

## Internal Control

HARN realizes the importance of the internal control system under the framework of The Committee of Sponsoring Organizations of Treadway Commission (COSO) to attain the aspects of the corporate risk management and internal control both efficient and effective structure design and process, credibility of financial and other reports, and full compliance with laws and regulations prescribed by the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). The Board of Directors assigns the Audit Committee to review results of internal control assessment, while the internal auditors take charge of monitoring and reviewing the adequacy of internal control system on a quarterly basis, which is an external service provider (Outsource), with Chief Financial Officer who is the Secretary of the Audit Committee responsible for coordinating within the company.

In 2022, the Board examined the assessment internal control according the Securities and Exchange Commission, Thailand (SEC)'s form and risk management to plan on a quarterly, and is prepared by the internal audit and subsequently reviewed by the Audit Committee, and concluded that HARN's internal control system was indeed adequate and suitable for its business operations to accomplish the objectives the development of operations and working systems to support the five aspects of internal control system under COSO, are as follows:

### 1) Control Environment

HARN commands a sound overall control environment that is adequate for business efficiency and effectiveness under the principles of good corporate governance and code of conduct. Its executives have promoted a corporate culture focusing on integrity and ethics as a role model with the following implementations:

- Defining written policies under the good corporate governance, code of conducts and anti-corruption, to provide a framework for the performance of various. For the Board of Directors, executives and employees to adhere to as a practical guideline resulting in HARN has undergone the annual assessment of Corporate Governance Report of Thai Listed Companies (CGR) by Thai Institute of Director Association (IOD) for the 4<sup>th</sup> consecutive year, scored top marks at excellent level.
- Arrange for the directors and the first 4 top-ranking executives to report conflicts of interest and requiring the Board and top executives within February annually reporting their conflicts of interest and stresses its code on giving and accepting gifts, assets, or other benefits so as to remind the Board, executives and employees to comply with the defined guidelines and code of conduct. Importantly, preparation has been made for Personal Data Protection Act, which will come into effect on June 1, 2022.
- Raise awareness and understanding on code of conduct among executives and employees through internal training courses, employee orientation and e-mails to promote good corporate governance. Also, the information about good corporate governance and code of conduct has been published on HARN's website to encourage related parties, such as business partners, joint ventures and company representatives, to acknowledge business ethics. In 2022, knowledge and testing through the electronic system of HARN Academy were provided to directors, executives and employees in order to realize their roles and responsibilities, according to the business ethics and code of conduct.
- The Board of Directors is independent from the executives, has roles duties and responsibilities involve the review and endorsement of major strategies and policies, including objectives, financial targets, risks, plans, and budgets. The Board also exercises supervision to ensure legal compliance and efficient and effective business operation
- Devised human resource development plan that enhances employees' competency in a systematic, duly embracing aspects of personnel attraction, development, and retention, with a succession plan of key positions readily prepared. Also values the process of fair performance management that reflects the ability to perform against Key Performance Indicators (KPIs). Including a long-term strategy was identified for personnel recruitment to support of the prevailing business needs.

## 2) Risk Assessment

HARN values risk management and incorporates it into the entire organization to drive the business towards both short-term and long-term goals with confidence, there are the Risk Management Committee (RMC) appointed by the Board of Directors, consisting of independent director and executives supervising of risk management for the organizational, functional, and operational levels of HARN and Subsidiaries, to ease impacts on businesses and business continuity management to ensure that they are in line with the corporate risk management policy and that such management is efficient suitable and ensure corporate objective achievement. The operating results of which shall be reported to the Board on a quarterly basis.

To this end, HARN devised the risk management plan embracing risk assessment, analysis, and review in line with its strategic and business plans to pursue objectives and goals. The plan takes into account corruption probability as well as external and internal factors that may influence both current and future business. Moreover, Risk Appetites Framework and Key Risk Indicators (KRIs) are defined to facilitate performance monitoring and reporting of each unit against the defined goals.

In 2022, HARN to assess risks and impacts from the COVID-19 pandemic so that timely response can be made. Regarding cyber security, risk was assessed and a business continuity plan was drawn. Each year, process owners are to assess prevailing parameters affecting internal control and further develop an improvement plan or enhances control to ensure alignment and up-to-datedness.

## 3) Control Measures

Efficient and effective control activities help HARN mitigate risks within risk appetite. The key control measures are as follows:

1. Internal control policies, including work procedures, manuals, and work instruction, and administration authorization define fund limits and approval authority hierarchy, including budgets, personnel administration, material purchase and procurement, contract, finance and accounting, and amortization.
2. Internal control measures with due regard for sound control principles, including segregation of duties, approval, review, and document filing, ensure efficient and effective conduct, credible reports and compliance with applicable laws and regulations. In 2022, HARN follow up the implementation of control plans under a given timeframe to monitor the adequacy and suitability of internal control.
3. Control measures for regularly monitoring transactions involving of the Board and executives, provide guidelines for informing the intention to purchase and/or sale of HARN securities, both their own purchase or sale and related persons, to the Company Secretary at least one working day before the actual transaction and the change of HARN security holding to SEC within three working days.
4. Preventive measures of the ongoing COVID-19 pandemic, which has prompted to make work standards, to cover potential risks and repercussions along with has defined cost management measures to support its performance outcomes affected by economic volatility and the COVID-19 pandemic.
5. The development of technology-related control activities helps clearly define IT policy are IT development policies and plans, which has cybersecurity framework by Information Communication and Technology Department (ICT) to define the direction and policy and efficiently drive digital management, thus accommodating future growth. Also staged the annual business continuity drill for cyber-attacks, designed to handle cyber-threats, emergencies in process operating.
6. The steer HARN management in the same directions through joint deliberation and decision-making on critical matters and regular monitoring subsidiaries' businesses. To this end, has appointing a representative as directors of subsidiaries. As a result, HARN has regularly participated in setting policy, acknowledging information, and monitoring performance outcomes against KPIs.

## 4) Information & Communication

HARN values information and communication technology systems that systematically support business execution, operation, management, and financial reports to accommodate the Board and executives' decision making. And to support efficient and effective internal control. HARN has defined information and communication technology policy and plan appropriately.

In 2021, In order to ensure appropriate internal communication for employees to receive prompt, complete, and accurate. HARN has defining efficient guidelines for managing contents and practical communication channels. To this, has clearly define responsible parties for each internal communication channel, including the intranet, e-mail, line official and digital signage as well as key communication channel to properly accommodate the Board's decision making, such as sent to the Board at least 5 business days prior to the meeting date.

As for external communication, HARN provides accurate and adequate business updates through website and Facebook. Moreover, opportunity meeting to announce operating results was arranged online to allow stakeholders to access key information more conveniently and timely, which benefits their decision making on investment. HARN has defined complaint-filing and whistleblowing measures in writing, which include complaint handling, fact investigation, conclusion, clear identification of complaint-filing channels, and whistleblowers and related parties' protection. This is to enable employees and third parties to report or provide related information on unlawful acts, fraud, or pursuit of illegal benefits.

## 5) Monitoring Activities

It is HARN executives' duty and responsibility to supervise and audit internal work systems to ensure efficiency and conformance to policies, requirements, and work regulations under the concise internal control system. HARN equally values the management of Security, Safety, Occupational Health and Environment, in which energy management and social responsibility are currently and to revise their operation as required. This will prevent and minimize losses concerning safety and occupational health of employees.

HARN, on an annual basis, monitors results of internal control. To elaborate, at the corporate and operational level, executives conduct an assessment using the SEC's internal control adequacy assessment forms. Should any change in tasks or work processes take place during the year, the Management Section is to duly update work procedures and control measures. In addition, also internal control to each month monitoring of any non-compliance, with a report submitted to process owners and the management meeting on a regular basis, to ensure that all parties realize the importance of compliance with business processes and internal control mechanisms. At the same time, the Internal Audit formulates annual audit plans based on key risks, changes or increase in work processes or systems, and requirement from executives and the Audit Committee to verify the adequacy and suitability of each activity.