

Sustainability Management in Corporate Governance and Economic Dimension



❖ Operation with Good Governance

The policy of Corporate Governance, Ethics, and code of conduct for working

The board of directors of KCE Electronics PCL. recognizes the importance of good corporate governance and commits to ensuring that the company operates and complies with the good corporate governance criteria in accordance with the company's policy, relevant laws, the Stock Exchange of Thailand (SET) guidelines and Organization for Economic Cooperation and Development (OECD) practice in order to strengthen confidence in all stakeholders, including shareholders, customers, employees, and the public, and believes that good corporate governance will increase shareholder value and bring maximum benefits to all stakeholders.

The Company has established the "Corporate governance policy, ethical and code of conduct for working handbook" to promote corporate governance. It aims to conduct business with transparency, morality, ethics, and good practices to employees at all levels, and to reduce conflicts of interest of stakeholders.

In 2022, the board of directors has complied with all the good governance principles of the Stock Exchange of Thailand and received a good corporate governance rating of "Excellent CG scoring" for the eighth consecutive year, in accordance with the evaluation criteria of the Stock Exchange of Thailand and the Securities and Exchange Commission (SEC) assessed by the Thai Institute of Directors Association (IOD). The results of the Company's corporate governance assessment every year reflect the commitment of the Board of Directors, management, and all employees to focus on business operations and management in accordance with concrete and continual good corporate governance practices.

In addition, the Company has also been awarded the ASEAN Asset Class Publicly Listed Companies Award 2021 for the second year in the ASEAN CG Scorecard 2021 announced in December 2022, which is awarded to listed companies that score 97.50 points or more (75% of the total 130 points) to recognize and honor ASEAN listed companies that have conducted business based on good corporate governance principles.

Management Approach:

Conduct good governance and business ethic policy, Anti-corruption policy, and any related guidelines and policies, provide related training to the executives and employees, monitor the operation and report the performance under the supervision of the Board of Directors.

Target : To be an organization managed with good corporate governance principles every year.

Performance:

- Awarded the “Excellent CG scoring” of the Thai-publicly listed companies CG assessment for the 8th consecutive year.



- Awarded the ASEAN Asset Class Publicly Listed Companies Award 2021 for the second time.





❖ Anti-Corruption

The Company promotes Anti-Fraud and Corruption Policy for conducting business with integrity and transparency in accordance with good governance principles and has joined the Thai Private Sector Collective Action against Corruption (CAC) project. On 18th November 2013, the company declared the collective action coalition and was certified as a member of CAC on 3rd April 2015, for the first time. The certificate had been renewed twice, on 12th February 2018, and 31st December 2020. The Company has assessed the risks associated with corruption throughout the organization and reviewed its compliance with the policy to ensure sufficient measures to attack and detect corruption effectively.

In order to enhance the company's operations and strengthen the global alliance for sustainable development, the company has also invited local suppliers to participate in the Thai Private Sector Collective Action against Corruption project (CAC). In 2022, 100% of the company's local suppliers signed an agreement to vigorously comply with the Company's "Anti-fraud & corruption policy"

Management Approach:

- Establish Anti-Fraud and Corruption Policy. More detail at www.kce.co.th
- Communicate and educate anti-corruption to management, employees, and interested parties.
- Establish channels for grievance or whistleblowing.
- Establish anti-fraud / corruption assessments, monitoring, and performance reports.
- Encourage the company's business partners to participate in the declaration of anti-corruption intent.

Plans / Projects:

- Anti-fraud / corruption campaign within the company and its subsidiaries.
 1. Promote policy, practices, grievance and whistleblowing mechanism
 2. Provide anti-fraud/corruption training to management, employees and suppliers participating in the declaration anti-corruption intent.
 3. Organize International Anti-Corruption Day in December 2022.



Encouraging Business Partners to Join the Thai Private Sector Collective Action against Corruption (CAC) Project

Target: The Company aims to encourage at least 10 suppliers, who accounted for 93% of the annual purchase value, to join the CAC project by 2023.

The Company has established plans to encourage suppliers to jointly declare their intention to anti-corruption with KCE and submitted a questionnaire to explore their interest in joining the CAC project as detailed below.

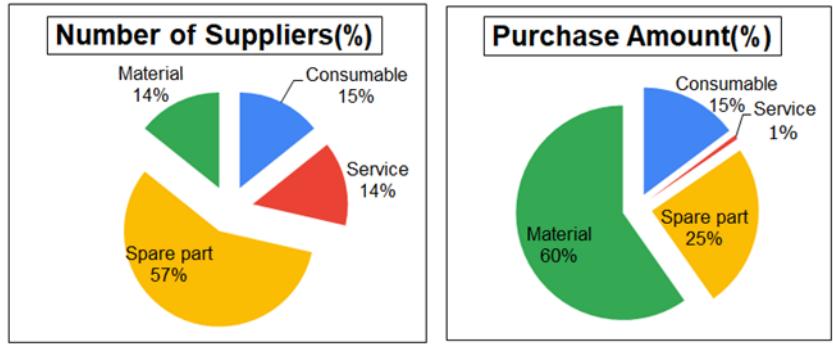
Plan Details	2022				2023		
	SEP	OCT	NOV	DEC	JAN	FAB	MAR
Send questionnaires to survey with 685 suppliers whether they are interested in joining the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) program or not.	■						
Compile a list of suppliers who responded to the questionnaire.	■	■					
Select suppliers who show interest and have suitable qualifications according to the conditions		■					
Send letters of appreciation to suppliers for their cooperation in answering the questionnaire.		■	■				
Present the result of survey and details of applying for a Change Agent membership to the top management				■	■		
Check the status of the suppliers' online declaration of intent in the CAC website						■	
KCE apply to join the CAC Change Agent program and notify the benefits that it would give to its suppliers. The number of suppliers who will participate in the declaration of intent should be 10 or more.							■



In 2022, the Company submitted a questionnaire of interest to 685 local suppliers in joining CAC project and received the responses as detailed below.

The number of suppliers who responded to the questionnaire	Number of suppliers meeting CAC requirements		Number of suppliers interested in joining the CAC project	
	Number	%	Number	%
55	48	87%	28	58%

The graph represents the percentage of KCE's suppliers who are interested in joining the CAC project, along with their purchase value.



2023 Target : More than 10 suppliers declare their anti-corruption intentions with KCE.

❖ Tax Operation

The Company has placed great importance on tax management based on accuracy, transparency, and verifiable principles. The company's tax management is as follows:

1. Ensure tax laws and tax regulation compliance, including the use of tax incentives for the best interests of both shareholders and governmental agencies.
2. To process the tax payment within the period specified by law, including the management of tax payments and/or tax refunds (if any) to maximize the company's liquidity.
3. Manage tax planning by studying laws and regulations to determine the benefits and potential impacts, then consulting tax experts to ensure that implementation is carried out in accordance with the rules, procedures and conditions prescribed by law without any violation.
4. Assign tax-responsible persons to liaise with tax governmental agencies ensuring that the company's operations are carried out correctly and provide true company's operation information upon governmental agencies' request.
5. Disclose the company's tax payment information in the annual report showing the intention to perform its duties in tax payment accurately, completely and transparently.
6. Educate employees on tax knowledge, to ensure that they can operate tax-related matters correctly and completely.



❖ Sustainable & Responsible Supply Chain Management

Policy, Structure and Corporate governance system

Code of conduct

The Company has a grievance and whistleblowing policy, guidelines, and mechanism for receiving complaints or whistleblowing from suppliers relevant to the violation or witness of violation of laws/regulations/code of conduct of the Company. It also ensures that the Company has measures to keep the confidentiality of the complainant or whistleblowers' information, to prevent violation of personnel rights.



Target & Performance : Key suppliers have signed an acknowledgment of complaints and whistle blowing policy

Type of Supplier	Performance	Short-Term Target	Medium-Term Target	Long-Term Target
	2022	2023	2025	2030
Key Suppliers	72%	100 %	100%	100%
General Suppliers	0%	50%	70%	100%

Sustainable Policy and Strategy

Responsible and sustainable sourcing of raw materials

The movement towards sustainable procurement is globally accepted and encouraged. This concept is built on environmentally responsible procurement by spreading expectations to key business partners and suppliers to further tackle human rights, fair labor practices, and good governance.

Prohibition of Child Labor

Child labor is a global issue. There is an awareness campaign in society, and the International Labor Organization (ILO) has designated the 12th of June to be the World Day Against Child Labor since 2002.

The Company has established the Supplier Code of Conduct (SCOC) on the ethics of labor treatment, which is a declaration of intent that the Company and its suppliers are willing to comply with the ethical policy in the treatment of workers. Child Labor under the age of 18 is prohibited in the production of the suppliers. Fully compliance with SCOC is expected not only with key suppliers but also all suppliers. The company also communicates with suppliers on the “Sustainable Procurement Policy” through the company’s website, www.kce.co.th

Target & Performance : Suppliers have signed recognition on the Supplier Code of Conduct

Type of Supplier	Performance	Short-Term Target	Medium-Term Target	Long-Term Target
	2022	2023	2025	2030
Key Suppliers	94%	100 %	100%	100%
General Suppliers	-	70%	80%	100%

Supply Chain Management Plan

- Establish procedure for supplier selection, procurement, and communication channels with suppliers by email and vendor portal.
- Supplier evaluation
- Supplier Monitoring
- Supplier Quality Development (Supplier Self-Assessment and Onsite Audit.)

Responsible Sourcing of minerals (Conflict-Free Minerals Sourcing)

In accordance with the UK Modern Slavery Act of 2015 and the Thailand Decree amending the Anti-Trafficking in Persons Act 2008 and 2019 (the "Act"), The Company implements a "Conflict Minerals Policy" that prohibits the use of tungsten, tantalum, tin, gold (3TG) and cobalt mined from countries that violate human rights, according to the Dodd-Frank Wall Street Reform and Consumer Act, also known as the Protection Act ("Dodd-Frank Act"). The Company has requested its key suppliers to clarify the origin of 3TG minerals as well as sign a "non-use agreement for conflict minerals" and respond to the Conflict Minerals Report Template (CMRT). However, the company still committed to extending the scope of the non-use agreement for conflict minerals to the key suppliers of 1st Tier.

Target & Performance : Suppliers have signed on "non-use agreement for conflict minerals" and respond to the Conflict Minerals Report Template (CMRT)

Type of Supplier	Performance	Short-Term Target	Medium-Term Target	Long-Term Target
	2022	2023	2025	2030
Key Supplier	90%	100 %	100%	100%
Key Supplier of 1st Tier comply with CMRT	-	-	80%	100%

Risk Management in the Supply Chain

Mismanagement of the supply chain can affect the confidence of customers and stakeholders and might affect future businesses consequently. As a result, the Company regularly assesses key risk factors throughout the supply chain.



To ensure good quality and supply continuity, the Company recognizes the importance of supply base management by developing several potential suppliers of key/critical parts, and also sharing the purchase value to also prevent monopoly trade. Moreover, raw materials supplies are also widely purchased from many regions of the supplier's production line in order to mitigate the risk of raw materials shortage that might be caused by unpredictable severe weather conditions or serious disasters in the future.

For raw material stock management, the Company manages the raw material stock in accordance with market conditions. In addition to evaluating the technology, quality, response, delivery efficiency, and price of its suppliers, the Company also focuses on managing the supply and demand of such key raw materials by estimating the usage forecast. The company, generally, chooses local suppliers because of the advantages in delivery time and order responses, nevertheless, the technology, quality, and price must also be conformed with the company's quality and pricing standards accordingly.

In addition, the Company is taking steps to reduce risk to environmental, social, and corporate governance risk (ESG) for partners in the supply chain by providing audits through Supplier Self-Assessment and On-site Audits.



Sustainable Supply Chain Management

The Company has a sustainable risk management policy and guidelines, risk assessment, and risk management report as a result of economic, social, and environmental uncertainty which could potentially cause to company operations and project to fail the target. It also reflects that the risk management process is at an acceptable and controllable level and also can effectively monitor and respond to incidents in a timely manner while prioritizing the company's objective achievement accordingly. In addition, sustainable risk management is being performed in line with international sustainable risk management principles, practices, and standards, showing that the company has global visions and directions. The company also manages emerging risks reflecting the incoming causes and changes that might impact to business operations. This confirms that the company is well-aware and always prepared measures for economic, social, and environmental changes at all times



❖ Cybersecurity and Personal Data Protection

Cybersecurity

The Company has implemented information technology systems throughout the organization for fast, convenient, accurate, and efficient operation. Nowadays, cybersecurity is given great importance, as cyber threats are now becoming more versatile and can cause more damage to the company. Therefore, the Company has a policy to establish a cybersecurity system by using technological tools, processes and procedures specifically designed to prevent and respond to potential cyber-attacks on information infrastructure network equipment and systems or programs by unauthorized persons.

Management Approach:

- Establish Information Security Management System Policy. Further more details at www.kce.co.th
- Establish information security management systems (TISAX: **T**ruste**I**nformation **S**ecurity **A**ssessment **E**xchange)
- Establish information security procedures.
- Assess risks and establish a response plan for cybersecurity threats

Plans / Projects:

TISAX or **T**ruste**I**nformation **S**ecurity **A**ssessment **E**xchange sets the assessment standard by the German Automobile Industry Association (VDA - Verband der Automobile industries) using the basic information security requirements based on ISO/IEC 27001 and the use of PDCA process to implement the Company's Information Security Management System. There are 3 important aspects:

1. **Confidentiality**: Protect the confidentiality of customer's and company's information by limiting access only to authorized persons.
2. **Integrity**: The data or information must not be altered or modified by unauthorized persons, as well as ensuring that the operation system operate and process the data correctly.
3. **Availability**: to ensure that the company's IT infrastructure and data are always available.

In 2022, the Company started implementing information security management systems and plans to receive TISAX certification by early 2023. Obtaining TISAX certification gains automotive customers the trust to jointly develop new products with the Company, which affects the Company's business operations continuously because of higher reliability and management efficiency.

The Company has established operational guidelines to maintain information security so that employees at

all levels are aware of the impact of risks in the information technology system, as well as developed a business continuity plan to ensure that the business operations will continuously be maintained even in the event of a disaster. The working group and related departments are also rehearsed on yearly basis.

Personal Data Protection

The Company recognized the importance of personal data protection by preventing the loss, access, use, alteration, correction, or disclosure of information without authorization, which may affect the individual rights, as well as promoting and supporting the development of the organization's personal data protection to ensure security and sustainability as well as complying with the Personal Data Protection Act (PDPA; Personal Data Protection Act). In 2022, the Company has implemented IT security tools and methodologies as follows:

1. Appointed Data Protection officers (DPO.)
2. Establish a personal data protection committee.
3. Notify personal data processing (Privacy Notice.)
4. Provide training for personal data controller to ensure that employees, who are the data owner, understand and be aware of their personal data rights.
5. Establish a personal information security system.

In 2022, the Company had not received any complaints regarding the personal data protection from both employees and various stakeholder groups