

## Part 2

### Management and Corporate Governance

#### 7. Securities and shareholders

##### Equity Securities

Registered capital, as at December 31, 2015, stood at Baht 70,000 million, comprising:

3,416,034,514 common shares	par value	10	Baht
3,583,965,486 preferred shares	par value	10	Baht

Paid-up capital, as at December 31, 2015, stood at Baht 33,992 million, comprising:

3,394,488,877 common shares	par value	10	Baht
4,703,321 preferred shares	par value	10	Baht

##### Details of Securities

SCB's securities listed on the Stock Exchange of Thailand (SET) are as follows:

1. Common shares
2. Preferred shares

##### 1. Common shares

Number	3,394,488,877 shares as at December 31, 2015
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Trading	Traded on both main board and foreign board: <ul style="list-style-type: none"> <li>- Using the symbol SCB on the main board</li> <li>- Using the symbol SCB-F on the foreign board</li> </ul>

##### 2. Preferred shares

Number	4,703,321 shares as at December 31, 2015
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Preferred share features	Preferred rights of preferred shares were valid for 10 years, starting from the date the Ministry of Finance made an initial payment for the preferred shares to the Bank, and expired on May 10, 2009. Therefore, the rights of holders of preferred shares are now the same as those of the holders of common shares. Shareholders can convert preferred shares to common shares in accordance with the conversion schedule and method determined by the Bank.
Conversion rate	Preferred shares can be converted to common shares at the ratio of 1:1.

Conversion price	None
Conversion schedule	<p>On a quarterly basis on March 31, June 30, September 30 and December 31 of each year.</p> <ul style="list-style-type: none"> <li>- For conversion on March 31, application must be submitted during March 16-30.</li> <li>- For conversion on June 30, application must be submitted during June 15-29.</li> <li>- For conversion on September 30, application must be submitted during September 15-29.</li> <li>- For conversion on December 31, application must be submitted during December 16-30.</li> </ul> <p>If the conversion date falls on a non-business day of the Bank, the conversion date shall be the last business day immediately preceding such non-business day.</p>
Conversion method	<p>(1) Shareholders of preferred shares can file an application for conversion of preferred shares to common shares with the Thailand Securities Depository Co., Ltd. or a securities trading broker during office hours.</p> <p>(2) Shareholders of preferred shares may obtain the application form from the Thailand Securities Depository Co., Ltd. or a securities trading broker.</p> <p>(3) Shareholders of preferred shares wishing to convert preferred shares to common shares must submit the following documents:</p> <ol style="list-style-type: none"> <li>1. Application for conversion of preferred shares to common shares according to the format prescribed by the Bank.</li> <li>2. Preferred share certificates or any replacement thereof (according to the SET format).</li> <li>3. <u>In case of an individual</u>, a copy of valid personal identification card, foreigner identification card or passport (as the case may be), all of which have to be certified correct by the owner of such card or passport.</li> </ol> <p><u>In case of a corporate entity</u>, a copy of Affidavit, certifying its juristic person status issued by Ministry of Commerce no more than 1 year prior to the date of submission of the said conversion notice, together with a copy of valid personal identification card of the director who has authority to sign on behalf of such corporate entity, certified correct by the owner of such card.</p>
Application filing venue	<p>(1) Thailand Securities Depository Co., Ltd. or</p> <p>(2) Securities trading broker</p>

### Future Share Issuance Obligation

The Bank has no future share issuance obligation.

### Shareholding Through NVDR

As at December 31, 2015, the Bank's registered and paid-up shares amounted to 3,399,192,198 shares, of which 115,444,938 common shares (3.40% of total common shares) were held through the Thai NVDR Co., Ltd. Also, the Thai NVDR has declared its abstention from attending and voting at shareholder meetings, except for any shareholder meeting that involves the delisting of shares from the SET on the agenda. Investors can check the number of the Bank's shares held through NVDR from the website of the Stock Exchange of Thailand at [www.set.or.th/nvdr](http://www.set.or.th/nvdr).

**Note:** NVDR or non-voting depositary receipt refers to a trading instrument evidencing investors' entitlement to benefits associated with underlying shares listed on SET. Thai NVDR Co., Ltd. is a juristic person holding shares on behalf of foreign investors. As a result, foreign investors investing through the Thai NVDR Co., Ltd. will not be restricted by the foreign ownership limit.

### Policy on Rights Issue

The Bank has no plan to issue new shares to existing shareholders.

### Shareholders

#### Principal shareholders (as at March 9, 2016)

No.	Name	Common shares	Preferred shares	Total of shares	Percentage of shares
1	BUREAU OF THE CROWN PROPERTY AND GROUP	794,909,758	-	794,909,758	23.39
2	VAYUPAK MUTUAL FUND 1	785,798,200	-	785,798,200	23.12
3	STATE STREET BANK EUROPE LIMITED	252,785,263	-	252,785,263	7.44
4	LITTLEDOWN NOMINEES LIMITED	212,698,171	-	212,698,171	6.26
5	CHASE NOMINEES LIMITED	161,155,654	-	161,155,654	4.74
6	THAI NVDR COMPANY LIMITED	134,346,427	-	134,346,427	3.95
7	STATE STREET BANK AND TRUST COMPANY	59,278,173	-	59,278,173	1.74
8	SOCIAL SECURITY OFFICE	48,275,100	-	48,275,100	1.42
9	THE BANK OF NEW YORK MELLON	47,515,418	-	47,515,418	1.40
10	GIC PRIVATE LIMITED	32,561,000	-	32,561,000	0.96
11	OTHERS	865,167,663	4,701,371	869,869,034	25.59
<b>TOTAL ISSUED SHARE CAPITAL</b>		<b>3,394,490,827</b>	<b>4,701,371</b>	<b>3,399,192,198</b>	<b>100.00</b>

THAI SHAREHOLDERS	2,207,134,176	4,475,048	2,211,609,224	65.06
FOREIGN SHAREHOLDERS	1,187,356,651	226,323	1,187,582,974	34.94

Remark: The Ministry of Finance holds 3,071,786 common shares, representing 0.09% of total share capital.

## Dividend Payment Policy

### Dividend Payment Policy of the Bank

The Bank has a policy to pay dividends at a rate between 30-50% of reported consolidated net profits in any year when the Bank, after deduction of all statutory and other reserves, reports profits, provided that there is no accumulated loss and the Bank can maintain sufficient statutory capital funds.

In 2015, the dividend from the Bank's 2014 operating results was paid to holders of the Bank's preferred and common shares at the rate of Baht 6.00 per share, equivalent to Baht 20,395 million or 38.2% of the Bank's 2014 net profit recorded in the Bank's consolidated financial statements. The dividend payment from the Bank's 2015 operating results will be proposed for approval at the Annual General Meeting of Shareholders in April, 2016.

### Dividend Payment Policy of Subsidiaries

Where the Bank has full control over a subsidiary and where such subsidiary is not a listed company, the dividend payment policy is to pay dividends at the maximum amount from the net profits after appropriation for legal reserve, or at an appropriate lower payout after considering the business requirements of the subsidiary.

In case a subsidiary is a listed company or a company over which the Bank does not have full control, the policy for dividend payment shall be in accordance with the policy announced by such company, consistent with the applicable laws, rules and regulations. In addition, where the dividend policy of a subsidiary is subject to regulatory approval, then the regulators may limit the payout ratio. For example, at SCB Life Assurance PCL, the dividend payout is constrained by the capital requirements set by the Office of Insurance Commission (OIC), and the dividend payout needs prior OIC approval.

## Debt Securities

At the end of 2015, debt issued was as follows:

	Amount	Interest rate	Year of maturity
Senior Unsecured Notes	USD 400 million	3.9%	November 2016
Senior Unsecured Notes	USD 1,100 million	3.375%	September 2017
Senior Unsecured Notes	USD 750 million	3.50%	April 2019
Subordinated Debenture No. 1/2012*	Baht 20,000 million	4.5%	2022
Subordinated Debenture No. 2/2012*	Baht 20,000 million	4.65%	2024

\* The issuer has the right to early redemption.

## 8. Organization Structure

### Organization Structure

### Governance Structure

**Board of Directors**

#### Board Committees

<b>Executive Committee</b> (Chairperson: Dr. Vichit Suraphongchai)
<b>Audit Committee</b> (Chairperson: Mr. Prasan Chuaphanich)
<b>Nomination, Compensation, and Corporate Governance Committee</b> (Chairperson: Mr. Chumpol NaLamlieng)
<b>Corporate Social Responsibility Committee</b> (Chairperson: Prof. Vicharn Panich)

#### Management Committees

<b>People Development Committee</b> (Chairperson: Dr. Vichit Suraphongchai)
<b>Assets and Liabilities Management Committee</b> (Chairperson: Dr. Vichit Suraphongchai)
<b>i-Committee</b> (Chairperson: Dr. Vichit Suraphongchai)
<b>Risk Management Committee</b> (Chairperson: Mr. Arthid Nanthawithaya)
<b>Equity Investment Management Committee</b> (Chairperson: Mr. Arthid Nanthawithaya)
<b>Management Committee</b> (Chairperson: Mr. Yol Phokasub)
<b>Information Technology Steering Committee</b> (Chairperson: Mr. Yol Phokasub)

Details of the Bank's committees, senior executive officer, company secretary and remuneration of Directors and Executive are shown in #9 Corporate Governance. For the details of the Bank's staff, please refer to the Sustainability Report.

## 9. Corporate Governance

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### Corporate Governance Report 2015

The Board of Directors is deeply cognizant of the critical importance of corporate governance (CG) in the pursuit of sustainable growth, creation of long-term shareholder value and securing the trust of all stakeholders, including shareholders, customers, employees, partners and the community. The Board believes that good corporate governance will help nurture the steady growth of our capital market and increase value for shareholders over the long term. As a result, the Board consistently adheres to good corporate governance based on generally accepted principles and practices, both nationally and internationally. Adherence to these practices have contributed to the Bank's success over the past decade and won recognition from several organizations. For instance, in the 2015 CG assessment results announced by the Thai Institute of Directors (IOD), the Bank was recognized as an organization with excellent corporate governance practices. Further, the Thai Investors Association awarded the Bank a 'full' score of 100 points for the sixth consecutive year in its assessment of shareholders' meetings from 2010-2015, resulting in SCB being one of the few companies in Thailand that received the highest rating in corporate governance for three consecutive year, during 2012-2014, under the ASEAN CG Scorecard assessment process.

As part of the Bank's commitment to sustainable development, SCB supports the efforts of Thai society to promote and adhere to the principles of the 'Sufficiency Economy' philosophy. As a financial institution, the Bank recognizes the importance and applicability of the Sufficiency Economy principles of risk management, balance, reasonableness, ethics and knowledge management in both developing business strategy and conducting everyday operations. Indeed, these principles are the bedrock by which corporate governance is implemented at the Bank, as further highlighted in SCB's Sustainability Report, published together with this Annual Report.

### Corporate Governance Policy

The Board has assigned the Nomination, Compensation and Corporate Governance Committee to formulate the Corporate Governance Policy and monitor compliance therewith. The Committee also reviews and revises the Policy to ensure that it is appropriate and in line with the guidelines issued by supervisory authorities, as well as with internationally accepted standards for corporate governance. The Bank's Corporate Governance Policy encompasses the following core elements:

- 1) The Policy requires that Bank must have established a clear vision, mission and code of conduct governing practices of the directors, managers and employees of the Bank. The Board has approved the Bank's vision to serve as **"The Bank of Choice for Our Customers, Shareholders, Employees and Community,"** as well as the Bank's mission of becoming **"The Best Universal Bank in Thailand."**
- 2) The Policy formalizes, among other matters, the structure of the Board and Board committees, inclusive of roles and responsibilities, composition, and tenure of members;

the Board's meeting procedures; nomination and appointment of members of the Board; orientation for the Board's new members; the holding of positions by the directors in other companies; the separation of position and roles among the chairman of the Board, the chairman of the Executive Committee and the top executives; remuneration of directors and persons with authority to manage the Bank's operations; assessment of performance of the Board and persons with authority to manage the Bank's operations; succession planning; and the roles and functions of the company secretary.

- 3) The policy enumerates the rights and treatment of stakeholders (shareholders and other stakeholders) in terms of arrangement of shareholders' meetings, dividend payments and transparency through disclosure of information.
- 4) The Policy restricts the use of confidential and non-public information by directors and employees and specifies rules governing connected transactions, conflict of interest, and conflict-of-interest reporting of directors and persons with authority to manage the Bank's operations.

In this regard, the Corporate Governance Policy is publicly disclosed and available on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Corporate Governance Policy."

## **2015 Corporate Governance**

The Bank's corporate governance practices in 2015 are summarized as follows:

### **1. Rights of Shareholders**

The Bank has complied with its Corporate Governance Policy with the aim of ensuring that shareholders enjoy their rights and exercise such rights in an equitable manner, such as buying or selling shares, receiving dividends and receiving adequate, timely and complete information about the Bank through easily accessible channels. In addition, shareholders are entitled to take part in material business decisions, e.g., payment of dividends, appointment and removal of directors, determination of directors' remuneration, appointment of auditors, determination of audit fees, amendment to provisions of the Memorandum and Articles of Association, and approval of special transactions (if any) (e.g., capital increase or reduction, acquisition or disposal of significant assets, or connected transactions etc.) The shareholders may cast their votes on the aforesaid matters according to details provided in the Notice of the Annual General Meeting of Shareholders or, if applicable, an Extraordinary General Meeting. The principles adopted by the Bank in respect of treatment of shareholders are shown in detail on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Section 3 - Rights and Treatment of Stakeholders."

#### **1.1 Shareholders' Meeting**

In 2015, the Bank held its Annual General Meeting of Shareholders (AGM) No. 192 on 2 April 2015. The Bank conducted the proceedings in a manner to ensure that the shareholders were able to exercise their rights in accordance with the law, relevant regulations and good governance practices.

1) The Bank ensures that shareholders receive clear and adequate information, have sufficient time to consider agenda items of the AGM, and are able to easily access the Notice of the AGM and its accompanying documents. To this end, the Bank posted the Notice of the AGM and proxy forms in both Thai and English on its website 31 days prior to the meeting date. Then, the Notice of the AGM, in both Thai and English, together with the 2014 Annual Report (in CD-ROM format) was sent via post to shareholders 14 days in advance of the meeting date. The aforesaid Notice of the AGM contained information such as date, time and venue of the meeting, and details of each agenda item (including factual background, rationale, and opinions or recommendations of the Board) as well as accompanying documents, including details of meeting procedures, voting and proxy appointments. Furthermore, the Bank posted the Notice of the AGM on bulletin boards at its head office and all its branches. The Meeting Notice was also advertised for three consecutive days in newspapers at least three days prior to the date of the AGM. Also, shareholders were entitled to receive the printed 2014 Annual Report before the date of the meeting from the company secretary upon request.

2) To recognize shareholders' rights to know and fully access information shareholders were allowed to submit questions in advance of the AGM through various channels in accordance with the guidelines on the Bank's website. Shareholders can propose questions in advance through various channels such as by letter to the company secretary or by e-mail to: [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th). The Nomination, Compensation and Corporate Governance Committee considers such questions before proposing them to the Board.

3) To encourage and facilitate participation of all shareholders (individuals, juristic persons and institutional investors) to attend the AGM and exercise their rights in an equitable manner, the Bank delivered the Notice of the AGM together with the Proxy Form B to each shareholder for the appointment of proxies to attend the meeting on their behalf in the event that any shareholder was unable to attend the AGM in person. Furthermore, institutional investors such as fund managers or custodians were invited to nominate their representatives to attend the meeting and, for their convenience, the Bank assigned officers to check the required documents in advance of the meeting.

4) To facilitate attendance by all shareholders and proxy holders, the AGM was held on a working day at the Bank's head office. On the meeting day, the registration counters were open two hours prior to the meeting time to facilitate procedural document checks and registration. The Bank's meeting registration service made use of a bar code system whereby different counters were set up for each type of shareholder, i.e., individuals, juristic persons and fund managers or custodians. For efficiency and convenience, the Bank allocated to each shareholder or proxy holder the ballot bearing the same bar code as their registration bar code for voting on each agenda item. The meeting registration remained open to shareholders during the meeting, allowing shareholders to register and attend the meeting at any time and vote on any remaining agenda item.

5) The chairman of the Board presided as the chairman of the meeting and all 15 directors of the Bank were in attendance together with the Bank's senior executives and the external auditors in order to clarify and respond to any questions or issues raised by shareholders or their proxies. Prior to proceeding in accordance with the meeting agenda, the company secretary informed the meeting



of the voting procedure for each agenda item. Holders of the Bank's ordinary and preferred shares, including proxy holders who attended the meeting, were entitled to cast their votes based on the one-share-one-vote basis. In order to increase the efficiency and speed of the voting process, only the ballots for disapproval and abstention votes were collected. Voting and ballot counting were conducted openly, and the bar code system was employed in tabulating and reporting votes. SCG Legal Counsel Limited was assigned by the Bank to review and inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Further, the voting results for each agenda item were reported to the meeting in a timely, accurate and transparent manner.

6) Multimedia presentations were used at the meeting to highlight both the 2014 performance and the 2015 business strategies. The chairman of the meeting allowed shareholders to ask questions and/or make recommendations on an equitable treatment basis and asked that comprehensive responses were provided to all questions or issues raised. The directors and management jointly responded to shareholders' questions and clarified issues. The company secretary recorded minutes of the meeting and the votes cast under each agenda item. Additionally, the meeting proceeded in accordance with the announced agenda, and the Bank did not switch, add, or revise any agenda items or modify previously issued information at the meeting.

7) Immediately following the meeting, the resolutions adopted were posted in both Thai and English on websites of the Stock Exchange of Thailand and of the Bank. This disclosure was made in compliance with applicable requirements prescribing that the AGM resolutions must be posted at least one hour in advance of trading hours of the Stock Exchange of Thailand. In addition, the minutes of the AGM in Thai and English were submitted to the Stock Exchange of Thailand and made available on the Bank's website within 14 days following the meeting to allow shareholders early access and for all other stakeholders to note and study the Bank's AGM proceedings. The minutes were available for future reference, and each material matter proposed at the meeting was recorded in these minutes. These matters included the list of directors and senior executives who attended the meeting; the voting procedures; abstracts of the questions and issues raised and the answers or clarifications provided by the Board and/or senior executives; and the resolutions reached, together with the number of votes for approval, disapproval and abstention of each resolution for which a vote was required.

In addition to the AGM mentioned above, the Bank held the Extraordinary General Meeting of Shareholders No. 1/2015 on 3 November 2015 to obtain shareholders' approval on a specific transaction of the Bank in order to meet the requirements of laws and the relevant regulatory authorities. The Extraordinary General Meeting of Shareholders was organized in accordance with the Bank's Articles of Association, laws and corporate governance principles, in a manner similar to the AGM.

## **1.2 Dividend Payment**

The Bank has a dividend policy that provides guidance that the dividend payout will usually be in the range of 30-50% of its consolidated annual net profit and such payout would take into account the long-term return to all shareholders. Dividends are considered in any year where the Bank, after deduction of all statutory and other reserves, posts a profit but provided that there is no accumulated

losses and the Bank is able to maintain adequate capital funds in compliance with the regulatory requirements, as well as taking into account the need to preserve capital for near-term business needs. The interim dividends and annual dividends are paid within 30 days after the Board or the shareholders' meeting approves the dividend payment.

At the 2015 AGM, the meeting resolved to approve the dividend payment from the Bank's 2014 operating results to holders of the Bank's preferred and ordinary shares at the rate of Baht 6.00 per share, equivalent to a total of Baht 20,395 million or approximately 38.2% of the 2014 net profit in the Bank's consolidated financial statements. The details of dividend payment were as follows:

- 1) The Board in its meeting No. 10/2014 dated 26 August 2014 resolved to approve an interim dividend payment at the rate of Baht 1.50 per share to holders of the Bank's preferred and ordinary shares. The interim dividends were paid to holders of the Bank's preferred and ordinary shares on 19 September 2014 (24 days from the date of approval of the interim dividend payment by the Board); and
- 2) The final dividend was paid at the rate of Baht 4.50 per share to holders of the Bank's preferred and ordinary shares on 30 April 2015 (28 days from the date of approval of the dividend payment by the shareholders' meeting).

### **1.3 Communication Among the Bank's Shareholders**

The Bank does not seek to prevent communication among its shareholders. Shareholders are at liberty to share information with each other and may request for a copy of the list of the Bank's shareholders from the Ministry of Commerce.

## **2. Equitable Treatment of Shareholders**

As stipulated in the Bank's Corporate Governance Policy, all shareholders, i.e., major, minor, institutional and foreign shareholders, are entitled to the same shareholder rights and are treated on an equitable and fair basis. The principles of equitable treatment of shareholders, to which the Bank has adhered, are provided on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Section 3 - Rights and Treatment of Stakeholders."

### **2.1 Invitation to Shareholders to Propose Agenda Items and Candidates for Directorship prior to the Shareholders' Meeting**

The Bank's shareholders are invited to propose matters to be included as agenda items for the AGM and to nominate qualified candidates for directorship to the Nomination, Compensation and Corporate Governance Committee, using the criteria provided on the Bank's website. These proposals are submitted to the company secretary via post or e-mail at [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th). The Nomination, Compensation and Corporate Governance Committee will consider the shareholders' proposals prior to submitting them to the Board for further consideration. The decision on the matter will be notified to the shareholders concerned for acknowledgment. Any proposals that are accepted will be included in the agenda at the next AGM.

The Bank invited shareholders to propose agenda items and candidates for directorship (including questions) for the 2015 AGM three months prior to the end of the Bank's accounting period, i.e., from 1 October to 31 December 2014.

## **2.2 Proxy Appointments for Shareholders' Meeting**

To promote shareholders' rights, the Bank has made available at each shareholders' meeting three types of proxy forms (Form A, Form B and Form C) as determined by the Department of Business Development, Ministry of Commerce, in order that any shareholders who cannot attend a shareholders' meeting in person may appoint proxies to attend the meeting on their behalf and exercise their rights as shareholders.

At the 2015 AGM, the Proxy Form B, which indicates specific details of a proxy appointment, were delivered to shareholders together with the Notice of the Annual General Meeting of Shareholders. Shareholders were provided with an additional option of appointing as their proxies one of two independent directors of the Bank who did not have any conflict of interest in the relevant agenda items of the AGM. In this regard, shareholders were supplied with complete biographical details of these independent directors. The shareholders were able to appoint either one of the two independent directors or any other person of their choosing as proxy. In addition, shareholders were able to download Proxy Form A or Proxy Form C from the Bank's website for their use as and when applicable.

## **2.3 Ballots for Shareholders' Meeting**

In the 2015 AGM, ballots were used for voting on every agenda item, but only the ballots indicating disapproval and abstention votes were collected. In order to ensure that the voting process was efficient, accurate, speedy and verifiable, a bar code system was employed in tabulating votes. Prior to proceeding in accordance with the meeting agenda, the company secretary informed the meeting of the voting and vote tabulation procedures. In addition, the ballots cast for each agenda item were retained for future examination.

## **2.4 Election of Director on an Individual Basis**

As part of the election process for directors, the profiles of directors nominated for election are disclosed in the notice of the shareholders' meeting to support the shareholders' consideration. Each profile included information such as the nominee's age, education, work experience, positions in other listed and non-listed companies, date of appointment as director, meeting attendance in the previous year, and type of directorship. In the case of independent directors, the Bank additionally provides its definition of independent directors and other information such as their relationship or conflicts of interest with the Bank, its parent companies, its subsidiary companies, its associate companies and any other parties having the authority to control the Bank or juristic persons with potential conflicts of interest with the Bank either currently or during the two years prior to their appointment as the Bank's independent director.

At every AGM, one-third of the directors retire by rotation. At the 2015 AGM, five directors retired by rotation. The Bank arranged for shareholders to elect individual directors to replace the outgoing directors by casting their votes. Similar to voting on other agenda items, only disapproval and

abstention ballots were tabulated. The AGM minutes clearly show the voting results for each director appointed by the shareholders.

## **2.5 Determination of Directors' Remuneration**

As stipulated in the Bank's Articles of Association approved by the shareholders' meeting, a director is entitled to receive remuneration from the Bank through gratuities, meeting allowances, rewards, bonuses or other benefits consistent with the Articles of Association or the resolution of the shareholders' meeting. Such remuneration may be fixed or specified from time to time according to the regulation laid out, or may be allowed to remain in effect until changed. Further, a director is also entitled to a per diem and fringe benefits according to the regulations of the Bank. The Nomination, Compensation and Corporate Governance Committee is assigned by the Board to recommend directors' remuneration to the Board and to seek approval from the shareholders' meeting on an annual basis. The Board has set as a policy that the directors' remuneration should be: appropriate and commensurate with directors' scope of duties and responsibilities; comparable to other major listed companies and commercial banks; and in line with prevailing business conditions and trends.

## **2.6 Internal Control**

The Board recognizes the need to prevent the use of confidential and non-public information for inappropriate gains by directors, executives and employees. To this end, the Board has established the Corporate Governance Policy and procedures for handling connected transactions in order to prevent conflict of interest and require disclosure of connected interest in compliance with regulatory requirements. Relevant details are published on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy" and then "Section 4-Internal Control," can be summarized as follows:

### **1) Internal Controls over the Use of Inside Information by Directors and Employees**

The Board has formulated comprehensive guidelines for the disclosure of information, the prevention of conflict of interest and the inappropriate or illegal use of non-public information, as summarized below:

- Establishing a Code of Conduct for directors and employees, covering such matters as the use of non-public information and the requirement to maintain confidentiality of customer information. This Code of Conduct has been disseminated to directors, executives and staff, and strict compliance is expected.
- Establishing regulations governing securities trading by directors, executives and employees that prohibit insider trading. These regulations also apply to related parties of directors, executives and employees.
- Imposing non-trading periods on directors, executives and employees involved in the preparation of financial statements, prohibiting them from trading in the Bank's securities and securities which have SCB ordinary shares as an underlying asset (e.g., derivative warrants, futures, options) during the 14-day period preceding the announcement of quarterly, semi-annual and annual financial statements.

- Requiring directors and persons with management authority (as defined in the Securities and Exchange Act, B.E. 2535 (A.D. 1992)) to disclose information on their shareholdings and trading in the Bank's securities and securities that have the Bank's ordinary shares as an underlying asset to the Bank and the Office of Securities and Exchange Commission within three working days. The company secretary is responsible for compiling reports on shareholding changes and including these reports as a regular agenda item at Board meetings.

- Establishing regulations against the use of non-public information in order to prevent leakage of confidential and/or non-public information of the Bank and/or its customers as well as to prevent use of inside information by persons having access to such information for personal gain or benefit of others. In this regard, the Bank has assigned the Compliance Function to monitor securities trading of persons with access to non-public information to ensure compliance with relevant regulations.

## 2) Internal Control for Connected and Conflict-of-Interest Transactions

The Bank's policy and guidelines regarding the approval process and engagement in connected or conflict-of-interest transactions is as follows:

- To strictly follow the regulations and notifications of the Stock Exchange of Thailand, the Securities and Exchange Commission and the Capital Market Supervisory Board governing connected transactions and conflict-of-interest transactions whereby directors and executives are prohibited from participating in the consideration and decision-making of any matter in which they might have an interest. The company secretary makes note of any disclosed related interests in the minutes of the meeting.

- To set a pricing policy and conditions for related-party transactions to ensure that such pricing and conditions are in line with those of other similar transactions with unrelated third-parties (Arm's Length Principle) and must be seen as being reasonable, fair and providing maximum benefit to the Bank.

- To require that the transaction shall not be approved by any person with a conflict of interest and that the approval must be in the form of a Board resolution excluding any director with a conflict of interest.

- To require that the Board alone (excluding any director with a conflict of interest) is vested with the authority to consider and approve credit facilities, investment, contingent liabilities or credit-like transactions between the Bank and its major shareholders or businesses related to the Bank, directors, or persons with management authority or their related parties (as defined in the Financial Institutions Business Act, B.E. 2551 (A.D.2008)).

Additionally, the Bank requires the appointment of an independent financial advisor (if a connected transaction exceeds certain pre-determined thresholds) whose role is to provide an opinion on connected transactions, particularly as it relates to the acquisition or disposal of significant assets of the Bank and its subsidiaries, any merger or other transaction as prescribed by law. The Board has assigned the Audit Committee to review the procedures and oversight all material transactions to ensure that they are compliant with applicable laws and/or regulations.

The information in respect of related transaction policy and details of transactions between the Bank and related persons are shown in this Annual Report under the section heading of “Related Party Transactions” and “Financial Statement and Notes.”

### 3) Conflict-of-Interest Report

The Bank requires directors and persons with management authority (as defined in the Financial Institutions Business Act, B.E. 2551 (A.D. 2008)) to report to the company secretary on a quarterly basis any conflict of interest arising for themselves and their related parties as well as changes to any existing reported items. The company secretary collects and submits such reports to the chairman of the Board and the chairman of the Audit Committee in compliance with the Securities and Exchange Act, B.E. 2535 (A.D. 1992). This information is used by the Bank for monitoring transactions between the Bank and directors, persons with management authority, and/or their related parties in accordance with legal requirements.

## 3. Role of Stakeholders

### 3.1 Treatment of Stakeholders

As one of the largest organizations within the Kingdom, with a long heritage of service to the country as the first Thai bank, the Bank recognizes that it needs to respond to the interests of a broad range of stakeholders. This is made explicit in the Bank’s vision ‘To Be the Bank of Choice for Our Customers, Shareholders, Employees and the Community.’ The issue of responsibility to stakeholders is covered in more detail within the 2015 Sustainability Report. The essence is summarized below:

**Customers:** The Bank exists to serve its customers, who encompass almost the entire spectrum of Thai society. For all of them, the Bank aspires to provide a broad range of products and services and to service their needs via branch, electronic and direct channels. The overriding aim is for the Bank to be viewed as the main financial services partner for customers through the provision of reliable services, innovative products and trustworthy conduct. The Bank measures its success through regular customer surveys and by aiming for (and attaining) a market-leading score from such surveys.

**Shareholders:** The Bank's existence is made possible by the capital contributions of a large number of shareholders. To all of them the Bank aspires to provide transparent and market-leading disclosure, parity of treatment, and an above industry-average, sustainable return on equity. Today, its success in this aim is evident from the Bank maintaining the highest market capitalization across the Thai financial services sector.

**Employees:** Employees will always remain the Bank’s most valuable asset, and the recruitment, retention and development of employees is central to the Bank’s successful execution of its near-term and long-term business strategies and the achievement of its mission and vision. Employee interests are addressed through appropriate compensation practices, skill and competency development programs, career advancement opportunities and a range of employee benefits, which are regularly reviewed to ensure appropriateness. Equally, the Bank actively supports diversity in the

workforce and prohibits any discrimination based on gender, age, religious belief or disability. The Bank allows employees to exercise their right to join labor unions and encourages all employees to suggest ideas for improving or adjusting the Bank's policies, practices, products, procedures and services. As with customers, the Bank engages third-party experts to conduct regular employee engagement surveys and benchmarks the results against a global database. In 2015, the Bank's score was ranked in the top 10% of this global database.

**Community** (including business partners, competitors, creditors and suppliers): the Bank aspires to be a model corporate citizen in Thailand. To that end it: behaves in an ethical and transparent way with competitors and business partners; honors its obligations and covenants with creditors and suppliers; follows transparent procurement practices that will ensure that procurement is transparent and free from corruption and; does not participate in activities that might be detrimental to Thai society or the quality of life of its residents. Further, the Bank recognizes and supports the Universal Declaration of Human Rights and ensures that its business activities, particularly lending, are conducted so that the tenets of this Declaration are observed. The Bank adopted a "Supplier Code of Conduct" to encourage its suppliers to do their businesses ethically, respect the freedom and rights of others, and treat their workers responsibly in accordance with labor rights and human right principles, including occupational health, safety and environment standards.

The Bank has actively and consistently supported and carried out activities that are beneficial to its community and society at large. Further, to propagate a sense of volunteerism, the Bank has encouraged all employees to regularly participate in such activities. In promoting respect for intellectual property rights and deterring the infringement thereof, the Bank has incorporated policies and guidelines related to intellectual property in its Employee Code of Conduct. It is the responsibility of all employees to protect the Bank's intellectual property from unauthorized use and dissemination and to respect the rights of intellectual property owners when it uses proprietary products.

**Environment:** The Bank abides by all applicable environmental laws and regulations and implements effective safety and environmental management measures to prevent any negative impact on local communities. Further, SCB supports the conservation of natural resources and the environment through awareness-raising campaigns and programs to educate and engage staff, business partners, customers and other CSR networks in supportive programs and activities. The Bank has increased its internal energy-use efficiency by upgrading lighting and electronic systems. It also has reduced the use of paper in both internal and external processes. It became the first financial institution to participate in the nation's pilot carbon-offset program to support the domestic voluntary carbon credit market. In this regard, the Center of Excellence on Environmental Strategy for GREEN Business (VGREEN) of Kasetsart University assisted the Bank in the analysis of carbon emissions from its energy and resource consumption.

**Anti-Corruption:** The Bank has enforced its Anti-Corruption and Bribery Policy, which has been approved by its Board of Directors and will also be adopted by all companies in the SCB Financial Group. The said Policy clearly sets out the definitions and forms of "corruption and bribery," including measures against corruption and bribery, and will be reviewed at least annually. Executives and employees at all levels are required to comply with the Policy. To demonstrate the Bank's willingness

regarding the implementation of anti-corruption efforts, the Bank participated in the Declaration of Intent as promoted by the Thailand's Private Sector Collective Action Coalition Against Corruption, and communicated the Policy, following the Board's approval thereof, across the organization to promote bank-wide compliance. The Collective Action Coalition Against Corruption (CAC) certified the Bank's CAC membership at its meeting in the fourth quarter of 2014. Anti-corruption and bribery knowledge has been disseminated to employees at all levels of the Bank through internal communication channels, including the relevant entities and stakeholders of the Bank to promote transparent and ethical business practices. All employees of the Bank must participate in in-house training courses which are related to anti-corruption, such as the e-learning courses on anti-money laundering/combating the financing of terrorism (AML/CFT), and anti-corruption and bribery. Employees are also encouraged to participate in anti-corruption activities arranged by agencies or institutions such as the "Anti-Corruption in Thailand: Sustaining the Momentum" session under Thailand's 6<sup>th</sup> National Conference on Collective Action Against Corruption arranged by the CAC.

To actively monitor and evaluate compliance with the Anti-Corruption Policy, the assessment of the Bank's corruption and bribery exposure has been regularly conducted; and the Audit Committee is mandated to oversee the Bank's internal controls, which must be adequate and effective in protecting the Bank from the risk of corruption and bribery, and report the results to the Board of Directors. In addition, there are internal units directly in charge of disseminating relevant knowledge to the directors, and executives and employees across the Bank to ensure adequate understanding of the policy and practices and to promote strict compliance.

### **3.2 Contact Channels for Stakeholders**

The Bank provides multiple channels for various groups of stakeholders to directly contact the relevant unit as follows:

- *Customers or third parties* can communicate with the Bank through staff at branches or relationship managers or through the Call Center at 0-2777-7777, or by writing to a senior executive of the Bank. All communications are tracked and usually responded to within a short specified period.

- *Employees* are informed that the Bank has multiple channels to accept complaints and reports of employee misconduct. Employees can voice their opinions and report on any unfair treatment, fraudulent activity or suspicion of misconduct directly to their supervisors or through other channels, anonymously if preferred, as follows:

- SCB's Whistleblower Policy provides a channel through which employees can report complaints, fraud or non-compliance with the Bank's regulations, rules and Code of Conduct as well as any unfair treatment they might have suffered. The aim is to ensure the Bank's adherence to its principles of transparency and corporate governance. To report complaints, fraud or non-compliance, any employee e-mail to [whistleblower@scb.co.th](mailto:whistleblower@scb.co.th) or write a letter to the president or head of audit, at PO Box 177, Jatujak Delivery Post Office 10900, or by using the telephone (0-2544-0000). A brief report on the action taken in this regard will be reported to the Audit Committee every quarter.
- The HR Call Center at 0-2544-4444 is a channel for employees to make inquiries related to employment and/or benefits or to share opinions.



- “Purple People Talk” is a channel through which employees can voice their opinions, report issues or consult with the head of Human Resources via e-mail ([purple\\_talk@scb.co.th](mailto:purple_talk@scb.co.th)) in order to nurture SCB as a great workplace.

It is the Bank’s policy to protect the confidentiality and anonymity of employees reporting misconduct or complaints in order to prevent retaliation or adverse effects on them. An independent, issue-specific investigation team is quickly set up by the Bank to investigate any issue and/or possible fraudulent behavior when notified by an employee, when warranted. If the grounds for a complaint are proven, the matter is escalated for disciplinary action in accordance with the following procedure:

- Employees submit opinions, reports, or complaints relating to fraud via a range of channels, where they can choose to remain anonymous, if they so wish, and the matter will be treated as confidential.
- The Working Team conducts a preliminary investigation. The progress will be reported to the informants if they have chosen to be identified.
- The Working Team submits complaints or misconduct that is well grounded to relevant units in order to appoint an investigation committee according to the Bank’s regulations or to the Financial Crime & Security Services Division for further action.

The Bank takes action as deemed appropriate in each case without disclosing the sources of information so as to protect confidentiality of the informants.

Further, all stakeholders can raise complaints, or make suggestions or comments to the Board and management of the Bank through the following address:

- Board Secretariat and Shareholder Services - First Senior Vice President  
Board Secretariat and Shareholder Services Division  
The Siam Commercial Bank PCL,  
9 Ratchadapisek Road, Jatujak,  
Bangkok 10900  
Telephone: 0-2544-4221  
Fax: 0-2937-7931  
E-mail: [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th)

Also, the Bank has established a clear policy and procedure for handling complaints from customers, suppliers and other stakeholders. All complaints received are kept confidential, investigated and resolved (if applicable) as well as reported to the Audit Committee and the Board.

#### **4. Disclosure and Transparency**

##### **4.1 Disclosure Policy and Practice**

The Bank’s disclosure policy and procedures are incorporated within the Corporate Governance Policy, and Investor Relations has been assigned the role and responsibility to provide disclosure of the Bank’s information in accordance with the following principles:

- 1) Information to be disclosed must be accurate, adequate and clear as well as disclosed on a timely basis;
- 2) Disclosure must comply with all applicable rules and regulations;
- 3) Stakeholders including shareholders, investors, analysts and interested persons must have equal right of access to the information disclosed by the Bank; and
- 4) Information that could affect the price of the Bank's shares or influence investors' decisions or affect the rights of shareholders must be immediately disclosed, as appropriate, to the public through the Stock Exchange of Thailand.

The Bank has designated officers and Investor Relations to be responsible for disclosure as well as maintaining the operating results disclosure schedule as specified in its Corporate Governance Policy. Audited annual financial statements are released within 60 days from the end of each financial year. Quarterly financial statements are disclosed together with the Management Discussion and Analysis (MD&A) and are released within 45 days from the end of each quarter to help investors better understand the Bank's operating results.

In addition, the Bank's Corporate Governance Policy requires directors and management to disclose their holdings of the Bank's shares. Changes in the holdings of the Bank's shares by directors and members of management in 2015 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" in the Supplementary Information section of this Annual Report.

In 2015, disclosure activities undertaken by Investor Relations are summarized below:

<b>Form of activity</b>	<b>Frequency (times)</b>
One-on-one meetings/conference calls with investors and equity analysts	112
General meetings with equity analysts	4
Participation at investor conferences	8
Global non-deal road shows	4

The Bank also regularly held press conferences and media events and issues press releases to publicize and promote its activities.

Interested persons can contact Investor Relations at:

Investor Relations  
The Siam Commercial Bank PCL,  
9 Ratchadapisek Road, Jatujak, Bangkok 10900  
Telephone: 0-2544-4358  
Fax: 0-2937-7721  
E-mail: investor.relations@scb.co.th  
Website: www.scb.co.th

## 4.2 Investor Relations

Investor Relations is a functional unit of the Bank that is responsible for the accuracy, adequacy and clarity of disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable requirements and regulations. Beyond its planned activities such as meetings with investors and analysts, participation at investor events and arranging roadshows, Investor Relations serves as the primary point of contact for all shareholders, analysts, fund managers, bondholders and rating agencies. The chief executive officer and deputy chairman of the Executive Committee, the president, CFO and other senior executives participate in investor relations activities.

The Investor Relations Code of Conduct is published on [www.scb.co.th/en/about-scb/investor-relations/code-of-conduct-ir](http://www.scb.co.th/en/about-scb/investor-relations/code-of-conduct-ir).

## 4.3 Auditors

The auditors' qualifications are scrutinized by the Audit Committee in terms of their independence, suitability, accountability, and absence of any conflict of interest with respect to the Bank and its subsidiaries, management, major shareholders or related parties thereof, and approval by the Securities and Exchange Commission (SEC). The Audit Committee also reviews the annual audit fees in terms of the scope of audit and proposes the qualified auditors and the audit fees to the Board for further consideration and consideration by the AGM.

Details regarding the audit fees and other service fees paid by the Bank to the auditor as well as the auditor's report for 2015 are available in the sections titled "Audit Fees" and "Audit Report of Certified Public Accountant" of this Annual Report.

## 4.4 Compliance with the Principles of Good Corporate Governance as Stipulated by the Stock Exchange of Thailand

The Bank aims to adhere to national and international corporate governance standards. However, certain practices of the Bank are not yet in line with the principles of good corporate governance stipulated by the Stock Exchange of Thailand due to reasons as set out below:

- The Board should have an appropriate number of members ranging from 5 to 12 – At present, the Board is comprised of 17 members. As the Bank's business has grown in size and complexity, this number is considered appropriate and essential for effective performance of the Bank.
- The Bank should submit a notice of shareholders' meeting at least 21 days in advance of the meeting date – In 2015, the Bank's notice of shareholders' meeting was submitted to the shareholders 15 days in advance because the Bank's Articles of Association governing the register closing stipulate that prior to a shareholders' meeting the Bank may temporarily suspend the share transfer registration until, at a maximum, 21 days in advance of a shareholders' meeting. As a result, it is not possible for the Bank to submit a notice of shareholders' meeting to shareholders longer than 21 days prior to the shareholders' meeting date. Nonetheless, the Annual General Meeting of Shareholders No. 192, held on 2 April 2015, resolved to approve the amendment to the Articles of Association in relation thereto to comply with the Securities and Exchange Commission Act B.E.

2535 in connection with the record date. Such amendment allows the Bank to convene a shareholders' meeting within 2 months from the record date, and the Bank should be able to comply with this requirement for an earlier notice.

- The Bank should include in its policy a requirement that its directors and senior executives declare to the Board or designated persons their intent to trade SCB shares at least 1 business day in advance of the transaction date – At present, no policy of the Bank explicitly requires such declaration, but the Bank already has in place clear regulations governing the prevention of insider trading. These regulations include the Directors Code of Conduct, the Employee Code of Conduct, the rules governing securities trading by directors, executives and employees, the insider trading rule, the guideline on declaration of securities holding by the directors, executives and employees, and the non-trading period rules with which the directors, executives and employees must comply.

## **5. Responsibilities of the Board**

### **5.1 Board Composition**

At the end of 2015, there were 17 directors, and the number of directors was commensurate with the expansion and increased complexity of the Bank's business. The Bank selects its Board members based on the criteria set forth by relevant regulators and with the aim of fostering diversity in terms of age, gender, knowledge, skill, experience and other key attributes.

The 17 directors consist of 3 women and 14 men with diversified professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social responsibility and corporate governance, economics, laws, regulation of financial institutions, and other experience that is considered beneficial and relevant to the Bank's business. Composition of the Board is as follows:

- The 9 independent directors\* (representing 52.94% of the total directors) are Mr. Anand Panyarachun, Mr. Prasan Chuaphanich, Prof. Vicharn Panich M.D., Mr. Chumpol NaLamlieng, Assoc. Prof. Dr. Kulpatra Sirodorn, Mr. Ekamol Kiriwat, Khunying Jada Wattanasiritham, Mr. Weerawong Chittmittrapap, and Mr. Krirk Vanikkul.
- The 4 executive directors (representing 23.52% of the total directors) are Dr. Vichit Suraphongchai, Mrs. Kannikar Chalitaporn, Mr. Arthid Nanthawithaya and Mr. Yol Phokasub.

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\* The term "independent director" has the meaning specified in the Bank of Thailand's Notification No. SorNorSor. 13/2552 Re: Corporate governance of financial institutions, and the Capital Market Supervisory Board's Notification No. TorJor. 28/2551, Re: Application and approval for offering newly issued shares, and/or their amendments (if any). Moreover, the number of shares held by an independent director and his/her related parties combined shall not exceed 0.5% of the total voting shares of the Bank, or the Bank's parent company, subsidiaries, or associate companies, or major shareholders, or the persons having the authority to control the Bank. This shareholding restriction of not more than 0.5% is the Bank's standard, which is a higher standard than that set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1% of the total voting shares of the company of which he/she is a director.

- The non-executive directors, which comprise 4 directors representing the major shareholders, are Dr. Chirayu Isarangkun Na Ayuthaya, M.R. Disnadda Diskul, Mr. Chakkrit Parapuntakul and Dr. Ekniti Nitithanprapas.

The names of the Bank's directors and their respective number of years as director are provided in Table 1.

**Table 1: Board of Directors** (As of 31 December 2015)

Name	Position	Date of appointment as director	Number of years in directorship <sup>6)</sup>
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	6 March 1984	1 <sup>st</sup> round: 7 years (1984 - 1991)
		2 October 1992	2 <sup>nd</sup> round: 23 years 3 months (1992 - present)
2. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	10 December 1999	16 years 1 month
3. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	4 April 2013	2 years 9 months
4. Prof. Vicharn Panich, M.D.	Independent Director and Chairman of the Corporate Social Responsibility Committee	29 September 2006	9 years 3 months
5. Mr. Chumpol NaLamlieng	Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	30 March 1998	1 <sup>st</sup> round: 1 year 8 months (1998 - 1999)
		5 April 2007	2 <sup>nd</sup> round: 8 years 9 months (2007 - present)
6. Dr. Chirayu Isarangkun Na Ayuthaya	Director and Member of the Corporate Social Responsibility Committee	18 September 1987	28 years 3 months
7. M.R. Disnadda Diskul	Director and Member of the Corporate Social Responsibility Committee	22 November 1996	1 <sup>st</sup> round: 2 years 2 months (1996 - 1999)
		5 April 1999	2 <sup>nd</sup> round: 16 years 9 months (1999 - present)
8. Dr. Kulpatra Sirodom	Independent Director and Member of the Audit Committee	19 June 2009	6 years 6 months
9. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	5 April 2011	4 years 9 months
10. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Audit Committee	22 September 2014	1 year 3 months
11. Khunying Jada Wattanasiritham <sup>1)</sup>	Independent Director, Member of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	2 February 1999	16 years 11 months (Independent director: 6 years 2 months)
12. Mr. Krirk Vanikkul <sup>2)</sup>	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	1 November 2015	2 months
13. Mr. Chakkrit Parapuntakul <sup>3)</sup>	Director and Member of the Nomination, Compensation and Corporate Governance Committee	25 November 2015	1 month
14. Dr. Ekniti Nitithanprapas <sup>4)</sup>	Director and Member of the Nomination, Compensation and Corporate Governance Committee	25 November 2015	1 month

Name	Position	Date of appointment as director	Number of years in directorship <sup>6)</sup>
15. Mrs. Kannikar Chalitaporn	Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	21 January 2002	13 years 11 months
16. Mr. Arthid Nanthawithaya <sup>5)</sup>	Director, Deputy Chairman of the Executive Committee, and Member of the Corporate Social Responsibility Committee	2 April 2015	9 months
17. Mr. Yol Phokasub <sup>5)</sup>	President, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	2 April 2015	9 months

**Remark:**

- 1) Khunying Jada Wattanasiritham qualified as an independent director from 19 October 2009.
- 2) Mr. Krirk Vanikkul was appointed as director in replacement of Mr. Apisak Tantivorawong, who resigned from the directorship.
- 3) Mr. Chakkrit Parapuntakul was appointed as director in replacement of Pol. Gen. Adul Sangsingkeo, who resigned from the directorship.
- 4) Dr. Ekniti Nitithanprapas was appointed as director in replacement of Mr. Kulit Sombatsiri, who resigned from the directorship.
- 5) Mr. Arthid Nanthawithaya and Mr. Yol Phokasub were elected by the AGM as additional directors.
- 6) Information as of 31 December 2015.

**5.2 Directors' Term of Position**

One-third of the total number of directors must retire by rotation at every annual general meeting of shareholders. Those directors who have held office for the longest time period are selected to retire. In case the number of directors is not a multiple of three, the number of directors to retire shall be the number closest to one-third of all directors. Directors retiring by rotation may be re-elected to continue in office.

To enhance transparency and corporate governance, the Bank has adopted the principle that the tenure of an independent director shall not exceed 9 years. As regards the tenure of directors as members of board committees, namely the Audit Committee, the Corporate Social Responsibility Committee and the Nomination, Compensation and Corporate Governance Committee, their tenure shall be concurrent with their directorships. In 2015, the independent directors who have served on the Board for more than 9 years and shall retire and not offer themselves for reelection at the 2016 AGM are Mr. Anand Panyarachun, Prof. Vicharn Panich M.D. and Mr. Chumpol NaLamlieng. However, the Board concurred with the Nomination, Compensation and Corporate Governance Committee's recommendation to propose the Annual General Meeting of Shareholders No. 193 that Mr. Anand Panyarachun should be re-elected to continue his office as the Board is of the view that, in addition to his intelligence and unparalleled credentials which are widely recognized, Mr. Anand has been heralded for his integrity and this will help strengthen the Bank's reputation as a transparent organization. Furthermore, Mr. Anand is considered a significant contributor in determining the visions of the Bank in various aspects, which results the Bank's business operation being able to achieve the established goals. He also has a major role in encouraging all members of the Board

and the senior management team to elevate their roles for the greater benefits of the Bank. Going forward, the Bank, as a financial institution, essentially requires personnel with the depth and breadth of knowledge and abilities, as well as vast experience for a long time, like Mr. Anand, to lead it.

### **5.3 Segregation of Roles, Duties and Responsibilities**

The Bank has clearly segregated the positions and authority of the chairman of the Board, chairman of the Executive Committee, chief executive officer and the president to enhance the effectiveness of performance, governance and transparency of internal operations as follows:

**Chairman of the Board** - The chairman of the Board of Directors is an independent director and shall not serve as the chairman of the Executive Committee, the chief executive officer or the president of the Bank, or be involved in the Bank's routine management. This is in compliance with the principle of segregation of roles in policy formulation and oversight from those in operations management. The key roles of the chairman of the Board are: to ensure that Board meetings are conducted effectively and matters that are essential to the Bank's operations and/or performance are placed on the meeting agenda, particularly matters related to corporate strategy; to allocate sufficient time for management to present clear and timely information; to allow attending Board members to voice their opinions and ask questions; and to ensure that Board resolutions are clear and the meeting minutes are correct. The chairman of the Board also presides over the shareholders' meeting. Another key role of the chairman is to ensure that the Bank's governance practices, such as the composition of the Board, directors' performance of duties, and succession planning for top executives, is in compliance with adopted policies.

**Chairman of the Executive Committee** - The chairman of the Executive Committee is a Board-appointed director with powers and duties to manage and control the business of the Bank as delegated by the Board. The chairman of the Executive Committee is empowered to develop and implement key strategies and practices relating to the business of the Bank in addition to responsibilities from appointments on other Board committees. The role of the chairman of the Executive Committee also includes ensuring the Executive Committee's compliance with its charter, and execution of documents or contracts on behalf of the Bank. The Executive Committee Charter is available on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Charter of the Board and Board Committees."

**Chief Executive Officer and Deputy Chairman of the Executive Committee** – In 2015, the Board deemed it appropriate to modify the Bank's leadership structure and resolved to establish a position of chief executive officer and deputy chairman of the Executive Committee. The Board agreed to appoint a director as the chief executive officer and deputy chairman of the Executive Committee to be principally in charge of the strategic direction of the Bank and its policies, and partly accountable for the formulation of the Bank's business plans, its performance, and its reputation under the corporate governance principles to drive the Bank toward the realization of its vision.

**President** –The president is a Board-appointed director with the main role to set the vision and long-term strategy of the Bank, including the responsibility to manage the business according to the action plan.

#### 5.4 Directorships of Other Companies

The Bank has established a clear policy regarding holding of positions by the Bank's directors in other companies. The Bank's directors are not allowed to hold directorship in more than 5 listed companies, which is in line with the practice of the Thai Institute of Directors. Further, in order to comply with the regulations of the Bank of Thailand, the Bank's directors and/or its senior executives can be the chairman, or an executive director, or an authorized director of other companies but in up to 3 businesses groups only.

Further to the policies stated above, the Bank has established an internal guideline pertaining to holding of positions in other companies. This requires directors to notify the Nomination, Compensation and Corporate Governance Committee prior to assuming a position in a company or organization so that the Nomination, Compensation and Corporate Governance Committee can review the appropriateness of the appointment and compliance with relevant laws and regulations. The company secretary shall regularly report changes in positions of directors to the Board of Directors. Information about positions held by the Bank's directors in other companies is disclosed to shareholders in this Annual Report. In this regard, no director holds positions in more than 5 listed companies, and no executive director or senior executive of the Bank (executive vice president or higher) holds positions in more than 3 listed companies in other businesses groups.

#### 5.5 Roles and Responsibilities of the Board of Directors

The Board of Directors is committed to pursue the highest standards of ethical conduct and comply with related legal requirements. The Board's roles, duties and responsibilities shall be in accordance with those specified by law, the Bank's Memorandum and Articles of Association, and the resolutions of the shareholders. In addition, the Board's roles and responsibilities are stipulated in the Charter of the Board of Directors, which includes determining, approving and overseeing the implementation of policies, strategies, financial targets and business direction proposed by management, with the aim of maximizing long-term shareholder value, taking account of the best interests of all relevant stakeholders. The Board is also responsible for establishing the structure and processes that ensure there are appropriate systems and processes for risk management, audit and compliance, and internal control. Such systems and processes shall be regularly reviewed to ensure that they are appropriate and adequate for the Bank's business. *(Details of the roles, responsibilities and authority of the Board are available on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Charter of the Board and Board Committee," and then "Charter of the Board of Directors.")*

In addition to complying with the relevant laws and regulations as mentioned above, the Board is committed to abiding with the following principles as stated in the Directors Code of Conduct: a) maintaining honesty, fairness and integrity in discharging their responsibilities, b) conducting personal transactions with the SCB Group, if any, only on an arms-length basis, c) maintaining the confidentiality of information, d) disclosing any conflict of interest, e) abiding with the law, and f) not accepting any inappropriate payments, gifts, entertainment or travel benefits from third parties. In addition, the Board, the Bank's executives and employees are committed to adhering to the principles under the Corporate Code of Conduct and the Employee Code of Conduct. *(Details*



*regarding the Corporate Code of Conduct, the Directors Code of Conduct, and the Employee Code of Conduct are available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Code of Conduct."*

## **5.6 Committees**

The following committees have been set up by the Board and delegated to review or oversee specific matters to support the Board's performance of duties.

### **5.6.1 Board Committees**

At present, the Bank has 4 board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility Committee. The roles and responsibilities of each board committee are clearly defined in its charter, which is available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Charter of the Board and Board Committees." A summary of each committee's operations in 2015 is as follows:

- **Executive Committee**

The Executive Committee is appointed by the Board and comprises a number of directors and executives at the level of senior executive vice president. For members of the Executive Committee serving as the Bank's directors, their terms on the Executive Committee are concurrent with their directorships. As at 31 December 2015, the Executive Committee had 9 members comprising 4 directors, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mr. Arthid Nanthawithaya (deputy chairman of the Executive Committee), Mrs. Kannikar Chalitaporn and Mr. Yol Phokasub, as well as 5 executives of the Bank, each of whom holds the position of senior executive vice president.

The major functions and responsibilities of the Executive Committee are to manage and oversee the Bank's business in accordance with the Bank's strategies and policies and consistent with the Board-approved business direction, including the screening of all matters prior to submission to the Board and approving requests within the scope of delegation assigned by the Board. In 2015, the Executive Committee held 44 meetings.

- **Audit Committee**

The Board initially appointed an Audit Committee in 1998 with responsibilities in several areas, i.e., financial reporting, internal control, internal audit, corporate governance and compliance with ethics and code of conduct. These responsibilities included: to review the Bank's financial statements to ensure the accuracy and adequacy of such statements; to ensure that the Bank has appropriate and effective internal control and an internal audit function; to review the Bank's compliance with regulatory and legal requirements; to review the adequacy of the Bank and SCB Financial Group's risk management processes and policies including the effectiveness of the implementation of the risk management systems; and to perform other duties as stipulated in the Charter of the Audit Committee, etc. Another key role of the Audit Committee is to nominate qualified external auditors and propose the corresponding audit fees to the Board for consideration prior to seeking approval from the shareholders' meeting. Further, the Audit Committee is tasked with

assessing the external auditors' performance on an annual basis. The said assessment is used by the Audit Committee as supporting information for the nomination of qualified auditors in the following year.

As at 31 December 2015, the Audit Committee is comprised of 4 independent directors, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Mr. Ekamol Kiriwat, Dr. Kulpatra Sirodom and Mr. Weerawong Chittmittrapap. Their tenures on the Audit Committee are concurrent with their directorships. Every member of the Audit Committee possesses extensive knowledge and experience in the review of financial statements of banks and there are 2 members graduated in accounting and finance. In 2015, the Audit Committee held 14 meetings, and details of its activities are within the Audit Committee Report provided as part of this Annual Report.

- ***Nomination, Compensation and Corporate Governance Committee***

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are, firstly, to nominate individuals for positions as directors or senior executives of the Bank as well as to propose for the Board's endorsement the appropriate remuneration for members of the Board and the Board committees prior to referring the matter to the shareholders' meeting for approval. Secondly, the Nomination, Compensation and Corporate Governance Committee is assigned to assure that the compensation offered to the Bank's executives is commensurate with their roles and responsibilities. Lastly, it formulates the Bank's policy in respect of corporate governance and proposes it to the Board for consideration and approval. Details regarding roles and responsibilities of the Nomination, Compensation and Corporate Governance Committee are elaborated in the Charter of the Nomination, Compensation and Corporate Governance Committee.

As at 31 December 2015, the Nomination, Compensation and Corporate Governance Committee is comprised of 5 directors, namely Mr. Chumpol NaLamlieng (chairman of the Nomination, Compensation and Corporate Governance Committee, independent director), Khunying Jada Wattanasiritham (independent director), Mr. Krirk Vanikkul (independent director), Mr. Chakkrit Parapuntakul and Mr. Ekniti Nitithanprapas. Their tenures on the Nomination, Compensation and Corporate Governance Committee are concurrent with their directorships. In 2015, the Nomination, Compensation and Corporate Governance Committee held 9 meetings, and details of its activities in 2015 are shown in the Report of the Nomination, Compensation and Corporate Governance Committee in this Annual Report.

***Corporate Social Responsibility Committee***

The roles and responsibilities of the Corporate Social Responsibility Committee are to develop and supervise the policy, business direction, and framework of the Bank's performance and activities in terms of contribution to the country's economy, social welfare and the environment. The Corporate Social Responsibility Committee focuses on building a strong CSR-related foundation to support the Bank's contributions, nurturing new initiatives, developing CSR related networks and sustaining success in the following three core areas: 1) youth development and learning enhancement, 2) volunteerism, and 3) the quality of life and environment.

As at 31 December 2015, all 6 members of the Corporate Social Responsibility Committee were directors, namely Prof. Vicharn Panich M.D. (chairman of the Corporate Social Responsibility Committee), Dr. Chirayu Isarangkun Na Ayuthaya, Khunying Jada Wattanasiritham, Mrs. Kannikar Chalitaporn, Mr. Arthid Nanthawithaya and Mr. Yol Phokasub. Their tenures on the Corporate Social Responsibility Committee are concurrent with their directorships. In 2015, the Corporate Social Responsibility Committee held 8 meetings, and their efforts have led to the Bank's considerable success in implementing CSR activities and projects in accordance with the framework and policy set by the Board, details of which are shown in the 2015 Sustainability Report.

#### **5.6.2 Major Committees Relating to Management of the Bank**

There are 7 key committees relating to the management of the Bank, namely the Management Committee, the Risk Management Committee, the Assets and Liabilities Management Committee, the Equity Investment Management Committee, Information Technology Steering Committee, People Development Committee, and i-Committee. The roles and responsibilities of each committee can be summarized as follows:

- **Management Committee**

The Management Committee is responsible for formulation of the Bank's business plan and annual action plan; the Committee is also in charge of reviewing the operational results and formulating business strategies for competitive success, as well as monitoring and providing decisions on major projects of the Bank. In 2015, the Management Committee held 12 meetings to carry out its duties.

- **Risk Management Committee**

The Risk Management Committee is responsible for the formulation of risk management policies and guidelines for the SCB Financial Group. The Risk Management Committee is also tasked with the control and monitoring of risk, and supervising and assessing the performance of the SCB Financial Group in accordance with risk management policies and criteria as determined by the Bank and the Bank of Thailand. In 2015, the Risk Management Committee held 11 meetings to carry out its duties.

- **Assets and Liabilities Management Committee**

The Assets and Liabilities Management Committee is the key decision-making body for the Bank's risk management approach relating to liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate strategies to address the liquidity, interest rate and foreign exchange risk faced by the Bank as well as to ensure the adequacy of capital to support its business direction, including Tier II capital. Also, it ensures effective and efficient asset/liability management and the ability of the Bank to effectively respond to adverse economic conditions and unexpected shocks. In 2015, the Assets and Liabilities Management Committee held 11 meetings to carry out its duties.

- ***Equity Investment Management Committee***

The Equity Investment Management Committee's responsibilities are to review and approve investment in or divestment of equities in the Bank's investment portfolio, including the investment and operational process associated with the investment. In 2015, the Equity Investment Management Committee held 3 meetings to carry out its duties.

- ***Information Technology Steering Committee***

The Information Technology Steering Committee's responsibilities are to review the Bank's policies, strategies and projects with regard to technology, including measure and formulation of targets and review of issues and concerns. In 2015, the Information Technology Steering Committee held 8 meetings to carry out its duties.

- ***People Development Committee***

The People Development Committee is in charge of formulating policies and strategies for the Bank's human resource management as well as monitoring and supervising implementation of, and compliance with, such policies and strategies. In 2015, the People Development Committee held 4 meetings to carry out its duties.

- ***i-Committee***

The i-Committee is in charge of considering and formulating strategies and plans to support the operation and development of the "SCB Idea Track," with the main goal to strengthen innovation and foster the exchange of ideas. In 2015, the i-Committee held 7 meetings to carry out its duties.

## **5.7 Board Meetings**

Meetings of the Board of Directors are held in accordance with the rules and procedures specified in the Charter of the Board and the Corporate Governance Policy. The meeting schedule of the Board is planned in advance for the entire year. The chairman of the Board determines agendas of the Board meetings. The chairman of the Executive Committee, the chief executive officer, the president or directors can propose agenda items through the company secretary. In addition, the Board has a policy to call for a meeting of the non-executive directors on a semi-annual basis. In 2015, there were 2 meetings of the non-executive directors. As far as possible, the meeting-related documents are delivered to directors 7 days in advance of each Board meeting in order that the directors have sufficient time to study the documents. Directors can request additional information through the company secretary.

At each Board meeting, executives are invited to attend the meeting on agenda items concerning their areas of responsibility in order to provide relevant information to the directors. Such discussions and meetings between directors and executives are also beneficial for executive succession planning. In addition, the Board has established a policy that if the meeting has an agenda to be voted on, at least two of every three board members must be present at the meeting.

In 2015, there were 12 Board meetings (including 2 Board Retreats) and 2 non-executive directors' meetings. Details of directors' meeting attendance are as shown in Table 2.

**Table 2:** Details of Attendance Record in 2015

<i>Name</i>	<i>Board of Directors</i>	<i>Executive Committee</i>	<i>Audit Committee</i>	<i>Corporate Social Responsibility Committee</i>	<i>Nomination, Compensation and Corporate Governance Committee</i>	<i>Annual General Meeting of Shareholders No. 192</i>	<i>Extraordinary Meeting of Shareholders No. 1/2015</i>
1. Mr. Anand Panyarachun <sup>1)</sup>	12/12	-	-	2/2	-	1/1	1/1
2. Dr. Vichit Suraphongchai <sup>1)</sup>	11/12	40/44	-	2/2	-	1/1	1/1
3. Mr. Prasan Chuaphanich <sup>2)</sup>	11/12	-	14/14	-	-	1/1	0/1
4. Prof. Vicharn Panich, M.D.	11/12	-	-	8/8	-	1/1	1/1
5. Mr. Chumpol NaLamlieng	10/12	-	-	-	8/9	1/1	1/1
6. Dr. Chirayu Isarangkun Na Ayuthaya	12/12	-	-	6/8	-	1/1	1/1
7. M.R. Disnadda Diskul <sup>1)</sup>	10/12	-	-	2/2	-	1/1	1/1
8. Dr. Kulpatra Sirodom	12/12	-	13/14	-	-	1/1	1/1
9. Mr. Ekamol Kiriwat	12/12	-	14/14	-	-	1/1	1/1
10. Mr. Weerawong Chittmittrapap <sup>3)</sup>	11/12	-	10/11	-	3/3	1/1	0/1
11. Khunying Jada Wattanasiritham	12/12	-	-	7/8	9/9	1/1	1/1
12. Mr. Krirk Vanikkul <sup>4)</sup>	1/1	-	-	-	1/1	-	1/1
13. Mr. Chakkrit Parapuntakul <sup>5)</sup>	1/1	-	-	-	-	-	-
14. Dr. Ekniti Nitithanprapas <sup>5)</sup>	1/1	-	-	-	-	-	-
15. Mrs. Kannikar Chalitaporn	12/12	40/44	-	8/8	-	1/1	1/1
16. Mr. Arthid Nanthawithaya <sup>6)</sup>	9/9	41/44	-	4/6	-	-	1/1
17. Mr. Yol Phokasub <sup>6)</sup>	9/9	41/44	-	6/6	-	-	1/1
18. Mr. Maris Samaram <sup>7)</sup>	3/3	-	3/3	-	-	1/1	-
19. Mr. Apisak Tantivorawong <sup>8)</sup>	7/8	-	-	-	3/5	1/1	-
20. Mr. Kulit Sombatsiri <sup>9)</sup>	9/10	-	-	-	6/7	1/1	-

Remark:

- 1) Mr. Anand Panyarachun, Dr. Vichit Suraphongchai and M.R. Disnadda Diskul resigned as members of the Corporate Social Responsibility Committee, effective on 24 March 2015.
- 2) Mr. Prasan Chuaphanich was appointed as the chairman of the Audit Committee in replacement of Mr. Maris Samaram, effective on 3 April 2015.
- 3) Mr. Weerawong Chittmittrapap resigned as a member of the Nomination, Compensation and Corporate Governance Committee, and was appointed as a member of the Audit Committee, effective on 3 April 2015.
- 4) Mr. Krirk Vanikkul was appointed as a director and member of the Nomination, Compensation and Corporate Governance Committee, effective on 1 November 2015.
- 5) Mr. Chakkrit Parapuntakul and Dr. Ekniti Nitithanprapas were appointed as directors, effective on 25 November 2015, and as members of the Nomination, Compensation and Corporate Governance Committee, effective on 27 November 2015.
- 6) Mr. Arthid Nanthawithaya and Mr. Yol Phokasub were elected by the AGM No. 192 as directors, effective on 2 April 2015, and were appointed as members of the Corporate Social Responsibility Committee, effective on 3 April 2015.
- 7) Mr. Maris Samaram left office as a director and chairman of the Audit Committee on 2 April 2015.
- 8) Mr. Apisak Tantivorawong left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 17 August 2015.
- 9) Mr. Kulit Sombatsiri left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 2 October 2015.

## **5.8 Board and Senior Executive Assessment**

### **5.8.1 Assessment of Board of Directors and Board Committees**

The Board assessment is divided into four parts covering: 1) self-assessment of individual directors; 2) assessment of the chairman of the Board; 3) assessment of the Board as a whole; and 4) assessment of Board committees.

The Board assessment is conducted annually. Comments and recommendations obtained from the assessment are considered and used for enhancing the effectiveness of the Board's performance and the support teams in order to strengthen the Bank's operation and of good corporate governance practices.

Additionally, to ensure effective assessment of the Board, the Bank engages an external consultant with professional expertise and experience in corporate governance to determine assessment guidelines and topics and to facilitate a board assessment at least once every 3 years, starting from 2012. In 2015, the Bank hired Aon Hewitt (Thailand) to process the assessment. The up-to-date assessment forms were submitted to all directors for their assessment and opinions, including individual interviews. The assessment results were then analyzed and proposed to the Board for consideration. Main assessment topics in the whole board assessment form included, for example, Board composition/structure, meetings, strategies and planning/managing company performance, risk management, corporate governance and social development, director and management development, and the executive succession plan. Performance of Board committees was also evaluated in dimensions such as undertaking of duties and responsibilities as set forth in the relevant charters, meeting effectiveness, and communication of the results or meetings resolutions to directors. The Board chairman's performance was also assessed in aspects such as his conduct at Board meetings and shareholders' meetings.

According to the results of 2015 Board performance assessment, , , the Board's performance was strong, and the performance of the Board and the Board Committees in most of the categories surveyed met or exceeded expectations. Nonetheless, the Board aspired to improve upon certain areas based on the findings from the evaluation and the recommendations of the independent appraisal with an aim to further elevate its effectiveness.

### **5.8.2 Senior Executive Assessment**

Prior to proposing the matter to the Board for approval, the Nomination, Compensation and Corporate Governance Committee is responsible for assessing the performance of the Bank's senior executives, namely the chairman of the Executive Committee, chief executive officer, the president, and senior executives holding the position of executive vice president or higher, on an annual basis.

## **5.9 Procedure for Nomination of Directors and Senior Executives**

The Nomination, Compensation and Corporate Governance Committee is responsible for screening and proposing to the Board qualified candidates that meet the Bank's strategies to serve as directors and members of Board committees based on each candidates' knowledge, capabilities, and the experience required for any director positions that fall vacant, as well as, in the case of independent directors, their independence. With regard to the directors representing major shareholders, in

principle the major shareholders are required to propose individuals to be elected as the Bank's directors who are considered appropriate to the needs of the Bank. The Board only has the duty to verify that the qualifications of such individuals nominated are not contrary to relevant laws. Further, to conform to the Bank's policies governing directors' holding position in other companies, the Nomination, Compensation and Corporate Governance Committee refrains from considering candidates who hold positions in five or more listed companies. The Nomination, Compensation and Corporate Governance Committee selects candidates for directorship from the pool of director of the Thai Institute of Directors Association (IOD) and the Bank (proposed by individual directors), as well as from the list of candidates proposed by shareholders. After a scrutiny of the candidates' qualifications to ensure compliance with laws and regulations, the Nomination, Compensation and Corporate Governance Committee will propose selected candidates to the Board for consideration. Following the Board's endorsement of the nominated candidates, the Bank will consult with and seek endorsement from the Bank of Thailand prior to proposing the candidates to the shareholders for approval.

The Nomination, Compensation and Corporate Governance Committee is also responsible for reviewing and screening the qualifications of persons nominated for senior executive positions and above, prior to proposing the nominations to the Board for approval and subsequently to the Bank of Thailand for endorsement of the appointment.

In 2015, the Nomination, Compensation and Corporate Governance Committee, at its Meeting No. 8/2015, refined the criteria for screening qualifications of directors to provide a framework for their nomination and selection in line with the Bank's strategic and business directions. The personal characteristics and expertise that constitute the desired qualifications of directors are defined and classified into three aspects: (1) Knowledge, expertise or experience in macro-level management, (2) Knowledge, expertise or specific experience in the management of financial institutions, and (3) Knowledge, expertise or experience in other fields that is deemed useful to the Board. The Nomination, Compensation and Corporate Governance Committee also reviewed and updated the Board Skill Matrix, a tool for analyzing qualifications of the existing Board that is also useful to consider when screening candidates for a new director position.

The above-mentioned processes for nomination, selection and appointment of directors and senior executives are conducted by the Board, the Nomination, Compensation and Corporate Governance Committee and relevant management without any discrimination on the grounds of race, religious belief, gender, marital status or physical disability.

#### **5.10 Succession Planning**

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility for succession planning in order to ensure that the Bank has in place a succession plan that incorporates the nomination, selection and training for key positions, particularly the positions of the chairman of the Executive Committee, the chief executive officer, the president and executives at executive vice president level or higher , to ensure the continuity of the Bank's management and business operations as and when executive positions become vacant due to job transfer, retirement or resignation. In 2015, Mrs. Kannikar Chalitaporn indicated her desire to retire

as the president. Hence, the Nomination, Compensation and Corporate Governance Committee considered qualified candidates and nominated qualified senior executives to succeed Mrs. Kannikar Chalitaporn: Mr. Arthid Nanthawithaya, senior executive vice president, Wholesale Banking Group, was appointed as chief executive officer (CEO) and deputy chairman of the Executive Committee, and Mr. Yol Phokasub, senior executive vice president, Retail Banking Group and Business Banking Group, was appointed as the president. Under the new leadership structure, all business units continue to report to the president while the chief executive officer is primarily responsible for the strategic direction of the Bank and its related policies. Both will be jointly responsible and accountable for all key decisions of the Bank, and together they will steer the performance of the Bank and its management team towards agreed long term goals.

Also, the Bank has developed competency sets for many senior positions and job families to facilitate succession planning and employee career progression.

## 5.11 Director and Executive Remuneration

### 5.11.1 Director Remuneration

The Board requires that director remuneration should be commensurate with the duties and responsibilities that directors undertake to address stakeholders' expectations and in accordance with applicable laws and regulations. As a result, the Bank's directors must possess appropriate experience and qualifications and be offered remuneration appropriate to their contributions and responsibilities. The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration of directors and members of Board committees to the Board for consideration and, subsequently, for proposal to shareholders for approval annually.

At the 2015 AGM, the shareholders approved the resolution that the chairman of the Board receive a remuneration of Baht 1.8 million per year, and each member of the Board receive a remuneration of Baht 1.2 million per year. These rates are consistent with those adopted since 2000. In 2015, the Board of Directors, comprising 20 directors (including those starting or retiring during the year), received an aggregate remuneration of Baht 19.19 million.

At the said AGM, shareholders approved a bonus payment to directors at a rate of not more than 0.5 percent of the dividend, and authorized the Board to determine how the bonus should be distributed. As shareholders approved a dividend payment of Baht 20,395 million or Baht 6.00 per share for the Bank's 2014 operating results, the directors' bonus for 2014 performance was set at Baht 60 million or 0.29% of the dividend.

### Current Remuneration of the Board Committees as Approved by Shareholders at the 2015 AGM

Committee	Monthly remuneration (Baht)	Attendance fee (Baht/meeting)
<b>Executive Committee</b>		
• Chairman	-	-
• Member	300,000	-



<b>Committee</b>	<b>Monthly remuneration (Baht)</b>	<b>Attendance fee (Baht/meeting)</b>
<b>Audit Committee</b>		
▪ Chairman	75,000	15,000
▪ Member	50,000	10,000
<b>Nomination, Compensation and Corporate Governance Committee</b>		
▪ Chairman	45,000	15,000
▪ Member	30,000	10,000
<b>Corporate Social Responsibility Committee</b>		
▪ Chairman	45,000	15,000
▪ Member	30,000	10,000

*Remark: The chairman of the Executive Committee, the chief executive officer and deputy chairman of the Executive Committee, the president, and other senior executives do not receive remuneration for serving on Board committees.*

In 2015, members of the Board committees, i.e., the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility Committee, totalling 17 persons, received an aggregate remuneration of Baht 10.01 million.

Remuneration of individual directors is shown in Table 3.

**Table 3: Details of Remuneration of Individual Directors in 2015.**

Unit: Million Baht

<b>Name</b>	<b>Board of Directors</b>	<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Corporate Social Responsibility Committee</b>	<b>Nomination, Compensation and Corporate Governance Committee</b>	<b>Directors' bonus for 2014 performance</b>
1. Mr. Anand Panyarachun <sup>1)</sup>	1.80	-	-	0.11	-	5.65
2. Dr. Vichit Suraphongchai	1.20	-	-	-	-	3.77
3. Mr. Prasan Chuaphanich <sup>2)</sup>	1.20	-	1.01	-	-	3.77
4. Prof. Vicharn Panich, M.D.	1.20	-	-	0.66	-	3.77
5. Mr. Chumpol NaLamlieng	1.20	-	-	-	0.66	3.77
6. Dr. Chirayu Isarangkun Na Ayuthaya	1.20	-	-	0.42	-	3.77
7. M.R. Disnadda Diskul <sup>1)</sup>	1.20	-	-	0.11	-	3.77
8. Dr. Kulpatra Sirodom	1.20	-	0.73	-	-	3.77
9. Mr. Ekamol Kiriwat	1.20	-	0.74	-	-	3.77
10. Mr. Weerawong Chittmittrapap <sup>3) and 13)</sup>	1.20	-	0.54	-	0.12	1.32
11. Khunying Jada Wattanasiritham <sup>13)</sup>	1.20	-	-	0.43	0.45	3.77
12. Mr. Krirk Vanikkul <sup>4)</sup>	0.20	-	-	-	0.07	-

<b>Name</b>	<b>Board of Directors</b>	<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Corporate Social Responsibility Committee</b>	<b>Nomination, Compensation and Corporate Governance Committee</b>	<b>Directors' bonus for 2014 performance</b>
13. Mr. Chakkrit Parapuntakul <sup>5)</sup>	0.12	-	-	-	0.03	-
14. Dr. Ekniti Nitithanprapas <sup>5)</sup>	0.12	-	-	-	0.03	-
15. Mrs. Kannikar Chalitaporn	1.20	2.68	-	0.33	-	3.77
16. Mr. Arthid Nanthawithaya <sup>6)</sup>	0.90	-	-	-	-	-
17. Mr. Yol Phokasub <sup>6)</sup>	0.90	-	-	-	-	-
18. Mr. Robert Ralph Parks <sup>7)</sup>	-	-	-	-	-	0.96
19. Miss Supa Piyajitti <sup>8)</sup>	-	-	-	-	-	1.45
20. Mr. Bodin Asavanich <sup>9)</sup>	-	-	-	-	-	1.57
21. Pol. Gen. Abdul Sangsingkeo <sup>10)</sup>	-	-	-	-	-	2.49
22. Mr. Maris Samaram <sup>2)</sup>	0.30	-	0.29	-	-	3.77
23. Mr. Apisak Tantivorawong <sup>11)</sup>	0.75	-	-	-	0.26	3.77
24. Mr. Kulit Sombatsiri <sup>12)</sup>	0.90	-	-	-	0.33	1.32
<b>Total</b>	<b>19.19</b>	<b>2.68</b>	<b>3.31</b>	<b>2.06</b>	<b>1.96</b>	<b>60.00</b>

**Remark:**

- 1) Mr. Anand Panyarachun and M.R. Disnadda Diskul resigned as members of the Corporate Social Responsibility Committee, effective on 24 March 2015.
- 2) Mr. Maris Samaram left office as a director and chairman of the Audit Committee, effective on 2 April 2015; and Mr. Prasan Chuaphanich was appointed as the chairman of the Audit Committee in replacement of Mr. Maris Samaram, effective on 3 April 2015.
- 3) Mr. Weerawong Chittmittrapap resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Audit Committee, effective on 3 April 2015.
- 4) Mr. Krirk Vanikkul was appointed as a director and member of the Nomination, Compensation and Corporate Governance Committee effective on 1 November 2015.
- 5) Mr. Chakkrit Parapuntakul and Dr. Ekniti Nitithanprapas were appointed as directors on 25 November 2015, and they were appointed by the Board to serve as members of the Nomination, Compensation and Corporate Governance Committee effective on 27 November 2015.
- 6) Mr. Arthid Nanthawithaya and Mr. Yol Phokasub were appointed as directors on 2 April 2015.
- 7) Mr. Robert Ralph Parks left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 3 April 2014.
- 8) Miss Supa Piyajitti left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 20 May 2014.
- 9) Mr. Bodin Asavanich left office as a director on 1 June 2014.
- 10) Pol. Gen. Abdul Sangsingkeo left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 29 August 2014.
- 11) Mr. Apisak Tantivorawong left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 17 August 2015.
- 12) Mr. Kulit Sombatsiri left office as a director and member of the Nomination, Compensation and Corporate Governance Committee on 2 October 2015.
- 13) Khunying Jada Wattanasiritham and Mr. Weerawong Chittmittrapap received remuneration of Baht 1.03 million and Baht 0.76 million respectively for serving as independent directors of a subsidiary of the Bank in 2015.

**5.11.2 Executive Remuneration**

The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration for executives, including the chief executive officer and the president, to the Board for endorsement. The remuneration should be appropriate for and in line with the Bank's policies as well

as reflect short-term and long-term corporate performance and individual performance. The performance is assessed and benchmarked against KPIs, which include financial indicators, customer-related indicators, process development initiatives and other indicators, to build a solid foundation for sustainable success of the Bank. The remuneration is assessed using transparent criteria, scope of responsibilities, and competitiveness of the Bank as compared to leading financial institutions and companies in Thailand.

In accordance with the definition determined by the Office of Securities and Exchange Commission, the term “executives” refers to “the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in the accounting or finance departments.” In 2015, the number of the Bank’s executives using this definition covered 10 persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 384.46 million (inclusive of 3 executives who resigned during the year). On the other hand, the term “executives” according to the definition of the Bank of Thailand refers to executives holding the position of executive vice president level or higher and the number of Bank’s executives using this definition covers 78 persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 1,257.43 million (inclusive of 8 executives who resigned during the year).

#### **5.11.3 Other Benefits for Director and Executive**

Directors and executives of the Bank are entitled to receive other welfare and benefits in accordance with the Bank’s regulations. Directors are entitled to medical benefits, including an annual medical check-up, that are equivalent to those offered to the Bank’s executives at the level of executive vice president level or higher, and the chairman of the Board is additionally entitled to a company car benefit. In 2015, 5 non-executive directors of the Bank were allowed medical expense reimbursement of Baht 206,256.60. The Bank’s executives are entitled to welfare and other benefits similar to those offered to other employees such as medical, annual medical check-up, life and accident insurance, welfare-type loans and provident fund contributions. In 2015, the Bank’s provident fund contribution for 9 executives as defined by the Office of Securities and Exchange Commission, i.e., senior executive vice president level, was Baht 7.95 million, while the provident fund contribution for 71 executives as defined by the Bank of Thailand, i.e., executive vice president level and higher, was Baht 38.14 million.

#### **5.12 Director Orientation**

The Bank arranges orientation meetings for all new directors. At these meetings, briefings are provided covering the Bank’s vision, strategies, key business targets and operating plans. These briefings are conducted by the president and senior executives. Also, important documents are provided to new directors, including the Director’s Manual, the Memorandum and Articles of Association of the Bank, the Bank’s Annual Report, and the Directors’ Code of Conduct. These documents annunciate, among others, key information regarding the roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, and roles and responsibilities of the Board committees.

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**5.13 Director, Executive and Employee Development****5.13.1 Director Development**

The Bank attaches importance to the development of its directors and encourages directors to participate in such courses or activities as will serve to enhance their knowledge and performance as members of the Board of Directors and Board committees. These courses and activities are usually arranged by the Stock Exchange of Thailand, the Office of Securities and Exchange Commission, the Thai Institute of Directors and other institutions. Detailed information with respect to the participation of the Bank's directors in the training programs organized by the Thai Institute of Directors Association (IOD) is shown in Table 4. Directors are also encouraged to attend overseas seminars and activities that promote an appreciation of corporate governance practices. In this regard, the Bank regularly keeps directors informed of relevant training courses. Details of participation of each director in training courses in 2015 are shown in Table 5.

Further, the Board of Directors has directed the Bank to regularly arrange appropriate development programs to ensure that directors remain current with the skills and knowledge related to their performance as members of the Board of Directors and Board committees and incorporate a suitable program in Board meetings, at least once per year.

**Table 4: Participation of the Bank's Directors in Training Programs Organized by the Thai Institute of Directors Association (IOD)**

[illegible]

**Table 5: Participation of the Bank's Directors in Training Courses in 2015**

Name of Director	Course Subject	Organizer
1. Mr. Anand Panyarachun	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute
2. Dr. Vichit Suraphongchai	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-E-Commerce and Digital Business Landscape in Thailand	The Siam Commercial Bank PCL
	-FinTech Investment and Outlook	The Siam Commercial Bank PCL
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute
3. Mr. Prasan Chuaphanich	-Corporate Governance and Director Duties Excellent 2015	Quest Masterclass, Singapore
	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Anti-Corruption Act	Thai Institute of Directors Association (IOD)
	-Financial Intermediation in the "New" Capitalism	The Siam Commercial Bank PCL
	-Thailand CG Forum	The Stock Exchange of Thailand
4. Professor Vicharn Panich, M.D.	-Corporate Governance and Director Duties Excellent 2015	Quest Masterclass, Singapore
	-CG Forum 2/2015 "The Responsibility of the Board and Management on Internal Control"	The Stock Exchange of Thailand
	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute
5. Dr. Chirayu Isarangkun Na Ayuthaya	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
6. Dr. Kulpatra Sirodom	-Corporate Governance and Director Duties Excellent 2015	Quest Masterclass, Singapore
	-CG Forum 2/2015 "The Responsibility of the Board and Management on Internal Control"	The Stock Exchange of Thailand
	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Anti-Corruption Act	Thai Institute of Directors Association (IOD)
	-Financial Intermediation in the "New" Capitalism	The Siam Commercial Bank PCL
7. Mr. Weerawong Chittmitrapap	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
8. Khunying Jada Wattanasiritham	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Anti-Corruption Act	Thai Institute of Directors Association (IOD)
	-Financial Intermediation in the "New" Capitalism	The Siam Commercial Bank PCL
9. Mrs. Kannikar Chalitaporn	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Financial Intermediation in the "New" Capitalism	The Siam Commercial Bank PCL
	-E-Commerce and Digital Business Landscape in Thailand	The Siam Commercial Bank PCL
	-FinTech Investment and Outlook	The Siam Commercial Bank PCL
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute
10. Mr. Arthid Nanthawithaya	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute
11. Mr. Yol Phokasub	-How to Sustain Economic Growth in Asia?	Cambridge Society of Thailand
	-E-Commerce and Digital Business Landscape in Thailand	The Siam Commercial Bank PCL
	-FinTech Investment and Outlook	The Siam Commercial Bank PCL
	-Trans-Pacific Strategic Economic Partnership Agreement	Thailand Development Research Institute

**5.13.2 Executive and Employee Development**

The Bank strongly believes that the continuous development of its employees at all levels is a key foundation for sustainable growth and business success, both in the short- and long-term. In 2014, the Bank primarily focused on the implementation of a systematic and comprehensive career development program to enhance the knowledge, skills and competencies of employees through identifying competency sets for each position and a corresponding career roadmap, including succession planning for key positions. This will enable the Bank to steer its people development efforts in alignment with the prevailing business needs, its future goals and strategies, and career advancement of its personnel based on proficiency and career preference. In pursuing its goal of becoming a learning organization, the Bank continued its implementation of a blended learning and development approach to promote learning-outside-the-classroom. In particular, internal skills development programs were reinforced by integrating current business scenarios. Other major programs implemented by the Bank included coaching programs, e-learning, a management associate program, leadership development programs, scholarship programs for domestic and overseas education, and a project named I-Plearn, which offers new and innovative “edutainment” learning tools.

Details of executive and employee development in 2015 are shown in the 2015 Sustainability Report.

**5.14 Oversight of Subsidiaries and Affiliates**

The Bank, as the parent company of companies in the SCB Financial Group, attaches importance to aligning the business direction of companies in SCB Financial Group to the Bank’s policies and processes, as this contributes to synergy and operational effectiveness of the SCB Financial Group.

The Board of Directors has delegated to the Executive Committee the authority to nominate the Bank’s executives with the appropriate business acumen and expertise as representative directors of companies in the SCB Financial Group in order to assist in the formulation of the policies and strategies of each affiliate and ensure, to the extent applicable, that these are in line with the Bank’s key policies. In this regard, the Bank has developed a representative director handbook, which defines the roles and responsibilities of representative directors as well as provides guidelines for representative directors who have a key role in protecting the rights and interests of the Bank and its shareholders.

Also, to promote transparency and prevent conflict of interest, the Bank, as the parent company, has established policies and regulations governing transactions among companies in the SCB Financial Group based on applicable regulatory and legal requirements.

Further, the Risk Management Committee is established by the Board of Directors and tasked with monitoring and supervising risk management practices of all companies in the SCB Financial Group to ensure compliance with risk management policies and regulations imposed by both the Bank and the Bank of Thailand. Risk management policies for companies in the SCB Financial Group have been developed to provide standard guidelines for identifying, assessing, controlling, monitoring and reporting material risks specific to each company in the SCB Financial Group.

**5.15 Board Support Unit**

The Bank provides support to and recognizes the importance of the following units and personnel therein who are responsible for ensuring the Bank's proper compliance with laws and regulations as well as the Board's adherence to statutory and good corporate governance practices:

**5.15.1 Audit Function**

The Audit Function is an independent and business-neutral unit that has been established to improve the level of internal control, including policies, practices and procedures, and to ensure compliance therewith for the SCB Group. Also, the Audit Function conducts regular audits, identifies conditions requiring attention, provides advice, and recommends improvements to internal control, risk management systems, and corporate governance practices.. The Audit Function is led by Mrs. Kannika Ngamsopee, first executive vice president, head of audit, who is responsible for ensuring that the aforesaid roles and responsibilities are effectively carried out. The head of audit reports directly to the Audit Committee. The Audit Committee has the duty to review the suitability of the head of audit in terms of qualifications and performance, as well as to endorse the appointment, removal, transfer, or dismissal of the head of audit, including conducting the annual performance assessment.

**5.15.2 Compliance Function**

The Compliance Function serves as the Bank's regulatory center, providing consultation and advice pertaining to regulatory requirements and the Bank's policies, practices, procedures and controls. It also coordinates with the regulators on behalf of the Bank. The Function is also in charge of formulating internal policies, rules and regulations that govern the regulatory and legal compliance for all employees and executives of the Bank. It is also responsible for screening the qualifications of persons nominated as directors or executives of the Bank and its subsidiaries to ensure that the nominees possess appropriate qualifications that meet legal and regulatory requirements. The Compliance Function is under the leadership of Mr. Nopadol Mungonchai, executive vice president, head of compliance.

**5.15.3 Company Secretary**

The Board of Directors has appointed a company secretary to act under the provisions of law and as further instructed by the Board of Directors. Currently, Mrs. Wallaya Kaewrungruang, senior executive vice president, chief legal and control officer, is the company secretary. The key roles are to support the Board with respect to statutory and supervisory requirements and good corporate governance. Functions of the company secretary are available on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Company Secretary."

Educational background, work experience, and training records of the persons mentioned above are provided in this Annual Report under "Information of the Management and Controller of the Bank."



**Executives as per S.E.C definition****(As of December 31, 2015)****1. Mr. Arthid Nanthawithaya**

Chief Executive Office, Deputy Chairman of the Executive Committee

**2. Mr. Yol Phokasub**

President

**3. Mr. Deepak Sarup\***

Senior Executive Vice president, Chief Financial Officer

**4. Mr. Sarunthorn Chutima**

Senior Executive Vice President, Head of Special Business

**5. Ms. Wallaya Kaewrungruang**

Senior Executive Vice President, Chief Legal and Control Officer

**6. Mr. Anucha Laokwansatit**

Senior Executive Vice President, Chief Risk Officer

**7. Dr. Jens Lottner**

Senior Executive Vice President, Chief Strategic Officer

\* Mr. Deepak Sarup is retired from the CFO position on April 7, 2016.

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## 10. Corporate Social Responsibility

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### Sustainability at SCB

SCB is committed to conducting business in accordance with good governance practices, recognising that ethical business conduct, transparency, social and environmental responsibility are essential for building and maintaining public trust. SCB is therefore continuously improving its business processes and developing a wide range of financial products and services to meet customer needs in various segments, while striving to be a truly innovative organisation. The Bank also uses its capacity and extensive branch network to increase access to financial services and promote financial literacy among consumers of all ages, in order to support its stable growth as well as strengthen the foundation for economic sustainability for Thai society as a whole.

SCB recognises the importance of being prepared for challenges in order to adapt to changes and manage associated risks, whether they are in stakeholder expectations, economic conditions, climate change, aging demographics, or disruptive innovations. Organisational agility provides the ability to continually adjust strategies to constant change, and helps to build and sustain the Bank's strength and resilience. SCB is therefore committed to building its employees' capacity and positive view of change, while maintaining the highest standards of professional ethics in providing services.

In addition to economic sustainability, SCB also places importance on positive social impact and environmental conservation. SCB has therefore encouraged a culture of volunteerism among its employees, so that they have the opportunity to participate in creating social impact. As a result, SCB works hand in hand with the Siam Commercial Foundation (SCBF), and other partner organisations in various activities that cover youth and education, environmental management and quality of life, and building capacity among local communities. Moreover, SCB has also shared lessons learned from highly effective community projects to other interested organisations for further development of impactful programs. (Please refer to Sustainability Report for more detail)

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## 11. Internal Control and Risk Management

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The Bank monitors and assesses the adequacy of its internal control system and the effectiveness of its risk management systems on an annual basis. This assessment covers five components: the control environment, risk assessment, control activities, information and communications, and monitoring activities. Activities undertaken under each of these components are outlined below:

### Control Environment

The Bank requires that all business and functional units, including those under the umbrella of its financial group, maintain a culture and environment that provides for a sound and effective internal control system, together with a commitment by all employees to adhere with the principles of integrity and transparency. The Bank believes that a sound internal control system is critical foundation in meeting its business objectives in a sustainable manner.

Accordingly, the Bank has prepared formal policies and procedures requiring that management and staff at every level in the organization have a role, duty and responsibility for maintaining sound internal control. The Bank has established an organizational structure that supports maintenance of an internal control system through clear supervisory lines, scope of authority for management and staff, and effective segregation of duties, all of which are under the oversight of the Board of Directors. The Board of Directors is independent from management and exercises oversight over the development and effectiveness of the internal control environment. In 2015, the Bank reorganized its organizational structure, around five clusters, including a Risk and Control Cluster. The new structure has further elevated the importance of the risk and control related functions and provides a better platform for monitoring and oversight of the control environment and risk management. In addition to creating this new cluster, the reorganization separated the Compliance Function from the Audit Function to strengthen the internal checks and balances consistent with good governance principles.

As part of its ongoing efforts to maintain effective internal control and risk management and efficient business operations, the Bank provides extensive training to ensure that executives and staff possess the relevant knowledge and skills to undertake their duties. Also, the Bank has a Code of Conduct that provides the rules and practices that all employees must follow or be subject to appropriate disciplinary action. Under the whistleblower policy, the Bank has introduced a Whistleblower Hotline, (in addition to an e-mail inbox, [whistleblower@scb.co.th](mailto:whistleblower@scb.co.th), or by way of letters to the president, head of Audit Function, or head of Human Resource Function), as a new communication channel. Complaints and notifications that may indicate potential fraud or corrupt practices are then forwarded to the executives concerned for further action. The Bank has undertaken these and other related efforts to ensure that management and staff perform their functions with transparency, integrity, fairness and accountability, and that their performance is routinely reviewed so as to engender greater trust with all stakeholders.

**Risk Assessment**

The Board of Directors has assigned the Risk Management Committee the responsibility for formulating policies and duties related to risk management for the Bank and the SCB Group, as well as overseeing and reviewing the effectiveness of the risk management framework and risk assessment procedures on a regular basis. When planning for new or improved risk management practices, the Committee considers internal and external factors including the potential risk of material fraud or operational errors. The Risk Management Committee provides updates from its meetings to the Executive Committee, the Audit Committee and the Board of Directors on a monthly basis.

The Bank continually develops and improves its risk management processes and risk assessment procedures, concurrently with establishing controls, identifying and monitoring the underlying risk levels, and assessing the potential exposure to the Bank. Also, the Bank evaluates the adequacy of its capital and the provisions for impairment to its assets after taking into account significant risk factors. The aim is to ensure compliance with the related regulatory requirements, and maintain adequate capacity to support future growth and cope with unforeseen risks.

**Control Activities**

The Bank has formal policies, regulations, operational procedures, manuals, and instructions, which are reviewed and updated on a regular basis. This includes general controls over the information systems covering data center operations, including data networks, system development and testing, IT system maintenance, and IT security procurement and management.

Further, the Bank emphasizes the segregation of duties as a key control to maintain adequate and appropriate controls over operations at every level within the organization and to maintain a system of checks and balances, particularly for activities prone to the risk of inappropriate decisions or giving rise to a conflict of interest.

In response to the KMIT related embezzlement incident in early 2015, the Bank has improved and enhanced the internal control processes to boost the effectiveness and efficiency of the Bank's operational processes, particularly at its branch network. In addition, the Bank has engaged an external consultant to review Group's internal control systems and to recommend improvement in line with international best practices.

**Information and Communications**

The Bank and the SCB Group has developed and implemented systems that provide complete, reliable and timely information to the Board of Directors, executives and other stakeholders such as shareholders, investors, and regulators. These systems are upgraded on an ongoing basis.

The Bank emphasizes the importance of IT security and the confidentiality of confidential customer data, with continual enhancement to the underlying systems and procedures to ensure that its security measures remain sound and appropriate.

The Bank provides internal communication channels to managers in the Bank and the SCB Group to disseminate policies, regulations, procedures, manuals and other essential information to the appropriate employees. These communications are designed to keep all executives and relevant staff knowledgeable and informed and facilitate compliance with the policies, procedures, and regulations in a proper and timely manner. In addition, the Bank provides a separate communication channel to enable anonymous or confidential communication, from both internal and external parties, under its whistleblower policy.

### **Monitoring Activities**

The Compliance Function is responsible for reviewing and monitoring all units within the Bank and the SCB Group to ensure legal and regulatory compliance. The Audit Function reviews internal controls to ensure that these controls are appropriate and are functioning as designed. The Audit Function also analyzes the root cause of any material incidents found during the audit in order to facilitate appropriate corrective action and improve operational procedures, if appropriate. Further, the Function also follows up on the implementation of its recommendations to ensure that issues of concern are resolved and improvements, if any, are made.

The Audit Committee and the Board of Directors have reviewed the results of the assessment of internal control and their adequacy and discussed this assessment with the Bank's management. The Audit Committee's opinion is that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion was in line with the opinion of the external auditors.

### **Audit Committee Report**

The Audit Committee of Siam Commercial Bank PCL is comprised of four independent directors. Following a resolution of the Board of Directors' meeting no. 4/2015 on April 2, 2015, Mr. Weerawong Chittmittrapap was appointed as a member of the Audit Committee, replacing Mr. Maris Samaram, who retired as a director at the AGM in 2015. As a result, the members of the Audit Committee from April 2, 2015 were:

- |                                     |                                 |
|-------------------------------------|---------------------------------|
| • Mr. Prasan Chuaphanich            | Chairman of the Audit Committee |
| • Assoc. Prof. Dr. Kulpatra Sirodom | Member of the Audit Committee   |
| • Mr. Ekamol Kiriwat                | Member of the Audit Committee   |
| • Mr. Weerawong Chittmittrapap      | Member of the Audit Committee   |

Mrs. Kannika Ngamsopee, first executive vice president and head of Audit Function, serves as the secretary to the Audit Committee.

The Audit Committee has performed its duties in accordance with the scope of responsibilities defined in the Audit Committee Charter approved by the Board of Directors. In 2015, the Audit Committee held 14 meetings with management and senior executives in charge of the relevant

organizational units in addition to regular meetings with the representatives of the Audit Function. Also, the Committee met with external auditors both with and without management being present at meeting. Summaries of the deliberations and recommendations of each Audit Committee meeting were presented to the Board of Directors to both inform the Board and, if appropriate, to seek direction on specific matters.

Highlights of the activities in 2015 are as follows:

- **Financial Reporting**

The Audit Committee, with support and advice from the external auditors and executives of the Finance Function, reviewed SCB's and its subsidiaries quarterly, half-year and annual financial statements, including the consolidated financial statements of the Group. This was to ensure that the financial statements were accurate and complete and provided all required material information and that they were prepared in accordance with the Thai financial reporting standards and related laws and regulations. This review included consideration of the findings and reports from audits and risk management. The Audit Committee regularly met with the external auditors and the Bank's finance executives to ensure that the financial statements provide a clear view of the financial state-of-the-affairs of the Bank and the Group and incorporate all events with significant impact on the financial statements at the time the statements are issued.

- **External Auditor**

The Audit Committee considers, on an annual basis, the appointment of the Bank's external auditor. Following its recommendation and the Boards endorsement thereof, the shareholders appointed KPMG Phoomchai Audit Ltd. as the auditor for SCB and its subsidiaries at the 2015 AGM, although in some countries where the Bank has a presence, it was necessary to appoint another firm. The recommendations to the shareholders was based on the auditor's qualifications, knowledge, capability, independence in accordance with the requirements of the Securities and Exchange Commission, and the quality of the audit over the past year, as well as the appropriateness of the audit fees.

- **Internal Control and Audit**

The Audit Committee considered the internal audit reports and results and reviewed the internal control assessment by management, the Audit Function, external auditors, the Bank of Thailand, and other regulators overseeing the Bank and its subsidiaries. The Committee monitored that corrective actions with respect to critical risk issues were taken by management. Also, in terms of any unusual incidents such as material frauds or operational errors, the Committee ensured that the cause for these incidents was identified, and appropriate action taken to prevent a recurrence, as far as possible.

In response to the KMIT-related major embezzlement incident in early 2015, the Bank improved and enhanced the effectiveness of its internal control. This included additional and stronger controls over the operations of the branch network and the advanced use of analytics to provide an early indication of abnormal patterns for transactions or activities. In addition, the Committee led in the

selection and engagement of an experienced external consultant to review SCB Group's internal control systems and recommend improvements thereto, in line with international standards and practices.

The Audit Committee considered the independence of internal audit, approved the Internal Audit Charter, approved annual audit plans, and provided recommendations for more efficient and effective auditing practices. The Committee acknowledged the complaints and notifications it received, mainly through the whistle blower channel, and assessed these for any indication of potential fraud, misconduct, or corrupt practices. Further the Committee monitored the complaint management process to ensure that issues raised were handled in a proper and transparent manner.

As a result of the forgoing activities the Audit Committee concluded that the overall internal control environment of the Bank was appropriate and adequate for the business operations of the Bank and its subsidiaries. This conclusion was in line with the external auditors' opinion. Further, the Audit Committee was of the opinion that the first executive vice president and head of Audit Function has appropriately and effectively supervised and monitored the operations of the Audit Function. The annual merit increase was based on the assessment of her performance.

(See the profile of the first executive vice president and head of Audit Function on attachment 3)

- **Regulatory Compliance**

The Audit Committee reviewed SCB and its subsidiaries' compliance with applicable laws and regulations, and the Compliance Function's performance, on a monthly basis. This was to ensure: the effective monitoring and control over the regulatory compliance of the operations and business policies and practices of units under SCB and its subsidiaries; and corrective actions have been taken when appropriate, including improvements in the operational processes in accordance with the related regulations. The Audit Committee regularly reported to the Board of Directors all critical issues and significant regulatory changes that may affect the Bank's operations. The Audit Committee reviewed and approved the annual compliance report, before its submission to the Bank of Thailand and the Securities and Exchange Commission.

In 2015, SCB and its subsidiaries reviewed and updated, on a regular basis, compliance policies, orders, regulations, and performance review plans. Easy-to-understand communications were used to inform all employees of significant regulatory compliance issues as well as to improve the effectiveness of the compliance related to the Anti-Corruption and Bribery Policy and the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) law.

- **Risk Management**

The Audit Committee considered SCB and the SCB Group's risk management policies and held monthly meetings with executives from the Risk Management Function to acknowledge and monitor potential risk issues and provide recommendations for improvement, where necessary. The Committee and executives discussed key risk factors and other significant risk issues to ensure that SCB and the SCB Group's risk management guidelines and measures are effective in addressing the potential risk from current operations and future risk scenarios. Also, the Committee discussed

the appropriateness of the risk management systems and procedures under the supervision of the Risk Management Function and the Risk Management Committee.

- **Related-Party Transactions and Conflicts of Interest**

The Audit Committee reviewed, supervised, and commented on any significant related-party transactions, particularly those that may involve a conflict of interest, in line with regulatory compliance norms, so that any such transactions are proposed to the Board of Directors and/or shareholders, as required. This is to ensure that these transactions are transparent, reasonable and adequately protect the interests of the Bank and its shareholders. In 2015, the Bank had one material connected transaction which was disclosed in accordance with the regulations of the Stock Exchange of Thailand. The information pertaining to other connected transactions is disclosed in the notes to the financial statements.

- **Others**

In 2015, the Audit Committee revised the Charter of the Audit Committee in terms of the scope of the Audit Committee's responsibility pertaining to risk management so as to better clarify the duties of the Committee in this area in accordance with the Securities and Exchange Commission's requirements. The Committee also approved the scope of extended services that the external auditors may provide to the Bank without any impairment to the independence of the audit. This scope of services will serve as guidelines to the Bank when it decides to use the external auditor for other services. As in prior years, members of the Audit Committee undertook a self-assessment to enhance the efficiency of the Committee's performance.

The Audit Committee performed its duties as assigned by the Board of Directors. In the performance of its duties it adhered to the principles of integrity, prudence, transparency and independence, and to serve in the ultimate interest of the Bank.

The Audit Committee is of the opinion that the financial statements of SCB and its subsidiaries have been prepared accurately and are complete, with adequate disclosure, in accordance with financial reporting standards. It is also of the opinion that the external auditor is independent and has performed all its duties professionally. The Committee notes that the Bank places a high level of importance on its internal control systems, as well as to ensure that the policies, procedures and systems for risk management are adequate and appropriate for its business operations. Further the Committee opines that the Bank has supervised and monitored its compliance with laws, regulations and rules relating to its business operations and monitored the prevailing environment so that it is well prepared to face potential risks that may arise.



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**12. Related Party Transactions**

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The Bank places much significance on preventing directors and employees from misuse of inside information and misuse of their authority. Accordingly, the Bank has formulated policies, regulations and approval procedures for related-party transactions, as well as guidelines on connected transactions and information disclosure to prevent conflicts of interest from arising and to deal with such conflicts of interest in a transparent and fair manner if any such conflict arises.

The Bank's regulations and approval procedures for connected transactions and transactions that may involve a conflict of interest are as follows:

- Strict compliance with the notifications of Securities and Exchange Commission regulations and the Capital Market Supervisory Board regarding connected transactions and transactions that may involve a conflict of interest. In particular, directors or executives involved in a transaction that may lead to a conflict of interest are excluded from the consideration of such transaction. Further, the company secretary is required to record the relationship of the directors or executives to the issue under consideration in the minutes, if applicable.
- Pricing policy and conditions for transactions between the Bank and related entities are required to be on an arm's length basis and, broadly, on the same terms as those applied for transactions with unrelated third parties.
- The Board of Directors (excluding any director who has a conflict of interest) has approval authority for loans, investments, obligations or lending-like transactions involving the Bank's major shareholders or businesses having interests related to the Bank, directors and persons with management authority or their related persons (as defined by the Financial Institution Business Act B.E. 2551 (2008)).
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- Oversight of the SCB Group's intra-group transactions ensures that each company's operations are in compliance with related regulations, and to prevent any conflict of interest arising from intra-group transactions.

**The Disclosure of Intra-Group Transaction Policy and Risk Management Policy**Governance on Intra-Group Transactions

In order to enhance transparency for intra-group transactions between companies in the SCB Financial Group, and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, an Intra-Group Transaction Policy has been approved and is annually reviewed by the SCB Board of Directors. This Policy serves as a guideline on risk management for intra-group transactions, with controls over any significant transactions. In particular, materiality ratios for lending, investment, contingent liabilities, and lending-related transactions are applied in a manner consistent with the Bank of Thailand's quantitative supervision guidelines.

In addition, this Policy provides that every transaction must be concluded formally, i.e., in writing, and with legal enforceability, and must not include special conditions that materially differ from similar business transactions with unrelated parties or, in the absence of any similar transactions, conform with market practices. Also, the Policy requires that all documentary evidence must be retained in accordance with customary business practices, and that approval for such transactions should be in a manner consistent with its risk level and materiality.

### **Policies and Trends Regarding Management of Related-Party Transactions**

SCB's emphasis on good governance principles has led to a clear policy for related-party transactions that is compliant with the provisions of law and the notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission regarding connected transactions. Also, SCB's policy for the acquisition and disposal of assets of listed companies is compliant with the notifications of the Bank of Thailand.

When the Bank is involved in any related-party transaction in the course of its business operations, it seeks to conduct the transaction transparently, fairly and with the appropriate level of internal approval.

### **Information Disclosure**

The Bank has a policy on information disclosure covering all market-sensitive information. The thrust of the policy is to ensure that all significant information disclosed is timely, transparent and adequate. Also, misuse of inside information, either directly or indirectly, is prohibited.

The Bank discloses related-party transactions and connected transactions in compliance with the regulations of the Stock Exchange of Thailand, in the notes to the financial statements in the Annual Report in accordance with the requirements, conditions and manner for such information disclosure.

In 2015, the Bank had one material connected transaction which was disclosed in accordance with the regulations of the Stock Exchange of Thailand. The information pertaining to other connected transactions is disclosed in the notes to the financial statements.