

# AUDIT AND CORPORATE GOVERNANCE COMMITTEE'S REPORT

## TO THE SHAREHOLDERS

The Audit & Corporate Governance Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Kamtorn Sila-On as Chairman of the Audit & Corporate Governance Committee, Ms. Lyn Yen Kok and Associate Professor Dr. Pavida Pananond, both, as Audit & Corporate Governance Committee members.

The Audit & Corporate Governance Committee has performed its duties and responsibilities with prudence, transparency, independence and in compliance with the Audit & Corporate Governance Committee Charter ("Charter") approved by the Board of Directors and the requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), which are summarized as follows:

### Review of financial reports

In the year 2018, meetings of the Audit & Corporate Governance Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries. Meetings with external auditor were also held every quarter for discussions of the Auditor's report, financial statements and recommendations of the relevant accounting standards. The Audit & Corporate Governance Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

### Internal audit and internal control systems

The Audit & Corporate Governance Committee has considered the independence of the Internal Audit Department, including the chain of command, in order to establish the credibility and independence of the Internal Audit Department. The Audit & Corporate Governance Committee has also discussed with internal auditors the scope of internal auditing, their responsibilities and functions and approved the internal audit plan for the Internal Audit Department. In the year 2018, the Internal Audit Department reviewed:

- the risk assessment (including fraud risk assessment);
- the self-evaluation tool for countering bribery following the guidelines by the Private Sector Collective Action Coalition Against Corruption (CAC);
- internal control activities of all departments;
- the operations of some departments;
- conflict of interest transactions; and
- compliance with regulations and laws relating to the business of the Company, such as Public Limited Companies Act, Revenue Code, Thai Vessels Act, Securities and Exchange Act, including regulations and notifications of the SET and the SEC.

Internal auditors also followed up on the results of the aforesaid review. The results of the review and the recommendations were discussed with the related staff and management and reported to the Audit & Corporate Governance Committee.

The Audit & Corporate Governance Committee is of the opinion that the Company has proper and adequate internal control systems and there are no significant deficiencies.

### Compliance with laws and regulations

The Audit & Corporate Governance Committee is of the opinion that the Company has been in compliance with laws and regulations to which the operations of the Company are subject. Principally, these laws are the Public Limited Companies Act, Revenue Code, Thai Vessels Act, Securities and Exchange Act including regulations and notifications of the SET and the SEC.

### Review of Connected Transactions

Internal auditors have reviewed the connected transactions according to the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003, as amended from time to time, and Notification of the Capital Market Supervisory Board No. Tor Chor. 21/2551 Re: Rules on Connected Transactions, as amended from time to time, including circular letter of the SEC about the recommended practice to be followed under section 89/12 (1) of the Securities

and Exchange Act (No.4) B.E.2551. In 2018, the Company had 7 connected transactions, of which 6 were classified as Type 2 transaction which is any connected transaction for supporting core business and 1 was classified as Type 3 transaction which is any connected transaction for real estate rental for under 3 years. The 6 connected transactions under Type 2 were (i) property management expenses, (ii) air ticket expenses, (iii) hotel service expenses, (iv) insurance premium expenses, (v) consultant fees for ship chartering services, and (vi) maintenance expenses for air conditioners at the main operational office and the condominium apartments of the Company and its subsidiaries. The other 1 connected transaction under Type 3 was office lease rental. The details of these transactions have been explained under the topic “**Connected Transactions**” in this Annual Report. The result of the review has been discussed in the Board of Directors Meeting No. 1/2019 held on 8 February 2019. Audit & Corporate Governance Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

### **Review of the Company’s Corporate Governance**

The Audit & Corporate Governance Committee reviews guidelines for the Company’s Corporate Governance as compared with those of International organizations and present its recommendations to the Board of Directors. We also conduct an annual review of corporate governance self-assessment through a questionnaire following the SET and the IOD guidelines. The scores of Corporate Governance self-assessment fall in level of “Very Good”.

For the year 2018, the Company has been classified by Thailand’s National CG Committee as one of the Companies with “Excellent” corporate governance and ranked in the Top Quartile within Companies with a market capitalization over Baht 10,000 million.

### **Meetings of the Audit & Corporate Governance Committee**

Normally, each Audit & Corporate Governance Committee Meeting is held before a Board of Directors’ Meeting, so that discussions with internal auditors and external auditors can be carried out without management’s presence in such discussions and the minutes of the Audit & Corporate Governance Committee can also be sent to the Board of Directors for acknowledgement, discussions and receiving suggestions from the Board.

The members of the Audit & Corporate Governance Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit & Corporate Governance Committee Meeting usually takes around 2 hours. In the year 2018, Audit & Corporate Governance Committee held 4 meetings (2017: 4 meetings). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

Name	Number of Attendance/Total Meeting (Times)	
	2018	2017
1. Mr. Suphat Sivasriumphai*	-	1/1
2. Mr. Kamtorn Sila-On	4/4	4/4
3. Associate Professor Dr. Pavida Pananond	4/4	4/4
4. Ms. Lyn Yen Kok**	4/4	3/3

\* Audit & Corporate Governance Committee member who retired in year 2017.

\*\* Audit & Corporate Governance Committee member appointed in year 2017.

### **Selection and proposal for appointment of the Company’s external auditors**

Audit & Corporate Governance Committee Meeting No.1/2019 held on 8 February 2019 considered the appointment of Auditors and resolved to propose for shareholders’ approval, the appointment of any one of the following auditors of EY Office Limited as the auditor of the Company for the years 2019.

1. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853). She has been the Company’s Auditor since the year 2015.
2. Mr. Termphong Opanaphan (Certified Public Accountant (Thailand) No. 4501).
3. Mr. Khitsada Lerdwana (Certified Public Accountant (Thailand) No. 4958).

All the above auditors are qualified to conduct the audit and express an opinion on the financial statements of the Company. In the event that any of the above auditors is not available, EY Office Limited is authorized to nominate a qualified and competent auditor from EY Office Limited to conduct the Audit.

EY Office Limited is a reputable independent audit firm, and has shown satisfactory performance according to past records. EY Office Limited has been the Auditor of the Company and Thai subsidiaries since 2001.

The meeting also approved to propose for shareholders' approval, details of the audit fees and fees for other services (non-audit related) of the Company and subsidiaries for the year 2019 charged by EY Office Limited are as follows:

Details	Proposed for 2019	2018
Audit fees for the Company	Baht 2.05 million	Baht 2.00 million
Audit fees for Thai subsidiaries and 1 Foreign subsidiary	Baht 2.59 million	Baht 2.52 million
Fees for other services:		
• Fee for certification purposes by BOI	Baht 0.37 million	Baht 0.42 million
• Fees for review of the accounts of certain foreign subsidiaries (for consolidation purpose)	Baht 0.88 million	Baht 0.85 million
<b>Total</b>	<b>Baht 5.89 million</b>	<b>Baht 5.79 million</b>

### **The Audit & Corporate Governance Committee self-assessment**

The Audit & Corporate Governance Committee conducted a self-assessment for 2018 as per SET guidelines, the score of which fell within the "Very Good" level. The Audit & Corporate Governance Committee intends to use this result as an indicator to further improve its performance.

**Concluding Remark:** Throughout 2018, the Audit & Corporate Governance Committee received full cooperation from all the Directors, executives and staff members of the Company, as well as from the external auditors, in order to fulfil its roles and responsibilities as assigned by the Board of Directors and in compliance with its Charter and the relevant laws and regulations.

The Audit & Corporate Governance Committee is of the opinion that the Company's financial statements of 2018 and disclosures of information therein are complete, reliable and consistent with generally accepted accounting principles and financial reporting standards. The Company has adequate risk management, appropriate internal audit and internal control systems. The Company also complies with its internal policies, good corporate governance, relevant laws and regulations.

**For and on behalf of the Audit & Corporate Governance Committee of  
Precious Shipping Public Company Limited**



**Mr. Kamtorn Sila-On**

Chairman of the Audit & Corporate Governance Committee

8 February 2019