

7. Securities and Shareholders

7.1 The Company's Securities

- Registered Capital 1,600 Million Baht.
- Issued and fully paid share capital: 1,200 Million Baht, comprising 1,200 Million ordinary shares.
- Ordinary shares at 1 Baht par value (At the Annual General Meeting of Shareholders held on March 26, 2003, the shareholders unanimously approved to change the par value of ordinary shares of the Company from 10 Baht per share to 1 Baht per share. The Company registered the change with Ministry of Commerce on April 17, 2003.)
- The Company does not issue other types of shares, except from ordinary shares.

7.2 Shareholders

- 1) First 10 major shareholders as at February 10, 2017

No.	Shareholders	No. of ordinary shares	% of total shares
1	THE CROWN PROPERTY BUREAU	369,070,600	30.756
2	THAI NVDR CO., LTD*	115,304,076	9.609
3	STATE STREET BANK EUROPE LIMITED	49,522,412	4.127
4	CHASE NOMINEES LIMITED	39,715,519	3.310
5	STATE STREET BANK AND TRUST COMPANY	26,561,357	2.213
6	SOCIAL SECURITY OFFICE	25,954,050	2.163
7	CPB EQUITY CO., LTD**	18,095,900	1.508
8	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	17,359,936	1.447
9	OFFICE OF PRIVY PURSE	15,473,000	1.289
10	RANDERY BARAH MAKAN CO., LTD	15,105,600	1.259

Remark: * Thai NVDR Co., Ltd. (Thai NVDR) is a subsidiary owned by the Stock Exchange of Thailand (SET) and regarded as listed securities in the SET who is responsible for issuing and selling Non-Voting Depository Receipts (NVDRs) to investors. The service is offered to all, irrespective of the number of securities held or the holder's nationality. NVDR holders receive the same full financial benefits as they would receive had they invested directly in shares (i.e. dividends, rights, and warrants) but there are no voting rights for NVDR holders. Further information regarding Thai NVDR Co., Ltd. can be found on www.set.or.th.

** CPB EQUITY Co., Ltd. is a company whose shares are 100% held by The Crown Property Bureau.

As at February 10, 2017, the major NVDR holder were:

No.	NVDR holders	No. of ordinary shares	% of total shares
1	CHASE NOMINEES LIMITED	16,211,681	1.35
2	STATE STREET BANK EUROPE LIMITED	8,978,880	0.75
3	HSBC (SINGAPORE) NOMINEES PTE LTD	7,603,554	0.63
4	THE BANK OF NEW YORK (NOMINEES) LIMITED	7,091,639	0.59

2) The majority of shareholders are a group whose movement has a marked influence on the establishment of corporate policy and strategy. (As at February 10, 2017)

No.	Shareholders	No. of ordinary shares	% of total shares
1	THE CROWN PROPERTY BUREAU	369,070,600	30.756
2	CPB EQUITY CO., LTD.	18,095,900	1.508

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

3) Minor Shareholders (As at February 12, 2016)

Total number of Minor Shareholders (Free float) is 29,772, equivalent to 66.88%

4) 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 10, 2017 the company declared that 24.83% of fully paid-up capital shares are held by the foreigners.

7.3 Issuance of Other Securities

The Siam Cement Public Company Limited issued 10 series* of debentures valuing 166,500 Million Baht as follows:

Lots of Debentures	Total Issue Amount (Million Baht)	Outstanding Debenture (Million Baht)	Maturity Date	Coupon Rate (%)	Credit Rating
3/2012	6,500	6,500	October 12, 2019	4.40	A
1/2013	25,000	25,000	April 1, 2017	4.00	A
2/2013	20,000	20,000	October 1, 2017	4.25	A
1/2014	15,000	15,000	April 1, 2018	4.00	A
2/2014	10,000	10,000	October 1, 2018	3.90	A
1/2015 Tranche 1	15,000	15,000	April 1, 2018	3.75	A
1/2015 Tranche 2	15,000	15,000	April 1, 2019	3.90	A
2/2015	10,000	10,000	November 1, 2019	3.40	A
1/2016	25,000	25,000	April, 1, 2020	3.00	A
2/2016	25,000	25,000	November 2020	3.00	A
Total	166,500	166,500			

Remarks: * Debenture were rated as from Fitch Ratings (Thailand) Limited.

7.4 Dividend Policy

The company has a dividend payout policy 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 necessity, irregular situations, and uncontrollable factors, accordingly. In 2016, the consolidated net profit amounts at 56,084 Million Baht, the Board resolved to propose the ordinary general meeting of shareholders on March 29, 2017, to approve the annual dividends for the year 2016 at 19.00 Baht per share or equal to 41% of consolidated net profit.

For dividend policy of subsidiaries which are mostly 100% owned by the company, the company takes into consideration their operating results, financial structure, financial position and investment plan, with no policy of transferring the interests.

Detail of Dividend Distribution in the past 5 years

Year	Interim dividends (Baht/share)	Final dividends (Baht/share)	Annual dividends (Baht/share)	Dividend payout ratio on net profit* (%)
2012	4.50	6.50	11.00	56
2013	8.50	7.00	15.50	51
2014	5.50	7.00	12.50	45
2015	7.50	8.50	16.00	42
2016	8.50	10.50	19.00**	41

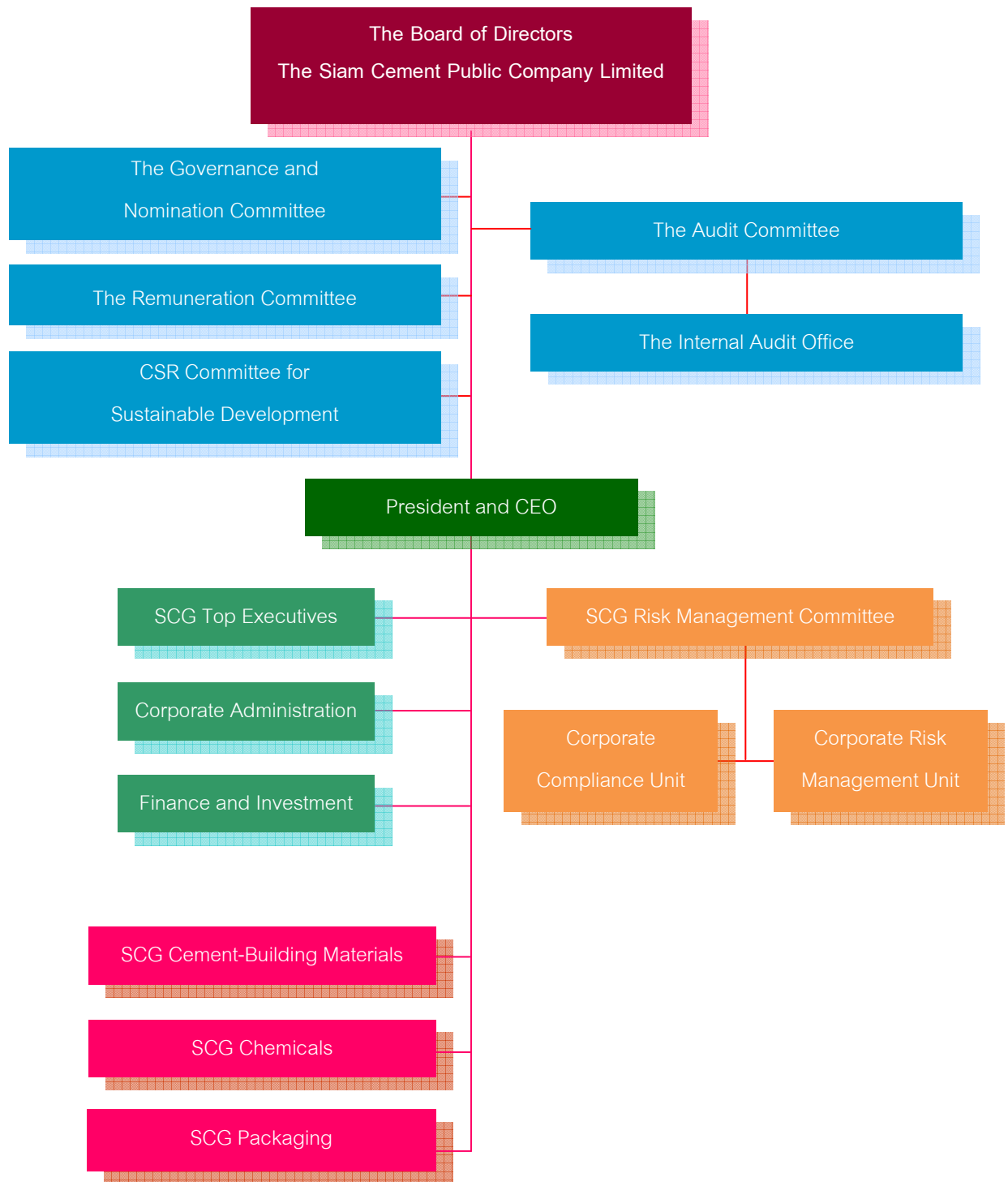
Remark:

* Net profit represents profit for the year attributable to owners of the parent.

** The Board of Directors resolved to propose the annual general meeting of shareholders on March 29, 2017, to approve the dividend distribution for the year 2016 at 19.00 Baht per share.

8. Management

Organization Structure (As at January 1, 2017)



8.1 The Board of Directors

comprises the following 12 members:

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

The twelve members of the Board of Directors have no forbidden qualification as follows:

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

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 both short-term and long-term operating plans, financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

Among the Board of Directors, three have been appointed as authorized directors, namely, Mr. Yos Euarchukiati, Mr. Panas Simasathien, and Mr. Roongrote Rangsiyopash. Any two of the authorized directors are authorized to sign jointly on behalf of the Company.

The Board is comprised of eleven non-executive directors and one executive director, who is the Company's President & CEO.

Three members of the Board who are directors or consultants and receive a salary of a major shareholder are Mr. Chirayu Isarangkun Na Ayuthaya, Mr. Panas Simasathien, and Mr. Yos Euarchukiati.

The seven independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Arsa Sarasin, Mr. Chumpol NaLamlieng, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Sutivong and Mrs. Tarisa Watanagase, constituting more than half of the Board of Directors. In addition, the seven independent directors meet all the requirements specified in the Company's list of qualifications of an independent

director, which are more stringent than the qualifications stipulated by the Securities and Exchange Commission.

The Sub-committees

Directors	The Audit Committee (4 members)	The Governance and Nomination Committee (5 members)	The Remuneration Committee (3 members)	The CSR Committee for Sustainable Development (9 members)
1. Mr. Chirayu Isarangkun Na Ayuthaya	-	-	-	Member
2. Mr. Sumet Tantivejkul	-	Chairman	-	Member
3. Mr. Pricha Attavipach	Member	Member	-	-
4. Mr. Panas Simasathien	-	Member	-	-
5. Mr. Yos Euarchukiati	-	-	Member	Member
6. Mr. Arsa Sarasin	-	Member	-	Chairman
7. Mr. Chumpol NaLamlieng	-	-	Chairman	-
8. Mr. Tarrin Nimmanahaeminda	Chairman	Member	-	-
9. Mr. Pramon Sutivong	Member	-	Member	-
10. Mrs. Tarisa Watanagase	Member	-	-	-
11. Mr. Kan Trakulhoon	-	-	-	Member
12. Mr. Roongrote Rangsiyopash	-	-	-	Member

Notes:

- Independent directors who meet all the requirements specified in the Company's list of qualifications of an independent director are number 2, 3, 6, 7, 8, 9 and 10.
- Mr. Kajohnet Sangsuban, Mr. Cholanat Yanaranop and Mr. Yuttana Jiamtragan are also members of the CSR Committee for Sustainable Development.

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 business decisions. The Board holds at least eight scheduled meetings per year, the schedules of which are arranged in advance every year and submitted to each director at the beginning of the year so all the directors can arrange their schedule for the meetings. In addition, special meetings might be held to consider 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 2016, the Board held 11 meetings, eight scheduled meetings and three special meetings with 98% of the Board of Directors attending. Individually, each director attended more than 75% of the total number of meeting. 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 secretary to the Board of Directors 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.

In addition, the Company holds a meeting between non-executive Directors without the Management present both after the Company's annual medium-term business plan meeting and when necessity arises in order to discuss various issues of public interest to allow non-executive Directors to express their opinions independently. In 2016, a meeting without the Management was held on August 27, 2016.

The Attendance of the Directors in 2016 (January 1, 2016 – December 31, 2016)

Directors	Board of Directors (Total 12 Directors) Total 11 times / year	The Audit Committee (Total 4 Directors) Total 6 times / year	The Governance and Nomination Committee (Total 5 Directors) Total 4 times / year	The Remuneration Committee (Total 3 Directors) Total 6 times / year	The CSR Committee for Sustainable Development (Total 6 Directors) Total 4 times / year	The 2016 Meeting of Shareholders (Total 12 Directors) Total 1 time / year
1. Mr. Chirayu Isarangkun Na Ayuthaya	11/11				3/4	1/1
2. Mr. Sumet Tantivejkul	11/11		4/4		3/4	1/1
3. Mr. Pricha Attavipach	11/11	6/6	4/4			1/1
4. Mr. Panas Simasathien	11/11		4/4			1/1
5. Mr. Yos Euarchukiati	11/11			6/6	2/4	1/1
6. Mr. Arsa Sarasin	10/11		3/4		4/4	1/1
7. Mr. Chumpol NaLamlieng	11/11			6/6		1/1
8. Mr. Tarrin Nimmanahaeminda	10/11	6/6	4/4			1/1
9. Mr. Pramon Sutivong	10/11	6/6		6/6		1/1
10. Mrs. Tarisa Watanagase	11/11	6/6				1/1
11. Mr. Kan Trakulhoon	11/11				2/4	1/1
12. Mr. Roongrote Rangsiyopash	11/11				4/4	1/1

Notes:

- Seven independent directors are number 2, 3, 6, 7, 8, 9 and 10.
- Four members of the Audit Committee are number 3, 8, 9 and 10.
- Five members of the Governance and Nomination Committee are number 2, 3, 4, 6 and 8.
- Three members of the Remuneration Committee are number 5, 7 and 9.
- Six members of the CSR Committee for Sustainable Development are number 1, 2, 5, 6, 11 and 12.
- The 2016 Annual General Meeting of Shareholders was held on March 30, 2016.

8.2 Top Executives

Top Executives of SCG (As at January 1, 2017) comprises

- | | |
|----------------------------------|--|
| 1. Mr. Roongrote Rangsiyopash | President & CEO, SCG |
| 2. Mr. Cholanat Yanaranop | Executive Vice President, SCG |
| | President, SCG Chemicals |
| 3. Mr. Somchai Wangwattanapanich | Vice President – Operations, SCG Chemicals |
| 4. Mr. Aree Chavalitcheewingul | President, Vice President – Regional Business, SCG Cement-Building Materials |

- | | |
|-------------------------------|--|
| 5. Mr. Nithi Patarachoke | Vice President – Domestic Market,
SCG Cement-Building Materials |
| 6. Mr. Chana Poomee | Vice President – Operations,
SCG Cement-Building Materials |
| 7. Mr. Tanawong Areeratchakul | President, SCG Packaging |
| 8. Mr. Chaovalit Ekabut | Vice President – Finance and Investment & CFO, SCG |
| 9. Mr. Yuttana Jiamtragan | Vice President – Corporate Administration, SCG |

The above-mentioned top executives of SCG are “Executive” according to the Notification of Capital Market Supervisory Board No. Tor Chor 23/2551.

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.

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. Their duties also encompass controlling and keeping expenses and capital expenditures within the limits approved by the Board in the annual operating plan; managing human resources in line with the prescribed policy; resolving problems or conflicts that affect the Company; and maintaining effective communication with related parties.

The Directors of Subsidiaries that are Core Businesses (As at January 1, 2017)

<div>Companies</div> <div>Directors</div>	Mr. Roongrote Rangsiyopash	Mr. Cholanat Yanaranop	Mr. Somchai Wangwattanapanich	Mr. Aree Chavalitcheewingul	Mr. Nithi Patarachoke	Mr. Chana Poomee	Mr. Tanawong Areeratchakul	Mr. Chaovalit Ekabut	Mr. Yuttana Jiamtragan
SCG Cement-Building Materials									
SCG Cement-Building Materials Company Limited	✓			✓	✓	✓		✓	✓
SCG Cement Company Limited	✓			✓	✓	✓		✓	✓
SCG Building Materials Company Limited	✓			✓	✓	✓		✓	✓
SCG Distribution Company Limited	✓			✓	✓	✓		✓	✓
SCG Chemicals									
SCG Chemicals Company Limited	✓	✓	✓	✓			✓	✓	

Companies \ Directors	Mr. Roongrote Rangsiyopash	Mr. Cholanat Yanaranop	Mr. Somchai Wangwattanapanich	Mr. Aree Chavalitcheewingul	Mr. Nithi Patarachoke	Mr. Chana Poomee	Mr. Tanawong Areeratchakul	Mr. Chaovalit Ekabut	Mr. Yuttana Jiamtragan
SCG Packaging SCG Packaging Public Company Limited	✓		✓	✓	✓		✓	✓	

Remarks: Details of directors of subsidiaries, associates, and other companies appear in the Attachments.

The Chief Officers in Accounting and Finance (as at January 1, 2017) as follow:

1. Mr. Pichit Leelaphantmetha Corporate Accounting Director
2. Mrs. Chantanida Sarigaphuti Director of Corporate Treasury

Please refer to Appendix 1 for detail of management and controlling persons & secretary.

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 Company Secretary

The Board appointed Mrs. Pornpen Namwong as the company secretary and assistant secretary to the Board of Directors responsible for organizing the meetings of the Board, committees and shareholders. The company 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 Sub-committees

SCG sets appropriate remuneration for members of the Board of Directors 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.

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 bonus for directors will be considered based on the growth of profits of the Company.

In addition to monetary remuneration, the Company does not grant other privileges to the directors.

As for remuneration for the Sub-committees, the Board of Directors is entitled to set the remuneration for each committee according to Clause 40 of the Company's Articles of Association. However, to ensure transparency in tune with good corporate governance, the Board of Directors resolved that all forms of remuneration for the Directors shall be disclosed at the Annual General Meeting of Shareholders and added to the regular agenda for approval. The 23rd Annual General Meeting of Shareholders held on Wednesday, March 30, 2016, resolved to approve the retention of the remuneration of Directors and Sub-committee members.

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 Sub-committees

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

	Position	Annual fixed fee (Baht)	Attendance fee (Baht)
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 Sub-committees in 2016

(January 1 – December 31, 2016)

Directors	Remuneration (Baht)				Directors' Bonus paid in 2016* (Baht)	Total (Baht)
	The Board of Directors	The Audit Committee	The Governance and Nomination	The Remuneration Committee		
1. Mr. Chirayu Isarangkun Na Ayuthaya ¹	2,592,000	-	-	-	7,200,000	9,792,000
2. Mr. Sumet Tantivejkul ²	1,728,000	-	300,000	-	4,800,000	6,828,000
3. Mr. Pricha Attavipach	1,728,000	300,000	200,000	-	4,800,000	7,028,000
4. Mr. Panas Simasathien	1,728,000	-	200,000	-	4,800,000	6,728,000
5. Mr. Yos Euarchukiati	1,728,000	-	-	250,000	4,800,000	6,778,000
6. Mr. Arsa Sarasin ³	1,728,000	-	175,000	-	4,800,000	6,703,000
7. Mr. Chumpol NaLamlieng ⁴	1,728,000	-	-	375,000	4,800,000	6,903,000
8. Mr. Tarrin Nimmanahaeminda ⁵	1,728,000	450,000	200,000	-	4,800,000	7,178,000
9. Mr. Pramont Sutivong	1,728,000	300,000	-	250,000	4,800,000	7,078,000
10. Mrs. Tarisa Watanagase	1,728,000	300,000	-	-	4,800,000	6,828,000
11. Mr. Kan Trakulhoon ⁶	1,728,000	-	-	-	4,800,000	6,528,000
12. Mr. Roongrote Rangsiyopash	1,728,000	-	-	-	4,800,000	6,528,000
Total	21,600,000	1,350,000	1,075,000	875,000	60,000,000	84,900,000

Note:

- Chairman of the Board of Directors
- Chairman of the Governance and Nomination Committee
- Chairman of the CSR Committee for Sustainable Development**
- Chairman of the Remuneration Committee
- Chairman of the Audit Committee
- Additional remuneration received as Chairman of the Management Advisory Committee was 270,000 Baht per month.

* The directors' bonus paid in 2016 consisted of the bonus payment based on the final dividend of the year 2015 paid to shareholders on April 28, 2016 and the interim dividend of the year 2016 paid on August 25, 2016 as represented in the item of "Administrative expenses" on the consolidated statements of income.

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

SCG Top Executives Remuneration

Policy on Top Executive Remuneration

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 in short term and long term 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.

Top Executive Remuneration (As at December 31, 2016)

The total remuneration for ten* executives in the form of salaries, bonuses, variable pay and others amounted to 273,213,758 Baht. For 2016, the Company made contributions of 16,740,670 Baht to the provident fund for the executives as the employees of the Company.

Note *Including the remuneration of Mr. Pichit Maipoom, who retired from office since January 1, 2017.

The remuneration for the directors and top executives of subsidiaries, which are SCG's core businesses (As at December 31, 2016)

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 Packaging 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 remuneration for top executives of subsidiaries that are core businesses of SCG 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.	5	34,547,039	2,836,873
2.	SCG Chemicals Co., Ltd.	8	61,915,576	4,185,946
3.	SCG Packaging PLC.	11	71,240,242	5,094,717

The above-mentioned number of executives and the remuneration excluded those of the presidents and vice president of subsidiaries that are SCG's core businesses, as they were included in the number and remuneration of SCG top executives.

8.5 Human Resources

With adherence to one of SCG 4 Core Values "Belief in the Value of the Individual", SCG attaches great significance to employees, considering them the most valuable assets of the Company. SCG has continuously consolidated the human resources management and strengthened corporate culture to better align with the Company's corporate strategies. The human resources management strategies given top priority include:

1. Capability Enhancement to Achieve Region-wide Business Growth

SCG focuses on enhancing the capabilities of the Group and employees to facilitate decision making and overseas business operations as well as enabling SCG to become ASEAN's Sustainable business leader. For employees who are the most vital to the accomplishment of such goals, SCG has streamlined the human resources management system to align with employee development through the following efforts:

- 1.1 Enhancing expertise in human resources management for employees in each country in the areas of laws, labor relations, and other human resources management systems. To that effect, the Company has fostered relationships with the government sector, labor and other business networks to exchange knowledge, develop the knowledge base, and promote collaboration to support the Company's business operations.
- 1.2 Increasing the ability to attract talented candidates in every country where SCG operates to join the Company by offering flexible employment schemes and benefits for candidates with work experience. This is concurrent with building a strong brand.

2. Human Resources Management System Development

SCG supports the development of the human resources management system, making it more flexible for the Company to make adjustments relating to employment, employees and work conditions. To achieve the goal, the structure or fundamentals of the existing human resources management system were reviewed and improvements to the system were added to better meet the requirements of each group of employees, allowing for more effective management of each employee group.

3. Improvement of Human Resources Management System for Highly Talented and Competent Employees

To attract and retain highly talented and competent employees, SCG has constantly reviewed the human resources management system and set forth the SCG Talent Management System, which is measurable and best addresses the business requirements.

4. Employee Engagement Enhancement

To promote employee engagement, SCG has updated its employee engagement strategy and employee engagement model to provide guidelines for increasing engagement and carrying out engagement surveys. The results will be used to consolidate the human resources management system, keeping it up-to-date and effective.

5. Promotion of SCG People-Style Work Culture

SCG has supported the implementation of the SCG people-style work culture to enable SCG to be recognized as an innovative organization. Apart from upholding SCG 4 Core Values, employees are open to new ideas and express their views constructively (Open). They also constantly challenge themselves with change for the better (Challenge). SCG is resolved to further promote the SCG People-Style work culture, especially in its overseas operations or new business setups.

6. Employee Development

SCG's aggressive expansion to ASEAN has led to an increasing number of overseas employees. At the same time, the Company is also facing many challenges, for example, how to develop the employees to cope with the fast-growing business and how to create a standard learning system for SCG employees across the region. As a consequence, SCG has carried out learning transformation along with ongoing employee development by defining employee development and learning strategy as well as best practice guidelines to achieve the objectives. They include the following:

1. Creating a standard learning system for SCG employees region-wide, building around role-based competency to equip them with knowledge and skill to cope with challenges and the fast-growing business.

2. Creating a coaching and learning culture in which each individual employee is responsible for his/her learning and development with full support of their supervisors by employing the 70:20:10 Model for Learning Transformation with focus on enhancing learning efficiency.

3. Linking employee learning to the SCG Talent Management System which encompasses the defining qualifications of a candidate, recruiting, developing and retaining talented employees to ensure the effective and efficient learning of employees, empowering them to meet the requirements of the business.

4. Developing the competency of employees and leaders by establishing the committees and functions dedicated to employees learning at different levels, ranging from the SCG Learning Council, BU Academy Committee, Professional Academy Committee and Leadership Academy Committee. The objectives are to develop the knowledge and skill of every employee and develop a generation of leaders with the mentality, knowledge, and competency necessary for intense business competition and who are keen to develop the employees to reach their full potential to function as SCG's driving force.

5. Providing learning support by adopting the SCG Learning Management System (LMS) to ensure SCG employees across the region are provided with the same quality learning standard and

system with maximum learning efficiency. The efforts also extend to introducing digital classrooms which include e-learning and gamification among others.

To realize the development and learning strategy, the Learning Council has set forth the Learning Policy to ensure the same standard of learning management wherever SCG operates. The Learning Policy reads:

“SCG believes in the value of the individual and dedicates to excellence, we are committed to invest in creating the best learning experience for all SCG employees and to develop highly competent workforce under SCG values in order to sustain SCG’s competitive advantages and growth.

1) SCG promotes learning agility as part of its organizational capabilities that supports business directions and cope with fast changing environment.

2) SCG learning infrastructure and related people systems shall facilitate employee development based on role-based competency with performance standard in order to ensure individual and business achievements.

3) At SCG, we learn from experience, others and formal learning. Essentially, our employees are accountable for their own learning and development to realize their potential and fulfill their career aspiration; SCG leaders at all levels shall support their employees by coaching, mentoring and providing learning opportunity to foster employee learning for mutual success and growth.”

To provide guidelines on learning management in accordance with the Learning Policy to corporate functions and business units, SCG has prescribed “Training Guidelines” to ensure the same learning system and standards are adopted wherever SCG operates. Such guidelines comprise various standards and requirements such as the training organization, qualifications of speakers, and handouts, etc.

As the end of 2016, The Siam Cement Public Company Limited had 1,872 employees, or a total remuneration of 3,253 Million Baht. The total number of SCG employees was 53,728 or a total remuneration of 42,458 Million Baht (the aforementioned remuneration includes salary, bonuses, provident funds, and welfare).

Numbers of Employees in Each SCG Business Unit

As of December 31, 2016

Companies / Business Units	Numbers of Employees
The Siam Cement Public Company Limited	1,872
SCG Cement-Building Materials	35,272
SCG Chemicals	5,666
SCG Packaging	10,814
Other	104
Total	53,728

9. Corporate Governance

9.1 Corporate Governance Policy

SCG conducts business with responsibility, transparency, and fairness, adhering to the long practiced business principles defined by the framework of the SCG Code of Conduct and dedication to sustainable and balanced benefits. The Board of Directors behave as role models in compliance with SCG's principles of Corporate Governance and Code of Conduct.

SCG is resolved to become a role model in corporate governance, encapsulating it in SCG Vision with the conviction that SCG's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders whilst creating confidence among all stakeholders and enhancing the Company's competitiveness to achieve sustainable growth.

The Governance and Nomination Committee is entrusted with overseeing SCG's corporate governance matters, encompassing the establishment of policy and guidelines as well as monitoring the performances of the Board of Directors and the Management to ensure their compliance with SCG's corporate governance policy. The Committee also monitors and evaluates the corporate governance practices together with periodically reviewing the guidelines to ensure their alignment with business operations and corporate governance practices at national and international levels. Moreover, corporate governance is specified as one of the main items on the agenda at the Board of Directors' meeting.

Practices on SCG's Corporate Governance

SCG firmly upholds and complies with the principles of corporate governance both locally and internationally. Examples include the Principle of Good Corporate Governance for Listed Companies 2012 of the Stock Exchange of Thailand, and the Corporate Governance Report of Thai Listed Companies (CGR) of Thai Institute of Directors (IOD). Added to this are the internationally-recognized benchmarks such as ASEAN Corporate Governance Scorecard (ASEAN CG Scoreboard) and DJSI Sustainability Assessment. The Governance and Nomination Committee takes charge of considering and proposing to the Board of Directors the establishment and implementation of the policy and guidelines for their approval. For issues that have yet been covered or implemented, the Management is to report to the Governance and Nomination Committee for review on an annual basis.

The Board of Directors compiled knowledge and practices in management that have been passed down from generation to generation and proven to align with the corporate governance principles. They were codified into a booklet on SCG's corporate governance guidelines, which was first published in 2003. Last updated in 2014, the booklet is now also published as an e-book on the Company's website.

In 2016, SCG was rated on corporate governance practice by various agencies and achieved numerous awards as follows:

- Rated “Excellent” according to Corporate Governance Report of Thai Listed Companies 2016 carried out by the Thai Institute of Directors (IOD).
- Rated 100 points according to the evaluation of the quality of annual general meetings of shareholders (AGM checklist) of listed companies carried out by the Thai Investors Association.
- Received the Best Company Performance Awards and the Best Innovative Company Awards as part of the SET Awards 2016.
- Received the Best Corporate Governance and Best in Sector: Industrials & Materials from IR Magazine Awards-South East Asia 2016.
- Selected for Thailand Sustainability Investment 2016 list under the Property & Construction industry.

1. The Rights of Shareholders

SCG has the 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.

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. The Company will notify shareholders of the information through SCG’s website and the Stock Exchange of Thailand.
2. To ensure that all shareholders receive clear and sufficient detailed information, allowing them to have adequate time to study the information before attending the Meeting, SCG has clearly notified shareholders of the venue, date, time, and proposed agenda items, both in Thai and English, approximately two months prior to the Meeting.

For the meeting notice, the Company provides a detailed description of each agenda item together with the opinion of the Board of Directors. A notice of the meeting and attachments including the registration form, documents and evidence required prior to attending the Meeting,

proxy procedure, registration, and proxy forms, in Thai and English, will be posted on SCG's website more than 30 days before the Meeting. Such documents are submitted to shareholders more than 20 days prior to the Meeting.

3. To facilitate shareholders unable to attend a Meeting, the Company provides an opportunity for them to appoint a representative, e.g., an independent director or any other person to act as proxy, using one of the proxy forms attached to the notice of the Meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development, the Ministry of Commerce allow the shareholders to exercise their voting rights as they wish. The Company also attaches documents and evidence required prior to attending the Meeting, proxy procedure, and registration to the notice of the Meeting. Also attached is a profile of independent directors proposed by the Company to serve as proxies for shareholders.

For institutional or foreign investors who authorize custodians in Thailand to keep and safeguard their shares, the Company will arrange for the documents and evidence required prior to attending the Meeting well in advance to facilitate smooth and fast registration on the date of the Meeting.

4. The Company provides opportunities for the shareholders to submit questions related to items on the agenda or other information prior to the Meeting to the email address corporate@scg.co.th or to the Company's address. For more information, please contact Corporate Secretary Office via the following channels:

- Address: 19th Floor, SCG 100th year Building
1 Siam Cement Road, Bangsue, Bangkok 10800
- Tel: 66-2586-1392, 66-2586-3078
- Fax: 66-2586-3007
- E-mail: corporate@scg.co.th

5. In 2016, all members of the Board of Directors attended the Annual General Meeting of Shareholders.
6. The 2016 Annual General Meeting of Shareholders was held at Athenee Crystal Hall, 3rd Floor, Plaza Athenee Bangkok A Royal Meridien Hotel, the venue was easily accessible by shareholders as it is located on Wireless Road within close reach of Ploenchit BTS Skytrain station.
7. On the date of the Meeting, the Company used 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. In addition, in the case of the appointment of another person as a proxy, the Company facilitated the affixing of the stamp duty on all proxy

forms registering at the document check counter. The Company's officers were available at all times to provide assistance during the registration. Registration for the Meeting started no less than 2 hours prior to the Meeting.

8. To ensure transparency and verification, the Company provided voting cards for each agenda item. In casting votes, the Chairman requested shareholders or proxies who voted to disapprove or abstain for such agenda item to mark the voting cards accordingly with his/her signature affixed and raise their hands to notify the Company's officers so as to have their barcodes scanned and their voting cards collected. All shareholders who voted to approve needed to mark the voting cards accordingly with his/her signature affixed but were not required to raise their hands. All the voting cards were collected when the meeting adjourned. As for a large number of shareholders who authorized their proxies to the Independent Directors, the Company needed to cast votes of approval, disapproval, or abstention for each agenda item according to their requisition.
9. 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 is informed of the result as soon as the vote counting has finished.
10. The Company assigned independent representatives from the auditor to check vote counting throughout the Meeting with the shareholders' right protection volunteer from Thai Investors Association serving as an observer.
11. Shareholders arriving after the Meeting commenced were allowed to vote on the agenda item considered provided that a resolution was not yet made. They constituted part of the quorum starting from the agenda item for which they were in attendance and can exercise their rights. As a consequence, the number of shareholders in each agenda item might vary.
12. At the Meeting, shareholders were allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders could obtain sufficiently detailed information on the matter in question. When shareholders had questions or inquiries, The Company's officers were available to answer queries under the authority of the Board.
13. 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 have made such request. The Shareholders' Meeting shall resolve to approve the casting of votes by secret ballot upon a majority of votes.

14. The agenda of the 2016 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 the Meeting consider any agenda item other than those specified in the invitation letter. Moreover, after all agenda items were considered, the Chairman welcomed shareholders' additional queries of their interest before declaring the meeting adjourned.
15. The Company disclosed the voting results and resolutions for each agenda item at the 2016 Annual General Meeting of Shareholders to the public via SET Portal and SCG website after the Meeting ended.
16. The Company prepared the minutes of the Shareholders' Meeting completely encompassing all material information: names of Directors and the Management attending the Meeting, voting procedure, resolutions of the Meeting, voting results for each agenda item, key questions, clarification, and shareholders' comments. The Company prepared the Minutes of the 2016 Annual General Meeting of Shareholders within 14 days from the date of the meeting, posted the minutes on the Company's website and submitted them to the Stock Exchange of Thailand and the Ministry of Commerce as stipulated by law.
17. Following the Annual General Meeting of Shareholders, the Governance and Nomination Committee will consider the questions and suggestions made by shareholders and propose them to the Board of Directors to determine appropriate response measures and improve the next shareholders' meeting. For the 2016 Annual General Meeting of Shareholders, the suggestions made by the shareholders were compiled by the Management and proposed to the Governance and Nomination Committee as well as the Board of Directors for consideration. The response measures were determined as follows:

Shareholders' Suggestion	The Company's Response Measures
1. The Board Skills Matrix should be concrete so it can be used for consideration and nomination of a new director.	The Board of Director resolved that the Board Skills Matrix be revised and used for consideration and nomination of a new director at the 2017 Annual General meeting of Shareholders.
2. The appointment of the same audit firm for a lengthy period of time may compromise the Company's corporate governance practices.	The Audit Committee studied criteria on the rotation of auditors or an audit firm of companies in Thailand and overseas as well as the research results regarding the impact of the rotation of auditors or an audit firm on the independence of the auditors and the audit quality, and the potential of audit firms in Thailand and ASEAN, and proposed the results to the Board of Directors for

Shareholders' Suggestion	The Company's Response Measures
	consideration. The Board of Directors resolved that an audit firm shall be rotated every 5 years. It is suggested that the Company invite proposals from top audit firms, detailing audit services, procedures and other services. The auditor selection committee is tasked with selecting an audit firm and proposing it to the Audit Committee for approval.
3. It is suggested that the Company consider the appropriateness of offering the same compensation to the executive directors and external directors and of offering compensation to the executives serving as directors in the Company's subsidiaries.	The executive directors and external directors will be entitled to the same compensation, but the executives serving as directors in the Company's subsidiaries will not receive additional compensation in line with the Company's well-established practices.

2. The Equitable Treatment of Shareholders

SCG is fully aware of its duty to protect the interests of every shareholder, major or minor, individual or institutional as well as Thai or foreign investors to ensure equality and fair treatment for all to further ensure the maximum benefits of shareholders. The efforts are as follows:

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 prior to the date of the Shareholders' Meeting

The Company has prescribed criteria and procedures whereby minority shareholders may propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company for 3 months. Such rules and procedures are posted on SET Portal and the Company's website.

For the 2017 Annual General Meeting of Shareholders, the Company provided an opportunity to shareholders to propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company during September 1 – November 30, 2016. The Agenda Item Proposal Form and/or Nomination for Directors Form along with the required documents must be sent to the Company Secretary or to the independent directors' email at ind_dir@scg.co.th. The criteria are as follows:

Prior to the Meeting, one or several shareholders holding in aggregate at least 5% of all issued shares of the Company (no less than 60 million shares) have the right to propose in advance agenda items. The Governance and Nomination Committee takes responsibility for screening the issues before presenting

them to the Board of Directors for consideration. Should the proposed agenda item be included on the Meeting agenda, the Company shall specify it in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in the event the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.

For the nomination for directors, any shareholder is entitled to nominate in advance any qualified candidates for the election of Board members. 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.

In the past year, no shareholder proposed any agenda item or candidate for the election of Board members prior to the 2017 Annual General Meeting according to the above-mentioned criteria and procedures.

Preventing Misuse of Internal Information

The Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. To that effect, the Company has established measures to prevent misuse of internal information (Insider Trading) and incorporated them into SCG Code of Conduct and Regulations for Employees in writing to provide guidelines for the concerned persons, namely, the Board of Directors, SCG top executives, and employees responsible for related functions as well as their spouses and children who are minors. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading Company shares for a two-week period prior to the release of the Company's quarterly and annual financial statements and for 24 hours after the release (Blackout Period). Corporate Secretary Office will inform all concerned persons of the blackout period one month prior to such period in writing.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information. Moreover, the concerned persons who have knowledge of confidential information that could impact the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company to the SEC within 30 days of the date on which they are

appointed (Form 59-1). They are also required to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within 3 business days of the date of any changes.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report. In 2016, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

Preventing Conflicts of Interests

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, SCG top executives, and employees in a prudent, fair, and transparent manner. As a consequence, the Board of Directors has established policies and measures regarding conflicts of interests as follows:

- Directors, top executives, and their related persons must file a report with the Company stating their interests in the management of the Company or a subsidiary when they first take the office. They must also file a report should there be any changes in their interests and at every year end. The Company Secretary shall deliver a copy of such report to the Chairman and Chairman of the Audit Committee within 7 days upon the receipt of the report in compliance with the Securities and Exchange Act B.E. 2535 and to use such information for monitoring and preventing any conflict of interests.

- At a Board of Directors' meeting, 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.

- In case the connected transaction requires shareholders' approval, shareholders with a vested interest must abstain from voting on such agenda item as stipulated by law and the Company's regulations.

3. Role of Stakeholders

SCG has consistently adhered to its philosophy of ethical business conduct and corporate social responsibility as well as carried out its business to jointly create values with all stakeholders for mutual and sustainable benefits. This practice is overseen by the Board of Directors to ensure compliance with laws and regulations and adherence to SCG Corporate Governance Guidelines, SCG Sustainable Development

Guidelines, SCG Code of Conduct, and other relevant policies, as well as protection of such rights and stringent equitable treatment.

The Board of Directors formally wrote the Stakeholder Engagement Policy in 2010 to serve as clear guidelines for employees on business conduct, create long-term added values for shareholders, and ensure careful consideration of possible impact on SCG stakeholders. Subsequently, in 2011, the Board of Directors approved the formulation of engagement policy and guidelines for each stakeholder groups in a formal written form, which serve as a clear guidance for employees on engaging each stakeholder groups. The policy and guidelines are published on the SCG website.

Stakeholder engagement guidelines are summarized below;

1) Shareholders

SCG attaches enormous significance to the shareholders, who are the business owners. As a result, the Board of Directors, which represents shareholders, as well as the executives and employees are committed to carrying out business in line with the principles of good corporate governance and SCG business philosophy to ensure maximum benefits and long-term value for shareholders.

SCG respects the rights of its shareholders and recognizes its duty in ensuring equitable treatment of all shareholders as well as the fundamental rights stipulated by laws and Articles of Association of the Company such as the rights to attend the Annual General Meeting of Shareholders, propose agenda items in advance, elect directors, receive fair remunerations, and voice opinions on the Company's business conduct through independent directors, all of which will be compiled and presented to the Board of Directors for review.

In addition to these aforementioned fundamental rights, SCG also carried out other measures to promote and facilitate the exercise of the rights of shareholders. The rights that shareholders are entitled to are disclosed under Section 1 'The Rights of Shareholders' and Section 2 'The Equitable Treatment of Shareholders' of the Annual Report.

Fostering Good Relations with Shareholders

SCC Shareholder Activities

SCG recognizes the importance of fostering good relations with shareholders. As a result, since 2010, the Company has continuously hosted a range of activities that are beneficial to society, culture and the environment as well as opened up opportunities for shareholders to visit the sites of the Company's three business units. To this effect, the Company sends out invitation letters, with reply forms included, to shareholders via post to provide an opportunity for shareholders to declare their intention to participate in activities. Shareholders have consistently expressed their interest and signed up for these activities. For

each activity, the Company randomly chooses eligible candidates and announces the list of chosen participants on the SCG website as well as notify them via phone to confirm their participation.

In 2016, the Company held a total of four CSR activities for shareholders, as follows:

1. The “SCC Shareholders Experience Rayong Locals’ Way of Life” program was held on June 27, 2016 in which the participating shareholders visited the learning center dedicated to organic waste management, using earthworms as a tool at RIL Industrial Estate Site 7. They also observed farming practices in accordance with H.M. the Late King’s New Theory concept at Khao Yai Da community, Rayong Province. They were social-responsible activities in line with SCG’s business operations with a commitment to enabling the industry, society, and the environment to coexist in a happy and sustainable way.

2. The “Glittering Loha Prasat: The Beauty of Rattanakosin” program was held on August 16, 2016, taking the participating shareholders to visit the Rattanakosin Exhibition Hall and the Loha Prasat (Metal Castle) at Wat Ratchanatdaram Woravihara in Bangkok where they were briefed on the background and significance of the temple. The objectives were to raise the awareness of shareholders’ in preserving religious places and promoting Buddhism. A money donation was also made to the temple.

3. The “Kaeng Khoi Cement Plant Open House: Realizing the Dreams of the Community” program was held on September 20, 2016, taking the participants to observe the Kaeng Khoi cement plant, which was awarded the Green Industry certification. They also made financial contribution to provide scholarships for students at Wat Phukhae School, one of the schools that SCG Foundation helped fund a school building construction to provide educational opportunities for the youths, allowing them to develop academically to become the country’s future driving force.

4. The “Following in the Royal Footsteps in Building 70,000 Check Dams to Promote Water Conservation across the Country” program was organized on November 27, 2016, providing opportunities for the participating shareholders to construct check dams as a means to follow in the Royal Footsteps at Ban Phutoei community in Sai Yok District, Kanchanaburi Province. The activity was part of the SCG Conserving Water for Tomorrow project designed to help solve the drought and flood problems. The project has proven very successful as all the participating communities are no longer affected by drought or flooding, and the forest in the communities has been restored to state of natural abundance.

Debenture Holder Activities

SCG Debenture Club has continued to deliver exceptional services to our valued bondholders for more than 10 years. We have launched various kinds of activities and privileges in accord with bondholders’ lifestyle. The activities consist of the academic seminar, DIY workshop, the annual concert and the well-known travel program both inbound and outbound trip. In addition, we continue to carry out the CSR program under the campaign “Support My School by SCG Debenture Club”. The aim of CSR program is to uplift the well-being of students and school facilities by donating the school supplies,

stationaries, and educational equipment to the rural schools and impoverished children. In 2016, we provide the support to the schools in Huai Krachao district, Kanchanaburi province and also arranged the activity “Bra insert for breast cancer patient” donated to Chulabhorn Hospital. Apart from New Year Gift and Birthday privilege, bondholders can enjoy series of monthly privileges including free beverage, bakery and ice-cream through SCG Debenture Club mobile application or SMS. Furthermore, they can obtain a special discount on restaurants, hospitals, petrol stations, SCG HOME SOLUTION, etc. by presenting the member card to our qualified partners.

2) Employees

Labor and Human Rights

SCG carries out business with adherence to ethics and responsibility for society and stakeholders in accordance with corporate governance principles and Code of Conduct. As for human rights protection, this is included in the SCG Code of Conducts under the Labor and Human Rights section, SCG abides by the laws of each country and complies with UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration of Human Rights (UNUDHR), and United Nations Global Compact (UNGC), which SCG has supported since 2012. Added to this are the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international requirements on human rights according to the binding treaties.

To ensure SCG's commitment to prevent human rights infringement, SCG has prescribed a human rights policy and practice guidelines to prevent violation in every business transaction of SCG as well as its business value chain and joint ventures. To provide clear guidelines in business operations, the policy has been communicated and disclosed to all involved parties. Moreover, the Company has also undertaken a due diligence process and disclosed the performance in the Company's Sustainability Report.

Safety, Occupational Health, and Environmental Conservation

SCG is committed to promoting the work environment, safety and occupational health of employees as well as cultivating consciousness in its employees and relevant personnel to comply with SCG Code of Conduct in these areas as well as laws, standards, rules, regulations, and international charters.

At SCG, safety and occupational health of employees have always been given top priority. Considering them as one of the Company's risks, SCG has taken pro-active measures encompassing incorporating them in SCG Code of Conducts, formulating safety and occupational health policy along with supporting every operational unit to put in place effective safety and occupational health management systems in the hope of fostering a safety culture.

SCG also has clear policies and guidelines that employees have to strictly adhere to. In addition, employees are trained to foster an awareness of occupational safety. Employees involved in the production process are trained on principles of risk assessment, prevention, and control together with

given regular practices. Details on the safety performance and records can be found in the Sustainability Report.

In addition, SCG resolves to inspire its employees to contribute to environmental stewardship and perform their duties with concern for the environment by integrating environment-related topics into various fundamental training courses and programs for employees such as the SCG Ready Together program. Employees involved with performance or control of environmental management systems are offered additional compulsory training such as courses on air pollution control management and environmental management among others.

Care of Employees

Remuneration Management

SCG has established remuneration policies that offer appropriate remunerations to employees on all levels and are competitive with those of other companies in the same industry with adherence to fair and equitable compensation practices both within and beyond the Group.

To maintain a shared sense of internal equity and fairness, remuneration is determined by job value. Each job is appropriately assigned to a pay grade that represents employees performing similar work in the compensation structures. Employees are entitled to fair and equitable compensation based on their performance as well as each position's requirements and responsibilities. As for external equity, SCG pledges to align the compensation with the economic circumstances, inflation rates, the Consumer Price Index, and remunerations of other businesses in the same industry, the data of which is garnered through surveys of wages and remunerations of employees on all levels in external industries.

SCG determines compensation in alignment with the Company's short and long-term operating results. In the short term, the annual operating results such as revenues from sales, net profit, and EBITDA will be factored into the equation. In the long term, the Company's long-term comparatives including profit growth, market shares, overall operating results and ongoing operational enhancement are taken into consideration.

Employee Benefits

SCG provides appropriate employee benefits, which are regularly reviewed to remain in alignment with the changing economic and social circumstances. The benefits encompass numerous areas including work-related benefits such as allowances, travel expenses, accommodations, uniforms, medical benefits such as medical and dental expenses, annual checkups, sports and fitness centers, and employee assistance benefits such as accident insurance, loans, compensation, etc.

Long-term Employee Care

SCG is committed to providing long-term employee care, establishing provident funds, registered as a juristic person with the Ministry of Finance under the Provident Fund Act B.E. 2530 for SCG employees. Employees who are members are to deposit monthly contributions to the fund at the rate of 2-15% of their basic salaries as stipulated by law, and the Group matches monthly contributions to the fund at 5-13% of their basic salaries depending on the length of employment. Moreover, SCG provides other long-term benefits to employees such as reimbursements of retirement medical expenses according to the criteria and conditions prescribed by the Company, a plan to help employees prepare for retirement in the areas of health, money management and investment, career promotion, and establishment of employee clubs.

Knowledge and Competency Enhancement

With Belief in the Value of the Individual and Dedication to Excellence, SCG is committed to earmarking funds to deliver the best learning experience for every employee along with developing a generation of talented and conscientious employees who contribute to the enhanced competitiveness and sustainable growth of SCG.

To ensure that employees' learning better meets the business requirements with enhanced efficiency and the same standard across the region, SCG has streamlined its learning architecture and management system in many aspects. The Company has formulated the learning architecture that integrates role-based competency into every job position, enabling employees to realize their duties, tasks, and responsibilities according to the performance standards.

Each SCG employee is assigned to the most appropriate competency profile for his or her role. The competencies in SCG are divided into 3 groups including Professional Competency such areas as sales, HR, supply chain, R&D or BU Technical Competency relevant to one of the three business units: Chemicals, Packaging, or Cement-Building Materials that the employee works for. Employees who are promoted to supervisor position are also required to possess leadership competency.

Each year during December to February, competency assessment is conducted and an individual development plan for each employee devised, allowing employees and their supervisors to jointly define goals in role-based competency development to meet business challenges and promote the career growth of each individual. To provide learning solutions on the needed professional and technical aspects, the 70:20:10 Model is adopted. Apart from formal learning in classrooms, SCG also encourages employees to learn from experience and learning from others. For employees at managerial level, they also have to be trained and assessed specifically on leadership aspects.

In addition, SCG provides opportunities for employees on all levels both domestic and overseas to fully develop their potential to prepare for their professional development and the sustainable growth of the Company from the first day of their employment. All new staff members attend the Warm Welcome

program where they get to learn various aspects of SCG through the perspectives of high-ranking executives. They subsequently attend the SCG Ready Together program designed to instill a sense of SCG working style, allowing employees to learn more about the business, foster relationship, and develop concern for society and the environment. As part of the program, e-learning has also been adopted to enable the learning to take place anytime, anywhere.

For employees who have advanced to the next level of responsibility and leadership, the Onboarding program has been put in place to prepare employees for their new roles, responsibilities, and expectations. The program is built around structured dialog process to define expectations in each new role from First Line Manager to Enterprise Leader, allowing for discussions between the employees and their supervisors. On top of this are the New to Role and Assigned programs for leadership development. Examples include the Management Development Program (MDP) and Management Acceleration Program (MAP) designed in cooperation with Duke Corporate Education, the world-famous custom executive education to develop the knowledge and competency necessary for each leadership level. The objectives also extend to readying supervisors, who are also a vital force of SCG, to cope with emerging challenges in the future.

2016 marked the first year SCG carried out the competency assessment on a Learning Management System (LMS) built around the 70:20:10 Model with 11,582 employees in Thailand as a pilot project. Employees outside the pilot project were required to undertake the competency assessment and Individual Development Plan (IDP) on other platforms to ensure that all staff members underwent learning and development to develop themselves, ready to drive their professional advancement and the Company's business growth in a sustainable manner.

According to SCG new learning platform, which is to build effective & efficient learning & development as well as enhancing competent employees to sustainably support business performance, learning and development in SCG does not only focus on classroom training (10), but also learning from experience (70) and learning from others (20), which becomes a critical part of this platform. Additionally, the recently adopted role-based competency development concept has shifted the focus of development to Need-to-Know knowledge and skills based on individual's BU technical, professional and leadership tasks & roles. Consequently, an unnecessary training (Nice to Know) has decreased, resulting in average training day at 6 days per employee and training expense (both internal and external) at 1,616 Million Baht. Besides, the training expense of Integrated Business Excellence (IBE) Project was dropped since most of them were made in the previous year.

Additional information on the care of employees can be found in the annual report, under the section of Human Resources, and in the Sustainability Report.

3) Customers

SCG is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. SCG products and services must be safe as per international safety standards and environmentally-friendly, as well as promotes sustainable growth through excellence strategies in operating and human value marketing to ensure customer confidence and highest satisfaction. To this end, SCG has established a unit responsible for customer relations management in every business in order to offer suggestions on the Company's products and services, provide counsel regarding troubleshooting and after-sales services, and handle complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operation efficiency.

Furthermore, SCG has put in place a management system to foster good customer relations, the main factor of which is the voice of customers. As such, customer satisfaction in each business group is surveyed on a yearly basis to gauge the expectation and satisfaction level of customers, and customer insights discovered in the process are then further developed into new innovations. An example is the development of an innovation encompassing the knowledge management system, e-Service, e-Selling, and the business Warehouse for the customer feedback process, resulting in a central database of customer information to facilitate sales and service providing. Also invented is a customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers.

4) Suppliers/Business Partners

SCG adheres to a framework of fair and transparent trade competition and strictly complies with the trading terms and conditions agreed upon, SCG Code of Conduct, and pledges given to its suppliers. To this effect, the Company determines appropriate and fair sale prices, taking into account the reasonableness, the quality, and the entailed services. In addition, regulations regarding procurement and operations are clearly established. These include refraining from demanding or accepting benefits from suppliers, supporting environmentally-friendly procurement, avoiding purchasing products from suppliers that violate human rights or intellectual property law as well as dealing business with suppliers that carry out illegal acts.

As for its business partners, SCG has a policy of taking good care of its business partners regarding the environment, work safety, and remunerations through provision of knowledge, counsel, and motivation in order to bring about development in the environmental management system through a supplier safety certification system and consideration of appropriate and fair remunerations. In addition, the Company is resolved to develop the capabilities and knowledge of its business partners both within and outside their lines of work to enable them to work more efficiently. At the same time, SCG also encourages its business partners to enhance their knowledge to achieve highest efficiency in their work.

SCG drew up the SCG Supplier Code of Conduct, in which suppliers are defined as any suppliers, contractors, and/or service providers for SCG, to ensure an accurate understanding among SCG suppliers. The Code serves as guidelines for SCG suppliers in cooperating with the Company in becoming good corporate citizens and in adhering to good corporate governance, guided by the interests of society and the environment. The Code of Conduct also serves as mutual standards for business conduct and SCG suppliers are required to sign the acknowledgment of the SCG Supplier Code of Conduct before conducting business with the Company.

The Board of Directors approved the implementation of SCG Procurement and Vendor Selection Policies and Guidelines, in which the policy regarding the selection and screening, the required qualification, and the application of SCG suppliers/business partners, as well as the procedures involved in carrying out business with SCG are clearly prescribed. This is in order to ensure ethical business conduct and responsibility toward society and the environment. The Company also refuses to conduct business with a person or a juristic person who violates the law or demonstrates behavior involving corruption. The policy is published on the SCG website.

5) Joint Venture Partners

SCG respects the rights of joint venture partners, treats every partner equitably and fairly, and does not exploit partners. The Company also collaborates with joint venture partners to promote, support, and

strengthen the operation of joint ventures; encourage exchange of opinions and suggestions; formulate business plans; determine an appropriate and transparent allocation of interest and monitor and drive the operation of the joint ventures to be in accordance with the laws and sustainable development guidelines, in order for the joint ventures to achieve the shared goals.

6) Creditors

The Board of Directors takes into account equality for every relevant party and honesty in carrying out its business, and is committed to conducting business in such a way that creates confidence and justness for its creditors. Policies and guidelines regarding the treatment of creditors are as follows:

1. The Company strictly complies with the terms and conditions agreed upon with respect to amortizing, collateral care, and commitment and contingent liabilities.
2. In the event that one of the terms is not fulfilled or there arises a cause for a default, the Company must notify the creditor without concealing facts so as to jointly find solutions on a reasonable basis.
3. The Company manages its finance to create an appropriate financial structure to support the business and maintain the creditors' confidence.
4. The Company strives to maintain sustainable relations with creditors and mutual trust.

7) Communities

SCG carries out its business with concern for fairness for every stakeholder and is committed to socially-responsible business conduct. As a result, SCG has supported activities that improve the quality of life and benefit the communities where SCG operates, both domestic and in ASEAN countries. In addition, the Company also cultivates and promotes in its employees and related operators a consciousness of a good and responsible citizen who strives for the betterment of the communities and society. Furthermore, communities and every stakeholder are also encouraged to participate in activities or projects held SCG as well as provide suggestions or lodge complaints about any impact from SCG operations, so that the industry and communities can co-exist sustainably.

Because it is SCG's conviction that strong communities and society form the foundation for the prosperity of the country, the Company strives to improve the quality of lives of those in communities. To this end, the CSR Committee for Sustainable Development is tasked with directing policies, projects, and activities as well as promoting employee participation. SCG divides its community development management into two parts as described below:

- Society and communities around the plants: The Company's policies are to take care of the quality of life of people in the local communities. Two initiatives under such policies are "Cement Partnership Project" and "Community Partnership Association," both of which aim to bring about sustainable and harmonious co-existence between the industry and the communities, provide healthcare for the communities, grant scholarships to local residents, reach eco-industry standards, spread knowledge on community care, and host training courses to foster knowledge and competency in various areas for people in the communities.
- Society at large: The Company's policies in this regard focus on developing human potentials, the quality of life, as well as the well-being of people in society through projects that directly respond to social issues. These projects combine the Company's body of knowledge and expertise with the society's potential. Two such projects include the "SCG Conserving Water for Tomorrow Project," which involves the management of water resources for the communities' independence and harmonious co-existence with nature, and the "Innovative Technology for the Restoration of Saline Land Project," a collaboration of SCG and external organizations aimed at helping communities alleviate alkaline soil issues, introducing simple treatment technology. As well as establishing a network for exchange and expansion of knowledge for long-term independence.

Additional information on the Company's responsibility toward communities, the environment, and society can be found in the Sustainability Report.

8) Government Agencies

SCG has clearly defined guidelines for engaging in transactions with government agencies in SCG Code of Conduct and SCG Anti-corruption Policy. Furthermore, SCG ensures strict compliance with relevant laws and regulations despite varying conditions, procedures, or practices in each locality. In addition to refusing to engage in an act that could provide an incentive for officers in government agencies to commit an inappropriate or unlawful deed, the Company also cooperates with government agencies in providing academic assistance or support for various activities and is open to comments, suggestions, and complaints from government agencies.

9) The Media

SCG stresses the importance of disclosing information to the media, so they can communicate the information to the public with accuracy and in a timely fashion. To create continuous participation and good relations with the media, a number of activities have thus been held such as site and plants visits, CSR activities, opinion exchange sessions, activities catering to the interest of the media, regular media visits. The Group has also supported academic and CSR activities of the media as well.

10) Competitors

SCG has a policy to treat competitors fairly under an honest competition framework. The Company is committed to carrying out business fairly in compliance with the law and SCG Code of Conduct and with concern for trade ethics and transparency. The Company also refuses to gain an unfair advantage over its competitors through unlawful activities, seek confidential information through unethical or inappropriate means, engage in any action that violates competitors' intellectual properties rights, or destroy competitors' reputations with defamatory and untruthful statements. In addition, the Company supports and promotes free trade, avoiding any acts that monopolize the market, impede or limit fair competition.

11) The Civil Society Sector, Academia, and Opinion Leaders

SCG conducts business with concern for social responsibility and all stakeholders. In addition to full, accurate, transparent, verifiable disclosure of information, the Company recognizes the importance of comments and suggestions from the civil society sector, which reflect issues that the Company can improve to create values and benefit for society. Since 2010 up until now, the Sustainable Development Committee has held opinion panels comprising esteemed figures from government and private sectors, as well as independent entities. These panels focus on the care and the creation of value for society and communities as well as strive to include the industry and the entire SCG supply chain in order to create a shared business practice for sustainability.

Contacts for Stakeholders

SCG has opened up opportunities for stakeholders to offer suggestions, which will then be compiled, screened, and reported to the Company's top executives and the Board of Directors, through the following channels:

Company secretary	Tel: 66-2586-6098
	E-mail: corporate@scg.co.th
Investor relations	Tel: 66-2586-3309
	E-mail: invest@scg.co.th

In addition, the Company has also provided channels through which employees and external stakeholders can contact, offer opinions, lodge complaints, and report violation cases, namely the Whistleblowing System via SCG intranet (for employees) and www.scg.co.th (for other stakeholders) for further actions to be taken. The procedures are as follows:

- Employees or stakeholders file reports via the designated channels. The information provided is considered confidential and revealed only as necessary. The Company has also put in place informant/complaint lodger protection measures, and the investigation does not require the revelation of the informant's identity or the information source. In addition, informants can demand

appropriate protection measures or the Company might implement extra protection measures without having received any demand informants if the issue can potentially cause damage or dangers.

- The Internal Audit Office receives complaints, verifies the validity, and conducts a preliminary investigation with meticulousness to reach a conclusion within 30-60 days. Progress reports are also made to the informants if their identities are identified.
- In the event that a violation is proven, an investigation committee will be formed to pass judgment and determine the punishment. Then, the corruption or complaint will be reported to the Audit Committee and the Board of Directors.

Should stakeholders desire to contact the Board of Directors directly without going through the management in order to report cases of rights violation, corruption, non-compliance with laws or ethical practices which might be related to an executive, they can file reports to the independent directors via ind_dir@scg.co.th.

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 shall be complete, sufficient, transparent, reliable and up-to-date.

In line with the disclosure policy established by the Board of Directors, SCG has defined parties entitled to disclosing key information not yet publicly disclosed, established guidelines for the disclosure of various types of information to the public, and designated a period before public disclosure in which extra caution must be exercised. The details of the aforementioned guidelines are published on the SCG website, accessible to stakeholders and the general public.

SCG is committed to strictly 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 accurate information disclosure and to guarantee SCG's transparency in conducting business. For example, we:

1. Compile reports as required by laws related to directors and chief executives and submit such reports to the Securities and Exchange Commission.
2. 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 according to the criteria and reporting procedures prescribed by the Company.

3. Established a policy requiring all the directors to disclose/report their securities trading to the Board of Director's meeting and prescribing the directors and executives to report their holdings of the Company's debentures and ordinary shares in the Company's subsidiaries, as well as the ordinary shareholdings of their spouse and minor, to the Board of Directors every quarter. They are also required to report the number of shares they hold at the beginning of the year and at year-end together with the number of those traded during the year in the Company's Annual Report.
4. 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.
5. Publish Notice of Annual General Meeting of Shareholders and Annual Report within 120 days after each financial year-end.
6. Publish minutes of the latest Annual General Meeting of Shareholders on the Company's website.
7. Disclose the roles and responsibilities of the Board of Directors and Sub-committee, the number of meetings held, and the number of meetings each individual director and Sub-committee member attended.
8. Disclose the date of the director's appointment in the Company's Annual Report.
9. Disclose the Board member selection process and the Board's performance assessment.
10. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.
11. Disclose details of each individual director's attendance of courses offered by the Thai Institute of Directors Association (IOD).
12. Disclose detailed information on the operations and investment structure of subsidiaries, joint ventures, associates and other companies.
13. Disclose the audit fee and other fees in the Company's annual report.
14. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.
15. Disclose policy on environmental and social responsibility and related performance.
16. Disclose corporate governance policies and related performance.
17. Reveal significant investment projects and relevant impacts of the projects via the SET 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.

In 2016, the Board of Directors approved the establishment of Code of Conduct for Investor Relations (IR) as proposed by the Governance and Nomination Committee to ensure that SCG's investor relations practices are appropriate and fair to all stakeholders. The Code of Conduct for IR compiled all SCG's best practices related to investor relations to provide clear guidelines for IR officers in their performance of duties in compliance with SCG Corporate Governance Principles. The endeavors will add value to the Company and create confidence among shareholders, investors, general public, and all stake holders, leading to sustainable business operations. The Code of Conduct for IR comprises four major practices:

1. Disclosure of material information necessary for informed decision making in an accurate, sufficient, and timely manner
2. Protection and care of internal information
3. Fair and equitable disclosure of information
4. Performance of duty with professional integrity

The Company's Information Distribution Channels

SCG places great importance upon transparency and full disclosure of significant financial, operational, and other relevant information, so that it is accurate, complete, and timely. In addition to fulfilling legal and SET reporting requirements, SCG has established its own broad infrastructure of dissemination channels to reach interested parties. These communications channels include:

1. The Investor Relations Department, which is responsible for direct communication with both local and international investors.
2. Press conferences on a quarterly basis to announce operating results, and regular press briefings to announce significant investment projects and activities.
3. Analyst conference to announce quarterly operating results to investors and analysts.
4. Activities to disseminate policy and operational guidelines to employees.
5. Activities to meet both local and international investors and other stakeholders.
6. Speaking opportunities to share knowledge in national and international forums.
7. Company visits and plant tours for shareholders, investors, analysts, NGOs, communities, the media, and other stakeholders.
8. Systematic distribution to the media of press releases, photo captions, news stories, advertisements, and social media.
9. Periodical publications and media, such as annual reports, sustainability reports, debenture holder journals, customer journals, dealer journals, and employee journals.
10. Electronic media for communications with employees, such as intranet, e-mail and social media.

11. Website: “www.scg.co.th” and social media.

The Investor Relations Department

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 2016, 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 10 events were held.
- Five briefings by the President of each business unit to provide knowledge and insights into SCG business units with respect to strategies and business directions to analysts and institutional investors.
- Analyst Conferences held on a quarterly basis total four times.
- A total of 11 overseas roadshows.
- Site visits in the Group’s major business units to foster a fundamental understanding of the production process, with emphasis on the production from the beginning to the finished product.
- Company visits, including One-on-One Meetings, Group Meetings, and Conference Call, to allow investors to inquire about the business conduct and strategies of the Company. Investors’ inquiries are also directly responded to via e-mail and telephone on a regular basis.

Should there be any need for additional information, shareholders can directly contact the Investor Relations Units via these channels:

Address:	1 Siam Cement Road, Bangsue, Bangkok, 10800
Tel:	66-2586-3309
Fax:	66-2586-3307
E-mail:	invest@scg.co.th

5. Responsibilities of the Board of Directors

5.1 The Structure 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.

The Articles of Association of the Company prescribe that there must be no fewer than 9 but no more than 12 directors, all of whom are appointed and removed at the Meeting of Shareholders. The names of the directors are as follows:

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

The Board of Directors is composed of an executive director, which is the President & CEO, and 11 non-executive directors, most of whom have prior experience related to the Company's main business, the industrial sector, or the management of a large organization beneficial to the directing of the Company. The profiles of each member of the Board can be found in the Annual Report.

In addition, the Board of Directors is composed of seven independent directors, constituting more than half of the total number of directors, and one of these independent directors is female. The duties of these independent directors include auditing the management, providing opinions and comments, supporting policies beneficial to shareholders or opposing any inequitable or non-transparent decisions that may affect the benefits of shareholders or stakeholders, overseeing the establishment and disclosure of policies regarding connected transaction supervision to ensure the maximum benefit of the Company and its shareholders.

5.2 Scope of Authority of the Board of Directors

(Revised as of December 21, 2016 by the board of Directors resolution)

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. Defining and reviewing the structure of the Board of Directors, number of directors, proportion of independent directors as well as Board diversity and director qualifications to align with SCG's business operations.
3. Directing SCG's visions, missions, and business strategies, with an annual revision and approval.
4. Reviewing the major operating plan, budgets, business goals, and business policies and enhancing the capabilities of SCG to reach a globally competitive level.
5. Overseeing and monitoring the implementation of the Company's strategies; overseeing and monitoring of each business unit's 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.
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. Specifying risk management policies and 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.
9. 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.

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, respecting the rights or shareholders, ensuring the equitable and transparent treatment of shareholders and other stakeholders, establishing a clear process and channels for receiving and handling complaints from informants or stakeholders effectively and ensuring an opportunity for every stakeholder to contact or lodge complaints about potential issues directly to the Board of Directors.
13. Reviewing top executive development plans and the succession plan for the President & CEO 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-term and long-term incentives.
14. Assessing the performance of the Board of Directors annually by performing three types of assessments, namely that of the Board and its Sub-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 Sub-committees which will be jointly deliberated by the Board of Directors as well as reviewing the assessment results of the Board and Sub-committees on a regular basis.
15. 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.
16. 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.
17. Developing their knowledge and competency related to their duties consistently through courses or curricula related to directorial duties or seminars that enhance their knowledge.

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

5.3 Scope of Authority of the Chairman of the Board of Directors

(Revised as of December, 2016 by the Board of Directors resolution)

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 agenda, the Company's Articles of Association, 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 agenda, 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.

5.4 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, mission, 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, material connected transactions, merger and acquisition, corporate spin-off, and joint venture deals.

5.5 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 business management.

The management is 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.

5.6 Directors' Term of Service

Duration of Each Term

The Company's Articles of Association stipulates the director's term of office in accordance with the Public Limited Companies Act B.E. 2535 that 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. Currently, the Board comprises 12 directors, each of whom has directorship term of 3 years. Nevertheless, a retiring director is eligible for re-election.

Consecutive Terms of an Independent Director

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, with the first term starting from the Board's approval date on May 25, 2011 and the end of each term on the date of the Annual General Meeting of Shareholders in which they are due to retire by rotation. The Board of Directors may nominate their names to be re-elected at the Annual General Meeting of Shareholders as deemed fit, in which case they will no longer be deemed independent.

5.7 Policy on Directors and Top Executives Holding Directorship in Organizations outside SCG

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 sufficient time to efficiently handle their duties. The Board of Directors has agreed to set the policy prescribing that each director should hold directorship of a maximum of four other listed companies. In addition, the Company has a guideline in case the President & CEO is appointed as the director of another company. The matter will be proposed to the Board of Directors for approval.

Policy and Guidelines on SCG Top Executive's Directorship in Organizations outside SCG

The Board of Directors has established a policy allowing the President & CEO and the Company's management to hold a directorship in companies that are not SCG subsidiaries or associates or to spend the Company work hours carrying out directorships for external institutes for the three following organizations:

- (1) Governmental organizations that are not established for the benefit of a political party, in which their 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, the Thai Chamber of Commerce, the Thailand Management Association, etc.
- (3) Private organizations that are established for trading purposes but present no conflicts of interest with the Company and do not consume time to the extent that it is disadvantageous for the Company.

The President & CEO is to propose a directorship in other companies or external institutes for approval from the Board of Directors. As for management employees, the proposal must be submitted for approval in accordance with the Company's Approval Authority, in which case the proposal will be reviewed with consideration to the Company's intent to ensure that its employees demonstrate

determination and effort and dedicate their working hours to their duties at the Company to the best of their ability, as well as adhere to the ethical guidelines regarding conflicts of interest, whereby employees do not engage in a conduct that constitutes a competitive with the Company's business. The approval of directorships or the use of the Company's working time on duties in external institutes/companies depends on the Company's judgment and is reviewed on a case-by-case basis. In this regard, the Company has informed relevant management employees of the aforementioned policy and process.

5.8 Performance Appraisal and Knowledge Enhancement

Performance Appraisal of the Board

SCG has stipulated a performance assessment and a review of the performance results of the Board of Directors and Sub-committees at least once a year on a yearly basis. The assessment is divided into two types, namely the performance assessment of the Board of Directors as a whole and the self-assessment. The Board of Directors then analyzes and summarizes the results of the assessment to formulate measures to further enhance the efficiency of the Board of Directors.

To ensure efficient and effective performance of duties of the Board, the Chairman and Sub-committees which is instrumental to the Board's responsibility according to the Corporate Governance Principles, the Board of Directors in 2016 approved the review and revision of the performance assessment forms of the Board, the Chairman, and Sub-committees, as proposed by the Governance and Nomination Committee, to comply with the recommendations by SET and independent outside counsel following the performance assessment of the Board in 2015. The objectives was to ensure that the assessment forms cover the updated performance of duties of the Board, the Chairman, and Sub-committees, allowing the assessment results to be used for devising future operating plans.

The performance appraisal of the Board both as a whole and self-assessment updated in 2016 comprises four major topics:

1. Structure and qualifications of the Board of Directors
2. Roles, duties, and responsibilities of the Board of Directors
3. Board of Directors' performance of duties and meetings
4. Self-development of directors and development of executives.

In 2009, SCG created the performance assessment form for the Chairman of the Board of Directors. The directors are required to assess the Chairman's performance since his role in defining policy and ensuring good corporate governance is essential to the Company. The assessment is divided into three main categories, reflecting the roles and responsibilities of the Chairman, namely the Board of Director's Meetings, the Shareholders' Meetings, and Performance of other duties. In 2016, more questions were added to the performance assessment form to underline the important roles and duties as the Chairman.

As for the performance assessment of the Board of Directors as a whole and self-assessment, the Governance and Nomination Committee is tasked with reviewing the performance assessment forms for the Board of Directors and the Sub-committees, the performance assessment form of the Chairman, and information needs questionnaires used to enhance the knowledge and performance of the directors; and proposing these forms to the Board of Directors for review.

The Corporate Secretary Office distributed the assessment forms to each director for assessing the performance of the Board of Directors and the Sub-committees in which he serves. Afterwards, the Corporate Secretary Office summarized and presented the results of the performance assessment to the Governance and Nomination Committee and the Board of Directors for acknowledgment and later submitted the assessment results to the Chairman of the Board and the Chairman of each Sub-committee.

In 2016, the performance assessment results of the Board of Directors and the Sub-committees were summarized as follows:

Board of Directors/ Sub-committees	Performance assessment results for the committee as a whole (%)	Performance assessment results for the committee Self-assessment (%)
1. The Board of Directors	92	95
2. The Audit Committee	98	97
3. The Governance and Nomination Committee	99	98
4. The Remuneration Committee	88	94

The Assessment of SCG President & CEO and SCG Top Executives

The Board of Directors 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 in short term and long term for the President & CEO and top executives of SCG and propose such amount to the Board 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 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 of SCG is included in the Remuneration Committee's consideration.

Performance Evaluation of the Board by Independent Outside Counsel

Apart from the performance assessment of the Board of Directors as a whole and self-assessment, the Board also entrusted independent outside counsel to conduct additional performance assessment of the Board. The objectives were to appraise the completeness and identify room for improvement in the areas of structure, performance of duty, and self-development of the Board of Directors by benchmarking them against accepted standards and practices in line with good corporate governance principles. The assessment by independent outside counsel was conducted for the first time in 2015.

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. As a consequence, the Company has held many dialogs, allowing for an exchange of experience and views among the directors, top executives and outside experts since 2011.

For 2016, the Governance and Nomination Committee held a dialog on "Trends in Corporate Governance" with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission to provide opportunities for the Company's directors and top executives to exchange views and experience with an expert in the form of dialog.

Development Activities and Training Attended by Each Director in 2016

Directors	Development Activities and Training Attended
1. Mr. Chirayu Isarangkun Na Ayuthaya	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
2. Mr. Sumet Tantivejkul	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
3. Mr. Pricha Attavipach	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
4. Mr. Panas Simasathien	- IDO Chairman Forum 2016 on "Corporate Governance vs Corporate Performance: Duty or Choice?"

5. Mr. Yos Euarchukiati	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
6. Mr. Arsa Sarasin	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
7. Mr. Tarrin Nimmanahaeminda	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
8. Mr. Pramon Sutivong	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
9. Mrs. Tarisa Watanagase	<ul style="list-style-type: none"> - A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC) - The “Driving Company Success with IT Governance” organized by the Thai Institute of Directors (IOD) - A seminar on “The UK Experience on Implementing Enhanced Auditor Reporting” organized by SEC
10. Mr. Kan Trakulhoon	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)
11. Mr. Roongrote Rangsiyopash	- A dialog on Trends in Corporate Governance with Mr. Rapee Sujaritkul, Secretary-General of the Securities and Exchange Commission (SEC)

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' Attendance at Training Sessions Conducted by the 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 Compensati on Committee (RCC)	Audit Committee Program (ACP)	Driving Company Success with IT Governance (ITG)
1. Mr. Chirayu Isarangkun Na Ayuthaya					RCP 1/2000			
2. Mr. Sumet Tantivejkul		FND 5/2003		DCP 30/2003			ACP 11/2006	
3. Mr. Pricha Attavipach		FND 8/2004	DAP 107/2014	DCP 39/2004			ACP 11/2006	
4. Mr. Panas Simasathien				DCP 2/2000 DCP Re 1/2005				
5. Mr. Yos Euarchukiati					RCP 1/2000			
6. Mr. Arsa Sarasin		FND 39/2008	DAP 5/2003		RCP 32/2013		ACP 19/2007	
7. Mr. Chumpol NaLamlieng					RCP 2/2001			
8. Mr. Tarrin Nimmanahaeminda					RCP 35/2014			
9. Mr. Pramon Sutivong			DAP 6/2003		RCP 4/2001	RCC 9/2009	ACP 45/2013	
10. Mrs. Tarisa Watanagase				DCP 4/2000				ITG 3/2016
11. Mr. Kan Trakulhoon				DCP 29/2003				
12. Mr. Roongrote Rangsiyopash			DAP SCC/2004					

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.

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, 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.

Readiness Preparation for SCG Directorship

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 Company's Articles of Association, SCG's director 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.

5.9 Directors' Participatory Involvement in the Company's Corporate Governance Activities

On October 27, 2016, the Management invited Mr. Sumet Tantivejkul, Chairman of the Governance and Nomination Committee, to give a talk on "Integrated Governance, Risk and Compliance" to over 600 employees at managerial level at the Management Forum 4/2016. The talk touched upon SCG's business philosophy and the roles of leaders in overseeing business with adherence to ethics.

On November 26, 2016, SCG organized the Succeeding the Royal Initiative by Building 70,000 Check Dams to Conserve Water Nationwide" project at Ban Phutoei, Sai Yok District, Kanchanaburi Province to follow in H.M. King Bhumibol Adulyadej's Royal Initiative in water management. The project has engaged various sectors across the country to construct 70,000 check dams in six provinces of Kanchanaburi, Saraburi, Lampang, Nakhon Si Thammarat, Khon Kaen, and Rayong. The goals are to enable the communities to solve the drought and flood problems by themselves, conserve water for sustainable use, and develop self-reliant communities. The activity was attended by Mr. Arsa Sarasin, Chairman of the CSR Committee for Sustainable Development and Mr. Roongrote Rangsiyopash, President & CEO, together with representatives from organizations from both government and business sectors, communities surrounding the plants, shareholders, employees, and other stakeholders.

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. 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, the Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate.

1. The Audit Committee

The Audit Committee comprises 4 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 policies, 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 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 Term of Audit Committee

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

(Revised as of December 21, 2016 by the Board of Directors' resolution)

The Audit Committee is authorized to fulfill the following duties:

1. Review the appropriateness of the financial reporting system and disclosure of information in its financial statements in accordance with the legally define Financial Reporting Standards and promote the development of financial reporting systems in compliance with International Financial Reporting Standards.
2. Consider connected transactions, acquiring or selling of assets, or those with possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Securities and Exchange Commission, Thailand.

3. Review the presence of the Company's risk management, work processes, control, oversight of performance of duties, IT governance, as well as Information and Integrated Network Security to ensure their effectiveness and compliance with international standards.
4. Review the Company's Anti-corruption procedures to ensure the effective compliance with the governance bodies' guidelines starting from promoting and raising the awareness, assessing the risks, incorporating the proactive preventive system, auditing, as well as reviewing the self-assessment form regarding anticorruption measures as assessed by Internal Audit Office, and to ensure that the Company has exercised the Anti-corruption systems as reported in the self-assessment form guided by Thai Institute of Directors (IOD).
5. Review the Company's Compliance Procedure in accordance with the Securities and Exchange Act, rules, regulations and other laws relevant to the Company's business.
6. Review the compliance of the Company's Internal Control System with Internal Control Framework (COSO 2013) and the appropriateness and the effectiveness of the Company's Internal Audit System in accordance with internationally accepted approaches and standards. Also, review "The Assessment Form of the Adequacy of the Internal Control System" as audited and assessed by the Internal Audit Office to ensure that the Company has sufficient internal control system and propose to the Board of Directors for consideration.
7. Review the results of fraud investigation, establish the preventive measures in organization and review the internal processes of whistleblowing system.
8. Review the presence of proactive preventive system to enhance operating effectiveness and efficiency.
9. Select and propose the appointment or discharge an independent person to perform the duties of the Company's auditor and also propose the remuneration of the Company's auditor and evaluate the effectiveness of auditor's performance.
10. 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 SET.
11. Review and give the opinion toward the audit practices of the Internal Audit Office and coordinate with the Company's auditor. Also, organize meetings with the Company's auditor, without the attendance of management, at least once a year.
12. Approve the internal audit plan, budget and manpower of the Internal Audit Office. Also, provide recommendations in respect of appointment, removal, transfer, or dismissal of the Director of Internal Audit Office.

13. Consider the independence of the Internal Audit Office based upon the execution of work, reports, and line of command. Also, review the execution of the Internal Audit Office for the performance assessment according to international standards.
14. Review the presence of the Audit Committee's performance assessment as a whole and as self-assessment on an annual basis.
15. 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 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 the Sub-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. Pricha Attavipach | Member |
| 3. Mr. Panas Simasathien | Member |
| 4. Mr. Arsa Sarasin | Member |
| 5. Mr. Tarrin Nimmanahaeminda | Member |

The Term Governance and Nomination Committee

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

(Revised as of December 21, 2016 by the Board of Directors' Resolution)

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

1. Define the scope and policy of SCG's corporate governance and propose to the Board of Directors for consideration on a regular basis.
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. Oversee the presence of appropriate and sufficient anti-corruption policy for business operations.
6. Review the independence of the Board of Directors, as well as any potential conflicts of interest in the performance of its duties.
7. Review the appropriateness of retaining the directorship should there be any change in a director's qualifications.

8. Recommend methods for performance assessment of the Board of Directors, Sub-committees, and Chairmans on an annual basis as well as follow up and report the assessment results to the Board of Directors, allowing them to enhance their performance of duties and improve the directors' competency.
9. Report regularly on progress and performance results to the Board of Directors after every meeting of the Governance and Nomination Committee.
10. Specify qualifications of any person to be nominated for directorship to align with SCG's business strategies 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.
11. Identify qualified candidates to replace directors retiring at the end of their terms, or whatever the case may be, with the diversity of the structure of the Board taken into account, and submit a list of nominees to the Board of Directors and/or Shareholders' Meeting for resolution.
12. Recommend a plan for succession of the Company's President & CEO and the top executives to the Board of Directors for consideration.
13. Review and give advice to the Board of Directors on the structure, roles and responsibilities, and practices of the Board of Directors and the Sub-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.
14. Review the performance appraisal of the Governance and Nomination Committee on a regular annual basis as a whole and as self-assessment.
15. 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, none of whom are executives. In addition, two members of the Committee are independent directors and the Chairman of the Remuneration Committee is an independent director. 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:

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

The Term of Remuneration Committee's

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

(Revised as of December 21, 2016 by the Board of Directors' Resolution)

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 Sub-committees appointed by the Board of Directors, including bonus and attendance fee.
2. Recommend the policy on SCG management remuneration 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 six 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 nine members:

- | | |
|---------------------------------------|----------|
| 1. Mr. Arsa Sarasin | 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. Roongrote Rangsiyopash | Member |
| 7. Mr. Kajohndet Sangsuban | Member |
| 8. Mr. Cholanat Yanaranop | Member |
| 9. Mr. Yuttana Jiamtragan | Member |

9.3 Nomination and Appointment of Directors and Top Executives

Independent Directors

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

Qualifications of Independent Directors of SCC which is more stringent than the requirement of the Capital Market Supervisory Board

SCC's qualifications for independent directors are as follows:

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, 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 judgment, 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, disaster 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 2016, all the seven 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.

In 2016, to ensure the transparent and diverse composition of the Board of Directors with a sufficient number of independent directors, allowing them to perform their duties efficiently and protect the interests of SCG and all shareholders on an equitable basis, the Board of Directors on the proposal of the Governance and Nomination Committee prescribed that no fewer than half of the total directors be independent. Currently, the Board of Directors is composed of 12 directors, seven of whom are independent directors.

Nomination 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 of Directors for resolution at the Shareholders' Meeting. The criteria for the selection of the nominated candidates are as follows:

- Qualifications of a qualified nominated candidate such as:
 - Readiness to dedicate time and perform duties in the interest of SCG
 - A work history that reflects honesty and transparency, and all the qualifications of a Board Director specified in the criteria of the Securities and Exchange Commission
 - Prior successful management experience in a large corporate
 - Initiative and the ability to constantly keep abreast of new global changes
 - Experience, expertise, and specialized skills which corroborate and supplement the capacity, knowledge, and experience that the existing members of the Board of Directors are still lacking in
 - No engagement in a business or position as a member of a Board of Directors or an executive in an organization that is a competitor of SCG
 - Assertiveness in expressing reasonable opinions and ideas
 - Display of ideals, the ability to work as a team, culture, and congeniality towards the existing members of the Board of Directors.

- The selection of members of the Board of Directors according to SCG's Corporate Governance Guidance

The Governance and Nomination Committee is tasked with the duty of selecting candidates to replace the retiring directors at the end of their terms, or whatever the case may be, to propose to the Board of Directors and/or at the Annual General Meeting of Shareholders to be appointed. The Governance and Nomination Committee selects qualified candidates from various backgrounds, with credentials in a wide range of professions, excellent leadership, a breadth of vision, a proven record of ethics and integrity, clear and unblemished career records, and the ability to share their opinions independently.

- Nominated candidate screening guidelines

In screening nominated candidates for the Board of Directors, the Governance and Nomination Committee has drawn up screening guidelines encompassing the following factors:

1. Qualifications of each nominated candidate

The Governance and Nomination Committee should take into consideration each nominated candidate's personal qualifications in various facets such as:

- Integrity and accountability
- Informed judgment
- Maturity, stability, characteristics of a good listener, and the ability to express individual independent opinion
- Commitment to upholding principles, standards, and professionalism
- Other qualities the Committee deems essential

2. Required expertise of the Board of Directors in nominated candidates

The Governance and Nomination Committee should take into consideration areas of expertise and specialization that a nominated candidate should possess so that the Committee can formulate strategies and policies and effectively supervise the implementation.

3. Diversity of directors

In addition to the two aforementioned factors, the Governance and Nomination Committee might consider drawing up guidelines regarding the diversity of other qualifications of a nominated candidate such as an equal representation of different groups of stakeholders, educational backgrounds, age, and gender, etc.

Moreover, the Governance and Nomination Committee used the Board Skill Matrix as supporting information in the selection of candidates to replace the retiring directors with a focus on recruitment of needed knowledge and expertise.

In 2016, taken into consideration shareholders' recommendations, the Governance and Nomination Committee revised the list of knowledge, experience, and expertise in the Board Skill Matrix as follows:

- **Knowledge, expertise, or experience in macro-management**

This category is divided into seven subcategories, namely, SCG-related business or industry other large businesses or industries, administration and management of large corporations, economy and investment, policy and strategy formulation, foreign affairs, and risk management.

- **Specific knowledge, experience or, expertise**

This category is divided into five subcategories encompassing law, marketing, accounting/financial literacy with specific knowledge on financial statement accounting standards, or current/prior position as a member of an audit committee of a listed company as well as finance, and information technology.

- **Corporate Governance knowledge, experience, or expertise**

This category is divided into two subcategories, namely, corporate compliance including the formulation of relevant CG policy and guidance, and shareholder engagement.

In addition, the Governance and Nomination Committee also incorporated the list of chartered directors compiled by the IOD as additional information in the selection of candidates to replace the directors due to retire by rotation.

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. All shareholders have an equal right to propose other candidates. Authority to select directors rests with 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.

As proposed by the Governance and Nomination Committee, the Board of Directors formulated guidelines for the nomination of qualified candidates to replace the retiring directors as follows:

1. Each director shall nominate no more than four qualified candidates to replace the retiring directors and the retiring directors should not nominate themselves as candidates.
2. Each director shall assess his/her knowledge and expertise according to the Board Skill Matrix for use as supporting information in the nomination of qualified candidates to replace the retiring directors.
3. The Governance and Nomination Committee shall consider qualified candidates nominated by each director together with those nominated by shareholders within the designated period.
4. The Governance and Nomination Committee with no member having conflict of interests present shall review the list of candidates nominated by the directors and shareholders and propose four qualified candidates to the Board of Directors which will subsequently be proposed for election at the Annual General Meeting of Shareholders. The review shall take into consideration the guidelines published in SCG Corporate Governance Handbook as well as suggestions of the Thai Institute of Directors (IOD), and careful and thorough consideration of each candidate's qualifications.
5. The Board of Directors with no member having conflict of interests present shall consider the qualifications of each candidate in a careful and thorough manner and subsequently propose the qualified candidates for election as directors to replace the retiring directors at the Annual General Meeting of Shareholders.

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 & CEO 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 Company's Subsidiaries and Associates

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 Company's subsidiaries and associates 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 Company's subsidiaries and associates. To that effect, the Board has empowered President & CEO 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 subsidiary and associate is determined by the percentage of holding in that entity. However, to ensure proper oversight of SCG's investment, President & CEO and/or President of each business unit shall report on the operating results of the subsidiaries and associates 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 subsidiaries and associates 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 subsidiaries and associates in establishing key business policies. The manual allows the representatives to operate with more effectiveness and efficiency. Constant revisions on such manual are made, consistent with changes in the subsidiaries and associates both in Thailand and overseas.

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

In addition the authority manual, which serves to allow operations to be completed with efficiency, the Audit Committee, in fulfilling the role as a supervisor, is responsible for assessing the effectiveness of the oversight, risk management, compliance, and the internal audit systems of the subsidiaries and associates with SCG's representatives in the management. The auditing is planned based on the risk of each company and includes the auditing and assessment of the company's internal control systems, efficiency, and effectiveness of operations, and financial statements. Furthermore, the Audit Committee has resolved for the subsidiaries and associates to implement as a preventative measure against errors a business self-audit system, which can be adjusted to suit the environment of each company, with emphasis on a holistic assessment, in order to create added values to the organizations. To this effect, the companies and the

Audit Office jointly perform risk assessment, formulate the internal control system and risk warning signals, and produce risk-monitoring reports. In the presence of risk shifting, the internal control system must be modified to accommodate such a change. The assessment reports are then presented to the management, with a copy submitted to the Audit Office as supporting information for future audit plans according to the level of risk. In addition, external audits are to submit assessment reports on the internal control system to the Audit Committee every quarter.

The key to effective and efficient operational management between the Company and other business partners 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 the Company 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 Company attaches significance to preventing the misuse of information that has not yet been disclosed to the public or confidential information that could have any impact on the Company's share price for one's own benefit or others. To that effect, the Company has established measures to prevent misuse of internal information (insider trading) and incorporated them into SCG Code of Conduct and Regulations for Employees in writing to provide guidelines for the concerned persons, namely, the Board of Directors, SCG top executives, and employees responsible for related functions as well as their spouses and children who are minors. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading Company shares for a two-week period prior to the release of the Company's quarterly and annual financial statements and for 24 hours after the release (blackout period). Corporate Secretary Office will inform all concerned persons of the blackout period one month prior to such period via regular post.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information.

Moreover, the concerned persons who have knowledge of confidential information that could impact the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to make an initial reporting of their securities holding in the Company to the SEC within 30 days of the date on which they are appointed (Form 59-1). They are also required to report on any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2) within three business days of the date of any changes.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report.

In 2016, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

9.6 Audit fee

For the fiscal year 2016, the Siam Cement Public Company Limited and its subsidiaries paid for audit fees amounting to 55.29 Million Baht to KPMG in Thailand and KPMG member firms in overseas, 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 in Thailand and KPMG member firms in overseas 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 2016

1. Fees for annual audit and quarterly review of SCC and consolidated financial statements amounted to 5.34 Million Baht.

Audit Fees		
1. Annual audit fee for SCC's financial statement	255,000	Baht
2. Fees for annual audit and quarterly review of SCC and consolidated financial statements	5.17	Million Baht
Total audit fees of the Company	5.43	Million Baht

2. Fees for the annual audit of subsidiaries and quarterly review of listed subsidiaries performed by KPMG Thailand and KPMG overseas in which the fees were absorbed by the subsidiaries were as follows:

Audit fees		
1. Fees for annual audit of the subsidiaries' financial statements and quarterly review of listed subsidiaries on the Stock Exchange of Thailand		
- Number of subsidiaries	126	Companies
- Amount	23.37	Million Baht
2. Fees for annual audit of the overseas subsidiaries' financial statements		
- Number of subsidiaries	68	Companies
- Amount	26.49	Million Baht
Total audit fees of subsidiaries	49.86	Million Baht

Non-audit fee

In 2016, the Company and its subsidiaries paid a non-audit fee, which was for reviewing compliance with the conditions of the BOI Promotion Certificate amounting to 2.86 Million Baht and for tax consulting and other services amounting to 9.10 Million Baht, to the audit firm and persons or businesses related to the auditors and the audit firm.

9.7 Good corporate governance guidelines in other aspects

The company has adopted and consistently complied with the principles of good corporate governance for listed companies recommended by the Stock Exchange of Thailand in 2012. In 2016, the areas that the company had yet to adopt were as follows:

1. Chairman of the Board should be an Independent Director
 - The current Chairman of the Board is an executive of the major shareholders. However, the Board of Directors has specified the duties of the Chairman so that emphasis is placed on the interests of the company, shareholders, and stakeholders.
2. The numbers of the consecutive terms a director and the numbers of the consecutive terms a subcommittee can serve should be specified, such as no more than three consecutive terms.
 - Currently, the Board of Directors reviews the terms of a member of the Board of Directors and Sub-committees based on each individual's qualifications, the resulting diversity, and needed areas of knowledge and expertise, in tandem with the use of the Board Skill Matrix as additional information.
3. All members of the Nomination Committee are independent members.
 - Currently, the Governance and Nomination Committee comprises five members, four of whom are independent members, constituting more than half of the Committee, and the Chairman of the Governance and Nomination Committee is also an independent member. However, the company always reviews the membership of each member of the Sub-committees on a yearly

basis, taking into account the qualifications and appropriateness as specified in the charters of the Sub-committees.

The Governance and Nomination Committee will review issues that have yet to be conducted in accordance with the Corporate Governance guidelines and report its opinion to the Board of Directors for an annual review.

In addition to the practices implemented in compliance with the 5 categories of The Principles of Good Corporate Governance for Listed Companies 2012 recommended by The Stock Exchange of Thailand, the company has in place other practices relating to good corporate governance as follows:

SCG Code of Conduct

The present prosperity, success, and stability of SCG are the result of doing business according to its ethical core values – the ideals that have been held in high regard and put into practice by the Board of Directors, by management, and by staff at all levels. They are:

- ADHERENCE TO FAIRNESS
- DEDICATION TO EXCELLENCE
- BELIEF IN THE VALUE OF THE INDIVIDUAL
- CONCERN FOR SOCIAL RESPONSIBILITY

In 1987, the Board of Directors compiled a list of principles in a formal written document called the “Siam Cement Group Code of Ethics” to serve as guidelines that were aligned with SCG’s philosophies with the Company’s directors serving as role models. It has been constantly updated to better correspond with the evolution of SCG and suit the shifting economic and social climate.

To further raise awareness of the SCG Code of Conduct among employees, the Company informs its employees at every level of and promotes adherence to the SCG Code of Conduct to cultivate the awareness from the first day of employment onward. The Company has published SCG Code of Conduct Manual and distributed it to all new SCG employees along with conducting informational events to expound the Code of Conduct principles and practices to ensure clear understanding and strict adherence in performing their duties. This has also been included as a key factor in the yearly employee performance assessment. Moreover, SCG has also organized activities dedicated to enhancing awareness and knowledge about SCG Code of Conduct, encouraging employees to share their views and experience in performing their duties with adherence to SCG Code of Conduct. To further promote compliance with the Code of Conduct, SCG has produced animation clips with music scores stimulating cases presented in reader-friendly infographics, which make the contents much easier to digest. Added to this is Janya cutout standee, a large self-standing display promoting contents from various topics in SCG Code of Conduct. They are placed in many different locations in the Corporate Headquarters Office and plants in many provinces to spur employee interest and help reinforce the contents in their minds. Since 2012, employees

have been encouraged to ask questions and share their experience to make the Code of Conduct more accessible and promote greater application in their daily life. These animation clips are distributed in the form of e-Newsletter via email to every employee and also published on the SCG intranet.

Moreover, SCG has also exchanged its knowledge and experience regarding the SCG Code of Conduct as well as the development of SCG's guidelines for corporate governance with interested companies and organizations both in the governmental and private section to support and promote awareness about ethical business conduct, fair treatment of stakeholders, and corporate social responsibility.

SCG also established the whistleblower policy, to protect any employee who files a complaint or reports on improprieties or suspected violations of laws, rules and regulations, the Company's Articles of Association, SCG Code of Conduct, and Anti-corruption Policy. In this regard, the Company has formed a working team responsible for devising policies and providing consultancy regarding compliance with SCG Code of Conduct. This team comprises the top management in business units responsible for relevant matters, each of whom is tasked with monitoring the performance results and providing counsel on relevant matters. In addition, the Company has established channels through which employees can voice their opinions and make inquiries about SCG Code of Conduct, which can be found on the SCG website under "SCG Code of Conduct" and "SCG Code of Conduct Consultation System".

Anti-corruption Efforts

SCG stresses the importance of fighting corruption by establishing the Anti-corruption Policy which was proposed to the Governance and Nomination Committee for approval prior to being submitted to the Board of Directors for approval in order to be a guideline for business operations and integrated into corporate culture in line with one of SCG's 4 Core Value "Adherence to Fairness" with focus on integrity, transparency, verification, and equitable treatment to all concerned parties in a respectful, sincere, friendly, and fair manner.

The commitment resulted in the Siam Cement Public Company Limited being certified by Thailand's Private Sector Collective Action against Corruption (CAC) on July 5, 2013. SCG continually remains committed to anti-corruption implementation. In 2016, SCG passed the recertification on April 22, 2016. Moreover, three SCG subsidiaries, listed in the Stock Exchange of Thailand, were also certified on October 14, 2016, thanks to their shared commitment to fighting corruption. The certified companies comprise Thai-German Ceramic Industry Public Company Limited, Quality Construction Products Public Company Limited and Thai Plastic and Chemicals Public Company Limited (SCG Anti-corruption Policy is available for download at www.scg.co.th.)

Throughout 2016, SCG carried out activities to support its Anti-corruption Policy and kept employees at every level in all SCG business units abreast of efforts and compliance. SCG raises employees'

awareness of actions which cause corruption risk, also analyzes corruption risk factor/risk criteria, and constantly assesses corruption risk. SCG defines corruption risk as a type of compliance risk.

SCG has created the Proactive Preventive System by determining corruption risk mitigation plans, control activities, responsible persons, monitoring, measurement, reviewing and evaluating methods of the risk assessment process for employees to use as guidelines for corruption prevention. At the same time, the Audit Office performed the assessment and monitoring of good governance practices and compliance with the SCG Code of Conduct and Anti-corruption Policy in every audit period.

The additional activities carried out in 2016

To constantly create awareness and provide knowledge and understanding about the Anti-corruption Policy among Directors, the Management, and employees to reduce corruption risk included:

1. Strengthen awareness-raising activities on corruption prevention as “Proactive Preventive System”, an addition to “Preventive Pack Three” in 2015. The activities consisted of the following:
 - 1) Prepared “Ethics e-testing Phase II” of which the test contents were classified into 3 levels, consistent with the roles and responsibilities of the employees’ levels by testing employees on ethics, SCG 4 Core Values, Code of Conduct and Anti-corruption Policy. The test was designed to enable employees to learn and understand how to comply with the policy. They also must pass with a score of 100%. Additionally, there is analysis of employees’ test results and the issues which contain the largest number of wrong answers. Thus, a communication plan will be set for helping employees to understand correctly.
 - 2) Raised awareness of the roles, authority, responsibilities, and accountability of risk management and internal controls in accordance with the Three Lines of Defense model.
 - 3) Communicated major fraud cases by reflected individual's role and responsibility according to the Three Lines of Defense model.
2. This year, SCG introduced the Compliance Management System for controlling and monitoring anti-corruption practice to determine roles and responsibilities, starting from law and regulation data gathering, risk assessment, control activity, monitoring and reporting including SCG internally and externally reporting.
3. For high risk functions, for example project procurement, project sales and administrative services, self-assessment is performed according to Anti-corruption Compliance Evaluation Checklist (as a tool). The checklist had identified corruption risk indicators/red flags, risk mitigation plans, and control activities in both the operational system and employees’ performance (people) perspectives. The checklist could help employees and supervisors perform corruption risk analysis and comply

with control procedure in a correct manner, and also establish a plan to improve operational efficiency.

4. Assessed the internal control system regarding corruption for the year 2016 in line with the COSO 2013 principles.

Activities Constantly Carried out by SCG

1. Disseminating and communicating the revision of the SCG Code of Conduct and Anti-corruption Policy among employees to enhance understanding and compliance. The message was also conveyed through a video clip entitled “Well-Well Living with the SCG Code of Conduct” and “Anti-Corruption” which shows how to comply with the Code of Conduct booklet and the Anti-corruption Policy.
2. Executives meeting with employees to give details about the Company’s business operations including the Anti-corruption Policy and providing them with opportunities to make any inquiries for a better understanding.
3. Training employees on compliance with Corporate Governance and the Anti-corruption Policy through various courses/channels to reaffirm SCG’s corporate culture. These are as follows:
 - New Employee Orientation Course
 - SCG Ready Together Course
 - Business Concept Development Course
 - Leading Yourself Course
 - Facilitative Leadership Course
 - Good Corporate Governance Course supervisors and management employees (in each business unit)
4. IA Letter (available both in Thai and English) launch every two-month through email of every employee.
5. SCG Code of Conduct Consultation System and Anti-corruption Policy banners on the SCG Intranet.
6. SCG demonstrates its intent in promoting and extending the concept to its suppliers, so that, with the synergy of SCG and its suppliers, the ethical practices and the corporate governance for communities, society, and the environment can reach society at large. To that effect, SCG has compiled the “SCG Supplier Code of Conduct” as guidelines for SCG suppliers since 2013. It emphasizes SCG’s relentless commitment to social responsibility encompassing five areas: 1) Ethical Business Practices, 2) Labor Protection and Human

Rights, 3) Occupational Health and Safety, 4) The Environment, and 5) Laws and Regulations. In 2016, SCG continued its efforts, requiring all new suppliers to sign the Supplier Code of Conduct agreement when they completed the Supplier Registration form. The Company also provided support and consultancy for suppliers in operating in line with the sustainable development approach. To date, the number of participating suppliers has increased steadily, giving SCG added confidence to continue to develop more good citizens for society.

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, SCG Code of Conduct, and Anti-corruption Policy (Whistleblowing Policy)

SCG has given priority to good corporate governance and opened up opportunities for employees and stakeholders to report or inform any irregularities in the business operations of SCG such as corporate governance, ethical practices, corruption, financial transactions, Code of Conduct, and compliance with legal requirements, regulations, or Anti-corruption Policy through the specific channels provided. This is to ensure investigation of complaints are conducted according to the process specified in the "SCG Whistleblowing Policy Guidelines" and reported to the Audit Committee and the Board of Directors. In addition, information on the procedures and the channels through which complaints can be lodged is clearly publicized on the Company's website.

To ensure 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 to those who report or inform from unjust treatment such as abuse and threats. The Audit Office, responsible for the security of the Whistleblowing System, has designated a separate server to ensure independence from other usage.

SCG has provided channels for complains as follows:

- As for internal channels for employees, complaints can be made both with the names identified and anonymously.
 1. The banner on the first page of Intranet SCG website, which is accessible to every employee. Informants can direct their complaints to any of the following:
 - Trusted supervisors
 - The Director of the Corporate Human Resources Division
 - The Internal Audit Director
 - The Secretary to the Board of Directors
 - A Company Director
 2. Submission of a formal document to the aforementioned persons.

3. Email submission to an independent director at ind_dir@scg.co.th.
- As for external parties, complaints can be lodged on www.scg.co.th under the “SCG Whistleblowing System.” Informants are required to identify their names and can direct their complaints to any of the following:
 - The Corporate Secretary Office
 - The Internal Audit Office
 - An Independent Director
 - A member of the Audit Committee

Complaints can also be lodged in the form of a formal document submitted to the aforementioned parties.

Informants can keep track of their complaints through a system, which is a vital mechanism in the control and prevention of corruption.

In 2016, a total of 43 cases have been filed, 49 cases have already been investigated (included 11 cases pending from the previous year), 5 cases are still undergoing investigation. No case was recorded as regards non-conformance to the Anti-corruption Policy. The financial impact was insignificant and no damage caused to the Company. The investigation’s results categorized as follows:

- 11 cases fall into the category of non-conformance with of the Code of Conduct;
- 17 cases fall into the category of non-compliance with the Company’s regulations;
- 21 cases did not match with the complaints or conducted correctly and defame/cause damage to others.

The wrongdoers were expelled in accordance with the Human Resources Regulations.

The Company stresses the importance of compliance and punishment and has communicated and raised awareness among its employees regarding the Code of Conduct as well as used complaints to inform future preventive measures. The Internal Audit Office is responsible to monitoring, presenting, and reporting the results to the Audit Committee at every meeting.

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 Internal Audit

1. Internal control

SCG's vision is to be a regional market leader, contributing to the sustainable progress of ASEAN and the local communities where we operate. Through SCG world class business practices, corporate governance principles and uncompromising safety standards, we are committed to creating value for our customers, employees, and all other stakeholders. We will constantly ensure that our operational excellence, technological development and innovation will enable us to provide quality products and services in order to enhance the quality of life for all. Top SCG executives believe that to become the leading organization, SCG must have efficient and effective corporate governance, risk management, compliance and internal control systems that comply with international standards in terms of best practices and information technology. SCG has the Audit Committee whose responsibility includes the determination of SCG corporate governance policy, risk management, compliance, internal control and internal audit according to the following international standards:

- Corporate Governance	Reference organizations: Organization for Economic Co-operation and Development (OECD) / Stock Exchange of Thailand (SET) / Thai Institute of Directors Association (IOD)
- Risk Management	Reference standards: COSO Enterprise Risk Management / ISO 31000
- Compliance	Reference to relevant laws and regulations / policies and procedures
- Internal Control	Reference standards: COSO Internal Control Framework 2013/ COBIT5

The Board of Directors, the Audit Committee and the Management have formulated an SCG internal control system to comply with the COSO Internal Control Framework 2013 (The Committee of Sponsoring Organization of Tradeway Commission). In agreement with this, the Internal Audit Office assessed the adequacy of the SCG Internal Control system according to the Securities and Exchange Commission's assessment form (SEC) and submitted the results to SCG's top executives and the Audit Committee for consideration and approval prior to reporting to the SCG Board of Directors in the 210th Board of Directors meeting on November 30, 2016. The meeting was attended by 7 independent directors, 4 of whom are members of the Audit Committee.

Board of Directors considered all items in the assessment form and acquired further information from the Audit Committee, the Management and Internal Audit Director. As regards this consideration, SCG has an adequate and effective internal control system for SCG operations in compliance with laws, regulations, policies and procedures; the safeguarding of assets, and efficiency of resources utilization. There was no material deficiency found in the internal control system.

SCG has set out to raise corporate governance, risk management, compliance and internal control (GRC) awareness among the Management, supervisors and employees. Following consideration from the Board of Directors, SCG has a sufficient number of personnel for GRC implementation, along with adequate internal control systems for the monitoring of SCG subsidiaries' operations, the safeguarding of SCG and subsidiaries' assets against the misuse or unauthorized acts by directors or management, and against transactions that might result in a conflict of interests or connected transactions.

Through delegation from the Board of Directors, SCG's top executives have developed various tools in response to constantly changing risks over time, to ensure proactive preventive systems for domestic and overseas businesses. In 2016, these executives approved the following relevant governance/internal control principles or tools:

1.1. Proactive Preventive System

SCG has expanded its businesses both domestic and overseas. The significant factor enabling SCG to achieve its goals and be sustainable is its "employees", who stand for integrity and ethical practice in promoting moral ethics in the workplace. SCG has set the "Proactive Preventive System", which includes:

- 1.1.1 Ethics e-testing Phase II: for instilling morals, ethics, SCG Code of Conduct and Anti-corruption Policy awareness among employees in practice and for appropriate application, as reflected by the success of results. In 2016, continuing for the 2nd year, the test was categorized into 3 levels into employee's duties, authority, and roles and responsibilities at each level. Every SCG employee has achieved a 100% pass score. Additionally, test results are further analyzed by looking at those issues which employees answered incorrectly. A plan was then devised better communicate to employees for them to acquire a correct understanding.
- 1.1.2 Risk Management and Internal Control Responsibilities through the "Three Lines of Defense" model which has been widely and internationally accepted: the model has been promoted and emphasized to employees and supervisors (First Line), business-enabling & supporting functions (Second Line) and the Internal Audit Office (Third Line), in order to continuously apply this model to business operations, starting from risk assessment, identification of control activity, monitoring and evaluation processes. The first line's staffs are considered the most

important in making this model succeed and be efficient. SCG strengthens this awareness by using various communication methods such as First line who is the top/key person of the Company/function communicates this issue employees/subordinates or setting workshops for practical use in operation (Execution).

- 1.1.3 Sharing case studies in areas of fraud and non-compliance with laws and regulations, policies and procedures and Code of Conduct: for raising employee's awareness and prevention of repeated cases.

1.2 Integrated Governance, Risk Management, Compliance and Internal Control (Integrated GRC)

SCG has implemented governance, risk management, compliance and internal control practices over a long period of time. Currently, SCG is ready to meet international standards as "Integrated GRC", which will improve efficiency and effectiveness, as well as reduce duplication of work by starting from governance, strategic determination, and risk management to the monitoring process. In 2016, SCG has defined SCG Integrated GRC so as to set clear perspective and communicate it to every employee for it to be understood correctly and its benefits realized. Employees can govern, perform risk assessment, comply and define internal control activities in their responsible assignments.

1.3 Compliance

SCG has a Corporate Compliance Unit responsible for the development of the SCG compliance management system in terms of the laws, regulations, policies and procedures, setting controls and monitoring processes for achieving practical results. This system helps to manage and reduce Compliance Risk. In 2016, SCG designed the Anti-corruption Management System in accordance with ISO19600, a systematic guideline for the company/business function (First Line), which is a high risk area. Business-enabling & supporting functions (Second Line) is a consultant to give advice and recommendations. The Internal Audit Office (Third Line) is responsible for assessing the efficiency and effectiveness of the policy's compliance to raise the confidence of the Management, the Audit Committee and the Board of Directors.

1.4 Business Self Audit

As the Audit Committee authority, who govern and review the effectiveness of internal control system, the Audit Committee is resolved to setting up the Business Self Audit to further business concepts in managing risk. SCG has operated over a period of time and in compliance with the COSO Internal Control Framework 2013 (COSO 2013) in areas of individual and business function roles and responsibilities through the "Three Lines of Defense" model. The Internal Audit Office together with business-enabling & supporting functions and the Business Self Audit team (Second Line) have reconsidered the current operational practice and acted as the consultant for employees (First Line) on risk assessment, the adequacy and effectiveness of the internal control system, including the

sharing of best practice/ success cases, so as to strengthen operational efficiency, reduce redundancies and build up a proactive preventive system for employees to promptly respond to fast-changing risk in the current environment.

1.5 Information Technology Governance and Security Assessment: Infrastructure and Network System

1.5.1 Currently, the Information Technology (IT) system is the key factor for business operations in Industry 4.0, helping to create competitive advantage, change the business operational platform. As such IT is a key business strategy. For these reasons, SCG runs more advanced and complex information technologies. SCG set up the SCG IT Governance Committee, responsible for the oversight of the use of the IT system to achieve maximum benefits and security by recognizing the risks of rapid changes in technology, infrastructure and network security, as well as the use of information systems for business management. In 2016, SCG reviewed and updated the SCG e-policy in accordance with the international standard, COBIT5, and kept pace with changing technology and emerging risk. The policy added certain issues, which cover the current technology which SCG uses and upcoming technology which SCG will use in the future. The policy helps to prevent employees from using technology for the wrong purposes and illegally under the law of the operational country as well as prevent damage which might occur with the infrastructure and network system and help keep confidential information secure. The policy has been classified by users for easy adoption.

1.5.2 At present, Information Technology has become a part of business operations e.g. data storage, equipment usage, infrastructure and network system, and merge in the daily operation. SCG has realized the significance of IT risk prevention. Therefore, IT guidelines have been decided, and communication has been emphasized with the stress on cyber security risk: hacking of e-mails, information security risk and data leakage; in order to raise awareness of IT security – the most important factor in maintaining the data confidentiality of the Company. In addition, SCG organized seminars and conducted various types of media to educate employees such as video clips, infographics and posters, etc.

1.6 Development of Continuous Monitoring & Continuous Auditing System for Business Units

SCG has implemented various systems which help to promptly track warning signals. The Internal Audit Office has established a Continuous Monitoring & Continuous Auditing system to generate warning signal reports for business units/functions within SCG to use as a tool for analyzing, tracking irregularities and setting control activities. In 2016, the report's format has been developed and improved to be more efficient by data analytics and graph presentation. Users can analyze more easily and more quickly.

1.7 SCG Whistleblower System

SCG continuously develops its SCG Whistleblowing System for employees and other stakeholders as a channel to report non-compliance with corporate governance, Code of Conduct, rules, regulations, laws and Anti-corruption Policy, including fraudulent acts. SCG employees can report via SCG Intranet while other stakeholders report via <https://whistleblower.scg.co.th> or submit written documents by e-mail/letter. SCG clearly sets the process for handling the complaint, starting from gathering all the facts as confidential information, officially appointing a fact finding working team, officially appointing an investigation committee, punishment approval consideration and reporting of the complaint's result. Complainants may follow up on their complaints via the system. The whistleblowing system helps promote ethical business conduct on a sustainable basis. The system's security is closely monitored and maintained by the Internal Audit Office through the use of two-step password verification and a separate server from other operations. These measures help to ensure data security and prevent data leakage to other individuals.

2. Internal Audit

The Audit Committee oversees the operation of Internal Audit Office that provides independence, impartiality, ethics and expertise in line with the International Standards for Professional Internal Audit Practice (The Institute of Internal Auditors: IIA) and International Information Technology System Auditing Standard (Information Systems Audit and Control Association: ISACA and Global Technology Audit Guide: GTAG). The Audit Committee Charter and the Internal Audit Office Charter clearly state the missions, scope of work, authority, duties, and responsibilities, as well as auditing guidelines which are reviewed annually for any updates.

The Internal Audit Office not only performs auditing by consideration of the risk-based audit plan, but emphasizes proactive and preventive systems to strengthen and enhance SCG corporate value, aside from providing Assurance Service and Consulting Service. The key operations in 2016 are summarized as follows:

2.1 Internal Audit Office Medium Term Plan 2017 – 2019

The Internal Audit Office has operated and worked in line with International Standards for the Professional Practice of Internal Auditing, together with the developed internal audit practice to continuously strengthen and preserve organization value. In 2016, the Internal Audit Office gathered and took all important perspectives into consideration for setting the Medium Term Plan 2017-2019, for example, SCG vision, mission and strategy, expectations of all stakeholders, as well as international corporate governance, risk management, compliance and internal control standards. The Medium Term Plan 2017-2019 of the Internal Audit Office is to “Strengthen Sustainable Global IA Excellence as Trusted Advisor in Integrated GRC” for promoting operational efficiency.

2.2 Creating Sustainable High Value Services

To promote comprehensive corporate governance, risk management, compliance and internal control, the Internal Audit Office performs the following:

2.2.1 Encourage the Three Lines of Defense Model

Creating awareness, encouraging risk management and internal control responsibilities through the “Three Lines of Defense” model by communicating and conducting a workshop for the Management, supervisors and employees to understand their roles, as well as work in collaboration with business-enabling & supporting functions (Second Line) e.g. Risk Management function, Compliance function and Business Self Audit team for integrated work and exchange of internal control perspectives to continually add value to SCG. Additionally, Ethics e-testing questions have included the concepts of roles and responsibilities as defined in the Three Lines of Defense model to encourage employees to gain greater understanding.

2.2.2 Assessment of Internal Control Effectiveness according to COSO 2013

The assessment of SCG internal control efficiency and effectiveness is in agreement with COSO 2013 to achieve 3 objectives: operations, reporting and compliance. This also corresponds to the Adequacy of Internal Control Assessment form raised by the Securities and Exchange Commission (SEC). The assessment’s result is submitted to the Audit Committee and the Board of Directors for consideration prior to disclosure in the Annual Report and Annual Registration Statement (Form 56-1).

2.2.3 Risk and Internal Control Assessment for New Business Operational System

The Internal Audit Office is responsible for verification, assessment and giving recommendations to employees and supervisors (First Line) and business-enabling & supporting functions (Second Line). These are for providing assurance to the Board of Directors and the Audit Committee that SCG has effective and efficient risk management, compliance and internal control systems. In addition, the Internal Audit Office performs risk and internal control assessment in the areas of new operational systems for SCG and subsidiaries. Once the improvement point was raised, the auditor will clarify, conduct a workshop, provide practical recommendations and monitor the performance results after the consultation. Additionally, the Internal Audit Office emphasizes the safety and environmental audit to reduce the Safety, Health and Environment (SHE) risk, which is one significant risk in the SCG key risk categories.

2.2.4 Setting up Overseas Internal Audit Teams

Currently, SCG has a number of investments in foreign countries, according to SCG vision which will be a regional market leader. To ensure the efficiency and consistency with SCG policy for overseas operations, the Audit Committee resolved to set up overseas internal audit teams in order to evaluate the effectiveness and efficiency of corporate governance, risk management, compliance and internal control. At present, the Internal Audit Office has Vietnamese and Indonesian auditors who can help to reduce risks arising from cultural differences, local languages, as well as legal and regulatory compliance. The auditors are under the supervision of the Internal Audit Office in Thailand including policy and standard practices. The Internal Audit Office also has created a proactive preventive system by communicating issues in high risk areas in both business operation and information technology to employees, such as the impact of changes in law and IT security, etc.

2.2.5 Information Technology Audit

As SCG rapidly expanded the businesses both domestically and overseas with a changing operating system specifically for each business unit, SCG has developed new core IT systems. In this regard, representatives from the Internal Audit Office were appointed as consultants to advise on the appropriate control points and testing of the control system. After the system is completed, IT auditors will carry out the testing once again. For reducing IT risk, in 2016, the Internal Audit Office performed the following:

- conducted workshops on cyber security for the responsible persons of each business units
- performed data leakage audits on key operational systems to increase the confidentiality level of internal controls over IT security
- IT governance and system development life cycle (SDLC) audits to provide assurance on the appropriateness of IT development and IT maintenance

2.2.6 Anti-corruption Efforts

SCG constantly emphasizes the conducting of business with transparency and fairness. In 2012, SCG was a signatory company of Thailand's Private Sector Collective Action Coalition Against Corruption's (CAC) Declaration of Intent and was a certified company on July 5, 2013, which was a great opportunity to review and officially announce the Anti-corruption Policy to other stakeholders and third parties, also to communicate to all employees for strictly following this policy. At the same time, the Internal Audit Office created Anti-corruption Audit Guidelines as an audit procedure for the assessment of corruption risk and internal control effectiveness to provide the reasonable internal control assurance to the

Management. SCG continually remains committed to anti-corruption implementation, which resulted in SCG passing the 2nd recertification on April 22, 2016. This commitment also extends to SCG subsidiaries, which has led to 3 subsidiaries being certified on October 14, 2016:

- Thai-German Ceramic Industry Public Company Limited
- Quality Construction Products Public Company Limited
- Thai Plastic and Chemicals Public Company Limited

2.3 Evaluation of the Internal Audit Office's Performance

2.3.1 To ensure professionalism, which is in line with international standards, and to achieve the Internal Audit Office's Medium Term Plan 2014-2016 as "Sustainable Global Internal Audit Excellence as a Trusted Advisor in GRC", the Audit Committee approved to conduct the Quality Assurance Review (QAR) by internal assessment. In 2016, it was the 2nd assessment. The assessment's results were completed by the Internal Audit Office exceeding the designated criteria of 80% satisfaction. All of the stakeholders' results and feedback were gathered and analyzed to enhance the internal auditing quality and professionalism. The results and feedback were obtained from 7 groups of stakeholders as follows:

1. Audit Committee
2. President / (Senior) Vice President (the Management)
3. Managing Director
4. Auditee
5. Internal Audit Director
6. Internal Auditor
7. External Auditor

2.3.2 The Internal Audit Office set the criteria for evaluating the auditee's satisfaction to provide a clear performance measurement and to ensure the internal audit's effectiveness, in accordance with the internal audit policy and plan. The Key Performance Indicators (KPIs) for assurance service were set at not less than 85% for each audit project whereby the 2016 performance results showed a 95% satisfaction level. The result is presented to the Audit Committee each year and kept as supporting information for further improvement.

2.4 Development of Auditors' Competencies

To promote professional and business competence for internal auditors, the Internal Audit Office performs the following:

2.4.1 Development of Internal Audit Global Knowledge

- Keep track of best practices in corporate governance, risk management, compliance and internal controls among leading audit professional institutes both local and international, and applied appropriate practices in line with the businesses.
- Encourage the development and continuous conduct of both internal and external training for internal auditors to be well equipped with knowledge, competence and expertise in internal auditing, as well as other skills needed by the company.
- Promote and support internal auditors to become certified as professional internal auditors or attain other related professional certification. In 2016, 57% of internal auditors were certified auditors, which exceeded the Key Performance Indicators (KPIs) set with not less than 40% of internal auditors.

2.4.2 Development of Business Knowledge

- Enhance business acumen/business knowledge among internal auditors by inviting experts from each business unit and experts from external parties to share and discuss current business trends and major business changes for auditors to better assess risks and to provide practical advisory services.
- Recruit competent persons from other business units to serve as internal auditors according to the recruitment policy. On the other hand, the internal auditors are rotated to business units to gain broader experience.
- Organize knowledge – sharing sessions on interesting issues or significant findings in audit work on a regular basis.

2.4.3 Information Technology Knowledge

- Apply IT knowledge to support the auditing process, for the faster analysis and detection of warning signals/red flags as well as to mitigate risks from operational errors and business fraud.
- Support internal auditors to develop IT audit skills for enabling them in effective auditing and recommendations according to the IT Audit International Standard. For example, it encouraged personnel to obtain the Certified Information System Auditor (CISA).
- Implement IT professional group on JIVE system for employees whose work related to IT so as to exchange knowledge and experience on IT & IT Security problem solving to reduce risk and repeated problems, including sharing audit findings on insecure program designs and program coding.

2.4.4 Enhancement of Integrated Audit Project

The Internal Audit Office continuously encourages the integrated auditing project by setting up a team, comprised of both function and IT internal auditors; collaboratively performing an audit project in order to make suggestions for operational improvement and monitor irregularities through the use of IT tools for the enhancement of audit efficiency.

2.4.5 Development of Soft Side Skills

To conduct the soft side seminar and workshop for internal auditors to strengthen in their belief and change mindset, reduce fear and reinforce new beliefs, so as to bring out the best of their potential/capabilities and devise a plan for improvement, to bring about greater success in their work and their lives.

The Audit Committee's Report

The Audit Committee independently performed its duties, in accordance with the Audit Committee Charter which has been reviewed in conformance with current business situation and approved by the Board of Directors in annual basis. In 2016, the Audit Committee emphasized the role of Strategic and Monitoring Audit Committee to review governance, strategic identification, business operation and monitoring in order to achieve the Company's goals and business sustainability. By performing this, the Management and all employees must have ethics, integrity and Code of Conduct, as well as understand their roles, responsibilities, authority and accountability according to Three Lines of Defense model, together with working under the umbrella of Integrated Governance, Risk Management, Compliance and Control (Integrated GRC).

The Audit Committee approved to conduct Quality Assurance Review (QAR) by internal assessment according to The Institute of Internal Auditor (IIA) practice, which has been globally recognized and accepted by internal audit professionals, to ensure achievement of Internal Audit Office's Medium Term Plan 2014 – 2016 as "Sustainable Global Internal Audit Excellence as a Trusted Advisor in GRC". The assessment was conducted with 7 groups of stakeholder both internal and external stakeholders, and the result was exceeding designated criteria of 80% satisfaction. In addition, the Audit Committee approved the Medium Term Plan 2017 – 2019 of the Internal Audit Office towards "Strengthen Sustainable Global Internal Audit Excellence as a Trusted Advisor in Integrated GRC"

In 2016, the Committee held six meetings with 100% attendance by the members. The performance assessment of the Audit Committee as a whole and self-assessment are conducted each year. The assessment result was on very satisfaction level which was similar to previous year result. Assessment issues included the Audit Committee's availability, performance under scope of the Audit Committee's authority, the Audit Committee's meeting, overall opinions, performance of the Audit Committee's secretary and performance of the Internal Audit Office. In 2016, the Committee performed its duties as follows:

1. Review of Financial Statements The Audit Committee reviewed significant data and information in the quarterly and annual financial statements of the Company for the year 2016, as well as the consolidated financial statements of The Siam Cement Public Company Limited and its subsidiaries, which were prepared in accordance with Thai Financial Reporting Standards (TFRS) which is in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material issues and special items and obtained sufficient clarification from the external auditors, the Management, and the Director of the Internal Audit Office, confirming that the financial statements and the disclosure in notes to the financial statements were in compliance with the 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 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 to be beneficial to users of these financial statements, including Key Audit Matters (KAM), 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 2016, the external auditors did not discover any material misstatements or indications of suspicious incidents. Furthermore, to confirm that no such incidents were discovered, the Audit Committee resolved that the President & CEO reports the results received from all President and Vice – President of business units and relevant responsible parties to the Audit Committee. In 2016, the President & CEO confirmed that no indication of such suspicious incidents was 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 Connected Transactions, Acquisition and Disposition Transactions and Transactions with might result in conflict of Interests The Audit Committee reviewed the connected transactions and transactions which might result in conflict of interest, as well as information regarding the relevant directors. These transactions and information are reviewed and disclosed to the Stock Exchange of Thailand in timely manner.

3. Review of Corporate Governance SCG continues to conduct its business in accordance with sustainable development and corporate governance principles, with reference to international standards including Organization for Economic Co-operation and Development (OECD), Stock Exchange of Thailand (SET), and Thai Institute of Directors Association (IOD). The Audit Committee reviewed the efficiency and effectiveness of good governance and found that the directors, the Management and employees have strictly complied with the policy by having the Board of Directors and the Management as the role model. Employees approximately 34,250 persons have passed Ethics e-testing Phase II with 100% pass score. The test was operated for the 2nd consecutive year. Anti-corruption Policy has been seriously implemented throughout SCG and has been applied to subsidiaries as appropriate for the business. For this effort, SCG passed the 2nd recertification from Thailand's Private Sector Collective Action against Corruption (CAC) on April 22, 2016. This commitment has extended to our suppliers by providing Supplier Code of Conduct for use as a guideline, which is aimed to encourage our suppliers to behave as good citizens and conduct their businesses in such a way that they address societal and environmental concerns more than law and regulatory's requirements. There were approximately more than 5,000 suppliers who signed on Supplier Code of Conduct agreement.

4. Review of Risk Management Assessment The Audit Committee reviewed efficiency and effectiveness of the Company's risk management process by responsibility of SCG Risk Management Committee. SCG Risk Management Committee consists of the SCG President and CEO, served as the Committee Chairman, and the SCG top executives as the members, with the duty to consider the structure, policy, risk management framework, risk management plan, also review risk profile and monitor the Company's risk management on a monthly or quarterly basis. While the Corporate Risk Management Unit is responsible for compiling risk reports and managing risk in the form of risk dashboard. In 2016, SCG emphasizes on emerging risk, which significance and likelihood in the future are considered. SCG Risk Management Committee has prepared risk management measures by setting medium term plan, annual plan and taking investment project risk into consideration.

5. Review of Fraud Compliance SCG developed Compliance Management System (CMS), which is in accordance with ISO19600 standard, for business units to apply and integrate into the operations as appropriate. In addition, SCG Risk Management Committee has considered to create CMS guideline to minimize compliance risk in 3 significant issues which are anti-corruption, anti-trust and market miss conduct.

6. Review of Internal Control System The Audit Committee reviewed the results of internal control assessment, both in operational and information technology system, which were reported by the Internal Audit Office on a monthly and quarterly basis, and assessed in compliance with the adequacy internal control assessment of the Securities and Exchange Commission (SEC). The Committee concluded that SCG had adequate internal controls appropriate for the Company's business operations. This corresponded with the external auditor's opinion that there was no material deficiency, which impact the Company's financial statements. This is one of the missions prescribed in the Internal Audit Office Charter. This year the Committee focused on creating employee awareness to promote moral principles, ethical behavior and code of conduct by building the SCG internal preventive system called "Proactive Preventive System". Proactive Preventive System comprises Ethics e-testing Phase II, good risk management and control practices in accordance with "Three Lines of Defense" model, and a case study of corruption, non-conformance to laws, and the Company's regulations, policies, and code of conduct. In addition, Control Self Assessment (CSA) tool or setting Business Self Audit team helps to implement as deemed appropriate for each business both domestic and overseas, in accordance with the relevant laws, regulations and business readiness. To further mitigate risks for overseas companies, workshops were organized for executives/staff in each company to raise awareness on governance, risk, compliance and controls. In addition, the Internal Audit Office in collaboration with business units (First Line) has continuously developed the Continuous Monitoring & Continuous Auditing reports to support businesses for monitoring within operational responsibilities and support internal auditors in the audit process.


Workshops were organized for business units by using the material findings to allow the person in charge at all levels to gain better understanding of the risks, impacts, and key internal controls involved in the operations.

7. Internal Audit The Audit Committee conducted an annual review of the Audit Committee Charter and the Internal Audit Office Charter to ensure their relevancy to SCG's current risk and business environment. This year, in 2016, the Internal Audit Office emphasized on continuous implementing Three Lines of Defense model from the previous year; such as, be the role model for employees by first – line top management, provide communication and suggestion on risk assessment, control identification and monitoring of performance for the current system, the upcoming system, new business or new information technology system of SCG. Additionally, developing of Country Internal Auditor teams in Vietnam and Indonesia to perform their duties in assessing the efficiency and effectiveness of governance, risk management, compliance, and internal controls of SCG and its overseas subsidiaries; under the authority of the Internal Audit Office in Thailand. Workshops were organized for IT-BU representatives to disseminate knowledge about the international standards, risk, internal control and IT audit results, as well as perform audit in IT emerging risk areas e.g. Cyber Security Risk : Hack e-mail and Information Security Risk : Data Leakage.

8. Review of Fraud Investigations In addition to employee's Whistleblowing System, SCG developed Whistleblowing System to enable external parties to report dishonesty via www.scg.co.th further complaints through phone calls, send e-mails or letters to the directors, the Internal Audit Director, and the Secretary to the Board. In 2016, 43 cases, via external party and employee Whistleblowing Systems, were found in terms of non-compliance with laws, the company's regulations, SCG Anti-corruption Policy, Corporate Governance policy, SCG Four Core Values, SCG Code of Conduct, or Supplier Code of Conduct; also, there were 11 cases pending from the pervious year. 49 cases were fully investigated while 5 cases were undergoing fact-finding and investigation process. No case was recorded as regards non-conformance with the Anti-corruption Policy, material value and did not cause the company damage. The investigation's results composed of 11 cases were recorded as non-conformance with the Code of Conduct, 17 cases on non-compliance with the company's regulations and 21 cases did not match with the complaints or conducted correctly and defame/cause damage to others. Findings from the investigation were taken into consideration for determination of future procedure and preventive guidelines. The Audit Committee also reviewed fraud investigation results, fraud risk assessment and impact in order to determine fraud preventive guidelines in operational systems; together with review preventive measures and investigation policy to be updated and appropriated with continuous business operation.

9. **Appointment of the External Auditor and Review of the Audit Fee for 2017** From the selection process of 6 audit firms, KPMG Phoomchai Audit Ltd. has been selected and appointed as the external audit firm of SCG for the three-year period from 2015 to 2017. 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, and share knowledge related to business in addition to auditing, 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; or Mr. Wairoj Jindamaneepitak, Certified Public Accountant Registration No.3565; or Ms. Pornpip Rimdusit, Certified Public Accountant Registration No. 5565; or Ms. Thanyalux Keadkaew, Certified Public Accountant Registration No. 8179; all of KPMG Phoomchai Audit Ltd. as the Company's auditors for the year 2017; approval of the Company's audit fee for the fiscal year 2017 and the annual audit and quarterly review fee for SCG's consolidated financial statements amounting to 6.03 Million Baht and acknowledgement of the annual audit fee for the year 2017 of subsidiaries' financial statements and quarterly review fee for listed subsidiaries' financial statements which were audited by KPMG in Thailand and KPMG overseas. SCG subsidiaries were responsible for the audit fee totaling 49.90 Million Baht.

On behalf of the Audit Committee



Tarrin Nimmanahaeminda
Chairman of the Audit Committee



KPMG Phoomchai Audit Ltd.
50th-51st Floors, Empire Tower
1 South Sathorn Rd., Yannawa
Sathorn, Bangkok 10120, Thailand

บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120

Tel: +66 2677 2000
Fax: +66 2677 2222
www.kpmg.co.th

วันที่ 16 กุมภาพันธ์ 2560

เรื่อง ข้อเสนอแนะเกี่ยวกับการปรับปรุงแก้ไขจุดอ่อน
ของการควบคุมภายในด้านบัญชี

เรียน คณะกรรมการตรวจสอบ
บริษัท ปูนซิเมนต์ไทย จำกัด (มหาชน)

ตามที่สำนักงานได้ตรวจสอบงบการเงินของบริษัท ปูนซิเมนต์ไทย จำกัด (มหาชน) สำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2559 และได้เสนอรายงานการตรวจสอบลงวันที่ 16 กุมภาพันธ์ 2560 ไปแล้วนั้น สำนักงานขอเรียนว่า ในการตรวจสอบงบการเงินดังกล่าวตามมาตรฐานการสอบบัญชีที่รับรองทั่วไป เพื่อแสดงความเห็นว่างบการเงินนั้นแสดงฐานะการเงิน ผลการดำเนินงานและกระแสเงินสด โดยถูกต้องตามที่ควรและได้ทำขึ้นตามหลักการบัญชีที่รับรองทั่วไปซึ่งได้ถือปฏิบัติเช่นเดียวกับปีก่อนหรือไม่เพียงใดนั้น สำนักงานได้ศึกษาและประเมินประสิทธิภาพระบบการควบคุมภายในด้านบัญชีของบริษัทตามที่สำนักงานเห็นว่าจำเป็น เพื่อประโยชน์ในการกำหนดขอบเขต วิธีการทดสอบและระยะเวลาที่จะใช้ในการตรวจสอบดังที่กล่าวไว้ข้างต้น ซึ่งไม่ได้ออกแบบให้ชี้ให้เห็นถึงข้อบกพร่องของการควบคุมภายในทั้งหมดที่อาจมีอยู่ในระบบการควบคุมภายในได้ ทั้งนี้ สำนักงานขอเรียนว่าสำนักงานไม่พบข้อบกพร่องของระบบการควบคุมภายในด้านบัญชี ที่เป็นจุดอ่อนการควบคุมภายในด้านบัญชีที่สำคัญ และมีผลกระทบอย่างเป็นสาระสำคัญต่อการแสดงความเห็นต่องบการเงินสำหรับปีสิ้นสุดวันที่ 31 ธันวาคม 2559

ขอแสดงความนับถือ
บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด

(นายวินิจ ศิลามงคล)
กรรมการบริหาร

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.



SCG

Part 2 Management and Corporate Governance / 11. Internal Control and Risk Management

The Siam Cement Public Company Limited

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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 and operational authority 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 procedures as prescribed by law and the government agencies' rules and regulations, and SCG policies. To carry out transactions with outside entities, in addition, the Company is required to have an approval strictly in line with the operational authority of SCG, and act in accordance with the terms and conditions as agreed upon with honesty, transparency and accountability. The Company shall also avoid making transactions that may cause trouble or damage to SCG or outside parties.

The Company has designated the Stakeholder Engagement Policy and practice guidelines towards stakeholders by specifying that the Company conduct itself according to the framework of trading and competing honestly, consider a proper and fair purchase price taking into account the appropriateness in terms of price, quality and service obtained. The Company shall also be able to give reasonable explanation upon examination.

Furthermore, 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 the 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 the 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.

Policy or Trend of Future Connected Transactions

Connected transactions in the future will continue to be based on 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 relevant individuals from connected transactions.

Connected Transactions

The Company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding 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 the laws, regulations, notifications or orders relating to the execution of related transactions.

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 Packaging	Other	
1. Transactions with joint ventures and associates								
1.1 SCG Cement-Building Materials								
Sales			-	3,427	-	-	-	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						
Purchases			-	1,081	207	491	-	Market price applied with third party transactions
	Sekisui-SCG Industry Co., Ltd.	49						
	Siam Global House Public Company Limited	30						
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29						
	The Siam Gypsum Industry (Songkhla) Co., Ltd.	29						
Service income			-	402	-	-	-	Market price applied with third party transactions
	Jumbo Barges and Tugs Co., Ltd.*	55						
Service expenses and others			-	82	-	-	7	Market price applied with third party transactions
	Thai Prosperity Terminal Co., Ltd.	50						
	The Siam Gypsum Industry (Saraburi) Co., Ltd.	29						
Loans from			-	164	-	-	-	Agreed interest rate
	Mariwasa Holdings, Inc.	40						
	PT M Class Industry	28						
1.2 SCG Chemicals								
Sales			-	-	16,236	-	-	Market price applied with third party transactions
	Siam Polyethylene Co., Ltd.	50						
	Siam Synthetic Latex Co., Ltd.	50						
	Bangkok Synthetics Co., Ltd.	49						
	Mehr Petrochemical Company (P.J.S.C.)	39						
	PT Chandra Asri Petrochemical Tbk.	31						
Purchases			-	1	45,275	63	-	Market price applied with third party transactions
	SCG Plastics (China) Co., Limited	58						
	SCG Plastics (Shanghai) Co., Ltd.	58						
	Siam Polyethylene Co., Ltd.	50						
	Siam Styrene Monomer Co., Ltd.	50						
	MTP HPPO Manufacturing Co., Ltd.	50						
	Siam Synthetic Latex Co., Ltd.	50						
	Bangkok Synthetics Co., Ltd.	49						
	Thai MMA Co., Ltd.	47						
	Grand Siam Composites Co., Ltd.	46						
	PT Chandra Asri Petrochemical Tbk.	31						

* Change status from associate to subsidiary in August 2016



SCG

Part 2 Management and Corporate Governance / 12. Connected Transactions

Type of Transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount (Million Baht)					Pricing policy
			SCC	SCG Cement-Building Materials	SCG Chemicals	SCG Packaging	Other	
Service expenses and others	PT Styrimdo Mono Indonesia	31						Market price applied with third party transactions
	Inter Plastic Co., Ltd.	23						
	Mitsui Advanced Composites (Zhongshan) Co., Ltd.	20						
	Binh Minh Plastics Joint Stock Company	19						
			-	106	1,727	-	27	
	Siam Mitsui PTA Co., Ltd.	50						
	Siam Synthetic Latex Co., Ltd.	50						
	Rayong Terminal Co., Ltd.	50						
	Siam Polyethylene Co., Ltd.	50						
	Siam Styrene Monomer Co., Ltd.	50						
	Bangkok Synthetics Co., Ltd.	49						
	Thai MMA Co., Ltd.	47						
	Grand Siam Composites Co., Ltd.	46						
	Thai MFC Co., Ltd.	45						
	Long Son Petrochemicals Co., Ltd.	44						
	PT Chandra Asri Petrochemical Tbk.	31						
	Thai PET Resin Co., Ltd.	20						
Loans from	GTC Technology International, LP	25	-	-	45	-	-	Agreed interest rate
Guarantees			418	-	63	-	-	Contract rate
	Siam Tohcello Co., Ltd.	45						
	Mehr Petrochemical Company (P.J.S.C.)	39						
1.3 SCG Packaging								
Purchases			-	-	-	763	-	Market price applied with third party transactions
	Siam Toppan Packaging Co., Ltd.	48						
	Siam Nippon Industrial Paper Co., Ltd.	30						
	Saha Green Forest Co., Ltd.	17						
Service expenses and others	Siam Nippon Industrial Paper Co., Ltd.	30	-	10	-	1	2	Market price applied with third party transactions
Loans from	Saha Green Forest Co., Ltd.	17	-	-	-	5	-	Agreed interest rate
Guarantees	Siam Nippon Industrial Paper Co., Ltd.	30	-	-	-	495	-	Contract rate
1.4 Other								
Sales			-	1,236	-	-	-	Market price applied with third party transactions
	Siam Kubota Corporation Co., Ltd.	40						



Type of Transaction	Connected companies / Relationship	Total Direct / Indirect Holding (%)	Amount (Million Baht)					Pricing policy
			SCC	SCG Cement-Building Materials	SCG Chemicals	SCG Packaging	Other	
Purchases	Siam Kubota Corporation Co., Ltd.	40	-	78	8	17	-	Market price applied with third party transactions
	Siam Kubota Metal Technology Co., Ltd.	40						
	Aisin Takaoka Foundry Bangpakong Co., Ltd.	30						
	The Siam Nawaloha Foundry Co., Ltd.	25						
Service income	IT One Co., Ltd.	20	145	430	177	103	1	Market price applied with third party transactions
Service expenses and others	Siam Kubota Corporation Co., Ltd.	40	1,045	184	-	-	15	Market price applied with third party transactions

2. Transactions with other companies which have SCG executives holding

2.1 SCG Cement-Building Materials

Purchases	Asia Cement Public Company Limited Mr. Nithi Patarachoke	10	-	-	-	15	-	Market price applied with third party transactions
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2.2 SCG Packaging

Purchases	Thai British Security Printing Public Company Limited Mr. Surasak Amawat	18	-	-	-	94	-	Market price applied with third party transactions
Service expenses and others	Thai British Security Printing Public Company Limited Mr. Surasak Amawat	18	-	10	-	-	3	Market price applied with third party transactions

2.3 Other

Sales	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Yuttana Jiamtragan / Director	10	-	2,190	-	-	-	Market price applied with third party transactions
Purchases	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Yuttana Jiamtragan / Director	10	-	185	5	2	-	Market price applied with third party transactions
Service expenses and others	Siam Yamato Steel Co., Ltd. Mr. Chaovalit Ekabut / Director Mr. Yuttana Jiamtragan / Director	10	267	76	4	-	5	Market price applied with third party transactions



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