

## Section 2

### Management and corporate governance

#### 7. **THE COMPANY'S SECURITIES AND SHAREHOLDERS**

##### 7.1 **The Company's Securities** **Registered and paid-up capital**

The following table shows details of the Company's capital, as at 31 December 2015:

##### **Registered Capital**

	Number of Shares	Par Value	Registered Capital (Baht)
Ordinary shares	921,296,022	1.00	921,296,022
Preferred shares	1,406,663	1.00	1,406,663
<b>Total</b>	<b>922,702,685</b>		<b>922,702,685</b>

##### **Paid-up Capital**

	Number of Shares	Par Value	Registered Capital (Baht)
Ordinary shares	728,645,559	1.00	728,645,559
Preferred shares	1,406,663	1.00	1,406,663
<b>Total</b>	<b>730,052,222</b>		<b>730,052,222</b>

##### **Preferred Shares**

As at 31 December 2016, the Company had issued and paid-up preferred shares of 1,406,663 shares. Preferred shareholders have similar rights as ordinary shareholders, except for the right to dividends, which is detailed in Section 7.4 Dividend Policy. In February of every year, preferred shareholders can convert their preferred shares into ordinary shares at the rate of one preferred share to one ordinary share.

##### **Convertible bonds**

As at 31 December 2016, the Company has two tranches of convertible bonds in a total outstanding amount of Baht 550 million. Details of each tranche are as follows:

Name	BH Convertible Bonds Series #1 Due 2027	BH Convertible Bonds Series #2 Due 2027
Date of issue	24 August 2000	24 August 2000
Issuing amount	Baht 300 million	Baht 1,000 million
Outstanding amount	Baht 300 million	Baht 250 million
Maturity	27 years	27 years
Coupon rate	2.5% for year 1-4, 5% for year 5-8 and 10% for year 9-27	1%
Terms of payment	Semiannually	Semiannually
Current conversion price	Baht 4.55	Baht 3.50
Conversion option	The bondholders have the option to convert the bonds into ordinary shares throughout the life of the bonds	The bondholders have the option to convert the bonds into ordinary shares throughout the life of the bonds
Forced conversion feature	On the maturity date, the Company has the option to either redeem the convertible bonds or to convert the bonds into ordinary shares	On the maturity date, the Company has the option to either redeem the convertible bonds or to convert the bonds into ordinary shares
Collateral*	None	None
Credit rating	Not required as the bonds were issued to	Not required as the bonds were issued

Name	BH Convertible Bonds Series #1 Due 2027	BH Convertible Bonds Series #2 Due 2027
	specific investors with restriction on transfer of the bonds of maximum of 10 bondholders at any time	to specific investors with restriction on transfer of the bonds of maximum of 10 bondholders at any time

\* The maturity date of Convertible Bonds Series#1 and #2 have been extended from 23 August 2017 to 23 August 2027 at EGM No. 1/2015 on 30 November 2015.

## 7.2 Shareholders

List of the Company's 10 major shareholders as at 31 December 2016 is as follows:

Shareholder	Number of shares*	Shareholding** (%)
1. Bangkok Dusit Medical Services PCL.	174,850,200	23.95
2. Bangkok Insurance PCL.	106,760,417	14.62
3. UOB KAY HIAN (HONG KONG) LIMITED - Client Account	60,829,265	8.33
4. Thai NVDR Co., Ltd	46,657,473	6.39
5. Sinsuptawee Asset Management Co., Ltd.	36,632,014	5.02
6. Wattanasophonpanich Co., Ltd	26,138,875	3.58
7. Social Security Office	17,135,400	2.35
8. GIC Private Limited	14,350,700	1.97
9. State Street Bank Europe Limited	12,953,938	1.77
10. Chase Nominees Limited	11,117,636	1.52
Total	507,425,918	69.51

\* Number of shares includes preferred shares.

\*\* The calculation of holding percentage includes preferred shares.

The Company has shareholders in the top ten major shareholders list who are foreign financial institutions or custodians acting as trust companies or nominee accounts. The Company has no knowledge of the ultimate shareholders of these companies as these shareholders have never nominated their representatives to serve on the Board of Directors nor taken part in the management of the Company.

## 7.3 Long-term debentures

### The Company's unsecured, unsubordinated debentures No.1/2011

	Series 1	Series 2	Series 3
Date of issuance	20 Dec 2011	20 Dec 2011	20 Dec 2011
Par value	Baht 1,000	Baht 1,000	Baht 1,000
Amount	Baht 1,500 million	Baht 1,000 million	Baht 2,500 million
Carrying amount	Baht 1,500 million	Baht 1,000 million	Baht 2,500 million
Maturity date	20 Dec 2016	20 Dec 2018	20 Dec 2021
Interest rate	4.13%	4.59%	4.97%
Term of interest payment	Semi-annual	Semi-annual	Semi-annual
Collateral	None	None	None
Credit rating*	"A+"	"A+"	"A+"

\* The last update for credit rating is on September 2016.

\*\* The Company has paid up the long-term debentures "Series 1" amounting Baht 1,500 million on 20 December 2016.

Under the terms and conditions of the debentures, the Company has to comply with certain restrictions and maintain certain financial ratios which include:

- a) Maintenance of a net debt to equity ratio not exceeding 1.75:1
- b) Maintenance of a net debt to EBITDA ratio not exceeding 3.25:1

## **7.4 Dividend Policy**

### **7.4.1 The Company's dividend policy is as follows:**

- When the Company has net profit which can be distributed to shareholders, the preferred shareholders will receive dividends before the ordinary shareholders. In any year that dividends distributed to the preferred shareholders reach 15% of the capital represented by the preferred shares, the balance of the profit shall be distributed to the ordinary shareholders at any amount as determined by the shareholders' meeting.
- In any year that the Company is able to distribute dividends of more than 15% of its capital, the shareholders of both types shall receive the dividends equally.
- For the payment of dividends, the Board of Directors is to follow the resolution of the shareholders' meeting.
- For every dividend payment, the Company shall reserve at least 5% of the profit as appropriated statutory reserve, until the reserve accounts for 10% of the Company's capital.
- Accrued dividends are not entitled to any interest payment.

### **7.4.2 Subsidiaries' dividend policy is as follows:**

- When the company has profit which can be distributed to shareholders, the company is eligible to pay dividends to its shareholders at any amount in accordance with the resolution of shareholders' meeting.
- Accrued dividends are not entitled to any interest payment.

On 28 February 2017, the Board of Directors approved, subject to shareholders' approval in shareholders' meeting to be held on 26 April 2017, a dividend payment for the year 2016 to preferred and ordinary shareholders at the rate of Baht 2.50 per share, totaling Baht 1,825.13, which is a 50.33% pay-out ratio. The Company already paid an interim dividend of Baht 0.95 per share, totaling Baht 693.55 million, on 26 August 2016. The remaining dividend payment of Baht 1.55 per share, amounting to Baht 1,131.58 million, will be paid on 15 May 2017, after the shareholders' approval.

For the year 2015, the Company paid dividend of Baht 2.35 per share, totaling Baht 1,715.62 million, or 49.93% pay-out ratio.

## **8. MANAGEMENT**

### **8.1 Management Structure**

The Company has five sets of committees, which are the Company's Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Governing Board of Bumrungrad International Hospital, Bangkok and the Investment Committee. Details of each committee are as follows:

#### **Board of Directors**

The Company's Board of Directors as at 31 December 2016 comprises the following:

- |    |                            |   |
|----|----------------------------|---|
| 1. | Mr. Chai Sophonpanich      | Chairman of the Board of Directors<br>Chairman of the Investment Committee  |
| 2. | Dr. Chanvit Tanphiphat, MD | Vice Chairman of the Board of Directors<br>Member of the Nomination and Remuneration Committee  |
| 3. | Mrs. Linda Lisahapanya     | Director<br>Member of the Investment Committee<br>Managing Director   |
| 4. | Dr. Num Tanthuwani, MD     | Director<br>Hospital Chief Executive Officer  |
| 5. | Mr. Chong Toh Chairman     | Chairperson of the Investment Committee Vice<br>Member of the Nomination and Remuneration Committee<br>Member of the Investment Committee |
| 6. | Dr. Sinn Anuras, MD*       | Director<br>Group Medical Director  |
| 7. | Dr. Suvarn Valaisathien    | Director<br>Member of the Investment Committee  |
| 8. | Ms. Sophavadee Uttamobol   | Independent Director<br>Chairperson of the Audit Committee  |
| 9. | Mr. Soradis Vinyaratn      | Independent Director<br>Member of the Audit Committee   |
| 1. | Mr. Prin Chirathivat       | Independent Director<br>Member of the Audit Committee   |
| 2. | Mrs. Aruni Kettratad       | Director  |

\* Dr. Sinn Anuras, MD ceased to be director of the Company on and from 1 January 2017

Mr. Banphot Kittikinglert, Company Secretary, is the secretary of the Board of Directors.

#### **Legal Binding of the Company**

Any two authorized directors, except Mr. Chong Toh, may jointly sign and affix the Company's seal.

#### **Term of Directors**

At the annual general meeting of shareholders, one-third of the directors shall retire from office. If the number of directors is not a multiple of three, then the number nearest to one-third shall retire

from office. Retiring directors shall be those who have served longest in office. Those who retire by rotation are eligible for re-election.

### **Duties and Responsibilities of the Board of Directors**

The duties and responsibilities of the Board of Directors, which are described in the Board of Directors' Charter, are as follows:

1. To perform duties in accordance with the laws, the Company's objectives and regulations, and resolutions of the shareholders' meeting, in good faith and with care for the best interest of the Company.
2. To establish the Company's vision, directions and strategies, with the aim to maximize long-term shareholders' value.
3. To endorse major strategies and policies, including objectives, business plans, financial targets, operating plans and capital expenditure budgets, as proposed by management; and to monitor and ensure the implementation and follow up on the outcome.
4. To establish the Corporate Governance Manual and the Company's Code of Ethics, and to monitor and ensure communication and implementation of such policies and guidelines, to approve amendments as appropriate and to report in the annual report.
5. To ensure proper systems for corporate accounting, financial reporting and financial auditing; to ensure that the Company has an effective internal control, internal audit and risk management system, which should be reviewed annually, and to assign the internal audit department to independently audit and report on the system.
6. To approve quarterly and annual financial reports; to ensure that they are correct, accurate, credible, in compliance with generally accepted accounting standards and report to shareholders in the annual report.
7. To monitor, supervise and approve, as the case may be, and to ensure transparency in the transactions which are connected transactions and may cause conflict of interest, and to set clear guidelines on the approval and disclosure process of transactions with conflict of interest.
8. To set and appoint committees as appropriate to help pursue, study in detail, monitor and oversee matters of importance as assigned, and to approve their charters which include their duties and responsibilities and determine their remuneration.

### **Audit Committee**

The Company's Audit Committee as at 31 December 2016 comprises the following:

- |    |                |             |                                    |
|----|----------------|-------------|------------------------------------|
| 1. | Ms. Sophavadee | Uttamobol   | Chairperson of the Audit Committee |
| 2. | Mr. Soradis    | Vinyaratn   | Member of the Audit Committee      |
| 3. | Mr. Prin       | Chirathivat | Member of the Audit Committee      |

Ms. Oracha Kunajiranut, Director of Corporate Internal Audit, is secretary of the Audit Committee

The Company's Audit Committee has the experience and knowledge of the Company's financial matters and Ms. Sophavadee Uttamobol is the Chairman of the Audit Committee who has the knowledge and experience in reviewing the Company's financial statements.

### **Term of the Audit Committee**

The term of service on the Audit Committee is 3 years. In case that an Audit Committee member vacates his position before the expiration of his term of service, the Board of Directors shall

select a replacement as soon as possible. The replacement will serve only up to the remaining term of the Audit Committee.

### **Authorities, Duties and Responsibilities of the Audit Committee**

The Board of Directors grants authority to the Audit Committee to fulfil its duties and responsibilities as follows:

1. To engage independent advisers as necessary to carry out its duties to seek independent opinion from any professional counsel when it is deemed necessary at the expense of the Company
2. To have unrestricted access to management, employees and relevant information
3. To conduct special investigations where required
4. To establish procedures in dealing with concerns of employees regarding accounting, internal controls or auditing matters
5. To establish procedures for receiving, keeping and managing complaints received by the Company regarding finance, internal controls or auditing matters
6. To have direct responsibilities on consideration of the remuneration and the selection and nomination of the independent auditor
7. To approve fees and terms and conditions of audit-related work and to review the provision of non-audit services by the external auditor (and, when required, the framework for pre-approval of such services).
8. To approve expenses incurred to fulfil Audit Committee's duties.
9. To promote and support the organizational independence of the internal audit activity by:
  - 1) Approving the internal audit charter
  - 2) Approving the risk based internal audit plan
  - 3) Approving the internal audit budget and resource plan
  - 4) Receiving communications from head of corporate internal audit on the internal audit activity's performance relative to the plan and other matters, including private meetings with head of corporate internal audit without management present, as well as annual confirmation of the internal audit activity's organizational independence
  - 5) Approving all decisions regarding the performance evaluation, appointment and removal of head of corporate internal audit
  - 6) Approving the remuneration, including the annual compensation and salary adjustment, of head of corporate internal audit
  - 7) Making appropriate inquiries of management and head of corporate internal audit to determine whether there are inappropriate scope or resource limitations that impede the ability of the internal audit activity to execute its responsibilities

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee as at 31 December 2016 comprises the following:

- |    |             |                |  |
|----|-------------|----------------|--|
| 1. | Mrs. Aruni  | Kettratad      | Chairperson of the Nomination and Remuneration Committee |
| 2. | Dr. Chanvit | Tanphiphat, MD | Member of the Nomination and Remuneration Committee      |

3. Mr. Chong Toh Member of the Nomination and Remuneration Committee

Mr. Banphot Kittikongler, Company Secretary, is the secretary of the Nomination and Remuneration Committee.

### **Term of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee has a term of three years. Members of the Nomination and Remuneration Committee may be re-elected upon expiration of the term.

### **Duties and Responsibilities of the Nomination and Remuneration Committee**

The duties and responsibilities of the Nomination and Remuneration Committee, in accordance with Nomination and Remuneration Committee's Charter, are as follows:

#### **a) Nomination**

1. To consider the appropriate size, composition and term of the Board of Directors.
2. To consider and recommend whether there should be a retirement age for directors, and to recommend to the Board of Directors the directors' retirement age.
3. To formulate and review qualifications of directors and members of the Committees.
4. To propose and review candidates for the director position in case of vacancies or for any other reasons, including collecting a list of candidates nominated by shareholders, to be approved by the Board of Directors and/or Shareholders' Meeting as the case may be.
5. To consider and propose qualified directors to be a member of a Committee when there is a vacancy.

#### **b) Remuneration**

1. To determine the procedures and criteria for fair and reasonable compensation for directors and Committee members.
  2. To recommend remuneration for directors and Committee members, including remuneration of the Nomination and Remuneration Committee members, to the Board of Directors and/or Shareholders' Meeting, as the case may be.
  3. To implement a process for assessing the performance of the Board of Directors and Committees, including proposing their Performance Evaluation Form.
- c) To perform other duties relevant to the Nomination and Remuneration Committee as may be assigned by the Board.

### **Governing Board of Bumrungrad International Hospital, Bangkok**

The Governing Board of Bumrungrad International Hospital, Bangkok as at 31 December 2016, comprises the following:

- |     |                |                    |                       |
|-----|----------------|--------------------|-----------------------|
| 1.  | Dr. Visuit     | Vivekaphirat, MD   | Chairman              |
| 2.  | Dr. Num        | Tanthuwanit, MD    | Secretary, Ex officio |
| 3.  | Dr. Chanvit    | Tanphiphat, MD     | Member                |
| 4.  | Dr. Somsak     | Chaovitsaree, MD   | Member                |
| 5.  | Dr. Oradee     | Chandavas, MD      | Member                |
| 6.  | Dr. Roekchai   | Tulyapronchote, MD | Member                |
| 7.  | Dr. Rujapong   | Sukhabote, MD      | Member                |
| 8.  | Dr. Sira       | Sooparb, MD        | Member                |
| 9.  | Dr. Winyou     | Ratanachai, MD     | Member                |
| 10. | Ms. Sophavadee | Uttamobol          | Member                |
| 11. | Dr. Sinn       | Anuras, MD *       | Ex officio            |

12.	Mrs. Artirat	Charukitpipat	Ex officio
13.	Ms. Jiraporn	Lekdumrongsak	Ex officio
14.	Ms. Oraphan	Buamuang	Ex officio
15.	Ms. Varanya	Seupsuk	Ex officio
16.	Dr. Sasithorn	Rungbanapan	Ex officio

\* Dr.Sinn Anuras, MD ceased to be member of the Governing Board of Bumrungrad International Hospital on and from 1 January 2017.

### **Term of the Governing Board**

The Governing Board has a term of two years. Members of the Governing Board may be re-elected upon expiration of the term.

### **Duties and Responsibilities of the Governing Board**

The Governing Board has the objective to recommend and implement the Hospital Policy, promote patient safety and performance improvement, provide quality patient care and provide for organizational management and planning of the hospital. The Governing Board has the scope of duties and responsibilities in accordance with Governing Board Bylaws Rules and Regulations of Bumrungrad International Hospital, Bangkok as follows:

1. To organize physicians and other practitioners granted clinical privileges at the hospital into a medical staff under Professional Staff Bylaws, Rules and Regulations approved by the Governing Board.
2. To appoint and reappoint Medical Staff members and assign clinical privileges in accordance with Professional Staff Bylaws, Rules and Regulations.
3. To establish and amend, together with the Medical Staff, and approve Professional Staff Bylaws, Rules and Regulations which set forth its organization and governance.
4. To assign to the Medical Staff reasonable authority to ensure appropriate professional care to hospital patients, including to direct that all reasonable and necessary steps be taken by the Medical Staff and hospital administration for meeting JCI and HA accreditation standards and complying with applicable laws and regulations.

### **Investment Committee**

The Company's Investment Committee as at 31 December 2016 comprises the following:

1.	Mr. Chai	Sophonpanich	Chairman of the Investment Committee
2.	Mrs. Linda	Lisahapanya	Member of the Investment Committee
3.	Mr. Chong	Toh	Member of the Investment Committee
4.	Dr. Suvarn	Valaisathien	Member of the Investment Committee

### **Term of the Investment Committee**

The Investment Committee has a term of three years. Members of the Investment Committee may be re-elected upon expiration of the term.

### **Duties and Responsibilities of the Investment Committee**

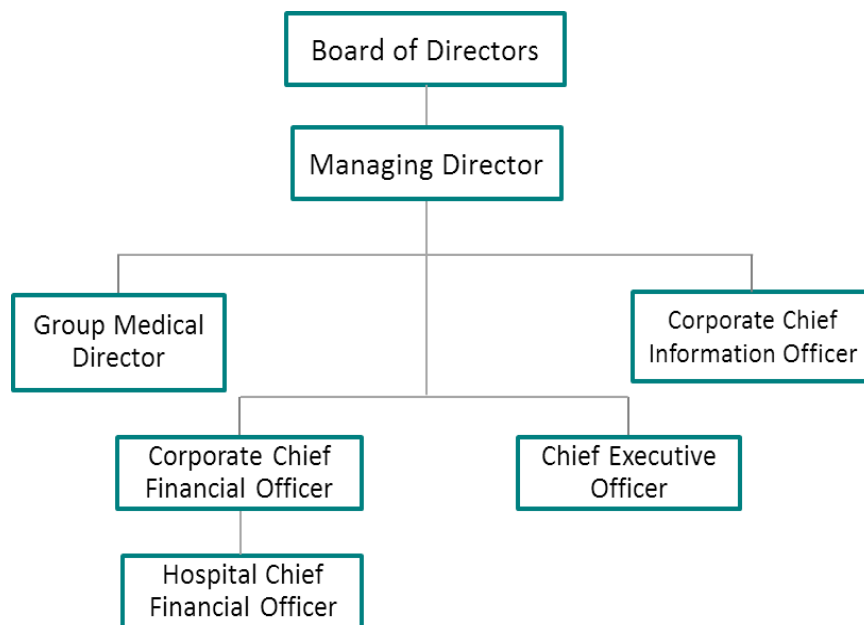
The duties and responsibilities of the Investment Committee, in accordance with Investment Committee's Charter, are as follows:

1. To consider investment opportunities, their appropriateness and feasibilities, and investment structure of each investment project. Investment projects include the Company's annual capital expenditure, expansion and renovation of the Bangkok hospital facilities, investment and / or joint-venture, by the Company, subsidiary or affiliate, in new project, business or company both within Thailand and abroad.



2. To consider financial status of the Company in order to evaluate the Company's investment capacity.
3. To recommend investment projects which have been considered by the Investment Committee to the Board of Directors for approval.
4. To monitor result of an investment made by the Company in terms of its performance and to consider any action necessary to minimize the Company's risks from investment.
5. To perform other duties relevant to the Investment Committee as may be assigned by the Board of Directors.

### Organization Chart



The Company's Management as at 31 December 2016 consists of the following:

1.	Mrs. Linda	Lisahapanya	Managing Director
2.	Dr. Sinn	Anuras, MD*	Group Medical Director
3.	Mr. Dickon	Smart-Gill	Corporate Chief Information Officer
4.	Mr. Kenneth	Love	Corporate Chief Financial Officer
5.	Dr. Num	Tanthuwanit, MD	Hospital Chief Executive Officer
6.	Ms. Oraphan	Buamuang**	Hospital Chief Financial Officer*

\* Dr. Sinn Anuras, MD ceased to be Company's management on and from 1 January 2017.

\*\* Ms. Oraphan Buamuang has been appointed on 1 May 2016.

### 8.2 Election of Directors and Management

The Nomination and Remuneration Committee has the responsibility to select and nominate candidates to replace directors and members of committees whose terms have expired or for any other reasons, including to consider candidates proposed by shareholders, and to propose to the Board of Directors to approve or to recommend to shareholders' meetings of such appointment. The Nomination and Remuneration Committee is responsible for considering qualifications of candidates, taking into account their knowledge, abilities, experience which will be beneficial to the Company,

their leadership skills, visions, ethical values, and their independence in making professional decisions and for ensuring that the candidates possess the qualifications as stipulated in the Board of Directors' Charter.

The process for electing directors in a shareholders' meeting is in accordance with the following rules and principles:

1. Each shareholder has one vote for one share.
2. The election of directors may be either by voting for each individual director, or by voting for a group of directors, whichever way the shareholders' meeting deems appropriate. For each resolution, each shareholder must exercise all of his/her votes for one individual director or for one group of directors. Votes by each shareholder may not be split between any directors or any groups of directors.
3. The election passes with the majority of the votes. If the number of votes is equal, the chairperson of the meeting has the final vote.

The process for selection of independent directors is the same as that of directors and management.

**Qualifications of independent directors are as follows:**

1. Holds shares not more than one percent of total shares with voting right of the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person, inclusive of the shares held by related persons of such independent director.
2. Is not an executive director, employee, staff, advisor with salary, or controlling person of the Company, the Company's parent company, subsidiary company, associate company, subsidiary company of the same level, major shareholder or controlling person (at present and two years prior to the appointment).
3. Is not related, whether by blood or legal registration as father, mother, spouse, sibling and child, including spouse of children, with the management, major shareholder, controlling person or those who will be nominated as management or controlling person of the Company or subsidiary.
4. Does not have business relationship with the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person, in the manner which may interfere with his independent judgment, and neither is a significant shareholder or controlling person of any person having a business relationship with the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person (at present and two years prior to the appointment), with details as per rules and regulations of the Securities and Exchange Commission, Thailand.
5. Is not an auditor of the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person, and is not a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person (at present and two years prior to the appointment).
6. Is not a provider of any professional services including as legal advisor or financial advisor who receives service fees exceeding Baht two million per year from the Company, the Company's parent company, subsidiary company, associate company, major shareholder or controlling person, and is not a significant shareholder, controlling person or partner of the provider of professional services (at present and two years prior to the appointment).
7. Is not a director appointed as a representative of the Company's director, major shareholder, or shareholder who is related to major shareholder.
8. Does not undertake any business in the same nature and in competition to the business of the Company or the Company's subsidiary company, or is not a significant partner in a partnership nor an executive director, employee, staff, advisor with salary or holding shares exceeding one percent of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition to the business of the Company or its subsidiary company.

9. Does not possess any other characteristics that deter the ability to express independent opinions with regards to the Company's business operations.

### 8.3 Company Secretary

Board of Directors has appointed Mr. Banphot Kingkittilert as Company Secretary on 12 May 2011. Detailed qualification of the Company Secretary is showed in the Attachment 1.

### 8.4 Remuneration of Directors, Committees and Management

#### Directors' Remuneration and Committees' Remuneration

Remuneration of Directors, the Audit Committee and the Nomination and Remuneration Committee for the year ended 31 December 2016 for 11 directors are as follows:

Name	Board of Directors					Audit Committee		Nomination and Remuneration Committee		Total Remuneration
	Number of Meetings	Annual Remeration	Special Remeration	Meeting Remeration	Total	Number of Meetings	Meeting Remeration	Number of Meetings	Meeting Remeration	
1 Mr. Chai Sophonpanich	4/4	1,400,000	700,000	200,000	2,300,000					2,300,000
2 Dr. Chanvit Tanphiphat, MD	3/4	1,040,000	520,000	120,000	1,680,000			1/1	30,000	1,710,000
3 Mrs. Linda Lisahapanya	4/4	900,000	450,000	120,000	1,470,000					1,470,000
4 Dr. Num Tanthuanit, MD	4/4	900,000	450,000	120,000	1,470,000					1,470,000
5 Mr. Chong Toh	3/4	900,000	450,000	90,000	1,440,000			1/1	30,000	1,470,000
6 Dr. Sinn Anuras, MD*	4/4	900,000	450,000	120,000	1,470,000					1,470,000
7 Dr. Suvann Valaisathien	4/4	900,000	450,000	120,000	1,470,000					1,470,000
8 Ms. Sophavadee Uttamobol	4/4	900,000	450,000	120,000	1,470,000	4/4	200,000			1,670,000
9 Mr. Soradis Vinyaratn	4/4	900,000	450,000	120,000	1,470,000	4/4	120,000			1,590,000
10 Mr. Prin Chirathivat	3/4	900,000	450,000	90,000	1,440,000	3/4	90,000			1,530,000
11 Mrs. Aruni Kettratad	4/4	900,000	450,000	120,000	1,470,000			1/1	50,000	1,520,000
Total Remuneration		10,540,000	5,270,000	1,340,000	17,150,000		410,000		110,000	17,670,000

\* Dr Sinn Anuras, MD ceased to be director of the Company on and from 1 January 2017.

In 2016, the Investment Committee held 2 meetings. Total remuneration of Baht 0.34 million was paid to the members of the Investment Committee.

In 2016, the Governing Board held 4 meetings. Total remuneration of Baht 0.54 million was paid to the members of the Governing Board.

Directors' remuneration represents the benefits paid to the Company's directors exclusive of salaries and related benefits payable to the management. The above remunerations have been approved by the shareholders.

#### Management's Remuneration

In 2016, the total remuneration of 10 executive positions of the Company and its subsidiaries amounted to Baht 118.1 million. The Company and its subsidiaries had employee benefit expense payable to their directors and management as follows:

Short-term employee benefits	Baht	112.608 million
Post-employment benefits	Baht	5.465 million
Other long-term employee benefits	Baht	<u>0.003</u> million
Total	Baht	<u>118.076</u> million

### Other Benefits

- none -

### 8.5 Personnel

As at 31 December 2016, the Company has total 4,225 staffs, and can be divided as follows:

Nursing	1,932
Hospital operations	802
Support staff	1,491

Details of the Company's total personnel compensation are as follows:

Salaries	Baht	1,682,813,293.70
Bonus	Baht	196,881,759.38
Provident Fund	Baht	71,936,289.29
Long-term Employee Benefits	Baht	86,735,132.50
Other Benefits	Baht	1,055,189,661.76
Total	Baht	<u>3,093,556,136.63</u>

The Company understands the importance of its human resources and has a policy to develop its human resources in order to improve their skills and capabilities through the individual development plan (IDP), as well as through both external and internal training programs. The programs offer varieties of subjects, including various professional fields, safety, health-related and environmental issues, information technology, English language and management. The training programs can be divided as follows:

1. New employees' orientation: every new employee must attend an orientation for department / division / unit and must receive on-the-job training.
2. Mandatory training: training program on subjects which every employee must know and participate.
3. Division / unit training: training program to improve specific skills and expertise for each department/ division/ unit. This includes both internal and external training.
4. Managerial training: for managers to be able to manage his/ her department / division effectively.

In addition, the Company has the policy to grant scholarships to employees for the nurse aid certificate programs, bachelor of nursing, and master degrees in various majors.

## **9. Corporate Governance**

The Company realizes the importance of good corporate governance, and is committed to follow the Principles of Good Governance Guidelines in order to manage its business with transparency, to build confidence for all stakeholders and to compete efficiently at the international level. The Company therefore would like to report the following:

### **The Rights of Shareholders**

The Company acknowledges the importance of all shareholders' rights, including major and minority shareholders. Shareholders' rights include basic rights as investors and as owners of the Company, such as rights to buy, sell, transfer their shares; rights to receive dividends from the Company; rights in shareholders' meetings; rights to receive comprehensive, sufficient and timely news and information through easily accessible channels; rights to express their opinions; rights to participate in making decisions on important issues, such as election of directors, approval of important transactions that affect the direction of the business and operation of the Company, amendment of memorandum of association and articles of association of the Company.

In 2016, the Company has implemented the following to encourage and facilitate the exercise of shareholders' rights in the annual general meeting of shareholders:

1. The Company gives shareholders the right to propose important and appropriate issues for incorporation as an agenda in the Company's annual general meeting of shareholders and to nominate candidates with appropriate knowledge, abilities and qualifications to be considered for the position of the Company's director in advance before the annual general meeting of shareholders. Shareholders can find details of the criteria and guidelines on the Company's website.
2. The Company sends invitation letters to shareholders in advance to inform them of the meeting agendas which include opinion of the Board of Directors on each agenda item, together with supporting documents and information sufficient to facilitate shareholders in making their decisions. In addition, the invitation letter package includes details of required documents in order to protect shareholders' rights to attend the shareholders' meeting, together with their rights to vote. Moreover, the invitation letter to the shareholders' meeting is disclosed on the Company's website. For annual general meeting of shareholders, the invitation letter is posted on the website 30 days prior to the meeting date.
3. For those shareholders who are unable to attend the meeting, they have the right to authorize a person or an independent director as their proxy to attend the meeting and vote on their behalf, using one of the proxy forms sent with the invitation letter. Moreover, shareholders can download the proxy form from the Company's website.
4. The Company implements the barcode system for registration and the voting process, including the use of voting cards. This helps accelerate and ensure the accuracy of the registration and vote counting process. In addition, shareholders are able to register after the meeting has started to exercise their rights to vote on agendas that have not been voted. Upon completion of the meeting, shareholders are able to verify the details.
5. Before going into each agenda, the Chairman of the Board of Directors, who acts as chairman of the meeting, assigns the Company Secretary to inform the meeting of the voting process for each agenda. During the meeting, the chairman of the meeting gives all shareholders the opportunity to comment, ask questions or give opinions and suggestions on any agenda item. The Chairman and management see the importance of every question and give precise and clear answers.
6. The Company Secretary records minutes of the shareholders' meetings which are correct and complete, with details on voting results of each agenda. In addition, the minutes are sent to the Stock Exchange of Thailand and posted on the Company's website within 14 days after the meeting date, so that shareholders are promptly informed and are able to verify.

### **The Equitable Treatment of Shareholders**

The Company is strongly committed to equitable treatment of every shareholder, whether they are major or minority shareholders, institutional investors or foreign shareholders, and has created various mechanisms, such as:

1. The Company provides a channel for minority shareholders to propose issues deemed important and appropriate to include in the agenda of the Company's annual general meeting of shareholders and to nominate candidates with appropriate knowledge, abilities and qualifications to be considered for the position of the Company's director. The announcement has been made through the Stock Exchange of Thailand and the Company's website. Independent directors will consider and propose the matter to the Board of Directors to be included in the meeting agenda as appropriate.
2. For shareholders who are unable to attend the shareholders' meeting, the Company provides proxy forms which allow shareholders to specify their vote on each agenda. The proxy forms, which are in accordance with the format provided by the Ministry of Commerce, are sent with the invitation letter. As an alternative for shareholders, the Company also proposes one independent director as the proxy.
3. The shareholders' meetings proceed according to the order of the agenda, without adding new and uninformed agenda, in order to give the opportunity to shareholders to study the information on the given agenda before making decision. Moreover, there are no changes to the important information in the shareholders' meeting.
4. The Company sees the importance of the consideration on transactions which may have conflict of interest or may be connected or related transactions, and abides by good corporate governance principles, including rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand. For these transactions, directors, management and those who are related persons do not participate in the consideration to approve such transactions.
5. The Company provides oversight and control to prevent improper use of inside information. The Company has the policy regarding management using internal information for personal benefits as follows:
  1. According to Company's rules and regulations, directors are required to inform the Company immediately in the event that they may have any interests in any agreements being entered into by the Company, or that there is an increase or decrease in their holding of shares or bonds of the Company or subsidiaries.
  2. Directors and management must prepare and disclose securities holding report to the Securities Exchange Commission and to the Company within the required time.

Penalties for violation include the following:

1. Verbal warning for corrective action
2. Report to shareholders' meeting for consideration
3. Compensation for any damages
4. Disclosure to Securities and Exchange Commission and the Stock Exchange of Thailand

In addition, directors and management of the Company must report the purchase or sale of the Company's securities to the Securities and Exchange Commission and the Company within three business days.

### **The Role of Stakeholders**

The Company recognizes its responsibilities towards each stakeholder, for sustainable mutual benefits which will lead to stability of the business operations. The Company intends to interact with each party fairly. The important stakeholders of the Company are as follows:

**Shareholders:** In addition to the basic rights, rights in accordance with the laws and the Company's articles of association, such as rights to check number of shares, rights to receive share certificates, rights to attend and vote in shareholders' meetings, rights to express opinions independently at

shareholders' meetings, and rights to receive fair returns, the Company also provides equal and timely information to all shareholders, and gives all shareholders the right to suggest and express their opinions independently on the Company's business and operations in shareholders' meetings, as the Company's owners.

**Customers / Patients:** The Company provides patient care in an ethical manner, and at the best possible quality, taking into consideration patient safety, patients' satisfaction and efficiency in providing its services. The hospital's Medical Ethics Committee protects patients' rights. In addition, the Company has a department to take customer complaints and to monitor and continuously improve the quality of the care provided to all patients, taking into consideration patients' needs and suggestions. In addition, the Company has engaged a third-party consultant to measure the hospital's customer engagement level, in order to continuously improve the hospital's services for patients and to maintain patients' long-term relationships with the hospital.

**Employees:** The Company believes that its employees are valuable resources and therefore gives all employees equal opportunity in their employment. The Company has the policy to provide employees with appropriate compensation and appoints a welfare committee to oversee the well-being and safety of its employees. The Company also provides an individual development plan (IDP) for each employee, as well as continuous education and regular training programs to develop and reinforce employees' knowledge, abilities and skills in all areas including operations, management and technical expertise, in order for employees to fulfill their jobs more effectively.

Furthermore, the Company holds Town Hall Meetings to provide opportunities for employees to voice their opinions or complain directly to management, implements an Innovation Program where employees are able to propose suggestions to improve work process and services, and has an employee recognition program to increase employees' morale. The Company believes that work efficiency is a result of employees' loyalty to the Company, and is therefore committed to continuously build and assess the employees' engagement with the Company, in order to improve its human resources management.

**Suppliers / Contractors:** The Company has a purchasing policy that is fair to all parties concerned. In addition, the Company abides by the terms and conditions of agreements and contracts with all suppliers and contractors and ensures timely payment to all suppliers and contractors.

**Creditors:** The Company is committed to giving information with accuracy and transparency to creditors, abides by loan agreements and loan covenants, and ensures timely payments. The Company believes that good relationships with creditors, including building credibility and trust, are a responsibility of the Company towards its creditors.

**Competitors:** The Company competes with competitors within the rules and regulations, and treats competitors fairly and with integrity. The Company focuses on competition in the area of quality and efficiency of service for the best benefit of customers and patients.

**Community:** The Company has established the Corporate Social Responsibility (CSR) Committee to oversee and guide the Company's activities undertaken to ensure the Company meets its social responsibilities in all its activities and also collaborate with Bumrungrad Hospital Foundation on the main charity projects. The Company's CSR emphasizes on 2 directions which are health promotion and health education. Details of company's CSR activities are available in CSR section.

### **Disclosure and Transparency**

The Company realizes the importance of disclosing information which is significant for shareholders and investors in making their decisions. The Company has a policy to disclose information which is transparent, complete, reliable and timely, through various channels which are easily accessible, in order for shareholders and investors to conveniently obtain the disclosures. The Company also ensures it abides by the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand.

Information disclosed to the public includes both financial and non-financial information, such as financial statements, management discussions and analysis, the report of the accountability of the Board of Directors to the Company's financial reports, the report of the Audit Committee, connected

transactions, structure, duties and responsibilities of the Board of Directors and committees, including statistics on meeting attendance, and corporate governance reports.

The Company has many channels to communicate with shareholders and investors. These include those stipulated by rules and regulations, such as the 56-1 filing form, annual reports, the website of the Stock Exchange of Thailand, and other communication channels, such as the Company's website in the Investor Relations section, which are consistently updated, in both Thai and English, quarterly analyst meetings (four times in 2016), roadshows and investor conferences (4 times overseas, including USA, Singapore and Hong Kong) and investor meetings and conference calls (64 times in 2016). In addition, the Company holds press conferences to update important events of the Company, in order to disseminate information to the public.

Furthermore, the Company has Company Secretary and Investor Relations Department to facilitate interested investors and shareholders. Information can be requested by phone at 02-667-2508, by e-mail at [ir@bumrungrad.com](mailto:ir@bumrungrad.com), or through the Company's website, <http://investor.bumrungrad.com>

## **Responsibilities of the Board of Directors**

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

The Board of Directors is comprised of qualified directors with extensive experience in various fields. Every director participates in setting the Company's vision, mission, strategies, goals, business plans and budgets. The Board of Directors also ensures that the plans are carried out efficiently and effectively by the management, to ensure the maximization of the Company's value and stability to shareholders. The Board of Directors meets quarterly to review the management's report on the Company's operations. Details of duties and responsibilities of the Board of Directors can be found in section 8.1, Management Structure.

As at 31 December 2016, there are 11 directors, as follows:

1. Non-executive directors: Four non-executive directors, which are Mr. Chai Sophonpanich, Dr. Chanvit Tanphiphat, MD, Mr. Chong Toh, and Dr. Suvarn Valaisathien
2. Executive directors: Three executive directors, including Mrs. Linda Lisahapanya, Dr. Sinn Anuras\*, MD., and Dr. Num Tanthuanit, MD.
3. Independent directors: Four independent directors who possess the qualifications as stipulated by the Securities and Exchange Commission, comprising Ms. Sophavadee Uttamobol, Mr. Soradis Vinyaratn, Mr. Prin Chirathivat and Mrs. Aruni Kettratad

At present, the four independent directors account for 36% of total Board of Directors and more than one-third of the Board of Directors, and will be in accordance with the Securities and Exchange Act (No. 4) B.E. 2551.

\* Dr Sinn Anuras, MD ceased to be executive director on and from 1 January 2017.

**Segregation of Duties:** The Company clearly separates duties and responsibilities of the Board of Directors and management. The Board of Directors is responsible for endorsing strategies and supervising management's operations at the policy level, whereas management is responsible for managing the business as per such strategies. Therefore, the Chairman of the Board of Directors is not the same person as the Managing Director.

The Chairman of the Board is not an executive director and is not involved in managing the Company. Management is assigned the responsibility of implementing the business plan and strategies, and controlling expenses and investments as approved in the budget by the Board of Directors.

### **Directorship Positions in other Listed Companies:**

The Company realizes the value of experience that directors receive from being directors in other companies. The Company therefore has the policy that directors may hold board positions in not more than eight companies listed on the Stock Exchange of Thailand, in order for the directors to be able to allocate sufficient time for each company. With regards to the management, other than board positions at the Company's subsidiaries and affiliated companies, the Managing Director and the



Company's management are allowed to hold director and/or independent director positions in not more than three other companies. In addition, such positions must be approved by the Board of Directors.

**Company Secretary:** The Board of Directors appointed Mr. Banphot Kittikinglert as the Company Secretary to be responsible for administering the Board of Directors' meetings and shareholders' meetings, for preparing minutes of such meetings and annual reports, and for safekeeping documents as required by rules and regulations. In addition, the Company Secretary is responsible for advising the Board of Directors and management regarding rules and regulations related to listed companies and corporate governance policies.

## Committees

The Board of Directors has set up committees to assist with specific tasks and to propose assigned issues to the Board of Directors for consideration or acknowledgement. Details of committee members and their duties and responsibilities are listed in section 8.1, Management Structure. The Company has four committees as follows:

1. Audit Committee is responsible for reviewing the financial reports, internal control system, internal audit system, and risk management system, and for selecting and coordinating with the Company's auditor. The Audit Committee consists of three independent directors. In 2016, the Audit Committee held 4 meetings and reported their meeting results to the Board of Directors. Details of attendance of Audit Committee members are in section 8.4, Remuneration of Directors, Committees and Management.
2. Nomination and Remuneration Committee is responsible for selecting and proposing candidates for the positions of director and committee member to Board of Directors for approval, and for setting appropriate compensation. The Nomination and Remuneration Committee consists of one independent director, who is the chairman of the Nomination and Remuneration Committee, and two non-executive directors. In 2016, the Nomination and Remuneration Committee held 1 meeting and reported their meeting results to the Board of Directors. Details of attendance of Nomination and Remuneration Committee members are in section 8.4, Remuneration of Directors, Committees and Management.
3. Governing Board of Bumrungrad International Hospital, Bangkok is responsible for implementing the Hospital Policy, promoting patient safety and performance improvement, and providing quality patient care. The Governing Board consists of two directors, eight management, and six physicians. In 2016, the Governing Board held 4 meetings.
4. Investment Committee is responsible for considering investment projects before proposing to the Board of Directors for approval. The Investment Committee consists of three non-executive directors and two executive directors. In 2016, the Investment Committee held 2 meetings.

## Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors has responsibilities towards all shareholders, both major and minority shareholders, in ensuring that the Company conducts its business and implements corporate governance practices in accordance with its objectives and policies for the highest benefit of shareholders, with care and integrity, under business ethical values, taking into account the interests of all stakeholders and under laws and the articles of association of the Company. The duties and responsibilities of the Board of Directors are in section 8.1, Management Structure.

## Internal control and internal audit systems:

The Company has given importance to internal control and internal audit systems by establishing an internal audit unit, with the primary objective to support and develop effective internal control of the organization, in order to minimize operational risks, and to ensure quality of the work process and operations. Emphasis is on effectiveness and efficiency, appropriateness of expenses and costs, and operations which are in accordance with the policy and/or requirements of the management.

To ensure the independence of the internal audit unit and the balance of power, the internal audit unit reports directly to the Audit Committee.

**Conflict of interest:** To prevent any problems related to conflicts of interest, the Board of Directors considers transactions which may have conflicts of interest or which may be related parties transactions with caution, fairness and transparency, and strictly follows the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, with pricing and other conditions on an arms-length basis. Details of the transactions, including amount, contracting party, and reasons for entering into the transactions are disclosed in financial statements, the annual reports, and the 56-1 filing.

### **Board of Directors' Meetings**

It is the duty of every director to attend Board of Directors' meetings regularly, in order to acknowledge and make decisions relating to the operations of the Company. The Board of Directors holds four regular meetings every year (held quarterly), of which the schedule is set in advance for the entire year, and holds extraordinary meetings as necessary to consider matters which are important and urgent. In 2016, there were 4 Board of Directors' meetings. Details of the meeting attendance of each director are in the table in section 8.4, Remuneration of Directors, Committees and Management.

For each meeting, agenda are clearly set in advance by the Chairman of the Board together with the Managing Director. Moreover, each director is given opportunities to propose issues as agendas. The Company Secretary prepares and distributes invitation letters, agendas, and other supporting documents to the Board of Directors at least seven days in advance in order to allow directors sufficient time to research and study the information prior to the meeting.

Normally, each meeting lasts two hours. For the consideration of each agenda, the Chairman of the meeting allocates sufficient time for management to present adequate details on the agenda and for directors to discuss the matter carefully, and gives directors the opportunity to express their opinions in the meeting independently. The majority vote is the passing resolution for each agenda, where one director has one vote. In case any director has a personal conflict of interest, such director will leave the meeting and/or does not vote on that particular matter. If the voting result is equal, the Chairman of the meeting casts the deciding vote. In addition, senior managements are invited to attend Board of Directors' meetings to provide useful and important information, and to directly obtain business strategies from the Board of Directors to be implemented in the Company's operations.

Upon completion of each meeting, the Company Secretary is responsible for documenting and distributing minutes for adoption at the next Board of Directors' meeting. Directors are able to comment, amend and make additions so that the minutes are as accurate as possible. The Company Secretary keeps the adopted minutes, which are signed by the Chairman of the Board of Directors, both in the form of hard copies and electronic files, along with supporting documents available for directors' and relevant persons' verification and reference.

### **Remuneration of the Board of Directors and Management**

The Company provides appropriate remuneration for the Board of Directors and management. The remuneration of the Board of Directors in the form of annual remuneration and meeting remuneration has been approved by shareholders' meetings. Consideration of directors' remuneration takes into account that of other comparable listed companies in the same industry. Committee members only receive remuneration in the form of meeting remuneration.

Management's remuneration is in the form of salaries and bonuses, taking into consideration the responsibilities and performance of each person and performance of the Company.

Details of 2016 remuneration of each individual director, which has been approved by the shareholders' meeting, and the sum of management's remuneration, are disclosed in section 8.4, Remuneration of Directors, Committees and Management.

### Development Programs for Directors and Management

The Company has a director's manual which summarizes related laws, rules and regulations, so that directors are informed of their roles, responsibilities and guidelines for the position as a director. For newly appointed directors, the Company informs them of information which is important for fulfilling the duties of the Company's directors, which includes the Company's background information, business strategy and director's manual.

Moreover, the Company supports development programs for directors and management in various forms, such as training and seminars organized by the Thai Institute of Directors (IOD), the Stock Exchange of Thailand, and the Securities and Exchange Commission.

A majority of the Board of Directors, 9 directors, have passed IOD training courses, as follows:

	Chairman Program	Director Certification Program (DCP)	Director Accreditation Program (DAP)	Audit Committee Program (ACP)	Role of the Compensation Committee (RCC)	Role of the Nomination and Governance Committee (RNG)
Mr. Chai Sophonpanich	/	/				
Mrs. Linda Lisahapanya		/				
Dr. Num Tanthuwatit, MD			/			
Mr. Chong Toh			/			
Ms. Sophavadee Uttamobol	/		/	/		
Mr. Soradis Vinyaratn			/			
Mr. Prin Chirathivat	/	/	/	/		
Dr. Suvarn Valaisathien			/			
Mrs. Aruni Kettratad			/		/	/

For more detail of the Company's information, please refer to the Annual Report of the Company at [www.set.or.th](http://www.set.or.th) or company's website at <http://investor.bumrungrad.com>

## **10. Corporate Social Responsibilities**

We place a high priority on our commitment to serve those who are less fortunate. Through social responsibility programs such as the Bumrungrad Foundation and Rak Jai Thai (Healing Hearts), and the Mobile Clinic, Bumrungrad strives to be worthy of the trust our community has placed in our leadership. Here is a short sample of some of the ways Bumrungrad continues to deliver on this goal.

### **Health Promotion Campaigns**

Founded in 2003, the "Rak Jai Thai" or "Healing Hearts" program is a joint collaboration between Bumrungrad Hospital Foundation and Bumrungrad Hospital Plc. The project aims to provide surgical treatment to impoverished children suffering from congenital heart disease or heart valve disease. In recent years, the average price of heart surgery has been around 650,000 baht per person, making this treatment out of reach for many children who need it. Through the Rak Jai Thai program, more than 750 children have received life-saving heart surgery since its launch in 2003.

#### **1. Mobile Medical Units**

Doctors and dentists from Bumrungrad's medical volunteer team joined forces with Chai Sophonpanich, Chairman of Bangkok Insurance Plc., to launch a mobile medical unit that provides free health and dental checkup as well as treatment to around 1,000 villagers each year in the provinces of Sakhon Nakhon and Mukdahan. Bumrungrad Hospital Foundation also coordinates a handicraft training program for villagers in Nong Khong, Mukdahan. This program helps families in the local community generate additional income for their use, further strengthening their quality of life.

- Bumrungrad's team of medical volunteers launched a mobile medical unit offering free services at Ban Huay Hin School in Tambon Wangyao, Amphoe Dahn Chang, and Suphanburi province.
- The Eye Center at Bumrungrad Hospital has organized a medical unit to provide free eye screenings to pupils at Makut Kiriwan School for the Blind in Kao Yai.
- The mobile medical team was also dispatched to Sanam Laung to attend the funeral rites for His Majesty King Bhumibol Adulyadej. The project, named "Volunteer Medics Pay Tribute to His Majesty", was organized by the Medical Council of the Good Medical Governance Foundation and The Good Governance for Medical Executives Course 1-5.
- In 2001, Thomson Fund and Bumrungrad Hospital Foundation established the Thomson Fund Mobile Clinic. In the years since its founding, the clinic has worked daily to offer free checkups and medical treatment to underserved communities in 40 neighborhoods throughout Bangkok

and its environs. In 2016, the mobile clinic provided free checkups and treatment to a total of 22,231 patients, as well as donating 6,091 bags of rice to local communities.

### **Health Awareness Campaigns**

As part of its social contract, Bumrungrad Hospital aims to educate the public on key health issues and raise awareness of individual and public health. Throughout the year, Bumrungrad Hospital organizes events and activities such as exhibitions and seminars to help raise awareness of health issues among the public. Volunteers from Bumrungrad visit schools to lecture students on healthy living, and also produce publications such as *Better Health* magazine, that aim to raise awareness of health issues among the community.

### **Other Public Projects**

- In collaboration with the Blood Service Center of the Thai Red Cross Society, Bumrungrad organizes a blood drive four times a year with customers and staff.
- With the support of volunteers from Bangkok Insurance Plc. and Bangkok Life Insurance Plc., Bumrungrad Hospital also coordinates the B3 Project: a collection of annual social work and environmental conservation activities. This year, Bumrungrad organized a local development project aimed at raising the standards of living for students and teachers at the Ban Na Isan Border Patrol Police School in Chachoeng Sao province.
- Bumrungrad Hospital, along with Bumrungrad Hospital Foundation also launched a special project for distributing CDs in remembrance of His Majesty King Bhumibol Adulyadej. The project, known as "His Presence in the Thai Soul" offered free double disc collections featuring musical compositions of His Majesty King Bhumibol Adulyadej and special songs for our beloved King. Some of these CDs were also distributed to royal funeral attendees at Dusit Maha Prasat Throne Hall after royal merit-making rites and during ceremonies for paying homage to King Bhumibol's remains, as per the request of the Bureau of the Royal Household.
- In 2016, Bumrungrad Hospital was awarded for Excellence in Corporate Social Responsibility by a Thai Company for its longstanding Rak Jai Thai project, which is now set to expand to neighboring countries. The prize, which has now been awarded to Bumrungrad for four consecutive years, was presented by the American Chamber of Commerce in Thailand (AMCHAM), in recognition of Bumrungrad's demonstrated commitment to public service.
- Her Royal Highness Princess Soamsawali presided over the ceremony to present plaques to outstanding supporters of The Foundation for the Welfare of the Mentally Challenged Children of Thailand at the Emerald Hotel. Bumrungrad Hospital was the only hospital to attend the

event, where it received an award for its longstanding support of the foundation and those who live with developmental disabilities.

### **Social Work Associations**

- Founding Committee of the CSR Club, Thai Listed Companies Association (TLA)
- Thai Environmental and Community Development Association

Through innovative and timely programs, Bumrungrad renews its commitment to serving the community by finding ways to alleviate some of the challenges that affect our society. Together with the help of our doctors and organizations that see the inherent value of lending a helping hand, we will continue to be a part of positive change for the benefit of our future generations.

For more detail of the Company's information, please refer to the Annual report of the Company at [www.set.or.th](http://www.set.or.th) or company's website at <http://investor.bumrungrad.com>

## **11. INTERNAL CONTROL AND RISKS MANAGEMENT**

Bumrungrad Hospital Public Company Limited continuously values the internal control system, the internal audit system, and the risk management system. As a result, the Board of Directors has governed and assigned the Audit Committee to review and ensure appropriateness and effectiveness of the Company's systems, with realizing that the good systems can help mitigate business risks and operational risks to the acceptable level, and help detect existing deficiencies in a timely manner. In addition, they can help the Company to generate accurate and reliable financial reports, and help the Company's operations to achieve its defined goals.

### **Part 1: Control Environment**

The Company set its vision, mission, and operating policy, with the emphasis on integrity and ethics by declaration of intent in view of establishing Thailand's Private Sector Collective Action Coalition against Corruption, and clearly defined both short-term and long-term business goals. It has also rewarded employees based on their performance on achieving those goals. In addition, the Company has the organizational structure and work procedures that help tighten its operations and prevent unauthorized asset use. Furthermore, the Company's executives continuously develop and improve the quality of management; resulting in recognitions by several third-party organizations, especially as the Asia's first hospital accredited by the US-based Joint Commission International (JCI) in 2002 and re-accredited in 2005, 2008, 2011 and 2014, and as evidenced by the Best Practice Workplace Award for Labor Relations and Labor Welfare in 'the Large Enterprise without Federation of Labor Union' category received from the Thailand's Ministry of Labor in 2009 - 2014. Based upon the aforementioned characteristics, it is deemed that the Company has a good organizational structure and environment, which is an essential foundation for an effective internal control system.

### **Part 2: Risk Assessment**

The Company regularly assesses business risk factors, taking into account economic and political circumstances, competition, labor market, and natural disaster, which are external factors. It also assesses internal factors, especially risk factors concerning medical services, which may lead to legal disputes that may have a significant impact to the Company. In addition, the Company has determined the risk management approach for the possible flooding by assigning the Management to prepare the Business Continuity Plan, and has established the Hospital Administrative Policy on Safety and Environment Risk Assessment. Consequently, it is deemed that the Company has the effective risk management process that can mitigate business risks to the acceptable level.

### **Part 3: Control Activities**

The Company has established transaction approval authority and limits based on the nature and amount of transaction. In case of connected transactions or potential conflict of interest transactions, the Audit Committee has a duty to review the necessity and rationale of those transactions, which must be approved by the Management, the Board of Directors, or the Shareholders as the case may be. The person with conflict of interest is not allowed to vote in these transactions. Moreover, the Company regularly monitors subsidiaries' and affiliates' operations by delegating the Company's directors or management to take a position of directors in those subsidiaries or affiliates. In 2016, the Company entered into all such transactions with related persons or parties in compliance with the principles, procedures, and conditions stipulated in laws and regulations, under the good corporate governance policy, on an arm's length basis, and for its own highest benefits.

### **Part 4: Information and Communication**

The Company has performed financial reporting in accordance with the accounting policy as deemed appropriate for its nature of business, and with the Generally Accepted Accounting Principles (GAAP). In addition, the Company has implemented the International Financial Reporting Standards (IFRS), which was effective in the year 2011, by preparing data and information systems to be ready for those standards. The Company has also engaged a consulting firm to give advice and provide training sessions for all relevant executives and employees. Moreover, the Company has provided necessary and sufficient information for the Board of Directors to make a decision.

## Part 5: Monitoring Activities

The Company set up the Corporate Internal Audit Division, directly reporting to the Audit Committee to ensure its independence, Head of which has duties and qualifications as shown in the Appendix 3 with the audit objectives to assure that:

- Operations in various processes are efficient and effective enough to achieve the Company's objectives;
- The financial reporting process has adequate and proper controls to make financial data reliable;
- The management control process is effective enough to govern adherence to laws and regulations, and the Company's policies and procedures appropriately;
- The internal controls over work processes pertaining to patients' safety are effective and adequate.

In addition, the Company delegated the internal auditors to investigate immediately in the case of suspected frauds, practices that violated the laws, and other irregular actions, which may affect the reputation and financial position of the company significantly, and assigned responsible persons to determine ways to develop and improve work systems according to the internal auditors' recommendations, and the independent auditor's recommendations in the Management Letter.



## 12. Related Party Transactions

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
Bangkok Insurance PCL. (BKI)	Common director and one of the major shareholders of the Company, holding 14.62% of the total issued shares as at 31 December 2016 (the same as at 31 December 2015)	<u>Borrowing of Money</u> - The Company issued and offered 100,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011 Series 1 Due A.D. 2016 with the par value of Baht 1,000 each and interest rate of 4.13% and 100,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011 Series 2 Due A.D. 2018 with the par value of Baht 1,000 each and interest rate of 4.59% to BKI.	100.0	200.0	The price per unit including interest rate of debentures offered to BKI was the same price that the Company offers to other third-party subscribers.	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.
		<u>Revenues</u> - Revenues from hospital services received from BKI.	13.1	14.3	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
		<u>Expenses</u> - Insurance fees which the Company paid to BKI	29.0	33.7	BKI was the insurance provider which the Company has always used. In addition, the insurance premium that the Company paid to BKI was at the rate which BKI offers to its customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		<u>Interest Payment</u> - Interest payment for 100,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011, Series 1 Due A.D. 2016 with the par value of Baht 1,000 each and interest rate of 4.13% and 100,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011, Series 2 Due A.D. 2018 with the par value of Baht 1,000 each and interest rate of 4.59%	8.6	8.7	The Interest rate was fixed by the terms and conditions of the Debenture which is 4.13 and 4.59% per annual.	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
Bangkok Life Assurance PCL. (BLA)	Common director	<u>Borrowing of Money</u> - The Company issued and offered 755,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011 Series 3 Due A.D. 2021 with the par value of Baht 1,000 each and interest rate of 4.97%.	755.0	755.0	The price per unit including interest rate of debentures offered to BLA was the same price that the Company offers to other third-party subscribers.	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.
		<u>Revenues</u> - Revenues from hospital services received from BLA.	18.7	13.3	It was the Company's normal course of Business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		<u>Expenses</u> - Insurance fees which the Company paid to BLA	1.3	1.2	BLA was the insurance provider which the Company has always used. In addition, the insurance premium that the Company paid to BLA was at the rate which BLA offers to its customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		<u>Interest Payment</u> - Interest payment for 755,000 units of the Debentures of Bumrungrad Hospital Public Company Limited No.1/2011 Series 3 Due A.D. 2021 with the par value of Baht 1,000 each	37.6	37.5	The Interest rate was fixed by the terms and conditions of the Debenture which is 4.97% per annual	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
Bangkok Bank PCL. (BBL)	Common executive	<u>Bank Deposits</u> - Fixed Deposits over 3 months	1,509.0	2,302.0	The Interest rates are at market rates	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		<u>Convertible bonds</u> - Partly secured convertible bonds, with a maturity of 12 years	300.0	300.0	A coupon rate of 2.5% for years 1-4, 5% for years 5-8, and 10% for years 9-12, payable semi-annually, which to extend the tenure for additional 5 years maturing on 23 August 2017 and another 10 years maturing on 23 August 2027	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.
		<u>Convertible bonds</u> - Partly secured convertible bonds, with a maturity of 12 years	250.0	250.0	A coupon rate of 1.0% per annum, payable semi-annually, which to extend the tenure for additional 5 years maturing on 23 August 2017 and another 10 years maturing on 23 August 2027	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.
		<u>Revenues</u> - Revenues from hospital services received from BBL	36.3	30.3	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		- Rental income of area of BBL branch at Bumrungrad Hospital	2.5	2.4	Charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
		- Interest income on bank deposits	26.3	46.9	The Interest rates are at market rates	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		<u>Expenses</u> - Bank credit cards commission fees paid to BBL	125.0	120.9	BBL was the credit card service provider which the Company has always used. The Company invested in various infrastructures to maximize the benefits from efficient use of credit card payment system. The fees paid to BBL are at the market rate.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
		- Interest on convertible bonds paid to BBL	32.5	32.5	The Company paid interest on Baht 550 million principal of convertible bonds. Interest rates are in accordance with debt restructuring agreement.	The Audit Committee has the opinion that the transaction was reasonable and it was approved by the Board of Directors and the Shareholders.
Thai Consultant Ltd.	Common executive	<u>Expenses</u> - Consulting fees on legal paid to Thai Consultant Ltd.	3.8	2.4	The Company paid hourly fixed expenses at the normal rate which Thai Consultant Ltd. charges to its customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.
Bumrungrad International Limited (BIL)	Associated company, in which the Company, as at 31 December 2016, owned	<u>Revenues</u> - Consulting fee income received from BIL	0.15	0.05	The Company charges the fees in relation to the actual cost of the resources used.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business of the Company.

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Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
	31.5% of the total shares (the same as at 31 December 2015) and has common directors	<u>Interest Payment</u> - Interest paid on long-term loan of 176.4 million baht.	2.4	2.5	The loans carry interest at the 1-year fixed deposit rate of one of local commercial banks, and are due at call	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
The Bumrungrad Hospital Foundation (BHF)	Common directors	<u>Revenues</u> - Revenues from hospital services received from BHF	53.4	29.2	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
		- Other revenue from resources used	1.0	0.8	The Company charges the expenses in relation to the actual cost of the resources used.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
		<u>Expenses</u> - Donation	32.4	24.0	The Company paid the donation expenses according to the policy approved by the Board of Directors.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business and it was approved by the Board of Directors.

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Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
AA Talent Recruitment Co., Ltd.	Common director	<u>Expenses</u> - Service Fee for personnel recruitment services	1.2	2.0	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
Bangkok Dusit Medical Services PCL. (BDMS)	BDMS was one of the major shareholders of the Company, holding 23.95% of the total issued shares as at 31 December 2016 (the same as at 31 December 2015)	<u>Expenses</u> - Radio pharmaceuticals	11.4	11.9	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
A.N.B. Laboratories (Amnuay pharmacy) Co., Ltd. (ANB)	An indirect subsidiary of the major shareholder, Bangkok Dusit Medical Services PCL. (BDMS)	<u>Expenses</u> - Medicine	0.9	0.9	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.
National Healthcare Systems Co., Ltd. (NHS)	A subsidiary of the major shareholder, Bangkok Dusit Medical Services PCL. (BDMS)	<u>Expenses</u> - Laboratory Services	13.1	5.8	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.

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Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2016	For the year ended 2015		
Samitivej PCL.	A subsidiary of the major shareholder, Bangkok Dusit Medical Services PCL (BDMS)	<u>Expenses</u> - Laboratory Services	-	3.8	It was the Company's normal course of business, charging at normal price and benefits as customers in general.	The Audit Committee has the opinion that the transaction was reasonable and was conducted in a normal course of business.