

**Policy on Governance and Management of Subsidiaries  
and Associated Companies operating Core Business**

**SCG Chemicals Public Company Limited**

The Board of Directors Meeting of SCG Chemicals Public Company Limited (“the Company”) No. 279 (15/2021) held on December 18, 2021 resolved to approve the first Policy on Governance and Management of Subsidiaries and Associated Companies operating Core Business, and the Board Meeting No. 282 (3/2022) held on March 30, 2022 subsequently endorsed the continuous enforcement of this Policy upon the conversion of the Company into a public limited company.

To comply with the good corporate governance principles regarding the establishment of the scopes and mechanisms on governance of the policies and operations of the subsidiaries and other businesses in which the Company has substantial investments, to the extent commensurable to each of these businesses, the Company’s Board of Directors Meeting deemed appropriate to approve the policy on governance and management of subsidiaries and associated companies operating core business, for the purpose of establishing the scopes and mechanisms for direct and indirect governance and management of the policies and operations of the subsidiaries and associated companies, as well as the measures to appropriately follow up on their operating results to efficiently protect the Company's benefits from its investments so as to enhance confidence of the Company's shareholders.

This policy will be applicable proportionately to the Company's rights and shareholding ratio in the subsidiaries and associated companies, and so long as it is not contrary to or inconsistent with the laws, rules, or regulations of other jurisdictions that are enforceable against such subsidiaries and associated companies, and does not cause the Company's subsidiaries and associated companies in other jurisdictions to lose any rights and benefits to which they are entitled under the laws of those jurisdictions.

This policy on governance and management of subsidiaries and associated companies that operate the core businesses is divided into two parts as detailed below.

**Part 1: Supervision and management of the subsidiaries that operate the core businesses, and are (a) the central subsidiary; (b) the independent subsidiary; and (c) the subsidiary that are under the supervision of the central subsidiary but are of a significant size, and the associated companies that operate the core businesses**

**1. Definitions**

- 1.1 "Subsidiary" means a subsidiary that operates the core businesses, and is (a) the Central Subsidiary; (b) the Independent Subsidiary; and (c) the Subsidiary that is under the supervision of the Central Subsidiary, but is of a significant size (if any), according to the definition and description provided in the relevant notifications of the Capital Market Supervisory Board and the Securities and Exchange Commission.
- 1.2 "Central Subsidiary" means a subsidiary that operates the core business, in which the Company has in place a governance mechanism to enable that central subsidiary to sufficiently and appropriately control the administration and management of significant matters of the subsidiaries that operate the core businesses in its group, according to the definition and description provided in the relevant notifications of the Capital Market Supervisory Board and the Securities and Exchange Commission.
- 1.3 "Independent Subsidiary" means a subsidiary that operates the core business and is not in the group of the Central Subsidiary, and is not under the supervision of the Central Subsidiary.
- 1.4 "Subsidiary that is under the supervision of the Central Subsidiary but is of a significant size" means a subsidiary that operates the core business and is under the supervision of the Central Subsidiary, but has a size that is substantial relative to the size of the Company.
- 1.5 "Associated Company" means an associated company that operates the core business according to the definition and description provided in the relevant notifications of the Capital Market Supervisory Board and the Securities and Exchange Commission.

## **2. The appointment or nomination of persons as directors or executives in the Subsidiary and the Associated Company**

2.1 The appointment or nomination of persons as directors or executives in the Subsidiary and the Associated Company to be in charge of supervising and managing the businesses of the Subsidiary or the Associated Company is an important governance mechanism to ensure that the Subsidiary and the Associated Company efficiently comply with the policies, targets, vision, business plans, and growth strategies of the Company. Therefore, the Company should appoint persons as directors or executives in the Subsidiary and the Associated Company at least pro rata to its shareholding ratio in that Subsidiary or Associated Company, except for the case where there are restrictions or compliance under applicable laws and regulations or the case where there are limitations or compliance under the relevant joint venture agreements or shareholders agreements in relation to the Subsidiary or Associated Company that the Subsidiary or Associated Company has business necessity to have a business partner(s) involved. The business necessity means a specialized expertise in business operations, an expertise in technology, a network of customers or distributors, an ability to provide resources and raw materials for production or sale for business operations, qualifications or abilities to apply for or obtain a license or patent used in the business operations, human resources used in business operations, or knowledge and understanding of local business operations, whereby the management power of the Subsidiary or Associated Company shall remain in accordance with the shareholding ratio.

For the appointment or nomination of directors or executives of the Subsidiary or Associated Company, the Board of Directors of the Parent Company shall act with responsibility, caution and honesty for the best interests of the Parent Company, the Subsidiary and Associated Company.

2.2 The Company's board of directors will consider the potential candidates list at least once a year and assign the Chief Executive Officer to consider the appointment and transfer of persons from the candidates list approved by the board to represent the Company as directors and executives in the Subsidiary and the Associated Company operating core business, and report to the Company's board of directors at least once a year. To be eligible for the appointment or nomination as a director or an executive in the Subsidiary and the Associated Company, a person must possess the following qualifications:

- (a) being fully qualified, and having no prohibited characteristics, as specified in the applicable laws or requirements;
- (b) having knowledge, ability, and experience beneficial for business operations and suitable for the performance of his or her duties;
- (c) having leadership, and being able to offer extensive viewpoints and ideas that are necessary to drive and fulfill the objectives of that Subsidiary and the Associated Company; and
- (d) being able to make justifiable decisions in accordance with the Company's corporate governance and code of conduct. However, when considering to appoint any person, in addition to the foregoing criteria, the specific characteristics or any other conditions of each Subsidiary and Associated Companies must also be taken into consideration, for example:
  - (1) its existence under complicated or high-risk principles or regulations, for instance, being a public limited company listed on domestic or foreign securities markets;

- (2) the Company's shareholding ratio in the Subsidiary, if there is a joint venture partner, since the terms and conditions of the joint venture agreement or shareholders agreement must be taken into consideration; and
- (3) the statutory provisions of the country in which the Subsidiary and the Associated Company operates its business, or is incorporated.

2.3 Directors and executives appointed or nominated by the Company will have the duties and responsibilities as follows;

- (a) To ensure that the Subsidiary and the Associated Company complies with the applicable laws, articles of association, rules, and regulations; has good management; complies with the Company's corporate governance principles, code of conduct, and anti-corruption policy, as well as other policies of the Company or that are consistent with the Company's policies.
- (b) To provide the guidelines on determining the direction of the Subsidiary's and the Associated Company's strategies, policies, and business plans, which must be consistent with the Company's direction; and to promote innovations and the use of technologies to improve the Subsidiary's and the Associated Company's competitiveness.
- (c) To report the Subsidiary's and the Associated Company's operating results, and to accurately and completely disclose its information to the Company in a timely manner, as specified in this policy.
- (d) To ensure efficient business operations by the Subsidiary and the Associated Company, and to appropriately manage the Company's returns on the investment in that Subsidiary and Associated Company.

2.4 Unless otherwise specified in this policy or by the Company's board of directors, the directors and executives appointed or nominated by the Company shall have the discretion to cast a vote at the board of directors' meetings of the Subsidiary and the Associated Company on matters regarding its general management and normal business operations as they deem appropriate for the utmost benefits of the Company and the Subsidiary or the Associated Company (as the case may be), except for matters in which these directors and executives have special interests.

### **3. Matters that require the Company's board of directors' meeting or shareholders' meeting approval prior to the implementation**

Directors and executives of the Subsidiary or the Associated Company that are appointed or nominated by the Company must ensure that before the Subsidiary or the Associated Company enters into a transaction or takes any action that is material to or affects the Subsidiary's or Associated Company's financial position and operating results, as described in its authorization manual or articles of association, that transaction or action must be approved by the Company's board of directors or by the Company's shareholders' meeting (as the case may be), before the Subsidiary or the Associated Company holds its board of directors' meeting and/or shareholders' meeting to consider and approve that matter.

Any transaction or action of the Subsidiary in the following cases must be approved by the Company's board of directors or by the Company's shareholders' meeting (as the case may be).

3.1 Matters that must be approved by the Company's board of directors.

- (1) An appointment or nomination of the Subsidiary's directors and executives at least pro rata to the shareholding ratio of the Company in that Subsidiary, unless the Company is subject to certain restrictions or the joint venture agreement or shareholders agreement related to the Subsidiary, only for the

case that the Subsidiary has business necessity to have a business partner(s) involved. The business necessity means a specialized expertise in business operations, an expertise in technology, a network of customers or distributors, an ability to provide resources and raw materials for production or sale for business operations, qualifications or abilities to apply for or obtain a license or patent used in the business operations, human resources used in business operations, or knowledge and understanding of local business operations, whereby the management power of the Parent Company in the Subsidiary shall remain in accordance with the shareholding ratio.

For the appointment or nomination of directors or executives of the Subsidiary or Associated Company, the Board of Directors of the Parent Company shall act with responsibility, caution and honesty for the best interests of the Parent Company, the Subsidiary and Associated Company.

Unless otherwise specified in this policy or by the Company's board of directors, the directors and executives of the Subsidiary who are appointed according to Clause 3.1 (1) shall have the discretion to cast a vote at the board of directors' meetings of the Subsidiary on matters regarding its general management and normal business operations as these directors and executives deem appropriate for the utmost benefits of the Company and the Subsidiary, except for matters in which these directors and executives have special interests.

In this regard, the directors and/or executives of the Subsidiary who are appointed under the aforementioned paragraphs must be the persons whose names are included in the Whitelist, and must possess the qualifications, duties, roles, and responsibilities as prescribed by relevant laws, and have no untrustworthy characteristic according to the Notification of the Securities and Exchange Commission re: Determination of Untrustworthy Characteristics of Company Directors and Executives.

- (2) A capital increase by issuance of the Subsidiary's newly issued shares, and the allocation of shares or the reduction of the Subsidiary's registered and/or paid-up capital, that is not pro rata to the existing shareholding ratio of the shareholders, or any other action that will result in more than 10 per cent decrease in the proportion of the Company's shareholding and/or voting rights, direct or indirect, in any tier, of the total votes at the subsidiary's shareholders' meeting or the Subsidiary's paid-up capital (as the case may be), or that will result in the Company losing control over the subsidiary, unless this is stated in the Subsidiary's business plan or annual budget that has been approved by the Company's board of directors.
- (3) Consideration of a payment of the Subsidiary's annual dividends and interim dividends (if any), except when the dividends paid by the Subsidiary for the whole year are not less than the amount as specified in its annual budget or such payment of dividends is in accordance with its dividend payment policy.
- (4) An amendment to the Subsidiary's Articles of Association, only matter that is considered material, such as change of accounting period, except for amendment to the articles of association on material matters that is in accordance with Clause 3.2 (1), which must be approved by the Company's shareholders' meeting.
- (5) Consideration and approval of the Subsidiary's annual budget, except for the cases set out in the delegation of authority of the Subsidiary that has already been approved by the board of directors of the Company.

Regarding transactions in Clause 3.1 (6) to Clause 3.1 (9), before the persons appointed by the Company as directors of the Subsidiary will cast a vote on these transactions in the Subsidiary's board of directors' meeting, they must obtain approval of these

transactions by the Company's board of directors. This is however provided that the size of a transaction entered into by the Subsidiary, when compared to the size of the Company (the criteria prescribed in the relevant Notifications of the Capital Market Supervisory Board and of the Board of Governors of the Stock Exchange of Thailand will be applied *mutatis mutandis*), meets the threshold for consideration and approval from the Company's board of directors.

- (6) The Subsidiary's agreement to enter into a transaction with a connected person, or a transaction relating to acquisition or disposition of the Subsidiary's assets, including but not limited to the followings:
  - (a) the transfer or waiver of rights and privileges, including waiver of claims against the person causing damages to the Subsidiary;
  - (b) the sale or transfer of the Subsidiary's business, in whole or in material part, to another party that is not the Company's affiliate;
  - (c) the purchase or acceptance of the transfer of another company's business that is not the Company's affiliates' business;
  - (d) the entry into, or the amendment or termination of a lease agreement of the Subsidiary's business, in whole or in material part, including assignment of another party to manage the Subsidiary's business; or merger of the Subsidiary's business with another party that is not the Company's affiliate for the purpose of profit or loss sharing; and
  - (e) the lease or letting on hire-purchase of the whole or any substantial part of the Subsidiary's business or assets.
- (7) Borrowing money, lending money, giving credits, giving guarantee, taking a juristic act to bind the Subsidiary to take on additional financial obligations, or providing any other financial assistance to another party in a significant amount which is not its normal business, except for the loans between the Company and the Subsidiary or between the Subsidiaries in the Company's group.
- (8) Dissolution and liquidation of the Subsidiary.
- (9) Other transactions that are not the Subsidiary's normal business transactions, and that will significantly affect the Company.

3.2 The following cases must be approved by the Company's shareholders' meeting with affirmative votes of at least three-quarters of the total votes of shareholders present and eligible to vote.

- (1) An amendment to the Subsidiary's articles of association with respect to matters that may significantly affect its financial position and operating results, including but not limited to an amendment to any of the Subsidiary's articles of association that may affect the Company's right to nominate or appoint directors or executives of the Subsidiary pro rata to the shareholding ratio of the Company in the Subsidiary, to vote in the Subsidiary's board of directors' meetings and/or shareholders' meetings, or to pay dividend.

For the items in Clause 3.2 (2) to Clause 3.2 (6), only when the size of a transaction to be entered into by the Subsidiary, when compared to the size of the Company (the criteria of transaction calculation as prescribed in applicable Notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand Commission will be applied *mutatis mutandis*), meets the threshold for consideration and approval from the Company's shareholders' meeting.

- (2) The Subsidiary's agreement to enter into a transaction with a connected person, or a transaction relating to acquisition or disposition of the Subsidiary assets including but not limited to the followings:

- (a) the transfer or waiver of rights and privileges, including waiver of claims against the person causing damages to the Subsidiary;
  - (b) the sale or transfer of the Subsidiary's business, in whole or in material part, to another party that is not the Company's affiliate;
  - (c) the purchase or acceptance of the transfer of another company's business that is not the Company's affiliates' business;
  - (d) the entry into, or the amendment or termination of a lease agreement of the Subsidiary's business, in whole or in material part, including assignment of another party to manage the Subsidiary's business; or merger of the Subsidiary's business with another party's that is not the Company's affiliate for the purpose of profit or loss sharing; and
  - (e) the lease or letting on hire-purchase of the whole or any substantial part of the Subsidiary's business or assets.
- (3) A capital increase by issuance of the Subsidiary's newly issued shares and the allocation of shares, including the reduction of the Subsidiary's registered and/or paid-up capital, that is not pro rata to the existing shareholding ratio of the shareholders, or any other actions that will result in a decrease in the proportion of the Company's shareholding and/or voting rights, direct or indirect, in any tier, to a level lower than that prescribed in the laws applicable to the Subsidiary, consequently depriving the Company of the power to control the Subsidiary.
- (4) Borrowing money, lending money, giving credits, giving guarantee, taking a juristic act to bind the Subsidiary to take on additional financial obligations, or providing any other financial assistance to another party in a significant amount that is not its normal business, except for the loans between the Company and the Subsidiary or between the Subsidiaries in the Company's group.
- (5) Dissolution and liquidation of the Subsidiary.
- (6) Other transactions that are not the Subsidiary's normal business transactions, and that will significantly affect the Subsidiary.

#### **4. Disclosure of the Subsidiary's information**

- 4.1 Directors of the Subsidiary must completely and correctly disclose to the Company the information on the Subsidiary's financial position and operating results, connected transactions, transactions that may have a conflict of interest, including acquisition or disposition of assets and/or significant transactions in a timely manner, as prescribed by the Company. In this regard, the applicable notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand will apply *mutatis mutandis*.
- 4.2 Directors and executives of the Subsidiary must avoid conducting a transaction that may cause a significant conflict of interest with the Subsidiary's interest. If such transaction occurs, they have the duty to inform the Subsidiary's board of directors and the Subsidiary's board of directors has the duty to inform the Company's board of directors of the same within the period of time determined by the Company so as to support their consideration or approval in which the overall interests of the Subsidiary and the Company will be taken into consideration.

The Subsidiary's directors must not take part in approving any matter in which they have an interest or conflict of interest, directly and/or indirectly.

The following actions that result in the Subsidiary's directors or executives or related parties receiving financial benefits other than those they are normally entitled to, or cause damage to the Company or the Subsidiary, will be assumed to be actions causing a significant conflict of interest with the Subsidiary's interest:

- (a) transactions made between the Subsidiary and a director, executive, or related party that are not in accordance with the criteria regarding the entry into connected transactions and/or relevant notifications as amended and enforced at the time;
- (b) the use of the Company's or the Subsidiary's information that comes to knowledge, unless it has been disclosed to the public; or
- (c) the use of the Company's or the Subsidiary's assets or business opportunities in the same manner as that of the Company, which violates the rules or general practices designated by the Capital Market Supervisory Board.

4.3 Directors of the Subsidiary must report on business operation plans, business expansion, large investment projects as approved by the Company, and joint investment with other business operators, to the Company through a monthly performance report, and shall give clarification and/or submit documents to support consideration of those matters at the Company's request, except in the case that such operations are within the Subsidiary power or authority which are not required by law or the Subsidiary's articles of association to be approved by the Company.

4.4 Directors of the Subsidiary must give clarification and/or submit information or documents relating to operations to the Company if reasonably requested.

4.5 Directors of the Subsidiary must give clarification and/or submit relevant information or documents to the Company, if the Company detects any significant issue.

4.6 Directors of the Subsidiary must ensure that the Subsidiary maintains an internal control system, a risk management system and an anti-corruption system that are appropriate, efficient, and circumspect enough to assure that the Subsidiary's operations will be truly and continuously in accordance with the Company's plans, budget, policies, laws and notifications regarding the good corporate governance of a listed company, including relevant notifications, regulations and rules of the Capital Market Supervisory Board, the Securities and Exchange Commission, and the Stock Exchange of Thailand, to prevent corruption that may occur to the Company. The Subsidiary's directors must also provide a clear work system to show that the Subsidiary is sufficiently organized to continually and reliably disclose information, and will provide a channel for the Company's directors and executives to access data of the Subsidiary, to follow up with the Subsidiary to disclose information on, financial position and operating results, the related transactions, acquisition and disposition transactions, transactions that might cause conflict of interest, and/or other material transactions of the Subsidiary. In addition, the Subsidiary's directors must provide a review mechanism for such work system in the Subsidiary by allowing the Company's internal audit team and directors to have direct access to data, and ensuring that the result of the work system review is reported to the Company's directors and executives to ensure that the Subsidiary consistently performs in accordance with the provided system.

## **5. Use of the Subsidiary's internal information**

The Subsidiary's directors, executives, employees, workers or designated persons, including their spouses and minor children, must not use the Company's or the

Subsidiary's internal information obtained through performance of duty or otherwise that has or might have significant effects on Company's securities price, for the benefits of themselves or others, directly and/or indirectly, regardless of whether any return is received.

**6. Transactions by a director, an executive, or a related party of the Company**

The Company's directors, executives or related parties can make a transaction with the Subsidiary only after the transaction has been approved by the Subsidiary's board of directors and/or the Company's board of directors, and/or the Subsidiary's shareholders' meeting and/or the Company's shareholders' meeting (as the case may be), based on the transaction size calculated (the criteria of transaction calculation as prescribed in the relevant notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand will be applied *mutatis mutandis*), unless the transaction is a commercial agreement that a reasonable person would enter into with any contract party in general under the same situation, by the exercise of commercial bargaining power without influence from the position of director, executive or related person, as the case may be, and has been approved by the Company's board of directors, or is in accordance with the principles approved by the Company's board of directors.

**Part 2: Supervision and management of the subsidiaries that operate the core businesses, and are under the supervision of the central subsidiary, with a size that is not significant to the Company**

**1. Definitions**

- 1.1 "Subsidiary" means a subsidiary that operates the core businesses, and is under the supervision of the Central Subsidiary, with a size that is not significant to the Company, according to the definitions and description provided in the relevant notifications of the Capital Market Supervisory Board and the Securities and Exchange Commission.
- 1.2 "Central subsidiary" means a subsidiary that operates the core business, in which the Company has in place a governance mechanism to enable that central subsidiary to sufficiently and appropriately control the administration and management of significant matters of the Subsidiaries that operate the core businesses in its group, according to the definition and description provided in the relevant notifications of the Capital Market Supervisory Board and the Securities and Exchange Commission.

**2. The appointment or nomination of persons as directors and executives in the Subsidiary**

The provisions in Clause 2 of Part 1 will apply *mutatis mutandis*. The Central Subsidiary will appoint the Chief Executive Officer to appoint or nominate the persons as directors or executives in the Subsidiary from the candidates list approved by the board of directors of the Parent Company. Such list shall be considered by the board of directors of the Parent Company at least once a year and reported to the board of the Central Subsidiary at least once a year.

**3. Matters that must be approved by the Central Subsidiary's board of directors meeting or shareholders meeting before the implementation**

The provisions in Clause 3 of Part 1 will apply *mutatis mutandis*. The Subsidiary must obtain approval by the Central Subsidiary's board of directors' meeting or shareholders'



meeting before implementing the specified matters. The Central Subsidiary or its board of directors (as the case may be) may seek further approval from the Company's board of directors' meeting or shareholders' meeting, as deemed necessary or appropriate.

**4. Disclosure of the Subsidiary's information**

The provisions in Clause 4 of Part 1 will apply *mutatis mutandis*. The Subsidiary must disclose, inform, report, clarify, or submit information (as the case may be) to the Central Subsidiary or the Central Subsidiary's board of directors (as the case may be); and the Central Subsidiary or the Central Subsidiary's board of directors (as the case may be) must further disclose, inform, report, clarify, or submit that information (as the case may be) to the Company, as deemed appropriate.

**5. Use of the Subsidiary's internal information**

The provisions in Clause 5 of Part 1 will apply *mutatis mutandis*.

**6. Transactions by a director, an executive, or a related party of the Company**

The provisions in Clause 6 of Part 1 will apply *mutatis mutandis*. The Subsidiary must obtain approval from the Central Subsidiary's board of directors' meeting or shareholders' meeting before implementing the specified matters. The Central Subsidiary or its board of directors (as the case may be) may seek further approval from the Company's board of directors' meeting or shareholders' meeting, as deemed necessary or appropriate.

The Audit and Risk Management Committee Meeting No. 5 (2/2022) held on March 28, 2022, has considered the governance mechanism prescribed in Part 2, and is of the opinion that it will enable the Central Subsidiary to sufficiently and appropriately control the administration and management of significant matters of the subsidiaries that operate the core businesses and are under its supervision. The Company will have a measure to review the sufficiency and appropriateness of this mechanism annually.

This Policy shall be effective from August 20, 2022 onwards.

**Announced on August 20, 2022**

*-signed by-*

**(Mr. Chumpol NaLamlieng)  
Chairman of the Board of Directors**

Note:

- 1) The first amendment to this Policy on Governance and Management of Subsidiaries and Associated Companies operating Core Business was made pursuant to the resolution of the Board of Directors Meeting No. 282 (3/2022) on March 30, 2022..
- 2) The second amendment to this Policy on Governance and Management of Subsidiaries and Associated Companies operating Core Business was made pursuant to the resolution of the Board of Directors Meeting No. 5 (5/2022) on August 20, 2022.