

Antitrust Policy

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 Antitrust Policy, and the Board Meeting No. 282 (3/2022) held on March 30, 2022 subsequently endorsed the continuous enforcement of the policy upon the conversion of the Company into a public limited company.

Definitions

SCG Chemicals means SCG Chemicals Public Company Limited and its subsidiaries according to its consolidated financial statements.

SCG Chemicals realizes the importance of conducting business with fairness under the legal framework while taking into consideration trade ethics, benefits of both customers and trade partners, as well as fair competition under the Trade Competition Act. The Board of Directors, by the resolution of the meeting of the Board of Directors has thus resolved to issue this Antitrust Policy, which employees of SCG Chemicals are required to study and strictly comply with.

Antitrust Policy

1. SCG Chemicals shall always engage its business to adhere to fairness and ethics, respect rules and regulations, and strictly comply with antitrust laws. SCG Chemicals shall not engage or involve in any practice that may result in unfair competition, distortion of market mechanism or free trade, or undermining or causing damages, obstruction, or restriction to business operations of others.
2. In case SCG Chemicals has a dominant position in the market according to the law, SCG Chemicals shall not unfairly or unreasonably abuse such market dominance which may distort market mechanism.
3. SCG Chemicals shall not directly or indirectly engage in any practice that may cease competition with its competitors, including not to exchange business information or enter into agreements with its competitors, trade partners, or customers in order to reduce or limit competition in the market.
4. All units involved, both domestic and overseas, shall be required to study and comply with applicable antitrust laws, regulations and policies, including trade practices of the countries where SCG Chemicals has business operations, including regulations on merger control.
5. Employees of SCG Chemicals shall be aware at all times that compliance with antitrust laws is of paramount importance and shall exercise utmost caution in carrying out operations to ensure that SCG Chemicals respects antitrust laws and trade ethics. SCG Chemicals shall inform its trade partners of the significance of compliance with antitrust laws.
6. All units involved in transactions and investment activities shall establish control and audit system to ensure full compliance with antitrust laws.
7. To ensure compliance with this Antitrust Policy, SCG Chemicals Code of Conduct and Corporate Governance Handbook shall also be applied to the operations.
8. Non-compliance with this Antitrust Policy is considered a violation of SCG Chemicals Code of Conduct.

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This guidance is made to provide information, instruction and appropriate practice to ensure that employees of SCG Chemicals will have knowledge and understanding of principles, reasons and practices considered risky to be wrongful act. This guidance covers the following scope:

1. Any business operation, trade and investment of the Company and its subsidiaries included in the consolidated financial statements (collectively called “SCG Chemicals”);
2. Directors and employees of SCG Chemicals including permanent employees under employment contracts, probationers and employees having special employment contracts with SCG Chemicals in the countries where SCG Chemicals has business operations;
3. Any legal action, contract, or any action between SCG Chemicals and others no matter it is finance, business or asset involvement such as service, procurement, sale, engagement, financial support, technical or personnel support, etc. (collectively called “transaction”) made with other business operators such as suppliers of good or raw material, customers, purchasers who purchase products from the Company to re-sale or self-use, service provider or taker (collectively called “supplier”) and business operator of the same nature of goods or services or those which are substitutional (collectively called “competitor”).

If there may be any doubt regarding practices under the trade competition guidance, please consult your supervisor or legal adviser.

This guidance is divided into 3 main aspects as follows:

- 1) Business operator with a dominant position of market power and unfair trade;
- 2) Trade practice;
- 3) Joint agreement practice resulting in monopoly. Details are as follows:

1. Business operator with a dominant position of market power and unfair trade

1.1 Business operator with a dominant position of market power

The first main principle of Trade Competition Act is to control practices of the business operator with a dominant position of market power which generally means a business operator having high market share and sales revenue in any good because the practice of the business operator with a dominant position of market power will materially affect competition in the market in terms of competition system, competitors, suppliers and consumers. According to the Trade Competition Act B.E. 2560, only having dominant position in the market is not wrong but it is wrong if the business operator with a dominant position of market power has abused its market power either by exploitative abuse or exclusionary abuse.

Definition of “business operator with a dominant position of market power” according to Trade Competition Act B.E. 2560

“Business operator with a dominant position of market power” means:

- (1) a business operator, in any good or service, having a market share of 50 percent or more and sales revenue of 1,000 million Baht or more in the previous year; or
- (2) the top three business operators, in any good or service, having a combined market share of 75 percent or more and individually having sales revenue of 1,000 million Baht or more in the previous year.

In determining the market share and sales revenue of a business operator, the market share and sales revenue of all companies in the same group shall be combined because they are considered as having the “relationship in policy or commanding power” and they are perceived as the single business entity without competition among themselves. Therefore, if a company in SCG Chemicals may have its market share lower than the threshold to be qualified as a business operator with a dominant position of market power such as having less than 50 percent of market share in packaging paper market but if the combined market share in packaging paper market of such company and the other companies in SCG Chemicals reaches 50 percent or more, it is considered that those companies of SCG Chemicals, as the single business entity, are the business operators with a dominant position of market power in packaging paper.

Definition of “relationship in policy or commanding power” according to Trade Competition Act B.E. 2560:

“Relationship in policy or commanding power” means a relationship between 2 or more business operators having direction, policy or management under the commanding power of the same business operator.

“Commanding power” means controlling power caused by any of the following:

- (1) holding more than 50 percent of all voting rights of a business operator;
- (2) having control over majority of votes at the general meeting of shareholders, either directly or indirectly, of a business operator;
- (3) having the power to appoint or remove at least half of the directors, either directly or indirectly, of a business operator;
- (4) having commanding power according to (1) or (2) and carrying on every series starting the first of series from a business operator.

In determining a business operator with a dominant position of market power, the market share and sales revenue of such business operator will be firstly considered on scope of relevant market by including substitutional goods or services in calculation of the market share and sales revenue. Goods or services which are substitutional are perceived in principle that they are in relevant market. Substitution will be considered in several relevant aspects including specifications, prices, purposes of use, sale channels, group of customers, consumers’ point of view, etc.

However, in some cases a business operator may not be considered as having dominant position of market power although its market share or sales revenue meets the threshold prescribed by law because the Trade Competition Act allows to bring factors regarding competition of good or service markets into consideration including numbers of business operators in the market or

entering into the market of new business operators, market expansion or capacity expansion of business operators in said market, etc.

1.2 **Unfair trade**

In addition to controlling the practices of business operators with dominant position of market power, the Trade Competition Act disallows any business operators to do **unfair trade practices no matter said business operator has dominant position of market power or not**.

However, practices of the business operator with dominant position of market power will be observed and risky to be against the Trade Competition Act easier because the law is desirous of controlling practices of major business operators more strictly than minor business operators.

Unfair trade practices may be in the forms of trade barrier, intervening, direct or indirect, other business operators, creating restrictions of doing business of other business operators, which incurs damage to other business operators and disadvantage or non-competition in the market.

The Trade Competition Act defines in principle that practices that may be subject to illegal either by a business operator with dominant position of market power or unfair trade shall be those conducted without justifiable reason or imposing unfair condition. Trade practices reasonably conducted with necessity underlying common practices or trade traditions may be considered not to be against the Trade Competition Act such as franchise business that a franchisor requires its franchisee to purchase raw materials from said franchisor or its assignee in order to maintain the standards of goods or services or quality control, etc.

2. **Trade practice**

Practices of a business operator with dominant position of market power or unfair trade practices are variety and may have different purposes. In general, they can be divided into 2 groups namely (1) price behavior and (2) non-price behavior. Details are as follows:

2.1 **Price behavior**

Unfairly fixing or maintaining the level of purchasing or selling price of a good or service by way of the following relevant practices:

2.1.1 **Unfairly fixing low purchasing price**

means fixing the purchasing price of a good such as raw material at a low and unfair price by fixing or reducing purchasing price to be lower than the market price at normal competition or the historical purchasing price which causes damage to the supplier of said good or raw material and may cause damage to other competitors who purchase such raw material at a higher price due to higher cost and non-competitiveness and eventually exit the market. This practice is frequently conducted when there are few suppliers of such good or service, the purchaser is hence powerful to force the price to be lower than the market price or the price ever purchased unreasonably.

2.1.2 **Unfairly fixing high purchasing price**

means fixing the unfair purchasing price of a good or raw material by fixing or increasing purchasing price to be higher than the market price at normal competition or the historical purchasing price or the competitors' purchasing price in normal competition market which causes the competitors fail to purchase said good or raw material or their cost is highly increasing and cannot compete or causes difficulty for new comers to the market.

However, the purchasing price may be higher in case of shortage of goods due to rapidly increasing demand.

2.1.3 Unfairly fixing selling price below cost

Sale below cost means fixing or reducing the selling price to be lower than average total cost which comprises of fixed cost and variable cost provided that said business operator who conduct sale below cost can carry the burden of loss for a while or can be contributed by profits of other goods and resulting in non- competitiveness of other business operators or barrier to new business operators due to worthless investment.

In case of sale promotion for new to market products, sale below cost might not a wrong-doing practice provided that such sale below cost is conducted not for a long period depending upon type and category of the goods or services which normally is no longer than 1 month except for the goods requiring fast selling to mitigate loss such as fresh goods, nearly expired goods, out-of-fashion goods, etc.

2.1.4 Unfairly fixing high selling price

means fixing high selling price or highly increasing the selling price unfairly compared with cost of production and sale without reasons from higher cost or higher increasing selling price over increasing cost which is the price at a level higher than market price at normal competition in order to gain undue profit margin or higher than possible profit margin at normal trade of each business or higher than the profit margin ever received which may cause damage to consumers or other relevant business operators.

In case of shortage of good due to rapidly increasing demand and inability to increasing production to meet with increasing demand, the selling price could be increased only during said period of shortage.

2.1.5 Predatory pricing

means fixing the selling price to be lower than average variable cost which is the cost of purchasing raw material for producing the good or the cost of purchasing good for re-sale, exclusive of sale and administrative expenses and other expenses which the business operator conducting this practice could bear loss for a period of time or could be contributed by profits of other goods resulting in non- competitiveness of other business operators and their exit from market. Once the competitors have been eliminated, the business operator can then raise the price to recoup its losses which cause damage to other business operators and consumers. However, this does not include the case of sale promotion of goods or services for interest of customers, provided that the period should not longer than 1 month and excluding releasing fresh goods, nearly expired goods, out-of-fashion goods, and going out of business operator.

2.1.6 Price discrimination

Discrimination by selling different prices for different suppliers, in principle, will cause advantage or disadvantage between suppliers and use discrimination power unfairly. However, if facts are different such as suppliers are in different industries and at different levels in the different markets, goods have different qualities or quantities or cost of sale to each supplier is highly different, the business operator can sell at different prices which is not considered as price discrimination.

Discrimination is also applied to non- price conditions such as offering commercial discount, trade terms, credit term, payment method, product delivery method differently to suppliers having same status or qualifications. For example, a business operator offers fidelity rebate by offering different discount to each distributor although they are in the

same status (both distributors being large, ordering large amount of goods, trading for a long period and distributing goods in similar area). This practice could be considered as discrimination.

2.1.7 Resale price maintenance

Forcing other business operators to sell goods or services at the determined prices causing non-price competition of distributors or retailers is illegal under Trade Competition Act. However, suggested or recommended prices for resale distributors as guidance or recommendation of resale price without compulsory condition is not illegal.

2.2 Non-price behavior

Besides price behavior, other type of practices irrelevant to prices of goods or services could be illegal if it is unfair to other business operators.

Non-price unfair trade practices are as follows:

2.2.1 Exclusive dealing

To limit specific rights as exclusive dealing, directly or indirectly, for other business operators to agree with unfair conditions without any benefits to the effectiveness or quality of the good or service including after sale services in order to gain monopoly power in the market of such good or service or obstruct other persons to enter into an agreement with a supplier of the business operator. Examples include the conditions that the business operator prohibits its re-sale distributors from purchasing the good from other business operators or the business operator prohibits its suppliers from selling raw material to the competitors of the business operator and the distributors and suppliers who violate such conditions will be punished such as not being sold the good or delay the delivery of good or no longer purchase the raw material.

2.2.2 Tying arrangement

To set compulsory conditions, directly or indirectly, to force other business operators or customers to purchase another accompanying good without other choices although said accompanying goods could be sold separately or tying arrangement is not much beneficial but resulting in non-tradable or non-competition of other producers of such accompanying good and lead to monopoly.

However, tying arrangement for the purpose of using the main good efficiently or guaranteeing the quality of good or preventing damage or loss of efficiency of goods such as selling copy machine with ink powder, where inefficient ink powder may breakdown the copy machine, is not deemed illegal. Moreover, sale promotion where other business operators or customers could buy both good and accompanying good at cheaper price than buying them separately (and other business operators or customers still have their own rights to choose purchasing the goods) is not deemed illegal.

2.2.3 Territories division

To limit the territories or areas of sale (Territories Division), directly or indirectly, for other business operators to agree and comply unfairly in order to limit sale areas or define specific group of customers in each area to divide sale areas without any effect to efficiency or quality of goods or services is illegal. For example, a company allows its distributor to sell goods only in the Amphur Muang, Chiang Mai and does not allow

this distributor to sell goods outside Amphur Muang, Chiang Mai, provided that if the distributor does not comply with the Territories Division, it will be punished such as not selling goods or reducing delivery of good below its normal quantity.

2.2.4 Refusal to supply

To refuse having transaction with any business operator is deemed normal in business practice if reasonable such as non-justifiable investment, transportation restriction, untrusted profile of purchaser, undue payment history, shortage of goods. However, refusal to supply unreasonably such as refusal having transaction with suppliers or customers of its competitors may be considered as doing it to obstruct other business operators.

2.2.5 Purchasing and sale quantity forcing

means forcing the trading partners who purchase goods or receive services from the business operator to purchase goods or services only at the quantity fixed by the business operator or forcing the trading partners to sell goods or services to its customers only at the quantity fixed by the business operator. The fixed quantity could be set in fixed amount, maximum or minimum amount or step amount. However, fixing the minimum quantity may not be illegal if supported by justifiable reason such as to meet break-even cost of operation.

2.2.6 Limit of seeking credits from other business operators

means imposing any trading partner to seek credits only from a determined business operator or prohibiting any trading partner to seek credits from a determined business operator provided that said imposition and prohibition are not specified in writing and notified in advance in a reasonable time. Violation will be subject to punishment such as not selling the goods or not offering a discount as usually did. Limit of seeking credits from a determined business operator could be acceptable if supported by business reasons such as it is under bankruptcy filing. However, recommending, not forcing, any creditors to a trading partner and the trading partner is free to choose its creditors is not a wrongful act.

2.2.7 Limit the quantity of goods or services

Limit the quantity of goods or services includes suspending, reducing or limiting service provision, production, buying, sale, delivery or importation into the Kingdom (such as reducing production, destroying goods in inventory, or any act to discourage importation).

Limit the quantity of goods or services which is illegal must be conducted for the purpose of reducing the quantity of goods or services to be lower than demand of the market and expecting the increasing of prices of goods or services which incurs damage to consumer without justifiable reasons. Said limitation may be associated with price behavior since limiting the quantity of goods or services would result in unfair price determination.

2.2.8 Intervening in the business operation of others

Intervening in the business operation of other business operators unfairly and without any normal business reason causes economic loss to other business operators such as loss of revenue, loss of market value of products or services or loss of opportunity in production of goods or services.

Examples of intervention in other business operators include:

- Intervening or persecuting any other business operator by any means for its hardship in conducting business such as specifying that the quality of the company's goods could not be jointly used with the competitor's goods without any reason related to efficiency.
- Specifying that the trade partners must get consent of business operation from the business operator.
- Controlling the appointment of officers of the trade partners.
- Forcing remuneration in any form from the trade partners or requesting for benefit allocation for exchanging with rights to buy goods of the company such as commission, additional charge.
- Forcing the trade partners to refuse selling goods or not contact with other business operators without any normal business reason.
- Intervening an internal administration of the competitors by using voting rights, appointing management or other means in the business of competitors.

2.2.9 Any trade action for having others' trade secret information or technology

means any acts conducted for receiving trade secret information or technology of other business operators or information beneficial to production, sale or any transaction of the business operator without consent from the owner or the person having rights on said information and by any means with the purpose of destroying, obstructing, discouraging, limiting operation of other business operators or disturbing normal trade.

2.2.10 Unfair trade practice related to using intellectual property rights

Intellectual property rights include, for example, copyrights, patents, trademarks which are the rights protected by laws for the purpose to motivate investment, research and development of innovation in production of goods or services. However, if the owner of the intellectual property rights uses the rights for monopoly and restriction of competition in the market more than necessary and resulting in destroying, damaging, obstructing, discouraging or limiting business operation may be illegal and need to be considered case by case.

Examples of using intellectual property rights that are restricting competition more than necessary include:

- Executing a license agreement having a condition that the licensee must pay royalty fee longer than a period that such intellectual property is protected by laws (such as paying royalty fee although the patent is expired).
- Specifying any condition of granting the rights of use that discouraging others such as prohibiting of purchasing goods or receiving services from competitors without necessity or reasons related to efficiency or using the granted intellectual property.
- Specifying any condition of granting the rights of use that the licensee will be disadvantage more than common practice such as prohibiting the licensee to sue the licensor.
- Other agreements that use the intellectual property rights over the scope specified by laws.

3. Joint agreements resulting in monopoly

Besides practices of a business operator with dominant position of market power and unfair trade

practices, Trade Competition Act prohibits business operators to jointly consider or execute agreements resulting in monopoly or reduce competition in any market of goods or services (collusion), either directly or indirectly, between business operators or between a business operator and its trade partner and either in writing or not.

Effects from collusion include eliminating the competition between business operators and the price or quantity of a good or service is not derived from its cost of production or service and the demand of such good or service in the market but they are determined jointly by the business operators regarding their desirous level of price and quantity and the profit in return. Persons affected from collusion is the consumers who could not choose to purchase goods or services freely.

A business operator must avoid risky practices leading to or suspected leading to collusion such as contacting, discussing, or exchanging trade secret information with competitors or in the trade association such as selling price, marketing plan, production cost.

3.1 Joint agreements between competing business operators

means the joint agreements between 2 or more competing business operators in the same market which affect the market seriously and cause monopoly or restriction of competition in the market. The joint agreements may be made directly or indirectly by the following means:

3.1.1 Bid-rigging

Being the practice that the business operators jointly agree to determine the auction or bidding winner by an agreement not to participate in the auction or bidding or the business operator joining may propose the higher price to assist the determined business operator to win the auction.

3.1.2 Price fixing

Normally the business operator should be free to determine the price of its goods. The Trade Competition Act then prohibits the business operators to jointly determine the prices of goods or services. Such determined prices do not need be the same price. They could be determined in range. This also includes other kinds of agreements such as determining the value or ratio of increasing or decreasing the selling or purchasing prices, range of the selling or purchasing prices, minimum or maximum of the selling or purchasing prices, formulation for calculation of the selling or purchasing prices, discounts or rebate discounts, credit term, and structure or composition of selling or purchasing price (price method).

3.1.3 Quantity limitation

Similar to the determination of prices, the business operators should normally be free to determine the quantity of goods to be sold in the market. The Trade Competition Act then prescribes that the joint determination of the business operators in fixing the quantity of production, purchasing, selling or rendering services or limiting the quantity is illegal such as setting quota or ratio of producing or selling goods in a period of time to be lower than the market demand.

3.1.4 Territory allocation

The business operators agree to allocate the territory for selling goods or services in order that other business operator will not sell goods or services in the same territory and compete across the territory. The business operators may agree to allocate the

territory to sell goods or services alternately. Territory allocation includes territory allocation for purchasing goods or services and territory allocation for purchasing goods or services alternately to build purchasing power in the market. It also includes the practice that the business operators jointly share or allocate their customers for selling or purchasing goods or services.

3.1.5 Other conditions which possess or control the market, distort market mechanism, joint control the market

These include any practice that the business operators jointly conduct the marketing plan to possess the market, determine the licensed business operators and fix the list of goods or services to be sold in the market.

3.1.6 Joint agreements to reduce the quality of goods or services to be lower than those ever produced or sold at the same price or higher

These include the agreements to reduce the quality or standard of goods or services which may reduce cost of such goods or services but they could be sold at the same price or higher.

However, the above practices will be exempted from wrong-doing if the agreement is made between business operators having relationship in policy or commanding power.

3.2 Joint agreements between the business operator and its trade partners or competing business operators

means Joint agreement between business operators which may be trade partners or competing business operators in any market (not required to be in the same market), which do not affect the market in a critical way, such as a joint agreement between manufacturers and retailers or distributors.

This kind of agreement between business operators and their trade partners or competing business operators is similar to the aforementioned joint agreements between competing business operators in terms that they will be an offense against the antitrust laws if the operators jointly conduct the plan to commit monopoly trading or limit the competitiveness in the market. The joint agreements between business operators and trade partners which may be considered offense against the antitrust laws are as follows:

3.2.1 Joint agreements on purchasing or selling price fixing, quantity limitation or territory allocation

The agreements could be made either directly or indirectly which affect the prices of goods or services. This is similar to the joint agreements between the competing business operators described in 2.1 but in this case the business operators do not compete in the same market.

3.2.2 Joint agreements to reduce the quality of goods or services to be lower than those ever produced or sold at the same price or higher

Reducing the quality of goods or services of each business operator may have different details.

3.2.3 Joint appointment of a single person to be a distributor of goods or services in the same market

The appointment could be made either in writing or other forms. The appointed person could be an ordinary person or juristic person whom appointed as a distributor of goods or services in the same kind of market.

3.2.4 Agreement to jointly determine condition or trade method for each business operator to reduce or restrict the competition, either directly or indirectly.

Moreover, it is caution that there may be notifications prescribing other kinds of joint agreements which will be deemed illegal under the Trade Competition Act. Therefore, it is recommended to keep update if there may be additional ministerial regulations.

However, joint agreements between a business operator and its trading partners could be exempted from wrong doing under the Trade Competition Act as determined case by case by the Office of the Trade Competition Commission who will consider factors and related environment because there may be reasons or business necessity aligning to normal business or trade practices.

Examples of joint agreements between a business operator and its trade partners which may not be considered as illegal include:

- (1) Activities among the business operators having relations in policy or commanding power as prescribed by laws.
- (2) Operations for development of goods or distribution to enhance technique or economy.
- (3) Business conduct as franchise, authorized dealer or license which the business operators must agree upon some conditions such as maintaining the required standard of goods or services, quality control of goods under the same standard of price, purchasing raw material from the required sources, etc.
- (4) Agreements or business models as prescribed in the ministerial regulations as advised by the commission.

Provided that the joint agreements in accordance with paragraph (1), (2) and (3) must not create any restriction more than necessary and should be reasonable and must not cause monopoly power or market restriction substantially, taking into consideration the impact to consumers in terms of prices, qualities, quantities or choices of use of such good or service.

This policy shall be effective from March 30, 2022.

Announced on April 4, 2022

-Signed by-

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

Note:

The first amendment to this Antitrust Policy was made pursuant to the resolution of the Board of Directors Meeting

No. 282 (3/2022) on March 30, 2022.