

7. Security and Shareholders

7.1 The Company's Security

- (a) Share capital: authorized common shares at Baht 1 par value totaling 1,600,000,000 shares. Issued and fully paid share capital is in 1,200,000,000 shares. (At the Ordinary Shareholders' meeting held on March 26, 2003, the shareholders unanimously approved to change the par value of common shares of the Company from Baht 10 per share to Baht 1 per share. The Company registered the change with Department of Commerce on April 17, 2003.)
- (b) The Company does not issue other types of stocks, except from common shares.

7.2 Shareholders

- (a) First 10 major shareholders as at February 21, 2014

No.	Shareholders	No. of ordinary shares	% of total shares
1	THE CROWN PROPERTY BUREAU	360,000,000	30.00
2	THAI NVDR CO., LTD	113,796,687	9.48
3	CHASE NOMINEES LIMITED 42	41,163,732	3.43
4	STATE STREET BANK AND TRUST COMPANY	40,057,003	3.34
5	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	26,953,936	2.25
6	STATE STREET BANK EUROPE LIMITED	22,377,294	1.86
7	SOCIAL SECURITY OFFICE	20,027,600	1.67
8	CPB EQUITY CO., LTD	19,220,000	1.60
9	NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND	17,672,900	1.47
10	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH	16,039,600	1.34

Remark : CPB Equity Co., Ltd. is the company fully-owned by The Crown Property Bureau.

The information of Investors under Thai NVDR Co., Ltd. is shown on the website:
www.set.or.th

As at February 21, 2014, the first major 3 NVDR holders were as follows:

No.	NVDR shareholders	No. of ordinary shares	% of total shares
1	HSBC (SINGAPORE) NOMINEES PTE LTD	14,833,625	1.24
2	STATE STREET BANK AND TRUST COMPANY	13,395,729	1.12
3	STATE STREET BANK EUROPE LIIMITED	10,102,108	0.84

(b) The majority of shareholders are a group whose movement has a marked influence on the establishment of corporate policy and strategy. (As at February 21, 2014)

No.	Shareholders	No. of ordinary shares	% of total shares
1	THE CROWN PROPERTY BUREAU	360,000,000	30.00
2	CPB EQUITY CO., LTD	19,220,000	1.60

- Among major shareholders, the Company does not have any shareholding agreements, which might affect its management.

Foreign Limit

The company has imposed limitations on the number of shares which can be held by the foreigners at 25% of fully paid-up capital. As at February 21, 2014, the company declared that 25% of fully paid-up capital shares are held by the foreigners.

7.3 Issuance of Other Securities

The Siam Cement Public Company Limited issued 9 series* of debentures valuing Baht 141,500 million. The interest rate is 3.85 – 4.5 percent with maturities of 4 - 7 years (Details are disclosed in notes to the consolidated financial accounts in number 19, page 167)

Remarks: * Debenture were rated as “A(tha)” from Fitch Ratings (Thailand).

7.4 Dividend Policy

The company has a dividend payout policy on paying dividends to the shareholders at 40% - 50% of the consolidated net profit. However, when reviewing the dividend payout for any potential changes for the respective period, the company may take into account all irregular situations, and uncontrollable factors, accordingly. In 2013, the consolidated net profit amounts at 36,522 Million Baht, resulting in the retained earnings for appropriation at the ordinary general meeting of shareholders on March 26, 2014, the Board resolved to declare the annual dividends for the year 2013 at 15.50 Baht per share or equal to 51 percent of net profit.

For most subsidiaries whose 100 percent shares owned by the company, The Siam Cement Public Company Limited considered their operating results, concerning the corporate structure financial position and investment plan. The company did not find any policy that led to transfer of interests, lack of transparency as stated in the principles of good corporate governance.

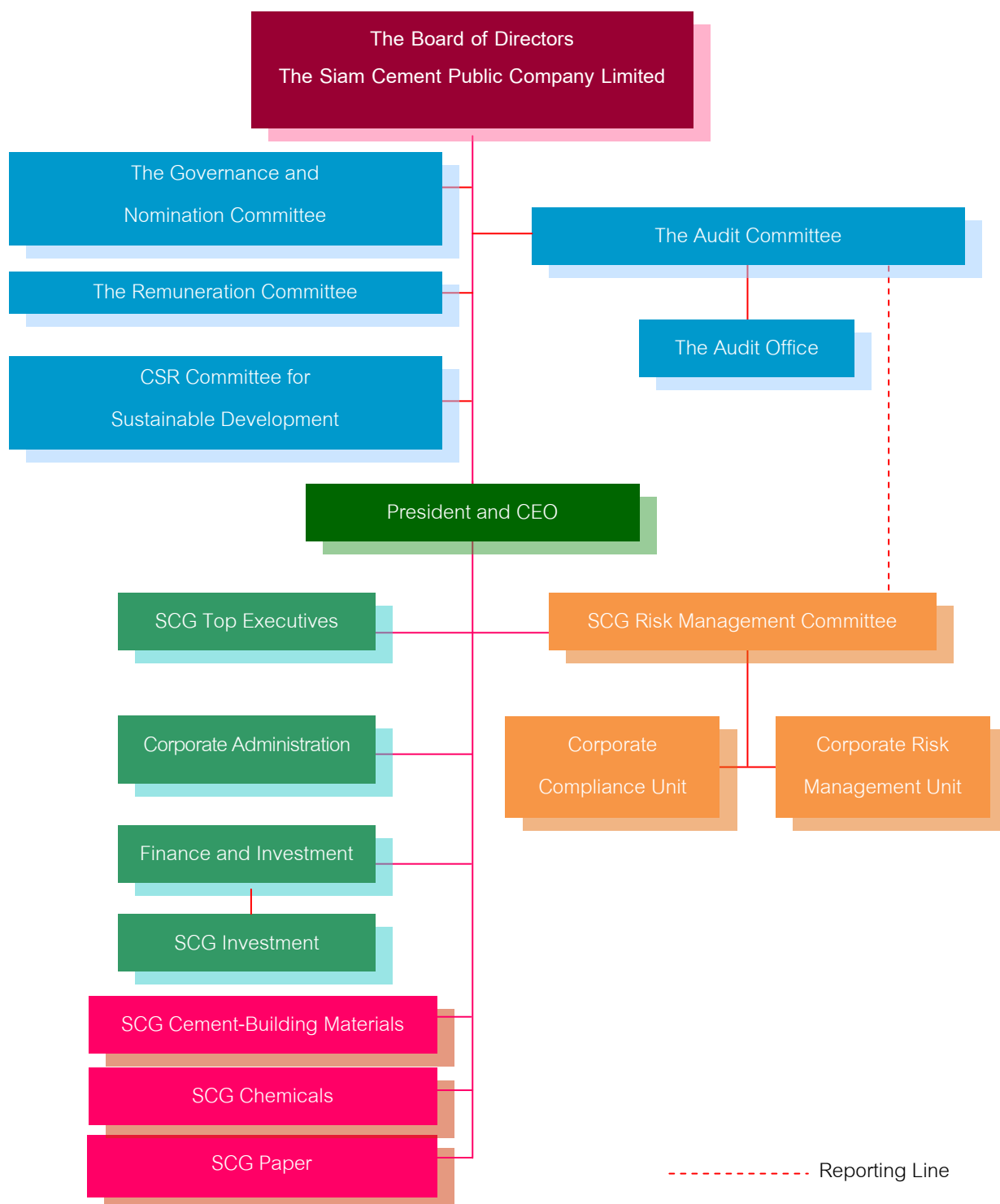
Detail of Other Dividend Distribution

Year	Interim dividends (Baht/share)	Final dividends (Baht/share)	Annual dividend (Baht/share)	Dividends payout ratio on net profit (%)
2009	3.50	5.00	8.50	42
2010	4.50	8.00	12.50	40
2011	5.50	7.00	12.50	55
2012	4.50	6.50	11.00	56
2013	8.50	7.00*	15.50	51

*Remark: The Board of Director resolved to propose the ordinary general meeting of shareholders on March 26, 2014, to approve the final dividend distribution at 7.00 Baht per share.

8. Organization Structure

Management Structure (As at January 1, 2014)



8.1 Board of Directors

Composition of the Board of Director

The Board of Directors comprises nationally respected, knowledgeable and competent persons who are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board, which plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis, comprises the following names:

1. Mr. Chirayu Isarangkun Na Ayuthaya	Chairman
2. Mr. Snoh Unakul	Director
3. Mr. Sumet Tantivejkul	Independent Director
4. Mr. Pricha Attavipach	Independent Director
5. Mr. Panas Simasathien	Director
6. Mr. Yos Euarchukiati	Director
7. Mr. Arsa Sarasin	Independent Director
8. Mr. Chumpol NaLamlieng	Director
9. Mr. Tarrin Nimmanahaeminda	Independent Director
10. Mr. Pramon Sutivong	Independent Director
11. Mrs. Tarisa Watanagase	Independent Director
12. Mr. Kan Trakulhoon	Director, President & CEO

Among the Board directors, four have been appointed as authorized directors, namely, Mr. Snoh Unakul, Mr. Yos Euarchukiati, Mr. Panas Simasathien, and Mr. Kan Trakulhoon. Any two of the authorized directors are authorized to sign jointly on behalf of the Company.

11 non-executive directors

One executive director, who is the company's president & CEO

The six independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Arsa Sarasin, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Sutivong and Mrs. Tarisa Watanagase

The Audit Committee

The Audit Committee comprises four independent directors, all of whom are well accepted and have a full understanding of, and experience in, accounting or finance. Mr. Tarrin Nimmanahaeminda and Mrs. Tarisa Watanagase, with their extensive knowledge and experience, are responsible for reviewing the reliability of the financial statements. The Audit Committee members' duties include a review to ensure that operations have been carried out in accordance with the Company's Articles of Association as well as the laws and regulations of compliance-related agencies. Moreover, the Committee is committed to promoting the advancement of SCG's financial and accounting report system to meet international standards and to ensure that the

Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. The Audit Committee acts and expresses opinions independently.

Internal Audit Office with Mr. Anuwat Jongyindee as its Director acts as an operations unit reporting directly to the Audit Committee. The Audit Committee also consults regularly with external auditors, consultants and specialists in the areas of law and accounting. The Audit Committee must set up meetings with the Company's external auditor, which exclude the management, at least once a year in order to hear their comments. In addition, the Committee may seek external consultation and professional advice from independent consultants or specialists, as deemed appropriate, at the Company's expense.

Internal Audit Committee of the Company comprises the following four members:

- | | |
|-------------------------------|----------|
| 1. Mr. Tarrin Nimmanahaeminda | Chairman |
| 2. Mr. Pricha Attavipach | Member |
| 3. Mr. Pramon Sutivong | Member |
| 4. Mrs. Tarisa Watanagase | Member |

The Governance and Nomination Committee

The Governance and Nomination Committee comprises five of the Company's directors, all of whom are non-executive directors. The chairman of the Governance and Nomination Committee is an independent director. The Committee is responsible for proposing, revising, and supervising the Company's corporate governance matters. The Committee is also in charge of the nomination of persons qualified to become directors to replace those who are retired by rotation, or as the case may be. In addition, the Committee reviews the performance evaluation system of the Board of Directors and other committees, as well as the succession plan for the position of president.

The Governance and Nomination Committee of the Company comprises the following five members:

- | | |
|-------------------------------|----------|
| 1. Mr. Sumet Tantivejkul | Chairman |
| 2. Mr. Snoh Unakul | Member |
| 3. Mr. Panas Simasathien | Member |
| 4. Mr. Arsa Sarasin | Member |
| 5. Mr. Tarrin Nimmanahaeminda | Member |

The Remuneration Committee

The Remuneration Committee comprises three of the Company's directors. The Committee is responsible for monitoring and studying changes and trends in the remuneration of the Board of Directors

and SCG top executives to suggest remuneration policies that can motivate these executives to lead the Company toward success as well as to retain smart and ethical employees within the organization.

The Remuneration Committee of the Company comprises the following three members:

- | | |
|---------------------------|----------|
| 1. Mr. Chumpol NaLamlieng | Chairman |
| 2. Mr. Yos Euarchukiati | Member |
| 3. Mr. Pramon Sutivong | Member |

The CSR Committee for Sustainable Development

The CSR Committee for Sustainable Development comprises five of the Company's directors and three top executives. The Committee is responsible for establishing policies and guidelines on CSR activities for sustainable development, proposing the setting of annual CSR budget as well as monitoring the Committee's performance and reporting to the Board of Directors.

The CSR Committee for Sustainable Development comprises the following eight members:

- | | |
|---------------------------------------|----------|
| 1. Mr. Snoh Unakul | Chairman |
| 2. Mr. Chirayu Isarangkun Na Ayuthaya | Member |
| 3. Mr. Sumet Tantivejkul | Member |
| 4. Mr. Yos Euarchukiati | Member |
| 5. Mr. Kan Trakulhoon | Member |
| 6. Mr. Kajohndet Sangsuban | Member |
| 7. Mr. Roongrote Rangsiyopash | Member |
| 8. Mr. Tanawong Areeratchakul | Member |

Board of Directors' Meetings

It is the duty of each member of the Board to consistently attend the Board's meetings to stay informed of SCG's operations and make decisions regarding them. The Board holds at least eight scheduled meetings per year, making sure that the agendas are set forth clearly prior to each meeting. In addition, the Board may organize special meetings to consider and decide urgent matters.

At the meetings, the Chairman and the President & CEO of the Company jointly determine which agenda items are relevant to the meetings. Every individual member of the Board is entitled to propose agenda items.

In 2013, the Board held 10 meetings, eight scheduled meetings and two special meetings. Prior to each meeting, all members received the agenda and supporting documents five working days prior to the date of the meeting to allow adequate time for preparation.

When considering the matters presented to the Board, the Chairman of the Board presides over and duly conducts the meetings. All members of the Board are allowed to express their opinions independently.

Resolutions are passed with a majority vote, whereby one director is eligible for one vote. A director with a vested interest in the issue under consideration or a director ineligible to vote shall be excused and/or abstain from voting. In case of a tied vote, the chairman of the meeting will cast his vote to reach a resolution.

SCG executives are allowed to attend the Board's meetings to provide useful information to the Board, and to learn directly about the Board's initiatives and policies for effective implementation. However, the executives are not allowed to attend the meeting for certain agenda items which are reserved only for the Board of Directors or for non-executive directors in order to ensure independence of consideration.

In addition, the Board attaches significance to managing the conflicts of interest of the concerned parties with prudence, fairness and transparency. The information shall be fully disclosed. Any director with a vested interest in the matter under consideration must not be involved in the decision process.

After the Meeting, the company secretary is responsible for preparing the minutes for all directors. The minutes must then be approved as the first agenda item of the following meeting of the Board, which is duly signed by the chairman. Directors may make comments, corrections or additions to ensure maximum accuracy and completeness. After approval, minutes of the meeting are stored securely in the corporate secretary's office together with all related documents, which are backed up electronically to facilitate data searches.

In addition, for the months in which the Board of Directors meeting is not held, all directors are continuously informed of the operating results. The Company submits to the director relevant documents, together with information about any significant developments that occurred during the month, in order to keep them informed.

Non-executive directors hold a meeting among themselves to discuss the succession plan for top executives and to evaluate the performance of the President. So as to ensure that the non-executive directors can express their opinions independently, the President is excluded from attending a meeting held to evaluate his performance and other related issues.

The Attendance of the Directors in 2013 (as of December 31, 2013)

	Board of Directors	The Audit Committee	The Governance and Nomination Committee	The Remuneration Committee	The CSR Committee for Sustainable Development	The 2013 Meeting of Shareholders
	(Total 12 directors) Total 10 times / year	(Total 4 members) Total 6 times / year	(Total 5 members) Total 5 times / year	(Total 3 members) Total 6 times / year	(Total 5 members) Total 4 times / year	(Total 12 directors) Total 1 time / year
Directors						
1. Mr. Chirayu Isarangkun Na Ayuthaya	10/10				4/4	1/1
2. ACM Kamthon Sindhvananda*	3/3	1/1				-
3. Mr. Snoh Unakul	10/10		4/5		4/4	1/1
4. Mr. Sumet Tantivejkul	10/10		5/5		4/4	1/1
5. Mr. Pricha Attavipach	10/10	6/6				1/1
6. Mr. Panas Simasathien	10/10		5/5			1/1
7. Mr. Yos Euarchukiatl	10/10			6/6	2/4	1/1
8. Mr. Arsa Sarasin	10/10		5/5			1/1
9. Mr. Chumpol NaLamleng	10/10			6/6		1/1
10. Mr. Tarrin Nimmanahaeminda	9/10	6/6	5/5			1/1
11. Mr. Pramon Sutivong	10/10	6/6		6/6		1/1
12. Mrs. Tarisa Watanagase**	7/7	5/5				-
13. Mr. Kan Trakulhoon	10/10				4/4	1/1

Notes:

1. The six independent directors are number 4, 5, 8, 10, 11 and 12
2. The four Audit Committee members are number 2*, 5, 10, 11 and 12**
3. The five Governance and Nomination Committee members are number 3, 4, 6, 8 and 10
4. The three Remuneration Committee members are number 7, 9 and 11
5. The five CSR Committee for Sustainable Development members are number 1, 3, 4, 7 and 13
6. The 2013 Annual General Meeting of Shareholders held on March 27, 2013.

* Retired from the company's directorship and chairman of the Audit Committee since March 27, 2013

** Has been a company's director and a member of the Audit Committee since March 27, 2013

8.2 Top Executives

Top Executives of SCG (As at January 1, 2014) comprises

- | | |
|----------------------------------|---|
| 1. Mr. Kan Trakulhoon | President & CEO, SCG |
| 2. Mr. Chaovalit Ekabut | Vice President – Finance and Investment & CFO, SCG
President, SCG Investment |
| 3. Mr. Tanawong Areeratchakul | Vice President – Corporate Administration, SCG |
| 4. Mr. Pichit Maipoom | President, SCG Cement-Building Materials
Vice President – Operations,
SCG Cement-Building Materials |
| 5. Mr. Aree Chavalitcheewingul | Vice President – Regional Business,
SCG Cement-Building Materials |
| 6. Mr. Nithi Patarachoke | Vice President – Domestic Market,
SCG Cement-Building Materials |
| 7. Mr. Cholanat Yanaranop | President, SCG Chemicals |
| 8. Mr. Somchai Wangwattanapanich | Vice President – Operations, SCG Chemicals |
| 9. Mr. Roongrote Rangsiyopash | President, SCG Paper |

The above-mentioned top executives of SCG are “Management” in accordance with the Securities and Exchange Commission Notification No. Tor Jor 23/2551.

SCG top executives are empowered with an authority to operate business under the policy, strategies and goals directed by the Board of Directors, which approves a clear and definite scope of responsibilities to ensure transparency and flexibility of operation. The nine members of top executives have no forbidden qualification as following:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflicts of interest against SCG during the year.

The Directors of Subsidiaries that are Core Businesses

(As at February 1, 2014)

Companies \ Directors	Mr. Kan Trakulhoon	Mr. Chaovalit Ekabut	Mr. Tanawong Areeratchakul	Mr. Pichit Maipoom	Mr. Aree Chavallitcheewingul	Mr. Nithi Patarachoke*	Mr. Cholanat Yanaranop	Mr. Somchai Wangwattanapanich	Mr. Roongrote Rangsiyopash
SCG Cement-Building Materials									
SCG Cement Company Limited	✓	✓		✓	✓	✓			✓
SCG Building Materials Company Limited	✓	✓		✓	✓	✓			
SCG Distribution Company Limited	✓			✓	✓	✓			
SCG Chemicals									
SCG Chemicals Company Limited	✓	✓			✓		✓	✓	✓
SCG Paper									
SCG Paper Public Company Limited	✓	✓			✓	✓		✓	✓
SCG Investment									
Cementhai Holding Company Limited	✓	✓	✓		✓		✓		✓

Remark: Mr. Nithi Patarachoke has been appointed to be SCG Top Executive since September 1, 2013

8.3 The Secretary to the Board of Directors and the Company Secretary

The Secretary to the Board of Directors

The Board appointed Mr. Worapol Jennapar as the secretary to the Board of Directors responsible for providing advice to the Board regarding the performance of duties in compliance with the law, preparing the minutes of the Board's meetings, and attending every Board meeting. He is deemed by the Board to be highly knowledgeable and experienced, especially in legal matters, allowing him to provide appropriate advice to the Board regarding laws, rules, regulations and the SCG Corporate Governance Policy.

The Corporate Secretary

The Board appointed Mrs. Pornpen Namwong as the corporate secretary responsible for organizing the meetings of the Board, committees and shareholders. The corporate secretary is also in charge of preparing the minutes of the Board's meetings, the minutes of shareholders' meetings, and Annual Report as well as filing documents as stipulated by law. She is deemed by the Board to be appropriate because she is knowledgeable in managing corporate secretarial work, having served as director of the corporate secretary office, which supports the corporate secretarial work involving compliance with laws, rules, regulations and the SCG Corporate Governance Policy.

The Company constantly supports the company secretary to undergo training and development in the areas of law, accounting, or corporate secretarial work. The qualifications and experience of the company secretary are disclosed in the Company's annual report.

8.4 Remuneration for the Board and the Top Executives

Remuneration for the Board and the committees

SCG sets appropriate remuneration for members of the Board and the top executives at rates comparable to those of leading companies listed in the SET, and other top companies in the same industries. Remuneration for the Board is also considered based on SCG's operating results, before being proposed for approval in the Shareholders' Meeting. Remuneration for the top executives is set by the Board of Directors, based on their responsibilities and performance, and the operating results of each business.

Apart from ordinary remuneration, the Shareholder's Meeting on March 24, 2004 passed a resolution approving the Company to pay a bonus to the Board of Directors in an amount not exceeding 0.5% of total dividends paid to shareholders. The Board of Directors is responsible for consideration of the appropriate amount of bonus and the amount to be paid to each director. The resolution is effective from the date of approval until any subsequent resolution. The bonus for directors will be considered based on the growth of profits of the Company, while the bonus of top executives is considered based on the performance of each business as well as individual performance.

As for remuneration for the committees, the Board of Directors is entitled to set the remuneration for each committee according to Clause 40 of the Company's Article of Association. However, to ensure transparency in tune with good corporate governance, the Board found it appropriate to seek from the Shareholders' Meeting the approval of the remuneration for three committees, namely, the Audit Committee, the Governance and Nomination Committee, and the Remuneration Committee. In 2006, the 13th Annual General Meeting of Shareholders on March 22, 2006 passed a resolution approving the remuneration for the committees at the same rates as proposed by the Board. Later in 2011, the 18th Annual General Meeting of Shareholders on March 30, 2011 approved new remuneration rates for the three committees.

Director Remuneration

In the 11th Annual General Meeting of Shareholders held on March 24, 2004, a resolution passed concerning the remuneration and bonuses of directors. Monthly remuneration for all directors was set at 1,800,000 Baht, to be distributed among the directors in such manner that they themselves may consider appropriate. Regarding bonuses, permission was granted for the Board itself to determine the appropriate

amount, but the amount cannot exceed 0.5% of total dividends paid to shareholders, and should be apportioned among the directors in such manner they themselves may consider appropriate. This took effect from the day the resolution was passed by a vote of the shareholders and remained in effect until the Shareholders' Meeting determined otherwise.

The Apportionment of Board Remuneration and Bonuses

Monthly Remuneration

The Board of Directors passed a resolution to pay the chairman a 1.5 portion, or 216,000 Baht per month, and the other 11 board members one portion, or 144,000 Baht per month.

Director Bonuses

The Board of Directors passed a resolution to pay the chairman a bonus of 1.5 portions and each of the other board members bonuses of one portion of total bonuses as approved in the Shareholders' Meeting.

Remuneration for the Committees

The Board of Directors passed a resolution to remunerate members of the committees on the basis of a fixed fee and attendance fee, as follows:

Unit: Baht

	Position	Annual fixed fee	Attendance fee
The Audit Committee	Chairman	180,000	45,000
	Director	120,000	30,000
The Governance and Nomination Committee/ The Remuneration Committee	Chairman	150,000	37,500
	Director	100,000	25,000

The Remuneration for the Board of Directors and the Subcommittees paid in 2013

Directors	Remuneration (Baht)				Directors' Bonus paid in 2013* (Baht)	Total (Baht)
	The Board of Directors	The Audit Committee	The Governance and Nomination Committee	The Remuneration Committee		
1. Mr. Chirayu Isarangkun Na Ayuthaya ¹	2,592,000	-	-	-	9,000,000	11,592,000
2. ACM Kamthon Sindhvananda ^{**}	432,000	90,000	-	-	3,767,071	4,289,071
3. Mr. Snoh Unakul ²	1,728,000	-	200,000	-	6,000,000	7,928,000
4. Mr. Sumet Tantivejkul ³	1,728,000	-	337,500	-	6,000,000	8,065,500
5. Mr. Pricha Attavipach	1,728,000	300,000	-	-	6,000,000	8,028,000
6. Mr. Panas Simasathien	1,728,000	-	225,000	-	6,000,000	7,953,000
7. Mr. Yos Euarchukiati	1,728,000	-	-	250,000	6,000,000	7,978,000
8. Mr. Arsa Sarasin	1,728,000	-	225,000	-	6,000,000	7,953,000
9. Mr. Chumpol NaLamlieng ⁴	1,728,000	-	-	375,000	6,000,000	8,103,000
10 Mr. Tarrin Nimmanahaeminda ⁵	1,728,000	422,500	225,000	-	6,000,000	8,375,500
11. Mr. Pramon Sutivong	1,728,000	300,000	-	250,000	6,000,000	8,278,000
12. Mrs. Tarisa Watanagase ^{***}	1,296,000	241,667	-	-	2,232,929	3,770,596
13. Mr. Kan Trakulhoon	1,728,000	-	-	-	6,000,000	7,728,000
Total	21,600,000	1,354,167	1,212,500	875,000	75,000,000	100,041,667

- Remark:**
- Chairman of the Board of Directors
 - Chairman of the CSR Committee for Sustainable Decekopment****
 - Chairman of the Governance and Nomination Committee
 - Chairman of the Remuneration Committee
 - Chairman of the Audit Committee

* The directors' bonus paid in 2013 consisted of the bonus payment based on the final dividend of the year 2012 paid to shareholders on April 25, 2013 and the interim dividend of the year 2013 paid on August 29, 2013 and the special interim dividend of the year 2013 paid on November 28, 2013 as represented in the item of "Administrative expenses" on the consolidated statements of income.

** Retired from the company's directorship and chairman of the Audit Committee since March 27, 2013

*** Has been a company's director and a member of the Audit Committee since March 27, 2013

**** The CSR Committee for Sustainable Development has no remuneration

Top Executive Remuneration (As at December 31, 2013)

The total remuneration for ten executives in the form of salaries, bonuses, variable pay and others amounted to 231,901,753 Baht. For 2013, the Company made contributions of 14,945,320 Baht to the provident fund for the executives, because they are employees of the Company.

The remuneration for the directors and top executives of subsidiaries, which are SCG's core businesses (As at the year ended December 31, 2013)

Total remuneration for directors of subsidiaries that are core business of SCG

Directors of the core businesses, which encompass SCG Cement-Building Materials, SCG Chemicals and SCG Paper are the top executives who are not subject to remuneration paid for being the directors.

Total remuneration for top executives of subsidiaries that are core businesses of SCG

- 1) Remuneration paid as money, such as monthly salary, bonus, and variable pay.
- 2) Other compensation such as provident fund contributions.

Details of compensation are as follows:

	Subsidiaries that are core businesses	Number of executives	Total Remuneration in the form of money (Baht)	Other compensation (Baht)
1.	SCG Cement-Building Materials Co., Ltd.	4	24,795,840	2,045,784
2.	SCG Chemicals Co., Ltd.	6	30,642,065	2,574,312
3.	SCG Paper PLC.	8	40,054,000	3,451,188

Therefore, the number of executives, and the remuneration for the above-mentioned executives, excluding the presidents and vice president of subsidiaries that are SCG's core businesses, included the number and remuneration of the top executives of The Siam Cement Public Company Limited, which are listed on SCG Annual Report 2013.

8.5 Human Resource

At SCG, "Belief in the value of the individual" is one of philosophy. Therefore, employees are the most valuable asset. We devoted to develop their skills, capability, and quality of life with the appropriated remuneration. Therefore, SCG has improved the human resource management in correspondence with the business strategy. The Company draws up tactics to foster the success by planning for the next 5 years as following:

1. Human resource preparedness to support the future investment

1.1 Arrange manpower to serve an expansion

Other than the readiness in the terms of International staffs and SCG staff in Overseas Operations to support the overseas business's expansion, SCG also builds the brand to be recognized as employer of choice by generating the campus recruitment in leading education institutions, offering scholarships to students and local staffs for graduate to doctoral degree, and building strong relationship with the government, private sector, community, and leading corporate of the invested countries. Moreover, SCG arranges quarterly meeting with SCG coordinator of each country to make sure that the company's policy on human resource management has been applying accordingly. Such meeting opens up additional information exchange channel in terms of business and human resource as a way of employee's care of both local and international staffs.

1.2 Employee capability development

SCG focuses on creating atmosphere that allows employees to be inspired and learned through training sessions, knowledge sharing activities, knowledge improvement programs, and in-work experience. Employees would have attitude and behavior that suits the company as well as broaden their knowledge, skills and visions that enable them to adapt to constant changing environment both local and overseas. SCG continuously provides employees at all levels of the organization with a variety of Business Foundation Programs such as "Abridged Business Concept (ABC)", "Business Concept Development (BCD)", "Management Program (MDP)", "Executive Development Program (EDF)" and "Advanced Management Program (AMP)", in order to encourage their career development. Furthermore, SCG also determines to prepare and plan individual Training Roadmap based on each employee's competency to empower them with skills and expertise both in technical and management aspects.

As a preparation for overseas expansion, SCG improves staff's ability in working at international stage by teaching them language, culture, and business norms of each country through Cross-Cultural Exclusive Development programs and international business practice program. Furthermore, SCG has developed SCG Orientation International Program for local staffs to understand the SCG's business strategy and promoting the proud of being SCG employees and building working network.

1.3 Modification on human resource management to encourage for working overseas

Aims to have same standard of human resource management with SCG and also suitable for different cultures, the overseas companies have implemented e-HR management software.

SCG brings excellent practices, such as introducing SCG Career Camp projects, monitoring employees through HR committee, and applying HR development methods e.g. TQM, TPM, Safety to the overseas companies in order to illustrate its intention of sustainable and long-term investment and boost working effectiveness. Also, the intentioned programs allow local staffs to have career growth opportunity in the same playing field with others throughout SCG. The HR system platform is a key that allows HR system to be applied in foreign countries much more effectively. For top managements, SCG has a policy that requires them to have working experience in foreign countries.

2. Encourage new culture lead to innovative organization

2.1 Change the culture into innovative organization

Through diverse activities, SCG aims to promote and alter working culture to be known as innovative organization as well as changing its employee's working behavior. Every employees is required to adhere to **SCG Business Philosophy** and **Code of Conduct** which are guidelines for practices and also courageous to think and talk as well as having opened-mind and ability to change in order to create Innovative Workplace environment. SCG also initiated various activities such as Inno Award, Inno Idea Tank, Book Brief, and Eager to Learn. In addition, SCG sees the importance of adding number of researchers in subjects which are related to business direction because these staffs are the critical mass in driving innovation policy to be in effect rapidly.

2.2 Develop employees' competency who support innovative culture

To develop employees' competency in supporting innovative culture, SCG has arranged number of programs to develop them in each level. These programs are, for instance, Thinking Skills for Innovation, Coaching for Innovation, Leadership Development Program, and Inno Executive Coaching. In the meantime, SCG has developed SCG Inno Facilitators in every business to act as promoters of innovative culture within the organization.

2.3 Modify human resource management to enhance innovative organization

Human resource management is an importance tool in sustainability achieving innovation goal. The HR systems that support the mentioned policy are listed below:

- Improve Recruitment Process by developing internal recruiting procedure to serve career part of employees via SCG Career Click.
- Review Performance Management System to motivate employees and teams both output and working procedures in driving innovation
- Define wage management and career development for researchers and specialists in each business.

- Take care of employees' Health both physically and mentally. We at SCG constantly arrange activities to promote "Holistic Health Program" and ensure employees' welfare so as to encourage "Employee Engagement" which leads to the collaboration in building SCG innovation culture.
- Cooperate with external institutions for R&D such as AIT, Chulalongkorn University as well as develop skills for technicians in mechanical technology by cooperating with King Mongkut's University of Technology North Bangkok and Model School Project , in cooperation with Vocational Education Committee to support SCG' s future technology improvement.

SCG believes that its focus on HR development in knowledge, skill, and ethic will allow the Company to achieve the goal of becoming international company of innovation. Such adherence will lead the Company to experience sustainable growth both local and in ASEAN.

As at December 31, 2013, The Siam Cement Public Company Limited had 1,635 employees with a compensation of Baht 2,379 million. Total employees of the Group were 49,287 with a compensation of Baht 32,417 million. (Compensation includes salary, bonuses, provident fund, and welfare)

Number of Employees in Each Business of the Siam Cement Group

As at December 31, 2013

Company / Business Unit	Number of Employees
The Siam Cement Public Company Limited	1,635
SCG Cement-Building Materials	32,788
SCG Chemicals	4,876
SCG Paper	9,877
Other	111
Total	49,287

9. Corporate Governance

9.1 Corporate Governance Policy

SCG conducts business with responsibility and fairness, adhering to principles it has long practiced. SCG's business principles are defined by its ethical framework and constantly improved in view of economic and social changes. These principles call for balancing both sustainable benefits and respectful treatment of all stakeholders.

SCG considers corporate governance to be a part of its business policy, which the Board of Directors has agreed to review and evaluate on an annual basis. In addition, the Company makes improvements, amendments and changes in corporate governance in line with the changing economic and social situation. The Board of Directors has assigned the Governance and Nomination Committee to take charge of corporate governance matters as well as to consider trends and new developments at the international level. For example, the Committee compares the rules and practices of the world's leading companies and stock exchanges with those of SCG in order to find areas for improvement and assesses compliance with the corporate governance policy. In addition to the annual review of such policy, charters of the Board of Directors and committees are periodically reviewed to ensure their conformance with laws, international best practices and the guidelines of the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC). The Board of Directors, moreover, specifies corporate governance to be one of the main items on the agenda at the Board of Directors' meeting.

The Governance and Nomination Committee set forth a policy to develop the SCG Principles of Corporate Governance so they can be applied to establishing business strategies to prepare the Company for ASEAN's economic growth accelerated by the coming implementation of the ASEAN Economic Community. Examples include the revision of SCG Corporate Governance principles to be in line with an official ASEAN CG Scorecard.

In 2013, the Board of Directors resolved to approve, with the recommendation of the Governance and Nomination Committee, the revision of the charters of the Board of Directors and Sub-committees to align with the current Scope of Authority and in compliance with applicable laws, international practices, the Principles of Good Corporate Governance of the Stock Exchange of Thailand (SET) and the Thai Institute of Directors (IOD), and ASEAN CG Scoreboard. The revision is posted on SCG website.

For the year 2013, SCG obtained five awards from Corporate Governance Asia as follows:

1. Asia's Best CEO
2. Asia's Best CFO
3. Best CSR
4. Best Investor Relations Company (Thailand)
5. Best Investor Relations Professional

In addition, SCG won a rating of "Excellent" in the Thai Investors Association's 2013 Annual General Meeting Checklist survey (AGM Checklist). The Thai Institute of Directors gave SCG an "Excellent CG Scoring" in the 2013 Corporate Governance Report on Thai Listed Companies. On top of this, the Company received a SET Award for 2013 - the special "SET Award of Honor in Best Corporate Social Responsibility" for the sixth consecutive year.

SCG Code of Conduct

In 2007, SCG updated the SCG Code of Conduct by adding guidelines for each business, illustrative examples, clearer practices, and a whistleblower policy that protects any employee who files a complaint or reports on improprieties or suspected violations of laws, SCG rules and regulations, the Company's Articles of Association, the SCG Code of Conduct or Anti-corruption Policy. In addition, the Company formed a working team responsible for devising the policies and providing consultancy regarding the SCG Code of Conduct. This team comprises top management from functions responsible for ensuring compliance with the SCG Code of Conduct and from the business units. This working team monitors performance and gives advice on relevant issues.

To further raise awareness of the SCG Code of Conduct among employees and to maintain strong adherence to SCG's corporate governance standards, the Company shares knowledge and promotes adherence to the SCG Code of Conduct to each employee at every level with a focus on raising awareness from the first day of employment onward. The Company has published a booklet on the Code of Conduct and distributed it to all new SCG employees along with conducting informational events to expound the Code of Conduct principles and practices to ensure that employees understand it clearly and use them as guidelines in performing their duties vigorously. This will be a key factor in assessing the yearly performance of employees. In 2012 SCG produced promotional materials and video clips that re-enact cases described in the Code of Conduct booklet to communicate the ideas as clearly, realistically and memorably as possible. The focus was on enabling employees to readily and knowledgeably practice these principles on the job and in daily life. The Company sent an e-newsletter to each employee's email address and posted the video clips on the internal website.

In addition, the Company provides channels for employees to express their views and share experiences together with providing employees information and consultation via the “SCG Code of Conduct” and “SCG Code of Conduct Consultation System” website. The Audit Office also focuses on constantly organizing workshops to support all SCG Business Units to operate in compliance with the principles of corporate governance and SCG Code of Conduct.

SCG sees its corporate governance policy and Code of Conduct as essential guidelines for the organization; therefore, it puts strong emphasis on principles and practices concerning responsibility and fairness toward all stakeholders. The principles include a clear outline of the structure, components, duties, independence and performance of the Board of Directors; transparency of information disclosure; a strict auditing system; and strict risk management policies. These build trust among shareholders and create additional value for them. SCG has disclosed related information through a growing variety of media to give stakeholders easier access to the information. Among these media and information channels are the Annual Report, 56-1 Form, website of the Stock Exchange of Thailand (SET), and SCG website, which together provide diverse and convenient access to information.

Policy on Protection and Fairness for Employees Who Inform on or Disclose of Wrongful Conduct or Non-Compliance with the Laws, Rules, and Regulations, the Company’s Articles of Association, and SCG Code of Conduct (Whistleblower Policy)

SCG has given great priority to good corporate governance. The Company carries out business with fairness to all parties and stresses the importance of transparency and accountability. SCG thus opens up opportunities for its employees and stakeholders to report or inform any irregularity in the business operations of SCG such as financial transactions, and compliance with legal requirements, regulations, ethical practices, and anti-corruption policy through specific channels provided. To assure that such reporting or provision of information will not cause trouble to the complainant or informant, SCG has established a mechanism for protecting and relieving the distress that might occur unfairly to those who report or inform from being abused or threatened. The Audit Office responsible for the security of the Whistleblower System has designated a separate server using two-level password authentication to prevent any leak of information.

In 2013, SCG established additional channels for the outside stakeholders to complain about or report on corruption or incompliance with laws, regulations, requirements, SCG Code of Conduct and anti-corruption policy as well as SCG Supplier Code of Conduct. They include the SCG website at www.scg.co.th under SCG Whistleblower System or directly reporting to the Company via Independent Directors or Audit Committee in addition to the receipt of complaints made verbally or in writing via letter, email, or intranet from employees.

This will be followed by a procedure for fact investigation established by the Company and a report to the Board of Directors. Moreover, contact information is clearly provided, and the procedure as well as channels are stated on the Company's website and Annual Report. (For complaints concerning the quality of products and services, consumers can file complaints via each company's website.)

In 2013, there were 10 complaints via the whistleblower system. The Audit Office concluded investigations most of all these complaints, two of which are regarded as instances of fraud with immaterial economic value. However, these too were taken into consideration for fine-tuning the Company's system to prevent fraud in the future.

Anti-corruption Efforts

On countering corruption, in the year 2012 the Company signed a Declaration of Intent of the Thai Institute of Directors' Private Sector Collective Action Coalition Against Corruption, whereby SCG's president & CEO vowed to adhere to the Coalition's aim to fight corruption in all forms. To that effect, the Company assessed risks associated with corruption and prepared itself for self-assessment on anti-corruption measures.

The Board of Directors of Siam Cement Public Company Limited resolved to announce the Anti-corruption Policy on May 29, 2013 to clearly prescribe the principles, guidelines, and communication associated with corruption in addition to those stated in handbooks on Code of Conduct, Corporate Governance, SCG Four Core Values, and SCG Stakeholder Engagement Policy.

SCG applied for the certification of its anti-corruption compliance program by having the self-evaluation concerning its anti-corruption mechanisms verified by Audit Committee. The Company was certified on July 5, 2013.

The Siam Cement Public Company Limited is the first conglomerate company in Thailand to have been proclaimed a Certified Company by The Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) Council.

SCG focused on communicating and implementing the anti-corruption mechanisms across the Company. SCG President & CEO informed employees at all levels through Message from CEO via the Company's intranet. SCG Anti-corruption Policy is accessible on www.scg.co.th.

Guidelines on SCG's Corporate Governance

1. The Rights of Shareholders

SCG has a policy to support, promote, and facilitate every shareholder including institutional investors to ensure that shareholders, both as investors and owners of the Company, are entitled to all basic rights meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend Shareholders' Meetings, the right to propose in advance the Meeting agenda, the right to nominate a person to be a director, the right to express opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of directors, the appointment of auditors and fixing of the audit fee, approval of significant transactions influencing the Company's direction, as well as amendment of Memorandum of Association and Articles of Association of the Company, etc. Each shareholder has the right to vote at meetings according to the number of shares owned whereby one share is entitled to one vote, and no particular share allows privilege over the rights of other shareholders.

Apart from the abovementioned rights of the shareholders, SCG has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:

1. SCG provides essential, clear, and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed by law, if SCG considers that it is of significance to shareholders, the Company will notify shareholders of the information through SCG's website and the Stock Exchange of Thailand.
2. Prior to the date of the Meeting, SCG provides clarifications and rationales for each agenda item to ensure that all shareholders have significant and sufficiently detailed information for study well in advance. Such information, both in Thai and English, will be posted on SCG's website around two months before the date of meeting and the related documents are submitted to shareholders more than 20 days prior to the Meeting. The shareholders' right to attend the Meeting and the right to vote on resolutions will be clearly stated in the Meeting notice submitted by the Company.
3. Any shareholder who is unable to attend a Meeting is entitled to appoint a representative, e.g., an independent director or other person, to act as proxy, using any one of the proxy forms attached to the notice of the Meeting. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce whereby the shareholders can exercise their voting rights as wished. The proxy forms can also be downloaded from SCG's website. For shareholders' convenience, SCG provides the duty stamp to be sealed on the proxy form.

Shareholders who arrive after the Meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. Late-arriving shareholders shall

constitute part of the quorum starting from the agenda item for which they are in attendance and can exercise their voting rights unless the Meeting states otherwise.

4. Shareholders can send queries about details of each agenda or other information via email: corporate@scg.co.th or to the Company address prior to the Meeting.
5. For 2013, the Company held the Annual General Meeting of Shareholders on March 27, 2013.

Eleven directors attended the Meeting as follows:

- | | | |
|-----|------------------------------------|------------------------------|
| 1. | Mr. Chirayu Isarangkun Na Ayuthaya | Chairman |
| 2. | Mr. Snoh Unakul | Director |
| 3. | Mr. Sumet Tantivejkul | Independent Director |
| 4. | Mr. Pricha Attavipach | Independent Director |
| 5. | Mr. Panas Simasathien | Director |
| 6. | Mr. Yos Euarchukiati | Director |
| 7. | Mr. Arsa Sarasin | Independent Director |
| 8. | Mr. Chumpol NaLamlieng | Director |
| 9. | Mr. Tarrin Nimmanahaeminda | Independent Director |
| 10. | Mr. Pramom Suthiwong | Independent Director |
| 11. | Mr. Kan Trakulhoon | Director and President & CEO |

One absent Director was Air Chief Marshal Kamthon Sindhvananda, Independent Director and Chairman of the Audit Committee, who completed his term and expressed his intention of not being elected as a Director of the Company.

The Company deemed it appropriate to organize the Meeting at Athenee Crystal Hall on the 3rd floor of Plaza Athenee Bangkok, A Royal Meridien Hotel, as was previously done in 2012. This was in response to the increasing numbers of shareholders attending the Meeting each year, because SCG would like to make it easier for them to attend, raise questions, and express opinions all in the same room in order to ensure a smooth and effective meeting. The venue is easily accessible as it is situated on Wireless Road within close reach of a BTS station. An exhibition of SCG 100 Years was showcased at the entrance of the Hall to keep shareholders abreast of SCG's information in different areas from the past to present. The Company also prepared a special gift for shareholders attending this year's Meeting. It was a concrete elephant sculpture which underlines the strong bond between SCG and shareholders, having built upon SCG's four core values for 100 years.

6. On the date of the Meeting, the Company uses a barcode system for registration based on the reference number already included in the registration form and proxy form to ensure convenience for shareholders and facilitate the registration.
7. Prior to the Meeting, the Secretary to the Board explained to the Meeting the procedures of voting, counting of votes, and announcing of voting results, which can be summarized as follows:
 - 7.1 In voting for each agenda, each Shareholder or a proxy authorized by any Shareholder to vote on his/her behalf was entitled to vote equal to the number of shares held, whereby one share would be equal to one vote. Votes were to be cast by the raising of hands.
 - 7.2 In casting votes by the raising of hands, any Shareholder who wished to vote for, vote against or abstain from such agenda shall mark the voting card accordingly with his/her signature affixed. The officers of the company shall scan the barcodes and collect the voting cards only for the Shareholders who voted against or abstained to count the number of opposing and abstaining votes for each agenda. All the voting cards for the Shareholders who voted for all the matters shall be collected altogether when the Meeting adjourns.
 - 7.3 In vote counting, a system of negative deduction shall be used whereby the “disapprove” and “abstain” votes shall be deducted from the total number of votes attending the Meeting for each agenda. The remaining votes shall then be counted as “approve” votes. In counting and summing up the votes for each agenda, the votes indicated in Proxy forms shall also be counted.
 - 7.4 During the casting of the votes on each agenda, the votes shall be counted from the total number of votes cast by the Shareholders present at the Meeting with the right to vote in such agenda, which might vary from item to item since Shareholders might leave the Meeting or later enter into the Meeting. The results of the vote count shall be announced at the Meeting after the completion of the counting of votes for each agenda item. However, vote counting for some agenda items might take longer. In such cases, the Chairman might request the Meeting to proceed with the consideration of the next item on the agenda to avoid disrupting the meeting. The Meeting will be informed of the result as soon as the vote counting has finished.
8. One-third of the directors must retire from office on a rotational basis in each Annual General Meeting of Shareholders, and the election of directors to replace the retired directors takes place during the Meeting. Shareholders will be informed that if the number of nominated persons does not exceed the number of directors required for that election, all of them shall be elected as

directors. However, if the number of candidates exceeds the number of directors required, each candidate is then elected individually. During the Meeting, shareholders are entitled to freely propose names of individuals for directorship of the Company.

In 2012, the Board of Directors suggested by the Governance and Nomination Committee proposed that the 2012 Annual General Meeting of Shareholders consider and approve the amendments to Clause 25 of the Company's Articles of Association to enable a proxy to vote on a resolution as authorized by a shareholder and Clause 30 to enable a shareholder to vote on an individual candidate. However, after the remarks and inquiries made by the shareholders to which the management replied, the Board of Directors deemed it appropriate to withdraw the matter from this Meeting without putting it to a vote as it was not an urgent matter and further consideration would be given to the matter in detail.

As a consequence, in 2012, the Governance and Nomination Committee reviewed the matter and proposed amendments to the two clauses of the Company's Article of Association. The Board resolved to re-propose the agenda item to the 2013 Annual General Meeting of Shareholders in compliance with the criteria on good corporate governance of the Thai Institute of Directors (IOD) and its AGM Checklist.

The 2013 Annual General Meeting of Shareholders resolved to approve the amendments to Clause 25 and Clause 30 of the Company's Articles of Association as proposed by the Board. Details are as follows:

25. A shareholder who has any special interest in a resolution cannot vote on such resolution, except for voting on the election of Directors.

30. The election of Directors at a general meeting of shareholders shall be carried out in accordance with the following rules and procedures:

- (1) A shareholder shall have one vote for each share he holds or represents.
- (2) At the election of Directors, the shareholders shall vote for each individual candidate nominated for Directors, but not exceeding the number of Directors required for that election. The vote shall not be distributed.
- (3) The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as Directors in that order until all of the Director positions are filled. Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of Directors to be exceeded, the remaining appointment shall be made by the chairman of the meeting who shall have a casting vote.

The Company has completed the registration of the amendments to both Clauses as approved by the Shareholders' Meeting with the Ministry of Commerce. They shall come into force at the 2014 Annual General Meeting of Shareholders.

9. At the Meetings, the Company provides clarifications and rationales for each agenda item as stated in the Meeting notice and shareholders are allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders can obtain sufficiently detailed information on the matter question. Should shareholders have questions or inquiries, specialists in specific fields are available to answer queries under the authority of the Board with representatives from the Auditor of the Company as witnesses.
10. For any item on the agenda at the Shareholders' Meeting, the shareholders can call for a casting of votes by secret ballot if at least five shareholders make such request. The Shareholders' Meeting shall resolve to approve the casting of votes by secret ballot upon a majority of votes.
11. An agenda item regarding the Board's remuneration is included to inform shareholders of the amount and type of remuneration received by each director including meeting allowance and bonus. Full details can be found in the Company's Annual Report on page 41-43.
12. The agenda of the 2013 Annual General Meeting of Shareholders was considered chronologically as it appeared in the invitation letter submitted to shareholders prior to the Meeting, without any changes in order or request for the Meeting to consider any agenda item other than those specified in the invitation letter.
13. The Company disclosed the voting results and resolutions for each agenda item at the 2013 Annual General Meeting of Shareholders to the public via SET Portal and SCG website after the Meeting has ended.
14. The Company prepared the minutes of the Shareholders' Meeting completely encompassing all material information: names of directors attending and not attending the Meeting, resolutions of the Meeting, voting results for each agenda item, key questions, clarification, and opinions. The Company prepared the Minutes of the 2013 Annual General Meeting of Shareholders' and submitted them to the Stock Exchange of Thailand and the Ministry of Commerce within 14 days from the date of the meeting as stipulated by law. They were disseminated on the Company's website.

2. The Equitable Treatment of Shareholders

SCG shall provide equitable treatment to every individual shareholder, major or minor, as well as institutional or foreign investors. To that effect, the Company strives to find tools to ensure equality, especially for minor shareholders, which include:

Provision of opportunities for minor shareholders to propose matters to be included in the Meeting agenda and to nominate candidates for the election of Board members who retire on rotation prior to the date of the Shareholders' Meeting.

Prior to the Meeting, one or several shareholders holding in aggregate at least 5% of all issued shares of the Company have the right to suggest issues to be included in the agenda of the Annual General Meeting of Shareholders for 2014. Shareholders were allowed to exercise this right three months in advance between September 1 – 30 November, 2013 so that the Governance and Nomination Committee could screen the issues before presenting them to the Board of Directors for consideration. Should the proposed issue be included on the Meeting agenda, the Company shall specify in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in case the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders. Moreover, any shareholder is entitled to nominate in advance any qualified candidates for the election of Board members in the same period. The Governance and Nomination Committee shall consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the nominees to the Board for consideration before proposing them to the Shareholders' Meeting for approval. The Company made available a form for advance proposals for the Meeting agenda and director candidates, for the convenience of shareholders. However, no shareholder proposed any agenda item or candidate prior to the Meeting.

Assigning Independent Directors to Take Care of Minor Shareholders

SCG provides channels for minor shareholders to give suggestions, express opinions or file complaints to the independent directors directly via e-mail at ind_dir@scg.co.th. The independent directors are responsible for handling each matter appropriately, for example, investigating and seeking a proper solution. On the other hand, if there is a suggestion that is considered to affect the stakeholders or the business, the independent director will report it to the Board of Directors' meeting for consideration and include it in the agenda of the Shareholders' Meeting. In 2013, there were no comments or complaints from shareholders.

Preventing Conflicts of Interest

The Board has established policies and measures regarding conflicts of interest as follows:

- SCG has a clear and transparent shareholder structure. There is no cross-holding among major shareholders, thereby preventing any conflict of interest or transfer of benefits from one party to another. The shareholder structure of SCG and its subsidiaries is published in the Company's annual report, as are each Board member's holdings of ordinary shares and debentures.
- There is a clear separation of duties and responsibilities among the Board, management, and shareholders, thereby ensuring no overlap of duty or responsibility. Any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.
- The Company has an established policy governing the use of internal information and has incorporated the power of authorities and employee regulations in writing, with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
- Directors, top executives, employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading stock futures linked to SCG ordinary shares in order to ensure compliance with SCG's Corporate Governance Policy.
- The SCG Code of Conduct includes additional guidelines that prohibit employees from using the Company's assets or spending working hours to search, contact or conduct activities related to share-trading on a regular basis for personal gain or on behalf of others without justifiable reason and not for SCG's interests.

Establishing Sound Relationships with Shareholders

In 2013, SCG invited interested shareholders to participate in the Company's CSR activities. The efforts not only opened up opportunities for shareholders to take part in activities beneficial to society and the environment but also fostered sound relationships with shareholders of the Company. In this regard, SCG provided equal rights for both major and minor shareholders. Seven such activities were held during the year as follows:

1. Admiring the National Heritage: Rattanakosin Exhibition between February 12-15, 2013
2. SCG Paper Open House in Kanchanaburi on April 30, 2013

3. SCG Cement-Building Materials Open House in Saraburi on May 8, 2013
4. SCG Chemicals Open House in Rayong on May 23, 2013
5. SCG 100th Innovative Exposition between August 2 – September 1, 2013
6. SCG BWF World Junior Championships 2013 between October 23 – November 3, 2013
7. Beautiful Temples: The Cultural Heritage of Rattanakosin between November 7-8, 2013

The activities organized by SCG all year round were well-received by shareholders. SCG is planning to organize activities dedicated to promoting an ongoing good relationship with shareholders to foster and maintain positive relations with shareholders on a broad scale.

3. The Role of Stakeholders in Corporate Governance

SCG conducts business with the highest awareness of its responsibility to ensure sustainable and mutual benefits to all related parties. The Board of Directors oversees the management system to ensure that the Company acknowledges the rights of stakeholders, both as stated by law and as clearly written in the “SCG Corporate Governance Policy,” and the “SCG Code of Conduct,” and guarantees that those rights are protected and treated equally. SCG published a written “SCG Stakeholder Engagement Policy” in 2010 in order to adhere to its responsibility to stakeholders and respond to changing social, environmental and business trends and the fact that stakeholders nowadays are more sophisticated with higher expectations regarding treatment, the expression of opinion, and decisions and actions taken on matters affecting them. The Policy gives employees clear guidelines on how to do business by adding value for shareholders in the long run while at the same time always considering the impacts on other stakeholders. The Company upholds its commitment to being a good citizen in society, especially in communities where its operations are located, by doing business with a sense of respect for the rights of stakeholders and ensuring that they are given fair treatment. The Company listens to opinions and concerns, promotes understanding among stakeholders, supports creative cooperation on matters of interest to stakeholders, and assists in the development of society and the environment, all of which are intended to ensure that SCG conducts business on the basis of fairness to all involved parties. The policy, which is published on the SCG website, covers four main areas:

- Definition of stakeholders.
- Policy on treatment of stakeholders.
- Guidelines on treatment of stakeholders.
- Management duties.

In 2011, SCG compiled the existing policies and practices toward various groups of stakeholders as well as additional policies and practices. They were put together in writing and disseminated on the Company’s website to provide employees with clear guidelines. Having been approved by the Board of

Directors, “SCG Policies and Practices Toward Stakeholders” have already been introduced. They encompass 12 groups of stakeholders as follows:

- 1) **Shareholders:** Besides the basic rights of shareholders and the rights stipulated by law and the Company's Articles of Association such as the right to request a verification of the number of shares; the right to receive share certificates; the right to attend the Shareholders' Meetings; the right to vote at the Meetings; the right to freely express opinions at the Shareholders' Meetings; and the right to receive a fair return, SCG also gives shareholders the right, as the owners of the Company, to make suggestions and comments on the Company's affairs to the independent directors. Each comment and suggestion will be carefully considered and presented to the Board of Directors.
- 2) **Employees:** SCG truly believes that its employees are the most valuable assets and is determined to ensure that every employee is proud of and confident in the organization. During the previous year, the Company organized activities to promote a collaborative working environment to drive innovation and enhance the competence of employees, readying them to work both in Thailand and abroad, and to cope with the volatile economic situation. Furthermore, we focused on treating employees and workers fairly as well as promoting employees' health and safety, excellent working conditions, and competitive remuneration.
- 3) **Customers:** SCG puts great importance on providing customers with maximum benefits in terms of the quality and price of its products and services. Likewise, the Company is determined to develop and maintain sustainable relationships with customers. It has set up a support office to provide product information, solve problems and receive complaints in order to ensure customers' total satisfaction with SCG's products and services.
- 4) **Suppliers:** SCG operates its business within a competitive context by strictly upholding its promises, the SCG Code of Conduct, and commitments to suppliers.
- 5) **Business Partners:** SCG has a policy of taking good care of its business partners regarding the environment, work safety and remuneration. Further, the Company is resolved to develop the capabilities and knowledge of business partners both at work and beyond to enable them to work more efficiently.
- 6) **Joint Venture Partners:** SCG respects the rights of joint venture partners and treats every partner equitably and fairly. The Company works collaboratively with joint venture partners to ensure that the joint ventures achieve the shared goals.

- 7) **Creditors:** SCG complies with the terms of loans and obligations to its creditors such as business creditors and depositors. The Company, moreover, organizes various projects in order to keep good relations with creditors such as activities for debenture holders.
- 8) **Community:** SCG conducts business with fairness to all related parties and with concern for social responsibility. In addition, the Company is open to comments and suggestions from every part of society to ensure a shared approach to operating business sustainably alongside social and community development. The Company supports activities that promote quality of life and create happiness for communities and the public wherever it operates, both in Thailand and in other ASEAN countries. SCG organizes various activities for the benefit of society, especially projects to develop the potential of young people in different fields, namely, science, technology, sports, and the arts. In addition, the Group provides emergency relief at times of disaster.
- 9) **Government Agencies:** SCG attaches significance to government agencies as stakeholders of the Company. Guidelines for engaging in transactions with government agencies are defined in the SCG Code of Conduct to allow employees to proceed accurately and appropriately. The Company also cooperates with government agencies, providing technical assistance and support for various activities.
- 10) **The Media:** SCG stresses the importance of disclosing information to the media so that they can communicate the information to the public accurately and rapidly. To establish good relationships with the media, the Company organizes various activities such as plant visits, socially beneficial activities, and meetings to exchange views.
- 11) **Competitors:** SCG operates its business within a competitive context by being fair and strictly following the law and the SCG Code of Conduct. During the year, there was no dispute with competitors.
- 12) **Civil Society Sector, Academia, Opinion Leader:** SCG carries out business with concern for social responsibility and all stakeholders. The Company is committed to disclosure of information, transparency, and verification as well as to welcoming comments and suggestions from all involved parties to find an approach to collaboration to ensure that sustainable business operations take place alongside social and community development.

Furthermore, SCG encourages its employees and related parties to take part in activities that benefit local communities and the general public in achieving sustainable growth. Even amid the economic downturn, the Company continues to devote its creativity, knowledge, and capabilities to enhance the efficiency of these projects in order to maximize benefits for local communities and the public.

For the environment, SCG sets guidelines for sustainable development in respect of environmental management and conservation under the concept of “the 3Rs,” which are to “Reduce, Reuse/Recycle and Replenish.” This concept is applied to operations in all of SCG’s businesses. The guidelines shape the design of the plants, help develop and improve production processes, and lead the Group to utilize eco-friendly technology. The Company ensures that systematic management is in place for its production processes, products and services as well as for the restoration and improvement of natural resources. In addition, the Company constantly promotes awareness regarding environmental conservation and encourages its employees and related parties to participate in protecting the environment.

Reflecting SCG’s concern for the environment and society, the Company has introduced the “SCG eco value” label for eco-friendly products and services that are produced by using special processes that minimize environmental impacts, based on the ISO 14021 standards. In 2013, 82 products were certified for the SCG eco value label. Revenue from sales of SCG eco value products currently account for 26% of total revenue from sales. By 2015, the number is expected to increase to one-third of total revenue from sales.

SCG has set its sights on achieving “zero waste to landfill”. The efforts include reducing waste at its source and selecting raw materials that produce the least waste. At the same time, waste will be sorted or recycled for reuse as alternative fuels or materials for cement production. In addition, the Company has a policy of purchasing products from suppliers that recycle or reuse their used products to maximum benefit or purchasing products with a longer service life.

Moreover, SCG has joined forces with businesses in Map Ta Phut Industrial Estate to establish the “Community Partnership Initiative”. At present, the number of members grown from 5 to 13. At the same time, SCG, in cooperation with cement manufacturers in Saraburi Province, set up “Cement Partnership Project” to develop prototype eco-friendly cement plants that exceed the statutory standards. The project also aims to work side by side with the community to solve problems and to enhance the quality of life of the community like family members. A similar partnership has also been expanded to other industries. In 2013, SCG established the “Community Partnership Project” in collaboration with cement manufacturers and coal importers in Nakhon Luang District, Ayutthaya Province to develop environmentally-friendly operations, allowing the industry and the community to coexist symbiotically and sustainably.

SCG joined forces with the National Center for Genetic Engineering and Biotechnology as well as other government and business agencies to help farmers in the Northeast faced with severely saline soils where rice or other cash crops cannot grow. To that effect, scientific and technological know-how was used to research and develop saline-tolerant rice varieties while SCG worked with local soil experts to introduce the techniques for the cultivation of rice along with other cash crops, enabling crops to grow well on saline soils.

Moreover, the community set up a self-help farmer group in the form of a community enterprise to promote jobs and supplementary means to increase their household income. SCG takes aim at promoting the know-how in saline soil reclamation on a broader scale to serve as a prototype in developing the productivity of Thai agricultural society.

SCG continues its focus on water conservation. The “SCG Conserving Water for Tomorrow” project has made progress in providing support to communities for the building of check dams, which restore the balance of nature and lead to the sustainable growth of the community. Through the end of 2013, SCG, together with communities and networks, have built more than 62,000 check dams to celebrate 100 years of SCG business sustainability. Moreover, SCG strives to raise awareness among the public and communities about conservation of water and the environment in order to achieve sustainable growth. Details of SCG’s environmental and social activities are available in the annual Sustainability Report, which has been published each year since 2001, at www.scg.co.th.

In 2013, SCG developed the SCG Supplier Code of Conduct to give SCG’s suppliers a better understanding and provide them with guidelines in dealing in business with SCG. The five principles are as follows:

- 1) **Ethical Business Practices**: Conduct their business with adherence to honesty, integrity and fairness to all stakeholders. They shall provide a full and accurate disclosure of information, keep any confidential information, and respect the intellectual property rights of others.
- 2) **Labor Protection and Human Rights**: Avoid discriminatory employment practices, and give importance to labor protection especially child labor, female employees, and foreign workers. Suppliers must not use or exploit forced labor. They shall pay workers accurately and fairly including wages, benefits and define the working hours according to the laws.
- 3) **Occupational Health and Safety**: Provide a safe and healthy work environment as well as controlling accident risks and health impacts associated with the performance of duty. Suppliers shall also provide sufficient and reliable personal protective equipment.
- 4) **Environment**: Operate with concern for natural resources and the environment consistent with the 3Rs concept: Reduce, Reuse/Recycle, and Replenish.
- 5) **Laws and Regulations**: Abide by all applicable laws, rules, and regulations.

Furthermore, SCG organized the Supply Chain Sustainability Forum under the theme of “Walking Together to Contribute to a Sustainable Society and the Environment” to promote a SCG Supplier Code of Conduct among suppliers and the demonstrate SCG’s concern for social responsibility.

Moreover, SCG provides opportunities for all stakeholders to make comments and suggestions to SCG Investor Relation via email at invest@scg.co.th. The suggestions will be compiled, reviewed, and reported to SCG management and the Board of Directors, respectively.

4. Disclosure and Transparency

SCG recognizes the importance of information disclosure because it greatly affects decision-making by investors and stakeholders. It is necessary, therefore, to define and administer measures concerning the disclosure of information, both financial and non-financial. Information disclosed via the SET Community Portal (of the Stock Exchange of Thailand) and SCG's website shall be complete, sufficient, reliable and up-to-date, written in both Thai and English. SCG is committed to obeying the law, and the regulations and obligations mandated by the Securities and Exchange Commission (SEC), the SET and relevant government bodies. Regular amendment takes place to ensure that SCG is up-to-date in its adherence to laws, regulations and obligations, and to guarantee SCG's transparency in conducting business. For example, we:

1. Disclose accurate, complete and timely financial information and non-financial information.
2. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.
3. Establish a policy that requires the Company's directors and executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries. The criteria and reporting procedures are as follows:
 - Report when first taking office as a director or executive.
 - Report every time there is a change in director's or executive's vested interests.
 - Report at every-year-end.
 - Allow any director retiring on rotation and being re-elected to not report his/her own interests again should there be no change in the information.
 - Require a director or executive to submit the Report on Interests via the Corporate secretary, who will gather and store the documents and submit them to the chairman of the Board of Directors and the chairman of the Audit Committee for acknowledgement within seven days after the Company receives the documents.
4. Announced a policy in 2010 requiring all directors to disclose and/or report their securities trading and holdings to the Board of Directors' meeting. In 2013, the Board of Directors announced a policy requiring all management to disclose their securities holdings both directly and indirectly as well as the changes in securities holdings of the directors and top executives by reporting the number of shares they held at the beginning of the year and at year end together with that traded during the year in the Company's annual report.
5. Disclose procedures about Board member selection and the Board's performance assessment.

6. Disclose the performance and attendance record of each member of the Committee.
7. Disclose the date of the director's appointment.
8. Disclose information on the remuneration each director receives as a member of the Committee.
9. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.
10. Disclose detailed information on the operations and investment structure of subsidiaries and associate companies.
11. Disclose the audit fee and other fees in the Company's annual report.
12. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.
13. Disclose policy on environmental and social responsibility and related performance.
14. Report on corporate governance policies and related performance.
15. Reveal significant investment projects and relevant impacts of the projects via the SET Community Portal of the Stock Exchange of Thailand and SCG website to ensure that shareholders, investors, the press, and related parties are kept informed of information accurately, extensively, and transparently. For example, in 2013 the Company disclosed its investment projects in various businesses. Chief among them were the quality enhancement of high value-added (HVA) products and the expansion of the LDPE resin production capacity of SCG Chemicals, and the acquisition of a packaging business in Thailand and Indonesia of SCG Paper. Meanwhile, SCG Cement-Building Materials included the construction of a cement plant in Myanmar, an investment in a ceramic tile business in Vietnam, and a joint venture with Nichire Logistics (Japan) Co.,Ltd to provide temperature-controlled logistic services.

Moreover, in 2013, the Board of Directors still upheld information disclosure guidelines related to SCG so as to systematize the Company's information disclosure and avert any damage caused by improper disclosure. This reassured shareholders, investors, the general public and all stakeholders that SCG is committed to disclosing information clearly, equitably and in compliance with the law. To that effect, the existing practices have been compiled and formulated in SCG's Disclosure Policy set forth in 2008. The Company has designated the persons responsible for disclosing non-public information as well as establishing guidelines on the disclosure of different types of information to the public and setting up critical periods in which extreme caution should be taken prior to the disclosure of information to the public. Details of the guidelines are available for stakeholders and the general public on SCG's website.

The Investor Relations Department of SCG is responsible for communications with institutional investors, retail investors, shareholders, analysts and relevant government bodies on an equal and fair basis. Should

the shareholders require additional information, they can contact the Investor Relations Department directly via invest@scg.co.th. In 2013, SCG arranged activities for the president & CEO and the vice president to meet retail investors, institutional investors and analysts on a regular basis, whereby the operating results, financial statements and position, management discussion and analysis, and industry trends were presented. During the year these activities included:

- Domestic roadshows and conferences for the President & CEO as well as Vice President to meet with domestic institutional investors to clarify, communicate, and create accurate understanding based on SCG's business approach and general information. A total of eight events were held.
- Meetings for the President of each business unit to meet with analysts and domestic institutional investors to inform and communicate business strategies and directions, providing them with knowledge and insights into each of SCG's business.
- Analyst conferences held on a quarterly basis.
- A total of 12 overseas roadshows.
- Various company visits as well as direct replies to inquiries from investors via telephone and email on a regular basis.

5. The Board of Directors: Its Responsibilities

The Structure of the Board of Directors

5.1 Composition of the Board of Directors

The Board of Directors comprises nationally respected, knowledgeable and competent persons who are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board, which plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis, comprises the following names:

1. Mr. Chirayu Isarangkun Na Ayuthaya	Chairman
2. Mr. Snoh Unakul	Director
3. Mr. Sumet Tantivejkul	Independent Director
4. Mr. Pricha Attavipach	Independent Director
5. Mr. Panas Simasathien	Director
6. Mr. Yos Euarchukiati	Director
7. Mr. Arsa Sarasin	Independent Director
8. Mr. Chumpol NaLamlieng	Director
9. Mr. Tarrin Nimmanahaeminda	Independent Director

10. Mr. Pramon Sutivong	Director
11. Mrs. Tarisa Watanagase	Independent Director
12. Mr. Kan Trakulhoon	Director, President & CEO

Among the Board directors, four have been appointed as authorized directors, namely, Mr. Snoh Unakul, Mr. Yos Euarchukiati, Mr. Panas Simasathien, and Mr. Kan Trakulhoon. Any two of the authorized directors are authorized to sign jointly on behalf of the Company.

11 non-executive directors

1 executive director, who is the company's president & CEO

The six independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Arsa Sarasin, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Suthiwong and Mrs. Tarisa Watanagase.

Scope of Authority of the Board of Directors

The Board of Directors has the following authorities:

1. Acting in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:
 - 1.1 Performing its duties with responsibility and all due circumspection and caution (Duty of Care).
 - 1.2 Performing its duties with faithfulness and honesty (Duty of Loyalty).
 - 1.3 Performing its duties in compliance with laws, objectives, Articles of Association, the resolutions of the Board of Directors and resolutions of Shareholders' Meetings (Duty of Obedience).
 - 1.4 Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).
2. Directing the vision, mission, as well as business and risk management policies of SCG for stability and the balanced and sustainable benefits of all stakeholders, while continuously adding value for shareholders.
3. Reviewing the operating plan, strategies, budget, and business goals, and developing the capabilities of SCG for competitiveness at the global level.
4. Reviewing top executive development plan and the succession plan for the president while overseeing to ensure the effective performance assessment of top executives on an annual basis and determining appropriate remuneration in line with the Company's operating results to provide both short- and long-term incentives.
5. Overseeing to ensure effective risk management systems together with reviewing and assessing the systems periodically and in the wake of a change in risk levels.

6. Devoting their time and efforts to the Company without seeking benefits for themselves or others and not acting in conflict of interest or in competition with the Company or SCG.
7. Directing the Company's operation in compliance with the laws, objectives, Articles of Association, resolutions of the Board of Directors and resolutions of Shareholders' Meetings in good faith and with care to preserve the highest interests of the Company and fairness to all involved parties.
8. Overseeing and developing SCG's corporate governance to keep it consistent with international standards to provide guidelines for business operations while monitoring to ensure compliance and being a role model in complying with the principles of good corporate governance and SCG Code of Conduct.
9. Overseeing and monitoring of each business unit and SCG's overall performance by requiring their performance reports periodically, and setting policies to develop and improve the business operations with concern for safety, hygiene, social and environmental responsibility and development of SCG's employees.
10. Encouraging staff at all levels to be conscious of ethics and morality and comply with SCG's principles of corporate governance, Code of Conduct and the anti-corruption policy while promoting awareness of the importance of internal control system and internal audits to reduce the risk of fraud and abuse of authority and prevent any illegal act.
11. Protecting the fair rights and interests of both major and minor shareholders along with supporting shareholders in exercising their rights to protect their own interests, and receive accurate, complete, transparent, veritable, and timely information.
12. Recognizing the roles, duties, and responsibilities of the Board of Directors, paying respect to the rights of shareholders, treating shareholders and other stakeholders fairly, conducting the business transparently, disclosing information accurately and adequately as well as establishing a clear process and channels for receiving and handling complaints from informants or stakeholders.
13. Assessing the performance of the Board of Directors annually by performing three types of assessments, namely that of the Board and its Committees as a whole, that of each individual director as a self-assessment, and that of the chairman together with monitoring the assessment results of the Board and its Committees which will be jointly deliberated by the Board of Directors.
14. Overseeing and monitoring to ensure the selection and nomination process of a director is carried out transparently and the remunerations for directors and sub-committee members are determined appropriately.
15. Attending all meetings of the Board of Directors and Shareholders' Meetings, except in unavoidable circumstances. The directors who are unable to attend a meeting must notify the Chairman or the Secretary to the Board in advance of the meeting.

Performing its duties, the Board of Directors may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate.

The Board meeting suggested that the President and CEO consider the appropriateness and necessity to set up a compliance unit in response to SCG's business expansion and to systemize the overlapping work of different functions in each Business Unit that had been designated to take responsibility for each specific area.

SCG Management in 2013 commissioned an external consultant to consider the guidelines in establishing a compliance unit, setting control, communication, and reporting systems as well as defining the scope of responsibilities of the compliance unit to ensure maximum efficiency and consistency with SCG's organizational structure.

Scope of Authority of the Board of Directors Chairman

The Chairman of the Board of Directors has the following authority:

1. Sets Board meeting agenda in consultation with the President & CEO and oversees to ensure Board members receive accurate, complete, timely, and clear information prior to the meeting to assist in their decision making process.
2. Provides leadership and direction to the Board of Directors and chairs meetings of the Board.
 - 2.1 Conducts a Board meeting according to the agendas, the Company's Regulations, and applicable laws.
 - 2.2 Encourages and allocates sufficient time to each Board member to discuss and express their free and frank opinion with due circumspection and concern for all stakeholders.
 - 2.3 Sums up the Board meeting resolutions and the actions to take clearly.
 - 2.4 Sets up a Board meeting without the presence of the Executive Director.
3. Chairs meetings of shareholders according to the agendas, the Company's Articles of Association, and relevant laws by allocating time appropriately along with providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' inquiries are responded to appropriately and transparently.
4. Supports and be a role model in compliance with the principles of good corporate governance and SCG Code of Conduct.
5. Fosters a positive working relationship between the Board of Directors and the Management and supports the performance of the duties of the President & CEO and the Management in accordance with the Company's policy.
6. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.

7. Oversees to ensure the Board of Directors has appropriate structure and composition.
8. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.
9. Oversees to ensure the performance assessment of the Board of Directors as a whole and self-assessment of directors, Chairman, and Sub-committee members. The assessment results are reviewed to find ways to improve their performance and enhance the knowledge and capabilities of the directors and sub-committee members.

The Board of Directors' Authorization

The Board of Directors is empowered to authorize various matters in accordance with the scope of authority stipulated by laws, the Company's Articles of Association, the Board of Directors charter, and the shareholders' meeting resolutions. Such matters include defining and reviewing corporate vision, operating strategies, operating plans, risk management policy, annual budget and business plans, and medium-range business plan. Added to this is the defining of the target operating results, following up and assessing the operating results to ensure they are consistent with the plan, and overseeing capital expenditure, merger and acquisition, corporate spin-off, and joint venture deals.

Directors' Term of Service on Board

- **Duration of Each Term**

At the Annual General Meeting of Shareholders each year, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. In choosing those directors who retire, length of service on the board should be considered, so that those who have served longest are most eligible to retire. Nevertheless, a retiring director is eligible for re-election.

- **Number of Consecutive Terms a Director is Permitted to Serve**

The Company believes that each of its elected directors is a highly qualified individual who is respected for being knowledgeable, virtuous, moral and effective. If shareholders show confidence in a director by re-electing him or her, the Board of Directors will honor that decision. Therefore, the Company does not set a limit on consecutive terms of service by a director. Further, in 2011, the Board of Directors resolved to limit the number of terms for which an individual may serve as an independent director to a maximum of three consecutive terms. The first term started from May 25, 2011. The appointment date of each independent director will be disclosed in the Company's annual report.

Limitation of the Number of Listed Companies in Which a Director May Hold Directorship

The Board of Directors has set a policy to limit the number of listed companies in which each director may hold a directorship. This policy aims to protect the Company's best interests because it helps ensure that directors have time sufficient to handle their duties. The Board of Directors has agreed to set the policy prescribing that each director should hold directorship of a maximum of five listed companies. In addition, SCG has a guideline in case the President & CEO is appointed as director of another company. The matter will be proposed to the Board of Directors for approval.

Policy on Top Executives Holding Directorship in Organizations Outside SCG

The Board of Directors has set a policy that allows top executives to hold directorship in organizations outside SCG, and to spend company work hours carrying out the directorship duties, for organizations of certain types:

1. Governmental organizations that are not established for the benefit of political parties, because the executives' service represents their cooperation with the authorities and contribution to the general public.
2. Private organizations that are established for the benefit of the general public such as the Federation of Thai Industries, Thai Chamber of Commerce, Thailand Management Association, and so on.
3. Private organizations that are established for trading purposes; present no conflicts with SCG and; do not consume time to the extent that it is disadvantageous for the Company. (Subject to approval.) (Source: Resolution No. 5.2 of the Board of Directors Meeting of SCG No. 206 (1/2536): RE: Policy of the Board of Directors regarding employees spending company work hours to work for non-SCG organizations)

Separation of the Roles of the Board of Directors and the Management

The Company defines clear roles and responsibilities regarding the Board of Directors and the management. The Board shall be responsible for establishing the policies and overseeing the management's implementation of those policies. The management, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. Therefore, the Chairman and the President & CEO of the Company shall not be the same person, and each must be nominated and elected by the Board in order to ensure their appropriateness. Furthermore, the Board is responsible for establishing a succession plan covering the top executives, which is subject to annual review.

The Chairman shall not be a member of the management and shall not participate in the management of SCG's business; nor shall the Chairman be authorized to sign binding agreements on behalf of the

Company. This is to clearly define separate roles between supervision of the Company's overall policy, and management of the business.

In 2013, SCG's top executives comprised the following ten executives:

- President & CEO, SCG
- Vice President – Finance and Investment & CFO, SCG
- Vice President – Corporate Administration, SCG
- President, SCG Cement-Building Materials
- Vice President-Operations, SCG Cement-Building Materials
- Vice President-Regional Business, SCG Cement-Building Materials
- Vice President-Domestic Market, SCG Cement-Building Materials
- President, SCG Chemicals
- Vice President-Operations, SCG Chemicals
- President, SCG Paper

The ten executives are authorized to manage the Company's operations in accordance with the policies set by the Board; take responsibility for the Company's operating results; control expenses and capital expenditures within the limits approved by the Board in the annual operating plan; manage human resources in line with the prescribed policy; resolve problems or conflicts that affect the Company; and maintain effective communication with the stakeholders.

Performance Appraisal and Knowledge Enhancement

Performance Appraisal of the Board

SCG makes available the performance evaluation form of the Chairman. The directors are required to appraise the Chairman's performance, since his role in defining policy and ensuring good corporate governance is essential to the Company. In addition, the performance appraisal of the Board consisting of group assessment (as a whole) and self-assessment must be carried out on an annual basis at least once a year. The assessment results are reviewed in order to find ways to continue to improve the Board's performance.

The performance appraisal of the Board both as a whole and self-assessment comprises eight major topics as follows:

1. Knowledge and understanding about the role and responsibilities of a director in accordance with the laws, rules, and regulations stipulated by various agencies or institutions such as SEC, SET, or Federation of Accounting Professions.
2. Strategy-setting and policy-making.
3. Performance of duties as director /committee.

4. Monitoring financial performance and reporting.
5. Board of Directors' meetings.
6. Nomination of the Company's directors and President & CEO.
7. Setting remuneration for the directors and top executives.
8. Performance appraisal of the President.

In 2013, the assessment result of the Board as a whole was 95% and the result of self-assessment was 92%.

Performance Assessment of SCG's President & CEO and Top Executives

The Board and the Remuneration Committee assess the performance of the President & CEO based on the Company's operating results, implementation of the Board's policies, and the overall socio-economic circumstances. The Remuneration Committee will then consider the appropriate remuneration for the President & CEO and top executives of SCG and propose such amount to the Board for approval, taking into account the following information regarding the current and previous years:

1. The business unit's operating results based on percentage of EBITDA on operating assets. The target EBITDA percentage for each business unit of SCG shall be set forth each year for assessment and comparison purposes.
2. The operating results of the business unit compared to those of other companies in the same industry, both locally and internationally.
3. The executive's capability to develop the business unit and improve operational efficiency for each business unit each year.

In addition, a survey on manager-level employees' opinions regarding the President & CEO and the top executives is included in the Remuneration Committee's consideration each year.

Development of Directors and Top Executives

The Governance and Nomination Committee deemed it appropriate to arrange activities to enhance knowledge beneficial to the performance of duties and responsibilities of the Company's directors. In the years past, the Company held two dialogs, allowing for an exchange of opinions among the directors, top executives, and outside experts as follows:

- On Wednesday July 6, 2011, a dialog on the "Laws, Rules, and Regulations Concerning the Listed Companies Essential to Directors and Suggestion for Preventive Measures" was held, allowing for an exchange of views between the directors and officers of the SEC and the Stock Exchange of Thailand (SET).

- On Monday July 23, 2012, a dialog on “Corporate Governance and Risk Management” between the Company's Board of Directors, top executives, and Dr. Bandid Nijathaworn, President & CEO of Thai Institute of Directors Association (IOD) was held.

In 2013, the Governance and Nomination Committee suggested that the Company organize a dialog on “The Role of the Board of Directors in Mergers and Acquisitions” for the Company's directors in accordance with their need survey results. Held on July 25, 2013, the dialog focused on the following issues:

- Relevant laws and regulations concerning the mergers and acquisitions of listed companies.
- Considerations/issues to be addressed by the Board of Directors in the event of mergers and acquisitions.
- Role and responsibilities of the Board of Directors of listed companies in mergers and acquisitions

In addition, the directors also attended national events designed to promote good corporate governance and allow for the exchange of opinions with regionally-renowned experts such as The 2nd National Director Conference 2013 organized by the IOD. Moreover, during the Board of Directors' meetings, the Audit Committee reported on any cases of corruption or accounting cover-ups at SCG subsidiaries, both domestic and foreign, to keep the directors and top executives informed of the cases to prevent such fraud from happening again to the Company and its associates.

SCG prepared a handbook for directors, which includes the summary of laws, rules and regulations related to the directors as well as practices to keep directors informed of roles, duties, principles and practices for a director. The handbook is distributed to all directors for use as reference regarding basic information. In addition, directors are also kept abreast of laws related to or promoting good corporate governance such as anti-corruption legislation. In 2012, the Company distributed a handbook for independent directors published by the Stock Exchange of Thailand to every Board member with a concise summary for the Governance and Nomination Committee during the Board of Directors' meeting. However, the Board recommended producing a document or publication to enhance the directors' knowledge and understanding about the applicable laws and regulations. The Governance and Nomination Committee deemed it appropriate for the management to compile rules, requirements, and information useful for the directors' performance of duties into a publication with an executive summary for easy understanding and reference. Therefore, in 2013 the Company revised its handbook for directors in both wording and presentation of information, making it more concise and easier to understand as well as modifying and adding rules in accordance with the currently prescribed regulations.

For new directors, SCG established a Director Induction Program to facilitate their prompt performance of duties. SCG has commissioned the corporate secretary to coordinate the work in three areas:

1. To compile the necessary information for directors to ensure their compliance with laws, rules, and regulations related to the directors.
2. To provide important information essential for the directors' performance of duty such as the Articles of Association, SCG's directors handbook, the handbook for directors of listed companies, and summary of operating results, for use as quick reference.
3. To arrange for a meeting with the Chairman and directors and the executives or head of each function to stay informed and make queries about SCG's business in depth.

Moreover, SCG encourages all members of the Board and the top executives to attend various seminars and courses beneficial to their responsibilities, allowing them to constantly meet and exchange opinions with directors and top executives of different organizations. Some of these courses are organized by the SCG Human Capital Institute, and some by governmental agencies or independent organizations, such as the Thai Institute of Directors Association. The SEC requires directors of all listed companies to complete at least one of the following training courses: Director Certification Program (DCP), Director Accreditation Program (DAP) or Audit Committee Program (ACP). Experience gained from these courses is useful to SCG's development.

Directors' Training Conducted by Thai Institute of Directors Association (IOD)

Directors of the company \ Training courses	Finance for Non-Finance Director (FND)	Director Accreditation Program (DAP)	Director Certification Program (DCP)	Role of the Chairman Program (RCP)	Role of the Compensation Committee (RCC)	Audit Committee Program (ACP)
1. Mr. Chirayu Isarangkun Na Ayuthaya				RCP 1/2000		
2. Mr. Sanoh Unakul		DAP 32/2005				
3. Mr. Sumet Tantivejkul	FND 5/2003		DCP 30/2003			ACP 11/2006
4. Mr. Pricha Attavipach	FND 8/2004	DAP 107/2014	DCP 39/2004			ACP 11/2006
5. Mr. Panas Simasathien			DCP 2/2000 DCP Re 1/2005			
6. Mr. Yos Euarchukiati				RCP 1/2000		
7. Mr. Arsa Sarasin	FND 39/2008	DAP 5/2003		RCP 32/2013		ACP 19/2007
8. Mr. Chumpol NaLamlieng				RCP 2/2001		
9. Mr. Tarrin Nimmanahaeminda						
10. Mr. Pramon Sutivong		DAP 6/2003		RCP 4/2001	RCC 9/2009	ACP 45/2013
11. Mrs. Tarisa Watanagase			DCP 4/2000			
12. Mr. Kan Trakulhoon			DCP 29/2003			

To support the Board's responsibilities, SCG has assigned the secretary to the Board and corporate secretary to work in coordination with the Board and the top executives. In addition, the Corporate

Secretary Office is responsible for overseeing the legal matters, relevant standard practices and activities of the Board to ensure implementation of the Board's resolutions.

9.2 The Sub-committees

The Board has further established the Audit Committee, Governance and Nomination Committee, Remuneration Committee, and CSR Committee for Sustainable Development to be responsible for their specific areas and report directly to the Board for its consideration or reference. The Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate. In this regard, SCG put in place its Charter of the Board of Directors and Charter of the Sub-committees specifying rights and duties, which is published on the Company's website. Moreover, an evaluation of the performance of the Board of Directors and Sub-committees and review of their operational results are conducted at least once a year. In 2013, the same performance evaluation forms of the Board of Directors, the Sub-committees, and the Chairman as in 2012 were used with slight modification to the performance evaluation forms for the Audit Committee which was revised in 2013.

1) The Audit Committee

The Audit Committee comprises four independent directors, all of whom are well accepted and have a full understanding of, and experience in, accounting or finance. Mr. Tarrin Nimmanahaeminda and Mrs. Tarisa Watanagase, with their extensive knowledge and experience, are responsible for reviewing the reliability of the financial statements. The Audit Committee members' duties include a review to ensure that operations have been carried out in accordance with the Company's Articles of Association as well as the laws and regulations of compliance-related agencies. Moreover, the Committee is committed to promoting the advancement of SCG's financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. The Audit Committee acts and expresses opinions independently. The Audit Office with Mr. Anuwat Jongyindee as its Director acts as an operations unit reporting directly to the Audit Committee. The Audit Committee also consults regularly with external auditors, consultants and specialists in the areas of law and accounting. The Audit Committee must set up meetings with the Company's external auditor, which exclude the management, at least once a year in order to hear their comments. In addition, the Committee may seek external consultation and professional advice from independent consultants or specialists, as deemed appropriate, at the Company's expense.

The Audit Committee of the Company comprises the following four members:

- | | |
|-------------------------------|----------|
| 1. Mr. Tarrin Nimmanahaeminda | Chairman |
| 2. Mr. Pricha Attavipach | Member |
| 3. Mr. Pramon Sutivong | Member |

4. Mrs. Tarisa Watanagase Member

The Audit Committee's Term on Board

The Audit Committee is subject to a three-year term. The directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

Scope of Authority of the Audit Committee

The Audit Committee is authorized to fulfill the following duties:

1. Check that the Company has an appropriate financial reporting system and disclosure of information in its financial statements in accordance with the legally defined accounting standard, with transparency, correctness, and adequacy.
2. Promote the development of financial reporting systems in compliance with international accounting standard.
3. Check that the Company has appropriate and effective internal control and internal audit systems according to internationally accepted approaches and standards.
4. Check that the Company has in place preventive operation system to enhance operating effectiveness and efficiency.
5. Check the corporate risk management system.
6. Check that the Company is in full compliance with the Securities and the Stock Exchange Law and other laws relating to the Company's business.
7. Check the report on dishonesty, establish preventive measures and check the Company's whistleblowing process.
8. Check the correctness and effectiveness of the information technology system relating to internal control, financial reports, and risk management and suggest updates and improvements as needed.
9. Consider connected transactions or those having possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Stock Exchange of Thailand.
10. Check that the performance assessment, both as a whole and self-assessment, of the Audit Committee is made annually.
11. Review and comment on operations of the Audit Office and coordinate with the Company's auditor.
12. Prepare the Audit Committee's report to be disclosed in the Company's Annual Report and duly signed by the Chairman of the Audit Committee and containing opinions on various matters as required by the Stock Exchange.

13. Consider, select, propose the appointment and remuneration of, and assess the efficiency of the Company's independent auditor.
14. Organize meetings with the Company's auditor, without the attendance of management, at least once a year.
15. Check that performance assessment of the Audit Office is in compliance with international standards.
16. Consider and approve the audit plan, budget, and manpower of the Audit Office.
17. Provide comments on the appointment, removal, transfer, or dismissal of the Director of the Internal Audit Office.
18. Consider the independence of the Audit Office based upon the scope of work, reports, and line of command.
19. Review the self-assessment about anti-corruption measures which have been checked and assessed by the Audit Office to ensure that the Company has the anti-corruption mechanisms in place as reported in the self-assessment form of the Thai Institute of Directors Association (IOD).
20. Perform other actions as required by law or as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Audit Committee is authorized to call for and order management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the Committee may seek independent opinion from professional consultants as deemed appropriate, at the Company's expense.

The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

Responsibilities of the Audit Committee

1. In case the Audit Committee is informed by the auditor about suspicious behavior of directors, managers or persons responsible for business operation of the Company, which may violate paragraph 2 of Section 281/2, Section 305, 306, 308, 309, 310, 311, 312 or 313 of the Securities and Exchange Act, the Audit Committee is to investigate the case and submit a preliminary report to the Securities and Exchange Commission (SEC), as well as to the auditor, within 30 days of the date it is informed.
2. Upon finding or having doubt about the following actions or transactions, which may significantly affect the financial position and performance of the Company, the Audit Committee is to report such events to the Board of Directors in order to find remedy within a period deemed appropriate by the Audit Committee:
 - (1) Transactions which may cause conflicts of interest.

- (2) Fraud or irregular events or material flaws in the internal control system.
- (3) Violations of laws pertaining to Securities and the Stock Exchange, the regulations of the Stock Exchange, or laws pertaining to the Company's business.

Should the Board of Directors or management fail to remedy the issues within the timeline specified by the Audit Committee, a member of the Audit Committee may report the issue to the SEC or the SET.

2) The Governance and Nomination Committee

The Governance and Nomination Committee comprises five of the Company's directors, all of whom are nonexecutive directors. The chairman of the Governance and Nomination Committee is an independent director. The Committee is responsible for proposing, revising, and supervising the Company's corporate governance matters. The Committee is also in charge of the nomination of persons qualified to become directors to replace those who are retired by rotation, or as the case may be. In addition, the Committee reviews the performance evaluation system of the Board of Directors and other committees, as well as the succession plan for the position of president.

The Governance and Nomination Committee of the Company comprises the following five members:

- | | |
|-------------------------------|----------|
| 1. Mr. Sumet Tantivejkul | Chairman |
| 2. Mr. Snoh Unakul | Member |
| 3. Mr. Panas Simasathien | Member |
| 4. Mr. Arsa Sarasin | Member |
| 5. Mr. Tarrin Nimmanahaeminda | Member |

The Governance and Nomination Committee's Term on Board

The Governance and Nomination Committee is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

Scope of Authority of the Governance and Nomination Committee

The Governance and Nomination Committee is authorized to fulfill the following duties:

Corporate Governance

1. Draw up the scope and policy of SCG's corporate governance and present them to the Board of Directors.
2. Make recommendations on the practice of SCG's corporate governance and give advice on corporate governance to the Board of Directors.

3. Oversee and monitor the performance of the Company's Board of Directors and the management to ensure their compliance with SCG's corporate governance policy.
4. Review the practice of corporate governance within SCG to ensure it is appropriate for the Company's business operations and consistent with international best practices and make recommendations to the Board of Directors for further improvement and keeping it up-to-date.
5. Review the independence of the Board of Directors, as well as any potential conflicts of interest in the performance of its duties.
6. Review the appropriateness of retaining the directorship should there be any change in a director's qualifications.
7. Recommend methods to assess the performance of the Board of Directors and the committees and review them annually. In addition, follow up and conclude the assessment results to the Board of Directors for acknowledgement and utilize such information for the improvement of work efficiency and enhancement of the directors' knowledge and capabilities.
8. Report regularly on progress and performance results to the Board of Directors after every meeting of the Governance and Nomination Committee.
9. Review and give advice to the Board of Directors on the structure, roles and responsibilities, and practices of the Board of Directors and the committees. Should there be an alteration to the Charter of the Board of Directors and the committees, the recommendations in keeping it up-to-date. Governance and Nomination Committee shall review and make appropriate
10. Review the performance appraisal of the Governance and Nomination Committee on a regular annual basis as a whole and as self-assessment.
11. Perform other duties as assigned by the Board of Directors.

Nomination of Directors and Top Executives

1. Specify qualifications of any person to be nominated for directorship and lay down the director nomination process to replace the retiring director, considering diverse candidates with skills, experience, gender and expertise useful for the Company.
2. Identify qualified candidates to replace directors retiring at the end of their terms, or whatever the case may be and submit a list of nominees to the Board of Directors and/or Shareholders' Meeting for resolution.
3. Recommend a plan for succession of the Company's President & CEO and the top executives to the Board of Directors for consideration.
4. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Governance and Nomination Committee is authorized to call for and order the management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

3) The Remuneration Committee

The Remuneration Committee comprises three of the Company's directors. The Committee is responsible for monitoring and studying changes and trends in the remuneration of the Board of Directors and SCG top executives to suggest remuneration policies that can motivate these executives to lead the Company toward success as well as to retain smart and ethical employees within the organization.

The Remuneration Committee of the Company comprises the following three members:

- | | |
|---------------------------|----------|
| 1. Mr. Chumpol NaLamlieng | Chairman |
| 2. Mr. Yos Euarchukiati | Member |
| 3. Mr. Pramon Sutivong | Member |

The Remuneration Committee's Term on Board

The Remuneration Committee is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

Scope of Authority of the Remuneration Committee

The Remuneration Committee is authorized to fulfill the following duties:

1. Propose guidelines and methods for remuneration to be paid to the Board of Directors and the committees appointed by the Board of Directors, including bonus and attendance fee.
2. Recommend the policy on SCG management incentives including salary and annual bonus, in line with the Company's operating results and the performance of each top executive. Whenever it deems appropriate, the Committee shall consider the hiring of consulting firms to advise on project implementation.
3. Assess the performance of the President & CEO on an annual basis in order to determine his/her remuneration before proposing the Board of Directors for approval.
4. Assess the performance of each SCG top executive on an annual basis, based on the recommendation of the President & CEO, in order to determine his/her remuneration before proposing this to the Board of Directors for approval.
5. Consider the annual budget for the salary increase, changes of wage and compensation, and bonus of top executives before proposing to the Board of Directors.

6. Review, study, and track regularly the changes and trends in remuneration for the Board of Directors and SCG top executives in order to propose for the approval of the Board of Directors.
7. Consider the remuneration of the Board of Directors and SCG top executives, as compared to the remuneration offered by other listed companies operating in the same business, to ensure that SCG retains its leadership in that industry and to motivate them to foster the Company's continuing development.
8. Report regularly on progress and performance results to the Board of Directors after every meeting of the Remuneration Committee.
9. Assess the performance of the Remuneration Committee and report the assessment results to the Board of Directors for acknowledgement.
10. Review and recommend for the Board of Directors' approval if there may be any alteration to the Charter of the Remuneration Committee in keeping it applicable and up to- date.
11. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Remuneration Committee is authorized to call for and order the management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the Committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

4) The CSR Committee for Sustainable Development

The CSR Committee for Sustainable Development comprises five of the Company's directors and three top executives. The Committee is responsible for establishing policies and guidelines on CSR activities for sustainable development, proposing the setting of annual CSR budget as well as monitoring the Committee's performance and reporting to the Board of Directors.

The CSR Committee for Sustainable Development comprises the following eight members:

- | | |
|--------------------------------------|----------|
| 1. Mr. Snoh Unakul | Chairman |
| 2. Mr. Chirayulsarangkun Na Ayuthaya | Member |
| 3. Mr. Sumet Tantivejkul | Member |
| 4. Mr. Yos Euarchukiati | Member |
| 5. Mr. Kan Trakulhoon | Member |
| 6. Mr. Kajohndet Sangsuban | Member |
| 7. Mr. Roongrote Rangsiyopash | Member |
| 8. Mr. Tanawong Areeratchakul | Member |

9.3 Nomination and Appointment of Directors and Top Executives

Independent Directors

The six independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Arsa Sarasin, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Suthiwong and Mrs. Tarisa Watanagase

Qualifications of Independent Directors of SCC

On January 30, 2013, the Company revised the qualifications of independent directors to be more stringent than those prescribed by the Office of Securities and Exchange Commission. These qualifications require that an independent director:

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director.
2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than two years prior to the date of becoming a director. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company.
3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of other directors, of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary.
4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in a manner that may interfere with his/her independent judgement, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director. The term “business relationship” in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantees, providing assets as collateral, and any other similar actions, which result in the applicant or his/her counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the applicant or 20 Million Baht or more,

whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions. The consideration of such indebtedness shall include indebtedness incurred during the period of one year prior to the date on which the business relationship with the person commences.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding 2 Million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.
7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is related to a major shareholder of the Company.
8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.
9. Shall be able to attend meetings of the Board of Directors and make independent judgment.
10. Shall not have any other characteristic that limits his or her ability to express independent opinions regarding the Company's operations.
11. Shall be able to look after the interests of all shareholders equally.
12. Shall be able to prevent conflicts of interest.
13. Shall not have been convicted of violating security or stock exchange laws, financial institution laws, life insurance laws, general insurance laws, anti-money laundering laws or any other financial law of a similar nature, whether Thai or foreign, by an agency with authority under that certain law. Such wrongful acts include those involved with unfair trading in shares or perpetration of deception, fraud or corruption.

14.If qualified according to all items 1-13 specified above, the independent director may be assigned by the Board of Directors to make decisions relating to business operations of the Company, its parent company, subsidiary, associate, same-tier subsidiary or any juristic person with a conflict of interest on the basis of collective decision, whereby such actions of the independent director are not deemed partaking of management.

In 2013, all the six Independent Directors neither involved in any business nor provided any professional service of which its value exceeded the specification in the Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issue Shares.

Nomination and Appointment of Directors and Top Executives

Nomination of Board Members

The Governance and Nomination Committee is responsible for selecting qualified candidates to replace the directors who are retiring on rotation at the end of their terms, or whatever the case may be, and proposing a list of nominees to the Board for resolution at the Shareholders' Meeting. The Governance and Nomination Committee selects the candidates with credentials in a wide range of professions, excellent leadership, breadth of vision, a proven record of ethics and integrity, and who are able to share their opinions independently. The qualities of the candidates are defined by considering the necessary skills that the Board of Directors is still lacking in. Furthermore, the Governance and Nomination Committee shall consider the personal qualities of the candidates proposed for selection as Board members as regards:

- Integrity and accountability.
- Informed judgment
- Maturity and stability, being a good listener, and the ability to express individual, independent opinion.
- Commitment to work principles and professionalism.

Special expertise and certain knowledge required for the Board are also taken into consideration, so that the Board can formulate strategies and policies and oversee implementation of the strategies effectively.

Rules and Procedures for the Election of Directors

1. Prior to the Annual General Meeting of Shareholders, the Governance and Nomination Committee proposes to the Board the names of persons to replace directors who are retired by rotation. The nominees will then be listed for consideration for election during the Meeting. All shareholders have an equal right to propose other candidates. Authority to select directors rests with the shareholders.

2. A shareholder shall have one vote for each share he holds or represents.
3. At the election of Directors, the shareholders shall vote for each individual candidate nominated for Directors, but not exceeding the number of Directors required for that election. The vote shall not be distributed.
4. The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for the candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman of the Meeting shall cast the deciding vote.

At the 2013 Annual General Meeting of the Shareholders, the four board members who were due to retire by rotation were 1) Mr. Chirayu Isarangkun Na Ayuthaya, 2) Air Chief Marshal Kamthon Sindhvananda, 3) Mr. Tarrin Nimmandhaeminda, and 4) Mr. Pramon Suthiwong. Air Chief Marshal Kamthon Sindhvananda expressed his intention of not being re-elected as a Director of the Company.

According to the Company's Articles of Association, the one-third of directors who have served longest must retire from office. In the nomination process, each director proposes appropriate persons to the Governance and Nomination Committee. The Committee, which excluded the members having special interests, considered a total of ten nominees, nominated by each director. Four of them were retiring directors according to the Agenda, and seven were newly qualified nominees. The Committee then nominated four qualified nominees, namely, 1) Mr. Chirayu Isarangkun Na Ayuthaya, 2) Mr. Tarrin Nimmanahaeminda, 3) Mr. Pramon Sutivong, and one new candidate, namely Mrs. Tarisa watanagase. The Shareholders' Meeting on March 27, 2013 resolved to elect all of the four candidates as Directors of the Company by a simple majority vote of the total votes of Shareholders attending the Meeting and having the right to vote.

Nomination and Succession Plan for Top Executive Positions at SCG

SCG has put in place a proper and transparent nomination process for key management positions at every level in order to ensure that all of our top executives are professionals who perform their duties independently from the major shareholder and other shareholders. The succession plan for the president and top executives is carried out by the Governance and Nomination Committee and considered by the Board of Directors. SCG's nomination process commences with the process of recruiting candidates who possess both talent and integrity. Young talents are the focus of recruitment, so that they can be groomed to become leaders in the future. Qualified employees will undergo a high potential assessment and pursue development courses following individual career development plan. These talents will be assigned challenging tasks, and their positions will be rotated periodically in order to further develop their leadership skills and all-round knowledge in every area of SCG's business. The plan is implemented at every level of employment to ensure that staff members are ready to fill any positions that become vacant.

9.4 Oversight of Associates, Jointly-Controlled Entities, and Other Companies' Operations

For SCG to be recognized as an innovative organization and a role model in corporate governance and sustainable development in ASEAN in line with SCG vision, it is imperative that SCG put in place effective and efficient corporate governance, risk management, and internal controls that conform to international standards both in operation and information technology system. As a consequence, to ascertain that the oversight of associates, jointly-controlled entities' operations aligns with the operating policies prescribed by the Board of Directors, the Board has set forth mechanisms for overseeing and monitoring the management and operations of SCG's associates and jointly-controlled entities. To that effect, the Board has empowered SCG President and/or President of each business unit to perform such duties as selecting representatives to be board members, executives, or controlling persons in those entities and reporting it to the Board.

The number of SCG's representatives in each associate or joint-controlled entity is determined by the percentage of holding in that entity. However, to ensure proper oversight of SCG's investment, SCG President and/or President of each business unit shall report on the operating results of the associates and jointly-controlled entities to the Board of Directors at the board meeting on a quarterly basis. A report on the operating results shall be submitted to the Board in the month when there is no board meeting.

Moreover, to enable SCG's representatives to oversee the operations of associates and jointly-controlled entities properly and in compliance with the Company's operation policies, SCG has prepared an authority manual prescribing the scope of authority, duties, and responsibilities of persons representing SCG as board members or executives in the associates and joint-controlled entities in establishing key business policies. The manual allows the representatives to operate with effectiveness more and efficiency. Constant revisions on such manual are made in consistent with changes in the associates and joint-controlled entities both in Thailand and overseas.

Mechanisms for overseeing disclosure of financial information and operating results; connected transactions between associates and/or between joint-controlled entities and related parties; disposal or acquisition of assets; or complete and accurate material transactions are stated in the regulations of the associates and joint-controlled entities transactions shall be in compliance with the rules and procedures stipulated by the announcement of the Stock Exchange of Thailand.

Apart from the authority manual adopted by the associates and joint-controlled entities in internal control, the Audit Committee, which is responsible for overseeing the Company's effective internal controls, resolved that the associates and joint-controlled entities conduct business self-audit to promote the concept of pro-active risk management. This has prompted the need to streamline the internal controls in response to the emerging risks. The Internal Audit Office (reporting directly to the Audit Committee is

tasked with providing consultancy on defining controls and monitoring procedures. For their parts, each business unit is required to submit a report on audit results to the Internal Audit Office for use in devising an audit plan and assessment of internal audit system. Such process aims to raise awareness of risks and internal controls among employees at all levels.

The key to effective and efficient operational management between SCG and other affiliates is the agreement on mutual understanding concerning issues such as separation of duty in management, the scope of authority, fair division of profit for all concerned parties. To that effect, SCG generated a Shareholders' Agreement which stipulates SCG to respect the rights of its business partners with all due fairness and cooperates fully with the partners to ensure successful operations of the joint ventures.

9.5 Internal Information Control

The Board of Directors has established measures to control the use, and prevent misuse of internal information in writing and notified the involved persons, namely the Board of Directors, SCG's top executives, and employees dealing with internal information, including their spouses and children who are minors. They are as follows:

- All concerned persons are prohibited from Trading Company shares for a two-week period prior to release of the Company's quarterly and annual financial statements, and for 24 hours after the release ("Blackout Period").
- Should they have knowledge of confidential information that could have any impact on the Company's share price, they are prohibited from trading Company shares until 24 hours after the public disclosure.
- The secretary to the Board and the corporate secretary will inform the Board of directors, SCG Executive Committee and related employees of the prohibition period not less than one week prior to such period.

In addition, the Board of Directors will monitor all required actions in accordance with the related measures. Any changes in the shareholding of a director or top executive must be reported in every Board of Directors' meeting and disclosed in the Company's annual report.

9.6 Audit fee

For the fiscal year 2013, the Siam Cement Public Company Limited and its subsidiaries paid an audit fee of 28.87 Million Baht to KPMG Phoomchai Audit Ltd., which the auditors worked for, and to persons or businesses related to the auditors and audit firm. This audit fee amount excluded the remuneration paid by associates.

In this regard, KPMG Phoomchai Audit Ltd. and its auditors do not have any relationships or interests involving the company, management, or major shareholders, including their related persons.

Audit fees for the year 2013

1. Annual audit fee for SCC's financial statements.	250,000 Baht
2. Quarterly review fee and annual audit fee of 124 subsidiaries and consolidated financial statements.	28.62 Million Baht
3.Total audit fees of The Siam Cement Public Company Limited and its subsidiaries	28.87 Million Baht

Non-audit fee

For this fiscal year, the subsidiaries paid a non-audit fee, which was for reviewing compliance with the conditions of the BOI Promotion Certificate amounting to 1.80 Million Baht and for consulting of merged companies amounting to 9.56 Million Baht, to the audit firm and persons or businesses related to the auditors and the audit firm.

10. Corporate Social Responsibility

Details of SCG's social responsibility activities are available in the annual Sustainability Report, which has been published each year at www.scg.co.th

11. Internal Control and Risk Management

Internal control and risk management

1. Internal control

SCG's vision is to be recognized as an innovative workplace, and a role model in corporate governance and sustainable development in ASEAN region. The Management recognizes that to become a leading organization, the Company must have efficient and effective corporate governance, risk management and internal control systems in accordance with international standards regarding operational practices and information technology systems. This is in compliance with Audit Committee policy which mandates that SCG's internal control and internal audit applies with international standards as follows:

- Corporate Governance reference: Organization for Governance Economic Co-operation and Development (OECD)/Stock Exchange of Thailand (SET)/Thai Institute of Directors Association (IOD)
- Risk Management reference: COSO Enterprise Risk Management/ISO 31000
- Internal Control reference: COSO Internal Control-Integrated Framework/COBIT

The Management kept track of the modifications in COSO (The Committee of Sponsoring Organizations of Tradeway Commissions) Internal Control-Integrated Framework released in May, 2013. The Company evaluated SCG's internal control processes and found that internal control of SCG is in accordance with COSO's 5 components and 17 principles. In addition, SCG modified and developed tools to meet the changing of risks, and set proactive and preventive system for domestic and overseas businesses. In 2013, the Management approved relevant internal control principles or tools to be consistent with changes in risks as follows:

1.1 Compliance Practice Guideline

1.1.1 Overseas Compliance Guideline

SCG expanded its investments in the ASEAN region, with a diversified investment portfolio according to the appropriateness of each country e.g. establishing additional manufacturing plants, mergers and acquisitions, etc. The investments may involve various risks such as political, economic, social, legal, regulatory or environmental risks. To build awareness and reduce such risks, the Management established the Overseas Compliance Guideline for use as a reference manual for operations. In this regard, the Management set agenda for overseas companies in executive meetings to communicate and clarify the use of the Guidelines, and application to relevant laws, regulations and the culture of each

country. The Guideline comprises such details as objectives, compliance with laws and company regulations, key internal controls and concern points, as well as prohibited activities and lessons learned.

1.1.2 Approval Authority Manual

The empowerment of authority to each management level ensures flexibility in operations. The Approval Authority Manual is used as a reference manual to support the use of authority and management decisions at respective levels. In 2013, as business restructuring and the expansion of overseas investments, the Management reviewed the Approval Authority Manual to align the current operating conditions for companies in Thailand. In this regard, a new Approval Authority Manual for overseas companies is published, and workshops are carried out to clarify its use to management and employees.

1.1.3 Manual for the Control of the Development of Truck Scale Program

SCG uses a scale for receiving raw materials or distributing a large quantity of products. Apart from the accuracy of the scale, the scale program is also an important factor contributing to ensuring the accuracy of weighing details. To ensure accuracy, transparency and accountability of business transactions among SCG, business partners, and customers, the Management approved the Manual for the Control of the Development of Truck Scale Program to serve as a guideline for consideration of relevant risks and control points when developing the program. The Management also approved this program for copyright as SCG intellectual property.

1.2 Information Technology System Control

At present, information technology (IT) is considered an important factor to support business operations, as a facilitating tool and for gathering information to support decision-making in timely manner. In order to promote the consistent use of IT throughout SCG, the Management reviewed risks arising from diversified business expansions, rapidly changing technologies, security of IT network system, as well as the use of IT to support management for domestic and overseas businesses. As a result, SCG IT Governance Committee was established in 2013. The Committee is in charge of determining policy and guidelines for using information technology to attain maximum benefits in investment and share use of IT among all business units in Thailand and overseas, as well as supporting, promoting and monitoring important projects. The Committee also serves as a consultant to the sub-working group.

1.3 Developing continuous monitoring and continuous auditing systems for business units

SCG has developed continuous monitoring and continuous auditing system as a tool for analyzing, tracking and solving irregularities, as well as determining preventive measures which are critical in promoting an efficient internal control system.

1.4 Conducting Business Self Audit

The Audit Committee, as a role for supervising the effectiveness of internal control, mandates that Business Self Audit must be conducted to stimulate businesses to gain deeper insight into prevention of continuously changing risks. This may result in the need to change internal control processes to address such risks accordingly. The Audit Office provides consultancy regarding control processes and monitors throughout the process from the beginning to the sale of products and services, including after-sale service, by using the Value Chain concept. The Audit Office trains the Business Self Audit team to perform an audit efficiently and effectively in operation to determine whether established controls are sufficient. In the event of changes in risk, such controls must be changed to support the achievement of the Group's objectives. The audit report must be submitted to the Audit Office as supporting information for future audit plan and the review of internal control systems. This process will install risks and internal controls mindset into employees at all levels of SCG.

1.5 Developing the Whistleblower System

SCG earlier created a Whistleblower System to allow employees to report non-compliance with code of conduct, rules, regulations and laws or fraudulent acts. The system promotes intensive adherence to ethics and sustainable development. In 2013, the Management therefore expanded this system to enable participation of other stakeholders apart from SCG employees, allowing stakeholders outside the Company to report dishonesty via <https://whistleblower.scg.co.th/>, or report such irregularities directly to the Independent Board of Directors or the Audit Committee, for further investigation and reporting to the Board of Directors respectively.

2. Internal Audit

The Audit Committee supervises the Audit Office to ensure that it works with independence, integrity, ethics and expertise in line with International Standards for the Professional Practice of Internal Audit (The Institute of Internal Auditors: IIA), and Information Technology System Auditing Standards (Information Systems Audit and Control Association: ISACA; Global Technology Audit Guide: GTAG). In addition, the Charter of Audit Committee and the Internal Audit Office charter clearly prescribe the mission, scope of work, authority, duties and responsibilities as well as the operating and auditing guidelines. Both charters are reviewed annually.

The Audit Committee approved the Medium Term Plan (2011-2013) of the Audit Office regarding achieving Global Internal Audit Excellence in 2013. To ensure professionalism in line with international standards, the Audit Committee also approved the Quality Assurance Review (QAR) by internal assessments based on IIA, ISACA, and GTAG guidelines. The Audit Office sent the surveys to all stakeholders, both internally and externally totaling 7 groups comprising 306 people. This survey included evaluation of IT audits' quality which are beyond international standards. The evaluation consists of 2 primary principles which ensure compliance with international standards for functional and IT auditing practices, and evaluation of stakeholder satisfaction. The assessment has been completed by the Audit Office, with evaluation results exceeding designated criteria of 80% satisfaction.

In addition, the Audit Committee approved the training program of "Certified Professional Internal Audit of Thailand" for all auditors. The program aims to enhance knowledge and skills, as well as share experiences with qualified lecturers with credentials in a wide range of business fields. The Audit Office gathered the evaluation results from the internal assessment and training program to develop the internal audit professional skills as follows:

2.1 Creating High Value Services

Committed to enhancing audits to create high value services in a sustainable and continuous manner, assurance and consulting services are provided by the Audit Office independently and fairly to add value and enhance SCG's operating performance. The high value services are as follows:

- 2.1.1 Implemented integrated audit by setting up a team dedicated to auditing special projects with high risks. The team comprising both IT and functional auditors, jointly assessed risks, made suggestions on consolidating the work process, applied IT system to enhance audit efficiency and monitored any irregularities in the process of work.
- 2.1.2 Enhanced the Proactive Preventive System by using shortcomings identified from operations to develop an appropriate system and prevent recurring risks, and providing lessons learned for other functions, companies, or business units throughout SCG.
- 2.1.3 Focused on providing consultancy to each company. During internal auditing or assessment of internal control system with relevant parties, the Audit Office will provide information and suggestions on correct work procedures and the internal controls appropriate for the nature of each business; every time the Audit Office carried out an audit at a company and found points to be improved. After the consultation, the Audit Office followed up on these recommendations in order to prevent mistakes from recurring.

2.2 Establishing Local Internal Audit Teams

At present, SCG significantly expanded investments in various countries according to the Group's vision to be an ASEAN sustainable business leader. To facilitate overseas operations and ensure efficiency in accordance with SCG policies, the Audit Committee approved to set up overseas audit teams to evaluate efficiency and effectiveness in governance, risk management, and internal control processes, which are under the authority of the Director of the Internal Audit Office in Thailand, including policy and practice. Audit teams in Thailand and overseas work collaboratively to create value added for SCG.

In 2013, SCG sent auditors from Thailand to work in collaboration with local audit teams, whose companies were acquired by SCG in Indonesia and Vietnam. The auditors will jointly assess risks, perform auditing, and create proactive preventive system. In addition, the Audit Office has recruited Vietnamese auditors and set up a medium-term plan for expansion to other companies and other countries in the future.

2.3 Compiling the Anti-corruption Audit Guideline

SCG stresses the importance of conducting business with transparency, fairness, and in line with clear practices, apart from laws and regulations. This includes the SCG Four Core Values, SCG Code of Conduct and SCG's corporate governance policy etc. However, anti-corruption practices have not been clearly identified. In 2012, SCG joined the anti-corruption member network and became a certified company with Thailand's Private Sector Collective Action Coalition Against Corruption on July 5, 2013. This was considered as an opportunity to review and official announce Anti-corruption Policy to external parties, as well as communicate to employees at all levels for their information and consistent practice. To create a reasonable level of confidence for the Management, the Audit Office provided the Anti-corruption Audit Guideline as internal audit practices, evaluating the possibility of corruption and the effectiveness of internal controls.

2.4 Information Technology Audit

Due to SCG's rapid expansion, the latest IT systems must be introduced to support business operations. In developing core IT systems, a working group will be set up, comprising representatives from the Audit Office as consultants, with the responsibility of providing suggestions regarding the establishment of appropriate control processes and testing of control system. This is aimed to decrease problems or losses which may result from setting-up the IT system. After the setting-up is completed, an IT audit will carry out the testing once again.

2.5 Developing Auditors' Competencies

The results of the internal assessments on Quality Assurance Review (QAR) and training program have been compiled by the Audit Office for the purposes of continuously developing the audit expertise as follows:

2.5.1 Reviewing Internal Audit Competency

The Audit Office reviewed internal audit competency in 2013 to ensure that it remains in accordance with international standards, and the results of the Certified Professional Internal Audit of Thailand (CPIAT) training; auditors will conduct the evaluation together with their supervisors for setting Individual Development Plan (IDP).

2.5.2 Developing Internal Audit Global Knowledge

- Kept track of best practices in good governance, risk management and internal controls among leading audit firms both domestically and overseas, and applied appropriate practices in line with the nature of SCG's business.
- Encouraged the internal auditors' development through continuous training both internally and externally. They are equipped with knowledge, competence and expertise in internal auditing, as well as other skills needed by SCG.
- Promoted and supported the improvement of internal auditors' expertise so as to become qualified as certified internal auditors or to attain other related professional certifications, based upon designated Key Performance Indicators (KPIs). In this regard, the Audit Office has achieved targeted goals of promoting at least 40% of total auditors to receive professional certification.

2.5.3 Development of Business Knowledge

- Enhanced the internal auditors' business acumen by inviting experts from each business unit, as well as external experts, to give presentations sharing their knowledge about business and major changes in business, thereby empowering the internal auditors to better assess risks and to provide practical consultancy.
- Established a recruiting policy for internal auditors by transferring employees with knowledge and expertise in operations from other departments to serve as internal auditors and assigning them to other areas of the Group to acquire new knowledge.
- Organized knowledge-sharing activities to share interesting issues or material findings in audit work on a regular basis.

2.5.4 Information Technology Knowledge

- Adopted IT knowledge to support the auditing process, and define red-flag warnings to alert auditors to material risks in business operations.
- Supported auditors' capacity development, enabling them to possess audit knowledge, skills and competency of international standards as well as to provide advice on IT management at an international standard.

The Audit Committee's Report

The Audit Committee performed its duties independently, as assigned by the Board of Directors in accordance with the Audit Committee Charter to verify the adequacy of SCG corporate governance in line with the regulations and good practices guideline for the audit committees of the Securities and Exchange Commission and the Stock Exchange of Thailand as well as leading overseas organizations. These duties included reviewing the financial statements and corporate governance practices; assessing the risk management system, internal control and internal audit systems and fraud investigations; as well as proposing the appointment of external auditors.

In 2013, the Committee held 6 meetings and attendance by its members was 100%. The Committee considered an internal quality assessment (Quality Assurance Review) conducted by the Audit Office, which was evaluated and deemed in line with the medium-term plan regarding Global Internal Audit Excellence. The Committee also considered the review and establishment of Anti-Corruption policies, the development of information technology systems based on international standards and the development of the SCG Whistleblower System for external parties to report dishonesty via the SCG Website. In 2013, the Committee performed its duties as follows:

1. Review of Financial Statements The Audit Committee reviewed significant information in the quarterly and annual financial statements of the Company for the year 2013, as well as in the consolidated financial statements of The Siam Cement Public Company Limited and its subsidiaries, which were prepared according to Thai Financial Reporting Standards (TFRS) in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material items and special items and obtained clarification from the external auditors, the Management, and the director of the Audit Office, confirming that the financial statements and the disclosure in the notes to the financial statements are in compliance with relevant laws and financial reporting standards. The Audit Committee therefore approved the Financial Statements, which were reviewed and audited by the external auditors without reservation. In addition, the Committee held a meeting with the external auditors without the presence of the Management so as to freely discuss important matters in the preparation of the financial statements and the disclosure of information in accordance with financial reporting standards and beneficial to users of these financial statements, as well as to hear whether there was any suspicious information indicating potential fraud following Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No. 4) B.E. 2551. In 2013, the external auditors did not discover any material misstatements or indications of suspicious incidents. Furthermore, to confirm that no such incidents were found, the Audit Committee resolved that the President & CEO report the results received from all business units and relevant responsible parties to the Audit Committee. In 2013, the President & CEO confirmed

that no indications of such suspicious incidents were found. Thus, the preparation of the financial statements and consolidated financial statements was conducted with reliability and transparency, and the external auditors performed their duties independently and with verifiability.

2. Review of Corporate Governance The Audit Committee reviewed compliance with the SCG Code of Conduct and SCG Corporate Governance and revealed that directors and employees strictly followed prescribed principles. The Board of Directors consistently and continuously instilled a sense of ethics and morality into employees. This year, SCG continues to conduct its business in line with the principles of sustainable development and corporate governance. SCG compiled the “Anti-Corruption Policy” into a formal written document, and conducted an evaluation on Self – Evaluation Tool for Countering Bribery according to the specifications mandated by the Thai Institute of Directors Association. In this regard, Thailand’s Private Sector Collective Action Coalition Against Corruption (CAC) announced a resolution accepting The Siam Cement Public Company Limited as a certified company member of the CAC on July 5, 2013. Moreover, the Audit Committee strictly complied with the laws relating to securities and stock exchange laws of the Stock Exchange of Thailand as well as the laws relating to other business operations, especially in terms of connected transactions and those which might result in conflict of interest as well as the information regarding related directors. Such information was reviewed and disclosed to the Stock Exchange of Thailand in a timely manner.

The Audit Committee also conducted performance assessment of both as a whole and self-assessment, with a highly satisfactory result similar to the previous year. Matters assessed included the Committee’s preparedness, financial reports, meetings with the external auditors, review of connected transactions, disclosure of information in other reports, risk management and internal controls, the Audit Office, the Audit Committee meetings and the performance of the Audit Office and the Secretary.

3. Review of Assessment of Risk Management SCG this year reviewed the establishment of the SCG Risk Management Committee, in which SCG President & CEO serves as the Chairman, and SCG Management Committee as the members. The Committee considers structure and approves policy, risk management framework and risk management plans, as well as reviews risks and monitors SCG risk management on a quarterly basis while the Corporate Risk Management Unit is responsible for compiling risk reports and managing risks. SCG Management has engaged a consulting firm to conduct enterprise risk management through the review and adaptation of the Company’s entire risk management framework. New risk categories were identified and established while risk appetites were stipulated to ensure that those risks were managed to acceptable level. This was communicated to all relevant parties to enhance understanding and establish a risk culture while encouraging all members within the Company to recognize that risk management is a shared responsibility among management and employees of all levels. In addition, the Audit Committee reviewed the assessment of risk management of all business units, risks

arising from major changes in circumstances of the world and regional economies, as well as risks arising from overseas investment and potential business disruptions. The Committee conducted this review on a quarterly basis according to the principles outlined in the SCG risk management manual. The Committee took into consideration the internal and external risk factors, likelihood levels, impacts, and management to ensure that significant risks remained at acceptable levels. Furthermore, the Committee reviewed risk warning signals in compliance with established criteria.

4. Review of Internal Control and Internal Audit Systems The Audit Committee reviewed the results of the internal control system assessment which was reported by the Audit Office on both a monthly and quarterly basis. The results showed that these systems are appropriate to the Company's business operations. This corresponds to the external auditor's opinion that no material deficiencies impacting the Company's financial statements were found. The Management attributes importance to the Proactive Preventive System. In this regard, the SCG Business Self Audit principle was expanded from control self assessment that was further consolidated to enable the business units to monitor and follow up work by themselves. This will enable business units to assess anticipated risks and set forth guidelines to mitigate effects across the entire value chain, including focusing on mitigating risks from overseas investments. The Overseas Compliance Guideline was therefore compiled to strengthen the preventive system which includes fraud prevention guidelines for each operating system. The Audit Office, together with the Corporate Information Technology and Business Continuity Management Unit, assessed SCG's IT internal control and governance. Results were incorporated as plans for future development. In addition, the Audit Office, in collaboration with business units in SCG, further developed the continuous monitoring and continuous auditing system to support businesses in governance of operations within their responsibilities, and enable the auditor to use such information in the audit process. Workshops were organized for business units by using material findings as case studies to allow the persons in charge at all levels to gain a better understanding about the risks, impacts, and important internal controls involved in each step of operations.

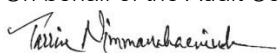
Regarding the internal audit, the Audit Committee reviewed the Audit Committee Charter and the Internal Audit Office Charter on an annual basis, to ensure its accordance with the risks and SCG's current operating environment for adoption as a practical guide. This year, the Audit Committee approved conducting an internal quality assessment (Quality Assurance Review) by the Audit Office, as an indicator of Global Internal Audit Excellence's achievement, using guidelines from The Institute of Internal Auditors (IIA), an internationally recognized institute for internal auditing, and ISACA/COBIT, internationally recognized agencies for IT auditing. The evaluation was conducted by the survey of 7 target stakeholder groups (transcending IIA standards which required only 2 target groups). The results of this evaluation exceeded target objectives of 80%. The Audit Committee reviewed the operations of the Audit Office according to the approved medium-term plan and annual plan. This review showed that established targets and key performance indicators were achieved. With regard to audit development, the Audit Office emphasized

leveraging the competency of auditors as well as developing audit tools in accordance with the International Standards for the Professional Practice of Internal Auditing of the IIA, and world-class internal audit practices. Such development also pertains to internal auditors of SCG's foreign companies commencing in Indonesia and Vietnam in order to foster audit practices in line with those of SCG.

5. Review of Fraud Investigations This year, SCG further developed a Whistleblower System to enable external parties to report dishonesty other than receiving dishonesty reports from employees, and also improved the linkage of both systems to allow reports on dishonesty via www.scg.co.th (beginning at the end of 2013). In 2013, 10 cases were filed by employees via the Whistleblower System. All of them have been investigated, of which 2 cases were found as fraud cases but the amount of financial impact was insignificant. Learning from such cases was adapted to determine fraud prevention guidelines. In addition, the Audit Committee reviewed the results of fraud investigations on a monthly and quarterly basis. The Audit Committee also reviewed preventive measures and fraud prevention guidelines for each work process. Fraud audit based on risk assessment and investigation protocols to ensure that they are up-to-date and appropriate for continuous business operations.

6. Appointment of the External Auditor and Review of the Audit Fee for 2014 KPMG Phoomchai Audit Ltd. has been selected and appointed as the external auditor of SCG for the three-year period from 2012 through to 2014, from a selection process of 4 auditors. Based on the satisfactory results of their performance appraisal, and their qualification as independent auditors, the external auditors possess professional expertise, knowledge and experience in auditing SCG's businesses therefore the Audit Committee recommended them to the Board of Directors. The Board of Directors agreed to seek approval at the Shareholders' Meeting for the appointment of Mr. Winid Silamongkol, Certified Public Accountant Registration No. 3378, and/or Ms. Sureerat Thongarunsang, Certified Public Accountant Registration No. 4409, and/or Ms. Pornpip Rimdusit, Certified Public Accountant Registration No. 5565; all of KPMG Phoomchai Audit Ltd.; as the Company's auditors for the year 2014; approval of the Company's audit fee for the fiscal year 2014 amounting to 0.25 Million Baht and acknowledgement of annual and quarterly audit fees for SCC and subsidiaries and consolidated financial statements amounting to 28.33 Million Baht.

On behalf of the Audit Committee



Tarrin Nimmanahaeminda

Chairman of the Audit Committee



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เรื่อง ข้อเสนอแนะเกี่ยวกับการปรับปรุงแก้ไขจุดอ่อน
ของการควบคุมภายในด้านบัญชี

เรียน คณะกรรมการตรวจสอบ
บริษัท ปูนซิเมนต์ไทย จำกัด (มหาชน)

ตามที่สำนักงานได้ตรวจสอบงบการเงินของบริษัท ปูนซิเมนต์ไทย จำกัด (มหาชน) สำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2556 และได้เสนอรายงานการตรวจสอบลงวันที่ 20 กุมภาพันธ์ 2557 ไปแล้วนั้น สำนักงานขอเรียนว่า ในการตรวจสอบงบการเงินดังกล่าวตามมาตรฐานการสอบบัญชีที่รับรองทั่วไป เพื่อแสดงความเห็นว่างบการเงินนั้นแสดงฐานะการเงิน ผลการดำเนินงานและกระแสเงินสด โดยถูกต้องตามที่ควรและได้ทำขึ้นตามหลักการบัญชีที่รับรองทั่วไปซึ่งได้ถือปฏิบัติเช่นเดียวกับปีก่อนหรือไม่เพียงใดนั้น สำนักงานได้ศึกษาและประเมินประสิทธิภาพระบบการควบคุมภายในด้านบัญชีของบริษัทตามที่สำนักงานเห็นว่าจำเป็น เพื่อประโยชน์ในการกำหนดขอบเขต วิธีการทดสอบและระยะเวลาที่จะใช้ในการตรวจสอบดังที่กล่าวไว้ข้างต้น ซึ่งไม่ได้ออกแบบให้ชี้ให้เห็นถึงข้อบกพร่องของการควบคุมภายในทั้งหมดที่อาจมีอยู่ในระบบการควบคุมภายในได้ ทั้งนี้ สำนักงานขอเรียนว่าสำนักงานไม่พบข้อบกพร่องของระบบการควบคุมภายในด้านบัญชี ที่เป็นจุดอ่อนการควบคุมภายในด้านบัญชีที่สำคัญ และมีผลกระทบอย่างเป็นสาระสำคัญต่อการแสดงความเห็นต่องบการเงินสำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2556

ขอแสดงความนับถือ
บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด


(นายสุพจน์ สิงห์เสนห์)
ประธานกรรมการ

KPMG Phoomchai Audit Ltd., a Thai limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

12. Connected Transactions

The Board of Directors emphasizes the need for careful review and consideration before granting approval for connected transactions, related transactions or transactions that may cause conflict of interest. The SCG Code of Conduct has set forth a policy regarding such transactions as follows:

Connected Transactions between the Company and its Subsidiaries

SCG comprises a large number of companies whose businesses are bound to conduct transactions with one another in such ways as providing services, trading raw materials and products, or providing financial support, technical assistance, human resources, etc. In doing business or performing duties related to such matters, all employees and parties concerned are required to comply with the law, the rules and regulations of government agencies, as well as the rules of SCG in addition to any criteria or conditions prescribed by local communities.

Transactions with Outside Entities

In undertaking transactions with outside entities or other companies, the Company shall proceed by implementing fair methods and complying with the terms and conditions as agreed upon honestly. The Company shall also avoid making transactions that may cause trouble or damage to outside parties. The Company has specified guidelines and procedures on how to consider the granting of approval for connected transactions, related transactions or transactions with potential conflict of interest, to ensure the Company's best interests and in accordance with rules and regulations as prescribed by law. The directors and management shall disclose to the Company in advance whether they hold any stakes involving potential conflict of interest. The Company, in turn, shall consider the appropriateness of any transaction, and in cases where such transactions need approval in accordance with regulations and procedures prescribed by law, the management shall propose such matters to the Board of Directors or at the Shareholders' Meetings, and shall disclose the information to investors in a transparent manner. Under no circumstances shall the directors or management concerned be allowed to participate in the process of considering approval. However, in accordance with the SCG Code of Conduct and SCG Corporate Governance Policy, SCG has revised its Stakeholder Engagement Policy, making it clearer. Transactions will be based on a market price mechanism, which is a standard and efficient tool used throughout the Company's business operations.

Future Connected Transaction

Connected transactions in the future will continue to be based on the traditional business practices and will follow the policy of the market determining prices in negotiated transactions, as in the past. No special benefit will accrue either to companies or individuals from connected transactions.

Connected Transactions in 2013

The Company follows a policy to comply with the Notification of Capital Market Supervisory Board re: Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, as well as laws, regulations, notifications or order relating to the execution of connected transaction. In 2013, the Company did not engage in the transactions with connected persons which complied with the said notifications.

Details of connected transactions between the Group and a company or a person which/who may have a potential conflict.

Type of Transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount (Million Baht)					Pricing policy
			SCC	SCG Cement- Building Materials	SCG Chemicals	SCG Paper	Other	
1. Transactions with associates and joint ventures								
1.1 SCG Cement-Building Materials								
Service expenses and others	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29	-	98	-	-	6	Market price applied with third party
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29						
Sales			-	2,951	-	-	-	Market price applied with third party transactions
	Sekisui-SCG Industry Co., Ltd.	49						
	Noritake SCG Plaster Co., Ltd.	40						
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29						
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29						
	The Siam Gypsum Industry Co., Ltd.	29						
Purchases			-	120	77	495	-	Market price applied with third party transactions
	Sekisui-SCG Industry Co., Ltd.	49						
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29						
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29						
Loans from			143	100	-	-	-	Agreed interest rate
	Mariwasa Holdings, Inc.	40						
	PT M Class Industry	28						
Service income	Jumbo Barges and Tugs Co., Ltd.	32	-	684	-	-	-	Market price applied with third party transactions
1.2 SCG Chemicals								
Service expenses and others	Siam Mitsui PTA Co., Ltd.	50	-	84	1,769	-	24	Market price applied with third party transactions
	Siam Polyethylene Co., Ltd.	50						
	Rayong Terminal Co., Ltd.	50						
	Siam Synthetic Latex Co., Ltd.	50						
	Thai MMA Co., Ltd.	47						
	Grand Siam Composites Co., Ltd.	46						
	Siam Tohcello Co., Ltd.	45						
	Long Son Petrochemicals Co., Ltd.	44						
	Mehr Petrochemical Company (P.J.S.C.)	39						
	Bangkok Synthetics Co., Ltd.	49						
	Thai PET Resin Co., Ltd.	20						
	Sales			-	-	12,739	-	
Siam Polyethylene Co., Ltd.		50						
Siam Synthetic Latex Co., Ltd.		50						
PT Chandra Asri Petrochemical Tbk		30						
Bangkok Synthetics Co., Ltd.		49						
Thai PET Resin Co., Ltd.		20						
Purchases			-	34	53,704	13	-	Market price applied with third party transactions
	Siam Polyethylene Co., Ltd.	50						
	Bangkok Synthetics Co., Ltd.	49						
	Siam Styrene Monomer Co., Ltd.	50						
	Grand Siam Composites Co., Ltd.	46						
	PT Styrimdo Mono Indonesia	30						
	SCG Plastics (China) Co., Limited	58						
	Nawacam Co., Ltd.	36						

Type of Transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount (Million Baht)					Pricing policy
			SCC	SCG Cement-Building Materials	SCG Chemicals	SCG Paper	Other	
Loans from	Thai MMA Co., Ltd.	47						
	Siam Synthetic Latex Co., Ltd.	50						
	PT Chandra Asri Petrochemical Tbk	30						
	Binh Minh Plastics Joint Stock Company	19						
	Mitsui Advanced Composites (Zhongshan) Co., Ltd.	20						
	GTC Technology International, LP	25	-	-	46	-	-	Agreed interest rate
Guarantees			1,147	-	105	-	-	Contract rate
	Siam Tohcello Co., Ltd.	45						
	Mehr Petrochemical Company (P.J.S.C.)	39						

1.3 SCG Paper

Purchases	Siam Toppan Packaging Co., Ltd.	48	-	-	-	397	-	Market price applied with third party transactions
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1.4 Other

Service income	IT One Co., Ltd.	20	589	392	124	98	2	Market price applied with third party transactions
Service expenses and others	Siam Kubota Corporation Co., Ltd.	40	1,044	65	-	-	5	Market price applied with third party transactions
Sales	Siam Kubota Corporation Co., Ltd.	40	-	1,182	-	-	-	Market price applied with third party transactions
Purchases	Siam Kubota Corporation Co., Ltd.	40	-	105	-	26	-	Market price applied with third party transactions
	The Nawaloha Industry Co., Ltd.	30						
	The Siam Nawaloha Foundry Co., Ltd.	25						

2. Transactions with other companies which have SCG executives holding

2.1 Other

Service expenses and others	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Tanawong Areeratchakul / Director	10	-	123	5	-	347	Market price applied with third party transactions
Sales	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Tanawong Areeratchakul / Director	10	-	2,827	-	-	-	Market price applied with third party transactions
Purchases	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Tanawong Areeratchakul / Director	10	-	949	5	2	-	Market price applied with third party transactions