

## 11. Internal Control and Risk Management

### 1. Internal Control

#### 1.1 Assessment of internal control system by the Board of Directors

Regarding the Board of Directors' meeting No. 1/2019 was held on February 27, 2019 in presence of the audit committee, the internal control system was assessed by inquiring the management about the 5 following elements of the assessment of internal control system;

- 1) Organization and Environment
- 2) Risk Management
- 3) Control activities of the management
- 4) Information and communication
- 5) Monitoring

According to the assessment, the Board of Directors considered that the company had the internal control system on the transactions with majority shareholders, directors, executives, or relevant persons sufficiently. In addition, the 5 elements of the internal control system were appropriate and sufficient to prevent assets from being misused by executives, as well as the internal audit system was independently monitored and assessed. The company also has had a well-organized system to keep important document which directors, auditors, and legally authorized persons can examine at the appropriate time.

#### 1.2 Operations on the internal control system of the company

The company and its subsidiaries place importance on the appropriate and sufficient internal control system to ensure effective business operations. Thus, the company and its subsidiaries have determined policies, regulations, and handbooks covering all processes of important operations, as well as clearly specified scope of works and responsibilities in line with the check-and-balance system.

In 2018, the internal audit office examined and supervised the internal control system of the company and its subsidiaries, monitored the results of internal control procedures by external auditors, examined policies and other significant procedures related to the anti-corruption measures. Then, the audit results were reported together with observations, comments, and suggestions, and presented to the audit committee, and submitted such copy to the executives. During the previous year, the executives had emphasized the internal control system and rectified such deficiencies in each department as the internal auditor suggested.

### 1.3 Observations of the internal auditor

In 2018, the internal audit office examined the sufficiency and effectiveness of the internal control and presented to the audit committee. Such extermination was in accordance with the degree of impacts on business operations. Such a period of time, the internal auditor assessed the internal control system of key procedures as follows;

- 1) The manufacturing procedure of Buriram Energy Co., Ltd., Buriram Power Co., Ltd. and Buriram Power Plus Co., Ltd.
- 2) The manufacturing procedure of Buriram Sugar Factory Co., Ltd.
- 3) Monitoring the audit result of the manufacturing procedure of Buriram Sugar Factory Co., Ltd.
- 4) Monitoring the audit result of the manufacturing procedure of Key Brand Fertilizer Co., Ltd.
- 5) Monitoring the audit result of human resource management and payroll procedure
- 6) Monitoring the audit result of the manufacturing procedure of Buriram Energy Co., Ltd. and Buriram Power Co., Ltd.
- 7) Monitoring the audit result of the procurement and payment procedure
- 8) Monitoring the audit result of the financial statement closing and financial reports preparing procedure
- 9) Monitoring the audit result of the advance credit and financial support procedure to sugarcane farmers
- 10) Monitoring the audit result of the anti-corruption measures

These above-mentioned procedures were operated by observations, interviews, comparison of information, audit of working processes and auditing other relevant information. The internal auditor summarized such issues and consulted with the company's officers to consider problems and rectification, and came to the mutually acceptable conclusion. Thus, the observations of the internal auditor, business operations, and monitoring results as follows;

Observation/Suggestion	Auditing/ Monitoring Results
1. Overview of determining and establishing the internal control system in the organizational level	1.The company has communicated the policies related to important business operational procedures such as anti-corruption policy, receiving and giving gifts policy, whistle-blowing policy, and so on.  2. The company has launched the SAP system in July 2018 to support the organization's operations, to prepare a financial report and to examine the information efficiently.

Observation/Suggestion	Auditing/ Monitoring Results
2. Monitoring the development and improvement of the internal control system in each business procedure	For the audit findings of 10 business procedures, the company has already rectified, improved, and took actions as summarized as follows;
2.1 The manufacturing procedure of Buriram Energy Co., Ltd., Buriram Power Co., Ltd. and Buriram Power Plus Co., Ltd. (“the power plant group”)	1. Waste management (Scrap/Waste), the power plant group should provide sufficient storage space and guidelines of waste control and management. 2. The machinery list and maintenance and repairing should be reviewed with completeness and appropriateness.
2.2 The manufacturing procedure of Buriram Sugar Factory Co., Ltd. (“BSF”)	1. Production planning and reporting are recorded and approved by the authority in writing and appropriately. 2. Fuel management should plan and manage sufficiently and appropriately. 3. Waste management (Scrap/Waste), BSF should provide sufficient storage space and guidelines of waste control and management. 4. Calibration of measuring instrument and collection of calibration certificates, including consideration period of all equipment calibration was provided. 5. The maintenance of equipment and machinery should be reviewed with completeness and appropriateness.
2.3 Monitoring the audit result of the manufacturing procedure of Buriram Sugar Factory Co., Ltd. (“BSF”)	1. The machine data was corrected according to the list of machine and the maintenance was recorded in writing. 2. A property management team is under the process of establishment.
2.4 Monitoring the audit result of the manufacturing procedure of Key Brand Fertilizer Co., Ltd. (“KBF”)	1. The temperature of fertilizer rotary drum oven was recorded regularly. 2. The quality control practice was determined to ensure quality by testing the fertilizers with the

Observation/Suggestion	Auditing/ Monitoring Results
	<p>external agency once a month.</p> <p>3. The warehouse layout was provided instead of signs due to a large number of raw materials which are inconvenient to move.</p>
<p>2.5 Monitoring the audit result of human resource management and payroll procedure</p>	<p>1. The layout of the location of fire extinguisher was improved and the fire extinguishers were inspected on a monthly basis.</p> <p>2. The company has campaigned for the workers to realize the importance of wearing personal protective equipment by creating “Safety Take” activities, preparing a “Morning Take” plan and meeting to report the results regularly.</p> <p>3. The company provided the employee handbook to specify the working regulations and employee welfare, including communication to employees for acknowledgement.</p>
<p>2.6 Monitoring the audit result of the manufacturing procedure of Buriram Energy Co., Ltd. (“BEC”) and Buriram Power Co., Ltd. (“BPC”)</p>	<p>1. The maintenance of equipment and machinery should be provided with completeness and appropriateness.</p> <p>2. A criteria of performance evaluation of the maintenance department should be provided.</p> <p>3. The environmental policy as a guideline of waste management and control was provided.</p>
<p>2.7 Monitoring the audit result of the procurement and payment procedure</p>	<p>The company regularly evaluate the quality of suppliers.</p>
<p>2.8 Monitoring the audit result of the financial statement closing and financial reports preparing procedure</p>	<p>The company collected the individual receivables data on the SAP system instead of manual data collection that the new system supports the recording of individual receivables data card.</p>
<p>2.9 Monitoring the audit result of the advance credit and financial support procedure to sugarcane farmers</p>	<p>1. The credit evaluation and approval procedure was determined in writing.</p> <p>2. The company provided data entry system about guarantee agreement to allow each agriculturist to</p>

Observation/Suggestion	Auditing/ Monitoring Results
	guarantee not exceeding 4 borrowers in each crop year.
2.10 Monitoring the audit result of the anti-corruption measures	Auditing and monitoring other significant procedures as follows; <ul style="list-style-type: none"> <li>● Sales and marketing procedures</li> <li>● Procurement and contract procedures</li> <li>● Human resources management procedures</li> <li>● Risk assessment procedures of anti-corruption measures</li> </ul>

## 2. Risk Management

The company's Risk Management Committee has established the risk management policy and procedures for the risk management office to execute that is responsible for defining and designing work system including identification of risk factors. To plan business operations or performance by considering the risk factors which will make the office can design a system with a control point that will enable it to manage and control risks at an acceptable level as detailed in the risk factors section. The risk management principles will be in compliance with the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) as defined.

The Risk Management Committee is aware of risk management, therefore to appoint the risk management office in order to monitor risk management based on the risk management framework, which was called Three Line of Defence as well as to provide awareness to all employees across the organization on risk management by organizing in-house training. In 2018, Buriram Sugar Group focused on the management of occupational health and safety of employees.

In addition, the company regularly organized training to educate employees for corporate risk management basis for the operational level to understand the risk management process especially the risk response planning based on the 4T's Strategic Approach, and the Control Activities consisting of 4 control elements, that is; 1. Preventive Control, 2. Detective Control, 3. Corrective Control, and 4. Directive Control. This will enhance the well understanding among the operational level to ensure the achievement as targeted by the organization and in the same direction.