

Part 2 Management and Corporate Governance

7. Securities and shareholders

Equity Securities

Registered capital, as of December 31, 2017, stood at Baht 70,000 million and comprised:

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

Paid-up capital, as of December 31, 2017, stood at Baht 33,992 million and comprised:

3,395,407,226 ordinary shares	par value	10	Baht
3,784,972 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	3,395,407,226 shares as of December 31, 2017
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Company Limited
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	3,784,972 shares as of December 31, 2017
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Preferred share features	Preferential rights conferred to preferred shares have a 10-year validity from the date of the initial payment by the Ministry of Finance which had reached the expiration date on May 10, 2009. Therefore, the rights of preferred shareholders are now the same as those of ordinary shareholders. Preferred shares can be converted to ordinary shares in accordance with the conversion schedule and procedure specified 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>Every quarter 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, request must be submitted during March 16-30. - For conversion on June 30, request must be submitted during June 15-29. - For conversion on September 30, request must be submitted during September 15-29. - For conversion on December 31, request must be submitted during December 16-30. <p>If a conversion date falls on a bank holiday, conversion shall be made on the last business day prior to the bank holiday.</p>
Exercise procedure	<p>(1) Conversion request form can be obtained at Thailand Securities Depository Company Limited or at any securities brokerage.</p> <p>(2) Conversion request form can be submitted at Thailand Securities Depository Company Limited or at any securities brokerage during business hours.</p> <p>(3) Documents required for conversion are:</p> <ol style="list-style-type: none"> 1. The Bank's conversion request form; 2. Preferred share certificates or any permissible substitute (as specified by the SET); 3. <u>For an individual</u>, a certified copy of valid national identity card, foreigner identity card or passport (whichever is applicable); <u>For a juristic person</u>, a copy of juristic person certificate issued by Ministry of Commerce within 1 year of the request submission date, together with a certified copy of valid national identity card of a director with signing authority
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 of December 29, 2017, the Bank had 3,399,192,198 registered and paid-up shares outstanding, of which 287,206,657 shares (or 8.45% of total shares) were held through NVDR. All shares in NVDR were ordinary shares which accounted for 8.45% of total ordinary shares. NVDR has announced that it will abstain from attending and voting at shareholder meetings, except for the case that involves stock delisting from the SET. Investors can obtain the number of the Bank's shares held through NVDR directly from the Stock Exchange of Thailand at www.set.or.th/nvdr.

Note: NVDR, or non-voting depositary receipt, is tradeable financial instrument with claims on underlying shares listed on the SET. Thai NVDR Company Limited is a juristic person holding shares on behalf of foreign investors. This legal structure allows foreign investors to invest in Thai securities without foreign limit restriction.

Policy on Rights Issue

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

Shareholders Principal shareholders (as of March 8, 2018)

No.	Name	Common shares	Preferred shares	Total of shares	Percentage of shares
1	VAYUPAK MUTUAL FUND 1	785,298,200	-	785,298,200	23.10
2	BUREAU OF THE CROWN PROPERTY AND GROUP	666,734,185	-	666,734,185	19.61
3	THAI NVDR COMPANY LIMITED	309,696,605	-	309,696,605	9.11
4	STATE STREET EUROPE LIMITED	176,257,665	-	176,257,665	5.19
5	His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun	113,274,873	-	113,274,873	3.33
6	SOCIAL SECURITY OFFICE	71,970,200	-	71,970,200	2.12
7	CHASE NOMINEES LIMITED	64,083,748	-	64,083,748	1.89
8	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	58,908,533	-	58,908,533	1.73
9	THE BANK OF NEW YORK MELLON	55,868,325	-	55,868,325	1.64
10	NORTRUST NOMINEES LTD-CL AC	39,634,564	-	39,634,564	1.17
11	OTHERS	1,053,684,698	3,780,602	1,057,465,300	31.11
	TOTAL ISSUED SHARE CAPITAL	3,395,411,596	3,780,602	3,399,192,198	100.00

THAI SHAREHOLDERS	2,437,808,893	3,565,312	2,441,374,205	71.82
FOREIGN SHAREHOLDERS	957,602,703	215,290	957,817,993	28.18

Note: Ministry of Finance holds 3,071,786 ordinary shares, representing 0.09% of total share capital.

Dividend Policy

SCB Dividend Policy

The Bank has a policy to allocate 30-50% of reported consolidated net profits for dividend payment which is payable in any year of positive profits net of all legal reserve and other reserve requirements, provided that there is no accumulated loss and the Bank maintains sufficient capital to meet the legal requirements.

In 2017, the Bank paid dividend at Baht 5.50 per share to ordinary and preferred shareholders with the total amount of Baht 18,696 million or 39.3% of the Bank's 2016 consolidated net profits. Dividend payment from the Bank's 2017 profits will be proposed for approval at the Annual General Meeting of Shareholders in April 2018.

Dividend Policies of Subsidiaries

For a subsidiary over which the Bank has full control and is not listed on the Stock Exchange of Thailand (SET), dividends shall be paid at the maximum amount of net profits after appropriation for legal reserves or at an appropriate level given the subsidiary's business requirements.

In the case of a subsidiary being a SET-listed company or a company over which the Bank does not have full control, dividend payment will depend on the individual company's dividend policy and shall comply with applicable laws, rules and regulations.

Debt Securities

At the end of 2017, outstanding debt securities issued by the Bank were as follows:

	Amount	Interest rate	Year of maturity
Senior Unsecured Notes	USD 750 million	3.50%	April 2019
Senior Unsecured Notes	USD 400 million	3.20%	July 2022
Senior Unsecured Notes	USD 500 million	2.75%	May 2023
Subordinated Debenture No. 2/2012*	Baht 20 billion	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 2017

The Board of Directors recognizes the critical importance of corporate governance (CG). The Bank thus adopts effective business governance that is transparent and fair to all stakeholders and helps strengthen the Bank's credibility and competitiveness as an ethical and socially responsible corporate citizen to achieve sustainable growth both for the Bank and the society at large. Such firm commitment to good governance also bolsters 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. This belief has, therefore, led the Bank to adopt good corporate governance principles and practices that are generally accepted in Thailand and internationally as well as improving its internal corporate governance standards on a continual basis as reflected in the corporate governance excellence awards that the Bank has earned from several organizations including:

- SCB achieved the top level ("Excellent") rating in the 2017 CG assessment announced by the Thai Institute of Directors Association (IOD), marking our 13th consecutive year for this recognition since 2005.
- In 2017, SCB was in the top tier in the Thai Investors Association's assessment of shareholder meetings, continuing its record of outstanding score (99-100) for the ninth consecutive year since 2009.

In 2017, the Board decided that the Corporate Governance Code for listed companies or the CG Code which was developed by the Securities and Exchange Commission should be adopted as appropriate to the Bank's business context and the adoption of the CG Code should be reviewed at least annually. Such decision was officially recorded as a resolution of the Board.

Corporate Governance Policy

The Board has assigned the Nomination, Compensation and Corporate Governance (NCCG) Committee to formulate the Corporate Governance Policy and monitor compliance. The NCCG Committee also reviews and revises the policy to ensure that it is appropriate and in line with regulatory guidelines pertaining to the Bank which is a commercial bank and a listed company with an aspiration to achieve world-class corporate governance standards. The Bank's Corporate Governance Policy encompasses the following core elements:

- 1) The policy elaborates the vision, mission, core values and codes of conduct applicable to the Bank, its directors, and employees of the Bank. In late 2016, the Board approved the Bank's 2020 vision to be **"The Most Admired Bank"** for its constituents. In other words, the Bank aspires to be recognized as the most preferred partner by its customers, the most caring employer by its employees, the most sustainable return company by its

shareholders, the most responsible corporate citizen by the society and the most prudent bank by the regulators.

- 2) The policy formalizes, among other matters, corporate governance structure of the Bank; roles and responsibilities of the Board; tenure of members of the Board and Board committees; the Board's meeting procedures; nomination and appointment of members of the Board; an onboarding program for new directors; holding of positions in other companies by the directors and senior executives; separation of position and roles between the chairman of the Board and the chairman of the Executive Committee; remuneration of directors and persons with management authority; assessment of performance of the Board, Board committees, and persons with management authority; succession planning; and roles and functions of the company secretary.
- 3) The policy enumerates the rights and treatment of all stakeholders in terms of arrangement of shareholder meetings, dividend payments, information disclosure, and transparency.
- 4) The policy defines the Bank's internal controls encompassing the rules and restriction governing the use of confidential and non-public information by directors and employees, 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." The policy has also been announced to directors, executives, and employees of the Bank for their acknowledgment and compliance as the Bank intends to promote its members' understanding, awareness, regard, and internalization of the Corporate Governance Policy which will become their work habit and eventually the corporate culture.

2017 Corporate Governance

The Bank's corporate governance practices in 2017 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 in 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 these 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 Bank is determined to encourage all shareholders to exercise their rights to the fullest extent permissible by laws and shall not violate or derogate the rights of shareholders by any means.

The principles adopted by the Bank with respect to the treatment of shareholders are shown in details 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 Shareholder Meeting

In 2017, the Annual General Meeting of Shareholders (AGM) No. 194 was arranged on April 11, 2017 and no Extraordinary General Meeting of Shareholders was held that year. The proceedings were conducted by the Bank in a manner that ensured shareholders' ability to exercise their rights in accordance with laws, applicable 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 2016 Annual Report (in CD-ROM format) were sent by post to shareholders at least 21 days in advance of the meeting date. The 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. The Bank also advertised the Notice of the AGM in Thai newspapers for three consecutive days and took other relevant actions as required by law. Upon request, shareholders were entitled to receive printed copies of the 2016 Annual Report before the date of the meeting from the company secretary.

2) The Bank recognizes shareholders' rights to know and gain full access to 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 to company_secretary@scb.co.th, in accordance with the guidelines on the Bank's website. Questions are compiled and proposed to the Board by the Nomination, Compensation and Corporate Governance Committee.

3) To encourage and facilitate participation of all shareholders (individuals, juristic persons, and institutional investors) in 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, registration counters were open at least two hours prior to the meeting time to facilitate procedural document checks and registration. For efficiency and convenience, the Bank made available revenue stamps to be affixed to the proxy forms presented by proxies attending the meeting. Separate registration counters were

specifically set up for different types of shareholders, i.e. shareholders attending the meeting in person, individual shareholders, juristic persons, and fund managers or custodians. For greater convenience and speed, the meeting registration service made use of a bar code system and each shareholder or proxy holder was given a ballot bearing the same bar code as his or her registration bar code for voting on each agenda item. Meeting registration remained open to shareholders during the meeting, allowing shareholders to register and attend the meeting at any time and vote on any remaining agenda item.

5) The chairman of the Board presided as the chairman of the meeting and all 16 directors of the Bank attended the 2017 AGM 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. Before proceeding with the meeting agenda, the company secretary announced the voting procedure 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 on a 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. Representatives from Baker & McKenzie, an independent law firm, were engaged to review and inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Therefore, 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 show the 2016 performance highlights and a brief summary of the 2017 business strategies. The chairman of the meeting allowed shareholders to ask questions and/or make recommendations on an equitable basis and provided comprehensive responses to all questions or issues raised. The directors and management jointly responded to shareholders' questions and clarified issues. The company secretary recorded the 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 reorder, add, or revise any agenda items, or modify previously issued information at the meeting, nor proposed any motions that had not been specified in the AGM Notice.

7) Following the meeting adjournment, the resolutions adopted at the 2017 AGM and the voting results for each agenda item (in both Thai and English) were publicly disclosed via the SET Portal platform of the Stock Exchange of Thailand and on the Bank's website 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 of the meeting date for quick and inclusive access to shareholders. The minutes were also submitted to the Ministry of Commerce within the timeframe specified by law. The minutes contained the list of directors and 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 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 which provides guidance that the dividend payout will typically be in the range of 30-50 percent of its consolidated annual net profit with considerations to long-term return for all shareholders. Dividends will be considered in any year that the Bank, after deduction of all statutory and other reserves, posts a profit, provided that there is no accumulated loss and that the Bank is able to maintain adequate capital funds to comply with the regulatory requirements, as well as taking into consideration the need to preserve capital for its future business requirements. The interim dividends and annual dividends will be paid within 30 days after approval by the Board or resolution at the shareholder meeting. 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 shareholders' decision-making.

At the 2017 AGM, the meeting resolved to approve the dividend payment from the Bank's 2016 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 39.3 percent of the 2016 consolidated net profit. Such dividend payment complies with the Dividend Policy of the Bank and its details are summarized below:

- 1) The Board, at its meeting No. 12/2016 on August 23, 2016, 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 September 16, 2016 (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 May 9, 2017 (28 days from the date of approval of the dividend payment by the shareholder meeting).

1.3 Election of Directors on an Individual Basis

As part of the director election process, profiles of nominated directors are disclosed in the notice of the AGM to support the shareholders' considerations. Each profile includes information such as the nominee's age, education, work experience, positions in other listed and non-listed companies, date of appointment as director, Board/ Board committee 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 relationships 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 in the two years preceding their appointment as independent directors of the Bank.

Pursuant to the Bank's Articles of Association, one-third of the directors shall retire by rotation at every AGM. At the 2017 AGM, five directors retired by rotation. The Bank arranged for shareholders to elect directors to replace the outgoing directors by independently directing their votes toward each individual nominee as opposed to a slate director election. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated and the voting results for each director nominated for the election were clearly specified in the AGM minutes.

1.4 Determination of Directors' Remuneration

As stipulated in the Bank's Articles of Association approved by the shareholder meeting, a director is entitled to receive remuneration from the Bank in the form of gratuities, meeting allowances, rewards, bonuses, or other benefits consistent with the Articles of Association or the resolution of the shareholder meeting. Such remuneration may be a fixed amount or based on the criteria specified at the time which may be allowed to remain in effect until changed. Furthermore, 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 delegated to make recommendations on directors' remuneration to the Board prior to proposing the remuneration to an AGM for approval on an annual basis. The Board has a policy that directors' remuneration should be appropriate and commensurate to 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 interfere with communication among its shareholders in any ways. Shareholders have complete liberty to share information among one 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 in accordance with the scope permissible by law. 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 Shareholder meeting

All shareholders of the Bank are invited to propose matters to be included in the AGM agenda and to nominate qualified candidates for the director election by an AGM according the explicit criteria published on the Bank's website. Shareholders may submit their proposals and questions to the company secretary via post or e-mail at company_secretary@scb.co.th. The Nomination, Compensation and Corporate Governance Committee will consider shareholders' proposals prior to submitting them to the Board for further consideration. Decision on the matter will be notified to the shareholders concerned for acknowledgment. Any proposals that are accepted will be included in the AGM agenda.

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 October 1 to December 31, 2016. However, the Bank did not receive any proposals from the shareholders.

2.2 Proxy Appointments for Shareholder meeting

For every shareholder 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. Conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties to the proxy appointment.

For the 2017 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 had an option to appoint as their proxies one of the two independent directors of the Bank who did not have any conflicts of interest in the relevant agenda items of the AGM. To facilitate their decision, shareholders were given important information about these independent directors. Shareholders had the liberty to appoint either one of the two independent directors or any other person of their choice as proxy. In addition, Proxy Form A or Proxy Form C could be downloaded from the Bank's website for shareholders' use as and when applicable.

2.3 Ballots for Shareholder meeting

In the 2017 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.

To ensure that the voting process was efficient, accurate, speedy, and verifiable, a bar code system and PDA were employed in tabulating votes. Before proceeding 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 its internal control system and risk management system and annually evaluates the adequacy of the systems, including related-party transactions and prevention of conflicts of interest. The monitoring and evaluation framework is based on the internal control framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) which encompasses five key components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Details are discussed under the section in #11 "Internal Control and Risk Management".

2.5 Conflict-of-Interest Reporting by Directors and Persons with Management Authority

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 conflicts of interest concerning themselves and their related parties as well as changes to any previously reported items. The company secretary collects and submits copies of 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 to monitor

transactions between the Bank and directors, persons with management authority, and/or their related parties in accordance with applicable legal requirements.

2.6 Anti-Corruption

Anti-corruption continues to be a key part of the Bank's internal control and risk management as evident by, among others, the Bank's membership in the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC). This membership underlines the Bank's determination and commitment to fight corruption in all forms and to promote a culture of zero tolerance for corruption and bribery. All CAC members are required to undergo a membership certification process and the membership must be re-certified every 3 years. As part of the recertification process, each CAC member is required to complete an anti-corruption self-assessment based on a highly rigorous standard. On November 10, 2017, the Bank's CAC membership was officially re-certified and valid for another three years. The Bank has enforced the Anti-Corruption and Bribery Policy, which serves as an anti-corruption guideline, upon all companies in the SCB Financial Group. The policy has been communicated to directors, executives, and employees at all levels to ensure that they recognize and understand their obligations and responsibilities in this respect and apply the policy in the workplace to their best abilities. All employees of the Bank are required to enroll in in-house training courses on topics related to anti-corruption, such as the e-learning courses on anti-money laundering/combating the financing of terrorism (AML/CFT), and anti-corruption and bribery. Employees must pass relevant tests to complete these mandatory courses and must periodically enroll in refresher courses within a specified timeframe. Employees are also encouraged to participate in anti-corruption activities arranged by various agencies or institutions as detailed below:

1. Thailand's 8th National Conference on Collective Action against Corruption "Bright Spots: Lighting the Way to a Corruption-Free Society" organized by the Thai Institute of Directors Association.
2. Anti-Corruption Network Program under the collaboration of the Office of National Anti-Corruption Commission (NACC) and the Thai Contractors Association.
3. International Anti-Corruption Day campaign for "Zero Tolerance for Corruption".

Additionally, the Bank has informed external parties and stakeholders of its Anti-Corruption and Bribery Policy through various channels, such as its website or credit card statements. To extend anti-corruption and bribery initiatives to a wider context, the Bank has encouraged suppliers, as a key stakeholder of the Bank, to adopt the same principles and concepts by formulating the "SCB Supplier Code of Conduct" as a guiding framework for its suppliers.

The Bank has set up complaint channels, such as the Whistleblower Hotline, for complaints about wrongdoing or suspected frauds or corruption. To actively monitor and evaluate compliance with the Anti-Corruption Policy, the Bank regularly assesses corruption and bribery exposure with the Audit Committee being responsible for overseeing the Bank's internal controls to ensure that they are adequate and effective in protecting the Bank from the risk of corruption and bribery as well as reporting the results to the Board of Directors.

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 details in the 2017 Sustainability Report. The essence is summarized below:

Customers: The Bank exists to serve its customers who encompass almost the entire spectrum of the 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, such as SME business centers, wealth centers, and customer service centers. The overarching aim is for the Bank to be viewed as the main financial services partner for customers through reliable services, innovative products, and trustworthy conduct. Customer data security and confidentiality are strictly protected. On top of the reliable standards, the Bank has included these matters in the Employee Code of Conduct and communicated them to employees to raise their awareness on the importance of data security and their adherence to applicable principles. The Bank measures its success in this regard through regular customer surveys and has consistently attained top satisfaction scores from such surveys.

Employees: The Bank recognizes the importance of continuous development of employees at all levels. Employees will always remain the Bank's most valuable assets. As such, the Bank aims to recruit, develop, and retain talents as they are central to the Bank's success in the short-term and long-term strategic implementation and accomplishing its mission and vision. The Bank offers a variety of training courses to develop employees' skills and capabilities, provides career advancement opportunities, as well as developing their professional expertise and positive attitude towards changes to be ready to face any challenges.

It is the Bank's policy to align employee compensations with the Bank's short-term and long-term performance and ensure that compensations are appropriate and competitive. The Bank has employed the Balanced Scorecard as a goal-setting and employee performance management tool which considers three dimensions of performance: strategy, organizational health, and business performance. Senior executives of the Bank are jointly accountable for the Bank's corporate KPIs and the KPIs of business units under their supervision, as well as translating these top-level KPIs into clear and appropriate individual KPIs for employees. In addition, executives and employees are required to jointly develop individual development plans to support fulfilment of assigned duties. The Bank has also implemented a performance-based compensation structure that incorporates fair and accurate evaluation. In 2017, the Bank revisited its pay structure to compensate employees fairly for their job value and conducted a compensation survey to identify the industry and cross-industry benchmarks as a baseline for the Bank's compensation management. To increase employees' wellbeing and motivation, the Bank offers attractive welfare and benefits packages that are regularly fine-tuned, i.e. medical benefits, scholarships, emergency financial assistance, pension fund and employee welfare loans, such as mortgage loan and auto loan programs, retirement bonus, and savings cooperative.

The Bank respects human rights and treats its employees fairly and equally without discrimination based on gender, age, religion, or disability. Employees are entitled to join labor unions and are encouraged to voice their opinions that contribute to the organizational development, such as improvement of the Bank's policies, work processes, procedures, and product and service offering. Furthermore, the Bank respects intellectual property rights and deters infringement thereof by incorporating 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 intellectual property rights and copyrights owned by others. To assess the Bank's health and readiness for future changes, the Bank engaged third-party experts to conduct employee surveys. According to the 2017 organizational health survey, the Bank's score was ranked in the top decile of companies in Southeast Asia. The Bank believes that workplace happiness, employees' wellbeing, and work-life balance are building blocks for the Bank's sustainable and solid growth.

Shareholders: The Bank's existence is made possible by capital contributions of a large number of shareholders. The Bank aspires to provide transparent disclosure that meets high standards, equal treatment, and 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 the Thai financial services sector.

Community and Environment: The Bank aspires to behave in an ethical way as a model corporate citizen, enhance the quality of life of members of the society, and be environmentally responsible with the aim of fostering sustainable development in Thailand. The Bank has actively and consistently supported and carried out activities that are beneficial to the communities and the society at large with particular attention to activities relating to local youth as they are the foundation and drivers of the country's sustainability. Our priorities include activities that promote community involvement and sustainable development in accordance with the sufficiency economy philosophy. Furthermore, to instill a sense of volunteerism, the Bank has encouraged all employees to regularly participate in such activities. We also aim to make banking accessible to all by responsibly offering products and services and simultaneously promoting financial literacy.

The Bank is determined to operate in accordance with environmental laws and regulations and implement effective safety and environmental management measures internally. Furthermore, SCB supports natural resource and environmental conservation through awareness-raising campaigns and programs to educate and engage staff, business partners, customers and other CSR networks in this initiative. The Bank has increased its internal energy efficiency by upgrading lighting and electric systems. It also has reduced paper use in both internal and external processes, arranged the "Living an Eco-Friendly Lifestyle" program to raise environmental consciousness among SCB employees, and started an internal campaign to encourage its employees to help reduce plastic bottle waste.

SCB is also the first financial institution to participate in the nation's pilot carbon-offset program to support the domestic voluntary carbon credit market. The Bank worked with the Center of Excellence on Environmental Strategy for GREEN Business (VGREEN) of Kasetsart University to analyze and calculate the amount of carbon emissions from its energy and resource consumption.

Regulators: The Bank operates in accordance with the principles of corporate governance with effective oversight and transparency as well as adopting the supervisory guidelines applicable to financial

institutions, the market conduct, and the government's policy to develop Thailand to become a cashless society. The Bank emphasizes long-term strategic stability and works to enhance its multi-dimensional capabilities to raise its risk awareness and adaptability in pursuit of sustainable growth and return.

Business Partners: The Bank honors its obligations to business partners with integrity and implements a transparent and corruption-free procurement process. The Bank has issued the "Supplier Code of Conduct" to encourage suppliers to operate their businesses ethically, respect 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 Supplier Code of Conduct is communicated to its business partners on the Vendor Communication Day which is held annually and all business partners of the Bank are required to, in writing, acknowledge and strictly comply with the Supplier Code of Conduct.

Competitors: The Bank ethically treats its competitors with transparency and honors its obligations to its competitors with integrity, accountability, and respects. To uphold fair business practices, the Bank does not interfere with fair price competition, respects intellectual property rights of others, and avoid intellectual property infringement.

Creditors: The Bank strictly fulfills the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to maintain financial strength and solid debt servicing ability. In an event that the Bank is unable to fulfill 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.

3.2 Contact Channels for Stakeholders

The Bank provides multiple channels for stakeholders to directly contact the relevant units as follows:

- *Customers or third parties* can communicate with the Bank through branch staff or relationship managers, via the Call Center at 0-2777-7777, or by writing to senior executives of the Bank. All communications are monitored and responded within a specified period. The Bank also establishes a complaint management team with a major role of identifying corrective measures and ensuring that relevant units resolve customer complaints within applicable service level agreements published on the Bank's website.

- *Employees* are informed that the Bank has multiple channels to accept complaints and reports of misconduct from employees. Employees can voice their opinions and make a report on any unfair treatment, fraudulent activity, or suspicion of misconduct, either directly to their supervisors or through the following channels:

- 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 transparency and corporate governance principles. There are multiple channels for reporting complaints, fraud, or non-compliance, e.g. e-mail to whistleblower@scb.co.th; post to PO Box 177, Chatuchak Delivery

Post Office 10900; or telephone at 0-2544-2000. A summary on actions 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.

It is the Bank's policy to maintain confidentiality and anonymity of employees reporting misconduct or complaints for protection against retaliation or adverse consequences. Upon notification by an employee, an independent, case-by-case investigation team will be quickly set up to investigate any issue or possible fraudulent behavior. If there are proven grounds for a complaint, the matter will be escalated for disciplinary action in accordance with the following procedure:

- Employees submit opinions, reports, or complaints related to fraud via a range of channels, in which 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. Progress will be reported to the informants if they have chosen to be identified.
- The Working Team forwards proven cases of misconduct 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 informants.

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

Company Secretary
The Siam Commercial Bank PCL,
21st Floor, Zone A,
9 Ratchadapisek Road, Chatuchak, Bangkok 10900
Telephone: 0-2544-6309 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 are kept confidential, investigated, resolved, and 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 disclose the Bank's information in accordance with the following principles:

- 1) Information being disclosed must be accurate, adequate, and clear as well as being 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 rights of access to the information disclosed by the Bank; and
- 4) Information that could affect the Bank's share price, influence investors' decisions, or affect the rights of shareholders must be immediately disclosed to the public through the Stock Exchange of Thailand.

The Bank has designated officers responsible for disclosing the Bank's information to regulators, shareholders, and the general public with a specified timeframe. For example, audited annual financial statements are released within 60 days from the end of each fiscal year and reviewed quarterly financial statements are disclosed together with the Management Discussion and Analysis (MD&A) within 45 days from the end of each quarter to give investors a clear picture of the Bank's operating results.

In addition to financial information disclosure to regulators, shareholders, and the public as mentioned above, the Bank regularly holds press conferences and media events as well as issuing press releases to publicize and promote its activities.

Further, 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 executives in 2017 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" section of the Annual Report.

4.2 Investor Relations

Investor Relations is a functional unit of the Bank that is responsible for providing accurate, adequate, and clear disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable laws. In addition to its planned activities, such as meetings with investors and analysts, investor events, and 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, the chief financial officer, and other senior executives regularly participate in investor relations activities.

In 2017, disclosure activities undertaken by Investor Relations are summarized below:

Form of activities	Frequency (times)
One-on-one meetings/conference calls with investors and equity analysts	148
Meetings with securities analysts	4
Investor conferences	7
Global roadshows	3

The 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”.

Contact information of Investor Relations is as follows:

Investor Relations

The Siam Commercial Bank PCL,

9 Ratchadapisek Road, Chatuchak, Bangkok 10900

Telephone: 0-2544-4358

E-mail: investor.relations@scb.co.th

Website: www.scb.co.th

4.3 Auditors

Auditors' qualifications are vetted 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, as well as approval by the Securities and Exchange Commission (SEC). The Audit Committee also reviews annual audit fees based on the scope of the audit and proposes qualified auditors and appropriate audit fees to the Board for consideration prior to proposing to the AGM for approval.

4.4 Compliance with the Principles of Good Corporate Governance

The Bank aims to adhere to both national and international corporate governance standards. However, certain practices of the Bank did not comply, or complied only in part, with the 2017 Corporate Governance Code for Listed Company (CG Code) announced by the Securities and Exchange Commission and the corporate governance principles stipulated by the Institute of Directors Association, due to reasons set out below:

- 1) The Board should have an appropriate number of members ranging from five to 12. At the end of 2017, the Board was comprised of 16 members. The Bank views that the number is appropriate, considering the growing size and complexity of the Bank's business. Given rapid technological changes, it is necessary for the Bank to have directors with diverse experience, knowledge, and expertise so that the Board can perform effectively.
- 2) Chairman of the Nomination, Compensation and Corporate Governance Committee (NCCG Committee) should be an independent director. At present, the chairman of the NCCG Committee of the Bank is not an independent director. The NCCG Committee is comprised of five directors and most of them are independent directors. The chairman of the NCCG Committee is not an executive director, and decisions of the NCCG Committee are collectively made based on majority vote.
- 3) Disclosed information on shareholding structure should clearly specify actual owners of SCB shares. The Bank's shareholders include nominee companies being custodians of foreign investors. Such appointment of nominee companies as custodians is considered a normal practice and is beyond the Bank's control.

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

5. Responsibilities of the Board

5.1 Board Composition

At the end of 2017, 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.

Among the 16 directors, there are 3 women and 13 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social development, corporate governance, laws, science and technology, and other experiences that are considered beneficial and relevant to the Bank's business. Composition of the Board is as follows:

- The nine independent directors* (representing 56.25 percent 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 two executive directors (representing 12.5 percent of the total directors) are Dr. Vichit Suraphongchai and Mr. Arthid Nanthawithaya.
- The five non-executive directors (representing 31.25 percent of the total directors) are Dr. Chirayu Isarangkun Na Ayuthaya, M.R. Disnadda Diskul, Mrs. Kannikar Chalitaporn, Mr. Chakkrit Parapuntakul, and Dr. Ekniti Nitithanprapas.

* The term "independent director" has the meaning as 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 percent 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 no more than 0.5 percent is the Bank's standard, which is stricter than the standard set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1 percent of the total voting shares of the company of which he/she is a director.

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 December 31, 2017)

Name	Position	Date of appointment as director	Number of years in directorship ¹⁾
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	March 6, 1984	1 st round: 7 years (1984 - 1991)
		October 2, 1992	2 nd round: 25 years 3 months (1992 - present)
2. Dr. Chirayu Isarangkun Na Ayuthaya	Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	September 18, 1987	30 years 3 months
3. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	December 10, 1999	18 years 1 month
4. Khunying Jada Wattanasiritham ¹⁾	Independent Director, Chairman of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	February 2, 1999	18 years 11 months (Independent director: 8 years 2 months)
5. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	April 4, 2013	4 years 9 months
6. M.R. Disnadda Diskul ²⁾	Director	November 22, 1996	1 st round: 2 years 2 months (1996 - 1999)
		April 5, 1999	2 nd round: 18 years 9 months (1999 - present)
7. Dr. Kulpatra Sirodom	Independent Director, Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee	June 19, 2009	8 years 6 months
8. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	April 5, 2011	6 years 9 months
9. Mrs. Kannikar Chalitaporn	Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	January 21, 2002	15 years 11 months
10. Mr. Krirk Vanikkul	Independent Director and Member of the Executive Committee	November 1, 2015	2 years 2 months
11. Dr. Thaweesak Koanantakool	Independent Director and Member of the Executive Committee	April 5, 2016	1 year 9 months
12. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	September 22, 2014	3 years 3 months
13. Dr. Ekniti Nitithanprapas	Director and Member of the Nomination, Compensation and Corporate Governance Committee	November 25, 2015	2 years 1 month
14. Mr. Kan Trakulhoon	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	April 5, 2016	1 year 9 months
15. Mr. Chakkrit Parapuntakul	Director and Member of the Corporate Social Responsibility Committee	November 25, 2015	2 years 1 month

Name	Position	Date of appointment as director	Number of years in directorship ¹⁾
16. Mr. Arthid Nanthawithaya	President and CEO, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	April 2, 2015	2 years 9 months

Remark:

1) *Khunying Jada Wattanasiritham qualified as an independent director from October 19, 2009.*

2) *M.R. Disnadda Diskul resigned as a director of the Bank, effective on January 31, 2018.*

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. Directors who have held office for the longest time shall retire. In the case that the total number of directors is not divisible by 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. With regard to the tenure of directors as members of Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility 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 performance effectiveness, governance, and transparency 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 practice conforms to the principle of segregation of policy formulation and oversight duties from those in operations management. The key roles of the chairman of the Board are: to ensure that Board meetings are conducted effectively and matters that are essential to the Bank's operations and/or performance are placed on the meeting agenda, particularly matters related to corporate strategy; to allocate sufficient time for management to present clear and timely information; to allow attending Board members to voice their opinions and ask questions; and to ensure that Board resolutions are clear and the meeting minutes are complete and correct. The chairman of the Board also presides over the shareholder 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, comply with the adopted policies.

Chairman of the Executive Committee - The chairman of the Executive Committee is a Board-appointed director with power and duties to oversee the Executive Committee whose key roles and responsibilities are to ensure that the Bank's business and operations are in line with its strategies,

policies and regulations and to perform tasks assigned by the Board with the goal of leading the Bank to achieve its vision and mission while upholding its core values. The chairman of the Executive Committee is appointed by the Board as an authorized director with signing authority.

President and Chief Executive Officer - The Board appointed Mr. Arthid Nanthawithaya, a director of the Bank, as the president and chief executive officer to be principally in charge of managing and leading the Bank's business and operations in accordance with the Bank's policies, strategy, and business plan as approved by the Board and in compliance with applicable regulations while upholding the principles of corporate governance. The president and chief executive officer is appointed by the Board as an authorized director with signing authority.

5.4 Directorships of Other Companies

The Bank has established a clear policy on 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 2017 CG Code and the corporate governance principles stipulated by the Institute of Directors Association. Furthermore, to comply with the Bank of Thailand's regulations on corporate governance of financial institutions, holding of positions by directors and/or senior executives of the Bank as a chairman, or an executive director, or an authorized director with signing authority of other companies shall be limited to three business groups only.

In addition to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies which requires the Bank's 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 held by directors to the Board of Directors. Information on positions held by the Bank's directors in other companies, which is disclosed to shareholders in this Annual Report, indicates that 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 chairman of the board of directors 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 the provisions of laws. The Board's roles and responsibilities shall be in accordance with those specified by law, the Bank's Memorandum and Articles of Association, and the resolutions of the shareholder meetings. Duties, responsibilities, and approval authority of the Board also include those specified in the charter of the Board of Directors such as setting the Bank's policies, strategies, and financial targets. In the prior fiscal year, the Board conducted mid-year and year-end reviews of the Bank's vision, mission and business strategy which 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 policies and strategies are implemented and financial

targets are achieved. The aim is to maximize long-term shareholder value by taking into account the best interests of all stakeholders. The Board is also responsible for reviewing succession plan for the president and chief executive officer position on a regular basis, establishing structures and processes for sound risk management, audit, compliance and internal control systems, and reviewing such structures and processes regularly. Details on the roles, responsibilities and approval authority of the Board are available on www.scb.co.th under the section "Charter of the Board of Directors".

In addition to complying with relevant laws and regulations as mentioned above, the Board strictly abides by the Directors Code of Conduct, which provides ethical standards governing: a) honesty, fairness and integrity, b) personal transactions, c) confidentiality, d) disclosure of interests, e) legal compliance, and f) payments, gifts, entertainment and travel. In addition, the Board, the Bank's executives, and employees strictly adhere 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 section "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 appointed 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 considering specific matters as assigned by the Board. Meetings of each Board committee are scheduled in advance for the entire year and are held in accordance with the criteria specified in the charter of each Board Committee and the Corporate Governance Policy. Duties and responsibilities of each Board committee are clearly specified in its charter, which is available on www.scb.co.th under the section of "Charter of the Board and Board Committees." Details are summarized below:

- ***Executive Committee***

The Executive Committee is appointed by the Board. As of December 31, 2017, the Executive Committee is consisted of five directors of the Bank, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, Mr. Kirk Vanikkul, Dr. Thaweesak Koanantakool, and Mr. Arthid Nanthawithaya. Their tenure on the Executive Committee is concurrent with their directorships.

The major duties and responsibilities of the Executive Committee are to oversee and ensure that the Bank's business and operations are in line with its strategies, policies, and regulations and to perform tasks as assigned by the Board. Key responsibilities include screening all matters that are proposed to the Board for consideration, excluding those matters under responsibility of other specific committees, and approving requests within the scope of authority delegated by the Board and

stipulated in the charter of the Executive Committee. In 2017, the Executive Committee held 38 meetings and performance of the Executive Committee in 2017 is described in the Executive Committee Report in the Annual Report.

- ***Audit Committee***

The Board first appointed the Audit Committee in 1998 with responsibilities in several areas, e.g. financial reporting, internal control, internal audit, corporate governance, and oversight of compliance with regulations, codes of ethics, codes of conduct, and risk management principles. These responsibilities include: to review the accuracy and adequacy of the Bank's financial statements; to ensure that the management of the Bank has established appropriate and effective internal control and internal audit systems; to review the effectiveness of the Bank's regulatory and legal compliance monitoring system; to review the efficiency of the risk management system of the Bank and the SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee. 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. Furthermore, the Audit Committee is responsible for evaluating performance of external auditors. As of December 31, 2017, the Audit Committee was comprised of three independent directors, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodom, and Mr. Ekamol Kiriwat. Their tenure on the Audit Committee is concurrent with their directorships. Every member of the Audit Committee has extensive knowledge and experience in reviewing financial statements, particularly with two members of the Audit Committee holding advanced degrees in accounting and finance. Performance of the Audit Committee in 2017 is shown in the Audit Committee Report in the Annual Report.

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

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are: 1) To nominate individuals as directors of the Bank as well as proposing for the Board's consideration appropriate remuneration for members of the Board and Board committees prior to obtaining approval at the shareholder meetings; 2) To nominate individuals as senior executives and ensure that their remuneration is commensurate with their roles and responsibilities; and 3) To formulate the Bank's corporate governance policy and ensure compliance with corporate governance principles set forth by regulatory authorities. Details regarding duties and responsibilities of the Nomination, Compensation and Corporate Governance Committee are provided in the charter of the Nomination, Compensation and Corporate Governance Committee.

As of December 31, 2017, the Nomination, Compensation and Corporate Governance Committee was 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 tenure on the Nomination, Compensation and Corporate Governance Committee is concurrent with their directorships. Performance of Nomination,

Compensation and Corporate Governance Committee in 2017 is shown in the Report of the Nomination, Compensation and Corporate Governance Committee in the Annual Report.

- **Corporate Social Responsibility Committee**

The roles and responsibilities of the Corporate Social Responsibility Committee are to direct, supervise and develop the Bank's CSR framework with the goal of contributing to Thailand's economy, the society, and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks, and sustaining success in the three following core areas: 1) youth development and learning enhancement, 2) volunteer networks, and 3) development of the quality of life and environment.

The Corporate Social Responsibility Committee is appointed by the Board and is comprised of at least five members. All members of the Corporate Social Responsibility Committee are directors of the Bank and their tenure on the Corporate Social Responsibility Committee is concurrent with their directorships. As of December 31, 2017, the Corporate Social Responsibility Committee had five members, namely Khunying Jada Wattanasiritham (chairman of the Corporate Social Responsibility Committee and independent director), Dr. Kulpatra Sirodom, Mr. Chakkrit Parapuntakul, Mrs. Kannikar Chalitaporn, and Mr. Arthid Nanthawithaya. Performance of the Corporate Social Responsibility Committee in 2017 is shown in the Corporate Social Responsibility Committee Report in the Annual Report.

5.6.2 Major Committees Relating to Management of the Bank

There are four key committees relating to 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 are as outlined below:

- **Management Committee**

The Management Committee is responsible for developing the Bank's business plan and annual action plan, setting performance targets, reviewing performance, and formulating business strategies for competitive advantage. The Management Committee is also in charge of monitoring operations and making decisions on major projects of the Bank. In 2017, the Management Committee held 59 meetings.

- **Risk Management Committee**

The Risk Management Committee is chiefly responsible for: overseeing and formulating risk management policies and risk governance of the Bank and companies in SCB Financial Group; aligning strategies with risk management policies; monitoring and controlling risks of SCB Financial Group within an appropriate level; approving risk models; controlling, monitoring and evaluating risk performance; and ensuring that companies in SCB Financial Group strictly comply with the Bank's risk management policies and the Bank of Thailand's requirements. The Risk Management Committee regularly reports to the Audit Committee on areas for improvement for proper compliance with the established policies and strategies. In 2017, the Risk Management Committee held 11 meetings.

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

The Assets and Liabilities Management Committee is a key mechanism for the Bank's management of liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate policies and approve risk management strategies to address funding and liquidity, interest rate and foreign exchange risk faced by the Bank as well as ensuring capital adequacy to support its business direction including Tier II capital. The Assets and Liabilities Management Committee also ensures that the Bank effectively and efficiently manage its assets and liabilities to build resilience against adverse economic conditions and unexpected shocks. In 2017, the Assets and Liabilities Management Committee held 10 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 policy and operational process associated with the investment. In 2017, the Equity Investment Management Committee held two meetings.

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 whereby directors and the president and chief executive officer may propose agenda items through the company secretary. In addition, the Board has a policy to call a meeting of non-executive directors on a semi-annual basis. An invitation to a Board meeting is sent to all directors at least seven days prior to the meeting date unless an urgent meeting is required to protect the Bank's rights or benefits. Other relevant documents are sent to directors at least five business days prior to the date of each meeting so that directors have sufficient time to study the information, unless an urgent necessity requires otherwise. 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 details to the directors. In addition, the Board has specified in its charter that at least two-thirds of all directors shall be present during the voting procedure.

In 2017, there were 17 Board meetings, consisting of 12 meetings that were originally included in the annual Board meeting calendar and five special meetings. The meeting attendance of the Board was 89.71 percent and the meeting attendance of every individual director was above 75 percent. In addition, the Bank arranged two non-executive directors' meetings (led by an independent director) to provide a forum for non-executive directors to discuss issues of their interests. Details of individual directors' meeting attendance in 2017 are as shown in Table 2.

Table 2: Individual Directors' Meeting Attendance in 2017

Unit: Time

Name	Board of Directors	Board of Directors (Extra)*	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Annual General Meeting of Shareholders No. 194
1. Mr. Anand Panyarachun	12/12	5/5	-	-	-	-	1/1
2. Dr. Chirayu Isarangkun Na Ayuthaya	12/12	3/5	-	-	-	12/12	1/1
3. Dr. Vichit Suraphongchai	12/12	5/5	35/38	-	-	-	1/1
4. Khunying Jada Wattanasiritham	11/12	3/5	-	-	8/8	11/12	1/1
5. Mr. Prasan Chuaphanich	11/12	3/5	-	11/12	-	-	1/1
6. M.R. Disnadda Diskul	11/12	3/5	-	-	-	-	1/1
7. Dr. Kulpatra Sirodom	11/12	2/5	-	12/12	7/8	-	1/1
8. Mr. Ekamol Kiriwat	12/12	5/5	-	11/12	-	-	1/1
9. Mrs. Kannikar Chalitaporn	12/12	4/5	33/38	-	7/8	-	1/1
10. Mr. Krirk Vanikkul	12/12	5/5	38/38	-	-	-	1/1
11. Dr. Thaweesak Koanantakool	10/12	4/5	36/38	-	-	-	1/1
12. Mr. Weerawong Chittmittrapap	10/12	3/5	-	-	-	10/12	1/1
13. Dr. Ekniti Nitithanprapas	11/12	3/5	-	-	-	12/12	1/1
14. Mr. Kan Trakulhoon	11/12	5/5	-	-	-	11/12	1/1
15. Mr. Chakkrit Parapuntakul	11/12	5/5	-	-	6/8	-	1/1
16. Mr. Arthid Nanthawithaya	12/12	5/5	36/38	-	7/8	-	1/1

Remark: *Extra Board meetings are Board meetings not included in the original Board meeting calendar that has been set in advance for the entire year.

5.8 Board and Senior Executive Assessment

5.8.1 Board and Board Committee Assessment

The Board assessment is conducted annually. The company secretary sends an assessment form to each director at the end of each year. Assessment results are compiled and presented by the Nomination, Compensation and Corporate Governance Committee to the Board for acknowledgment and discussion on further improvement of the Board's performance. The Board assessment is divided into four parts: 1) Board assessment, 2) Board committee assessment, 3) Individual director assessment, and 4) Board chairman assessment. Assessment criteria for each part are as detailed below:

1) Board Assessment - Eight key assessment topics are: Board composition, information management, Board processes, representation of shareholders and corporate social responsibility, managing the Bank's performance, management performance and succession planning, director development and management, and risk management.

2) Board Committee Assessment - Key assessment topics are, for example, appropriateness of the number of the Board committees, composition of the Board committees, suitability of directors'

knowledge and experience for the Board committees, and directors' understanding of their roles and duties. In 2017, the Board committee assessment was revised to engage all directors in the assessment of every Board committee for a more accurate reflection of each Board committee's performance.

3) Individual Director Assessment - Key assessment topics are contribution, knowledge and abilities, collaboration, integrity, and support for the Board.

4) Board Chairman Assessment - This section evaluates the performance of the chairman of the Board in, for example, effectively facilitating Board meetings, encouraging contribution and different perspectives from all directors, effectively summarizing the outcomes from the meetings, and demonstrating leadership.

Ratings of the four sections under the 2017 Board assessment ranged from very good to excellent, i.e. performance of the Board and Board committees in most of the categories surveyed met or exceeded expectations. There were recommendations from the directors on areas for further development. The Board acknowledged the assessment results and concurred with their implication on performance enhancement to further improve its effectiveness.

Additionally, to further improve the Board assessment effectiveness in accordance with the Corporate Governance Code for listed companies on the Stock Exchange of Thailand, the Bank has engaged an external consultant with professional expertise and experience in corporate governance to assess the Board's performance on the four components mentioned above every three years starting from 2012.

5.8.2 Senior Executive Assessment

The Nomination, Compensation and Corporate Governance Committee is responsible for the annual performance assessment of the Bank's senior executives, namely the chairman of the Executive Committee, the president and chief executive officer, and senior executives at executive vice president level and higher. The assessment is subsequently proposed to the Board for approval.

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 whose qualifications match the Bank's strategic requirements to serve as directors and members of Board committees. Nomination is based on each candidate's knowledge, capabilities, expertise, and past experience in relation to each vacancy's requirements, the board skill matrix, which is employed as a screening tool, and, in the case of independent directors, the independence of the candidate. The Bank proceeds with its due diligence process to ensure that qualifications of nominated individuals 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 nominations by the directors and the shareholders of the Bank. After thoroughly vetting 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 approval, 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 is in line with the Bank's strategic and business directions, the Nomination, Compensation and Corporate Governance Committee has refined the qualification screening criteria which set out three aspects of attributes and expertise that constitute 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 deemed useful to the Board. The Nomination, Compensation and Corporate Governance Committee also regularly reviews and updates 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 qualifications of candidates for positions at the level of executive vice president and higher, prior to proposing the nomination to the Board for approval and subsequently to the Bank of Thailand for endorsement of the senior executive appointment.

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

5.10 Succession Planning

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility of succession planning to ensure that the Bank has in place a succession plan that incorporates nomination, selection, and training for key positions, particularly the positions of the chairman of the Executive Committee, the president and chief executive officer, and executives at the level of executive vice president or higher. This is to ensure the continuity of the Bank's management and business operations 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 to support 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 shall be commensurate to the required duties and responsibilities of directors to meet stakeholder expectations and comply with applicable laws and regulations. As a result, the Bank's directors must possess appropriate experience and qualifications, and their remuneration shall reflect their contributions and responsibilities accordingly. 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, to shareholders for approval each year.

At the 2017 AGM, the shareholders resolved to approve the chairman of the Board's remuneration of Baht 1.8 million per year, and each member of the Board's remuneration of Baht 1.2 million per year

which are the levels that have been in effect since 2000. In 2017, the Board of Directors, comprising 16 directors, received a total remuneration of Baht 19.8 million.

At the same AGM, shareholders approved a bonus payment to directors at a rate of no more than 0.5 percent of dividend and authorized the Board to determine the appropriate amount and allocation. Since shareholders approved the 2016 dividend at Baht 5.50 per share or Baht 18,696 million in total, the directors' bonus for 2016 was set at Baht 54 million or 0.29 percent of the dividend.

Remuneration of the Board Committees in 2017 as approved by Shareholders at the 2017 AGM is shown below:

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.

Monetary remuneration for individual directors is shown in Table 3.

Table 3: Details of Monetary Remuneration for Individual Directors in 2017

Unit: Million Baht

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Directors' bonus for 2016 performance
1. Mr. Anand Panyarachun	1.80	-	-	-	-	4.70
2. Dr. Chirayu Isarangkun Na Ayuthaya	1.20	-	-	-	0.72	3.14
3. Dr. Vichit Suraphongchai	1.20	-	-	-	-	3.14
4. Khunying Jada Wattanasiritham ¹⁾	1.20	-	-	0.66	0.47	3.14
5. Mr. Prasan Chuaphanich	1.20	-	1.07	-	-	3.14

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Directors' bonus for 2016 performance
6. M.R. Disnadda Diskul	1.20	-	-	-	-	3.14
7. Dr. Kulpatra Sirodom	1.20	-	0.72	0.43	-	3.14
8. Mr. Ekamol Kiriwat	1.20	-	0.71	-	-	3.14
9. Mrs. Kannikar Chalitaporn	1.20	3.60	-	0.43	-	3.14
10. Mr. Krirk Vanikkul	1.20	3.60	-	-	-	3.14
11. Dr. Thaweesak Koanantakool ²⁾	1.20	3.60	-	-	-	2.32
12. Mr. Weerawong Chittmittrapap ¹⁾	1.20	-	-	-	0.46	3.14
13. Dr. Ekniti Nitithanprapas	1.20	-	-	-	0.48	3.14
14. Mr. Kan Trakulhoon ³⁾	1.20	-	-	-	0.47	2.32
15. Mr. Chakkrit Parapuntakul	1.20	-	-	0.42	-	3.14
16. Mr. Arthid Nanthawithaya	1.20	-	-	-	-	3.14
17. Prof. Vicharn Panich, M.D. ²⁾	-	-	-	-	-	0.82
18. Mr. Chumpol NaLamlieng ³⁾	-	-	-	-	-	0.82
19. Mr. Yol Phokasub ⁴⁾	-	-	-	-	-	2.20
Total	19.80	10.80	2.50	1.94	2.60	54.00

Remark:

- 1) Khunying Jada Wattanasiritham and Mr. Weerawong Chittmittrapap received remuneration of Baht 1.03 million and Baht 0.76 million, respectively for serving as independent directors of a subsidiary of the Bank in 2017.
- 2) 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 April 5, 2016.
- 3) 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 April 5, 2016. Mr. Kan Trakulhoon was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from April 5, 2016.
- 4) Mr. Yol Phokasub resigned as a director, effective from September 16, 2016.

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 approval. Remuneration should be appropriate for and in line with the Bank's policies as well as reflects short-term and long-term corporate performance and individual performance. 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. Remuneration is assessed based on transparent criteria, scope of responsibilities, and competitiveness within the financial industry and relative to other leading companies in Thailand.

Based on the Securities and Exchange Commission's definition, 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 2017, the number of the Bank’s executives based on this definition was 16, and collectively they received remuneration in the form of monthly salaries, bonuses, and allowances of Baht 304.65 million (inclusive of eight 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 at executive vice president level and higher. In 2017, the number of Bank’s executives based on the Bank of Thailand’s definition was 95, and collectively they received remuneration in the form of monthly salaries, bonuses, and allowances of Baht 1,358.47 million (inclusive of eight 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 executive vice president level or higher, and the chairman of the Board is additionally entitled to a company car benefit. In 2017, four non-executive directors of the Bank received medical expense reimbursement of Baht 35,880. 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 contribution. In 2017, the Bank’s provident fund contribution for 16 executives as defined by the Securities and Exchange Commission, i.e. senior executive vice president level, was Baht 9.81 million in total, while the provident fund contribution for 95 executives as defined by the Bank of Thailand, i.e. executive vice president level and higher, was Baht 44.67 million in total.

5.12 Director Orientation

The Bank arranges orientation meetings to brief all new directors on the Bank’s vision, strategies, key business targets, performance highlights and relevant regulatory rules. Also, important documents are provided to new directors, i.e. 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 contain, among others, key information on roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and duties of 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 director development 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 Securities and Exchange Commission, the Thai Institute of Directors Association, and other institutions. Directors are also encouraged to attend overseas seminars and activities on corporate governance practices and are regularly informed of relevant training courses.

Furthermore, the Board of Directors has directed the Bank to arrange appropriate development programs on an ongoing basis to ensure that directors remain current with skills and knowledge relevant to their performance as members of the Board of Directors and Board committees. Additionally, the Bank arranges workshops or seminars at least once a year as a knowledge-exchange forum for directors. Details of each director's participation in development programs and training courses in 2017 are shown in Table 4.

Table 4: Participation of the Bank's Directors in Training Courses and Development Programs in 2017

Name of Director	Course Subject	Organizer
1. Mr. Anand Panyarachun	The Amartya Sen Lecture Series on Sustainable Development on Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
2. Dr. Vichit Suraphongchai	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
3. Khunying Jada Wattanasiritham	National Director Conference 2017 on "Steering Governance in A Changing World"	Thai Institute of Directors Association (IOD)
	Nomination Director Event 1/2017 on "Nomination Committee Best Practice Guideline"	Thai Institute of Directors Association (IOD)
	Cyber Risk Governance Guide for Boards of Directors	Securities and Exchange Commission and Business Software Alliance
	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
	Cyber Resilience	Bank of Thailand
	Trends in Corporate Governance	The Siam Commercial Bank PCL
4. Mr. Prasan Chuaphanich	Ethical Leadership Program (ELP)	Thai Institute of Directors Association (IOD)
	Strategy Board Master Class (SBM)	Thai Institute of Directors Association (IOD)
	IOD Annual General Meeting & Dinner Talk 1/2017 on "Board of directors and their roles in driving Thailand forward"	Thai Institute of Directors Association (IOD)
	National Director Conference 2017 on "Steering Governance in A Changing World"	Thai Institute of Directors Association (IOD)
	Board Matters and Trends (BMT)	Thai Institute of Directors Association (IOD)
	Cyber Risk Governance Guide for Boards of Directors	Securities and Exchange Commission and Business Software Alliance
	Cyber Resilience	Bank of Thailand
	Trends in Corporate Governance	The Siam Commercial Bank PCL
5. Dr. Kulpatra Sirodom	Boards' Roles in Mitigating Cybersecurity Risks/ Threats Challenges and Solutions	Securities and Exchange Commission and Business Software Alliance
	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
	Cyber Resilience	Bank of Thailand
	Trends in Corporate Governance	The Siam Commercial Bank PCL
6. Mrs. Kannikar Chalitaporn	Trends in Corporate Governance	The Siam Commercial Bank PCL

Name of Director	Course Subject	Organizer
7. Mr. Krirk Vanikkul	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
	Cyber Resilience	Bank of Thailand
	2017 High-level meeting (HML) on Banking Supervision for Asia Planned	Bank for International Settlements
	Trends in Corporate Governance	The Siam Commercial Bank PCL
8. Dr. Thaweesak Koanantakool	National Director Conference 2017 on "Steering Governance in A Changing World"	Thai Institute of Directors Association (IOD)
	Board Matters and Trends (BMT)	Thai Institute of Directors Association (IOD)
	Cyber Resilience	Bank of Thailand
9. Dr. Ekniti Nitithanprapas	Board Matters and Trends (BMT)	Thai Institute of Directors Association (IOD)
	Digital Economy for Management (DE4M)	Institute of Research and Development for Public Enterprises
	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
	Trends in Corporate Governance	The Siam Commercial Bank PCL
10. Mr. Kan Trahulhoon	Chairman Forum 2017 on "The Role of Chairman in Leading Strategic Risk Oversight"	Thai Institute of Directors Association (IOD)
	Cyber Resilience	Bank of Thailand
11. Mr. Chakkrit Parapuntakul	Ethical Leadership Program (ELP)	Thai Institute of Directors Association (IOD)
	Board Matters and Trends (BMT)	Thai Institute of Directors Association (IOD)
12. Mr. Arthid Nanthawithaya	The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"	Cambridge Society of Thailand
	Digital Technology Field Trip Overseas	The Siam Commercial Bank PCL

5.13.2 Executive and Employee Development

The Bank strongly believes that continuous development of employees at all levels is a key foundation for sustainable growth and business success, both in the short and the long term. Therefore, the Bank has, since 2014, focused on implementing a systematic and comprehensive career development program to enhance knowledge, skills, and competencies of employees through identifying competency sets for each position and a corresponding career road map. This will enable the Bank to steer its people development efforts to be aligned with current business needs, future goals and strategies, and employee career advancement based on proficiency and career preference. To become a learning organization, the Bank continues to adopt an integrated learning and development approach to promote learning outside the classroom and to reinforce integrative skills development through, among others, coaching programs, e-learning modules, a management associate program for new executives, leadership development programs for senior executives, scholarship programs for domestic and overseas education, and a project named I-Plearn, which offers new and innovative "edutainment" learning tools.

Details on executive and employee development in 2017 are shown in the 2017 Sustainability Report.

5.14 Oversight of Subsidiaries and Affiliates

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

The Board of Directors has delegated the authority to the Executive Committee to nominate the Bank's executives with appropriate business experience and expertise as representative directors of companies in the SCB Financial Group to assist with policy and strategy formulation and ensure alignment 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 providing guidelines for representative directors whose key duty is to protect the rights and interests of the Bank and its shareholders.

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

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

5.15 Board Support Unit

The Bank recognizes the importance and provides support to the following units and their personnel 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 and enhance internal control, including policies, practices, and procedures, and to ensure compliance with applicable regulations for SCB Group. Also, the Audit Function conducts regular audits, identifies matters requiring attention, provides advice, and makes improvement recommendations on 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 roles and responsibilities of the Audit Function are effectively carried out. The head of audit reports directly to the Audit Committee in an independent manner. The Audit Committee has the authority to consider and approve the appointment, removal, transfer, or dismissal of the head of audit, as well as the merit pay increase of the head of audit.

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 as well as coordinating with the regulators on behalf of the Bank. The Compliance 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 conducting due diligence on 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, Mr. Arak Sutivong, senior executive vice president, chief strategy 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 shown on the Bank's website (www.scb.co.th) under the "Functions of Company Secretary" section.

Educational background, work experience, and training records of the persons mentioned above are provided in the Annual Report under "Information on Directors and Executives of the Bank".

Executives as per S.E.C definition

(As of December 31, 2017)

1. Mr. Arthid Nanthawithaya

President and Chief Executive Officer

2. Mrs. Kittiya Todhanakasem

Senior Executive Vice President, Chief Financial Officer

3. Mr. Anucha Laokwansatit, CFA

Senior Executive Vice President, Chief Risk Officer

4. Mrs. Wallaya Kaewrungruang

Senior Executive Vice President, Chief Legal and Control Officer

5. Mr. Colin Richard Dinn

Senior Executive Vice President, Chief Technology Officer

6. Dr. Jens Lottner

Senior Executive Vice President, Chief Transformation Officer

7. Mr. Thana Thienachariya

Senior Executive Vice President, Chief Marketing Officer

8. Mr. Sarunthorn Chutima

Senior Executive Vice President, Head of Special Business

9. Ms. Phanporn Kongyingyong

Senior Executive Vice President, Chief People Officer

10. Dr. Arak Sutivong

Senior Executive Vice President, Chief Strategy Officer and Company Secretary

11. Mr. Sarut Ruttanaporn

Senior Executive Vice President, Head of Retail Segment and Branch Network

12. Mr. Narong Srichukrin

Senior Executive Vice President, Head of Wealth Segment and Head of Wealth Products

13. Mrs. Pikun Srimahunt

Senior Executive Vice President, Head of SME Segment

14. Mr. Wasin Saiyawan

Senior Executive Vice President, Head of Multi-Corporate Segment and Head of Corporate Segment

15. Mrs. Pimolpa Suntichok

Senior Executive Vice President, Head of Commercial Banking Solutions

16. Mrs. Apiphan Charoenanusorn

Senior Executive Vice President, Head of Operations, Head of Retail Products, and Head of Retail Payments

10. Corporate Social Responsibility**SCB Sustainability Report**

Driven to become 'The Most Admired Bank', SCB is committed to conducting business under the good governance practices, recognising that ethical business conduct with social and environmental responsibility are essential for sustainable growth. SCB, therefore, operates its business under good governance principles and transparency with considerations upon social and environmental impacts, ensuring balance and fairness for 5 major stakeholders: customers, employees, society, shareholders and regulators.

For customers, the Bank's business strategy prioritises understanding customer needs and building engagement by offering products and services that meet their needs and deliver good experiences. The Bank strives to facilitate consumer lifestyles and enhance their quality of life by providing financial advice and new business opportunity recommendations with the goal of creating the highest customer satisfaction and becoming the main bank.

SCB continues fine-tuning its human resource management strategy to achieve the goal of being a company that creates value, promotes career advancement, and treats employees equally. Moreover, the Bank fosters a culture that emphasises agility for rapid decision making and courage for experimentation by implementing a top-down approach from executives to employees to build an organisational culture that is agile and strive even during change.

The Bank conducts business by upholding good governance principles with transparency as well as complying with regulatory guidelines for financial services both on market conduct and the government policy to promote a cashless society. Moreover, to create sustainable growth and profits for

shareholders, the Bank places an emphasis on long-term stability and thus develops a risk mindset for the overall organisation to be ready for changes.

For social responsibility, the Bank has refocused its community and social development strategy to providing public education to people of all age group on saving, financial literacy and discipline through the Bank's service and communication channels. The Bank also develops more diverse and convenient channels to access financial services (Financial Inclusion), as well as organising activities for social and educational development to raise the quality of life for people in the society and promote sustainable growth.

Please refer to SCB Sustainability Report for more details.

SCB Sustainability Approach				
To be the Most Admired Bank is also Our Way of SUSTAINABILITY				
Customers	Employees	Shareholders	Society and environment	Regulators
To be the Most Preferred Partner	To be the Most Caring Employer	To be the Most Sustainable Return Company	To be the Most Responsible Corporate Citizen	To be the Most Prudent bank

11. Internal Control and Risk Management

The Bank regularly monitors and assesses the adequacy of its internal control and risk management systems based on the Committee of Sponsoring Organizations of the Treadway Commission or COSO's guidelines. The guidelines specify five key components for internal control, namely: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. The Bank's implementation of each component is described below:

1. Control Environment

The Bank is committed to creating a culture and environment of sound and effective internal control for all internal units and companies in SCB Group with staff at every level strictly adhering to integrity and transparency. The Bank recognizes that a sound internal control system is vital for the business to achieve its objectives sustainably.

The Bank has formal policies and procedures that require management and staff at every level in the organization to have roles, duties, and responsibilities in maintaining sound internal control. The Bank's internal control system is supported by an organizational structure that has clear supervisory lines, scopes of authority and responsibility for management and staff, and effective separation of duties, all of which are under the Board's oversight. The Board of Directors is independent from management and has an oversight responsibility for developing an effective internal control environment.

In 2017, the Bank initiated a policy to increase the capabilities of executives at every level. One of the key initiatives is an executive job rotation program which the Bank has implemented from top down starting with senior management to create long-term benefits for the Bank, executives, and staff. Furthermore, the Bank also places importance on developing staff capabilities to keep up with technological changes that have played an important role in transforming the banking industry. Therefore, the Bank set up SCB Academy to equip staff with fundamental and new knowledge as well as skills to think systematically and analytically in their approach to work and decision making. SCB Academy aims to help staff prepare for changes by creating a habit and mindset of continuous self-improvement. The Bank has developed e-learning courses with learning modules in four key fundamental topics to develop staff readiness by deepening and broadening their knowledge base and creating career progress opportunities in areas that will constitute the Bank's key businesses in the future.

The Bank has a wide variety of whistleblower channels for complaints or reports on fraud or corruption through, the Whistleblower Hotline, e-mail at whistleblower@scb.co.th, and letters addressed to the President and CEO, head of the Audit Function, or head of the Human Resource Function. These complaints and reports will be forwarded to management of concerned functions for further corrective actions who must also report the outcomes and actions taken to the Audit Committee on quarterly basis. The Bank also welcomes any constructive feedback which can be sent to the President and CEO (ceo@scb.co.th) to ensure that management and staff effectively perform their duties with transparency, integrity, fairness, and accountability to gain trust from all stakeholders.

The Bank periodically reviews the KPI & Incentives Policy to ensure proper market conduct for staff at every level through staff incentives, key performance indicators or performance measurements, and the compensation process. The Bank has clear communications on a happy workplace and customer-centric culture. The Code of Conduct is communicated to new staff during orientation and reinforced for current staff through mandatory training every two years. The Bank also promotes staff awareness and underscores the importance of professional and ethical conduct through VDO clips on a variety of issues, such as maintaining confidentiality and disclosure of customer information, code of conduct for sales of life insurance products, and code of conduct for sales of mutual fund products, to ensure integrity, honesty, and accountability in every action in accordance with the Bank's policy.

2. Risk Assessment

The Board of Directors has the authority to review and approve the Bank's key risk management policies which are delegated to three committees with risk management responsibilities: the Executive Committee, the Audit Committee, and the Risk Management Committee. In addition, the Bank also has other committees to manage specific risks based on the principle of decentralization to ensure appropriate risk levels within a given approval authority framework.

The Bank recognizes the importance of risk management amid changes in both internal and external factors that affect the business as well as potential fraud or operational risk by considering both direct and indirect impacts or potential impacts on its business. The Bank considers risk management essential to every process of its business operations which requires coordination and integration across all levels as well as reporting to management and relevant committees. 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 to ensure that the Bank complies with applicable regulatory requirements and can handle unforeseen risks to remain within its risk appetite.

The Bank continues to support and reinforce the Three Lines of Defense approach. Operational staff and management of every function (First line) are responsible for assessing risks and setting internal control in their function with advice and recommendations from support functions (Second line). The Audit Function (Third line) evaluates the effectiveness and efficiency of such internal controls. The Bank applies this approach consistently from risk identification, control, monitoring, and assessment. The Bank raises staff awareness in a variety of ways, such as having the Operational Risk Management Function, the Compliance Function, and first line functions jointly communicate with staff, organizing workshops to translate the approach into actual execution, and setting Technology Risk Management guidelines.

SCB Group Risk Management Policy requires executives to manage and monitor key risks to be within the risk appetite, and report material risks to senior executives and relevant committees. For operational risk management, each function is required to complete a RCSA using the Bowtie analysis, a standard tool for communicating risk management scenarios with pictograms showing risk factors, as well as the causes and effects. It also explains risk control tools and reinforces the importance of evaluating and testing the effectiveness of these tools to reduce as much risk exposure to the Bank as possible. In

2017, over 80% of the Bank's functions completed RCSAs which were signed off by their respective heads.

The Bank incorporates external factors with potential business impacts from changes in the business environment as input into its overall strategy formulation. The Chief Risk Office has formulated plans to support the Bank's key goals with risk management as the main consideration. The Bank has developed a risk materiality assessment process that covers all material risks which are: strategic risk, credit risk, market risk, IRRBB, liquidity risk, operational risk, reputational risk, people risk, technology risk, and concentration risk. The Bank reviews this process annually to ensure that the process has been applied consistently and regularly with appropriate risk management, controls, and monitoring.

3. Control Activities

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

Furthermore, the Bank specifies scopes of duty and approval authorization for executives at each level in the Bank's operational regulations, such as regulations for procurement, administrative expenses and capital budget, and credit and investment approval. The Bank focuses on segregation of duties as a key control mechanism to ensure adequate and proper controls for operations at every level within the organization and to maintain a system of checks and balances, particularly for activities susceptible to conflicts of interest.

The Bank has linked IT usage in operation processes with general control over IT systems. The IT Function has written a risk and control assessment form for key areas which include technology operations, testing & platforms, technology security & risk, project delivery, and persistent teams and solutioning, to ensure that risk and control effectiveness remain at an acceptable level. In addition, the Bank sets up appropriate controls over the following processes: IT acquisition, development, maintenance, infrastructure, and security control.

The Bank had engaged an external consultant to review SCB Group's internal control systems and make recommendations to improve operational effectiveness and efficiency to conform with international standards. Upon the project completion in early 2017, the Audit Committee has periodically monitored the implementation progress of the recommended actions, particularly for high-risk issues.

4. Information and Communications

The Bank and SCB Group has created innovations on IT and communications to enhance their business competitiveness as a response to new global challenges from financial technology, changing business environment, and rapidly evolving consumer behaviors from digital trends.

The Bank has developed IT systems to facilitate constant communications so that the Board of Directors, executives, and other stakeholders, such as shareholders, investors, and regulators, can access key

information that is accurate, complete, reliable, and timely. The Bank emphasizes the importance of IT security in processing transactions and protecting customers' confidential data to ensure that its security measures remain sound and appropriate.

The Bank sets up channels for internal communication within the Bank and SCB Group to circulate policies, regulations, procedures, manuals, and other essential information for prompt and proper acknowledgement and compliance by all executives and staff. In addition, the Bank has a designated and secure communication channel for both internal and external persons to safely report any information.

In 2017 the Bank organized activities to raise staff awareness and knowledge on operational risks. Examples are VDO clips on different ethical issues in the Code of Conduct with an emphasis on confidentiality and disclosure of customer information, 7 Operational Risks (7OR), and Tell Us Anything campaign. The Bank added a channel to report operational risks via the LINE application so that risk incidents can be reported anywhere, anytime.

5. Monitoring Activities

The Bank monitors and assesses its internal controls to ensure effectiveness and efficiency in performing its functions of risk monitoring and assessment as designed with sufficient robustness to manage risks that are evolving.

The Compliance Function is responsible for reviewing and monitoring the operations of all internal functions within the Bank and SCB Group to ensure their compliance with important regulations, laws, rules, and regulatory requirements. The Audit Function performs an independent role of providing assurance and consultation to ensure that the internal processes have sound governance, risk management, and internal control. The Audit Function also identifies root causes of problems encountered during the audit, which are directly reported to the Audit Committee for consideration on a monthly basis, as well as following up to ensure that all concerns have been resolved.

The Audit Committee and the Board of Directors have considered the results of the internal control adequacy assessment and discussed follow-up actions with the Bank's management. The Audit Committee's and the Board of Directors' opinions are that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion concurs with the opinion of the external auditors.

Audit Committee Report

The Audit Committee of Siam Commercial Bank PCL is comprised of the following three independent directors:

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|--------------------------------------|---------------------------------|
| 1. Mr. Prasan Chuaphanich | Chairman of the Audit Committee |
| 2. Assoc. Prof. Dr. Kulpatra Sirodom | Member of the Audit Committee |
| 3. Mr. Ekamol Kiriwat | Member of the Audit Committee |

Mr. Krieng Wongnongtaey, first executive vice president and head of the Audit Function, serves as the secretary to the Audit Committee.

The Audit Committee performs the duties set forth in the Audit Committee Charter which has been approved by the Board of Directors and conforms to the Securities and Exchange Commission's guidelines on best practice. The Audit Committee reviews and ensures that SCB and its subsidiaries have strong corporate governance, adequate risk management system and internal control, as well as effective and efficient internal auditing. Structures and systematic processes have been put in place to raise the Bank's internal audit standards to bring the Internal Audit function to a position of a trusted advisor that creates sustainable long-term value.

In 2017, the Audit Committee held 12 meetings with management and senior executives from relevant functions, in addition to regular meetings with the Audit and the Compliance functions as well as meetings with external auditors both with and without management's presence. The Committee reports the outcomes of each meeting along with recommendations to the Board of Directors for acknowledgement and, if warranted, for further guidance on specific matters.

Key activities in 2017 are summarized below:

- **Review of Financial Reporting**

The Audit Committee reviewed the quarterly, half-year, and annual financial statements of SCB and its subsidiaries, including their consolidated financial statements, related transactions, and transactions with potential conflicts of interest. SCB Group's financial statements were prepared in accordance with the Thai Financial Reporting Standards (TFRS) and the requirements set forth by the Bank of Thailand and by the Securities and Exchange Commission. The Audit Committee convened regularly with external auditors and the Bank's finance executives to review material issues, such as the accuracy and completeness of financial statements, significant accounting adjustments, accounting estimates, accounting policies, and the scope of audits. In additions, the Committee also ensured that information disclosure was correct, complete, and adequate and that the external auditor and their opinion were independent with an emphasis on properly communicating key audit matters (KAMs) in the auditor's report as required by the new auditing standard. The Audit Committee communicated with the auditor and the Bank's finance executives to ensure that financial statements of the Bank and SCB Group reflect all material financial transactions and incidents and comply with legal requirements and Thai Financial Reporting Standards with reliability, timeliness, and adequate information disclosure to benefit users of the financial statements.

The Audit Committee also had one separate auditor meeting without management's presence to discuss auditor independence, information access and audits, particularly material issues in the preparation of the financial statements, risk control and management regarding the Bank's transformation, and possible cases of fraudulent and illegal conduct of directors and executives under Section 89/25 of the Securities and Exchange Act, B.E. 2559 (2016). In 2017, the auditor reported no material concerns or any suspicious behavior.

- **Risk Management Review**

The Audit Committee reviewed the effectiveness and the appropriateness of risk management policies of the Bank and SCB Group and held monthly meetings with executives responsible for risk management to review risk management approaches and plans for the Bank and SCB Group as well as monitoring potential risk issues and making recommendations for future improvement.

The Committee and management discussed both internal and external risk factors as well as significant risk issues, particularly on credit risk, provision adequacy, and the Bank's project finance underwriting process, to ensure that the Bank and SCB Group have effective guidelines and measures to manage potential risks from current operations and future plans. The Committee also ensured that the risk management systems and procedures overseen by the Chief Risk Office and the Risk Management Committee are adequately robust to handle any unanticipated scenarios.

- **Internal Control and Audit**

The Audit Committee evaluated the Bank's system of internal control against the COSO framework which has five components: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring activities. Key issues for each component are summarized in the related sections of this report.

The Audit Committee ensured compliance with laws, related regulations, and the Three Lines of Defense management model by reviewing the monthly audit reports prepared by the Audit Function as well as internal control assessments performed by management, external auditors, the Bank of Thailand, and other relevant regulating agencies. The Committee followed up with management to ensure that corrective action has been taken for all issues and problems have been resolved by addressing the root causes to prevent recurrence, particularly for high-risk issues, fraud or serious operational errors. The Committee also held a meeting with the audit committees of major subsidiaries to exchange opinions and to ensure that key risk issues have been reviewed and monitored.

The consulting project commenced in 2016 to thoroughly evaluate SCB Group's internal control systems and make improvement recommendations to meet international standards and practices was completed in early 2017. The Committee acknowledged these recommendations and periodically monitored management's implementation progress, particularly for high-risk issues.

Because information technology plays a central role in this period of digitization, the Bank's IT system is of great importance to the Audit Committee. The Committee regularly met with executives in IT functions to keep abreast with IT related issues and ensure that the Bank is ready for the digitization era in terms of hardware, software, and people. In 2017, the Bank engaged an external consultant to develop a technology risk management framework to help the Bank achieve a high standard in its IT operations.

In addition, the Audit Committee ensured the independence of the Bank's internal audit, approved the Internal Audit Charter review, as well as reviewing, making recommendations, and approving the annual strategic and audit plans. The Committee monitored the implementation progress of the audit plan and audit findings on a monthly basis to promote good governance and increase the effectiveness and efficiency of internal audit. Moreover, the Committee also followed up on the corrective action plan and looked into people training and development as well as recruiting of the Audit Function to ensure adequate resources, both in terms of quantity and quality, to keep up with drastic changes in the digitization era.

In 2017, the Audit Committee authorized the use of Management Controls Awareness (MCA) by the Audit Function to evaluate risk management and control of function managers to ensure that they can competently mitigate risks and protect the Bank from potential losses. This tool also raises management's risk awareness and promotes effective internal control.

The Committee reviewed the quarterly summary of complaints which were mainly reported through the Bank's whistleblower channel to assess whether any complaints are indication of potential fraud, misconduct, or corruption. Furthermore, the Committee held meetings with complaint management functions to ensure that the complaint management process is transparent and appropriate given constant changes in customer behaviors and services.

From the activities mentioned above, the Audit Committee concludes that the overall internal control environment is appropriate and adequate for the Bank and its subsidiaries which concurs with the external auditor's opinion. The Audit Committee judges that the first executive vice president and head of Audit Function has appropriately and effectively performed his duties and that his annual compensation adjustment was based on his performance (see the profile of the first executive vice president and head of Audit Function on attachment 3).

- **Regulatory Compliance**

The Audit Committee reviewed SCB and its subsidiaries' compliance with applicable laws and regulations of regulatory agencies, such as the Bank of Thailand, the Anti-Money Laundering Office, and the Securities and Exchange Commission, especially for issues regarding the Anti-corruption and Bribery Policy and the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations. The Committee held monthly meetings with executives in charge of the Compliance Function to communicate and discuss compliant issues to ensure that all functions have effective compliance monitoring and control and all operational processes adhere to applicable regulations. The Committee regularly met with the subsidiaries' management to discuss steps and approaches to improve their operational processes and prevent costly mistakes that may cause damage to the Bank as a whole.

In 2017, the Committee reviewed the accuracy of information to renew the membership of Thailand's Private Sector Collective Action Coalition Against Corruption. SCB and two other subsidiaries, namely SCB Securities Co., Ltd. and SCB Asset Management Co., Ltd., have successfully extended their memberships for another 3 years starting from November 10, 2017.

The Audit Committee reported all significant regulatory issues and changes that may affect the Bank's operations to the Board of Directors and approved the Annual Compliance Report for submission to the Bank of Thailand and the Securities and Exchange Commission.

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

The Audit Committee reviewed, oversaw, and advised on material related-party transactions, particularly those that may be construed as involving conflicts of interest by applicable regulations, before reporting to the Board of Directors and/or shareholders to ensure that those transactions are transparent, reasonable, and in the interests of the Bank and its shareholders. In 2017, the Bank did not have any related transactions with sufficient materiality to be disclosed based on the Stock Exchange of Thailand's criteria. Information on other related transactions is disclosed in the notes to the financial statements.

- **Appointment of External Auditor**

The Audit Committee is responsible for selecting the Bank's external auditor every year with consent from the Board of Directors and shareholders' approval at the annual general meeting. In 2017, KPMG Phoomchai Audit Ltd. was appointed as the auditor for SCB and its subsidiaries, except for some overseas branches in which local laws require appointing another firm. Auditor appointment was based on the auditor's qualifications, knowledge, ability, audit experience in the banking industry, audit approach, independence according to the code of conduct established by the Federation of Accounting Professions and the requirements of the Securities and Exchange Commission, and past audit quality as well as appropriate audit fees.

- **Others**

In 2017, the Audit Committee made the following amendments to the Audit Committee Charter:

- Change the name of performance standards from "the Internal Audit Standards" to "the International Professional Practices Framework (IPPF)"
- Change the reference from "the Securities and Exchange Act B.E. 2551 (2008)" to "the Securities and Exchange Act B.E. 2559 (2016)".

As in the prior years, members of the Audit Committee undertook a self-assessment review to enhance the efficiency of the Committee's performance.

The Audit Committee performed the duties that have been assigned by the Board of Directors and set forth in the Charter of the Audit Committee with integrity, prudence, transparency, and independence. Opinion and recommendations by the Committee were made to benefit all stakeholders equally by putting the interests of the Bank and stakeholders as a priority.

The Audit Committee is of the opinion that the financial statements of SCB and its subsidiaries to be accurate and complete with adequate disclosure and adherence to financial reporting standards. The Committee is satisfied with auditor's independence and professionalism in performing its duties. Moreover, the Bank places a high level of importance on its internal control systems with adequate and appropriate policies, procedures, and systems for risk management. The Bank also has sound corporate governance, adequate risk management, appropriate and effective internal controls and audits with active monitoring of changes to prepare for any potential risks that may arise in the future.

12. Related Party Transactions

The Bank places great emphasis on safeguarding against misusing internal information for personal gain by directors and staff. Accordingly, the Bank has set policies, rules, and approval procedures for related party transactions, as well as guidelines on related party transaction execution and disclosure to prevent and manage any potential conflicts of interest in a transparent and fair manner.

The Bank's rules and approval procedures for related party transactions and conflicts of interest transactions are as follows:

- Strict compliance with regulations of the Stock Exchange of Thailand, the Securities and Exchange Commission and notifications of the Capital Market Supervisory Board regarding related party transactions and conflicts of interest transactions. In particular, any directors or executives related to a transaction that may lead to a conflict of interest must be excluded from making decisions or consideration regarding such transaction. Furthermore, the Company Secretary must have a formal record of related directors or executives to the issue under consideration in meeting minutes, if applicable.
- Policies on pricing and terms 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 conflict of interest) has approval authority for loans, investments, obligations or lending-like transactions with the Bank's major shareholders or businesses that are 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)).
- The Bank has also established the Intra-Group Transactions policy to ensure compliance with applicable regulations and to prevent conflicts of interest.

Intra-Group Transactions Policy and SCB Group Risk Management Policy

Governance on Intra-Group Transactions

To enhance transparency for intra-group transactions within SCB Group and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, the Bank has established the Intra-Group Transaction Policy which has been approved and reviewed annually by the Board of Directors. This policy entails risk management for intra-group transactions and controls for material transactions which are classified into 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 policy ensures that such transactions comply with regulations and requirements of the Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as local laws and regulations in the countries that SCB operates.

A key part of this Policy requires intra-group transactions to be executed without special terms and conditions that are materially different from other risk-equivalent transactions. In the absence of

equivalent transactions, intra-group transactions must follow standard market practices with enforceable contracts, proper documentation and record keeping, as well as approval authority based on risk and materiality.

Related Party Transaction Trends and Policy Outlook

SCB's emphasis on good governance principles has led to a clear policy on related party transactions to comply with laws, regulations, and notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission on related party transactions which include the acquisition and disposal of assets of listed companies, as well as compliance with the Bank of Thailand's notifications.

SCB's related party transactions may arise as part of its normal business operations for which the Bank has clear and appropriate internal approval measures and procedures.

Information Disclosure

The Bank's policy on disclosure of market-sensitive information focuses on timely, transparent, and adequate disclosure of all material information as well as prohibiting misuse of internal information, either directly or indirectly.

The Bank discloses related party transactions and connected transactions as defined by the Stock Exchange of Thailand in the notes to the financial statements in the Annual Report in accordance with information disclosure requirements and guidelines. Related party transactions are reported to the Audit Committee on a quarterly basis.

In 2017, the Bank did not have related party transactions with sufficient materiality to require disclosure per the Stock Exchange of Thailand's criteria. Information pertaining to other related party transactions is disclosed in the notes to the financial statements.