

## 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 10 Baht per share, be listed in The Stock Exchange of Thailand.
- (2) The other type of share which is different from the ordinary share's right  
 -None-

##### 7.2 Shareholders

- (1) Major Shareholders as of 14 March 2017<sup>1</sup> are the following:

Rank	Major Shareholders	Shares	% Shares <sup>2</sup>
1	Sunrise Equity Company Limited <sup>3</sup>	80,065,840	34.81
2	JARDINE CYCLE & CARRIAGE LIMITED <sup>3</sup>	57,499,900	24.99
3	Bangkok Broadcasting and Television Company (BBTV) <sup>3</sup>	21,681,000	9.43
4	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	4,690,600	2.04
5	Thai NDVR Co., Ltd. <sup>4</sup>	3,792,305	1.65
6	CHASE NOMINEES LIMITED	2,899,449	1.26
7	Vayupak Mutual Fund by MFC Asset Management Public Company Limited	2,254,000	0.98
8	Vayupak Mutual Fund by Krungthai Asset Management Public Company Limited	2,254,000	0.98
9	Mrs. Sasithorn Ratanarak	2,110,628	0.92
10	STATE STREET BANK EUROPE LIMITED	1,848,542	0.80
11	THE BANK OF NEW YORK MELLON	1,456,300	0.63
12	Ms. Pilanuch Ratanarak	1,439,742	0.63
13	HSBC (SINGAPORE) NOMINEES PTE LTD	1,384,083	0.60
14	Krungsri Dividend Stock Fund	1,379,700	0.60
15	Aberdeen Long-term Equity Fund	1,266,000	0.55

## (2) Proportion of Shareholding

No.	Shareholders list	Number of Shares Held	Percentage (%) <sup>2</sup>
1.	Ratanarak Group	109,685,968	47.69
2.	JARDINE Group Company	57,499,900	24.99
3.	Others	62,814,132	27.32
	Total	230,000,000	100.00

## Remark:

1. The record date was scheduled on 13 March 2017 to identify the Shareholders entitled to attend the Annual General Meeting of Shareholders No. 24, and the Shareholders register closing date was scheduled on 14 March 2017. During the year, the investors can access the up-to-date information at [www.siamcitycement.com](http://www.siamcitycement.com) under the heading Investor Information.
2. The proportion of the equity interest of each of the Major Shareholders is based on the total issued and paid-up of 230 million shares, 10 Baht per share. Foreign Limit is scheduled at 49% (at 14 March 2017, foreign shareholders portion is 34.59%)
3. The majority of shareholders who are a group whose movement has a marked influence on the establishment of corporate policy and strategy.
4. Thai NVDR Co., Ltd. is the lawful shareholder of authorized shares, holding Non-Voting Depository Receipt (NDVR). Thai NVDR Co., Ltd. is not entitled to vote as the shareholder, except the case where the meeting is called for revoking securities from being the listed company in the stock exchange. The information of investors under Thai NVDR Co., Ltd. is shown on the website: [www.set.or.th](http://www.set.or.th)

### 7.3 Securities issued by the Company

- **Debt Securities:**

<u>Set 1</u> 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:	14 June 2013
Maturity date:	14 June 2017
Coupon rate:	3.79 percent per annum
Credit rating	A

#### Set 2

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:	14 June 2013
Maturity date:	14 June 2020
Coupon rate:	4.30 percent per annum
Credit rating	A

### Set 3

Type of security:	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	8 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:	29 April 201
Maturity date:	29 April 2024
Coupon rate:	2.46 percent per annum
Credit rating	A

### Set 4

Type of security:	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	10 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:	29 April 2016
Maturity date:	29 April 2026
Coupon rate:	2.70 percent 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 17<sup>th</sup> Annual General Meeting of Shareholders, on 9 April 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 2014-2016, Siam City Cement allocated dividends as follows:

**For fiscal year 2016, total dividend is 15 Baht per share**

- The Board of Directors approved payment of interim dividend on 22 July 2016 of 8.00 Baht per share.
- The Board of Directors proposes the Shareholders to approve payment of dividend for the second half of 2016 on 31 March 2017 for 7.00 Baht per share.
- Dividend payout 3,450 million Baht, 88.1 percent

**For fiscal year 2015, total dividend is 15 Baht per share**

- The Board of Directors approved payment of interim dividend on 28 July 2015 of 8.00 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2015 on 7 April 2016 for 7.00 Baht per share.
- Dividend payout 3,450 million Baht, 75.3 percent

**For fiscal year 2014, total dividend is 15 Baht per share**

- The Board of Directors approved payment of interim dividend on 21 July 2014 of 8.00 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2014 on 7 April 2015 for 7.00 Baht per share.
- Dividend payout 3,450 million Baht, 67.9 percent

**Dividend Policy of the Company's Subsidiaries**

All dividend payments by the Company's subsidiaries must be approved by a resolution of the respective shareholders meeting which must be considered on its separate financial statement and must be in compliance with the relevant laws and regulations. The Subsidiaries may from time to time pay shareholders interim dividend if their Board of Directors considers it appropriate given their profitability levels.

In each dividend payment, the Company's Subsidiaries shall provide reserve as prescribed by law for at least one-twentieth of the net profit arisen from the business operation, until such reserve reaches one-tenth of the Company's capital, or higher.

## 8. Management Structure

### 8.1 Board of Directors

#### Structure of the Board of Directors

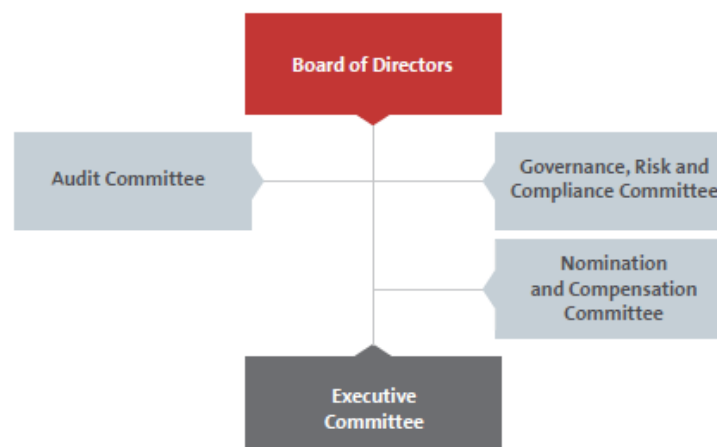
As of 31 December 2016, the Management structure of Siam City Cement Public Company Limited (“**SCCC**”) consists of the Board of Directors and 3 Committees, appointed by the Board of Directors. Said 3 Committees are the Audit Committee, the Governance, Risk and Compliance Committee, and the Nomination and Compensation Committee.

In accordance with Clause 11 of the Articles of Association, number of members of the Board of Directors must not be less than 5 and not more than 13 persons.

As of 31 December 2016, the Company’s Board of Directors consists of 12 members, including:

- 11 non-executive directors;
  - 4 directors being independent directors representing 36% of the Board of Directors;
  - 3 independent directors being members of the Audit Committee;
  - 4 directors being members of the Governance, Risk and Compliance Committee;
  - 5 directors being members of the Nomination and Compensation Committee; and
- 1 executive director, i.e. the Chief Executive Officer
- Names and number of the directors who are authorized to sign and bind the Company are Mr. Paul Heinz Hugentobler, Mr. Chachchon Ratanarak, Mr. Vanchai Tosomboon and Mr. Siva Mahasandana, provided that two of them jointly sign with the Company’s seal affixed to bind the Company.

Management Structure



## Board of Directors

### Non-executive Directors

- |                                   |                      |
|-----------------------------------|----------------------|
| 1. Mr. Veraphan Teepsuwan         | Chairman             |
| 2. Mr. Paul Heinz Hugentobler     | Vice Chairman        |
| 3. Mr. Chachchon Ratanarak        | Director             |
| 4. Mr. Vanchai Tosomboon          | Director             |
| 5. Ms. Nopporn Tirawattanagool    | Director             |
| 6. Mr. Pongpinit Tejagupta        | Director             |
| 7. Mr. David Alexander Newbigging | Director             |
| 8. Dr.h.c. Harald Link            | Independent Director |
| 9. Dr. Sunee Sornchaitanasuk      | Independent Director |
| 10. Mr. Pradap Pibulsonggram      | Independent Director |
| 11. Mr. Charin Satchayan          | Independent Director |

### Executive Director

- |                          |                |
|--------------------------|----------------|
| 12. Mr. Siva Mahasandana | Director & CEO |
|--------------------------|----------------|

## Board Committees

### Audit Committee (AC)

- |                              |             |
|------------------------------|-------------|
| 1. Dr. Sunee Sornchaitanasuk | Chairperson |
| 2. Mr. Pradap Pibulsonggram  | Member      |
| 3. Mr. Charin Satchayan      | Member      |

### Governance, Risk and Compliance Committee (GRCC)

- |                                |          |
|--------------------------------|----------|
| 1. Mr. Pongpinit Tejagupta     | Chairman |
| 2. Mr. Paul Heinz Hugentobler  | Member   |
| 3. Ms. Nopporn Tirawattanagool | Member   |
| 4. Mr. Vanchai Tosomboon       | Member   |

### Nomination and Compensation Committee (NCC)

- |                                   |          |
|-----------------------------------|----------|
| 1. Mr. Paul Heinz Hugentobler     | Chairman |
| 2. Dr.h.c. Harald Link            | Member   |
| 3. Ms. Nopporn Tirawattanagool    | Member   |
| 4. Mr. Vanchai Tosomboon          | Member   |
| 5. Mr. David Alexander Newbigging | Member   |

### Total attendances of Board Meetings and Committee Meetings in 2016

Director/Executive Officers	Total Attendances/Total Meetings				Remarks
	Board Meeting	Audit Committee Meeting	Governance, Risk and Compliance Committee	Nomination and Compensation Committee	
Non-Executive Directors					
1. Mr. Veraphan Teepsuwan	10/10	-	-	-	-
2. Mr. Paul Heinz Hugentobler	10/10	-	5/5	6/6	-
3. Mr. Chachchon Ratanarak	7/10	-	-	-	-
4. Mr. Vanchai Tosomboon	10/10	-	4/5	6/6	-
5. Ms. Nopporn Tirawattanagool	10/10	-	5/5	5/6	-
6. Mr. Pongpinit Tejagupta	10/10	-	5/5	-	-
7. Mr. David Alexander Newbigging	7/10	-	-	5/6	
8. Dr.h.c. Harald Link	4/10	-	-	4/6	
9. Dr. Sunee Sornchaitanasuk	10/10	19/19	-	-	
10.Mr. Pradap Pibulsonggram	9/10	19/19	-	-	-
11.Mr. Charin Satchayan	8/8	19/19	-	-	Mr. Charin Satchayan was appointed in replacement of Mr. Somboon Phuvoravan pursuant to the resolution of the Annual General Meeting of Shareholders No. 23 on 7 April 2016
Executive Director					
12.Mr. Siva Mahasandana	7/8	-	-	-	Mr. Siva Mahasandana was appointed in replacement of Mr. Vorathep Rangchaikul pursuant to the resolution of the Annual General Meeting of Shareholders No. 23 on 7 April 2016



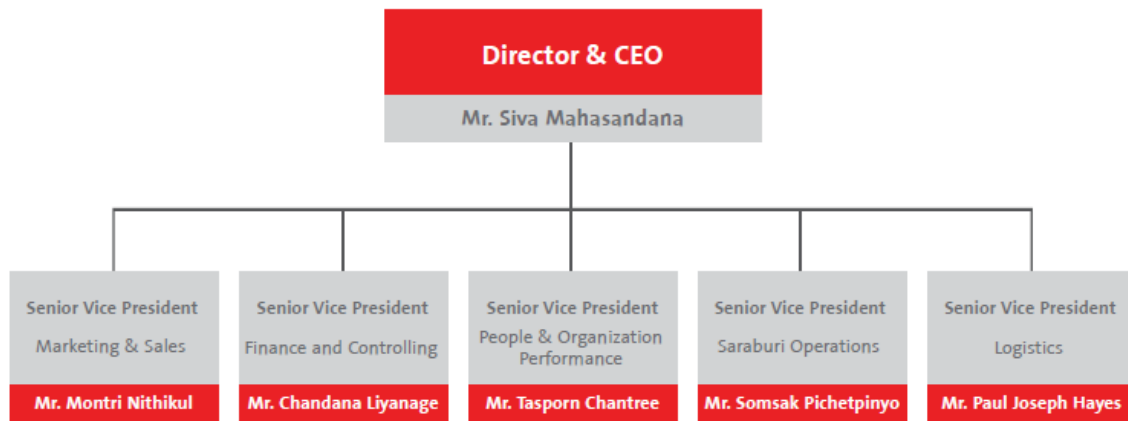
## 8.2 Executive Committee

As of 31 December 2016, there have been 6 members on the Executive Committee, as follows:

### Executive Committee

- |                           |  |
|---------------------------|--|
| 1. Mr. Siva Mahasandana   | Director & CEO   |
| 2. Mr. Montri Nithikul    | Senior Vice President (Marketing & Sales)<br>(Appointed on 11 February 2016) |
| 3. Mr. Chandana Liyanage  | Senior Vice President (Finance and Controlling)                              |
| 4. Mr. Tasporn Chantree   | Senior Vice President (People & Organization Performance)                    |
| 5. Mr. Somsak Pichetpinyo | Senior Vice President (Saraburi Operations)                                  |
| 6. Mr. Paul Joseph Hayes  | Senior Vice President (Logistics) (Appointed on 16 August 2016)              |

### Executive Committee structure



Total Attendances at the Executive Committee Meetings in 2016

Executive Committee	Position	Total Attendances/ Total Meetings
1. Mr. Siva Mahasandana	Director & CEO	19/20
2. Mr. Montri Nithikul	Senior Vice President - Marketing & Sales	19/20
3. Mr. Chandana Liyanage	Senior Vice President - Finance and Controlling	19/20
4. Mr. Tasporn Chantree	Senior Vice President - People & Organization Performance	20/20
5. Mr. Somsak Pichetpinyo	Senior Vice President - Saraburi Operations	20/20
6. Mr. Paul Joseph Hayes	Senior Vice President - Logistics	8/8

### 8.3 Company Secretary

The Board of Directors' Meeting has appointed Mr. Wutthipong Songwisit, Head of Legal, Legal & Corporate Affairs Department, to serve as the Company Secretary to perform duties as defined in the Securities and Exchange Act (No. 4) B. E. 2551 with responsibility, deliberation and integrity, and in compliance with the laws and regulations, the Company's objectives, Articles of Associations, resolutions of the Board of Directors' Meeting as well as resolutions of Shareholders' Meeting.

In addition, the Company Secretary has the duty in providing legal advice and related rules and good practices to the Board in monitoring its controls over the carrying out of activities to be in accordance with the laws; making arrangements of the Board of Directors' Meeting and the Shareholders' Meeting; coordinating with other departments within the Company to ensure the compliance with the resolutions of the Board of Directors and the Shareholders; coordinating with regulatory agencies such as the Securities and Exchange Commission and the Stock Exchange of Thailand; monitoring controls over the disclosure and reporting of information to the regulatory agencies and the public properly and fully in accordance with the law as well as conducting new director orientations and performing other duties as assigned by the Board of Directors.

Details of the Company Secretary and related training record are as appearing in Attachment 1.

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

In determining the remuneration of the Board of Directors of the Company and the subcommittees, the Nomination and Compensation Committee ("NCC") will take into account various factors, including, among others, the Company's business and performance, the market and industry norms, the current economic situation and the duties and responsibilities of the Board of Directors and the subcommittees. The NCC will consider the remuneration of directors and propose to the Board of Directors' and shareholders' meetings for consideration and approval on an annual basis.

The payments of remunerations to Board members are made in accordance with the new Principle of Company Board of Directors Remuneration Payment approved at the Annual General Meeting of Shareholders No. 23 on 7 April 2016 as follows;

"Remunerations of Directors consist of director fees payable on a monthly basis and bonuses where the payments of which shall be made in accordance with the following principles from the date of the approval until the Shareholders' meeting has resolved otherwise.

**Director's Fees:** The Board Members shall receive the director fees on monthly basis, at the aggregated amount of not more than the annual budget of 30 million Baht. The Chairman and the Vice Chairman of the Board shall jointly make considerations on the allocations accordingly.

**Director's Bonuses:** The Board shall receive the annual bonuses at the aggregated amount not exceeding 7 million Baht. The Chairman and the Vice Chairman of the Board shall jointly make considerations on the allocations accordingly.

The provisions of the foregoing paragraphs shall not deprive of the right of any officers or employees of the Company who are elected and appointed Directors in receiving remunerations and benefits paid to Directors."

## Remuneration in Cash

Directors' remuneration in cash for the Board Members for 2016 including Monthly Director fees and bonus are as follows:

List of Directors		Total of Monthly Director Fee Paid in 2016				Bonus for 2015 Paid in 2016 (Baht)	Total Amount Paid in 2016 (Baht)
		Board of Directors (Baht)	Audit Committee (Baht)	Governance, Risk & Compliance Committee (Baht)	Nomination & Compensation Committee (Baht)		
Non-Executive Directors							
1	Mr. Veraphan Teepsuwan	200,000	-	-	-	610,500	3,010,500
2	Mr. Paul Heinz Hugentobler	150,000	-	50,000	70,000	500,500	3,740,500
3	Mr. Chachchon Ratanarak	100,000	-	-	-	407,000	1,607,000
4	Mr. Vanchai Tosomboon	100,000	-	50,000	50,000	407,000	2,807,000
5	Ms. Nopporn Tirawattanagool	100,000	-	50,000	50,000	407,000	2,807,000
6	Mr. Pongpinit Tejagupta	100,000	-	70,000	-	423,500	2,463,500
7	Mr. David Alexander Newbigging	100,000	-	-	50,000	271,000	2,071,000
Independent Directors							
8	Dr.h.c. Harald Link	100,000	-	-	50,000	407,000	2,207,000
9	Dr. Sunee Sornchaitanasuk	100,000	70,000	-	-	237,000	2,277,000
10	Mr. Pradap Pibulsonggram	100,000	50,000	-	-	418,000	2,218,000
11	Mr. Somboon Phuvoravan <sup>1</sup>	100,000	50,000			407,000	892,000
12	*Mr. Charin Satchayan <sup>2</sup>	100,000	50,000	-	-	-	1,320,000
Executive Director							
13	*Mr. Vorathep Rangchaikul <sup>3</sup>	100,000	-	-	-	407,000	730,333
14	*Mr. Siva Mahasandana <sup>4</sup>	100,000	-	-	-	-	880,000
	Total					4,902,500	29,030,833

\* Tenure of directorship is less than one full year

### Remarks

1. Mr. Somboon Phuvoravan completed his term at AGM2016
2. Mr. Charin Satchayan was appointed as a Director in replacement of Mr. Somboon Phuvoravan at AGM 2016
3. Mr. Vorathep Rangchaikul resigned from Director & CEO, effective on 7 April 2016
4. Mr. Siva Mahasandana was appointed as Director & CEO in replacement of Mr. Vorathep Rangchaikul at AGM 2016

Remuneration for 6 members of the Company's Executive Committee was Baht 93 million, including salary and bonus paid in 2016.

### Other Remunerations

For Directors: None

For Executives:

- Contributions to Provident Fund of total Baht 4.6 million;
- Contributions to Employee Joint Investment Program (EJIP) for its executives was Baht 5.8 million; and
- Company cars provided for the members of the Executive Committee to use in performing his/her duty.

### 8.5 Personnel

As at the end of 2016, the Company (including its subsidiaries both in country and overseas) accounted for a total 5,059 employees. The total payment of remunerations to employees was at 4,054 million Baht, such as salary, wage and other employee benefits.

Number of employees as at the end of 2016:

Company Group	Number of employees as at the end of <b>2014</b> (persons)	Number of employees as at the end of <b>2015</b> (persons)	Number of employees as at the end of <b>2016</b> (persons)
Production Line	2,566	2,575	3,202
Logistics	444	433	492
Marketing and Sales	438	456	640
Finance and Controlling	156	166	258
Others	202	360	467
<b>Total</b>	<b>3,806</b>	<b>3,990</b>	<b>5,059</b>

Number of employees and employee costs as at the end of 2016:

	Separate financial statements		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Number of employees as at end of year (persons)	3,806	3,990	5,059
Salary, wage and other employee benefits (Baht)	3,259,633,022.78	3,545,950,247.96	4,053,673,347.22

## **People Development Policy**

Every member of Siam City Cement Public Company Limited is the most important element and the foundation of our business. We strongly believe that our success and growth depends on the employees who represent the core values and competencies aligned with our vision, regional business direction and career growth of the employees. Thus, SCCC aims to develop and improve people management and development to achieve the global standards in leadership, knowledge, capabilities, operational skills and management, to serve the work at hand and prepare for future promotion. This shall transform our organization to be the leader in construction materials in Thailand and Asia.

We encourage the good teamwork and foster good citizenship, ethics, safety, and environmental and social concern in our employees and also encourage them to take part in managing the organization and driving our business to the competitive edge and sustainable growth of the future society.

## **People Development Guideline and Approach**

SCCC has established INSEE Academy under the People & Organizational Performance function as a center of both short and long-term people development strategy of Siam City Cement Group Company which includes Mixed cement, Portland cement, INSEE Mortar, INSEE Concrete, Conwood for architectural decorative materials, INSEE Superblock for light weight concrete block, INSEE Ecocycle for total waste management, and INSEE Digital.

For every employee from operations to the first/mid/top management levels, INSEE Academy has built people development roadmap and blended-style learning interventions like the Induction & On-board Program for new joiners, Management & Leadership Development Program, Leadership Competencies Development Program for employees of all levels, Coach Performance Improvement Program, Technical & Functional Skills Development Program, OH&S and Sustainable Development Program, English Proficiency Development Program, Code of Business Conduct & Compliance Program.

With the commitment to nurture employees on awareness, knowledge, ways of working, true understanding of our organization and developing human capitals to address the organizational objectives and expected outcomes, SCCC has a strong passion in modern people development approaches focusing on the learners' needs and 70-20-10 concepts emphasizing learning by experience/sharing best practices (70), on the job coaching (20), classroom and self-learning (10), and encouraging continuous learning anywhere and anytime via self-learning, digital learning under the corporate knowledge management system, or Knowledge Management, provided with platform for exchanging, sharing and storing all critical knowledge within the organization for the utmost utilization. This is the foundation in driving us to become the Learning Organization and also enhances the sustainability of the organization.

SCCC puts strong focus on building INSEE Leaders to develop our human capital on leadership, knowledge, capability and experience in managing the business so they are able to perform in their current and future positions, and establish career development and succession plan accommodating both individual and organizational needs. In order to plot out the Individual Development Plan (IDP), our employee performance evaluation policy provides a solid standard

for evaluating employees with capability and potential for higher crucial positions in the organization so that they are ready by the expected time and business needs such as business expansion and management retirement. INSEE Academy works with other human resources and Line Managers of each function to arrange Senior Management Development Program, Challenging Convention in Action for senior managerial level employees, Advanced Business Leadership Program for middle managerial level employees, Leadership Development Program (LDP) for first/ middle managerial level employees, to be equipped with essential leadership/management skills. Besides, number of projects is developed with domestic and international educational institutes; such as, Duke Corporate Education, INSEAD, Sasin and IMD. For other required competencies, they are supported by various development programs like Executive Coaching, Operational Performance Improvement (OPI) Coach, Employee Exchange Program (EEP), Assessment Center for Development, Corporate Project Assignments, sharing best practices with both domestic and international companies.

Besides the focus on management capability building, SCCC also focuses on operational and front line employees as they are the key in our business operations: manufacturing, marketing and sales, logistics, and other enabling functions. INSEE Academy has cooperated with the executives of business functions in establishing the Functional Academy providing fundamental and technical development programs by internal Subject Matter Experts and external institutes, ensuring that every employee has the right knowledge and skills required to perform their work correctly, efficiently and safely at the expected standard so that every product and service is effectively and efficiently delivered to our customers, partners and related parties beyond their expectation.

Not only the business stakeholders, our cares for the community is demonstrated by our knowledge and experience sharing in the business, management, people management, role-modeling, ethics and many other topics to the community intellect's and other leaders including mass media inside and outside Thailand. SCCC is proud of the contribution towards Thailand's prosperity in the level of institute, society and country. Strengthening our relationship with the community and society, activity is part of our commitment to being a learning organization where knowledge and experience are synergized to expand our thinking and vision in people management.

In 2016, SCCC delivered a variety of learning and development interventions to our employees as follows:

1. Transitional Development Program 9,513.50 hours;
2. Leadership Development Program 13,989.70 hours;
3. Technical/Functional Development Program 135,373.81 hours;
4. On-boarding Program 14,198.25 hours;
5. OH&S and Sustainable Development Program 21,602.80 hours; and

6. English Proficiency Development Program 1,559.00 hours.

### Summary Report of People Development

Unit: Hours per person per year

1) Training Hour (Per employee per year)	2014	2015	2016
Employee and management	47.42	49.02	49.51

Unit: Baht

2) Training and Development Investment	2014	2015	2016
Employee and management (per employee per year)	17,625.13	23,165.09	20,350.61
Total Investment *	64,402,236.66	88,560,129.80	80,303,499.16

\*Excluding accommodation expenses, travel expenses and miscellaneous disbursements.

\*Excluding PT. Conwood Indonesia, Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City Cement Lanka Limited



## **9. Corporate Governance**

### **9.1 Corporate Governance Policy**

Siam City Cement Public Company Limited (“**SCCC**”) is aware of the importance on the concrete and sustainable compliance with the principles of good corporate governance. The Company enhances business governance to be arisen in all organizational levels ranging from the Company's Board of Directors, Executive Committee down to operational level perpetually and that in order to maintain the status of being a sustainable corporate governance company and elevate the Company's Corporate Governance in high standard, the Company's Board of Directors has mapped out the Company's Corporate Governance Policy depicting guidelines on Corporate Governance, roles and responsibilities of the Company's Board of Directors. In this respect, the Company's Board of Directors is the initiator and the party taking part in prescribing the management framework as well as assigning the Governance, Risk and Compliance Committee to review the details of such Policy before being submitted to the Company's Board of Directors for further approval.

The Company is confident that the Corporate Governance Policy will be an instrument to express that it has an efficient, transparent and verifiable management system which can build up confidence in all shareholders, investors and stakeholders and can lead the Company to prosperity and progress as well as can enhance the sustainable growth of the Company. This Corporate Governance Policy applies to all members of the Board, Executives and employees of the Company and all its subsidiaries, as well.

The SCCC's Corporate Governance Policy has thoroughly covered the matters on shareholders' rights protection, equitable treatments to all groups of shareholders, stakeholders' roles and responsibilities, information disclosures and transparency and Board of Directors' responsibilities which are adherent to the Principles of Good Corporate Governance for a listed company prescribed by Stock Exchange of Thailand (SET), the Principles of Corporate Governance of The Organization for Economic Co-Operation and Development (OECD), World Bank Recommendations derived from the project participation on Corporate Governance – Reports on the Observance of Standards and Codes (CG-ROSC) and ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) Rules.

Other than the aforementioned Corporate Governance Policy, the Board of Directors, in 2015, approved the Code of Business Conduct, the revised edition in accordance with the assent of and which had been submitted by Governance, Risk and Compliance Committee where the contents of which were improved from the contents of the original Code of Business Conduct which had lengthily been put into force since 2007 to make it modern and suitable to the situation and compatible with international standard to ensure that employees of the SCCC Group perform their duties with integrity and honesty in order to enhance and maintain the reputation, image of and confidence in the organization in the eyes of the outsiders as well as the shareholders, investors and related parties and to be in compatibility and in conformance with the Company's prescribed Corporate Governance Policy.

Furthermore, the Company's Board of Directors has approved another 19 policies which relate to the Code of Business Conduct as well as Standard Operating Procedure on each matter in order to clearly indicate the expressly procedural guidelines on the development that will lead to the creation of the organizational culture in various matters which support the good corporate governance, particularly, on the aspects of receiving complaints and notifications of information, or whistle blowing, by prescribing measures and steps on whistle blowing to the Company's Board of Director on the issue relating to the commission of the offence in violation of the laws or the Code of Business Conduct, the improper financial report or the lack of control within the organization and the protections of personal rights of the persons giving notifications



on the information. For this purpose, the Company has implemented additional channel for lodging complaints and/or giving notifications on the information which is handled by expert outsourced organization with a belief that this channel would be the fundamental guarantee to people or persons lodging the complaints in safeguarding the confidential information and privacy.

In respect of the other policies relating to the Code of Business Conduct currently promulgated and put into force; Anti-Bribery and Anti-Corruption Policy, Sustainable Development Policy, Environmental Policy, Social Responsibility Policy and Policy for the Prevention against the Use of Insider Information for Trades of Securities, etc., are among those promulgated and put into force.

In 2016, the Company has taken actions to raise awareness and understanding of the corporate governance policy and the code of conduct on a regular basis, for instance, arranging training sessions to all employees in order to get them to understanding the revised Code of Conduct. The Company has included the introduction to the Code of Business Conduct in the employees' orientations and caused the newly-recruited employees to sign to acknowledge that they shall comply with the Code of Business Conduct. Moreover, internal communications were implemented through news, activities, as well as "Point of Contact" center which provided information/answers to all employees.

And for the objective of keeping the organization modernized and proceeded on with continuous developments, considerations on the reviews of Corporate Governance Policy and the Code of Business Conduct as well as other related policies are designed to be made regularly, at least, once a year along with the requirements on making communications and organizing various promotion activities including pertinent actions on the follow-ups and assessments on a regular basis every year to ensure that all persons in the organization have properly and strictly complied with the Corporate Governance Policy and the Code of Business Conduct. For this purpose, the Company is under the process of the study and development of E-Learning Program system in order to enhance learning on this matter continuously.

The corporate governance policy and the code of conduct can be found on the Company's website at [www.siamcitycement.com](http://www.siamcitycement.com) and its intranet for easy access and reference of the directors, executives and employees of the Company.

Siam City Cement Public Company Limited complies with the principles of good Corporate Governance of the Stock Exchange of Thailand as follows:

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

### **Shareholders' Right Exercise Promotion Policy:**

SCCC is firmly committed to protect the rights and benefits of every group of our shareholders. The Company's Board of Directors is aware of and placing importance on the rights of all groups of our shareholders (including the institutional shareholders) equitably and that under no circumstances shall the Company perform any acts in a manner likely to violate or derogate the rights of our shareholders. The Company adopts the policy in encouraging, supporting and providing facilitations to our shareholders to exercise their fundamental rights in accordance with the law which are the participations in the shareholders' meetings and casting ballots in the meeting either in person or by their proxies, in appointing or removing Directors, fixing Directors' remunerations in all forms and appointing the auditor as well as matters that would pose an impact on the Company such as allocation of dividends, stipulations or revisions of Articles of Association and Memorandum of Association, capital decrement or increment and special transaction approvals, etc.

The Company has a policy to support and facilitate the shareholders, including institutional investors, to attend the general meetings of shareholders by selecting the meeting venues where the mass transit system is available and sufficient for the shareholders to conveniently commute to attend the meetings. The Board of Directors has a policy to support and encourage all groups of our shareholders to attend the meetings by sending Proxy Letters along with the Notices of Meeting, as well as publicized on the Company's website ([www.siamcitycement.com](http://www.siamcitycement.com)), for the shareholders' options and facilitations from the Company in the case where they cannot attend a meeting in person as well as providing facilitations on the co-ordinations between the Company and the institutional shareholders and/or custodian who is the depositary and curator of securities for foreign investors in verifying the names, number of shares and documents supporting the delegation of proxy before a meeting, as well.

The shareholders are facilitated by the Company's Board of Directors in exercising their rights fully in participating and casting their votes in the meeting. The barcode system for registration and vote counting were also arranged to expedite the registration and vote computation process. To facilitate the shareholders, the Company also provided stamp duty for the appointment of proxies.

The Company provided opportunities for the shareholders to submit questions relevant to the meeting agenda in advance of the 2017 Annual General Meeting of Shareholders during 15 September – 31 December 2016. However, no question was submitted.

The Company's Board of Directors encourages the shareholders to use Form B Proxy Letter and nominate our independent directors of more than 1 person as their options in delegating their proxies.

The Company's Board of Directors ensures that information, date, time, and place of the meeting as well as the meeting agendas are provided by having supportive explanations and reasons on each agenda specified in the Shareholders Notices of Meeting and/or in the meeting agenda supportive documents without performing any acts in a manner likely to limit the opportunity of the shareholders in studying information of the Company.

The Company conducts the general meetings of shareholders in a transparent manner with examination mechanisms available. The Chairman of the Board of Directors shall, before the meeting is about to convene, assign the Company Secretary to give explanations to the meeting on the steps and methods in displaying result of the ballots including opening the opportunity to the shareholders to set the issues and make inquiries as well as ensuring that inquiries and answers and ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of directors attending the meeting and taking leave of absence from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

The Company's Board of Directors holds all its members, executive committee members and directors of its subsidiaries with the commitments to attend every shareholders' meeting which, in this respect, the shareholders shall be entitled to inquire various Board Committee's Chairpersons on related matters. Before casting the votes on each agenda, Chairman of the Board of Directors opens the opportunity to the shareholders to express their opinions, give their recommendations or even make inquiries. The Chairman and related Executive Committee Members shall be the parties to answer the questions, make considerations on the opinions and recommendations from the shareholders for further actions as appropriate.

In a Company shareholders' meeting, rendering of resolution on each matter would be arranged in the case where such particular agenda contains several matters such as an appointment of directors, etc. Casting the ballots is strictly undertaken in compliance with the

law. The shareholders are independent in giving, denying their approvals or abstaining from casting the votes in each matter of the agenda. In a normal case, the pertinent resolution shall be determined by the majority of votes of the shareholders in attendance and casting the ballots. One share is equal to one vote. In the case of an equivalency, the Meeting's Chairperson shall have a right to cast an additional vote which is the casting vote.

The Company's Board of Directors encourages the Company to provide independent persons to make vote counting or verifications in the shareholders' meeting and announce to the meeting. The Company's Board of Directors supports and encourages the use of ballots for all agendas for transparency and being able to be verified.

On the same day after the conclusion of the meeting, the Company informs the Stock Exchange of Thailand, in the form of a newsletter, the resolution of each agenda of the Annual General Meeting of Shareholders by indicating the votes as "approved", "disapproved" or "abstained from voting".

Explanations on the steps of casting the ballots and methods of displaying result of the votes to the meeting before the meeting is convened including the opportunity opened to the shareholders to set the issues or make inquiries as well as ensuring that inquiries and answers and ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of directors attending the meeting and taking leave of absence from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

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

Siam City Cement Public Company Limited places importance on fair and equitable treatment to all shareholders; as a result, the following actions have been implemented:

### **1. Protection of Rights of Minority Shareholders**

The Company's Board of Directors puts in place the shareholders' meeting process in a manner likely to encourage the equitable treatments to all shareholders by mapping the process to make the minority shareholders able to participate in the nominations and appointments of directors such as providing a channel for the shareholders in nominating names of Directors before the annual general meeting by prescribing the qualifications of the shareholders who will be entitled to nominate names of persons for elections as a director to be a one shareholder or by an individual case who holds the share and is entitled to cast the ballots summed up in total of not less than 100,000 shares (or zero point zero four three percentage (0.043%) of the Company's total number of the eligible voting shares) which is the very low number of the shares. This practice is a part of the process to ensure that the minority shareholders can elect independent directors to look after their benefits on their behalves as well as a method in opening the opportunity to minority shareholders to be able to add the meeting agendas in advance of 3 to 4 months before the date of the shareholders' meeting.

The Company's Board of Directors maps out the policy of non-solicitation on the addition of the meeting agendas without any advanced notification and necessity, particularly, the important one where the information of which requires a long time for the shareholders to study before making the decisions.

### **2. Prevention against the Use of Insider Information and Directors' Interests**

The Company's Board of Directors maps out in writing the Insider Trading Policy in order to prevent the case of abusive self-dealing which is the taking of an advantage over the other shareholders such as Insider Trading by prescribing the blackout period of not less than 30

days before the disclosure of Financial Report which is the compliance with the Company's Code of Business Conduct which stipulates that

"The use of the yet publicly undisclosed insider information in support of the investors' decisions in the trade or possession of securities is unethical and illegal which will consequently result in further disciplinary and criminal actions."

The Company's Board of Directors also stipulates requirements for directors and executives to submit reports on the possessions of securities of their own selves, their spouses and under age child or children according to the requirements of Office of Securities and Exchange Commission and Stock Exchange of Thailand (SET) in accordance with Section 59 of Securities and Exchange Act, B. E. 2535 within 3 days from the date of the change in the securities and that a notification accordingly shall be made to the Company Secretary in order that the conclusions on the number of securities of the Directors and Executives individually can be prepared for submission to the Company's Board of Directors in the Company's Board of Directors meeting every time and that the possessions of such securities can as well be disclosed in the annual report.

The Board of Directors monitors controls to ensure that names of persons using the insider information who are persons perceiving and possessing important information which has not yet been disclosed to the public, be reviewed in order to suit the present situation and proceed with actions in making notifications on the abovementioned guidelines and policy to all people in the organization no matter whether they are directors, executives and employees for compliances accordingly and being aware of the penalty in the case of a violation of or a non-compliance with such policy and requirements. Result of the performances in compliance with the foregoing mentioned policy and requirements will be regularly followed ups.

The Company's Board of Directors stipulates requirements for Directors and Executives to refrain from participating in the Company's Board of Directors' meeting and shareholders' meeting whereby the agenda brought up for considerations is the matter in which the Directors and Executives have the interests in order to enable the Company's Board of Directors to consider the Company's transactions which may have the conflict of interest and make decisions for the overall benefits of the Company and, in any Company's Board of Directors' meeting, Directors must give reports to the meeting of their interests before the considerations on such agenda and such interests must be documented in the Minutes of Meeting every time. In addition, Directors and Executives shall report the matter of their own interests and related persons when there is a change therein and forward the pertinent report to the Company Secretary for the preparations of the conclusion report to advise the Board of Directors in every Company's Board of Directors' Meeting which is the practical performance on the Code of Business Conduct of the Company on the matter of the Conflict of Interest which stipulates that

"The Conflict of Interest is a situation where our personal, financial or other interests interfere, or may be perceived as interfering with our ability to act in the best interest of the Company Group".

Furthermore, the Company stipulates the requirements for personnel involving in the giving of approvals or making decisions on the purchases and procurements to have the duty in disclosing information on the transactions with which they or their relatives have had with the Company in the past 12-month cycle. The disclosure of such information must be made twice a year which can be through electronics media.

The disclosures of information relating to the Conflict of Interest have been continuously practiced for a period of time, which virtually make employees more aware of the significance of the transparency and non-involvement with activities which would give rise to the Conflict

of Interest of the Company. Any employees neglecting or failing to comply with this Policy or Regulation shall be subject to disciplinary actions which may be serious to the extent of their employment terminations.

### **3. Giving of Information before Shareholders' Meeting**

The Company's Board of Directors keeps the Company under control to ensure that the notifications on meeting schedule together with the meeting agendas and comments of the Board towards the Stock Exchange of Thailand are forwarded to the shareholders and that the Notices of Shareholders' Meeting shall be disseminated through the Company website, at least, 30 days before the date of the shareholders meeting. Such Notices of Shareholders' meeting shall as well be made entirely in English and disseminated altogether along with the Thai versions every time.

### **Chapter 3: Roles of Stakeholders**

The Company takes into account and place the importance on the creations of value for all stakeholders continuously. Our stakeholders must be taken care of by the Company in accordance with their legitimate rights provided by related law or agreements made with the Company and that there must be a process to encourage the rising of co-operations and trusts in one another between the Company and all groups of stakeholders continuously at all times no matter what it is the aspect of its employees, communities around the business establishments, shareholders or investors, customers, suppliers, creditors, societies, state sector including rivals and independent auditors and, more importantly, there must not be any performance of an act in a manner likely to infringe the rights of the stakeholders and that compensation measures in the case where a stakeholder has sustained a damage derived from the infringement of the right shall be implemented.

Procedural guidelines on the treatments for the stakeholders on various aspects are as follows:

- (1) Designating the scope of work in taking care of customers systematically on the aspect of health, safety, compensation derived from the use of the goods or services during the lifetime period of such goods or services*

The Company puts our focus on safety management to the customers with the context being compatible with the vision on the occupational health and safety. The Company's core mission is a firm commitment to see that its all employees, contractors and customers must be knowledgeable and understand on working with safety and comply with Working Regulations and Steps for their own safety and safety of the other people. All activities must be undertaken under the effectively occupational health and safety management system. The integrated factors for sustainable success in accordance with the Company's intention are the creation of safety culture, the creation of good attitude on the aspect of the safety which is to be firmly instilled in the group of the organization's people and must be transferred to the customers group in order to enable them to have a chance of participations in complying with various progresses on the aspect of the occupational health and safety as well as controlling risk within the acceptable level.

The Company therefore focally aims to place the emphasis on the communications, information sharing, transfers of knowledge, e. g. in connection with Working Regulations and Steps, Risk Assessment of the condition which is hazardous in the business establishment, how maintenance on silo can be made in order to create safety for customers regularly and consistently as well as launching campaigns on safety driving for franchised customer groups twice a year in order to cause the deliveries of goods and services with safety that meet international standard level. In addition, the Company provides personal safety equipment,



safety symbols and marks for transporters in order to cause the creations of efficient safety management in the areas of the Company's franchised customers.

In order to create confidence in our customers and optimally satisfy them for our services, the Company has established INSEE Service Center to give recommendations relating to the products and services including the advices in relation to the method in solving the problems, after sales services including receipts of complaints when problems have arisen as well as providing the management process in order to establish good relations with our customers which is the Net Promoter Score (NPS) for use in working and service providing improvements in order to elevate the level of satisfactions of our customers and their overall feelings as to whether they will continue to provide supports to the Company or not and whichever the level of our customers would support the Company. Therefore, we can assure that our after sales service, our close look after the product quality would make the Company's products remained in the hearts of our customers to the extent that they are loyal to our product brand from being the Net Promoter Score (NPS) of 2016 to rise higher from higher from last year continuously.

## *(2) Steps and Practical Procedures on the Selections of Suppliers or Contractors*

In order to make the selections of business allies with the vision and way on carrying out business in the same direction as that of the Company, the rules and guidelines on the selection of a supplier which is one of the stakeholders from the basic qualification of the supplier shall be based on the followings:

1. Expertise and Experience;
2. Rationale on the aspect of the Price and Quality;
3. Policy on Providing Services;
4. Working Safety Management;
5. Execution in compliance with the Law on Labor Enforcement;
6. Anti-bribery and Anti-Corruption;
7. Greenly Environmental Procurement;
8. Anti-Human Right Violation, etc.

In addition, the Company prescribes the strategic purchase procedures and guidelines on establishing relations with the suppliers. Selections of our suppliers must be potentially made in order to illustrate our administrations with responsibility in the supply chain. If any supplier should not pass the prescribed qualifications, the Company would map out an execution plan for such supplier to successfully correct such restrictions and that pertinent follow-ups and assessment on the progress shall be made including assistances provided to the supplier in order to lead such supplier to the better ability development and working improvement and to cause the rising of sustainable development of the Company which has expanded to such supplier.

In 2012, the Company made the SCCC Supplier Code of Conduct in order to set the conditions on the business associations which, in this respect, the suppliers must subscribe their signatures to confirm their acceptances to comply with such SCCC Supplier Code of Conduct as the inter-commitment before proceeding on with business engagements with the Company.

The Company places the importance on our suppliers who are our vital stakeholders in dealing businesses with one another. In 2015, the Executive Committee rendered a resolution

approving the reviews of Procurement Policy for use as the framework on the procurements of goods or services which created the worthiest value. This is to ensure that the procurement process is carried out in a systematic, equitable and transparent manner in all steps no matter what it is in regard to the bid, evaluations on and selections of suppliers and to encourage suppliers to carry out their businesses with ethics and social and environmental responsibilities.

*(3) Fair Competition*

The Company encourages and supports fair and transparent competition. The Company will not perform any act which would violate or contradict any competition law or may cause damages to the reputation of its competitors as prescribed in the code of conduct and related policies, for instance, Procurement Policy, Fair Competition Policy, etc.

*(4) SCCC's systematic operations that ensure the Value Chain of Company to be friendly to environments and promote sustainable and consistent development*

The Company adopts Work Quality Control, Safety and Occupational Health System for use in carrying out the work in correlation with the Company's concrete business operations. The Company adopts environmental management system (ISO 14001) for use in order to cause the creation of the environmental development in correlation with the developments as well as to cause the reductions in the cost, expenses relating to raw materials and energies, pollutant treatments, and enhance image of the organization.

*(5) Creating Good Interactions with Communities around the Plant of the Business Establishment*

The Company is firmly committed to create shared value and good ties with the communities around the plant in Kaeng Khoi and Muak Lek Districts, Saraburi Province, by providing supports sustainable community developments to all communities around the plant including the overall general public on 3 aspects such as educational promotions, sustainable community developments and basic public utilities supports continuously.

*(6) Stipulations of Procedures and Practical Guidelines on Non-Violation of Creditors*

The Company's Board of Directors places the importance on the burden of responsibility having with all groups of our creditors. SCCC is firmly committed with the ideal adherence in carrying out business operations to build up reliability and equitability upon the creditors by having the policy and practical guidelines as follows:

1. To strictly and fully comply with the commitments and conditions on debt payments as agreed upon both on the aspect of the back payments of the loans and relevant interests within the prescribed period of time; looking after the collaterals and encumbered charges and liabilities which may contingently occur;
2. To manage capital for suitable structure in order to build up confidence in our creditors on our financial status and good solvency; and
3. Should there be a case in which we cannot comply with any Clause of the conditions or as agreed upon, SCCC would notify the creditors accordingly in advance without covering up any facts in order that a joint consideration to find a solution in solving the problem can be made.

*(7) Equitable Treatments to People and Employees and Development of People's Knowledge and Potential*

The Company has always regarded its employees as valuable resources, whose roles are fundamental to the success of the Company. All employees shall be treated fairly and equally regardless of job title or level as prescribed in the code of conduct. The Company focally places the emphasis on fixing the remunerations and welfares suitably and equitably to its people of all levels. The Company places importance on the welfare and safety of its employees. The Company provides fundamental welfare and benefits as required by law, such as working hours, holidays, annual leaves, and any other types of leave, as well as social security, compensation fund and provident fund, and constantly communicates all benefits to its employees. In addition to those as prescribed by law, the Company also provides other welfare to its employees, such as health insurance, which covers outpatient and inpatient treatment and dental care, life insurance, personal accident insurance, annual health check-up, and in-house medical and nursing treatment with doctors and nurses standing by at the Company's office during working hours. Furthermore, the Company encourages its employees to exercise for good health by providing facilities. The Company supports them to have the development and progress in their occupations constantly without any discrimination; respecting their rights in accordance with the Principles of Human Rights as well as looking well after their safety and occupational health.

In addition to the abovementioned remuneration and welfare, the Company provides the Employee Joint Investment Program (EJIP). On 2 December 2011 and 22 October 2015, the meeting of the Company's Board of Directors passed a resolution approving an EJIP for the Company. The program runs for a period of 4 years (only the period of the Company's contribution) or 7 years (included silent period) starting from 1 January 2012 and 1 January 2016, respectively. The Company obtained approval from the Securities and Exchange Commission of Thailand.

*(8) Implementing Projects or Guidelines on Anti-Bribery and Anti-Corruption including Supporting Activities which Promote and Instill all Employees in Compliance with the Law, related Rules and Regulations*

The Company has put into force the Anti-Bribery and Anti-Corruption Policy since 2012 and instilled the organizational culture according to our ideology that any bribery or corruption practice is strictly and perpetually prohibited and, in 2015, the Company signed the Collection Action Coalition Charter of Thai private sector on anti-corruptions. Subsequently, the Company made improvements and preparedness on insider operating procedures for clarity and actual and efficient enforcements before its status of Collection Action Coalition Charter member of Thai private sector on anti-corruptions will be recognized. In this connection, the Company's Board of Directors rendered a resolution approving the Anti-Bribery and Anti-Corruption under the frame of the revised SCCC Code of Business Conduct which had already been scrutinized and submitted by Governance, Risk and Compliance Committee. SCCC's policy is that no bribery or corruption shall absolutely be permitted. In order to get this policy materially and efficiently enforced, guidelines on the follow-ups of the operational result on the prevention against the involvements in such corruption practices are prescribed as follows:

The Company has a Standard Operating Procedure on Anti-Bribery and Anti-Corruption which has already been approved by the Company's Board of Directors.

- 1) All Directors, Executives and employees including any persons being the agents shall have duties to be responsible for and to strictly comply with this standard operating procedure.



- 2) Establishing procedural guidelines on the recording of financial information and insider control measures by assigning Account Recording Unit to perform duty on monitoring strict controls, review documentary evidences substantiating business reasons in disbursing money to the third persons such as prohibitions on recording confidential transactions out of the account, concealing illegal expense transactions.
- 3) Assigning Internal Audit Unit to perform duty to audit the internal control system regularly and conduct risk assessment on corruptions, check information stated in contradiction to the facts and circumstances which may lead to corruptions, on a regular basis every year in conjunction with Risk Management Department and all organizations within the Company in order that the assessment result report can be submitted to the Executives, Audit Committee, Governance, Risk and Compliance Committee and Company's Board of Directors, respectively, for further stipulations on management control guidelines.
- 4) If the fact-finding process should discover that an information having been checked or a complaint having been received bears a reasonable ground to believe that a corruption is obvious including the matter that there is a violation of, an act against the law or the Company's Code of Business Conduct, the working unit would propose the way on the improvement and correction on related duty performances within the period of time deemed fit by Governance, Risk and Compliance Committee in order to cause the verifications on the facts. The complainant or informant can be assured of their security as a result of his/her report or whistle blowing because in performing such act through the abovementioned channel, would be kept in confidence and, above all, the working unit is an independent and transparent unit appointed by Governance, Risk and Compliance Committee to perform duty on scrutiny and forming up Fact-Finding Working Team including making conclusion on the details of such event for reporting back to Governance, Risk and Compliance Committee and Audit Committee for considerations on the recommendations and undertaking remedial actions or proceeding with further legal actions against such offence.
- 5) The Company arranges to put in place in providing guidelines on anti-bribery and anti-corruption constantly and regularly both through training and online communications and that this training on Standard Operating Procedure (SOP) on Anti-Bribery and Anti-Corruption is also included as a part in newly-recruited employees orientations and in the communications to all goods sellers or service providers, contractors and suppliers since the beginning of the business relations establishment. Based on such policy and the procedural guidelines, SCCC is quite confident that it has absolutely implemented the policy on anti-corruption and prohibition to give a bribe for business benefit which, in it, there is an assessment process on the risk from the corruption, a procedural guideline on practical performances in overseeing and monitoring controls in order to prevent and follow ups the risk from corruption, an assessment on express compliance with Anti-Bribery and Anti-Corruption Policy and training for employees in order to educate them on the policy and guidelines on Anti-Bribery and Anti-Corruption Policy, constantly and regularly, as well as assigning the Audit Committee and external auditor to review the completeness and sufficiency of the process.

*(Details of Anti-Bribery and Anti-Corruption Policy can be visited on the Company website: [www.siamcitycement.com](http://www.siamcitycement.com))*

#### *(9) Intellectual Property Rights*

The Company also emphasizes on respecting intellectual property rights of business partners and other third parties. It is the Company's policy that directors, executives and employees of the Company and other persons acting on behalf of the Company shall avoid infringement of intellectual property rights of business partners and other third parties. At the same time, the

directors, executives and employees of the Company and other persons acting on behalf of the Company shall protect and administer the Company's intellectual property in the interest of the Company as prescribed in the code of conduct and related policies, for instance, Appropriate Use of Company IT Asset Policy, Information Classification and Handling Policy, etc.

*(10) Process and Channel for Receiving and Handling Complaints of Stakeholders*

The Company is firmly committed to maintain high level of good corporate governance as the promise that the Company shall be an Organization with integrity, honesty, ethics and transparency. For such reason, a notification on an inappropriate event or a violation of the Code of Business Conduct would definitely help the Company to have the assurance that personnel of the Company are protected under suitably environmental working condition. As such, the Company has mapped out a policy defining provisions on the acceptance of complaints and Whistle Blowing Policy to enable the stakeholders to make their reports and whistle blowing on the commission of offences or violations of laws and regulations with respect to the carrying out of business operations such as financial statement irregularity, bribery and corruption practice, theft of property, malfeasance, erroneous account recording, abusive use of Company's property and information, violation of policy on offering or accepting the gifts, entertainment in order that information on the complaints can be checked and verified in accordance with the fact-finding process and can be forwarded to the Company's Board of Directors and Governance, Risk and Compliance Committee.

**INSEE Speak Up Line reporting channels consists of 4 channels as follows:**

1. Hotline: 02 034 0299
2. Email: [report@inseespeakupline.com](mailto:report@inseespeakupline.com)
3. Website: [www.inseespeakupline.com](http://www.inseespeakupline.com) and
4. Postal Service: P. O. Box No.17, Sathon Post Office, Bangkok, 10341

In addition, mechanism for the protections of the informants and whistle blowers including persons against whom the complaints are lodged, is prescribed. Such process is yet another channel and step to enable all groups of the stakeholders to make their reports or lodge their complaints on matters which would cause the Company to sustain damage, to the Company's Board of Directors. There will be persons assigned to receive the reports or complaints; a process for carrying out the investigation and reporting back to the Company's Board of Directors; management process to settle complaints lodged by employees in relation to the matter which may be the express commission of the offence; policy or ways in protecting people or whistle blowers giving information on the commission of an offence and channels for stakeholders to make their notifications or complaints in the case where their rights have been infringed, together with giving clear information for contacting.

In 2016, the investigation process has been developed as well as the INSEE Speak Up Line Ambassador has been appointed as the Company's representative to receive the complaints and incidents.

*(11) Treatment to Shareholders and Investors*

The Company attaches importance to equitable and transparent treatment of all Shareholders with which they will be provided with important, complete, and updated information and convenience in studying Company information. Importantly, at the Shareholders' meeting, there will not be added agendas or changes in any significant information without giving notice to the Shareholders in advance.

In fostering relationships with investors and interested parties, persons responsible for investor relations, persons responsible for social responsibility, and persons responsible for sustainable development are always delegated to organize suitable activities, such as site visits and social and environment activities (see more details in section “Social Responsibility” of the annual report and Sustainable Development Report).

In 2016, we regularly had meetings with individual investors, institutional investors, and securities analysts and provided information through phone and answers to questions. Investors can direct their Company enquiries to the following channels:

Address: Finance and Controlling  
Siam City Cement Public Company Limited  
199, Column Tower, 7th - 12th Fl.,  
Ratchadapisek Road, Klongtoey Sub-district,  
Klongtoey District, Bangkok, 10110  
Telephone: +66 2 797 7101  
Email: [chandana.liyanage@siamcitycement.com](mailto:chandana.liyanage@siamcitycement.com)

#### **Chapter 4: Disclosure and Transparency**

Siam City Cement Public Company Limited made full, timely and transparent disclosure of financial and non-financial information; such as company performance of the past year by the Board of Directors, and Board Committees, Corporate Governance Policy, Environmental and Social Policy, Compliance of Policies, through easy-to-access channels with equality and trustworthy, 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).

The Board of Directors has set out the procedures of quality financial report preparation to ensure that the information shown in the financial reports is complied with the generally accepted accounting standard. Such reports are audited by independent certified auditor as well. In this regard, the roles and responsibilities of directors towards financial reports must be reported along with the independent auditor report in the annual report.

The Company emphasizes on the importance of the duties of “Spokesperson”. The appointed person must perform the duties with due care, provided with provisions in relation to Disclosure Policy. Besides, the tasks related to Investor Relations (IR) is assigned to specific person in order to communicate with the third parties; including investors, institutional investors, analysts, and associated state agencies with equality and fairness. The Company gives the opportunities to such parties to visit our Management as in appropriate circumstances. The information provided is information disclosed to the public, which is accurate, not misleading and sufficient for investors to make invest decisions.

The Board of Directors requires to include reports of the Corporate Governance, the Code of Business Conduct, the Risk Management Policy, Environmental and Social Policy, and the Company’s compliance to the above-mentioned policies, in the annual report of the annual registration statement (Form 56-1) and the Company’s website continuously.

The Board of Directors encourages the company to prepare a Management Discussion and Analysis (MD&A) as the supporting document for each quarterly financial statement, to help investors better understand changes in the company’s financial status and the Company’s performance each quarter, in addition to the figures presented in the financial statements.

The Board of Directors ensures that audit and other non-audit fees are annually disclosed in the annual report.

The Board of Directors ensures that its roles and responsibilities, together with those of its Board Committees, the number of meetings held, attendance record of each director, and the results of tasks assigned, including ongoing professional education or training of its directors, are annually disclosed in the annual report.

In addition to disclosure of its remuneration in accordance with the regulations, the Board of Directors also discloses remuneration policies for directors and executives that correspond to the contributions and responsibilities of each person. Also, the board should disclose the forms and the amounts of payment to each person, if any director of the company is also a director of its subsidiaries, the amount paid by each subsidiary to each director should be disclosed as well.

The Board of Directors ensures on the transparent disclosure of shareholders' structure by clearly clarifying on major shareholders and proportion of minor shareholders to see the Company's beneficial owner. Additionally, the shareholding of directors and executives is disclosed directly and indirectly in the annual report.

The analysis of financial status, company's performance, vital changes, and factors affecting the financial status or performance, are disclosed and explained. Moreover, they are provided along with nature of business operations, competitive situation with industrial and business competition analysis, as well as competitive status and potentiality of the Company and the subsidiaries.

In addition to the mandatory disclosure of information under the applicable laws and regulations through the channels of the SET, annual registration statement (Form 56-1), and annual reports, the Company discloses information both in Thai and English, via the Company's web site [www.siamcitycement.com](http://www.siamcitycement.com). The information disclosed is up-to-date and complete pursuant to the Corporate Governance for the listed company.

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

The Board of Directors determines a vision, directions, policies, and strategies for Company operations by considering, reviewing, taking part in, and giving approval for corporate vision and missions at least every 5 years, gearing Executive and staff aims towards the same direction. The Board also requires that annual business and budgetary plans be considered every year for successful completion of Company operations in accordance with the vision, directions, policies, and strategies so determined, and that the team of the Executives be closely monitored to ensure that their implementation of the plans is towards the same business directions and strategies of the Company.

The Board of Directors attaches importance to corporate governance for the best interests of the Company, operates with responsibility for their performed duty with the Shareholders, and is independent of Management.

The Board of Directors has established its own corporate governance policy and Code of Business Conduct for adherence by the Directors, Executives and Company staff and disclosed them in this annual report and the corporate website, and also disclosed a guideline promoting practices thereof and monitoring of the practices, to ensure that Company activities are carried out in such a way that conforms to the laws, corporate governance policy, and Code of Business Conduct.

To ensure compliance with good corporate governance principles, roles and responsibilities of the Board and Management are clearly separated. The duties of the Chairman and Chief Executive Officer (CEO) are also separated by separating the person holding chairmanship from the one who holds the position of Managing Director/CEO to provide balance of power

and transparent management.

The Board of Directors of the Company ensures compliance with the requirements on actions and disclosure of information concerning transactions which may give rise to conflicts of interests pursuant to the regulations of the Securities and Exchange Commission, the Stock Exchange of Thailand and relevant regulators by assigning the Audit Committee to be responsible for considering, approving and giving recommendations in relation to transactions which may give rise to conflicts of interests. In addition, the Company has introduced the General Mandate for Interested Person Transactions, which sets out the types and approval procedures for transactions which may give rise to conflicts of interests, which are undertaken by the Company in its normal course of business. The Management is required to seek the Board of Directors' approval for entries into transactions which may give rise to conflicts of interests which are of significant size or important nature to the business operation of the Company. The Company proposes the General Mandate for Interested Person Transactions to the Board of Directors for approval and reports the entries into such transactions to the Board of Directors for acknowledgement on an annual basis.

The Board of Directors is comprised of members fully qualified under the laws and relevant rules, possessing skills, experience, diversified expertise, and specialized knowledge and competencies that benefit the Company.

In the nomination of Directors, the Board of Directors takes care of the process of nominating directorship candidates to the Shareholders' meeting for appointment to ensure transparency free of influence by the Shareholders with controlling power or Management and to create third party confidence.

In exercising its functions, the Board of Directors have provided Board Committees to do work screening so as to increase good efficiency and effectiveness in the exercise of Board functions. Each Board Committee is given a charter outlining clearly its roles, duties, responsibilities, work procedures, meetings, and reporting to the Board of Directors.

All Directors have a good understanding of their roles and responsibilities and the nature of Company business, and all of them have dedicated their time and effort in the performance of duties. To ensure that the Company has a strengthened Board of Directors, all its members express their opinions independently, keep themselves improved and updated all the time, and are committed to performing duties with honesty and integrity and carefulness in the light of best interests of the Company and fairness towards all the shareholders.

As part of compliance with the Company's corporate governance policy and to ensure effective performance of duties by the Directors, the Board of Directors have set a procedural guideline limiting the number of listed companies in which each of the Directors may hold an office to no more than 5. Currently, none of the Directors holds directorship in more than 5 listed companies. The Company has no policy to permit such other positions as Managing Director/ CEO and Top Management of the Company to hold directorship in other two companies, excluding subsidiaries, affiliates and joint-venture companies of the Company where supervision is required for the benefit of the Company. Such holding is subject to the prior Board approval.

With respect to determination of remuneration of Directors, the Board of Directors has assigned the Nomination and Compensation Committee to carry out a transparent process and propose its consideration to the Shareholders' meeting for approval—the elements of which remuneration shall be suitable and sufficient to predispose and retain the Directors—and to avoid making excessive remuneration payment.



The Board of Directors has paid special attention to responsible administration i.e. additional procedures were established for Company decisions to be reviewed, considered and approved by the Executives and Board members more than those set forth in the Articles of Association. For instance, despite an Articles of Association statement requiring a Board resolution for an investment of 100 million Baht and above, it is stated in the Board Approvals and Responsibilities Handbook that an investment with value greater than 10 million Baht is subject to Board approval, etc.

The Board of Directors has appointed a Company Secretary to undertake the duty of giving legal and rule advice and to take care of Board activities and liaise to ensure compliance with Board resolutions. The Company Secretary will be required to regularly receive continuous training and knowledge developments about legislation, accounting, and performance of Company Secretary's duties.

In addition, the Board of Directors encourage and promote training for the Directors, Executives, and internal personnel related to the entire corporate governance, including executive development and succession plan for top management positions.

Siam City Cement Public Company Limited specifically attaches importance to executive development to get it prepared for the targeted expansion and operations and to accommodate cement market growth. To that end, in-house training was conducted, in conjunction with such leading domestic institution as Sasin Graduate Institute of Business Administration of Chulalongkorn University and a foreign institution, Duke Education from the US, including professors from France's INSEAD Business School, so as to develop business knowledge along with leadership development, putting emphasis on out-of-class hands-on practices in accordance with the 70-20-10 model for learning that focuses on experience/sharing best practices (70), on the job coaching (20), classroom and self-learning (10).

Learners are also encouraged and given the opportunity to learn on their own through Harvard Manage Mentor's leading online learning media to promote their learning anywhere, and anytime. Apart from in-house training, the Company foresees the importance of expanding Executives horizons in terms of scholarship, perspectives, and international experience, and encourage Top Management to receive training from world leading academic institutions, such as Harvard University and Chicago Booth, so as to bring knowledge, skills and experience to the organization for its development towards a sustainable success. In addition to executive development, the Company specifically attaches importance to facilitating preparedness in leadership, knowledge, and operational competencies, for which success profiles for individual job positions have been produced and reviewed, and development potential assessed, so as to determine specific supporting activities for each person as an Individual Development Plan, with periodic monitoring to support the set activities which, among other things, include management of important organizational projects, job rotation, joining training or seminars with foreign institutions, learning by coaching from Top Management, ability to coach other functional lines' executives to smoothly complete the plans set. The Executives' Individual Development Plans were also reviewed to ensure that they are always in alignment with expectations and to the best interests of the whole organization and staff. Annual meetings and discussions are held through activities between Top Management and the Board of Directors to bring about viewpoint, knowledge, opinion and attitude exchanges that further benefit both the leading of life and performance of work.

## **9.2 Committees**

The Committees Structure comprises of the Board of Directors and Board Committees which are the Audit Committee, the Governance, Risk and Compliance Committee and the Nomination and Compensation Committee and Executive Committee. (Names of Directors in

each committee and the Executives are as appearing under the topic of the Management Structure).

The Board of Directors determined that its structure shall consist of members possessing diversified qualifications in terms of skills, experience, competencies, and gender, and at least 1 Non-Executive Director having experience in the main business in operation of the Company.

The roles and responsibilities of the Board of Directors and the Executive Committee as Management are clearly separated to ensure Company operations' compliance with laws, Code of Business Conduct, and the Company's good governance principles.

The Company is subject to the Organizational Regulations which embrace their roles and responsibilities set forth in the Articles of Association, laws, and expectation of Shareholders as the Charter of their frameworks, while the 3 Committees which are the Audit Committee, the Governance, Risk and Compliance Committee and the Nomination and Compensation Committee each have the Charter as their framework.

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

#### **Roles and Responsibilities of Board of Directors**

The Board of Directors considers and approves important matters concerning Company operations. The Company 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 the Company such as the visions, missions, strategies, goals, plans, budgets and risks management, while the Executive committee has the duty to efficiently carry out the visions, missions and strategies and provide good management and controlling system so approved by the Board of Directors.

The structure of the Board and management is sufficient for checks and balances. It determines to have independent directors who can independently give opinions towards the management's performance, at least one third of the total directorship, but not less than three persons. The Audit Committee consists of three independent directors, and performs and undertakes in accordance with the Charter of the Audit Committee and SET regulations. There are non-independent directors in two thirds of the total directorship, fairly in proportion to the investment capitals of each of the Shareholders groups.

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

In the structure of the Board of Directors, it shall consist of non-executive directors more than half of the total directors. At present, there are 11 non-executive directors among a total of 12 directors, which is a proper size conforming with the good governance principles, where the Board should comprise of, at least, 5 directors and not over 12 directors). This is also appropriate to size, category and business complications. In this connection, one independent director of the Board of Directors is female.

#### **Aggregation versus Segregation of Positions**

As above-mentioned, 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 in compliance with the good governance principles. Details of the main duties of the Chairman and CEO are as follows:

- 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 a decision, the Chairman has the deciding or casting vote in the event of a tie vote;
- The Chairman is not an executive and is not the same person as the CEO.
- The CEO is appointed by the Board of Directors, and chairs the Executive Committee;
- The CEO is responsible for management of the Company in general and shall periodically make reports to the Board of Directors.

The Chairman is not an independent director but exercises functions independently of Management and the major shareholders towards the best interests of the Company under the good corporate governance principles.

### **Qualifications**

The Board of Directors is to consist of fully qualified members possessing no prohibited characteristics under the Public Limited Companies Act B.E. 2535, including its amendments and supplements thereto, Securities and Exchange Act B.E. 2535, including amendments and supplements thereto, as well as relevant rules and notifications determined by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, and the other governing bodies, and to have diversification in skills, professions, specialized expertise, gender, useful experience, and knowledge and understanding of the corporate business nature. Consideration is also taken on other attributes to achieve diversification across the entire Board, such as educational background, age, sex, diversified professional skills, specialized knowledge of, among other things, cement industry, laws, accounting and finance, etc. In exercising Board functions, there shall be at least 1 non-executive director experienced in affairs related to Company business.

### **Term of Office**

The Company requires that term of directorship be in accordance with its Articles of Association and consistent with the Public Limited Companies Act B.E. 2535 and that one third of the Directors shall retire by rotation at each annual general meeting of the Shareholders.

### **Roles of the Board**

The Board of Directors shall care for and pay attention to its exercise of functions with responsibility and undertakes to manage business to the best interests of the shareholders having four crucial fiduciary duties:

- 1) To perform duties with due care (Duty of Care).
- 2) To perform duties with honesty and integrity so as to maintain the Company and shareholders' interests (Duty of Loyalty).
- 3) To perform duties under laws, Company objects, the Articles of Association, and the shareholders' meeting resolutions (Duty of Obedience).
- 4) To disclose information to the Shareholders in an accurate, complete and transparent



manner (Duty of Disclosure), involving the following Board duties and responsibilities:

**Duties and Responsibilities of the Board**

- 1) Consideration and approval of important issues on Company operations, such as visions, missions, strategies, goals, plans, financial budgets, and risks of management;
- 2) Following up and caring to ensure an implementation by the Executive Committee or Management of the established policies and plans with efficiency and effectiveness;
- 3) Internal control and risk management, complaint receipt mechanism, and taking action upon whistleblowing;
- 4) Ensuring long-term business continuity and staff development and succession plan;
- 5) Provision of a corporate governance policy in writing and approval thereof with review of the policy and its implementation at least once a year;
- 6) Promotion of the production of the Code of Business Conduct in writing for Directors, Executives, and all staff to understand the ethical standards used by the Company in its operations, with monitoring to ensure that the Code of Business Conduct are strictly followed;
- 7) Careful consideration of conflict of interests issues to ensure a clear guideline towards overall interests of the Company and the shareholders when it comes to transactions with potential conflicts of interests, in which interested parties shall have no involvement in making decisions, and the Board shall ensure full compliance with procedural and disclosure requirements for transactions with potential conflicts of interests;
- 8) Establishment of the risk management policy covering the whole organization, to be implemented by Management with regular reporting thereof to the Board of Directors; a system or risk management effectiveness review for at least once a year with annual report disclosing all periods of risk changes, including the attachment of importance to early warning signs and all irregular items;
- 9) Giving opinions about the sufficiency of internal controls and risk management in annual report;
- 10) Outlining clear procedures for whistleblowers or interested parties to “blow the whistle” through website or by reporting directly to the Company;
- 11) Provision of a regulatory mechanism of subsidiaries for Company investment interests; consideration of suitability of persons to be dispatched to be a subsidiary director for a managerial control in accordance with Company policies and for transactions to be in compliance with applicable laws and rules.

**Businesses that are subject to Board approval include:**

- 1) A single investment and the Company's sale of such investment in an amount greater than 100,00,000 Baht or its equivalent in other currencies, associated incurred expenses in an amount greater than 100,000,000 Baht or its equivalent in other currencies, and regular expenses in an amount greater than 100,000,000 Baht or its equivalent in other currencies calculated on an annual basis;
- 2) Company investments other than the scope of normal business;
- 3) Any divestiture by the Company leading to its withdrawal from business;

- 4) Securing loans, negotiations for credit lines, and financing transactions in a similar way for the Company only to extent that the debt increased therefrom is greater than 100,000,000 Baht or its equivalent in other currencies;
- 5) Granting credit and pledging based on Company outstanding loans only to the extent that the granted or pledged amount is greater than 100,000,000 Baht or its equivalent in other currencies;
- 6) Provision of guarantee, guarantee contract, or guarantee obligations in a similar way, and creation of possible responsibilities for the Company only to the extent that the granted or pledged amount is greater than 100,000,000 Baht or its equivalent in other currencies;
- 7) Issuance or use of derivative financial instruments only to the extent that such instruments are not used to protect risks that are relating to the normal course of Company business operations;
- 8) Issuance of debentures or other securities by the Company;
- 9) Conducting legal proceedings by the Company, acknowledgement of lawsuits against the Company, and compromise arrangement by the Company only to the extent that the amount in dispute exceeds 50,000,000 Baht or its equivalent in other currencies;
- 10) All operations of Company business that significantly deviate from corporate budgets or investment guidelines and financing;
- 11) Any Company affair that in the opinion of the Executive Committee or Chairman or Managing Director is to be approved by the Board of Directors; and
- 12) An entry to carry out important matters of a subsidiary that is subject to approval of its shareholders or the Board of Directors, in which the Company or its representatives are needed to vote as a shareholder or director of the subsidiary.

### **Meetings of the Board of Directors**

Board meeting schedule and agendas are determined yearly in advance and informed to individual Directors to afford them the ability to spare their time and attend the meetings.

The number of meetings of the Board of Directors is determined to suit the duties and responsibilities of Company Directors and the nature of Company business. There were 10 meetings of the Board of Directors in 2016. A company performance report is regularly furnished to the Board on a monthly basis to enable the Board to provide ongoing and timely supervision and control to the Management performance.

At each meeting of the Board of Directors, the Chairman and Chief Executive Officer (CEO) shall jointly consider and determine matters to be included as Board meeting agendas, ensuring that all important issues are included and giving each Director the opportunity and freedom to propose agenda matters beneficial to the Company.

Most of Directors shall attend Board meetings not less than 75 percentages of all Board Meetings held in a year. The attendance of each director is prescribed in the Management.

The Chairman shall allocate enough time for the Management to propose matters and discuss crucial problems in a careful and thorough manner and shall promote careful exercise of discretion. In this connection, all Directors should pay attention to all issues brought to the meeting, including corporate governance issues. Directors having interest, whether directly

or indirectly, will not be eligible to vote and will have to leave the meeting during the consideration of the relevant agenda.

The Board of Directors shall encourage Chief Executive Officer (CEO) to invite the Management or Top Management to join a meeting of the Board of Directors to give information and more details as persons directly relating to the problems, so as to get to know Top Management as supplement to its succession planning consideration.

The Board of Directors is given access to additional necessary information from Chief Executive Officer (CEO), Company Secretary, or other delegated Executives within the established policy scope and, where necessary, the Board of Directors may seek independent opinions from third party consultants or professionals.

The Board of Directors has a policy to afford non-executive directors the opportunity to have meetings among them, as necessary, to discuss managerial problems that are of interest without the Management participation, and inform Chief Executive Officer (CEO) of the meeting results. In 2016, there was 1 meeting of the Board of Directors between non-executive directors.

### **Self-Evaluation of Board of Directors**

The Board of Directors and Board Committee conduct a self-evaluation at least once a year to jointly consider their achievements, problems and corrective guidelines. Board performance evaluation is conducted for the whole group basis with a performance comparison norm and third party consultant helping in the determination of criteria, guidelines, procedures, and evaluation issues for at least every 3 years. The evaluation procedure can be summarized as follows.

The Company Secretary prepares and reviews the evaluation form for correction and completeness and in compliance with the criteria required by the regulators. The evaluation form will then be proposed to the Board of Directors to complete. The Company Secretary will summarize the result of the evaluation on the performance of the Board of Directors as well as the strength and improvement areas before proposing to the Governance, Risk and Compliance Committee for its recommendations for further proposing to the Board of Directors for its consideration. The Board of Directors will review the result of the evaluation in order to improve their performance.

The results of each key area are calculated in percentage, whereby 85 per cent or more = excellent, more than 75 per cent = very good, more than 65 per cent = good, more than 50 per cent = average, and less than 50 per cent = need improvement. It can be concluded from the evaluation results that the Board of Directors has performed its duties in accordance with the good corporate governance principles and the code of conduct of the Company with most of the performance in the level of excellent.

The Company also arranges for individual director's self-assessment on an annual basis. The evaluation procedure is the same as the evaluation on the performance of the Board of Directors as mentioned above. After the evaluation, the results showed that the Company's directors are qualified and have performed their duties excellently and properly in accordance with the principles of good practice for directors.

The Evaluation of Chief Executive Officer, Top Management, and the Management is based on Company performance, in terms of an EBITDA percentage, KPIs, competencies, self-development, adherence to Corporate Governance Policy and Code of Business Conduct, taking staff feedback surveys into consideration.

**CEO Performance Inspection by Board of Directors**

The Board of Directors and Nomination and Compensation Committee jointly consider and evaluate CEO performance, which, in this connection, the evaluation is proposed to the Board of Directors by the Nomination and Compensation Committee, with consideration taken on current year performance with various factors as follows:

- 1) Results of operations in terms of an EBITDA percentage and FoCF compared with the Company's targeted EBITDA percentage and FoCF fixed for a particular year as a basis for comparison evaluation.
- 2) Personal performance based on three factors under the criteria and target agreed with CEO:
  - 2.1 KPIs
  - 2.2 Critical tasks
  - 2.3 Leadership competency

In addition, adherences to the Corporate Governance Policy and Company's Code of Business Conduct are used to supplement Nomination and Compensation Committee consideration.

**Remuneration of the Board of Directors**

Directors are suitably remunerated based on an industrial standard comparison, experience, duties, scope of roles and responsibilities, benefits and values obtained from individual directors, including the membership and increased roles and duties in Board Committees.

In regard to the determination of remuneration of Directors, the Board of Directors assigns the Nomination and Compensation Committee to conduct a transparent process and propose to the shareholders. In 2016, the Board of Directors, with recommendations and its consideration of Directors' remuneration payment criteria provided by the Nomination and Compensation Committee, proposed the shareholders to approve the new criteria to be commensurate with increased duties from the nomination of Board Committee.

Remuneration of Chief Executive Officer and Top Management is in accordance with the criteria approved by the Board of Directors within a frame approved by the shareholders which is inductive and suitable benefits that the shareholders would receive.

The Nomination and Compensation Committee takes care of CEO performance evaluation in accordance with the norm and criteria agreed with Chief Executive Officer, based on Company operating results, achieved performance of long-term strategic objectives, and executive development. The results of evaluation are proposed to the Board of Directors for approval on an annual basis, and are communicated to Chief Executive Officer by the Nomination and Compensation Committee.

**Development of the Board of Directors and the Executives**

The Board of Directors promotes and facilitates training for those involving in the corporate governance, such as Directors, Audit Committee members, Corporate Governance members, Executives and Management, Company Secretary, and personnel whose functions are related to continuous corporate governance, so as to ensure ongoing performance improvement and development, including attendance of such training courses as are organized by the Thai Institute of Directors (IOD), other courses by other entities, and in-house training.

In 2016, Director attended training courses held by IOD was Mr. Charin Satchayan. He attended Family Business Governance for Sustainability (FBG) 5/2016 and Board that Make a Difference (BMD) 2/2016

In addition, Mr. Tasporn Chantree, Senior Vice President – People & Organizational Performance, attended Ethical Leadership (ELP) 5/2016 and Mr. Montri Nithikul, Senior Vice President – Marketing & Sales, attended Ethical Leadership (ELP) 5/2016 and Director Certification Program (DCP) 230/2016.

Upon each appointment of a new Director, the Management will always deliver crucial documents and information benefiting the new Director's performance of duties, such as Director Handbook, Organizational Rules, Code of Business Conduct, including an introduction of the business nature, policies, and operating guidelines.

The Board of Directors requires that Chief Executive Officer provides regularly a report on development and succession plan jointly produced by the Nomination and Compensation Committee on annual basis for preparedness and continuity in succeeding CEO position and all top management positions.

The Board of Directors has made available a leadership development program, and Chief Executive Officer has reported to the Board of Directors on the results of regular implementation of the program along with consideration of a succession plan.

## **(2) Audit Committee**

Structure of the Audit Committee comprises 3 independent Directors, appointed by the Board of Directors and is selected from independent directors who are not Executives under the approval of the Board of Directors.

### **Qualification of Audit Committee Members**

Audit Committee shall possess the qualifications as follows:

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

Currently, all three Audit Committee members are knowledgeable and experienced in reviewing Company financial statements and well-versed in the Company business with their experiences in being the company directors of several reputable companies in Thailand. The Chairperson of Audit Committee, Dr. Sunee Sornchaitanasuk, has a degree in Accounting.

### **Term of Office**

Term of office of the members and Chairman of the Audit Committee is 2 (two) years.

## **Roles and Responsibilities of Audit committee**

Roles and duties of the Audit Committee in accordance with the Charter of the Audit Committee are as follows:

- 1) To review the Company and the entities of the Group's financial reporting processes to ensure their 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 and the entities of the Group.
- 2) To review the internal control systems and internal audit system including business processes and IT framework to ensure that they are effective and efficient.
- 3) To decide matter on the organization and the qualification of the individuals of the Internal Audit Department of the Company and to determine the Internal Audit Department's degree of independence from the Management, as well as to approve the appointment, transfer and dismissal of the individuals of the Internal Audit Department or of any other unit in charge of internal audit activities.
- 4) To review the compliance with the Securities and Exchange Act, including the rules, notifications, and regulations thereof and the rules and regulations of the SET, the SEC and any other relevant laws on the compliance with financial regulations.
- 5) To consider, select, nominate and recommend matter on the 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 the significant issues, the Audit Committee shall meet privately with the external auditor at least once a year, without the management representatives being present.
- 6) To review the connected transactions or transactions that may potentially lead to the conflict of interest, 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 regulations, and are reasonable and for the highest benefit of the Company.
- 7) 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 such report, which shall 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 its 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 on the compliance with financial regulations .
  - an opinion on the transactions that may lead to conflict of interests.
  - the number of the 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 investors.
  - 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 that relate to financial regulation compliance.
- 8) 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 that relate to financial regulation compliance.
- 9) To perform any other act as assigned by the Company's Board of Directors, with the approval of the Audit Committee.

### Meetings of Audit Committee

Audit Committee meets on a regular basis, at least, once every quarter before the Board of Directors' meeting. This is to ensure that the financial report and the Company's financial statements are accurate and adequate, as well as to consider the subject matters under the authority of the Company's internal auditors and external auditors in order to evaluate the efficiency of the internal control and audit system of the Company. In general, the Audit Committee reports its findings and gives its suggestions to the Board of Directors on the significant issues found. The Chairperson of Audit Committee may sometimes call for a special meeting of the Audit Committee or invite any management of Company to join and consider in certain particular financial matters or other matters.

However, under the current practice, Audit Committee has held a monthly meeting. Schedule of the monthly and quarterly meetings are programmed in advance for the whole year.

In its performance of 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, Audit Committee shall report it to the Board of Directors for rectification within the period of time that Audit Committee deems fit:

- a transaction which causes a conflict of interest;
- any fraud, irregularity, or material defect in the internal control system; or
- a violation 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 the Management should fail to make a rectification within the period of time under the above paragraph, any Audit Committee member may report the transaction or act under the above paragraph to the Office of the Securities and Exchange Commission or the Stock Exchange of Thailand.

List of Audit Committee members and total attendances are as follows:

Name	Position	Total Attendances/ Total Meetings
1. Dr. Sunee Sornchaitanasuk	Chairperson	19/19
2. Mr. Pradap Pibulsonggram	Member	18/19
3. Mr. Charin Satchayan	Member	15/15

Secretary of Audit Committee is Ms. Chadaporn Thitisawat, Head of Internal Audit

All three Audit Committee members are well-versed and experienced in reviewing the Company's financial statements.

### **(3) Governance, Risk and Compliance Committee**

Governance, Risk and Compliance Committee structure must comprise over 3 directors of the Company and at least one of them must be an independent Director.

Currently, Governance, Risk and Compliance Committee comprises 4 directors of non-Executive nature.

#### **Term of Office**

Term of office of the members and Chairman of Governance, Risk and Compliance Committee is 2 (two) years.

#### **Qualification of Governance, Risk and Compliance Committee Members**

Members of Governance, Risk and Compliance Committee shall possess the understanding in the Company's business and Group's business operations. Also, all should be well-versed in the good governance principles and transform such principles to implementation; and shall have experiences, knowledge, and understating in corporate governance, and risk mitigation.

All current members of Governance, Risk and Compliance Committee possess the knowledge and experience and well-versed in the Company's business as well as having management experiences with leading companies deploying good corporate governance.

#### **Roles and Responsibilities of Governance, Risk and Compliance Committee**

The roles and responsibilities of Governance, Risk and Compliance Committee set forth under the Charter of Governance, Risk and Compliance Committee are as follows:

1. To prescribe the scope of Corporate Governance Practices for use in the Company Group and submit such established Corporate Governance Practices to the Board of Directors for approval and to have the duty to monitor controls and keep surveillance over the practices of the Management;
2. To review the corporate risk management process and corporate risk mitigation measures being currently practiced by the Management and review corporate business risk and risk compliance assessment;
3. To oversee the use of efforts in monitoring controls over the business of the Company Group on the aspect of Group policies, Code of Business Conduct of the Company Group, related laws and regulations applicable to the business and business operations of the Company Group;
4. To oversee the investigation on the practical performance in accordance with the compliance programs of the Company Group and may request for an investigation in the case where there is a non-compliance with the compliance programs; and
5. To perform other duties as assigned by the Board of Directors.

#### **Meetings of Governance, Risk and Compliance Committee**

To comply with the Charter of Governance, Risk and Compliance Committee, at least, one



meeting shall be held every three months; in other words, 4 meetings should be arranged in one year. In 2016, the GRCC held five meetings to review progress on the implementation of the Company's Code of Business Conduct and its related policies as approved by the Board of Directors in 2015.

Governance, Risk and Compliance Committee strictly focuses and supervises the improvement of fundamental structure of the Corporate Governance by pushing forward the improvement in multiple levels ranging from policy, operation, communication, training, as well as guidance to put into practice and monitor the implementation, business risk assessment and risk in corporate governance in a continual manner.

The GRCC also finalized nine additional policies during the year - Finance Policy, Treasury Policy, Credit Control Policy, Accounts Receivable Collection Policy, Tax Policy, Operational Risk and Internal Control Policy, Document Control Policy, Business Continuity Management Policy, and Export and Trading Policy.

The GRCC also reviewed the complaints from employees raised through the INSEE Speak Up Line which is available to our employees and our suppliers. A systematic review and investigation process is now supporting Management in its endeavors to create an open and transparent corporate and team culture. Most of the complaints were raised related to management and human resources matters, and only minor events of fraud were reported, on which appropriate disciplinary actions were taken.

For employees in general, conflict of interest report is required to be regularly submitted on an annual basis, at least, once a year provided, however, that the report can be made anytime upon the occurrence of the conflict of interest.

While on the risk management, Governance, Risk and Compliance Committee assigns the Management to assess the risks towards corporation, operation, and Company's business. The risk management report shall be submitted to Governance, Risk and Compliance Committee once every six months.

List of Governance, Risk and Compliance Committee and total attendances are as follows:

Name	Position	Total Attendances/ Total Meetings
1. Mr. Pongpinit Tejagupta	Chairman	5/5
2. Mr. Paul Heinz Hugentobler	Member	5/5
3. Ms. Nopporn Tirawattanagool	Member	5/5
4. Mr. Vanchai Tosomboon	Member	4/5

Secretary of Governance, Risk and Compliance Committee is Mr. Prasert Kasikigskulpol, Head of Compliance & Group OH&S

#### **(4) Nomination and Compensation Committee**

Nomination and Compensation Committee's structure consists of, at least, 3 directors and, at least, one of them must be an independent director.

The current Nomination and Compensation Committee comprises 5 directors of non-Executive nature.

**Qualification of Nomination and Compensation Committee Members**

Members of Nomination and Compensation Committee shall possess the knowledge and experience and well-versed in the Company's business as well as having management experiences with leading companies deploying good corporate governance.

**Term of Office**

Term of office of the members and Chairman of the Nomination and Compensation Committee is 2 (two) years.

**Roles and Responsibilities of Nomination and Compensation Committee**

The roles and responsibilities of Nomination and Compensation Committee set forth under the Charter of Nomination and Compensation Committee are as follows:

**A. Nomination, Composition & Structure**

- i) To annually review the composition of the Board including the structures of all subsidiaries' and/ or associate's Boards and Board Committees applicable throughout the Group and submit for the Board's consideration at least 90 days prior to the Annual General Meeting (AGM);
- ii) To consider, appraise/evaluate and recommend selection of the Board membership candidates for nomination and/or re-appointment as forwarded by shareholder(s), Board member(s) and/or executives for the Board's review and recommendation at least 90 days before passing onto the final shareholders' selection at the AGM or at least 30 days prior to the upcoming Board's meeting in case of the interim vacancy for the replacement by the Board's decision;
- iii) To identify, assess and recommend potential candidates for key positions in the Group such as
  - Chief Executive Officer of the Company;
  - Executive Committee Members of the Company;
  - Chief Executive Officers of Subsidiary Companies;
  - Directors of Subsidiary Companies; and
  - Company Representatives on the Board of Associated Company.
- iv) To review the Chief Executive Officer's ("CEO") proposals of potential candidates for the Executive Committee of the Company ("EXCO") and the Chief Executive Officer of Subsidiary Companies, and to independently assess these candidates with regard to their respective expertise, skills, experience, performances as well as personal and professional qualifications. Suitable candidates shall be recommended by the Committee to the Board for approval;
- v) To carry out such other duties as may be delegated to it by the Board.

**B. Management Development and Succession Planning**

- i) To oversee the talent pipeline, the development process and the individual developmental plans for all Top Management Level ("TML") job holders and candidates for such positions in the Group;
- ii) To annually review the succession plans for the Board and its committee members;

- iii) To annually review the succession plans for board members of Subsidiaries Companies and the Company's representatives on boards of associated company;
- iv) To half-yearly review with the CEO the succession plans for all TML positions in the Group;
- v) To regularly participate in meetings with the leadership talents of the Group;
- vi) To carry out such other duties as may be delegated to it by the Board.

### C. Remuneration

- i) To provide that the compensation policies and programs throughout the Group are designed to enable the Group and its individual companies to recruit, retain and align all employees to its overall aspiration and core values of the Group, and at the same time creating a pay-for-performance linkage;
- ii) To review and recommend to the Board the compensation of each member of the Board, its Committees and Chairman thereof;
- iii) To review the performance of the CEO and to recommend his/her compensation to the Board for approval;
- iv) To review the performance of the members of the EXCO and the CEOs of the subsidiaries as proposed by the CEO, and to approve their compensation on annual basis;
- v) To review the annual compensation and salary increases as well as annual bonus procedures for the Company and the subsidiary Companies as proposed by the CEO for approval by the Board;
- vi) To carry out such other duties as may be delegated to it by the Board.

### Meetings of Nomination and Compensation Committee

Nomination and Compensation Committee holds the meeting at least once every three months. In 2016, the Company held 6 Nomination and Compensation Committee meetings. The committee's responsibility is to consider the nomination of directors and independent directors; as well as to review and propose the criteria and format of director's remuneration to be approved by shareholders; improve the employee compensation; map out succession plans, guidelines and performance evaluation procedure of the entire committee and individual members; and select committee members to replace the vacancy of the resigning member.

List of Nomination and Compensation Committee and total attendances are as follows:

Name	Position	Total Attendances/ Total Meetings
1. Mr. Paul Heinz Hugentobler	Chairman	6/6
2. Dr. h.c. Harald Link	Member	4/6
3. Ms. Nopporn Tirawattanagool	Member	5/6
4. Mr. Vanchai Tosomboon	Member	6/6
5. Mr. David Alexander Newbigging	Member	5/6

Secretary of the Nomination and Compensation Committee is Mr. Tasporn Chantree, Senior Vice President – People & Organizational Performance

## **(5) Executive Committee**

The Executive Committee comprises the 6 highest Executives of Marketing and Sales, Finance and Controlling, People & Organizational Performance, Saraburi Operations, and Logistics, and 1 director as the CEO to perform as the Executive Committee Chairman.

### **Qualification of Executive Committee**

Executive Committee shall possess the knowledge and experience in business, management and be good leaders with skills in determining the business strategies, also possess high responsibility and competency to drive and manage the Company to achieve the goals, visions and missions.

### **Roles and Responsibilities of Executive Committee**

1. To organize, carry out and supervise business operations of the Company and Company Group for the accomplishment of the business and budget plan of each year;
2. To prepare the business operations for proposing to Board of Directors and put the resolution to use by implementing Company's policies and keep on developing such policies;
3. To prepare the Company budget and source of budget of the Company Group;
4. To be responsible for the implementation of designated strategies of the Company Group in order to increase the sustainability of the Company and the Company Group;
5. To ensure that the communication between the Company and the Management of the Company Group is in the same direction;
6. To review the personnel performance as assigned by the Management of the Company;
7. To bring and utilize a necessary tool of integrity assessment and report to the Board of Directors in a timely fashion upon the occurrence of the negative circumstances from the budget of the Company or Company Group.

### **Meetings of the Executive Committee**

The Executive Committee holds the meetings twice a month which may be extended as necessary. The issue brought up to the meeting for consideration by the Committee will be the issue on the aspect of the safety and occupational health, production, business administration, finance and accounting, risk management, important financial transactions, Company's plan, and Company's budget. The primary consideration will be made and further proposed to the Board of Directors for acknowledgement and/or approval.

List of Executive Committee and total attendances in 2016 are as follows:

<b>Name</b>	<b>Position</b>	<b>Total Attendances/ Total Meetings</b>
Mr. Siva Mahasandana	Director & CEO	19/20
Mr. Montri Nithikul	Senior Vice President – Marketing & Sales	19/20
Mr. Chandana Liyanage	Senior Vice President – Finance & Controlling	20/20
Mr. Tasporn Chantree	Senior Vice President – People & Organizational Performance	20/20
Mr. Somsak Pitchetpinyo	Senior Vice President – Saraburi Operations	19/20
Mr. Paul Joseph Hayes	Senior Vice President - Logistics	8/8

Mr. Kreetakorn Siriatha, Head of BRM, Strategic Planning & Business Department, is the Secretary of the Executive Committee.

### 9.3 Nomination of Director and Executive

#### (1) Nomination of Independent Director

The selection of the candidates for the post of independent directors is conducted by the Nomination and Compensation Committee, taking into account the qualifications of the candidates, i.e. the relevant knowledge and experiences.

“**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, associated company, major shareholder or controlling person. The shares held by the 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, associated company, 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 shall not apply in the case where the independent director holds or being 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 an executive or a controlling person of the Company or the Company's subsidiary;
4. Neither having nor being used to have a business relationship with the Company, its parent Company, subsidiary, associated company, major shareholder or controlling person, in a 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, associated company, major shareholder or controlling person, unless the foregoing relationship has already ended for a period of 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 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 occurring during the period of one year prior to the date on which the business relationship with the person is commenced;

5. Neither being nor used to be an auditor of the Company, the Company's parent Company, subsidiary, associated company, 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 for a period of 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, associated company, 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 for a period of 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 a 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 percentage 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 would cause the inability to express independent opinions with regard to the Company's business operations

## **(2) Nomination of Directors**

As similar to the nomination of an independent director, the Nomination and Compensation Committee shall contemplate the potential directors who will be selected from a field of qualified and experienced professionals that benefit the Company's business and be able to manage the Company to achieve the set objectives, goals, business nature and future plans as determined by the Board of Directors.

The election of each director is made by the majority of votes of shareholders. Every year, the Company invites the shareholders and directors to propose director nomination for AGM approval.

The nominated directors must meet the qualifications 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 provides the 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; and
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.

In the case of a 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, except in the case where the remaining term of office is less than 2 months.



If the remaining directors are less than the number to constitute 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.

### **(3) Nomination of Executives and Top Management**

By the virtue delegated by the Board of Directors, the Nomination and Compensation Committee is authorized to review and justify the nomination proposal of the Managing Director/Chief Executive Officer on potential candidates to the Top Management positions.

For those candidates to complete the body of the Executive Committee, the Nomination and Compensation Committee shall review and recommend the list of potential candidates subject to appropriate qualification and experience to the review and approval of the Board of Directors.

For the candidates in Top Management Level (TML), including the Vice President and the CEO of subsidiaries, the Nomination and Compensation Committee is authorized to approve the proposal of candidacy from the Managing Director/Chief Executive Officer and to report to the Board of Directors as required.

Meanwhile, the Nomination and Compensation Committee shall exercise the knowledge and experience, advising appropriate conducts and practices to line functions and People and Organizational Performance (Human Resources) Function, for managing and developing talents to these high-ranked positions

## **9.4 Corporate Governance for Subsidiaries and Associated Company**

The regulatory mechanism of corporate governance is set forth to protect the interest in both investment capitals and company businesses by taking into consideration in the best interests of the Company Group.

In respect of the primary corporate governance in subsidiaries and associated company, the Nomination and Compensation Committee will nominate qualified candidates to propose for approval from the Board of Directors. The appointment shall be conducted according to number and position in compliance with shareholding proportion of subsidiaries and associated company. In this connection, this discipline shall apply to the top management appointment for subsidiaries and associated company.

The directors and/or executives appointed by Board of Directors above mentioned shall have the duty to manage and administrate the businesses of subsidiaries and/ or associated company to be in line and in compliance with the Company's policies and direction, which may be set out and reviewed from time to time as it may deem appropriate.

In making decision for key business operations of the subsidiaries, the Company shall set out the value amount of the projects or businesses in the Articles of Association of the subsidiaries. The directors of the subsidiaries are required to propose for approval from the Board of Directors before implementation at all times. Approvals from the Board of Directors are also necessary for crucial activities, such as the increase-decrease in the capital and the termination of subsidiaries' businesses.

Regarding business operation in general, the Company sets out the policy guidelines through communication in the annual budget designation for reviewing and reporting the quarterly business performance in the Board Committee's meetings. The representatives appointed as



directors and executives of subsidiaries and associated company shall participate in such meetings. Besides, the Board of Directors' meeting sets out the regular sessions for acknowledging the Minutes of meetings held by subsidiaries and associated company.

Furthermore, the reports of the subsidiaries are specified with format and structure in an identical or similar manner for the convenience in the corporate governance. In this regard, the Company also determines the organizational structure, which employees or division managers of subsidiaries must report or consult and resolve problems in collaboration with the Company's Executives and managers, who are in charge of such line functions or concerning businesses. Thus, measures and/or internal control of subsidiaries must be complied with or be in the same direction with the Company's systems. The regulatory mechanism of corporate governance is prescribed that the Executives and employees of subsidiaries must undertake the business in both proactive and reactive approaches along with the Company's Executives and employees.

## **9.5 Supervision of the Use of Insider Information**

### **Use of Insider Information**

In order to comply with the principles of good corporate governance on the matter of preventive measures in the case where a Director, an Executive or an employee has used insider information to exploit benefits through abusive self-dealings for their own self or for another person, the Directors and the Executives have placed the importance on the compliance with the Company's Code of Business Conduct Policy. In this respect, the Board of Directors has implemented the Blackout Period Policy under which the Directors, Executives and employees as well as the persons perceiving the inside information are prohibited from trading the Company's shares during the period of 30 days before the disseminations of the information on financial statements and significant financial information to be assured that there are no exploitations of benefits from the information undisclosed publicly which would lead to the taking of an advantage over outsiders. Directors and Executives must produce and submit a report on the holding of assets in accordance with the requirements of the Office of the Security and Exchange Commission (SEC) under Section 59 of the Security and Exchange Act, B.E. 2535 within 3 days from the date of the change and that the Company Secretary shall be notified accordingly in order that a summary on the number of the securities of the Directors and Executives individually can be made for submission to the Board of Directors in their meetings every time and that the information on the holding of such securities shall be disclosed in the annual report with a notification on the penalty in the case of a violation or non-compliance with the Policy and such requirements, as well.

The above policies are also part of the compliance with the Company Code of Business Conduct on the use of company assets and information.

The Code of Business Conduct, the revised version, sets out that "Use of inside information or non-public information in supporting the investors' decision whether to buy, sell or hold stocks or securities is considered unethical and illegal, and this may result in disciplinary and criminal charges."

For any questions or suspicions regarding insider trading, please consult the Legal and Corporate Affairs Department. The Company shall review names of insider persons for the suitability of the current situation, map out the guidelines in safeguarding internal information and notify all personnel within the organization on the aforementioned policies and guidelines to comply with and make follow-ups on the compliance with such policies and guidelines regularly.

Summary of Number of Shares Held by Directors and Executives in 2015 and 2016 is follows:

List of Directors/ Executives	31 December 2016			31 December 2015			Total Number of Shares Increase/ (decrease) during the year (share)
	Number of Shares (Share)		Percentage of Shares Held	Number of Shares (Share)		Percentage of Shares Held	
	Directors/ Executives	Spouse and child(ren) under age		Directors/ Executives	Spouse and child(ren) under age		
Non-Executive Directors							
1. Mr. Veraphan Teepsuwan	4,682	1,265	0.0026	4,682	1,265	0.0026	-
2. Mr. Paul Heinz Hugentobler	-	-	-	-	-	-	-
3. Mr. Chachchon Ratanarak	-	-	-	-	-	-	-
4. Mr. Vanchai Tosomboon	57,522	-	0.0250	51,448	-	0.0224	6,074
5. Ms. Nopporn Tirawattanagool	-	-	-	-	-	-	-
6. Mr. Pongpinit Tejagupta	-	-	-	-	-	-	-
7. Mr. David Alexander Newbigging	-	-	-	-	-	-	-
8. Mr. Harald Link	18,550	-	0.0081	12,558	-	0.0055	5,992
9. Dr. Sunee Sornchaitanasuk	-	-	-	-	-	-	-
10. Mr. Pradap Pibulsonggram	-	-	-	-	-	-	-
11. Mr. Charin Satchayan	-	-	-	-	-	-	-
Executive Director							
12. Mr. Siva Mahasandana	152,478	212,500	0.1587	144,800	212,500	0.1553	7,678
Executives							
14. Mr. Chandana Liyanage	7,031	-	0.0030	3,238	-	0.0014	3,793
15. Mr. Tasporn Chantree	22,946	-	0.0099	16,911	-	0.0073	6,035
16. Mr. Somsak Pichetpinyo	10,307	-	0.0045	5,453	-	0.0024	4,854
17. Mr. Montri Nithikul	11,495	-	0.0049	6,957	-	0.0030	4,538
18. Mr. Paul Joseph Hayes	-	-	-	-	-	-	-

Apart from undertaking the matter of insider trading, the control of unusual transactions that may cause the conflict of interest to the Company is also the important issue.

The Code of Business Conduct, the revised version, sets out that “Conflict of interest can be defined as “the situation where our personal, financial or other interests interfere, or may be perceived as interfering with our ability to act in the best interest of the Company Group”. Employees shall avoid conflict of interest whenever possible. In the situations whereby

employees think the conflicts may arise and it might impair or even appear to impair, they must immediately inform their supervisor to resolve the situation in a fair and transparent manner.”

In this regard, the Company establishes the guidelines on conflict of interest for personnel who may be involved in approving a process or procuring a product or service to declare the information of themselves or their relatives regarding the transactions with the Company and/or the subsidiaries during the period of the last 12 months. This activity is taken on a semi-annual basis by electronic media.

The declaration of conflict of interest activity has continuously been active for many years and the Company found that the employees has become more aware of transparency and avoid the activity that may be connected with the conflict of interest of the company.

#### **9.6 Auditor’s Fee**

In 2016, EY Office Limited (formerly Ernst & Young Office Limited) received from the Company and its subsidiaries audit fees of 8,463,656 Baht and other services fee (non-audit fee) of 4,046,514 Baht.

#### **9.7 Compliance with SET’s Code of Best Practice**

The Company strictly follows the Corporate Governance for listed companies under the guidelines prescribed by the SET. The Company’s disclosure and report was made and prepared by following the self- assessment of SET’s Code of best practices. There was no report of non-compliance with the corporate governance policy in 2016.

## 10. Sustainable Development and Corporate Social Responsibility

The business conduct of Siam City Cement Public Company Limited from the beginning until today has always put a strong focus on sustainable business with responsibility towards the community, society and environment, as well as the determination to build value for all stakeholders.

The Company has developed the social responsibility policy as a guideline in carrying out the work in this area in seven important aspects

1. Strictly adhere to corporate governance
2. Respect human rights and hiring and caring for employees fairly
3. Pay close attention to building good relationship with customers and suppliers
4. Be mindful of the environment and sustainable development
5. Be attentive to the community and support social development
6. Support controlling and reporting
7. Anti-bribery and corruption

The Company has identified the important stakeholders and their expectations by instituting a process and channels through which to communicate effectively, especially the regular hearing of all recommendations from the stakeholders. This is because we believe that these recommendations will help drive the development in all aspect of our business in a continuous basis. This will also promote the relationship and support from the stakeholders which is considered to be a firm foundation in our business conduct.

In addition, the Company has been producing the Sustainability Development Report on an annual basis since 1999 with the contents covering the achievement and the progress in the economic dimension, social dimension and environmental dimension. As for the tasks on social responsibility, the Company put great importance on the processes of both CSR in-process and CSR-after-process. In the Sustainable Development Report, the important indices on economy, society and environment are presented as modeled after the Global Rating Initiative (GRI) standard.

*\*For details on the Sustainable Development and Social Responsibility Policy, as well as the fostering of relations with major stakeholders, readers may find out at [www.siamcitycement.com](http://www.siamcitycement.com) or from the Company's Sustainable Development Report along with the Annual Information Report (Form 56-1).*

In 2016, the Company continued to stress the importance and the process in regards to social responsibility through continuous development to create shared value with all parties. The following is the compilation of major projects and activities.

## **Siam City Cement Public Company Limited was awarded ESG100 certificate - 1 in 100 listed companies to be recognized**

Thaipat Institute, a partner of the Global Initiative for Sustainability Rating (GISR), announced the names of listed companies that have gone through internationally-recognized selection process. SCCC was recognized among the ESG100 companies for 2016 in recognition **for SCCC's exemplary work in every dimension: Performance, Environmental Management, Social Responsibility as well as Corporate Governance**. The ESG100 (Environment, Social and Governance) Award is an important indicator and a good testimonial for investors who value sustainability.

The award bestowed upon **the Company accurately reflect the strict adherence to the principles of good corporate governance** in the business operations as well as the attention to the responsibility to society, environment and to all important stakeholders of the Company.

### **CSR In-Process**

SCCC is fully committed to protect and to reduce any probable impact on the community, society or the environment as a result of any and all business processes of the Company to the best of our ability. The Company is also committed to continuous development on the foundation of strictly adhering to the all laws and regulations as the baseline. The Company has drawn up the Sustainable Development Roadmap with challenging long-term goals since 2009 with targeted achievements in 2020. The six subjects related to environment and society included in the Sustainable Development (SD) Roadmap are;

1. Carbon dioxide emission reduction
2. Stakeholders Engagement with Green Heart Activities
3. Community Involvement & Development
4. Zero Waste to Landfill & Alternative Fuels
5. Green Heart products & services innovation
6. Water Conservation

As of today, the overall picture of SCCC's SD Roadmap is very encouraging although there remain some challenges in order to meet all the set long-term targets.

Details of the SD Roadmap goals and achievements are available for perusal in the Sustainable Development Report 2016.

### **CSR After-Process**

CSR After-Process, or social responsibility activities over and above the Company's business processes in the past year are many. Most of which are grouped under the "Green Heart" concept that emphasizes all stakeholders' care for, and co-existence with, sustainable environment. All projects span over at least three to five years to ensure continuity and sustainability.

## CSR at Large projects at the national level

**Integrated Green School** Integrated Green School is an on-going seven-year project that concentrates on education in tandem with community and environmental development based on the foundation of sustainability. The project emphasizes the cooperation with experts from many fields to ensure that the schools and the community is engaged in being friendly to the environment in every aspect and create sustainable development based on self-supporting economy as much as possible. The project also encompasses the management in other areas such as garbage disposal, irrigation system for vegetable growing and animal husbandry.

In addition, the Company also calls for internal volunteers from every department within Siam City Cement to help build or renovate buildings at “INSEE Arsa” Border Patrol Police schools. This activity has helped to foster pride among the employees who realize that they are lending a hand to help the society.

In 2016, the Company has been a brand new school at Baan Huay Nam Guen, Mae Sruay District, Chiang Rai Province, under the name “**INSEE Arsa (Baan Huay Nam Guen) Border Patrol Police Education Center**”, in response to the Her Royal Highness Princess Maha Chakri Sirindhorn’s desire to see an education center or a school in remote areas where there are no existing schools.

The new education center serves children from over 300 Arkha (hilltribe) families who have lived in the area for the past 70 years or more – far from civilization without electricity and telephone signal. The school was created under the concept “Panya Arsa” or “volunteers for wisdom”, which means to encourage college students to use their knowledge and vocational skills to create something valuable to themselves and to others. In this project, the students from Faculty of Architecture, Chulalongkorn University participated to help design the school by taking into consideration the environmental friendliness, the harmony with the local social context and the use of land and the surrounding terrain in a sustainable way.

During the past seven years of the “Green School” project that has evolved into “Integrated Green School”, more than 50,000 children and youths have benefited from this project that has built a total of 30 schools. The Company is determined to continue on this path towards sustainable social development through this worthwhile project.

## INSEE Green Community project

The INSEE Green Community is a project operated under the cooperation with the Chai Pattana Foundation over a three-year period to develop strong community under the sustainable economy concept. This project requires the participation of members of the community to support activities that the community is genuinely interested in doing and to create supplementary income over and above the income from traditional agriculture.

The INSEE Green Community project was first started in 2014 at Tha-Pa-Pao Village, Lamphun Province. The success at Tha Pa Pao not only allows the villagers to support themselves, but also creating local knowledge that is dispersed to neighboring villages, in the process creating a few model community leaders. At present, the Tha Pa Pao Community has registered as a social enterprise with the production of soil-cement construction blocks, longan with sugarcane juice cookies for sales, bringing in extra income to the community while making them self-sufficient.

In 2016, SCCC initiated a new project at Baan Mai Nam Yen, Muang District of Chiang Rai. This 5,000-rai forested area is the watershed Huay leng stream which is the last watershed forest in Muang District. The main goal of this project is to convince the villagers to help conserve and take care of the watershed area by building check dams, plant vetiver grass to hold the banks of the stream, to plant a wide variety of trees to create diversity, as well as to develop the vocations that are friendly to the environment and earn more income from foraging in the forest. In a word-to sustainably co-exist with the forest.

The Company received the cooperation of experts from several fields in this project, namely, the Chai Pattana Foundation, the Forestry Department, the Huay Hong Krai Development Center, the Faculties of Architecture of Chiang Mai University and Maejo University. Playing major roles as well were members of the local administration such as the municipality and the Tambon Administration. The three main activities are;

1. Conserve and rejuvenate the forest resources by building check dams and planting vetiver grass on stream banks to protect the soil.
2. Provide vocational training by building the “INSEE Pattana” Village Learning Center to be used as a base for the development of jobs mainly by reviving and institutionalize former rural vocations such as agriculture, cloth-weaving and basketry. The center also provides training for new jobs such as adding value to products and promoting eco-tourism or nature study tours.
3. Conserve and rejuvenate the environment and energy from renewable sources such as community solar cell, the making of cement water tanks and the irrigation system for agriculture using solar water pumps, village garbage treatment and the creating awareness especially among youth of the natural wealth, the conservation of natural resources and the close cooperation within the community to improve their livelihood through the activity “New Horizon with Green Heart”.

### **INSEE Artificial Reef project**

The Siam City Cement and its subsidiaries have a clear policy in regards to sustainable development. One of the main activities is to reduce the amount of waste sent to landfill to zero (zero waste to landfill). In 2016, the Company has cooperated with the Department of Marine and Coastal Resources, Ministry of Natural Resources and Environment, in the implementation of the “INSEE Artificial Reef” project with an aim to rejuvenate the marine life along the coast to a rich and sustainable level. The leftover concrete from deliveries to customers is poured into prepared molds to produce the artificial reefs so that they can be used as shelters for spawning marine life and small animals. The target is to produce 299 artificial reef blocks over a three-year period. In the first year, the project will drop the artificial reefs in the sea offshore from three provinces: Prachuab Khiri Khan at Pranburi; Mannok Island in Rayong; and Patong Beach in Phuket province.

### **CSR Projects at the Local Communities Level**

Siam City Cement Public Company Limited through the Saraburi Operations has implemented social responsibility projects to support the communities' sustainable development in the area around the plant in Kaengkhohi and Muaklek districts of Saraburi Province. In 2016, the three factories received the CSR-DIW Continuous Award 2016 from the Department of Industrial



Works, Ministry of Industry. This award clearly demonstrates the Company's success in terms of effort in the social responsibility.

In 2016, the major projects under the principle of co-development of the community have undergone continuous development. Some of the main projects are;

- **Ming Mongkol HM the King's 84th Birthday Anniversary Park or INSEE Green Park.** The Company has built the INSEE Green Park on the Company's own land on Mitraparb Road, Kaengkhohi District of Saraburi Province in celebration of the 7th cycle, or 84th birthday of His Majesty King Bhumibol Adulyadej on 5 December 2011. The project was aimed at reflecting the important business philosophy of the Company that pays close attention to the community, society and environment. At present, the INSEE Green Park has created value for the community by allowing the community members to bring their OTOP products to sell at the park to raise their income. The villagers and other visitors can also use the park to relax, to exercise and to participate in activities in a natural environment. At the same time, travelers can also take a break while admiring the model public park that emphasizes the concept of being environmentally friendly. The park is a true "green classroom" that can impart the love and care for the environment among the people and youth.
- **INSEE Green Village (Tabkwang).** This is a spin-off of the project launched in 2011 from the needs that arose from the community leaders and the people who wanted to depend on themselves. The project now operates under the context and the differing needs of each community. The activities include the lecture on the green way of life, tree-planting, potable water system, separation of trash and the village garbage bank. In addition, the project promotes more youth participation in the community activities.
- **INSEE Youth Camp Tabkwang.** The youth development program was first launched by the Company at the end of 2013. The youth camp was aimed at providing knowledge to the youth in Tabkwang Sub-District by creating a sense of camaraderie, the will to help develop the community and participating in green activities. The Youth Camp is a project that Siam City Cement wants to use as a springboard to bring the youth in the community into a productive way of life, to be a good member of society and help develop their own communities. Youths interested to participated must be between 13 to 20 years old.
- **Fund for Community and Environmental Development** in Tabkwang Sub-District. The Fund has been set up to operate in the form of joint management. The Fund management consist of members of the community who were voted in to manage the Fund that the Company supports on an annual basis. The Fund managers are elected from their respective village and work together to coordinate the people in community development projects. One representative each from the local government and Siam City Cement are also involved.
- **Basic Utility Development project** helps to renovate school buildings, landscaping, drinking water and water for irrigation in the community. The main activities of this project are to renovate the landscape at temples and schools. This project stresses the cooperation between the community members and Siam City Cement employees under the name "INSEE Arsa".

"Social responsibility starts inside all of us" - Siam City Cement is determined to work to support the community development as well as the instill the sense of social responsibility. The cooperation among the management, employees, community and community leaders is to ensure the everyone shares the same determination to carry out projects for the community harmoniously

and to look forward to the shared benefit and ownership. To safeguard the shared value in accordance to one of the Company's Commitments: "Caring about our future".

## 11. Internal Control and Risk Management

Siam City Cement Public Company Limited provides proper and adequate internal control system in order to manage the Company's business operations to be in accordance with the objectives, goals, and related laws and regulations. The internal control systems are designed to sustain efficiency and mitigate operational risks assuring corruption prevention. SCCC's Board of Directors; therefore, assigned the Process Operational Risk Management team to monitor the effectiveness of this internal control system.

The Board of Directors has conducted assessments on the internal control system through the Audit Committee. The Audit Committee have approved SCCC's internal control system based on 5 factors per the internal standard given by the Committee of Sponsoring Organizations of the Tradedway Commission or COSO, and the guidelines from the Stock Exchange Commission or SEC.

1. **Internal Control within the organization** SCCC has committed to support the internal control within the organization under the internal control structure framework by shaping the policy and working steps, updating working methods, and communicating to all SCCC's staff. Moreover, revision of the internal control is also scheduled to be done constantly.
  - i. **Launching and reviewing the policy, working steps and methods**, updating to serve with the current business plan of the company, laws and any relevant regulations, and scheduling the regular review. The said policy, working steps and methods shall be approved by the concerned authorities and communicated to all staff for their common understanding thru the effective channel.
  - ii. **Building the awareness of staff in the importance of the internal control**, starting from the understanding of the risk in operation, risk assessment and management which the staff themselves can design the internal control to well serve with risks that may occur in their area of work. During 2016, Process and Operational Risk Management team have offered the training courses in risk management which include the identifying, measuring and responding with the risk by setting up the internal control system.
2. **Risk Assessment** Brainstorming and idea sharing among departments were arranged to assess both internal and external risk in term of business and operation. SCCC also sought for opinions from other organizations and invited them to join the risk assessment as mediators. This resulted in a reliable assessment which cover all aspects of company operations.

The Governance, Risk and Compliance Committee have closely monitored the procedure of risk management, measure to reduce the risk and workplan of the risk assessment. In respect of the risk assessment, the Board of Directors assigned the Business Risk Management (BRM), Strategic Planning and Development team to be responsible for achieving the workplan of risk management and the company strategic plan.

In assessing the risk, BRM, Strategic Planning and Development team hold operational meetings to assess the risk of SCCC within the year, with the company's top executives, business units and internal departments to find the risk, sharing opinions, discussing on the

risk level and its effects and seeking for the strategies to handle with the risks. The team then collect the information and issue the risk assessment reports of each business units and each internal department, follow up the risk management plan, monitor the timeline and report to the top executive consistently.

3. **Operating Control** It is important that every activity of the company lead to the targeted operating result. The top executives require all departments to report monthly on their operating summary in dashboard, especially the financial result. Reporting and discussion meetings among the management take place in every 2 weeks, while the operating results in the factories or production teams are reported and discussed in sub-group regularly, and reviewed with every department in factories by monthly.

Moreover, check-and-balance method is brought into use, and clear scope of work and responsibility is written, for example, the size limitation of the approval of procurement items. Committee, comprising of staff from various departments, is to be set up to consider the SCCC's procurement of a high value procurement before signing in the contract which is approved by the legal of SCCC.

4. **Follow-up System** Regular follow-up is always conducted, such as analyzing the result from the comparison between the operating result and forecast, so as to develop the process. In regard of the investment projects, the Controller team closely monitor the forecast of the investment, the content in hiring contract especially the trade agreement in the investment project, reimbursement and expense, project closing and assessment of the return on investment. Besides, the company has launched the IT solution for a better internal controlling which enables the management and relevant staff to be alarmed of improper transaction, to solve the problem and to report to the top executives to issue a preventive measure in time. From the starting point, SCCC has applied this system with an important work process, e.g. procurement.

5. **IT and Communication** Since 2015, the company has invested in the whole new information processing and reporting system which can keep all data, process and report the updated data all the time, easily access everywhere and anytime, and is secured. It is aimed that the company is able to plan or make any decision with quicker pace, bringing about the leading in business. Moreover, the system is also designed to serve the digital business and can be developed continually.

In the opinion of the Board of Directors, the Company internal control system is proper and adequate. The Company has provided sufficient personnel to efficiently carry out the controlling of activities in accordance with the system. In addition, the Company establishes internal control system to monitor the conduct of the subsidiaries' business operations. As such, the assets of the Company and its subsidiaries are safeguarded from being used through abusive self-dealing or without the authority by a director or an executive. Besides, the system also includes the review on the transactions of potential conflict of interest with connected persons. There is no deficiency in the internal control system and the risk management is set to promptly handle with any situation.

## **The Appointment of Head of Internal Audit**

The Audit Committee has appointed Mrs. Chadaporn Thitisawat to be the Head of Internal Audit of the Company and Secretary to the Audit Committee since 16 January 2010 as she is experienced in internal audit works and well-versed in the business operations of the Company and therefore; considered to be suitable to perform such duties. A consideration and an approval for the appointment, removal or transfer of the Head of Internal Audit of the Company must be approved or assented by the Audit Committee.

Duties and responsibilities of the Head of Internal Audit are as follows:

- To develop the Annual Audit Plan, which shall be flexible and suitable to the risk level as the determinant which includes any risks or important operational issues as prescribed by the Management or in the Business Planning and Risk Management (BPRM) or others. The Audit Plan is periodically revised and forwarded to the Audit Committee for reviewing and submission to the Board of Directors for approval;
- To coordinate work with the external auditor, other internal organizations and controlling function for the purpose of the audit efficiency and optimizing expenses;
- To carry out actions in accordance with the approved Annual Audit Plan including works specially assigned or projects upon requested by the Management and the Audit Committee;
- In each Internal Audit Project, a Report is issued giving the Observations and Recommendations on the operations for submission to the Executive Committee and Audit Committee and that a periodic report summarizing the result of the auditing activities shall be made for submission to the Executive Committee and the Audit Committee, as well;
- To review and check the operations in accordance with the Plan agreed upon and provide assistance to the Management to ensure that proper remedial actions are taken; and
- To maintain professional auditors who have adequate knowledge, skills and experiences and have been recognized as competent to attain the requirements set forth under the Charter of the Internal Audit.

## **The Appointment of the Head of Compliance**

The Company has assigned Mr. Prasert Kasikigskulpol to be the Head of Compliance & Group OH&S to perform duty of overseeing the Company's business operations conducted in accordance with the laws, rules, regulations, policy of the working units including the Code of Business Conduct of the Company. In 2016, Mr. Prasert was appointed as the Secretary of Governance Risk and Compliance Committee, taking the vital role in the implementation of a governance structure for the entire group.

The qualification of head of internal audit appears in the "Details of Company Secretary, Head of Compliance and Head of Internal Audit".

## 12. Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are 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 bases agreed upon between the Company and those related parties.

Company	Type of Transaction	Amount (Unit : Million Baht)										Transfer Pricing Policy	Rational and necessity
		SCCC	Siam City Concrete	Conwood	Siam City Power	Energy and Environmental Services	INSEE Superblock	INSEE Digital	Globe Cement	Siam City Cement (Bangladesh)	Siam City Cement (Lanka)		
1. Transaction with associate which SCCC held 44.99% of Lanna Resources Plc. Ltd. and had related directors, namely, Mr. Paul Heinz Hugentobler and Mr. Vanchai Tosomboon.													
Lanna Resources Plc. Ltd.	Purchases of goods	1,203	-	-	-	-	-	-	-	-	-	Market price for the same industrial sector	The transactions were considered under ordinary course of business with general commercial terms and basis by the authorities of each party who are independent of each other.
	Dividend income	177	-	-	-	-	-	-	-	-	-	At the declared rate	The transactions were considered under normal course of business.
2. Transaction with associate which SCCC held directly 4.72% of Thai Agro Energy Plc. Ltd. and indirectly 22.95% through Lanna Resources Plc. Ltd.													
Thai Agro Energy Plc. Ltd.	Dividend income	7	-	-	-	-	-	-	-	-	-	At the declared rate	The transactions were considered under normal course of business.

3. Transaction with joint venture which SCCC invested 40% of shares of Chip Mong Insee Cement Co., Ltd.													
Chip Mong Insee Cement Co., Ltd.	Other income	33	-	-	-	-	-	21	-	-	-	Trade agreements in the same manner that a responsible person would dealt with in the same manner as general	The transactions were considered under normal course of business.
4. Transaction with other companies that related by common shareholders which is Ratanarak Group													
Bank of Ayudhya Plc. Ltd.	Interest income	3	1	-	-	-	-	1	-	-	-	Market interest rate.	The transactions were considered under normal course of business.
	Interest expenses	6	97	18	-	-	5	-	-	-	-		
HR Professional Consiting and Service Co., Ltd.	Service fee	134	47	11	-	3	6	3	-	-	-	Trade agreements in the same manner that a responsible person would dealt with in the same manner as general	The transactions were considered under normal course of business.



**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 is included in the cost of a service fee for services rendered. All of these are to ensure economic benefits which are 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 in connected transactions. The Audit Committee has also reviewed the connected transactions of the Company.