investor group and shareholders. Regularly to disclose Company information about operations and status of the Company.

5. Monitoring

5.1 Monitoring and assessment of internal control: The Company requires the audit office, which is an independent department in the Company, to be responsible for reviewing inspect and monitor the implementation of the established internal control system in order to ensure that risks have been prevented completely in accordance with the established internal control processes including compliance with business ethics and regulations in a manner that may cause conflicts of interest. In which the personnel in the audit office shall perform their duties in accordance with international standards and the Code of Ethics for Internal Auditing. The reviewed and inspected results will be reported directly to the audit committee.

5 .2 Assessment and timely communicate the deficiencies of internal controls in an appropriate manner: The Audit Office has evaluated and communicated significant faults including risks arising from weaknesses of the internal control system or from the changing environment together with suggestions for any solutions so that relevant parties can take corrective actions timely, such as to reduce risk and impact to the organization. In addition, the Company requires for submitting report to the officer of compliance and control department immediately in the case of fraud, suspected of fraud, non-compliance with regulations or other acts that may have a significant impact on the organization.