

## 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 2019:

##### Registered Capital

	Number of Shares	Par Value	Registered Capital (Baht)
Ordinary shares	921,491,820	1.00	921,491,820
Preferred shares	1,210,865	1.00	1,210,865
<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	728,841,357	1.00	728,841,357
Preferred shares	1,210,865	1.00	1,210,865
<b>Total</b>	<b>730,052,222</b>		<b>730,052,222</b>

##### Preferred Shares

As at 31 December 2019, the Company had issued and paid-up preferred shares of 1,210,865 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 2019, the Company has two tranches of convertible bonds at 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 specific investors with restriction on	Not required as the bonds were issued to specific investors with restriction on

Name	BH Convertible Bonds Series #1 Due 2027	BH Convertible Bonds Series #2 Due 2027
	transfer of the bonds of maximum of 10 bondholders at any time	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 2019 are as follows:

Shareholder	Number of shares*	Shareholding** (%)
1. Bangkok Dusit Medical Services PCL	182,513,006	24.99
2. Bangkok Insurance PCL	106,760,417	14.62
3. Thai NVDR Co., Ltd.	64,088,586	8.78
4. UOB Kay Hian (Hong Kong) Limited - Client Account	61,509,565	8.43
5. The Sophonpanich Co., Ltd.	26,138,875	3.58
6. Social Security Office	20,834,700	2.85
7. South East Asia UK (Type C) Nominees Limited	13,424,101	1.84
8. GIC Private Limited	12,917,549	1.77
9. State Street Europe Limited	11,699,324	1.60
10. Sinsuptawee Asset Management Co., Ltd.	11,381,614	1.56
<b>Total</b>	<b>511,267,737</b>	<b>70.03</b>

\* Number of shares includes preferred shares.

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

Among the Company's top ten major shareholders list 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*	retired	retired	"A+"

\* The last update for credit rating was on October 2019.

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.
- 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.

On 26 February 2020, the Board of Directors approved, subject to shareholders' approval in the shareholders' meeting to be held on 28 April 2020, a dividend payment for the operation periods from 1 January 2019 to 31 December 2019 to preferred and ordinary shareholders at the rate of Baht 3.20 per share, totaling Baht 2,336 million, which is a 62% pay-out ratio. The Company already paid an interim dividend of Baht 1.15 per share, totaling Baht 840 million, on 5 September 2019. The remaining dividend payment of Baht 2.05 per share, amounting to Baht 1,497 million, will be paid on 8 May 2020, after receiving shareholders' approval.

For the operation period from 1 January 2018 to 31 December 2018, the Company paid dividend of Baht 2.90 per share, totaling Baht 2,117 million, or a 51% pay-out ratio.

## **8. MANAGEMENT**

### **8.1 Management Structure**

The Company has four committees, which are the Company's Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, and the Investment Committee. Details of each committee are as follows:

#### **Board of Directors**

The Company's Board of Directors as at 31 December 2019 comprises the following:

1.	Mr. Chai	Sophonpanich	Chairman of the Board Chairman of the Investment Committee
2.	Dr. Chanvit	Tanphiphat, M.D.	Vice Chairman of the Board Member of the Nomination and Remuneration Committee
3.	Dr. Suvarn	Valaisathien	Vice Chairman of the Board
4.	Mrs. Linda	Lisahapanya	Managing Director Member of the Investment Committee
5.	Ms. Sophavadee	Uttamobol	Independent Director Chairperson of the Audit Committee
6.	Mr. Soradis	Vinyaratn	Independent Director Member of the Audit Committee
7.	Mr. Prin	Chirathivat	Independent Director Member of the Audit Committee
8.	Mrs. Aruni	Kettratad	Independent Director Chairperson of the Nomination and Remuneration Committee
9.	Mr. Chong	Toh	Director Member of Investment Committee and Nomination and Remuneration Committee
10.	Mr. Bernard	Charnwut Chan	Director

Ms. Pantip Chirakarnjanakorn, Company Secretary, is the secretary to the Board of Directors.

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

Any two authorized directors, except Mr. Chong Toh, jointly sign with the Company's seal affixed.

#### **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 shareholder 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; and
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 2019 comprises the following:

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

Ms. Rangsim Thongdee, Director of Corporate Internal Audit, is secretary to the Audit Committee.

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

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

The term of service of 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 granted authorities to the Audit Committee to fulfil its duties and responsibilities as follows:

1. to review the financial reports of the Company to ensure accuracy and sufficiency;
2. to review the Company's internal control system, internal audit system, and risk management system to ensure appropriateness and effectiveness by approving the annual internal audit plan and its changes, considering the audit results, including considering the independence of the

- internal audit function, giving consent to the appointment, rotation or termination of Head of corporate internal audit unit or another function responsible for internal auditing;
3. to review the Company's compliance with the laws governing securities and exchange, including rules and regulations prescribed by the Stock Exchange of Thailand and other laws related to the conduct of the Company's business;
  4. to consider, select and propose the appointment of an independent party as the Company's external auditor, to propose the audit fees, and to meet with the external auditor without the presence of management at least once a year;
  5. to consider related party transactions or transactions which may have conflict of interest, to be in accordance with the Stock Exchange of Thailand rules and regulations, to ensure that such transactions are reasonable and are for the best benefits of the Company;
  6. to prepare the report of the Audit Committee to be disclosed in the Company's annual report including opinion on the accuracy, sufficiency and credibility of the Company's financial statements, internal control system and compliance with the laws governing securities and exchange and rules and regulations prescribed by the Stock Exchange of Thailand and other laws related to the conduct of the Company's business;
  7. to report to the Board of Directors for rectification within the period of time that the Audit Committee sees fit if it is found or suspected that there is a transaction or an act which may materially affect the Company's financial conditions and operating results;
  8. to perform other duties as assigned by the Board of Directors and with consent from the Audit Committee;
  9. to have unrestricted access to management, employees and relevant information; and
  10. to conduct special investigations where required.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee as at 31 December 2019 comprises the following:

- |    |             |                 |             |
|----|-------------|-----------------|-------------|
| 1. | Mrs. Aruni  | Kettratad       | Chairperson |
| 2. | Dr. Chanvit | Tanhiphat, M.D. | Member      |
| 3. | Mr. Chong   | Toh             | Member      |

Ms. Pantip Chirakarnjanakorn, Company Secretary, is the secretary to 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:

1. Nomination
  - a. to consider the appropriate size, composition and term of the Board of Directors;
  - b. 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;
  - c. to formulate and review qualifications of directors and members of the Committees;
  - d. 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; and

- e. to consider and propose qualified directors to be a member of a Committee when there is a vacancy.
2. Remuneration
  - a. to determine the procedures and criteria for fair and reasonable compensation for directors and Committee members;
  - b. 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; and
  - c. to implement a process for assessing the performance of the Board of Directors and Committee Members, including proposing their Performance Evaluation Form.
3. to perform other duties relevant to the Nomination and Remuneration Committee as may be assigned by the Board of Directors.

### **Investment Committee**

The Company's Investment Committee as at 31 December 2019 comprises the following:

- |    |            |              |          |
|----|------------|--------------|----------|
| 1. | Mr. Chai   | Sophonpanich | Chairman |
| 2. | Mrs. Linda | Lisahapanya  | Member   |
| 3. | Mr. Chong  | Toh          | Member   |

Ms. Pantip Chirakarnjanakorn, Company Secretary, is the secretary to 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; and
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 2019 consists of the following:

- |    |              |               |                                  |
|----|--------------|---------------|----------------------------------|
| 1. | Mrs. Linda   | Lisahapanya   | Managing Director                |
| 2. | Mr. Aniello  | Sorrentino    | Chief Global Strategist          |
| 3. | Mrs. Artirat | Charukitpipat | Hospital Chief Executive Officer |
| 4. | Ms. Oraphan  | Buamuang      | Hospital Chief Financial Officer |

### Management's authority to approve the capital expenditure

The Managing Director is the highest-ranking corporate executive of management authorized by the Board of Directors to approve all budgeted capital expenditures or projects up to Baht 40 million per capital expenditure or project.



## **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; and
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 director are as follows:**

1. He/she holds not more than one percent of the total shares with voting right of the Company, the parent company, the subsidiaries, the associated companies, the major shareholders or the controlling persons of the Company, inclusive of the shares held by the related persons of such independent director;
2. He/she is not, nor used to be an executive director, employee, staff, advisor with regular salary, or the controlling person of the Company, the parent company, the subsidiaries, the associated companies, the subsidiaries in the same tier, the major shareholders or the controlling person of the Company (unless the same has ceased two years prior to the appointment), except the independent director who used to be a government officer or a consultant of the government sector which is a major shareholder or the controlling person of the Company;
3. He/she is not related, whether by blood or legal registration, as father, mother, spouse, sibling and child, including spouse of children, with the other directors, executives, major shareholders, controlling persons, or those who will be nominated as a director, an executive, or controlling person of the Company or subsidiaries;
4. He/she does not have business relationship with the Company, the parent company, the subsidiaries, the associated companies, the major shareholders or the controlling person of the Company, in the manner which may interfere with his/her independent judgment, and neither is or used to be a significant shareholder or controlling person of any person having a business relationship with the Company, the parent company, the subsidiaries, the associated companies, the major shareholders or the controlling persons of the Company (unless the same has ceased two years prior to the appointment), according to the rules and regulations of the Securities and Exchange Commission;
5. He/she is not, nor used to be an auditor of the Company, the parent company, the subsidiaries, the associated companies, the major shareholders or the controlling persons of the Company, and is not a significant shareholder, a controlling person, or a partner of an audit firm which employs the auditors of the Company, the parent company, the subsidiaries, the associated company, the major shareholders or the controlling persons of the Company (unless the same has ceased two years prior to the appointment).

6. He/she 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 parent company, the subsidiaries, the associated companies, the major shareholders or the controlling persons of the Company, and is not a significant shareholder, controlling person or partner of the provider of professional services (unless the same has ceased two years prior to the appointment);
7. He/she is not a director appointed as a representative of the Company's director, major shareholders, or shareholder who is related to major shareholders;
8. He/she does not undertake any business in the same nature and in competition to the business of the Company, or its subsidiaries, is not a significant partner in a partnership, nor an executive director, employee, staff, advisor with regular salary, or holds shares exceeding one percent of the total voting shares of companies which undertakes business in the same nature and in competition to the business of the Company or its subsidiaries; and
9. He/she does not possess any other characteristics that deter the ability to express independent opinions with regards to the Company's operations.

### 8.3 Remuneration of Directors, Committee Members and Management

#### Directors' Remuneration and Committee Members' Remuneration

Remuneration of Directors, members of the Audit Committee, and the Nomination and Remuneration Committee for the year ended on 31 December 2019 for 10 existing directors is as follows:

Name	Board of Directors				Audit Committee		Nomination and Remuneration Committee		Total Remuneration
	Number of Meetings	Total Annual Remuneration	Meeting Remuneration	Total	Number of Meetings	Meeting Remuneration	Number of Meetings	Meeting Remuneration	
1 Mr. Chai Sophonpanich	4/4	1,900,000	200,000	2,100,000					2,100,000
2 Dr. Chanvit Tanphiphat, M.D.	2/4	1,700,000	80,000	1,780,000			2/2	60,000	1,840,000
3 Dr. Suvarn Valaisathien	4/4	1,700,000	160,000	1,860,000					1,860,000
4 Mrs. Linda Lisahapanya	4/4	1,500,000	120,000	1,620,000					1,620,000
5 Ms. Sophavadee Uttamobol	4/4	1,500,000	120,000	1,620,000	5/5	250,000			1,870,000
6 Mr. Soradis Vinyaratn	4/4	1,500,000	120,000	1,620,000	5/5	150,000			1,770,000
7 Mr. Prin Chirathivat	3/4	1,500,000	120,000	1,620,000	5/5	150,000			1,770,000
8 Mrs. Aruni Kettratad	4/4	1,500,000	120,000	1,620,000			2/2	100,000	1,720,000
9 Mr. Chong Toh	3/4	1,500,000	90,000	1,590,000			2/2	60,000	1,650,000
10 Mr. Bernard Chanwut Chan	3/4	1,500,000	90,000	1,590,000					1,590,000
Total Remuneration		15,800,000	1,220,000	17,020,000		550,000		220,000	17,790,000

In 2019, the Investment Committee held 3 meetings. Total remuneration of Baht 0.33 million was paid to the members of the Investment Committee.

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

#### Management's Remuneration

In 2019, the total remuneration of 13 management positions of the Company and its subsidiaries amounted to Baht 144.907 million. The Company and its subsidiaries had employee benefit expense payable to their directors and management as follows:

Short-term employee benefits	Baht	130.902	million
Long-term employee benefits	Baht	0.006	million
Termination benefits	Baht	<u>13.999</u>	million
Total	Baht	<u>144.907</u>	million

## Other Benefits

- none -

## Personnel

As at 31 December 2019, the Company has a total of 4,088 staff, and can be divided as follows:

Nursing	1,816
Hospital operations	692
Support staff	1,580

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

Salaries	Baht	1,766.74	million
Bonus	Baht	259.87	million
Provident Fund	Baht	70.20	million
Long-term Employee Benefits	Baht	260.10	million
Other Benefits	Baht	<u>874.61</u>	million
Total	Baht	<u>3,231.52</u>	million

## Summary of Leaves of the Company's Employees in 2019

Total number of employees (person)	Average Days of Leave Per Year			
	Sick Leave [1] (days)	Personal Leave (days)	Annual Leave (days)	Other Types [2] of Leaves (times)
4,088	1.4	0.4	7.1	1.1

## Remarks

1. The sick leave rate resulting from sickness or accident caused by working was 0.001day. No employee was in a severe accident, injured, or sick by working.
2. Other types of leaves include maternity leave, sterilization leave, military leave, and ordination leave.

## **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 domestically and at the international level. The Company therefore would like to report the following:

### **1. The Rights of Shareholders**

The Company understands the importance of all shareholders' rights, both 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, amendments to the Memorandum of Association and Articles of Association of the Company.

In 2018, the Company implemented the following to encourage and facilitate the exercise of shareholders' rights in the annual general meeting of shareholders:

1. The Company provided the opportunity for shareholders to propose issues which are important and appropriate for inclusion as an agenda item in the Company's annual general meeting of shareholders (**AGM**), and in nominating candidates with appropriate knowledge, ability and qualifications as directors of the Company in advance of the AGM. Shareholders can find the criteria and guidelines on the Company's website.
2. The Company sent an invitation letter to the shareholders in advance of the AGM to inform them of the meeting agenda. The letter included comments of serving Directors on the agenda items, together with necessary supporting documents and information for the shareholders to make informed decisions. To protect the shareholders' right to attend and vote at the meeting, detailed information on the documentation required from the shareholders and how to register and vote were also included. The invitation letter was also published on the Company's website 30 days prior to the AGM.
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. Shareholders can also 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 ballots. 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, assigned the Company Secretary to inform the meeting of the voting process for each agenda. During the meeting, the chairman of the meeting gave all shareholders the opportunity to comment, ask questions or give opinions and suggestions on any agenda item. The Chairman and management saw the importance of every question and give precise and clear answers.
6. The Company Secretary recorded minutes of the shareholders' meetings which are correct and complete, with details on voting results of each agenda. In addition, the minutes were 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 able to verify the same.

## **2. 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 the opportunity for minority shareholders to propose issues which are important and appropriate for inclusion as an agenda item in the Company's annual general meeting of shareholders and in nominating candidates with appropriate knowledge, ability and qualifications as directors of the Company. The announcement has been made through the website of the Stock Exchange of Thailand and the Company. The independent directors will consider and propose the same to the Board of Directors for incorporating such proposals/nominations as agenda items in the AGM 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 of the independent directors to be authorized by the shareholders as their 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 understands the importance of very carefully considering transactions which may have conflict of interest, or may be considered connected or related transactions, and abides by good corporate governance principles, including the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand. For such transactions, the directors, management and those who are considered related persons do not participate in considering and/or approving the same.
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 and Exchange Commission and to the Company within the required period.

Penalties for violation include the following:

1. Verbal warning for corrective action;
2. Report to shareholders' meeting for consideration;
3. Compensation for any damages; and
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.

## **3. 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 with respect of human rights, emphasizing on the equality and equity without discriminating on the grounds of race, religion, national origin, gender, skin color, age, physical ability, sexual orientation, political opinion, social status, education or other status, as well as respecting the individuality and human dignity in accordance with the internationally proclaimed human rights, such as policies and guidelines on sustainable management of human resource that offer protection of human rights and labor rights based on the UN's "Protect, Respect and Remedy" Framework for Business and Human Rights 2011 and the framework under the OECD Guidelines for Multinational Enterprises.

The Company has complied with the relevant laws on human rights, such as equal employment and treatment of male and female personnel, no use of child labor or force labor, equal employment and treatment of male and female personnel.

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.

#### Company Training Statistics during 2017-2019

Details	2019	2018	2017
Total number of employees	4,088	3,980	3,984
Average training hours per employee per year (hours)	69.4	67.4	62.2

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.

There are also four additional methods by which employees and customers can voice their complaints, namely through a comment box, via an online incident report, via an email to [cfb@bumrungrad.com](mailto:cfb@bumrungrad.com), or the hotline to Lighthouse Services. Lighthouse Services has been engaged by the Company to receive internal and external anonymous reports in multiple languages, on any misconduct, wrongdoing, unethical or inappropriate behavior.

To date, the Company has not had significant labor disputes during the last 3 years.

**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.

There are also three additional methods employees can voice their complaint; through a comment box, via an online incident report, or send an email to [cfb@bumrungrad.com](mailto:cfb@bumrungrad.com)

**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 two directions which are health promotion and health education. Details of company's CSR activities are available in CSR section.

#### **4. 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 (4 times in 2019), roadshows and investor conferences (2 times overseas, including Singapore, Hong Kong and Malaysia) and investor meetings and conference calls (61 times in 2019). 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 02 011-4956, 02 011-4853 and 02 011-5929, by e-mail at [ir@bumrungrad.com](mailto:ir@bumrungrad.com), or through the Company's website ([www.bumrungrad.com](http://www.bumrungrad.com)).

#### **5. 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 of Management Structure.

As at 31 December 2019, there are 10 directors, as follows:

1. Non-executive directors: Five non-executive directors, which are Mr. Chai Sophonpanich, Dr. Chanvit Tanhiphat, M.D., Dr. Suvarn Valaisathien, Mr. Chong Toh, and Mr. Bernard Charnwut Chan.
2. Executive directors: One executive director, including Mrs. Linda Lisahapanya.
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 40% 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 B.E. 2535, amended by Securities and Exchange Act (No. 4) B.E. 2551.

#### **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 of Directors 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 Ms. Pantip Chirakarnjanakorn 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 of 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 2019, the Audit Committee held 5 meetings and reported their meeting results to the Board



of Directors. Details of attendance of Audit Committee members are in Section of Remuneration of Directors, Committee Members, 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 chairperson of the Nomination and Remuneration Committee, and two non-executive directors. In 2019, the Nomination and Remuneration Committee held 2 meetings and reported their meeting results to the Board of Directors. Details of attendance of Nomination and Remuneration Committee members are in Section of Remuneration of Directors, Committee Members and Management.
3. **Investment Committee** is responsible for considering investment projects before proposing to the Board of Directors for approval. The Investment Committee consists of two non-executive directors and one executive director. In 2019, the Investment Committee held 3 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 of Management Structure.

#### **Internal control and internal audit systems:**

The Company has given importance to internal controls 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 may be considered 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 2019, there were 4 Board of Directors' meetings. Details of the meeting attendance of each director are in the table in Section of Remuneration of Directors, Committee Members, 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, agenda items, 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 item, 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 2019 remuneration of each individual director, which has been approved by the shareholders' meeting, and the sum of management's remuneration, are disclosed in Section of Remuneration of Directors, Committee Members 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.

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A majority of the Board of Directors, 8 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	/	/				
Dr. Suvarn Valaisathien			/			
Mrs. Linda Lisahapanya		/				
Mr. Chong Toh			/			
Ms. Sophavadee Uttamobol	/		/	/		
Mr. Soradis Vinyaratn			/			
Mr. Prin Chirathivat	/	/	/	/		
Mrs. Aruni Kettratad			/		/	/

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

## **10. Corporate Social Responsibility**

For over 39 years, 1.1 million patients both from Thailand and over 190 countries all over the world, entrust us with their care each year. In taking care of such a large number of patients of various nationalities and cultures efficiently and effectively, as well as providing them with a good experience, we rely on our staff of over 5,000 people, including management, medical professionals, multi-disciplinary professionals, and supporting staff in all departments. Their values, mission and cooperation makes it possible for Bumrungrad Hospital to deliver the best experience to our patients. We aim for everyone in our organization to feel wholeheartedly responsible and feel involved in the care for all patients.

At the same time, Bumrungrad Hospital has continuously contributed its medical expertise to society in the belief that strong and healthy people in the community will enjoy a higher quality of life.

Throughout 2019, Bumrungrad Hospital continued with its various CSR projects including the following.

### **The “Rak Jai Thai” program for underprivileged children with congenital heart disease**

Each year, approximately 8,000 Thai children are found with congenital heart disease and one in four need surgery. Otherwise, they may die prematurely, suffer from the disease, or have poor health. Most children with congenital heart disease are from poor families or lack the opportunities to seek treatment.

Bumrungrad Hospital Foundation and Bumrungrad Hospital thus initiated the "Rak Jai Thai" program in 2003 with the support of the Cardiac Children Foundation under the patronage of HRH Princess Galyani Vadhana, Princess of Naradhiwas. So far, a total of 804 underprivileged children with congenital heart disease have been treated free of charge through the program from the diagnosis, surgery, recovery in hospital, travel to and from, as well as accommodation for parents or guardians. This is to ensure that even the poorest families are able to get treatment of Bumrungrad standards for their children at no cost at all.

In 2019, the program helped operate 14 of such underprivileged children, truly a collaboration of specialists in congenital heart disease, internists, heart surgeons, NICU staff and other multi-disciplinary professionals to help the underprivileged of the society.

### **“ARSA Bumrungrad” Mobile Clinic in Bangkok**

“ARSA Bumrungrad” Mobile Clinic has provided medical services to underprivileged people in more than 27 communities in Bangkok free of charge since 2001. The clinic’s work schedule is 5 days a week from 8:30-12:00 hrs. This program is supported by Thomson Fund, Bumrungrad Hospital Foundation and Bumrungrad Hospital.

In addition, “ARSA Bumrungrad” Mobile Clinic provides first aid services and emergency ambulance units for social events on a regular basis.

### **Health promotion for Lumpini traffic police Program**

Realizing the importance of preventive health care, Bumrungrad Hospital has been providing an annual health check-up service for traffic police officers of Lumpini Police Station for 15 years now. This mainly involves respiratory function examinations.

In 2019, the program focused on examining Lumpini traffic police who are responsible for road traffic management, and are at high risk of getting respiratory or lung diseases due to long exposure to air pollution. Of a total of 58 police officers receiving the annual check-up, 22 were given the Pulmonary Function Testing or PFT, which helps diagnose, assess the severity of the disease, and monitor the treatment results. Those found with unfavorable values after the PFT will be given further advice or treatment accordingly.

### **Scoliosis Charity project**

Concerned about scoliosis in children, Bumrungrad Spine Institute, with Bumrungrad Hospital Foundation, has started a program to provide robot-assisted surgery for 10-18-year-old children with scoliosis to correct their anatomical structures so they can enjoy a better quality of life. The program was also set up to celebrate Bumrungrad's 40<sup>th</sup> anniversary in 2020. The robot-assisted surgery helps surgeons in precision planning of the pedicle screws in adjusting the spine. The first eligible patient underwent the surgery in October 2019 and the plan is to help a total of 10 patients by 2020 year end. Those patients in the program will be treated at Bumrungrad Hospital at no cost.

### **Mukdahan Villagers' Occupational Promotion Project**

To support handicrafts made by local people in Nikom Kham Soi District and Khamcha-i District, Mukdahan Province, Bumrungrad Hospital ordered plastic woven baskets as part of bathroom amenities provided in patients' rooms. This is a program of cooperation between Bumrungrad Hospital, Bangkok Insurance Foundation, and Bumrungrad Hospital Foundation to help generate income and to promote the occupation for the villagers after the rice farming season. They can now offer even finer and more developed products of better quality, attracting customers and bringing in orders. In this way, Bumrungrad has helped people in these remote villages to secure a way to earn a living and to have a sufficient income. The villagers enjoy a better quality of life while the craftsmanship representing local knowledge is fostered.

### **Wellness Community's Bangkrachao School Kitchen Project**

The "School Kitchen Project" in Bangkrachao area, Tambon Bangnampheung, Phrapadaeng District, Samutprakarn Province, was set up under the concept of Wellness Community, a joint-undertaking by three leading organizations: M.K. Real Estate PCL, Minor International PCL, and the Vitallife Scientific Wellness Center at Bumrungrad Hospital.

The aim is to renovate the kitchen of Wat Bang-nam-phueng Nok School, a small elementary school in Tambon Bang-nam-phueng, Phrapadaeng District, Samut Prakan Province. This is to be a model project to improve the quality of life in the form of safe and nutritious lunch for students. The three partner organizations took part in various activities in the development and improvement of the school kitchen. For example, the infrastructure of the kitchen was improved, cooking tools and equipment of safety standards were provided, and waste disposal sites of hygienic standards were designated. In addition, sessions were arranged for nutritionists to provide information and advice for students, teachers and school cooks regarding nutrition. It was also recommended that garden vegetables be grown on site as safe ingredients. This school kitchen renovation project was completed in May 2019.

### **Bumrungrad Building CSR Design**

The Friendly Design for All Foundation, organizer of the Thailand Friendly Design Expo 2019, resolved to select "Bumrungrad Hospital" as "Place of Friendly Design for All of the Year 2019" in the category "Building with Friendly Design" and "Universal Design" of international standards to support all groups of people in society equally for their safety and convenience regardless of age, gender, and physical conditions. This means the building is safe and convenient for the elderly, the disabled, the sick, as well as those with physical limitations. Among developed countries, the friendly design for all is considered a CSR as it reflects that the organization is concerned about the quality of life and the well-being of staff, clients, and people using the building.

### **Recognition of continuous social contribution**

Another part of Bumrungrad's CSR efforts is that for the seventh consecutive year, in 2019 Bumrungrad has received the AMCHAM CSR Excellence Award – Gold Level by the American Chamber of Commerce in Thailand in recognition of Bumrungrad's continuous commitment in helping society in the form of medical services through programs such as the "Rak Jai Thai" project, providing surgery for children

... Translation ...

with congenital heart disease and the Arsa Bumrungrad mobile clinic, providing services to people both in Bangkok and upcountry.

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

## **11. INTERNAL CONTROL AND RISK 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 good systems can help mitigate business risks and operational risks to an 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, ethics, and anti-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, 2014 and 2017, 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 - 2019. 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 2019, 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 benefit.

### **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. During the year the Company adopted a new financial reporting standard which is applicable to the financial statements for the fiscal year commencing on or after 1 January 2019. Such financial reporting standard is improved so to have content which meets international financial reporting standards. Mostly it clearly explains account performance and provides guidelines for account for users. The adoption of the new standard does not significantly affect the financial statements of the Company.

Moreover, the Company has provided necessary and sufficient information for the Board of Directors to make a decision.

#### **niPart 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 fraud, practices that violate 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 auditor's recommendations, and the independent auditor's recommendations in the Management Letter.

#### **Part 6: Personal Data Protection**

The Company has a policy to protect personal data of patients, counterparties, and related persons, including employees, and appropriate measures for cyber security, system audits and personal data breach alerts. The Company has strictly taken into account the provisions of the Personal Data Protection Act B.E. 2562 which will become effective in May 2020.

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



**12. Related Party Transactions**

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
Bangkok Insurance PCL. (BKI)	BKI was the major shareholder of the Company, with 14.62% shareholding as at 31 December 2019 (the same as at 31 December 2018) and has common director	<u>Revenues</u> - Revenues from hospital services received from BKI	14.0	14.9	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 of the Company.
		<u>Expenses</u> - Insurance fees which the Company and subsidiaries paid to BKI	28.7	29.4	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.

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Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
		<u>Interest Payment</u> - Interest payment for 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% (the debentures Series 2 was entirely redeemed on 20 December 2018.)	-	4.4	The interest rate was fixed by the terms and conditions of the Debenture which is 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.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
Bangkok Life Assurance PCL. (BLA)	Common shareholder	<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%. During the year 2018, BLA sold 300,000 units to unrelated companies and persons.	455.0	455.0	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.	19.3	25.3	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 2019	For the year ended 2018		
		<u>Expenses</u> - Insurance fees which the Company and subsidiaries paid to BLA	1.2	1.1	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 455,000 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	22.6	22.6	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.
Bangkok Bank PCL. (BBL)	Common executive	<u>Bank Deposits</u> - Fixed deposits over 3 months	4,188.6	4,801.3	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.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
		<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 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 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	0.1	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 of the Company.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
		- Rental income of area of BBL branch at Bumrungrad Hospital	2.4	2.9	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.
		- Interest income on bank deposits	63.1	70.8	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> - Credit cards commission fees which the Company and subsidiaries paid to BBL	109.9	131.3	BBL was the credit card service provider which the Company and subsidiaries have always used. The Company and subsidiaries 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.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
		- 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.
Bangkok Capital Asset Management Company Limited. (BCAP)	Common director	<u>Revenues</u> - Revenues from hospital services received from BCAP	0.1	-	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> - Management fees on private fund paid to BCAP	1.0	-	Management fee was fixed by the terms and conditions of the contract which is 0.20% of Net Asset Value per annual.	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 2019	For the year ended 2018		
Thai Consultant Ltd.	Common executive	<u>Expenses</u> - Legal advisory fees which the Company and subsidiaries paid to Thai Consultant Ltd.	12.2	6.6	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)	An associate which is currently on the process of liquidation (the Company had 31.5% shareholding as at 31 December 2018)	<u>Revenues</u> - Consulting fee income on hospital management received from BIL	-	0.2	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.
		<u>Interest Payment</u> - Interest paid on the loan which was fully repaid during 2019.	0.1	2.1	The loan 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 director	<u>Revenues</u> - Revenues from hospital services received from BHF	16.1	28.7	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.



... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
		- Other revenue from resources used	3.0	0.3	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	19.0	36.9	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.
AA Talent Recruitment Co., Ltd.	Common director	<u>Expenses</u> - Service fee for personnel recruitment services	3.8	1.3	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.
Bangkok Dusit Medical Services PCL. (BDMS)	BDMS was the major shareholder of the Company, with 25.00% shareholding as at 31 December 2019 (31 December 2018: 24.88%)	<u>Expenses</u> - Radio pharmaceuticals	14.5	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.

... Translation ...

Related Company	Relationship	Description	Amount (Baht Million)		Pricing Policy	Reason for the Transaction
			For the year ended 2019	For the year ended 2018		
A.N.B. Laboratories (Amnuay pharmacy) Co., Ltd. (ANB)	An indirect subsidiary of a major shareholder (Bangkok Dusit Medical Services PCL. or BDMS)	<u>Expenses</u> - Medicine	0.7	0.7	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)	Subsidiary company of a major shareholder (Bangkok Dusit Medical Services PCL. or BDMS)	<u>Expenses</u> - Laboratory Services	2.1	5.5	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.