

Part 2 Management and Corporate Governance

7. Securities and shareholders

Equity Securities

Registered capital, as at December 31, 2016, stood at Baht 70,000 million, comprising:

3,416,174,272 ordinary shares	par value	10	Baht
3,583,825,728 preferred shares	par value	10	Baht

Paid-up capital, as at December 31, 2016, stood at Baht 33,992 million, comprising:

3,395,301,898 ordinary shares	par value	10	Baht
3,890,300 preferred shares	par value	10	Baht

Details of Securities

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

1. Ordinary shares
2. Preferred shares

1. Ordinary shares

Number	3,395,301,898 shares as at December 31, 2016
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"> - Using the symbol SCB on the main board - Using the symbol SCB-F on the foreign board

2. Preferred shares

Number	3,890,300 shares as at December 31, 2016
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Preferred share features	Preferential 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 ordinary shares. Shareholders can convert preferred shares to ordinary shares in accordance with the conversion schedule and method determined by the Bank.
Conversion rate	Preferred shares can be converted to ordinary 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"> - For conversion on March 31, application must be submitted during March 16-30. - For conversion on June 30, application must be submitted during June 15-29. - For conversion on September 30, application must be submitted during September 15-29. - For conversion on December 31, application must be submitted during December 16-30. <p>If the conversion date falls on a non-business day of the Bank, the</p>
Exercise procedure	<p>(1) Any holder of preferred shares may obtain a form of conversion notice at Thailand Securities Depository Company Limited or a securities company which is a broker for securities trading.</p> <p>(2) Any holder of preferred shares may, within business hours, file a conversion notice with Thailand Securities Depository Company Limited or a securities company that is a broker for securities trading.</p> <p>(3) Documents required for conversion are:</p> <ol style="list-style-type: none"> 1. Form of conversion notice as prescribed by the Bank; 2. Preferred share certificates or any substitute thereof (as prescribed by the SET). 3. <u>In case of an individual</u>, a copy of valid national identity card, foreigner identity card or passport (as the case may be), which must be certified as a true and correct copy by the owner of such card or passport. <p><u>In case of a juristic person</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 national identity card of the director who has authority to sign on behalf of such juristic person, certified as a true and correct copy by the owner of such card.</p>
Place for exercise	<p>(1) Thailand Securities Depository Co., Ltd. or</p> <p>(2) Broker</p>

Future Share Issuance Obligation

The Bank has no future share issuance obligation.

Shareholding through Thai NVDR Co., Ltd (NVDR)

As at December 31, 2016, the Bank's registered and paid-up shares amounted to 3,399,192,198 shares, of which 193,128,783 ordinary shares (5.68% of total shares and 5.68% of total ordinary shares) were held through NVDR, which held no preferred shares. 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 on the website of the Stock Exchange of Thailand at www.set.or.th/nvdr

Note: An NVDR, or non-voting depositary receipt, is a trading instrument evidencing the investor's 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. This legal structure allows foreign investors investing through Thai NVDR Co., Ltd. to 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 15, 2017)

No.	Name	Common shares	Preferred shares	Total of shares	Percentage of shares
1	VAYUPAK MUTUAL FUND 1	785,798,200	-	785,798,200	23.12
2	BUREAU OF THE CROWN PROPERTY AND GROUP	780,329,058	-	780,329,058	22.96
3	THAI NVDR COMPANY LIMITED	214,048,512	-	214,048,512	6.30
4	STATE STREET BANK EUROPE LIMITED	182,413,604	-	182,413,604	5.37
5	LITTLEDOWN NOMINEES LIMITED	166,166,495	-	166,166,495	4.89
6	CHASE NOMINEES LIMITED	145,322,712	-	145,322,712	4.28
7	SOCIAL SECURITY OFFICE	54,954,200	-	54,954,200	1.62
8	THE BANK OF NEW YORK MELLON	46,594,418	-	46,594,418	1.37
9	STATE STREET BANK AND TRUST COMPANY	39,211,975	-	39,211,975	1.15
10	NORTRUST NOMINEES LTD-CL AC	36,464,812	-	36,464,812	1.07
11	OTHERS	944,087,837	3,800,375	947,888,212	27.89
TOTAL ISSUED SHARE CAPITAL		3,395,391,823	3,800,375	3,399,192,198	100.00

THAI SHAREHOLDERS	2,299,530,930	3,581,052	2,303,111,982	67.75
FOREIGN SHAREHOLDERS	1,095,860,893	219,323	1,096,080,216	32.25

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 legal and other reserves, reports profits, provided that there is no accumulated loss and the Bank can maintain sufficient capital funds as required by law.

In 2016, the dividend from the Bank's 2015 operating results was paid to holders of the Bank's ordinary and preferred ordinary shares at the rate of Baht 5.50 per share, equivalent to Baht 18,696 million or 39.6% of the Bank's 2015 consolidated net profit. The dividend payment from the Bank's 2016 operating results will be proposed for approval at the Annual General Meeting of Shareholders in April 2017.

Dividend Payment Policy of Subsidiaries

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

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

Debt Securities

At the end of 2016, debt issued was as follows:

	Amount	Interest rate	Year of maturity
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

Governance Structure



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

Corporate Governance Report 2016

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 principles and practices that are generally accepted in Thailand and internationally. Adherence to these practices has contributed to the Bank's success over the past decade and won recognition from several organizations. For instance, SCB achieved the top level ("Excellent") in the 2016 CG assessment results announced by the Thai Institute of Directors Association (IOD). The Bank attained scores within the top range of 99 – 100 for the twelve consecutive year in the Thai Investors Association's assessment of shareholders' meetings from 2005-2016. Partly as a result of these two scores, SCB became one of the few companies in Thailand to receive the highest rating in corporate governance for four consecutive years, during 2012-2015, under the ASEAN CG Scorecard assessment process.

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 the 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 reviewed and approved the Bank's vision to serve as "The Most Admired Bank", to be realized by 2020.
- 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 in other companies by the directors and senior executives; the separation of position and roles among the chairman of the Board, the chairman of the Executive Committee and the senior executives; remuneration of directors and persons with management authority; assessment of performance of the Board, Board committees and persons with management authority; succession planning; and the roles and functions of the company secretary.
- 3) The policy enumerates the rights and treatment of all 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, conflicts of interest, and conflict-of-interest reporting of directors and persons with management authority.

The Corporate Governance Policy is publicly disclosed and available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Corporate Governance Policy."

2016 Corporate Governance

The Bank's corporate governance practices in 2016 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 (e.g., capital increase or reduction, acquisition or disposal of significant assets, or connected transactions) The shareholders may cast their votes on the aforesaid matters according to details provided in the Notice of an Annual General Meeting of Shareholders or, if applicable, the Notice of an Extraordinary General Meeting of Shareholders. 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) 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 2016, the Bank held its Annual General Meeting of Shareholders (AGM) No. 193 on 5 April 2016. 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) To ensure 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, the Bank posted the Notice of the AGM, accompanying documents, and proxy forms in both Thai and English on its website 30 days prior to the meeting date. Then, the Notice of the AGM, in both Thai and English, together with the 2015 Annual Report (in CD-ROM format) was sent via post to shareholders at least 21 days in advance of the meeting date. The aforesaid Notice of the AGM contained information such as date, time and venue of the meeting (with a map and directions), and details of each agenda item (including factual background, purposes, 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 in newspapers in accordance with law. Also, shareholders were entitled to receive the printed 2015 Annual Report before the date of the meeting from the company secretary upon request.

2) The Bank recognizes shareholders' rights to know and fully access information and allows shareholders to submit questions in advance of the AGM to the company secretary through various channels, including via post or e-mail at company_secretary@scb.co.th, in accordance with the guidelines on the Bank's website. The questions are collected and then proposed to the Board via the Nomination, Compensation and Corporate Governance Committee.

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 Proxy Form B to shareholders for the appointment of proxies to attend the meeting on their behalf in the event that they were 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 during business hours and on a working day at the Bank's head office. On the meeting day, the registration counters were open at least 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, e.g., 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 16 directors (out of 17 directors) of the Bank were in attendance together with the chairmen of Board committees, the Bank's senior executives and the external auditors in order to clarify and respond to any questions or issues raised. Prior to proceeding in accordance with the meeting agenda, the company secretary informed the meeting of the voting and vote counting practices 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. Baker & McKenzie, an international law firm, 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 performance in 2015 and the business strategies for 2016. The chairman of the meeting allowed shareholders to ask questions and/or make recommendations on an equitable treatment basis and asked that comprehensive responses be 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) Following the meeting adjournment, the resolutions adopted were posted in both Thai and English on the websites of the Stock Exchange of Thailand and of the Bank on the meeting date. 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 from the meeting date to provide shareholders with wide and early access to such documents. The minutes contained 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 senior executives, and the resolutions reached, together with the number of approval, disapproval and abstention votes on each agenda item that required voting.

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 when the Bank, after deduction of all statutory and other reserves, posts a profit, provided that there is no accumulated loss 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 its future business needs. The interim dividends and annual dividends are paid within 30 days after the Board or the shareholders' meeting approves the dividend payment. In proposing a dividend payment for approval, the Bank discloses its Dividend Policy, dividend rate and amount, including rationale and other relevant information, to support the shareholders' decision-making.

At the 2016 AGM, the meeting resolved to approve the dividend payment from the Bank's 2015 operating results to holders of the Bank's preferred and ordinary shares at the rate of Baht 5.50 per share, equivalent to a total of Baht 18,696 million or approximately 39.6% of the 2015 consolidated net profit. The details of dividend payments are as follows:

- 1) The Board, at its meeting No. 9/2015 on 25 August 2015, 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 18 September 2015 (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 4.00 per share to holders of the Bank's preferred and ordinary shares on 3 May 2016 (28 days from the date of approval of the dividend payment by the shareholders' meeting).

1.3 Election of Director on an Individual Basis

As part of the director election process, the profiles of directors nominated for election are disclosed in the notice of the AGM 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 at present or during the two years prior to their appointment as an independent director of the Bank.

At every AGM, one-third of the directors retire by rotation. At the 2016 AGM, six directors retired by rotation. The Bank arranged for shareholders to elect individual directors to replace the outgoing directors by casting their votes. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated. The AGM minutes clearly showed the voting results for each director appointed by the shareholders.

1.4 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 regulations 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 prior to proposing the remuneration to an AGM for approval 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.

1.5 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 a copy of the list of the Bank's shareholders from the Business Development Department of 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) 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, Candidates for Directorship, and Questions Prior to the Shareholders’ Meeting

All shareholders of the Bank are invited to propose matters to be included as agenda items for the AGM and to nominate qualified candidates for directorship to be nominated for election at an AGM according to the criteria that have been clearly established and published on the Bank’s website. The shareholders may submit their proposals to the company secretary via post or e-mail at 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 their acknowledgment. Any proposals that are accepted will be included in the agenda at the AGM.

The Bank invited shareholders to propose agenda items, candidates for directorship, and questions for the 2016 AGM three months prior to the end of the Bank’s accounting period, i.e., from 1 October to 31 December 2015. Nonetheless, the Bank did not receive any proposals from the shareholders.

2.2 Proxy Appointments for Shareholders’ Meeting

For every shareholders’ meeting, the Bank has made available three types of proxy forms (Form A, Form B and Form C) as determined by the Department of Business Development of the Ministry of Commerce. The conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties.

At the 2016 AGM, the Proxy Form B indicating specific details of a proxy appointment was 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 important information about 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 2016 AGM, ballots were used for voting on every agenda item, but only the ballots indicating disapproval and abstention votes were collected and retained for future examination.

In order to ensure that the voting process was efficient, accurate, speedy and verifiable, a bar code system and PDA were 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 Bank requested shareholders to return all unused ballots to the Bank’s officers and kept these ballots as evidence.

2.4 Internal Control and Risk Management

The Bank regularly monitors and assesses the adequacy of its internal control system and risk management system based on the internal control practice guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which specify five necessary components for internal control, namely, (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities.

Additionally, the Board recognizes the need to prevent the use of confidential and non-public information for inappropriate gains by directors, executives and employees. The Bank has established procedures for handling connected transactions in order to prevent conflicts of interest and to require disclosure of connected interest in compliance with legal requirements. It has also formulated the Corporate Governance Policy, which entails internal control. Relevant details are published on www.scb.co.th under the sequence of menu headings “About SCB,” “Corporate Governance,” “Corporate Governance Policy” and then “Section 4-Internal Control,” and can be summarized as follows:

1. Internal Control over the Use of Inside Information by Directors and Employees

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

- Established codes 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. The codes of conduct have been disseminated to directors, executives and staff, and strict compliance is expected.
- Established regulations governing securities trading by directors, executives and employees that prevent directors, executives, employees having access to inside information and employees authorized to work with functions having access to inside information from using such information for personal gain or benefit of others. These regulations also apply to related parties of directors, executives and employees.
- Imposed non-trading periods on directors, executives and employees involved in the preparation of financial statements to prohibit them from trading the Bank’s securities and securities which have the Bank’s ordinary shares as an underlying asset during the 14-day period preceding the announcement of quarterly, semi-annual and annual financial statements as well as to prohibit directors and executives from investing in securities that have the Bank’s ordinary shares as an underlying asset.
- Required 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 of 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 item on the Board meeting agenda.
- Established regulations against the use of non-public information in order to prevent leakage of confidential and/or non-public information of the Bank and 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. Connected and Conflict-of-Interest Transactions

2.1 The Bank's operating procedures and processes governing the approval of connected or conflict-of-interest transactions are 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 a conflict of 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 on an arm's length basis and reasonable and offer maximum benefit to the Bank.
- To require that such transactions shall not be approved by any person with a conflict of interest and that the approval must be granted by the Board whereby directors having conflicts of interest shall not participate in the consideration and decision-making of such transactions.
- To require that the Board alone (excluding any director with a conflict of interest) is vested with the authority to approve credit facilities, investment, contingent liabilities or credit-like transactions between the Bank and its major shareholders or businesses having connected interest with 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)).
- Oversight of the SCB Group's intra-group transactions ensures that each company's operations are in compliance with related regulations and prevents any conflict of interest arising from intra-group transactions.

Additionally, the Bank requires the appointment of an independent financial advisor for transactions that are subject to approval from a shareholders' meeting. The role of the financial advisor is to provide opinions on connected transactions, particularly those relating 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 oversee all material transactions to ensure that they are compliant with applicable laws and/or regulations.

2.2 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 covers risk management for intra-group transactions, with controls over two types of significant transactions, namely, credit transactions (loans, investments, obligations or lending-like transactions) and non-credit transactions (those other than loans, investments, obligations). The Bank has set guidelines so that such transactions are in compliance with the regulations and requirements of regulators, including the Bank of Thailand, the

Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as the laws and regulations of countries where SCB branches or representative offices are located.

According to the significant contents of this Policy, intra-group transactions must not include special conditions or requirements that materially differ from general trade with the same risk level; or in the absence of any similar transactions, they must conform with market practices. Also, the Policy requires that agreements with legal enforceability must be prepared; all documentary evidence must be retained in accordance with customary business practices; and approval authority for such transactions should be in line with the risk level and materiality of each transaction.

2.3 With regard to policies and trends of related-party transactions in the future, the Bank's emphasis on good governance principles has led to a clear policy for related-party transactions, 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, the Bank's policy for the acquisition and disposal of assets of listed companies is compliant with the notifications of the Bank of Thailand. The Bank's related-party transactions may arise as part of its business operations in general. In this regard, SCB has set clear and appropriate approval measures and procedures.

2.4 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. Connected transactions are reported on a quarterly basis for the Audit Committee's acknowledgment.

In 2016, the Bank did not have any material connected transactions to be 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.

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 previously reported items. The company secretary collects and submits copies of the conflict-of-interest 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 applicable 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. The issue of responsibility to stakeholders is covered in more detail within the 2016 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. Customer data security and confidentiality are top priorities because the Bank puts the customer at the heart of its business and “the customer always comes first” at SCB. 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 in the Bank's market capitalization, which is the largest in Thailand's 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 short-term and long-term business strategies and the achievement of its mission and vision. Employee interests are addressed through appropriate and competitive compensation practices, skill and competency development programs, career advancement opportunities, and welfare and benefit packages to increase the wellbeing and motivation of its employees. These welfare and benefit packages include medical benefits, scholarships, emergency financial assistance, pension fund and employee welfare loans, such as mortgage loan and auto loan programs, retirement funds, and savings cooperative, and 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 employee surveys to assess the Bank's health and readiness for future changes. According to the 2016 organizational health survey, the Bank's score was ranked in the top quartile of the Southeast Asia region.

Community (including business partners, competitors, suppliers and creditors): The Bank aspires to be a model corporate citizen in Thailand. To that end, the Bank: behaves in an ethical and transparent way toward competitors and business partners; honors its obligations and covenants; follows transparent procurement practices that will ensure that procurement is transparent and free of 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 rights principles, including occupational health, safety and environment standards. The Bank has strictly complied with the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to sustain financial strength and solid debt servicing ability. In an event that the Bank is unable to comply with a condition, the Bank will notify its creditors of such matter without delay to jointly consider possible solutions based on the principle of reasonableness and accountability toward creditors. The Bank is committed to making punctual payments and debt repayments as well as maintaining good relationships with its creditors.

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.

Environment: The Bank is determined to operate in accordance with 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 electric 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. In 2016, the Bank developed its own Energy Saving Awareness course and incorporated it in the annual employee training program so as to promote awareness, knowledge and active contribution to efficient use of energy as well as to share tips and recommendations about energy-saving and environmentally friendly technologies that can be applied to daily life. The course was first facilitated in November 2016 for approximately 100 employees. In addition, the Bank sent its employees to participate in CSR-related learning programs such as the New Dimension of CSR for Sustainable Social Development.

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 and all units of the Bank are required to comply with the Policy. To demonstrate the Bank's willingness regarding the implementation of anti-corruption efforts, the Bank signed the Declaration of Intent as promoted by the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and completed the CAC membership certification in early 2015. Anti-corruption and bribery knowledge has been disseminated to employees at all levels of the Bank through internal communication channels, including to the relevant entities and stakeholders of the Bank. To promote transparent and ethical business practices, all employees of the Bank are required to enroll 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 as well as to pass relevant tests to complete the courses. Also, refresher courses must be completed within defined periods. Employees are also encouraged to participate in anti-corruption activities arranged by agencies or institutions as detailed below:

1. Thailand's 7th National Conference on Collective Action against Corruption, organized by the Thai Institute of Directors Association.
2. CG Forum 3/2016 on Internal Corruption: Preventable and Controllable Threat, organized by the Stock Exchange of Thailand.
3. Anti-Corruption Collaboration: Sinful Corruption and Consequence Forum and the 2016 Anti-Corruption Day organized by the Anti-Corruption Organization of Thailand.
4. Anti-Corruption Measures of Private Sector Forum organized by the Office of the National Anti-Corruption Commission.

To actively monitor and evaluate compliance with the Anti-Corruption Policy, an 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 to report the results to the Board of Directors. In addition, there are internal units directly in charge of disseminating relevant knowledge to the directors, executives and employees across the Bank to ensure proper 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 acts

that may cause damage to customers and the SCB Group, including any unfair treatment they might have suffered. The aim is to ensure the Bank's adherence to its principles of transparency and corporate governance. There are multiple channels for reporting complaints, fraud or non-compliance, e.g., via e-mail to whistleblower@scb.co.th or via post to PO Box 177, Chatuchak Delivery Post Office 10900, or via telephone at 0-2544-2000. 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) 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 protect them and prevent retaliation or adverse effects on them. An independent, issue-specific investigation team is quickly set up by the Bank to investigate any issue 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 reports of misconduct that are 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:

- Company Secretary
 - The Siam Commercial Bank PCL
 - Shareholder Services and Corporate Governance
 - 21st Floor Zone A, 9 Ratchadapisek Road, Chatuchak
 - Bangkok 10900
 - Telephone: 0-2544-7156
 - Fax: 0-2937-7931
 - E-mail: 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 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 the 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 2016 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" in the Supplementary Information section of Annual Report.

In 2016, disclosure activities undertaken by Investor Relations are summarized below:

Form of activity	Frequency (times)
One-on-one meetings/conference calls with investors and equity analysts	89
Meetings with equity analysts	3
Investor conferences	8
Global roadshow	1

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

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 president and chief executive officer, chief financial officer and other senior executives participate in investor relations activities.

SCB's Investor Relations Code of Conduct is published on www.scb.co.th under the sequence of menu headings "About SCB," "Investor Relations," and then "Code of Conduct for Investor Relations."

Interested persons can contact Investor Relations at:

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

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 view of the scope of audit and proposes the qualified auditors and the audit fees to the Board for consideration prior to proposal thereof to the AGM for approval.

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 did not comply, or complied only in part, with the principles of good corporate governance stipulated by the Stock Exchange of Thailand, due to reasons as set out below:

- Director remuneration in all forms should be approved by shareholders on an annual basis – The Bank proposes the director remuneration, which includes monthly remuneration, attendance fee and bonus for shareholders' approval on an annual basis. As regards other benefits, the Bank views that the definition of other benefits adopted by different organizations may vary due to the lack of clarity in this issue; therefore the Bank does not include other benefits in the director remuneration proposed to the meeting of shareholders.
- The disclosed information about shareholding structure should clearly specify the actual owners of SCB shares - The Bank's shareholders include nominee companies because these institutional investors are interested in investing in SCB shares, and this is beyond the Bank's control.
- The Board should have an appropriate number of members ranging from 5 to 12 – At the end of 2016, the Board is comprised of 16 members. The Bank views that the number is appropriate, in light of the growing size and complexity of the Bank's business. Given the rapid technological changes, it is

necessary for the Bank to have directors with diverse experience, knowledge and expertise to maintain its strong business momentum.

- 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 2016, the Bank had 16 directors, while the number of total directors approved by the meeting of shareholders was 17. 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 professional skills, expertise, age, gender and other key attributes that are essential for, and in line with, the Bank's strategy.

The 16 directors consist of 3 women and 13 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social responsibility and corporate governance, economics, laws, regulation of financial institutions, science and technology, 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 56.25% of the total directors) are Mr. Anand Panyarachun, Khunying Jada Wattanasiritham, Mr. Prasan Chuaphanich, Dr. Kulpatra Sirodom, Mr. Ekamol Kiriwat, Mr. Krirk Vanikkul, Dr. Thaweesak Koanantakool, Mr. Weerawong Chittmittrapap, and Mr. Kan Trakulhoon.
- The 3 executive directors (representing 18.73% of the total directors) are Dr. Vichit Suraphongchai, Mrs. Kannikar Chalitaporn and Mr. Arthid Nanthawithaya.

* 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. 39/2559, 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, Dr. Ekniti Nitithanprapas and Mr. Chakkrit Parapuntakul.

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 2016)

Name	Position	Date of appointment as director	Number of years in directorship ¹⁾
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	6 March 1984	1 st round: 7 years (1984 - 1991)
		2 October 1992	2 nd round: 24 years 3 months (1992 - present)
2. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	10 December 1999	17 years 1 month
3. Dr. Chirayu Isarangkun Na Ayuthaya	Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	18 September 1987	29 years 3 months
4. Khunying Jada Wattanasiritham ²⁾	Independent Director, Chairman of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	2 February 1999	17 years 11 months (Independent director: 7 years 2 months)
5. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	4 April 2013	3 years 9 months
6. M.R. Disnadda Diskul	Director	22 November 1996	1 st round: 2 years 2 months (1996 - 1999)
		5 April 1999	2 nd round: 17 years 9 months (1999 - present)
7. Dr. Kulpatra Sirodom	Independent Director, Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee	19 June 2009	7 years 6 months
8. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	5 April 2011	5 years 9 months
9. Mr. Kirik Vanikkul	Independent Director and Member of the Audit Committee	1 November 2015	1 year 2 months
10. Dr. Thaweesak Koanantakool ³⁾	Independent Director and Member of the Audit Committee	5 April 2016	9 months
11. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	22 September 2014	2 years 3 months
12. Dr. Ekniti Nitithanprapas	Director and Member of the Nomination, Compensation and Corporate Governance Committee	25 November 2015	1 year 1 month
13. Mr. Kan Trakulhoon ⁴⁾	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	5 April 2016	9 months
14. Mr. Chakkrit Parapuntakul	Director and Member of the Corporate Social Responsibility Committee	25 November 2015	1 year 1 month

Name	Position	Date of appointment as director	Number of years in directorship ¹⁾
15. Mrs. Kannikar Chalitaporn	Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	21 January 2002	14 years 11 months
16. Mr. Arthid Nanthawithaya	President and CEO, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	2 April 2015	1 year 9 months

Remark:

- 1) Information as of 31 December 2016.
- 2) Khunying Jada Wattanasiritham qualified as an independent director from 19 October 2009.
- 3) Dr. Thaweesak Koanantakool was appointed as director in replacement of Prof. Vicharn Panich, M.D., who retired by rotation.
- 4) Mr. Kan Trakulhoon was appointed as director in replacement of Mr. Chumpol NaLamlieng, who retired by rotation.

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 shall 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 their office.

To enhance transparency and corporate governance, the Bank has limited the office term of independent directors to nine years, effective from 2015 onward. As regards the tenure of directors as members of Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Corporate Social Responsibility Committee, and the Risk Management Committee, their tenure shall be concurrent with their directorships.

5.3 Segregation of Roles, Duties and Responsibilities

The Bank has clearly segregated the positions and authority of the chairman of the Board, the chairman of the Executive Committee, and the president and chief executive officer 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 or the president and chief executive officer of the Bank, or be involved in the Bank's routine management. This is in compliance with the principle of segregation of duties in policy formulation and oversight from those in operational 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 as the chairman of 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) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Charter of the Board and Board Committees."

President and Chief Executive Officer - In 2016, the Board appointed Mr. Arthid Nanthawithaya, a director of the Bank, as the president and chief executive officer (he was formerly the chief executive officer and deputy chairman of the Executive Committee) to be principally in charge of setting the Bank's strategic direction and policies, overseeing internal operations to ensure compliance with established plans and the corporate governance principles, and leading the Bank toward the realization of its vision and sustainable growth.

5.4 Directorships of Other Companies

The Bank has established a clear policy regarding holding of positions by the Bank's directors (and senior executives) in other companies. The Bank's directors are not allowed to hold directorship in more than five listed companies, which is in line with the best practice set by the Thai Institute of Directors Association. Further, in order to comply with the regulations of the Bank of Thailand regarding the corporate governance of financial institutions, holding of positions by directors and/or senior executives of the Bank as the chairman, or an executive director, or an authorized director of other companies is limited to three business groups only.

Further to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies. This requires directors to notify the Nomination, Compensation and Corporate Governance Committee of their positions in other companies or organizations 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 Annual Report. In this regard, no director holds positions in more than five listed companies, and no director or senior executive of the Bank (executive vice president or higher) holds positions as director and/or executive director and/or authorized director of other companies in more than three business groups.

5.5 Roles and Responsibilities of the Board of Directors

The Board of Directors is committed to pursuing the highest standards of ethical conduct and complying 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 such as determining policies, strategies and financial targets of the Bank. In the prior

fiscal year, the Board conducted mid-year and year-end reviews of the Bank's vision, mission and business strategy, which, according to applicable requirements, must be reviewed annually. The Board is also responsible for approving business policies and directions proposed by management and overseeing the performance of the management to ensure that the policies and strategies are implemented and the financial targets are achieved. The aim is to maximize long-term shareholder value by taking into account the best interests of all relevant stakeholders. The Board's responsibilities include regularly reviewing succession plans for the positions of the chairman of the Executive Committee and the president and chief executive officer, 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. Details of the roles, responsibilities and approval authority of the Board are available on 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" (under the section "Authority of the Board").

In addition to complying with the relevant laws and regulations as mentioned above, the Board is committed to abiding by the Directors Code of Conduct, which provides ethical standards governing: a) honesty, fairness and integrity, b) personal transactions, c) confidentiality, d) disclosure of interest, e) abiding by the law, and f) payments, gifts, entertainment and travel. In addition, the Board, the Bank's executives and employees are committed to adhering to the principles under the Corporate Code of Conduct, the Directors 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 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

The Bank has four Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility Committee to assist the Board in screening specific matters as assigned by the Board. The meeting schedule of each Board committee is planned in advance for the entire year. The roles and responsibilities of each Board committee are clearly defined in its charter, which is available on 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 2016 is as follows:

- **Executive Committee**

The Executive Committee is appointed by the Board and comprises a number of directors and any other person or persons who hold management positions at the Bank or are outside individuals. 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 2016, the Executive Committee had 10 members comprising three directors, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, and Mr. Arthid Nanthawithaya, six senior executive vice presidents of the Bank, and an outside individual who was a former senior executive of the Bank. The Board, at its Meeting No. 15/2016 on 25 November 2016, resolved to appoint the new Executive Committee which is comprised of five members who all are directors of the Bank, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, Mr. Kirk Vanikkul (independent director), Dr. Thaweesak Koanantakool (independent director) and Mr. Arthid Nanthawithaya, effective from 1 January 2017.

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, undertaking supervisory duties as assigned by the Board, screening all matters prior to submission to the Board, and approving requests within the scope of authority delegated by the Board and stipulated in the charter of the Executive Committee. In 2016, the Executive Committee held 48 meetings.

- **Audit Committee**

The Board initially appointed an Audit Committee in 1998 with responsibilities in several areas, e.g., financial reporting, internal control, internal audit, corporate governance, and compliance with ethics, code of conduct and risk management principles. These responsibilities include: 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 internal audit; to review the effectiveness of the Bank's compliance monitoring system; to review the efficiency of the risk management system of the Bank and SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee, etc. Another key role of the Audit Committee is to propose the appointment and discharge of external auditors, including the corresponding audit fees, to the Board for consideration prior to seeking approval from the AGM on an annual basis. Further, the Audit Committee is tasked with assessing the external auditors' performance. As at 31 December 2016, the Audit Committee is comprised of five independent directors, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodom, Mr. Ekamol Kiriwat, Mr. Kirk Vanikkul and Dr. Thaweesak Koanantakool. 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, and there are two members who graduated in accounting and finance. Details of its activities in 2016 are as shown in the Audit Committee Report in Annual Report.

The Board, at its Meeting No. 15/2016 on 25 November 2016, resolved to appoint two members of the Audit Committee, namely Mr. Kirk Vanikkul and Dr. Thaweesak Koanantakool, as members of the Executive Committee, and they resigned as members of the Audit Committee, effective from 1 January 2017. Therefore, the Audit Committee is currently comprised of three members, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodom and Mr. Ekamol Kiriwat.

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

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are: 1) To nominate individuals for the position of director 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; 2) To nominate individuals for the position of senior executive and ensure that their remuneration is commensurate with their roles and responsibilities; and 3) To formulate the Bank's policy in respect of corporate governance and oversee the Bank's corporate governance practices in accordance with the corporate governance principles set forth by regulatory authorities. 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 2016, the Nomination, Compensation and Corporate Governance Committee is comprised of five directors, namely Dr. Chirayu Isarangkun Na Ayuthaya (chairman of the Nomination, Compensation and Corporate Governance Committee), Khunying Jada Wattanasiritham (independent director), Mr. Weerawong Chittmittrapap (independent director), Mr. Kan Trakulhoon (independent director), and Dr. Ekniti Nitithanprapas. Their tenures on the Nomination, Compensation and Corporate Governance Committee are concurrent with their directorships. Details of its activities in 2016 are shown in the Report of the Nomination, Compensation and Corporate Governance Committee in Annual Report.

- ***Corporate Social Responsibility Committee***

The roles and responsibilities of the Corporate Social Responsibility Committee are to set direction and supervise and determine a CSR framework with the aim to contribute to Thailand's economy, social welfare and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks and sustaining success in the following three core areas: 1) youth development and learning enhancement, 2) volunteer networks, and 3) quality of life and the environment. As at 31 December 2016, the Corporate Social Responsibility Committee is comprised of five directors, namely Khunying Jada Wattanasiritham, (chairman of the Corporate Social Responsibility Committee, independent director), Dr. Kulpatra Sirodom (independent director), Mr. Chakkrit Parapuntakul, Mrs. Kannikar Chalitaporn and Mr. Arthid Nanthawithaya. Their tenures on the Corporate Social Responsibility Committee are concurrent with their directorships. Details of its activities in 2016 are shown in the Report of the Corporate Social Responsibility Committee in Annual Report.

5.6.2 Major Committees Relating to Management of the Bank

There are four key committees relating to the management of the Bank, namely the Management Committee, the Risk Management Committee, the Assets and Liabilities Management Committee and the Equity Investment Management 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 2016, the Management Committee held 33 meetings to carry out its duties.

- **Risk Management Committee**

The Risk Management Committee is chiefly responsible for the risk governance of the Bank and companies in the SCB Financial Group. Its duties and responsibilities are as detailed below:

1. To determine and propose to the Executive Committee and the Board the risk management policies for the Bank and companies in the SCB Financial Group, whereby such policies must address material risks such as credit, market, liquidity, operational, and reputational risks of the SCB Financial Group.

2. To determine strategies which are in line with risk management policies and can measure, monitor and control risks of the SCB Financial Group within an appropriate level.

3. To approve risk models.

4. To control, monitor and measure the risk exposure of SCB Financial Group and ensure that companies in SCB Financial Group strictly comply with risk management policies set by the Bank and the requirements stipulated by the Bank of Thailand.

5. Review the adequacy of the Bank's risk management policies and systems, including the effectiveness of the systems and compliance with established policies.

6. Regularly report to the Audit Committee the areas for improvement in working to comply with established policies and strategies.

The Board of Directors, at its Meeting No. 7/2016 on 23 August 2016, resolved to approve the structure of the Risk Management Committee, which shall be composed of the following executives:

1. President and chief executive officer, as the chairman of the Risk Management Committee
2. Chief risk officer
3. Chief financial officer
4. Chief legal and control officer
5. Chief technology officer
6. Chief strategy officer
7. Head of SCB Economic Intelligence Center
8. Head of credit risk management

In 2016, the Risk Management Committee held 11 meetings.

- ***Assets and Liabilities Management Committee***

The Assets and Liabilities Management Committee is a mechanism in the Bank's management of its liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate strategies to address the funding and liquidity, interest rate and foreign exchange risk faced by the Bank as well as to ensure that the Bank has adequate capital for its business as well as the appropriate level of 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 2016, the Assets and Liabilities Management Committee held 12 meetings.

- ***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 2016, the Equity Investment Management Committee held 1 meeting.

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 the agenda of each Board meeting. The chairman of the Executive Committee, the president and chief executive officer as well as 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. As far as possible, the meeting documents are delivered to directors seven 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 item to be voted on, at least two-thirds of the total board members must be present at the meeting.

In 2016, there were 16 Board meetings (including a Board retreat) and two non-executive directors' meetings (led by an independent director). Details of directors' meeting attendance in 2016 are as shown in Table 2.

Table 2: Details of Meeting Attendance Record in 2016

Unit:Time

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Annual General Meeting of Shareholders No. 193
1. Mr. Anand Panyarachun	16/16	-	-	-	-	1/1
2. Dr. Vichit Suraphongchai	15/16	44/48	-	-	-	1/1
3. Dr. Chirayu Isarangkun Na Ayuthaya ¹⁾	16/16	-	-	3/3	8/8	1/1
4. Khunying Jada Wattanasiritham ²⁾	15/16	-	-	9/9	11/11	1/1
5. Mr. Prasan Chuaphanich	14/16	-	12/12	-	-	1/1
6. M.R. Disnadda Diskul	11/16	-	-	-	-	1/1
7. Dr. Kulpatra Sirodom ³⁾	14/16	-	12/12	5/6	-	1/1
8. Mr. Ekamol Kiriwat	16/16	-	11/12	-	-	1/1
9. Mr. Krirk Vanikkul ⁴⁾	16/16	-	9/9	-	3/3	1/1
10. Dr. Thaweesak Koanantakool ⁵⁾	8/12	-	6/9	-	-	-
11. Mr. Weerawong Chittmittrapap ⁶⁾	15/16	-	2/3	-	7/8	1/1
12. Dr. Ekniti Nitithanprapas	13/16	-	-	-	8/11	1/1
13. Mr. Kan Trakulhoon ⁷⁾	10/12	-	-	-	8/8	-
14. Mr. Chakkrit Parapuntakul ⁸⁾	14/16	-	-	3/6	3/3	1/1
15. Mrs. Kannikar Chalitaporn	15/16	40/48	-	9/9	-	1/1
16. Mr. Arthid Nanthawithaya	15/16	44/48	-	8/9	-	1/1
17. Prof. Vicharn Panich, M.D. ⁵⁾	4/4	-	-	3/3	-	0/1
18. Mr. Chumpol NaLamlieng ⁷⁾	4/4	-	-	-	3/3	1/1
19. Mr. Yol Phokasub ⁹⁾	12/12	35/39	-	6/7	-	1/1

Remark:

- 1) Dr. Chirayu Isarangkun Na Ayuthaya resigned from the Corporate Social Responsibility Committee and was appointed as the chairman of the Nomination, Compensation and Corporate Governance Committee to replace Mr. Chumpol NaLamlieng, effective from 5 April 2016.
- 2) Khunying Jada Wattanasiritham was appointed as the chairman of the Corporate Social Responsibility Committee to replace Dr. Chirayu Isarangkun Na Ayuthaya, effective from 5 April 2016.
- 3) Dr. Kulpatra Sirodom was appointed as a member of the Corporate Social Responsibility Committee, effective from 5 April 2016.
- 4) Mr. Krirk Vanikkul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Audit Committee, effective from 5 April 2016.
- 5) Dr. Thaweesak Koanantakool was elected by the AGM No. 193 as a director to replace Prof. Vicharn Panich, M. D. who completed his directorship term, effective from 5 April 2016. Dr. Thaweesak was also appointed as a member of the Audit Committee, effective from 5 April 2016.
- 6) Mr. Weerawong Chittmittrapap resigned as a member of the Audit Committee and was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.
- 7) Mr. Kan Trakulhoon was elected by the AGM No. 193 as a director to replace Mr. Chumpol NaLamlieng who completed his directorship term, effective from 5 April 2016. Mr. Kan was also appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.
- 8) Mr. Chakkrit Parapuntakul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Corporate Social Responsibility, effective from 5 April 2016.
- 9) Mr. Yol Phokasub resigned as a director, member of the Executive Committee and member of the Corporate Social Responsibility Committee, effective from 16 September 2016.

5.8 Board and Senior Executive Assessment

5.8.1 Assessment of the 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. As part of the assessment process, the directors' opinions on the performance of the company secretary team that supports the Board are solicited.

The Board assessment is conducted annually. The company secretary submits an assessment form to each director at the end of each year before collecting and presenting the assessment results to the Nomination, Compensation and Corporate Governance Committee. The results and recommendations are then reported to the Board for acknowledgment and discussion about how to further enhance the performance of the Board and the support team.

Additionally, to ensure effective assessment of the Board in accordance with the Stock Exchange of Thailand's corporate governance principles applicable to listed companies, the Bank has engaged an external consultant with professional expertise and experience in corporate governance to facilitate a board assessment every three years, starting from 2012. The assessment facilitated by an external consultant covers the aforesaid four dimensions as well. According to the assessment results of the Board for 2016, the average rating was good, i.e., the performance of the Board and the Board committee in most of the categories surveyed met or exceeded the targets, and there were recommendations from the directors about areas for further development. The Board noted the assessment results and aspired to improve upon certain areas based on the findings from the assessment with an aim to further increase 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, the president and chief executive officer, and senior executives holding the position of executive vice president and 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 candidate's knowledge, capabilities, expertise, and the experience required for any vacancy, by using a board skill matrix as a tool, as well as, in the case of independent directors, their independence. With regard to the directors representing major shareholders, in principle, the major shareholders nominate individuals to be elected as the Bank's directors and the Board is in charge of verifying that the qualifications of such individuals nominated are not contrary to relevant laws and conform to the Bank's policies governing directors' holding of position in other companies. The Nomination, Compensation and Corporate Governance Committee selects candidates for directorship from the director pool of the Thai Institute of Directors Association (IOD) and

the proposals submitted by the directors and the shareholders of the Bank. After a scrutiny of each candidate's qualifications to ensure compliance with laws and regulations, the Nomination, Compensation and Corporate Governance Committee will propose the nomination 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 nomination to the shareholders, if applicable, for approval of the appointment.

To ensure that the director nomination and selection are in line with the Bank's strategic and business direction, the Nomination, Compensation and Corporate Governance Committee has refined the qualification screening criteria which specify the three aspects of personal characteristics and expertise that constitute the desired qualifications of directors: (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 regularly reviewed and updated the board skill matrix for the effectiveness of the director screening and nomination.

The Nomination, Compensation and Corporate Governance Committee is also responsible for reviewing and screening the qualifications of candidates for positions at the level of executive vice president and higher, prior to proposing the nominations to the Board for approval and subsequently to the Bank of Thailand for endorsement of the appointment.

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 chairman of the Executive Committee, president and chief executive officer, and executives at the level of executive vice president or higher, to ensure the continuity of the Bank's management and business operations as and when executive positions become vacant due to new appointment, job transfer, retirement, resignation or any other reasons.

Also, the Bank has regularly refined the competency sets for many senior positions and job families in support of the development of career road map and succession planning.

5.11 Director and Executive Remuneration

5.11.1 Director Remuneration

The Board has a policy 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 members of the Board and Board committees to the Board for consideration and, subsequently, for proposal to shareholders for approval each year.

At the 2016 AGM, the shareholders resolved to approve 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 2016, the Board of Directors, comprising 19 directors (including those starting or retiring during the year), received an aggregate remuneration of Baht 20.65 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 within the said framework. As shareholders approved a dividend payment of Baht 18,696 million or Baht 5.50 per share for the Bank's 2015 operating results, the directors' bonus for 2015 performance was set at Baht 54 million or 0.29% of the dividend.

Current Remuneration of the Board Committees as Approved by Shareholders at the 2016 AGM

Committee	Monthly remuneration (Baht)	Attendance fee (Baht/meeting)
Executive Committee		
• Chairman	-	-
• Member	300,000	-
Audit Committee		
▪ Chairman	75,000	15,000
▪ Member	50,000	10,000
Nomination, Compensation and Corporate Governance Committee		
▪ Chairman	45,000	15,000
▪ Member	30,000	10,000
Corporate Social Responsibility Committee		
▪ Chairman	45,000	15,000
▪ Member	30,000	10,000

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

Remuneration of individual directors is shown in Table 3.

Table 3: Details of Pecuniary Remuneration of Individual Directors in 2016.

Unit: Million Baht

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Directors' bonus for 2015 performance
1. Mr. Anand Panyarachun	1.80	-	-	-	-	5.06
2. Dr. Vichit Suraphongchai	1.20	-	-	-	-	3.38
3. Dr. Chirayu Isarangkun Na Ayuthaya ¹⁾	1.20	-	-	0.12	0.52	3.38
4. Khunying Jada Wattanasiritham ²⁾	1.20	-	-	0.61	0.47	3.38
5. Mr. Prasan Chuaphanich	1.20	-	1.10	-	-	3.38
6. M.R. Disnadda Diskul	1.20	-	-	-	-	3.38
7. Dr. Kulpatra Sirodom ³⁾	1.20	-	0.73	0.32	-	3.38
8. Mr. Ekamol Kiriwat	1.20	-	0.72	-	-	3.38
9. Mr. Krirk Vanikkul ⁴⁾	1.20	-	0.53	-	0.12	0.56
10. Dr. Thaweesak Koanantakool ⁵⁾	0.89	-	0.50	-	-	-
11. Mr. Weerawong Chittmittrapap ⁶⁾	1.20	-	0.19	-	0.34	3.38
12. Dr. Ekniti Nitithanprapas	1.20	-	-	-	0.44	0.34
13. Mr. Kan Trakulhoon ⁷⁾	0.89	-	-	-	0.35	-
14. Mr. Chakkrit Parapuntakul ⁸⁾	1.20	-	-	0.30	0.12	0.34
15. Mrs. Kannikar Chalitaporn	1.20	3.60	-	0.45	-	3.38
16. Mr. Arthid Nanthawithaya	1.20	-	-	-	-	2.53
17. Prof. Vicharn Panich, M.D. ⁵⁾	0.31	-	-	0.19	-	3.38
18. Mr. Chumpol NaLamlieng ⁷⁾	0.31	-	-	-	0.19	3.38
19. Mr. Yol Phokasub ⁹⁾	0.85	0.75	-	0.09	-	2.53
20. Mr. Maris Samaram ¹⁰⁾	-	-	-	-	-	0.85
21. Mr. Apisak Tantivorawong ¹¹⁾	-	-	-	-	-	2.11
22. Mr. Kulit Sombatsiri ¹²⁾	-	-	-	-	-	2.53
Total	20.65	4.35	3.77	2.08	2.55	54.00

Remark:

- 1) Dr. Chirayu Isarangkun Na Ayuthaya resigned from the Corporate Social Responsibility Committee and was appointed as the chairman of the Nomination, Compensation and Corporate Governance Committee to replace Mr. Chumpol NaLamlieng, effective from 5 April 2016.
- 2) Khunying Jada Wattanasiritham was appointed as the chairman of the Corporate Social Responsibility Committee to replace Dr. Chirayu Isarangkun Na Ayuthaya, effective from 5 April 2016.
- 3) Dr. Kulpatra Sirodom was appointed as a member of the Corporate Social Responsibility Committee, effective from 5 April 2016.
- 4) Mr. Krirk Vanikkul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Audit Committee, effective from 5 April 2016.
- 5) Dr. Thaweesak Koanantakool was elected by the AGM No. 193 as a director to replace Prof. Vicharn Panich, M.D., who completed his directorship term, effective from 5 April 2016. Dr. Thaweesak was also appointed as a member of the Audit Committee, effective from 5 April 2016.
- 6) Mr. Weerawong Chittmittrapap resigned as a member of the Audit Committee and was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.

- 7) *Mr. Kan Trakulhoon was elected by the AGM No. 193 as a director to replace Mr. Chumpol NaLamlieng, who completed his directorship term, effective from 5 April 2016. Mr. Kan was also appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.*
- 8) *Mr. Chakkrit Parapuntakul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Corporate Social Responsibility, effective from 5 April 2016.*
- 9) *Mr. Yol Phokasub resigned as a director, member of the Executive Committee and member of the Corporate Social Responsibility Committee, effective from 16 September 2016.*
- 10) *Mr. Maris Samaram completed his directorship term on 2 April 2015.*
- 11) *Mr. Apisak Tantivorawong resigned as a director, effective from 17 August 2015.*
- 12) *Mr. Kulit Sombatsiri resigned as a director, effective from 2 October 2015.*

5.11.2 Executive Remuneration

The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration for executives, including the president and chief executive officer, 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 as well as indicators relating to work process improvement and people development, 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 2016, the number of the Bank's executives using this definition covered nine persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 334.53 million (inclusive of two executives who resigned and changed their positions 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 and higher. In 2016, the number of the Bank's executives using this definition covers 94 persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 1,334.78 million (inclusive of 11 executives who resigned during the year).

5.11.3 Other Benefits for Directors and Executives

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 2016, three non-executive directors of the Bank were allowed medical expense reimbursement of Baht 15,084.50. The Bank's executives are entitled to welfare and other benefits similar to those offered to other employees such as medical benefits, annual medical check-up, life and accident insurance, welfare loans and provident fund contributions. In 2016, the Bank's provident fund contribution for seven

executives as defined by the Office of Securities and Exchange Commission, i.e., senior executive vice president level, was Baht 6.05 million, while the provident fund contribution for 86 executives as defined by the Bank of Thailand, i.e., executive vice president level and higher, was Baht 40.75 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, performance highlights and relevant regulatory rules. Also, important documents provided to new directors include 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 enunciate, among others, key information regarding the roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and responsibilities of the Board committees, and the Anti-Corruption and Bribery Policy.

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 courses or activities to enhance their knowledge and performance as members of the Board of Directors and Board committees. This includes courses and activities arranged by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, the Thai Institute of Directors Association and other institutions. 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.

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 talk or forum sessions as part of Board meetings, at least once per year. Details of participation of each director in training courses in 2016 are shown in Table 4.

Table 4: Participation of the Bank's Directors in Training Courses in 2016

Name of Director	Course Subject	Organizer
1. Mr. Anand Panyarachun	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	Executive Talk " China Economic Direction in an Ever-Changing World"	Embassy of the People's Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
2. Dr. Vichit Suraphongchai	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	EIC Conference 2016 "Reviving Investment, Restoring Thailand's Potential"	The Siam Commercial Bank PCL
	Executive Talk " China Economic Direction in an Ever-Changing World"	Embassy of the People's Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
3. Khunying Jada Wattanasiritham	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	EIC Conference 2016 "Reviving Investment, Restoring Thailand's Potential"	The Siam Commercial Bank PCL
4. Dr. Kulpatra Sirodom	Executive Talk " China Economic Direction in an Ever-Changing World"	Embassy of the People's Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
5. Mr. Weerawong Chittmittrapap	EIC Conference 2016 "Reviving Investment, Restoring Thailand's Potential"	The Siam Commercial Bank PCL
6. Mr. Krirk Vanikkul	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	EIC Conference 2016 "Reviving Investment, Restoring Thailand's Potential"	The Siam Commercial Bank PCL
7. Dr. Ekniti Nitithanprapas	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	Role of Nomination and Governance Committee (RNG 8/2016)	Thai Institute of Directors Association (IOD)
8. Mr. Chakkrit Parapuntakul	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
9. Mrs. Kannikar Chalitaporn	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
10. Mr. Arthid Nanthawithaya	Talk session on "Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses"	The Siam Commercial Bank PCL
	EIC Conference 2016 "Reviving Investment, Restoring Thailand's Potential"	The Siam Commercial Bank PCL
	Executive Talk " China Economic Direction in an Ever-Changing World"	Embassy of the People's Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL

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. With this in mind, the Bank has since 2014 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 road map, 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 has continued its implementation of a blended learning and development approach to promote learning-outside-the-classroom. In particular, internal skills development programs have been reinforced by integrating current business scenarios. Other major programs implemented by the Bank include 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 2016 are shown in the 2016 Sustainability Report.

5.14 Oversight of Subsidiaries and Affiliates

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

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 Mr. Krieng Wongnongtaey, 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 explained on the Bank's website (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 detailed in Annual Report under "Information of the Management and Controller of the Bank."

Executives as per S.E.C definition**(As of December 31, 2016)****1. Mr. Arthid Nanthawithaya**

President and Chief Executive Officer

2. Mrs. Kittiya Todhanakasem

Senior Executive Vice President, Chief Financial Officer

3. Mr. Colin Richard Dinn

Senior Executive Vice President, Chief Technology Officer

4. Mr. Anucha Laokwansatit

Senior Executive Vice President, Chief Risk Officer

5. Mr. Sarunthorn Chutima

Senior Executive Vice President, Head of Special Business

6. Dr. Jens Lottner

Senior Executive Vice President, Chief Transformation Officer

7. Ms. Wallaya Kaewrungruang

Senior Executive Vice President, Chief Legal and Control Officer

8. Mr. Thana Thienachariya

Acting Chief Marketing Officer

10. Corporate Social Responsibility

Sustainability Report at SCB

Siam Commercial Bank, as the first Thai bank, is grateful for His Majesty's dedication to sustainable development throughout his reign, which laid down the foundation for growth and prosperity in all dimensions of economy, society, and the environment. Cognizant of the role in fostering the country's economic growth and stability, the Bank is inspired to apply His Majesty's philosophy of Sufficiency Economy in shaping its policy and business principle. Key components of the philosophy which include reasonableness, moderation and risk management as well as application of knowledge and integrity help strengthen the Bank's self-immunity. It has been done in conjunction with social and environmental responsibility on the basis of good corporate governance in order to contribute to the sustainable development of the society and the nation.

In 2016, the Bank's business faced many challenges ranging from **a slowdown and high volatility in the global economy**, which was an unavoidable drag on exports and the overall Thai economy, to **the fast pace of advancement in financial technology, or "FinTech"**. FinTech innovation has caused changes in consumer behavior and is expected to revolutionise financial transactions in the near future. In addition, **the government has a policy to transform Thailand into a digital society with an innovation-driven economy under the model "Thailand 4.0"** to prepare for the fast-changing world. In facing these challenges, the Bank believes that **a business that can grow sustainably is not the type that focuses solely on performance. It has to be a business that can quickly adapt to the changing business environment while considering the principles of balance and fairness in delivering a sustainable value to various stakeholders. This will bring praise as well as support for sustainable growth consistent with the Bank's new vision to strive toward being "the Most Admired Bank."**

With this intent, the Bank overhauled its strategies and business models last year under the **"SCB Transformation"** to strengthen four key elements of the Bank's foundation: People, Process, Product, and Technology. The goal of this project is to enhance the Bank's capability to differentiate and provide long-term values to customers. The Bank will focus on customer-centric strategies and leverage technology to deliver better experiences to the customers as well as to enhance efficiency, particularly by offering more customised products and services to meet customers' needs. The Bank also changes our business model at the branch by separating of "sale" from "service" function to provide a better experience for SCB's customers. Moreover, the Bank will expand its network of business partnerships to create new business models on a platform that could connect to the Bank's business partners and to provide financial solutions to a variety of businesses along the value chain. In addition to these initiatives, the Bank will also follow a disciplined approach on risk management and maintain its financial strength to prepare for potential market volatility. (Please refer to Sustainability Report for more detail)

11. Internal Control and Risk Management

The Bank regularly monitors and assesses the adequacy of its internal control system and risk management system based on the internal control practice guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which specify five necessary components for internal control, namely, (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Activities undertaken under each of these components are outlined below:

1. Control Environment

The Bank requires that all business and functional units, including those under the umbrella of the SCB Group, maintain a culture and environment that provides for a sound and effective internal control system, together with a commitment by employees at every level to adhere to the principles of integrity and transparency. The Bank is well aware that a sound internal control system is a 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 in maintaining sound internal control. The Bank has established an organizational structure that supports a sound internal control system through clear supervisory lines, scope of authority and responsibility 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.

The Bank revised its organizational structure in 2016 to promote customer centricity, collaboration across functional units, as well as empowerment and decision-making agility. As a result, SCB's organizational structure now consists of 14 function-oriented groups including Segment, Product, Channel, Support, Technology, Risk, Strategy, Marketing, Transformation, Legal and Control, Finance, People, Audit, and Economic Intelligence Center (EIC). The Bank also revised the structure and operations of the Compliance Function. The Audit Committee acknowledges the Compliance Function monthly report of issues and action plan and reviews the management performance evaluation of the Compliance Function to provide additional oversight for good corporate governance.

As part of its ongoing efforts to maintain effective internal control and risk management and efficient business operations, the Bank provides extensive training and development to ensure that executives and staff possess the relevant knowledge and skills to undertake their duties. In 2016, the Bank updated the Code of Conduct that provides integrity and accountability guideline for every action in line with the Bank's policy. The Code of Conduct was communicated through an e-learning session for all employees' acknowledgment and strict compliance. The whistleblower channels to receive complaints and notifications that may indicate potential fraud or corrupt practices including a Whistleblower Hotline, an e-mail inbox: whistleblower@scb.co.th, and by way of letter to the president, head of Audit Function, or head of Human Resource Function. Such complaints and notifications are considered and handled by the Audit Function and the Human Resource Function for further action. The Bank has undertaken these

and other related efforts to ensure that management and staff effectively perform their duties with transparency, integrity, fairness and accountability, and that their performance is routinely reviewed so as to gain greater trust from all stakeholders.

2. Risk Assessment

The Board of Directors check and approve the Bank's key risk management policies. The Board of Directors assigned three sub-committees with main roles and responsibilities related to risk management which are the Executive Committee, the Audit Committee and the Risk Management Committee. Other sub-committees are also empowered specifically for risk management by risk type, as appropriate to risk level and within a given approval authority framework.

The Bank has also established the Risk Management Function to directly report to the president and CEO. The Risk Management Function is responsible for formulating a risk management framework, recommending risk management policy, monitoring and reporting key risks, and promoting the Bank's risk management quality to meet international standards and relevant practice frameworks across the organization.

In planning risk management operational improvements, the committees consider both internal and external factors, as well as fraud risk or operational risk. The Risk Management Committee shall report resolutions from its meetings to the Executive Committee, the Audit Committee, and the Board of Directors on a monthly basis.

Well aware of the importance of risk management amid changes in both internal and external factors that impact its business, the Bank considers risk management as an essential component in every process of its business operations, which must be connected across all levels. Therefore, 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 of 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 capital to cope with unforeseen risks.

3. Control Activities

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

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 risk or giving rise to a conflict of interest.

In 2016, the Bank has engaged an external consultant to review the SCB Group's internal control systems, and taken recommendations for improvement of operational effectiveness and efficiency in line with international best practices.

4. Information and Communications

The Bank and SCB Group continue to innovate and enhance competitiveness using effective IT and communications to keep up with changing business trends and consumer behaviors.

The Bank has developed IT systems for constant data communications that provide complete, reliable and timely information to the Board of Directors, executives and other stakeholders such as shareholders, investors and regulators. The Bank emphasizes the importance of IT security in processing transactions and protection of customers' confidential data, to ensure that its security measures remain sound and appropriate.

The Bank provides internal communication channels for the Bank and the SCB Group to disseminate policies, regulations, procedures, manuals and other essential information. These communications are designed to keep all executives and relevant staff knowledgeable and informed and facilitate compliance with policies, procedures and regulations in a timely manner. In addition, the Bank provides a separate communication channel to enable safe communication for both internal and external parties.

5. Monitoring Activities

The Bank has internal control monitoring and assessment in place to ensure that the internal control system is still effective and efficient, with complete and appropriate monitoring and assessment ability as designed and able to tackle changing risks.

The Compliance Function is responsible for reviewing and monitoring all units' operations within the Bank and the SCB Group to ensure their compliance with important regulations, laws, rules, and regulatory requirements. The Audit Function performs independent assurance and consulting, so that the organization's internal processes are regulated with sound governance, risk management and internal control. The Audit Function also considers the root cause of any material findings and risks found during the audit, which are directly reported for the Audit Committee's consideration on a monthly basis. Furthermore, the Audit Function also follows up on the implementation of its recommendations to ensure that issues of concern are resolved and improvements are implemented.

The Audit Committee and the Board of Directors have considered the results of the internal control adequacy assessment, and discussed with the Bank's management actions taken in line with the recommendations for internal control development. The Audit Committee and the Board of Directors' opinion are 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 the following five independent directors appointed by the Board of Directors' resolution at its meeting no. 5/2016 on April 5:

- | | |
|-------------------------------------|---------------------------------|
| • 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. Krirk Vanikkul | Member of the Audit Committee |
| • Mr. Thaweesak Koanantakool | Member of the Audit Committee |

On December 15, 2016, Mr. Krirk Vanikkul and Mr. Thaweesak Koanantakool resigned from the Audit Committee as they were appointed as members of the Executive Committee, following a Board of Directors' resolution at its meeting no. 15/2016. Their Executive Committee membership shall take effect from January 1, 2017 onward.

Mr. Krieng Wongnongtaey, first executive vice president and head of the Audit Function, has served as the secretary to the Audit Committee (effective since August 1, 2016) after Mrs. Kannika Ngamsopee, who resigned on July 31, 2016.

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 2016, the Audit Committee held 12 meetings with management and senior executives in charge of the relevant functions, in addition to regular meetings with the representatives of the Audit Function. The Committee also met with external auditors both with and without management's presence at meetings. 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 activities in 2016 are as follows:

• Financial Reporting

The Audit Committee reviewed SCB's and its subsidiaries' quarterly, half-year and annual financial statements, including consolidated financial statements of the SCB Group. The financial statements were prepared in accordance with the Thai Financial Reporting Standards (TFRS) and the requirements of the Bank of Thailand and the Securities and Exchange Commission. The Audit Committee regularly met with external auditors and the Bank's finance executives to review material issues such as accounting adjustments, accounting estimates, and the appropriateness of accounting methods. The Audit Committee received explanations from auditors and the Bank's finance executives to ensure that the Bank's financial statements reflected financial transactions and incidents that were material to the Bank and the Group's financial statements and were in accordance with legal requirements and Thai Financial Reporting Standards.

The Audit Committee also met with auditors without management's presence to independently discuss information received and audits, particularly material matters in the preparation of the financial statements and suspicious behavior prone to fraud or violations of the law related to the

performance of directors and executives under the Section 89/25 of the Securities and Exchange Act, B.E. 2551 (2008). In 2016, the auditors did not have any material findings or reports of any suspicious behavior.

- **External Auditor**

The Audit Committee considers, on an annual basis, the appointment of the Bank's external auditor. Following its recommendation and the Board's endorsement thereof, the shareholders appointed KPMG Phoomchai Audit Ltd. as the auditor for SCB and its subsidiaries at the 2016 Annual General Meeting, although in some countries where the Bank has a presence it was necessary to appoint another firm in accordance with the law in such countries. Recommendations to shareholders were based on the auditor's qualifications, knowledge, capability, audit experience in the banking industry, independence in accordance with ethical requirements by the Federation of Accounting Professions and the requirements of the Securities and Exchange Commission, and the quality of the audit over the past year, as well as the appropriateness of audit fees.

- **Internal Control and Audit**

The Audit Committee considered the adequacy of the internal control system following the COSO framework, which covers the following five areas: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring activities. Key matters in each area considered are summarized in related sections in this report.

The Audit Committee placed importance on compliance with law, related regulations, and the Three Lines of Defense model of risk management. The Committee considered audit reports presented by the Audit Function on a monthly basis, and reviewed internal control assessment by management, the external auditors, the Bank of Thailand, and other regulators overseeing the Bank and its subsidiaries. The Committee monitored to ensure that corrective actions with respect to critical risk issues were completely taken by management, and root causes were fixed to prevent recurrence, particularly of high-risk issues, fraud or serious operational errors. The Committee also met with the Audit Committee of key subsidiaries to exchange opinions and to ensure that key risk issues have been audited and monitored.

In 2015, the Committee led in the selection and engagement of an experienced external consultant to review the SCB Group's internal control systems and recommend improvements thereto, in line with international standards and practices. Consequently, in 2016 the Committee continuously acknowledged and monitored its progress to get an overview of internal control and management's corrective guidelines, particularly for high-risk issues.

Because information technology is especially crucial to the Bank in the current digital era, the Audit Committee placed particular emphasis on this matter. The Committee regularly met with executives in charge of IT units to acknowledge and monitor issues regarding IT operations to ensure that the Bank is ready in terms of hardware, software, HR development and recruitment to prepare for digitization.

The Audit Committee considered the independence of internal audits, approved the Internal Audit Charter, approved annual audit plans, monitored the Audit Function's performance following the audit

plans and audit results, and provided recommendations for more efficient and effective auditing practices. In 2016, the Committee acknowledged the engagement of an external consultant to review the Audit Function's performance quality (quality assurance review) every five years. Results of the quality assurance review provided audit performance quality as well as guidelines on performance improvements and human resource development in the future.

The Committee acknowledged the complaints and notifications it received, mainly through the Bank's whistleblower 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 opinion of the external auditors. 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 his performance (see the profile of the first executive vice president and head of Audit Function on attachment 3).

- **Regulatory Compliance**

The Audit Committee acknowledged SCB and its subsidiaries' regulatory compliance with applicable laws and regulations of state regulators such as the Bank of Thailand, the Anti-Money Laundering Office and the Securities and Exchange Commission especially on anti-corruption and bribery policy and anti-money laundering and combating the financing of terrorism (AML/CFT) regulations, through reports by the Bank's Compliance Function. The Committee regularly met with executives in charge of the Compliance Function to acknowledge and discuss issues on a monthly basis to ensure effective monitoring and control over key regulatory compliance issues of units under SCB and its subsidiaries and improvements in the operational processes in accordance with the related regulations. The Committee regularly met with the subsidiaries' management to acknowledge their guidelines on operational process improvements and preventive efforts against mistakes and errors that could cause damage to the Bank as a whole.

The Audit Committee regularly reported all critical issues and significant regulatory changes that may affect the Bank's operations to the Board of Directors, and approved the annual compliance report, before submission to the Bank of Thailand and the Securities and Exchange Commission.

- **Risk Management**

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

Committee also discussed the adequacy 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 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 2016, the Bank did not have any materially connected transactions to be 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 2016, the Audit Committee revised the Charter of the Audit Committee as follows:

- Increased the Audit Committee's authority to propose cancellation of external auditor in line with the Thai Institute of Directors' assessment requirements for listed companies' corporate governance.
- Revised the Audit Committee's authority to approve the tenure of the Head of Audit Function and the Head of Compliance Function in line with reorganization, the Capital Market Supervisory Board's requirements, and the Bank of Thailand's practice guidelines.
- Revised the scope of the Audit Committee's responsibility pertaining to risk management in accordance with the Securities and Exchange Commission's requirements and to be clearer.

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 and in line with the responsibilities stated in the Charter of the Audit Committee. It adhered to the principles of integrity, prudence, transparency, and independence, provided constructive comments and recommendations for the equal benefit of stakeholders, with the Bank's ultimate interest as a priority.

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 ensures 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 sound corporate governance, adequate risk management, adequate and effective internal controls and internal audits. The Bank has monitored changes so that it is well prepared to face potential risks that may arise in the future.

12. Related Party Transactions

The Bank places much significance on preventing directors and employees from misusing inside information and misusing 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 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 regulations of the Securities and Exchange Commission and notifications of 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 shall 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 to 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)).
- Oversight of the SCB Group's intra-group transactions ensures that each company's operations are in compliance with related regulations and prevents 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 covers risk management for intra-group transactions, with controls over two types of significant transactions, namely, credit transactions (loans, investments, obligations or lending-like transactions) and non-credit transactions (those other than loans, investments, obligations). The Bank has set guidelines so that such transactions are in compliance with the regulations and requirements of regulators, including the Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as the laws and regulations of countries where SCB branches or representative offices are located.

According to the significant contents of this Policy, intra-group transactions must not include special conditions or requirements that materially differ from general trade with the same risk level, or in the absence of any similar transactions, they must conform with market practices. Also, the Policy requires that agreements with legal enforceability must be prepared; all documentary evidence must be retained in accordance with customary business practices; and approval authority for such transactions should be in line with the risk level and materiality of each transaction.

Policies and trends of related-party transactions in the future

The Bank's emphasis on good governance principles has led to a clear policy for related-party transactions, 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, the Bank's policy for the acquisition and disposal of assets of listed companies is compliant with the notifications of the Bank of Thailand.

The Bank's related-party transactions may arise as part of its business operations in general. In this regard, SCB has set clear and appropriate approval measures and procedures.

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. Connected transactions are reported on a quarterly basis for the Audit Committee's acknowledgment.

In 2016, the Bank did not have any material connected transactions to be 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.