

# CENTRALPATTANA

## Report of the Audit and Corporate Governance Committee

### To the Shareholders

The Audit and Corporate Governance Committee comprises four expert independent directors, all qualified according to Central Pattana's criteria. Mr. Paitoon Taveebhol, who is knowledgeable and duly experienced in reviewing financial statements, with Mr. Karun Kittisataporn, Mrs. Jotika Savanananda and Mr. Veravat Chutichetpong serving as members.

This year there were a total of 11 meetings, where the Committee consulted the management, the internal auditor, and the external auditor on related matters and obtained data from other management team members on agenda items related to all its charter duties. The Committee freely provided candid views and recommendations. It reported its performance to the Board of Directors in nine meetings, with the following highlights of performance and views.

### **Accuracy, completeness and credibility of financial reports**

The Committee has reviewed quarterly financial statements, annual financial statements, important accounting policies, compliance with financial reporting standards, as well as key audit issues specified on the reporting page of the external auditor. The Committee also considered the scope, audit method, issues found, and the impacts of the enforced Thai Financial Reporting Standard No.16 (TFRS16) concerning rental contracts, effective from 2020, especially the reduction of rent for tenants during the Covid-19 pandemic in consultation with management and the external auditor. Two non-executive meetings were arranged with the external auditor to discuss the matter of independence in the execution of duty.

The Committee's view was that the Company's financial reports, prepared under the accounting policy designed by the Federation of Accounting Professions, were accurate, complete, and reliable with a sensible choice of accounting policies.

### **Adequacy of internal control system, internal audit, risk management and corporate governance**

The Audit Committee has also been renamed as the Audit and Corporate Governance Committee to amend and improve upon its charter to ensure that the responsibility for corporate governance can be efficiently undertaken in compliance with the CG Code. This year the Committee reviewed corporate governance operations, human rights policy formulation as well as providing advice for sustainable business, especially conservation of the environment.

The Committee reviewed the findings by Internal Audit and the external auditor concerning internal control and reviewed the risk management and risk assessment process for full coverage in all aspects, the response to Covid-19, a new risk that severely affects the operations of the Company and the world. The Company has been found to have effectively handled Covid-19.

The Committee values the complaint-handling process that forms part of the anti-fraud and anti-corruption campaign. In 2020 an online complaint-handling system was developed that focuses on keeping confidentiality and protects the complainant while allowing follow-ups on progress of the case. Furthermore, the Committee acknowledged implementation of anti-corruption measures of the No-Gift Policy while working on assessment of personnel's understanding of good governance. The Company

has also been re-certified as a member of the Thai Private Sector Collective Action against Corruption (CAC) on December 31, 2020.

It was the Committee's view that Central Pattana's internal control system was adequate and appropriate under the COSO Framework and the CG Code.

The Committee also reviewed and endorsed the annual internal audit plan, prepared under a risk-based approach. Such audit was of the integrated audit type (IT and non-IT) to embrace all aspects of risks and controls. The Committee held meetings with Internal Audit executives without any management present. It has also motivated Internal Audit to provide personnel development by building information technology competence, developing the audit system, and especially improving data analysis for more efficient internal auditing.

Finally, the Audit and Corporate Governance Committee also evaluated the quality of the annual internal audit and found it "good". It is of the view that Internal Audit has undertaken its duties on a par with international standards.

#### **Compliance with securities and exchange laws, SET's requirements, and applicable laws**

Reviewing compliance with securities and exchange laws, the requirements of the Stock Exchange of Thailand ("SET"), and applicable laws, the Committee regularly monitored remedial approaches of the management, while overseeing revision of the Code of Conduct and the Corporate Governance Policy in line with new and international standards. It assigned the management to review Central Pattana's performance to ensure compliance with the CG Code. Finally, the Committee regarded Central Pattana's practices as being in compliance with all the above laws and requirements.

#### **Related party transactions or transactions with potential conflicts of interest**

The Audit and Corporate Governance Committee especially values the reviews of related party transactions as well as those transactions that may involve conflicts of interest under all laws and regulations of SET. The management has reported to the Committee on a semi-annual basis. The Committee has stressed that all involved parties comply with the stipulated policies. It assigned External Auditor to monitor and verify of all these transactions annually. The Committee considered these transactions part of the normal course of business with regular commercial (arm's length) conditions, sensible and fair conditions, and in Central Pattana's best interests.

#### **Suitability, review, selection, and nomination of the external auditor**

The Audit and Corporate Governance Committee assessed the independence of the external auditor and reviewed their performance of 2020. The overall performance was commendable and the external auditor has been duly independent in its audit activities. Additionally, the Committee held two meetings with the external auditor in the absence of the management to seek its opinions on audit activities and coordination issues with related members of the management.

Committee has considered the performance outcomes, work scope, and work volumes compared with the proposed audit fees for 2021 and agreed to nominate KPMG Phoomchai Audit Ltd. (“primary external auditor”) to provide its views on the consolidated financial statements of Central Pattana and its subsidiaries for 2021 and approved its 2021 audit fee of up to Baht 8,590,000 together with a fee of up to Baht 612,000 for the secondary auditor(s) of Central Pattana’s selected subsidiaries registered in other countries.

#### **Overall views and remarks on conformance to the Audit and Corporate Governance Committee Charter**

The Audit and Corporate Governance Committee engaged in self-assessment of its overall performance for 2020 on January 6, 2021. This assessment was in three parts: first, the overall activities during the year; second, the specific six activities, namely 1) reviewing of the financial reports for accuracy and adequacy, 2) reviewing the effectiveness and efficiency of internal control systems and internal audit practices, 3) reviewing compliance with all the requirements of the securities laws, SET’s requirements, and applicable laws, 4) selection and nomination of the external auditor, 5) reviewing related party transactions, and 6) preparing its own report; and third, roles in corporate governance.

The Audit and Corporate Governance Committee’s overall view is that it has performed the duties and responsibility stated in its Board-approved charter sufficiently and thoroughly with due competence, care, prudence, independence for all stakeholders’ equitable interests, and emphasizes the Company’s sustainable development in line with good corporate governance principles.

**Mr. Paitoon Taveebhol**

Chairman of the Audit and Corporate Governance Committee