



# Internal Control and Interconnected Transactions

## Internal Control

### The Board of Directors' opinion on the internal control system

The Board of Directors places significant emphasis on and acknowledges the importance of internal control. Consequently, the management has been entrusted with evaluating the sufficiency and appropriateness of the internal control system based on the evaluation framework stipulated by the Securities and Exchange Commission (SEC). They adhere to the COSO 2013 guidelines (The Committee of Sponsoring Organizations of the Treadway Commission). Furthermore, the Audit Committee is mandated to conduct regular reviews of the internal control assessment findings to ensure that operations are efficient, effective, and compliant with legal and regulatory requirements on an annual basis. This approach ensures a balanced examination and efficient utilization of resources for the benefit of the Company.

Evaluation of internal controls based on the five components according to the COSO international standards involves the following key points:

### 1. Control Environment

The Board of Directors places paramount importance on the integrity of operations, reflected in the establishment of a comprehensive Code of Conduct as an integral part of the Company's governance framework. This code encompasses ethical guidelines for business, directors, executives, and procurement practices, serving as the cornerstone policy guiding the Company's activities. Moreover, measures to prevent conflicts of interest have been rigorously implemented, with all stakeholders required to sign acknowledgment forms upon entry and undergo annual reviews or updates.

Clear delineation of roles and responsibilities has been established between the Board of Directors, subcommittees, and management. Organizational structures, reporting lines, and delegation of authority have been meticulously outlined to ensure the attainment of organizational objectives under the vigilant oversight of the Board.

In terms of management, the Corporate Performance Committee (CPC) has been entrusted with the responsibility of overseeing the operations of the Group, aligning them with the strategic direction and goals set by the Board of Directors.

Regarding human resources management, the Company has implemented robust policies for talent acquisition and development, including succession planning, job rotation initiatives, and promotion schemes aimed at fostering employee motivation through various performance assessments. Additionally, comprehensive plans for employee skill enhancement have been rolled out alongside assessments of key performance indicators (KPIs).

To gauge employee commitment and organizational alignment, the Company conducts BCPG Engagement Surveys, aiming to bolster employee satisfaction and well-being. Adequate budgets have been allocated for relationship-building activities, fostering positive attitudes among employees towards the organization.

## 2. Risk Assessment

The Company prioritizes robust risk management in response to both internal and external changes, ensuring readiness to navigate potential impacts on its operations.

The organization's Risk Management Committee diligently oversees the development of risk management policies and plans. This vital task is carried out by the organizational strategy department in collaboration with the Strategic Think Tank Team (TTT), which sets the direction, strategies, policies, and plans for the Company and its subsidiaries. Key Risk Indicators (KRI) are utilized to monitor the likelihood of risk occurrences, encompassing opportunities for fraud and significant positive or negative changes that could affect business operations. Additionally, there is a continuous effort to update risk management manuals regularly to ensure relevance and effectiveness in identifying risks comprehensively across all levels, including corporate and functional levels. Each unit designates a Risk Coordinator responsible for liaising with the organizational strategy department, executing risk management processes, monitoring progress in risk management plans, and disseminating knowledge and understanding to executives and staff. Furthermore, the Company has formulated a comprehensive Business Continuity Management Policy for its business operations and an annual Business Continuity Plan for critical systems under ISO/IEC 27001 Information Security Management System to instill confidence in emergency scenarios.

The Audit Committee's mandate involves scrutinizing financial reports to ascertain accuracy and provide a true reflection of the Company's operations, adhering to generally accepted accounting standards and ensuring adequacy in disclosing information. In 2023, the Committee convened with auditors once, with no managerial presence.

## 3. Control Activity

The Company has established adequate control measures to align with acceptable risk levels by formulating policies and procedures across various domains, including budgeting, finance, accounting, human resources management, procurement, and related transactions. Utilizing technology, it implements controls for approval processes within defined scopes of authority and monetary thresholds, in accordance with the principles of Segregation of Duties, thus promoting decentralized power and mitigating the risk of malfeasance. In 2023, the Company upgraded its systems to comply with the Personal Data Protection Act (PDPA) and contract management laws. It also introduced Robotic Process Automation (RPA) technology in human resources management, applied Data Analytics for power generation, and developed dashboard reports for access control and data security. The Company attained ISO/IEC 27001 certification for Information Security Management Systems and actively communicated risk awareness and technology-related threat prevention methods to its employees. Furthermore, the IT department initiated Multi-Factor Authentication to enhance system security within the organization.

Concerning oversight of joint ventures, the Company has established a robust policy framework for governing such ventures, providing clear guidelines for appointed individuals serving as directors or executives. The company secretary assumes responsibility for overseeing compliance with various policies to ensure the effectiveness of the internal control system, as outlined in the Company's guidelines.

## 4. Information & Communication

The Company has established policies on various critical topics to ensure comprehensive coverage, and it communicates these policies to all employees through multiple channels, such as emails, the Company's intranet, and meetings, facilitating thorough understanding and access to information.

Adequate documentation and essential information are provided in advance through diverse communication avenues to enable the Company's Board to review them prior to meetings. There are dedicated units responsible for gathering information and compiling detailed reports for Company Board's meetings, ensuring thorough scrutiny and systematic storage for future reference.

In terms of data communication, the Company has implemented communication protocols for both internal and external channels, including:

- The Company's website (www.bcpgroup.com);
- Online platforms like Facebook;
- Investor relations and secretarial departments directly engaging with stakeholders and regulatory bodies, such as the SEC and SET, to ensure accurate, comprehensive, and transparent information disclosure;
- Internal communication channels such as the Company's intranet and email for employee correspondence;
- Channels for receiving complaints or whistleblowing related to misconduct, legal infringements, ethical breaches, inaccurate financial reporting, or internal system deficiencies, encompassing the Company's website, email, phone lines, and conventional mail.

## 5. Monitoring Activity

The Internal Audit Office, reporting directly to the Audit Committee, conducts assessments on the effectiveness, efficiency, and internal control systems of both the Company and its subsidiaries as per a predefined plan. This plan takes into account various factors as specified and incorporates findings from the Risk Based Audit assessment. Subsequently, it is presented to the Audit Committee annually for approval. Upon identifying any deficiencies or areas for improvement within the internal control systems, the Internal Audit Office communicates these issues to management and informs the Audit Committee, enabling management to initiate and execute corrective actions. Subsequent to this, the Internal Audit Office closely monitors the progress of these corrective measures and continually presents updates to the Audit Committee for review and consideration.

Following a thorough evaluation of the key aspects of the internal control system's adequacy assessment, the Company's Board aligns with the Audit Committee and auditors in affirming that the Company's internal control system is adequate and suitable for its business operations. The Company ensures it maintains a sufficient workforce to effectively implement internal control systems and oversee the operations of its Group, thereby contributing to sustainable business practices.

### Deficiencies in the Internal Control System

- None -

### Opinion of the Audit Committee Regarding the Tenure of the Head of Internal Audit:

As per the Company's management structure, the Internal Audit Office directly reports to the Audit Committee. The Audit Committee's Charter stipulates its responsibility for reviewing the appointment, transfer, dismissal, and annual performance evaluation of the head of the internal audit unit. In assessing the independence of the Internal Audit Office, the Audit Committee finds that the head of the internal audit unit possesses adequate educational qualifications, experience, and training relevant to their responsibilities, as outlined in Attachment 3.

## CONNECTED TRANSACTIONS

The connected transactions of BCPG Public Company Limited (“BCPG”) and subsidiaries with parties with potential conflicts of interest in the fiscal year ending December 31, 2022 and December 31, 2023 are summarized as follows:

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

BCP is considered an entity with potential conflicts of interest since it is a majority shareholder of BCPG with 57.81 percent of total paid-up shares (data as of December 31, 2023). It has the director in common, namely Mr. Pichai Chunhavajira.

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2022	Fiscal year ending Dec 31, 2023	
<b>Land leasing</b>			BCPG leased land from BCP in Bang Pa-In district, Phra Nakhon Si Ayutthaya province, for a total of 457-2-53 rai to be used for a 38-MW capacity Solar farm. The rental fees under the lease contract have been appraised by an independent appraiser approved by SEC. The contract lasts 22 years, and BCPG has no plan to use the land for other business purposes after contract expiry. On October 1, 2016, BCPG leased additional land of 32-3-70 rai from BCP for 21 years and 2 months, and 8-1-38 rai on February 1, 2019, for 18 years and 10 months. The two leases, with the same terms of payment and other conditions, will end simultaneously. The transactions followed normal pricing terms and general business conditions.
- Account payables	6.55	6.55	
- Right-of-use assets	86.05	80.28	
- Lease liabilities	87.11	83.32	
- Depreciation expense	5.77	5.77	
- Interest expense	3.50	3.35	
<b>Short-term borrowing</b>			BCPG had a borrowing from BCP by issuing a promissory note dated October 9, 2023, with a maturity date of January 4, 2024. The purpose of the borrowing is for investing in combined cycle power generation plants in the United States of America. The interest rate was specified in the contract. The transaction was a reasonable financial support transaction. The appropriateness of the transaction was considered by the independent financial advisor and the interest rate is comparable to financial institutions' rate.
- Interest expense for the period	-	25.60	
- Accrued interest expense	-	25.60	
- Short-term borrowing	-	2,500.00	
<b>Expenditure relating to a management contract</b>			BCPG engaged in a management contract ended December 31, 2023. BCPG under a scope of work defined under job descriptions. The secondees for executives shall possess qualifications that meet the standards that are generally recognized in a similar business. BCP will charge service fees or employment rates based on estimated salary, bonus and other compensation of secondees to BCPG in line with conditions in the management contract. The transaction was designed to support normal business as needed. The fees for services due to these secondees will be charged to BCPG by their estimated employment rates.
- Expenditure for the period	37.41	46.32	
- Account payables	3.34	49.56	

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2022	Fiscal year ending Dec 31, 2023	
<b>Expenditure relating to information system service contract</b>			BCPG engaged in an IT Service Contract starting from January 1 to December 31, 2023. The service provider was responsible for system management and other information system services under a scope of work specified in the contract.  These were normal business support transactions which occurred as needed, and the service fees as specified in the contract.
- Expenditure for the period	2.30	1.84	
- Account payables	0.23	0.16	
<b>Expenditure for rental of office space</b>			BCP charged fees for using office space. The contract started on April 1, 2021, to December 31, 2023. Under this contract, BCP shall provide services under the scope specified in the contract.  These were normal business support transactions which occurred as needed, and the service fees as specified in the contract.
- Expenditure for the period	0.18	0.18	
- Account payables	0.02	0.02	
<b>Other expenditure</b>			BCP charged other expenditure to BCPG as follows.
- Expenditure for the period	0.06	0.38	
- Account payables	0.07	-	- In 2022, BCP charged for notebook rentals. - In 2023, BCP charged for internal audit's service fee regarding the process of the Personal Data Protection Act (PDPA) and risk management processes. - These were normal business support transactions which occurred as needed, and the service fees were based on actual payment.
- Expenditure for the period	-	0.07	Asia Link Terminal Co., Ltd. ("ALT"), BCPG's indirect subsidiary, purchased materials to install with oil tanks. and received pipe inspection service from BCP.  These were normal business support transactions, which occurred as needed.
- Account payables	-	0.06	
<b>Revenue from sales</b>			BCPG sold carbon credit to BCP.  These were normal trading transactions charged at the market price (TGO average price).
- Revenue for the period	0.09	0.20	
- Account receivable	0.10	0.05	

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2022	Fiscal year ending Dec 31, 2023	
<b>Revenue from rendering of services</b>			
- Revenue for the period	-	252.00	ALT entered into oil terminal service agreements. Under these contracts, ALT is responsible for providing oil storage tanks and throughput services. The contracts last 3 years ending August 31, 2024 and 11 years 2 months ending March 31, 2033 with the terms specified in the contracts. These were related to assets and services which rental fees and conditions followed normal pricing terms and general business conditions. The rental fees were approved by the Audit Committee.
- Account receivable	-	37.45	
<b>Other income</b>			
- Revenue for the period	-	1.50	BSE Power (Lopburi) Co., Ltd. (“LOP”), BCPG’s indirect subsidiary, sold PV modules to BCP. The transaction was a normal business support which occurred as needed and charged at market prices.

### Other Parties with Potential Conflicts of Interest

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2022	Fiscal year ending Dec 31, 2023	
<b>Bangchak Retail Company Limited (“BCR”)</b>			
<b>Expenditure for rental of space</b>			
- Expenditure for the period	-	0.16	BCPG entered into the space rental agreement with BCR started on May 1, 2023 to January 31, 2026. Under this contract, BCR shall provide services under the scope specified in the contract. BCR proposed space management for the concept of BCP’s Group’s image. These were normal trading transactions charged at the comparable rental rate with nearby area.
- Account payables	-	0.02	
<b>Other expenditure</b>			
- Expenditure for the period	0.01	0.04	BCR charged other expenditure to BCPG as follows. <ul style="list-style-type: none"> <li>- In 2022, BCR charged beverage expenses and souvenirs for Analyst Meetings.</li> <li>- In 2023, BCR charged souvenirs of employee relations activities.</li> </ul> These were normal trading transactions charged at market prices.
- Account payables	-	-	

Details	Transaction value (THB million)		Necessity and justification
	Fiscal year ending Dec 31, 2022	Fiscal year ending Dec 31, 2023	
<b>Revenue from electricity</b>			BCPG charged BCR electricity fees under the power purchase agreement (PPA) from a solar power generation system. The contract started on the Commercial Operation Date (COD) to the last date of the calendar month of the specified anniversary of the COD in the contract. It was a normal business transaction with general commercial terms at market prices.
- Revenue for the period	1.94	2.24	
- Account receivable	0.40	0.31	
<b>BBGI Bio Diesel Company Limited</b>			
<b>Revenue from electricity</b>			BCPG charged BBGI Bio Diesel Company Limited. electricity fees under the PPA (2.1 MW) between BBGI Bio Diesel Company Limited (Purchaser) and the Company (Seller) on November 8, 2018. The contract started from the Commercial Operation Date (COD) to the last date of the calendar month of the 5 <sup>th</sup> anniversary of the contract. The contract was subject to five-year automatic extension up to 25 years from the COD. The electricity rate is based on the rate announced by the Provincial Electricity Authority (PEA) with a discount on the market price.
- Revenue for the period	8.29	11.56	
- Account receivable	1.01	0.95	
<b>Bangkok Fuel Pipeline and Logistics Co., Ltd. (“BFPL”)</b>			
<b>Expenditure relating to assets management and oil storage system agreement</b>			ALT entered into the assets management, oil storage system, seaport and pipeline agreements including seaport and pipeline with BFPL. BFPL is responsible for managing assets and oil storage system including seaport and pipeline to comply with laws and industry standards. These were related to assets and services which service fees and conditions followed normal pricing terms and general business conditions. The service fees were approved by the Audit Committee.
- Expenditure for the period	-	30.29	
- Account payables	-	4.60	

## Approval Procedures for Connected Transactions

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

BCPG set measures for connected transactions between BCPG and/or its subsidiaries with connected parties in compliance with the notifications of SET and the Capital Market Supervisory Board. The Audit Committee provided their views on the justification of the transactions and prices, taking into consideration related conditions which must be.

## Policies for Connected Transactions

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

## Trends for Connected Transactions

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

Other future transactions apart from those mentioned above will be undertaken in compliance with the laws on securities and exchanges, regulations, notifications, orders, or requirements of the Capital Market Supervisory Board, SEC, and SET. For future normal transactions or those normal support transactions that may recur continually, BCPG has of normal business practices in the industry and/or that market price comparison is made and/or that prices or terms of such transactions at the same level exist for third parties and/or being able to demonstrate that such transaction engagement apparently contains reasonable or fair prices.

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