

## PART 2

### Management and Corporate Governance

#### 7. Company's securities and Shareholder

##### 7.1 Securities issued by the Company

(1) The Company registration capital is 2,800 million Baht, with paid-up of 2,300 million Baht of 230 million ordinary shares, and with par value of baht 10 per share.

(2) The other type of share which is difference from the ordinary share's right  
None

##### 7.2 Shareholding and Management Structures

###### (1) Major Shareholders

The top 10 of shareholders as of August 19, 2013<sup>1</sup> are the following:

No.	Shareholders list	Number of Shares Held	Percentage (%) <sup>2</sup>
1.	Sunrise Equity Company Limited	80,065,840	34.81
2.	Thai Roc-Cem Company Limited	63,289,533	27.52
3.	Bangkok Broadcasting and Television Limited	21,681,000	9.43
4.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	8,658,900	3.76
5.	Thai NDVR Co., Ltd.	6,166,358	2.68
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	2,588,036	1.13
7.	Vayupak Mutual Fund by MFC Asset Management Public Company Limited	2,357,650	1.03
8.	Vayupak Mutual Fund by Krungthai Asset Management Public Company Limited	2,357,650	1.03
9.	Mrs. Sasithorn Ratanarak	2,110,628	0.92
10.	STATE STREET BANK AND TRUST COMPANY	2,109,668	0.92

##### Shareholding

No.	Shareholders list	Number of Shares Held	Percentage (%) <sup>2</sup>
1.	Ratanarak Group Company	104,360,272	45.37
2.	Holcim Group	63,289,533	27.52
3.	Others	62,350,195	27.11
	Total	230,000,000	100.00

Remark:

1. The record date was scheduled for August 16, 2013, to determine the shareholders entitled to dividend, and the shareholders register closing date was scheduled for August 19, 2013.
2. The proportion of the equity interest of each of the top 10 major shareholders is based on the total issued and outstanding of 230 million shares.

### 7.3 Securities issued by the Company

- **Debt Securities:**

Type of security:	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	4 years
Value of debentures	4,000 million Baht
Number of debentures	4 million units
Par value per unit:	1,000 Baht
Offering price per unit:	1,000 Baht
Issuing date:	June 14,2013
Maturity date:	June 14,2017
Coupon rate:	3.79% per annum
Credit rating	A

Type of security:	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	7 years
Value of debentures	2,000 million Baht
Number of debentures	2 million units
Par value per unit:	1,000 Baht
Offering price per unit:	1,000 Baht
Issuing date:	June 14,2013
Maturity date:	June 14,2020
Coupon rate:	4.30% per annum
Credit rating	A

- **Equity Securities:**

Authorized shares:	280 million ordinary shares with the par value of 10 Baht per share.
Issued shares:	230 million ordinary shares.
Issued and outstanding shares:	230 million ordinary shares.

- **Derivatives:**

None

## 7.4 Dividend Policy and Allocation

“The Company shall allocate dividend payment at least 60% of net profit on its consolidated financial statements. In case of negative financial situation, the Board may propose a lower percentage of dividend payment as it considers appropriate under such circumstance.”

### Explanation:

This Dividend Policy was approved by the 17th Annual General Meeting of Shareholders, on April 9, 2010, as a general principle. However, in proposing dividend for approval of Shareholders, the Company has to comply with the laws, i.e., dividend has to be paid from net profit of the Company's separate financial statements. Therefore, if the Company does not have sufficient net profit, dividend proposal shall be applicable with such situation.

During 2011-2013, Siam City Cement allocated dividends as follows:

### **For fiscal year 2013, total dividend is 15 Baht per share**

- The Board of Directors approved payment of interim dividend on August 1, 2013 of 8.00 Baht per share.
- The Board of Directors proposes the Shareholders to approve payment of dividend for the second half of 2013 on April 10, 2014 for 7.00 Baht per share.
- Dividend payout 3,450 million Baht, 71.9%

### **For fiscal year 2012, total dividend is 13 Baht per share**

- The Board of Directors approved payment of interim dividend on August 1, 2012 of 7.00 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2012 on April 23, 2013 for 6.00 baht per share.
- Dividend payout 2,990 million Baht, 82.2%

### **For fiscal year 2011, total dividend is 13 Baht per share**

- The Board of Directors approved payment of interim dividend on August 4, 2011 of 7.00 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2011 on April 23, 2012 for 6.00 Baht per share.
- Dividend payout 2,990 million Baht, 90.8%

## **8. Management and Corporate Governance**

### **8.1 Board of Directors**

#### **Structure of the Company Board of Directors**

According to the Articles of Association clause 11, the Board must consist of the members not less than 5 persons and not over 13 persons.

As of December 31, 2013, the Company Board consists of 10 members.

- 9 non-executive directors (4 independent directors and 3 of them are members of the Audit Committee)
- 1 executive director

As of December 31, 2013, Structure of the Company Board of Directors includes the Board of Directors, the Audit Committee and the Executive Committee.

#### **List of Board of Directors and Audit Committee**

Board of Directors	Position
<b>Non-executives Directors</b>	
1. Mr. Veraphan Teepsuwan	Chairman
2. Mr. Paul Heinz Hugentobler	Vice Chairman
3. Mr. Chachchon Ratanarak	Director
4. Mr. Harald Link	Independent Director
5. Mr. Vanchai Tosomboon	Director
6. Ms. Nopporn Tirawattanagool	Director
7. Mr. Pongpinit Tejagupta	Independent Director and Chairman of the Audit Committee
8. Mr. Pradap Pibulsonggram	Independent Director and Member of the Audit Committee
9. Mr. Prabhol Buranasiri	Independent Director and Member of the Audit Committee
<b>Executive Director</b>	
Mr. Philippe Arto	Managing Director (resigned effective on January 1, 2014)
Mr. Vorathep Rangchaikul	Director & CEO (appointed, in replacement of Mr. Philippe Arto, effective from January 2, 2014)

Names and number of the directors who are authorized to sign to bind the Company are Mr. Paul Heinz Hugentobler, Mr. Chachchon Ratanarak, Mr. Vanchai Tosomboon and Mr. Vorathep Rangchaikul, two of them to sign jointly with the Company's seal affixed shall bind the Company.

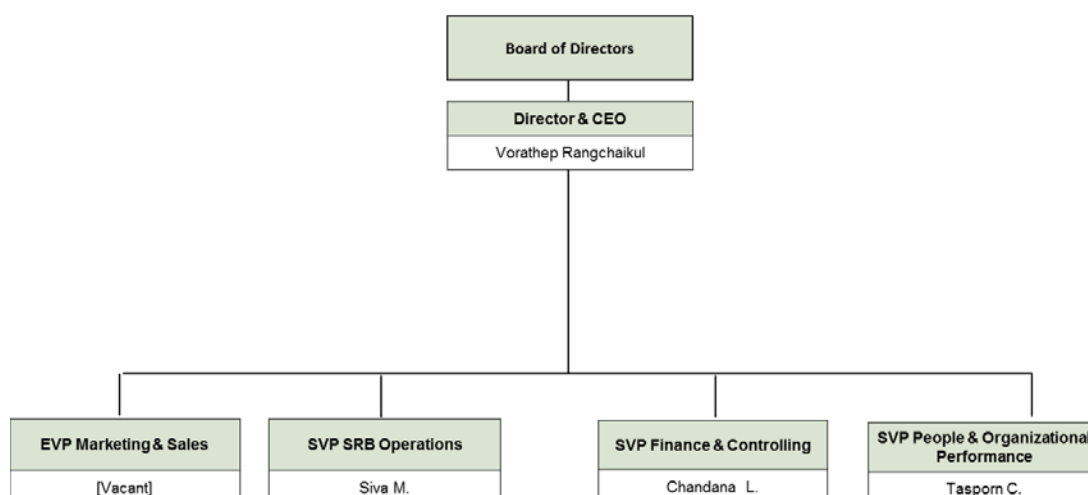
<b>Audit Committee</b>	
1. Mr. Pongpinit Tejagupta 2. Mr. Pradap Pibulsonggram 3. Mr. Somboon Phuvoravan	Chairman of the Audit Committee Member of the Audit Committee member Member of the Audit Committee member
All members of the Audit Committee have experiences in reviewing financial statements of the Company	

## 8.2 Executive

There are 4 members in the Executive Committee as follows:

<b>List of Executive Committee</b>	
1. Mr. Philippe Arto  Mr. Vorathep Rangchaikul  2. Mr. Siva Mahasandana 3. Mr. Chandana Liyanage 4. Mr. Tasporn Chantree	Managing Director and Chairman of the Executive Committee (resigned effective on January 1, 2014) Director & CEO and Chairman of the Executive Committee (appointed, in replacement of Mr. Philippe Arto, effective from January 2, 2014) Senior Vice President (Saraburi Operations) Senior Vice President (Finance and Controlling) Senior Vice President (People & Organization Performance)

## Management Structure



### **8.3 Company Secretary**

The Board of Directors' Meeting No.116, held on May 9, 2013, approved the appointment of Mr.Wutthipong Songwisit, Head of Legal & Compliance, to serve as the Company Secretary. Please see details in General Information and Other Important Information of this Annual Report.

### **8.4 Remuneration of the Board of Directors and Executives**

The process of giving remuneration for the Board members is done in a transparency manner with the process to obtain approval by the Shareholders. The Shareholders approved the Director's Remuneration in Principle at 17<sup>th</sup> AGM on April 9, 2010 as follows;

"Remuneration of directors consists of director fees payable on monthly basis and annual bonus. Payment of remuneration of directors shall be made in accordance with following principle from the day the resolution is passed by a vote of the Shareholders onwards and until the Shareholders' meeting determined otherwise.

Director Fees: The Board shall receive director fees on monthly basis, at the aggregated amount of not more than Baht 1.5 million per month. The Chairman and Vice-Chairman of the Board shall consider allocation of same for each Board member accordingly.

Bonuses: The Board shall receive the annual bonuses at the amount in aggregate not exceeding Baht 5 million. The Chairman and Vice-Chairman of the Board shall consider the allocation of same for each Board member accordingly.

The provisions of the foregoing paragraphs shall not affect the right of any officers or employees of the Company who are elected and appointed as directors to receive their remuneration and benefits as officers or employees of the Company."

The amount and composition of the remuneration paid to Board of Directors and Executives were appropriate, sufficient and comparable to the practices of industry, experience, duties, roles and responsibilities and valuable of each directors and executives.

Remuneration in Cash for 13 Board members, included Director fees on monthly and bonus as follows;

	List of Directors	Monthly Director fee				Total	Bonus for 2012	Total amount	Bonus for 2013
		Board of Directors		Audit Committee		Monthly Director fee paid in 2013 (Baht)	paid in 2013 (Baht)	paid in 2013 (Baht)	Will be paid in 2014 <sup>6</sup> (Baht)
		Jan-July 2013	Aug-Dec 2013	Jan-July 2013	Aug-Dec 2013				
		(Baht/month)	(Baht/month)	(Baht/month)	(Baht/month)				
	Non-Executive Directors								
1	Mr. Veraphan Teepsuwan	200,000	200,000	-	-	2,400,000	555,000	2,955,000	610,500
2	Mr. Pual Heinz Hugentobler	150,000	150,000	-	-	1,800,000	455,000	2,255,000	500,500
3	Mr. Chachchon Ratanarak	100,000	100,000	-	-	1,200,000	370,000	1,570,000	407,000
4	Mr. Vanchai Tosomboon	70,000	100,000	-	-	990,000	345,000	1,335,000	407,000
5	Ms. Nopporn Tirawattanagool <sup>1</sup>	100,000	100,000	-	-	1,200,000	277,500	1,477,500	407,000
6	Mr. Thaveepol Kongsen <sup>2</sup>	-	-	-	-	-	92,500	92,500	-
	Independent Directors								
7	Mr. Harald Link	70,000	100,000	-		990,000	370,000	1,360,000	407,000
8	Mr. Pongpinit Tejagupta	70,000	100,000	40,000	70,000	1,620,000	385,000	2,005,000	423,500
9	Mr. Pradap Pibulsonggram	70,000	100,000	30,000	50,000	1,450,000	380,000	1,830,000	418,000
10	Mr. Somboon Phuvaravan <sup>3</sup> (May-Dec)	70,000	100,000	30,000	50,000	1,050,000	-	1,050,000	279,400
11	Mr. Prabhol Buranasiri <sup>4</sup> (Jan-Apr)	70,000	-	30,000	-	400,000	380,000	780,000	138,600
	Executive Directors								
12	Mr. Philippe Arto	100,000	100,000	-	-	1,200,000	345,000	1,545,000	407,000
13	Ms. Chantana Sukumanont <sup>5</sup>	-	-	-	-	-	345,000	345,000	-
	Total	1,000,000	1,150,000	100,000	170,000	14,300,000	4,300,000	18,600,000	4,405,500

Remarks.

1. Ms Nopporn Tirawattanagool was appointed as a director in replacement of Mr. Thaveepol Kongseri, at AGM 2012.
2. Mr. Thaveepol Kongseri completed his term at AGM 2012 and received partial bonus for 2012 on performance basis.
3. Mr. Somboon Phuvaravan was appointed as a director in replacement of Mr. Prabhol Buranasiri, at AGM 2013.
4. Mr. Prabhol Buranasiri completed his term at AGM 2013 and received partial monthly director fee and bonus for 2013 on performance basis.
5. Ms. Chantana Sukumanont resigned from Director, effective on December 22, 2012, and received bonus for 2012.
6. Bonus 2013 will be paid in 2014.

Remuneration for 4 members of the Company's Executive Committee was 88.27 million Baht, included salary and bonus paid in 2013

## 8.5 Personnel

Number of employees:

	Number of employees at the end of  <b>2011</b> (persons)	Number of employees at the end of  <b>2012</b> (persons)	Number of employees at the end of  <b>2013</b> (persons)
Production	1,113	1,158	1,284
Logistics	356	356	424
Marketing and Sales	267	296	259
Finance and Controlling	113	122	128
Others	190	184	145
<b>Total</b>	<b>2,039</b>	<b>2,116</b>	<b>2,240</b>

Number of employees and employee costs:

	<b>Separate financial statements</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Number of employees at end of year (persons)	2,039	2,116	2,240
Employee costs for the year (Baht)	1,350,124,292.22	1,647,003,968.67	1,829,751,340.34



## **Employee Development Policy**

The Company realizes People Capability Development is important for the sustainability of organization. Thus, we emphasize development courses in order to enable our people to continuously enhance their potential in term of Transformational Program, Leadership Program, Functional Program, On boarding Program, Safety & Sustainable Development Program, aims to correspond with business needs and growth, including the employee individual needs to pursuit their career path and growth.

In addition to training courses, we further provide other development tools in order for the highest effective performance. We constantly implement On-the-Job-coaching (OJC) so that the employees are able to apply their knowledge to the practical working situation. We expand Project Assignment for all critical programs to enable the employees adopt the knowledge from training class to utilize practically, including developing their job performance with creative ideas continuously.

Furthermore, Coaching provides the employees to learn and apply their coaching skill in order to foster the coaching culture in organization. Knowledge Sharing Management offers overseas training course participants to share knowledge among their colleagues, as well as encouraging our employees to visit both local and overseas company sites with best practices whose best practice can be applied to the Company to move upward.

The training hour of SCCC's individual employee 2013 is 44 hours per year.

### **The important activities for personnel development in 2013**

- To promote OH&S Culture in organization, OH&S competency self-assessment tool and OH&S development catalogue have been developed to promote four of OH&S competencies and help employees identify their competency gap themselves as well as development activities.
- As one of the key strategies to build Employee Value Proposition and engagement for SCCC, Induction Program for New Joiners is redesigned for more structural, informative, and interactive with reflective series of activities to enhance the new joiners' first impression during their first time experience in SCCC, to ensure their smooth onboarding and to cultivate networking among SCCC new joiners and between new joiners and guest speakers. Moreover, the new induction program also includes 1 day Safety for New Joiners session to build safety awareness among new employees as the primary concern in SCCC Group and to comply with safety regulations.
- Four Corporate Core Curriculum Programs: Strategy, Finance, Manufacturing and People & Organization Performance is redesigned with the coverage of all the most updated key learning, experiences and business cases of each function to promote cross functional learning, better understanding of one another and break Silo thinking among SCCC employees for more cooperative, smooth, aligned working process and environment.

- Leader as Communicator Workshop is one of the highlight program aims to enhance professional and leadership skills through authentic communication and enables our senior and top management to motivate, inspire and connect to his or her audience. It was provided solid foundation to further develop as good coach in the near future.
- Leadership Development Program (LDP) for selected FML and MML, emphasizing on integrated workshops for business modules and group coaching in leadership modules. Most workshops and classroom sessions reflect the most recent INSEE Group business environment together with sharing real practice from Line EXCO and/or managers. The learning methodology was facilitated through self-reflection and group discussion.
- To secure expertise and sustain effective leadership culture in the organization, 4 certify programs selected to implement in SCCC Group from 2013 onwards are 7 Habits for Highly Effective People, Leading for Accelerated Performance, Service Plus, and Sales Effectiveness.
- Coaching culture is crucial to drive performance at every level. Thus, INSEE Power Coach Development program at SCCC aims to equip full-time coaches at Saraburi Operations in aligning strategy, technical operations, and people together and creating full dynamic of our core business performance. This development program was also shared as one of the best practices for regional coach community in South & Southeast Asia. Besides the operational side, the company has been implemented Sales Coach program to strengthen sales capability in the group company.
- To build the leadership, supervising skill, also people and task management, the three-day Supervisory Development Program has been developed for Saraburi Unit Head in the cement production and maintenance area. This experienced-based learning program was implemented in three modules: general principles of management and commanding; specific-designed activities; and eight-week practical sessions.
- To enhance the capability of the kiln panel operator in SBR Operations, Kiln Knowledge and Simulation Program has been developed and implemented to support the business expansion of K-1 activation. By its experienced-based learning concept with case studies and specific situations in cement manufacturing line, this program allows employees to practice as panel's operators in the simulation.
- To reinforce the technical knowledge and working skills relating to cement manufacturing process, INSEE CMC Camp has been designed for SBR engineers in SRB operations who joined SCCC from 2012-2013. This program provides the essential engineering knowledge both technical technique and task-based simulation practice through in-class training and group activities with project assignments which was required to present to SRB management team.
- To achieve SCCC's goal of reaching its sustainable superior results, the Seven Habits of Highly Effective People Program had been seven-time continually held for MML, FML, and Unit Head level in SRB Operation until now, to encourage the idea of individual possible attitude and positive responses to change at work with approach to being effective in attaining goals.

- The company also determines to expand learning opportunity for every employee at every location especially those in remote locations and on mobile by launching self-learning tool approach. Now employees have 24/7 access to learning no matter where they are. The first module launched in Q3 was for Ready-mix Production.
- The Customized Development Program has been developed for INSEE Superblock, in order to accelerate the sales effectiveness and capability, including foster the positive attitudes, sales essential skills to perfectly serve to customers' need aligning with SCCC group practice.
- With the management's focus on fostering "Engagement, Pride and Learning Organization" and recognizing "Creativity, Innovation and Continuous Improvement", INSEE Excellence Awards was a stage for all employees to show their creativity and contribution to sustain our business by nominating their projects and compete among group companies.

## **9 Corporate Governance**

### **9.1 Corporate Governance Policy**

Siam City Cement applies high standards and promotes corporate governance (CG) at every level of the organization from the Board of Directors, the Executive Committee and down all the way to the operational level.

Our Code of Conduct reflects our corporate culture in various aspects such as our care for society, the environment and communities, our commitment to communicate in an open and transparent manner, and our commitment to compliance with laws, regulations, the good CG principles stipulated by the Stock Exchange of Thailand, and the CG principles set by the Organization for Economic Cooperation and Development (OECD) through the Company's Code of Conduct and through our managing responsibly. We are committed to good corporate governance through managing responsibly.

Our Code of Conduct is the solid foundation for corporate governance. It has been deployed to assure each and every employee's commitment to CG. This is a guarantee that the policy is implemented by both the Company and its personnel. Our ten CG Principles described below illustrate how we govern our business operations as well as operate and manage or set our achievement, together with how we involve stakeholders.

#### **(1) Corporate Governance**

Corporate Governance aims at protecting the legitimate interests of our stakeholders in an appropriate and effective way.

Corporate Governance considerations are consistently reflected in our evolving organizational structure and procedures.

#### **(2) Corporate Social Responsibility**

We recognize our social responsibility and aim to improve the quality of life of our workforce, their families and the communities around our operations.

We pursue a clear policy dealing with employment practices, occupational health and safety, community involvement as well as customer and supplier relations.

#### **(3) Sustainable Environmental Performance**

We strive to preserve the environment for future generations by striking a balance between economic growth and continuously improving environmental performance and social responsibility.

#### **(4) Compliance**

Appropriate measures are put in place to assist in complying with applicable laws and regulations in the businesses and the Kingdom of Thailand. In particular with regard to:

- **Fair Competition**

We respect the principles and rules of fair competition prohibiting anti-competitive behaviors and the abuse of a dominant market position.

- **Bribery and corruption**

We will not utilize bribery and corruption in conducting our business. We will not offer or provide, either directly or indirectly, any undue pecuniary or other

advantage for the purpose of obtaining, retaining, directing or securing any improper business advantage.

- **Insider Trading**

Each of us who has access to insider information, likely, to result in substantial movements in the price of the stock or any other financial instruments of an involved company, shall comply with applicable insider trading laws.

**(5) Use and Protection of Assets and Information**

Each of us, entrusted with property belonging to or controlled by the Group, is responsible for the careful use, protection, expenditure and administration of such assets.

We use and protect confidential proprietary information, except to the extent we are required to disclose such information in the proper course of our duties.

We pay particular attention to IT aspects such as data protection and data security.

**(6) Conflict of Interest**

In situations in which our personal or financial interests may conflict materially with those of Group, we are expected to fully disclose them.

We shall not take part in any business activities of the Group where we may be influenced by our personal relations that are, or may be, construed as a hindrance to objective decision making.

If we see ourselves in a potential conflict of interest, we shall seek advice from line management or from our legal counsel so that an appropriate solution can be identified and advised.

**(7) Gifts and Donations**

We are prohibited from offering, soliciting or accepting gifts and donations related to our business. However, entertainment and gifts of insignificant monetary value arising out of ordinary corporate hospitality or appropriate gifts of insignificant monetary value under our culture are acceptable.

Donations for political or social purposes are permitted only within the limits of local laws and in complete transparency.

**(8) Records and Accounting**

All business transactions are recorded in a true, fair and timely fashion.

In accordance with established procedures, appropriate accounting systems, controls and audits, we ensure the reliability and accuracy of our accounts, records and reports.

**(9) Communication**

We have a clear communications policy with our Shareholders, employees and other stakeholders. We commit ourselves to open, transparent, impartial and timely information.

**(10) Responsibility**

Each of us is responsible to know the relevant laws and regulations including this Code of Conduct.

In all business situations where the requirements of the law or this Code of Conduct appear incomplete or unclear, each of us shall use good judgment and common sense, and if needed, seek advice from line management or our legal counsel.

All of us are expected to adhere to this Code of Conduct in both the letter and the spirit. Violations against this Code of Conduct will not be tolerated and applied with disciplinary sanctions. Non-compliance may be subject to disciplinary actions including up to termination of employment.

## **9.2 Committees**

The Committees Structure comprises the Board of Directors, Audit Committee and Executive Committee. There is at least 1 of the executive director to be the chairman of the Executive Committee.

Both the Board of Directors and Executive Committee are subject to the Organizational Regulations which embrace their roles and responsibilities set forth in the Articles of Association, the laws, and expectation of Shareholders as their framework, while the Audit Committee has a Charter as their framework.

### **(1) Board of Directors**

#### **Roles and Responsibilities of the Board**

The Board of Directors considers and approves important matters concerning Company operations. Siam City Cement has specified the policy and regulations of practices, responsibilities and operations of the Board of Directors, Chairman and Vice chairman and those of the Executive Committee. The duties and responsibilities of the Board and the management are separated clearly. The Board of Directors has the duty to consider and make decision on the important issues on the operations of Siam City Cement such as the visions, missions, strategies, goal, plan, financial targets, budget and risks management, while the Executive committee has the duty to efficiently carry out the vision, mission and strategies and provide good management and controlling system so approved by the Board of Directors.

The Board and management structure was sufficient for check and balance. There are independent directors, at least one third of the total directorship, but not less than three persons. At this time, the Company has four independent directors. The Audit Committee consists of three independent directors, performs and undertakes in accordance with the Charter of the Audit Committee and SET regulations. Additionally, the authorization of the Board of Directors and Management are clearly segregated.

#### **Balance of Power for Non-Executive Directors**

Members of Board of Directors are appointed by Shareholders' meeting, or by the Board of Directors' meeting, in case of replacement of vacancy other than retirement by rotation. At present, there are 9 non-executive directors among total of 10 Directors.

## **Aggregation versus Segregation of Positions**

According to good governance principles at Siam City Cement, the function of the Chairman of the Board of Directors and the Chairman of the Executive Committee are separated in order to keep balance and transparent management in the Company.

Main duties of the Chairman and CEO are as follows;

### **Chairman:**

- Being elected among the Board of Directors, serving 3 years for each term, the Chairman shall handle all activities responsible by the Board of Directors, setting meeting agenda, providing information about the Board of Directors, proceeding the meetings at which opportunity is granted for discussion and expression of opinion;
- In making decision, the Chairman has a deciding or casting vote in the event of tie votes;
- The Chairman is not an executive and is not same person as Managing Director or CEO, as the case may be.

### **CEO:**

- CEO, appointed by the Board of Directors, chairs the Executive Committee;
- CEO is responsible for management of the Company in general and shall periodically make reports to the Board of Directors.

### **Performance of the Board:**

Putting the utmost effort into its many duties, the Board sets a meeting schedule on a yearly basis. The CEO submits a notice with supporting documentation and agenda in advance and early enough before each board meeting takes place. There is a clear guideline any such agenda will be proposed or approved by the Executive Committee or by the Audit Committee, or by the Board of Directors, or by the Shareholders (as the case may be). Information on the Company's operations is presented so that the Board can make inquiries or express opinions. Every Board member is encouraged to express their opinion and comment freely.

## **(2) Audit Committee**

The Audit Committee comprises 3 independent directors, appointed by the Board of Directors. All of them possess the knowledge and experience in reviewing companies' financial statements. All of them well understand the business of the Company and have management experiences with reputable companies in Thailand. Please see details of their experience in Supplemental Information Part.

### **Qualification of an Audit Committee member**

1. Being an independent director;
2. Not being a director of the parent company or any subsidiary or associated company;
3. Possessing sufficient experience to perform the duty of an Audit Committee member. At least one of the members must have sufficient experience in reviewing financial statements and the reliability thereof.
4. Possessing the qualifications prescribed by the SET, SEC or the other relevant governing bodies.

### **Role and Responsibility of the Audit committee**

The Audit Committee has the following duties and responsibilities as delegated by the Company's Board of Directors:

1. To review the Company's and its subsidiaries' financial reporting process to ensure its accuracy and adequacy, and coordinating with the external auditors and members of the Executive Committee responsible for preparing the quarterly and yearly financial reports. The Audit Committee may suggest issues to be reviewed or audited by the external auditors during their audit of the Company.
2. To review the internal control systems and internal audit system to ensure that they are suitable and efficient, and to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the Chief of Internal Audit unit or any other unit in charge of an internal audit.
3. To review compliance with the Securities and Exchange Act, including the rules, notifications, and regulations thereof and the rules and regulations of The Stock Exchange of Thailand ("SET"), The Securities and Exchange Commission ("SEC"), the Good Corporate Governance Charter and any other relevant laws.
4. To consider, select, nominate and recommend remuneration of the Company's external auditors. To ensure the independence of the external auditor, the Audit Committee shall consider factors such as non-audit services that may conflict with the auditor's independence, efficiency and professionalism. To freely discuss significant issues, the Audit Committee shall meet privately with the external auditor at least once a year, without the Management team being present.
5. To review the connected transactions or transactions that may lead to conflicts of interests, including the accuracy and completeness of the Company's disclosure of such information, to ensure that they are in compliance with the laws and the SET's regulations, and are reasonable and for the highest benefit of the Company.
6. To prepare a report on the activities of the Audit Committee for the Company's annual report. The Chairman of the Audit Committee shall sign this report, which consist of at least the following information:



- an opinion on the accuracy, completeness and credibility of Company's financial report and the disclosure of its financial information.
  - an opinion on the adequacy of the Company's internal control systems.
  - an opinion on the suitability of the Company's external auditor and the re-appointment.
  - an opinion on compliance with the Securities and Exchange Act, and the rules, notifications, and regulations thereof including the rules and regulations of the SET, and any other relevant laws.
  - an opinion on the transactions that may lead to conflicts of interests.
  - the number of audit committee meetings, and the attendance of such meetings by each committee member.
  - other transactions which, according to the audit committee's opinion, should be known to the Shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors.
  - other comments or statements as required by the Securities and Exchange Act, and the rules, notifications, and regulations thereof including the rules and regulations of the SET, and any other relevant laws.
7. To perform other duties as required by the Securities and Exchange Act, and the rules, notifications, and regulations thereof including the rules and regulations of the SET, and any other relevant laws.

### **The Audit Committee's practice**

The Audit Committee meets on a regular basis, at least once every quarter before the Board of Directors' meeting. Audit Committee reports its findings and giving its suggestions to the Board of Directors. The Chairman of the Audit Committee may sometimes call a special meeting of the Audit Committee or invite any management of the Company to join and consider in certain particular financial matters or other matters.

However, under current practice the Audit Committee has met every month. Schedule of the monthly and quarterly meetings are being prepared in advance for the whole year.

The Audit Committee shall regularly report to the Board of Directors about the performance of their roles and responsibilities as specified in above. Upon its duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Audit Committee shall report it to the Board of Directors for rectification within the period of time that the Audit Committee thinks fit:

- A transaction which causes conflict of interest;
- Any fraud, irregularity, or material defect in the internal control system; or
- An infringement of the law on securities and exchange, the Exchange's regulations, or any law relating to the Company's business.

If the Company's Board of Directors or Management fails to make a rectification within the period of time under the first paragraph, any Audit Committee member may report on the transaction or act under the first paragraph to the Office of the Securities and Exchange Commission or the Stock Exchange.

### **(3) Executive Committee**

The Executive Committee meets on regular basis approximately twice a month and it may meet as an extraordinary session as the Company's business may require. The business considered at Executive Committee meetings are those related to the production, business administration, financial and accounting management, risk management, important financial transactions, Company's plans, Company's budgets and to consider and further propose to the Board of Directors for matters required Board approval, as stipulated in the Company's Articles of Association, including the Organizational Regulations that are reviewed approximately in every 2 years.

The Executive Committee is the key driver that drives the Company to good performance, good corporate governance and to become an attractive company for high potential people.

The Executive Committee has aligned all managers who are parts of senior leaders of the Company in collaboration for driving organization to achieve its missions and goals.

## **9.3 Nomination of Director and Executive**

### **(1) Nomination of Independent Director**

#### **“Nomination of Independent Director”**

At present, the Company does not have a nomination committee. The selection of the candidates for the post of independent directors is conducted by the Board of Directors, taking into account the qualifications of the candidates, e.g. the relevant knowledge and experience. The Company presently has 4 independent directors out of the total 10 members of the Board, but one of them is retiring at the 20<sup>th</sup> AGM. A nomination for his replacement has been made at the 20<sup>th</sup> AGM. The Board of Directors is empowered to appoint the successor of any independent director who may cease his/her to be a director ship before completion of her/his term.

**“Independent Director”** of the Company must have at least the necessary qualifications set by the Stock Exchange of Thailand, the Securities and Exchange Commission, the Capital Market Supervisory Board, and other relevant regulatory bodies as follows;

1. holding not over one per cent of the voting shares of the Company or the Company's parent company, subsidiary, associate, major shareholder or controlling person. The shares held by independent director's related person are counted as if they are held by the independent director;
2. Neither being nor used to be an executive director, employee, staff, paid advisor, or controlling person of the Company or the Company's parent company, subsidiary, associate, same-level subsidiary of common parent, major shareholder or controlling person, unless the

foregoing status has ended not less than two years prior to the date of filing the application with the Office. Such prohibited characteristics does not apply in the case where the independent director hold or used to hold such position as representative of a government unit which is a major shareholder or controlling person of the Company;

3. Not being, whether by consanguinity or affinity, a parent, spouse, sister, brother, child, the child's spouse, of any executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or the Company's subsidiary;
4. Neither having nor used to have a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in the manner which may interfere with his independent judgment, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, the Company's parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office.

The term 'business relationship' in the first paragraph includes any normal business transaction, rental or lease of immovable property, transaction related to assets or services or granting or receiving financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other transaction of similar nature, which results in that the Company or its counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or twenty million Baht or more, whichever is the lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board and the governing rules on connected transactions *mutatis mutandis*. The consideration of such indebtedness includes indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

5. neither being nor used to be an auditor of the Company, the Company's parent company, subsidiary, associate, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs the auditors of the Company, the Company's parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office;
6. neither being nor used to be a provider of any professional services, including legal advisor or financial advisor who receives service fees exceeding two million Baht per year from the Company, the Company's parent company, subsidiary, associate, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of filing an application with the Office;
7. not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder;
8. not undertaking any business of the same nature and in competition with that of the Company or the Company's subsidiary, or not being a significant partner in a partnership or being an executive director, employee, staff, paid advisor or holding shares over one per cent of the total voting shares of other company which undertakes business of the same nature and in competition with that of the Company or the Company's subsidiary;
9. not having any other characteristics which causes the inability to express independent opinions with regard to the Company's business operations.

## **(2) Nomination of Director and Executive**

The Company does not have a nomination committee. Potential directors are selected from a field of qualified and experienced professionals which benefit for the Company's business and be able to manage as the Board of Directors.

The election of each director is made by majority votes of Shareholders. Every year, the Company invited the Shareholders to propose director nomination for AGM approval.

The nominated directors must meet qualifications under of the Company's AOA, laws, regulations of SET, SEC and Capital Market Supervisory Committee.

Re-election of Directors whose terms are expired by rotation at the AGM has criteria and guidelines as follows;

1. One share, one vote.
2. No cumulative voting. Shareholders shall cast their vote for one director at a time.
3. If there are more nominations than the vacant positions, those who received highest votes will be directors. In case of tie-vote, the Chairman of the Board shall have a casting vote.

For the case of fulfillment of director vacancy other than retirement, the Board shall select a qualified person at the next meeting by obtaining consent of at least 3/4 from the remaining directors, unless the remaining office is less than 2 months.

If the remaining directors are less than the quorum, such remaining directors can act on behalf of the Board only on calling for Shareholders' meeting to elect replacing directors. The replacing director(s), if elected by the Board, shall be in the office only up to the remaining tenor.

## **9.4 Corporate Governance for Subsidiary Companies and Associated Company**

At the Board of Directors' Meeting, the Company's representative shall be appointed to be Directors and/or the Executives of the subsidiary companies and the associated companies as well as any companies in which the Company invests in order such Company's representative to look after the benefit and interest of the investment. In addition, the Company's representative shall ensure that any subsidiary companies and associated company shall be complying with the Company's policies and regulations.

The Articles of Association of all subsidiary companies shall adopt and contain the same regulations of the Company concerning, especially, the disclosure on the related party transactions, the acquisition or disposal of assets and significant transactions. The Company's representative shall use his/her best endeavor to ensure that all activities and transactions will be always strictly compliant with the Articles of Association and the controls and procedures related to the data storing as well as accounting and record of the subsidiaries will be properly set up for verifying and preparing the consolidated financial statements in timely fashion.

## 9.5 Supervision of inside information use

To put the good governance into practice, in connection with prevention on Insider Trading and abusive self-dealing, the Board and Management realize the importance and strictly follow the code of conduct of the Company in the part concerning the internal information which may affect the benefit such as the share price or the Company's securities.

Code of Conduct that related to inside information is the following

### **Code of Conduct No 4: Compliance**

Appropriate measures are put in place to assist in complying with applicable laws and regulations in the businesses and the Kingdom of Thailand. In particular with regard to:

#### **Insider Trading**

- Each of us who has access to insider information, likely to result in substantial movements in the price of the stock or any other financial instruments of an concerned company, shall comply with applicable insider trading laws.

The Company implemented Blackout Period Policy for reminding the Executive and Management who assumed holding insider information, to comply with the insider information regulations.

In order to prevent confidential information of the Company, we have taken following activities regarding information system prevention.

1. The IT team implemented "IT Security Rules for Siam City Cement Employees" for IT users in the company.
2. Prohibition of unauthorized software downloads and hardware installations on all company computers without proper authorization.
3. IT Security rules do not allow the connection between non-standard computers (e.g. personal PC, notebook, MACNetbook, including personal mobile phones of all staffs and third parties) and SIAM CITY CEMENT computer networking system (LAN) without proper permission.
4. IT Security rules do not allow the connection between third party's external data storage (e.g. thumb-drive, flash memory and external hard disk) to the standard computers and/or devices without virus scanning/cleaning by KT/IT officers.
5. Our external auditors have audited and found that general control over information system of the company and its subsidiaries is efficient, reliable and sufficient.
6. IT Security Awareness Classroom Training to ensure all users are aware of the new five cardinal rules of IT Security, and to minimize IT risk and threats, which could happen when the IT exposure is emerged.

### **Code of Conduct No. 5: Use and Protection of Assets and Information**

- Each of us, entrusted with property belonging to or controlled by the Group, is responsible for the careful use, protection, expenditure and administration of such assets.

- We use and protect confidential proprietary information, except to the extent we are required to disclose such information in the proper course of our duties.
- We pay particular attention to IT aspects such as data protection and data security.

#### **Code of Conduct No 6: Conflict of Interest**

In situations in which our personal or financial interests may conflict materially with those of Group, we are expected to fully disclose them.

- We shall not take part in any business activities of Group where we may be influenced by our personal relations that are, or maybe, construed as a hindrance to objective decision taking.
- If we see ourselves in a potential conflict of interest, we shall seek advice from line management or from our legal counsel so that an appropriate solution can be found.

The Company has implemented an activity on Conflict of Interest Online Declaration, assigning personnel who may involve in approving process or procuring product or service, either by themselves or by their relatives, with the Company or its subsidiaries within the period of 12 months. This activity is taken on semi-annually basis by electronic media.

The declaration of conflict of interest activity has continuously been active for many years and the Company found that the employee shall take more awareness in transparency declaration.

#### **9.6 Auditor Fee**

In 2013, EY Office Limited (former name was Ernst & Young Office Limited) received from the Company and its subsidiaries audit fees of 4.94 million Baht and other services fee (non-audit fee) of 150,000 Baht.

#### **9.7 Other matters of Corporate Governance**

#### **Chapter 1: Rights of Shareholders**

Siam City Cement is committed to protecting the rights and benefits of every group of our Shareholders better than those provided by law. Each Shareholder is entitled to:

1. Attend and vote at any Shareholders' meeting, whether in person or by proxy and to appoint proxies to attend meeting and vote on their behalf;
2. Cast her/his/its vote to make decision on the matter raised at a Shareholders' meeting such as election of directors, director's bonuses, appointment of auditor(s);
3. Sufficient information in a timely manner;
4. Information and expressing her/his/its opinions;
5. Dividends; and
6. Buy, sell or transfer shares.

The key actions to ensure Shareholders rights include:

Shareholders' Right	Minimum Law Requirements	We do Better	Key Point
Proxy	Standard proxy form used	<p>We made efforts in calling Shareholders and encourage them to attend either in person or by proxy.</p> <p>Each Shareholder may appoint any one of our independent directors listed on the proxy form as the proxy of her choice.</p> <p>We facilitate Shareholders' attendance by, for an example, made available duty stamps at the point of registration for those who forgot to affix duty stamps on their proxy instruments.</p>	<p>Shareholders' participation at all Shareholders' meetings.</p> <p>Those who wish to attend a meeting by proxy but cannot find one may appoint one of our designated independent directors as their proxy.</p>
Voting	The shareholders can vote according to the law and the Articles of Association of the Company, on one-share-one-vote principle.	<p>Clear voting procedure is explained in the meeting notice. Digitalized bar-code system is used to ensure the accuracy and expedience of the vote counting.</p> <p>An independent lawyer and volunteer shareholders are engaged to supervise the ballot casting counting. Ballots are collected and counted separately for each agenda item.</p>	<p>Transparent voting and opportunity for shareholders' participation via the Company's website.</p> <p>.</p>
Right to information	Information contained in the annual reports, Disclosure to SET, and notices of shareholders' meetings.	<p>SCCC's website is an additional channel for Shareholders' and the public's access to the information about the Company</p> <p>.</p> <p>We invited Shareholders to send inquiry of their interest and to propose agenda if needed.</p>	<p>Information about the Company, including its operating results, is timely published on our website and Shareholders are invited to nominate candidates for directorship or matters to be transacted at shareholder meetings or post their inquiry to the Company.</p>



<b>Shareholders' Right</b>	<b>Minimum Law Requirements</b>	<b>We do Better</b>	<b>Key Point</b>
Dividend	Sufficient information about retained earnings and statutory reserve	Despite the business' nature of high investment requirement, we have managed to pay high dividends in the past several years.	The Company's clear dividend policy facilitates the Shareholder's investment decision making.
Transfer	Share transfer procedure is set in the Company's Articles of Association	No additional restriction imposed by the Company other than those provided by law that impedes free transfer of the Company shares.  We put emphasis on "Insider Policy" to prevent illegitimate insider trading, which ultimately help safeguard Shareholders' interest.	All Shareholders are treated equally and have the right to trade and transfer shares without unnecessary restriction imposed by the Company.

Siam City Cement's Shareholders' meetings are organized in accordance with the laws and good corporate governance principles. The Board of Directors gives direction to ensure that Shareholders' meetings are conducted effectively and providing the Shareholders with enough information about the meeting (i.e. date and time, agenda, venue, fact and reason of the matters to be transacted at the meeting), an opportunity to propose matters to be transacted at the meeting, an opportunity to nominate persons for directorship and to post their questions to be asked at a meeting in advance on the Company's website before the meeting. Notice of the meetings and the meeting procedure as well as the procedure for the proposing matters to be transacted at the meeting, the nomination for directorship are published on the Company's website in addition to the conventional media.

Siam City Cement encourages all Shareholders to attend Shareholders' meetings. Any Shareholder unable to attend Shareholders' meeting in person may appoint a proxy to attend and vote on her/his/its behalf at that meeting. Shareholders may appoint one of the independent directors provided as their respective proxies if they cannot find ones for themselves.

An adequate opportunity is always given to Shareholders for discussion, suggestions, debate, or asking questions before casting votes on each matter on the agenda. Shareholders' questions, comments, suggestions are responded by the members of the Board and executives officers of the Company. Shareholders' suggestions, opinions and comments are noted for further actions as the Company think fit.

Voting is conducted in strict compliance with the law. Shareholders are free to vote for or against or abstain from voting on any item on the agenda. In general, the matter in question



is decided by a simple majority vote. Each share entitles its holder one vote. In case of tie votes, the Chairman of the meeting will have the casting vote.

The voting procedure and the method of displaying the voting results are well explained to the Shareholders before the meeting starts. In the minutes of each meeting, the information about the present and absent members of the Board and the voting results (i.e. the numbers of affirmative votes, negative votes, and the abstain ones) on each matter on the agenda are recorded.

Computerized systems are used in the registration of the attending Shareholders and in the vote counting to ensure accuracy and efficiency in conducting the Shareholders' Meeting. Vote counting is performed by independent persons.

## **Chapter 2: Equitable treatment to Shareholders**

The 30-day Blackout Period has been adopted by the Board of Directors whereby Board members and relevant designated employees are prohibited to trade SIAM CITY CEMENT shares during the period of 30 days prior to the Company's financial statements are published. This is a measurement to prevent abuse of inside information in SCCC stock trading. Besides, the Directors and Executives have a duty to report their and their spouses' and the minor children's holding of SCCC shares and other interest in the Company. The said report will be presented at Board meetings for acknowledgement. In addition such Directors' and Executives' holding in SCCC shares is definitely disclosed in the annual reports.

At a Shareholders' meeting or a Board of Directors' meeting, the director(s) with special interest may not be present while the meeting is considering the matter in which that director has interest and may not vote on that matter.

Siam City Cement's treatment to all Shareholders is equitable and transparent. This reflects in the Company's practice of quick and efficient dissemination of information to Shareholders. In 2012, the Company made 34 disclosures via the SET electronic publication ([www.set.or.th](http://www.set.or.th)). The published information is also available, in both Thai and English, on the Company's website: [www.siamcitycement.com](http://www.siamcitycement.com).

## **Chapter 3: Roles of stakeholders**

The Company recognizes the importance of all stakeholders and respects their right. We have clear practice guidelines related to stakeholders in our goal and business ethics for all employees to adhere and apply in our daily business.

The Company has continued actions that support the stakeholders throughout the course of the year as following;

### **Customers:**

The products and services have been initiated and improved throughout the year. These are to ensure that we are able to satisfy our customers in order to sustain our markets. For VAS New solutions in 2013, we provided VAS floor resolution family by introducing a new concrete for floor with steel fiber solution. For VAS New products in 2013 we introduced

Baan U-Sabai COOL PLUS with new valued feature by integrating Light Weight Block material and technology to increase the insulation property of wall and ceiling. Sales Mobile Application: Enhance INSEE Mobile Application to RMX and Conwood, aiming to strengthen customer relationship and to complete customer database real time by using smart phone.

### **Employees:**

Last year, Siam City Cement remained focused on motivating employees, such as development and leadership skills, determining succession plan, enhancing work experience abroad, and building pride in being part of success in working with the Company and savings and health care planning.

### **Communities:**

The Company is committed to assess needs of communities and to promote our resources to be as the partners of the local stakeholders within the vicinity of our operational facilities in order to improve education, culture and social thereof. We encourage and support our employees' engagement in volunteering and local community work. The highlight activities are the following;

- **GREEN Park:** Officially launch its first environmentally-friendly public park on its own 20 rais in Saraburi, so called 'Suan Ming Mongkul.' The park was developed under a fundamental GREEN concept, which is committee to our three pillars of sustainable development.
- The education related activities are (1) Scholarship program 2013, in two categories, General Scholarships for students in kindergarten up to high school of 7 schools in Tab-Kwang area and Continuing undergraduate Scholarships for students with domicile in Saraburi province (2) delivery of a school library building for Wat Pa Phai School (3) the 1<sup>st</sup> camp for Young INSEE, at Tab-Kwang Sub-District, for the year 2013 (4) English skill development for Sub-Bon School and (5) the collaboration project of the Company and Siam Cement (Kaeng Khoi) Co., Ltd. was organized to educate the students of Muek-Lek Technical College with modern concrete technology briefings, safety awareness in construction, and the cement quality demonstration.
- For the sustainable development, in the past year, we have continued the support of community's product development project, for design and quality control. We encouraged the community on the sale of products at 'Suan Ming Mongkul Chalerm Prachon Mapansa 84 Pansa' Park. We have carried out the Mobile Health-Check Program continuously.

### **Business Partners:**

The Company has implemented several projects in order to develop and increase potential of our business partners to be ready for coping with the rapid and volatile market conditions such as to design and set-up working system to be easy and friendly for user, to provide trainings for employees of contractors on several and multi skills and those to strengthen and leverage the advantages on competition.

In additional, we announced the Quality, Environment, Occupation Health & Safety (OH&S) and Corporate social Responsibility (CSR) Policy 2014, for our Group Company to express our commitment to Corporate Social Responsibility and sustainable development, that we

commit to offer competitive and innovative products and services that meet the needs of our customers, to continuously improve our environmental performance and provide positive contributions to our business, to provide healthy and safe workplaces by striving for zero accident to our employees, contractors visitors and other related stakeholders. This Policy contains with four main pillars of our integrated policy, for which we have assigned principles to guide our progress on Quality Management, Occupational Health & Safety Management, Environmental Management and Corporate Social Responsibility (CSR).

#### **Chapter 4: Disclosure and transparency**

Siam City Cement made full, timely and transparent disclosure of financial and non-financial information pursuant to the standards and regulations as mandated by the Securities and Exchange Commission (SEC), the Office of SEC and The Stock Exchange of Thailand (SET). In addition to the mandatory disclosure of information under the applicable laws and regulations and the Principles of Good Corporate Governance through the channels of the SET, annual registration statement (Form 56-1), and annual reports, Siam City Cement discloses information, both in Thai and English, via the company's web site [www.siamcitycement.com](http://www.siamcitycement.com).

#### **Chapter 5: Responsibilities of the Board of Directors**

In addition, the Board of Directors has put special attention on the managing with responsibility. The Board set more stringent decision making procedure on certain matters. For example, any capital expenditure in excess of 10 million Baht must be approved by the Board of Directors, although the Articles of Association requires the Board decision in the case of those above the level of 100 million Baht.

According to good governance principles at Siam City Cement, the function of Chairman of the Board of Directors and CEO are separate, in order to maintain check and keep balance and transparent management in the Company.

We are proud to present that our initiative on Conflict of Interest Declaration provide good awareness among employees. All personnel in the functions under the supervision of the CEO and the Chief Financial Officer, and personnel holding position at the level of division managers and above, inclusive of members of Executive Committee who are employees, are required to do this exercise twice a year. Report on this exercise is reviewed and discussed by Executive Committee and Audit Committee. At the level of the Board, the Board also approved the principles, procedure and report format for the "Report on Interest of Directors and Executives" in order to promote the fiduciary duties of the Directors and Executives where they shall make decisions without interest, either directly or indirectly.

The Board of Directors' meetings are held regularly to allow all members of the Board to consider the Board performance and solve any problems that may arise. At the Board Meeting, the CFO shall be present to provide information to the Board. Other Executives will join according to relevancy of the matters on the agenda.

The Board of Directors encourages and facilitates trainings for all internal parties related to corporate governance and executive development and succession planning.

Total attendance at Board Meetings, Audit Committee Meeting and Executive Committee Meetings in 2013

Director/Executive Officers	Total Attendance/Total Meeting			Remarks
	Board Meeting	Audit Committee Meeting	Executive Committee Meeting	
<b>Non-Executive Directors</b>				
Mr. Veraphan Teepsuwan	6/6	-	-	-
Mr. Paul Heinz Hugentobler	6/6	-	-	-
Mr. Chachchon Ratanarak	3/6	-	-	-
Mr. Harald Link	5/6	-	-	-
Mr. Vanchai Tosomboon	6/6	-	-	-
Ms. Nopporn Tirawattanagool	6/6			
Mr. Pongpinit Tejagupta	6/6	11/11	-	-
Mr. Pradap Pibulsonggram	6/6	10/11	-	
Mr. Somboon Phuvoravan	5/6	8/11	-	Mr. Somboon was elected in April 2013, after 1 time of Board of Directors' Meeting was done, and after 3 times of Audit Committee Meeting were done
<b>Executive Director</b>				
Mr. Philippe Arto	6/6	-	20/20	-
<b>Executive Committee</b>				
Mr. Chandana Liyanage	-	-	19/20	-
Mr. Siva Mahasandana	-	-	19/20	
Mr. Tasporn Chantree	-	-	20/20	

## **10. Corporate Social Responsibilities (CSR)**

The Company has prepared a separate report on corporate social responsibility since 2009 onwards, namely “Sustainable Development Report”. This report has been sent to the Shareholders together with the Annual Report and the Notice of AGM and disclosed on the Company's website.

## **11. Internal Control and Risk Management**

The Board of Directors has assessed the internal control system by using the assessment form made by the Management and the report of the Audit Committee. According to the existing Company's internal control systems of various 5 elements, i.e. the organization control, risk assessment, operating control, IT system and communication and monitoring system, the Board of Directors assumed that the Company has an adequate and appropriate internal control system. The Company has adequate personnel to operate the system effectively and sufficient internal control system for monitoring of their subsidiaries to protect the assets of the Company and its subsidiaries from the wrongfully or without authorization, including conflicts of interest and related party transactions.

The Audit Committee appointed Mrs. Chadaporn Thitisawat to be Head of Internal Auditor of the Company since January 16, 2010, who has experienced in performing the internal audit and understands the Company's activities and operations, the Audit Committee has agreed that she is qualified and appropriate to perform such duties with proper manner.

The Audit Committee shall consider appointment, transfer and dismissal of the head of internal audit. The qualification of head of internal audit appears in the Attachment 3.

Mr. Wutthipong Songwisit was assigned to be Head of Legal and Compliance who is responsible for the operations of compliance of the Company. The qualification of head of Legal and Compliance appears in the Attachment 3.

## 12. Connected transactions

Related parties include enterprises and/or individuals that control, or are controlled by the Company, whether directly or indirectly, or those under common control with the Company. They also include companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, and key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and conditions agreed upon between the Company and those related parties.

	Transfer pricing policy	Amount (Unit : Million Baht)
<u>Transactions with associated company</u>		
Purchases of goods	Market price	1,439
<u>Transactions with related companies</u>		
Sales of goods	Market price	476
Dividend income	At the declared rate	9
Other income	Cost plus margin	2
Service fee expenses	Contractual agreed price	216
Selling and distribution expenses and administrative expenses	Cost plus margin	234
Interest income	Market interest rate	4
Interest expenses	Market interest rate	60
Trade and other receivables		157
Trade and other payables		265

**Criteria for having related party transactions**

Where it is necessary for the Company to have a transaction with a related party, the Company will consider business necessity and arm's length principle as main criteria for decision-making. For example, product selling and purchasing is based on market price. A mark-up will be included in the cost of a service fee for services rendered. All of these are to ensure economic benefits will be reasonably shared within the Companies.

**Sound approval mechanism and procedure**

The Company has complied with the rules of the Stock Exchange of Thailand regarding information disclosure and practices for listed companies on connected transactions. The Audit Committee has also reviewed the connected transactions of the Company.