

## PART 2 MANAGEMENT AND CORPORATE GOVERNMENT

### 7. Company information and Shareholders

#### 7.1 Registered Capital and Paid up Capital

As of 31<sup>st</sup> December 2013, the Company had total registered capital and paid-up capital of Baht 1,991,763,130 (1,991,763,130 shares with par value of Baht 1.00 per share). The Company listed on the Stock Exchange of Thailand as “KGI”.

#### 7.2 The Company’s shareholders

##### Major Shareholders

RICHPOINT COMPANY LIMITED (100% owned by KGI Securities Company Limited, Taiwan), is the Company’s major shareholder, owning approximately 35% of the Company’s shares as of 31<sup>st</sup> October 2013 (the last registration close book date). The top ten shareholders are as follows:

	List of Shareholders As of 31 October 2013	No. of share	%
1	RICHPOINT COMPANY LIMITED	696,614,400	34.97%
2	Thai NVDR Company Limited	207,774,395	10.43%
3	NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND	52,375,700	2.63%
4	Mr. Songsak Jitjeujun	35,892,000	1.80%
5	CHASE NOMINEES LIMITED 15	19,014,800	0.95%
6	EAST FOURTEEN LIMITED-DIMENSIONAL EMER MKTS VALUE FD	17,704,700	0.89%
7	Mr.Dusit Supaniratsai	15,046,500	0.76%
8	Mr. Kanok Tungjairakkandee	10,331,000	0.52%
9	EAST FOURTEEN LIMITED-EMERGING MARKETS SMALL CAP SERIES	9,781,400	0.49%
10	Mr. Khorkiat Pitchayaarthorn	8,037,500	0.40%
11	Others	919,190,735	46.15%
	Total	1,991,763,130	100.00%

Note \* RICHPOINT COMPANY LIMITED – 100% owned by KGI Securities Company Limited, Taiwan.

KGI Securities Company Limited, Taiwan, is a market leading securities company, providing services in a range of areas including brokerage, proprietary trading, underwriting, fixed income, and a variety of derivatives.

#### 7.3 Other Issue of Securities

No convertible securities or debentures are issued by the company.

#### 7.4 Dividend Policy

##### The Company’s dividend policy pay to shareholders

The Company’s dividend policy is “Any dividend payment will be considered by the Board of Directors and, if approved, be proposed to the shareholders, on a case by case basis, and will take into account prevailing business conditions, outlook, investment opportunities, and other relevant factors.”

The Board of Directors’ meeting of the Company No. 1/2014 held on 27<sup>th</sup> February 2014 approved the payment of a dividend from the 2013 operating results of Baht 0.36 (36 satang) per share (representing a

payout ratio of 99% of net profit). The proposed dividend will be paid on or about 6<sup>th</sup> May 2014 after obtaining approval from the Annual General Shareholders Meeting No. 1/2014.

#### The Subsidiary's dividend policy pay to the Company

For our subsidiary's dividend policy, the subsidiary's board will recommend and propose the appropriate dividend to the subsidiary's shareholders by looking at the profit of the subsidiary company and available investment opportunities.

#### **5-Year Dividend Payment History**

Year	2012	2011	2010	2009	2008
Earning per Share – Separate Financial Statements (Baht/share)	0.23	0.31	0.40	0.12	0.105
Dividend per share (Baht/share)	0.23	0.25	0.33	0.10	0.075
Dividend payout ratio (%)	99%	81%	82%	81%	71%

### **8. Management Structure**

Directors and executives are performing their duties in the best interest of the company and shareholders. The Company has a clearly defined management structure and auditing system. The Board includes 4 Independent Directors, which is one-third of the Company's total number of directors. The Audit Committee is comprised of 3 Independent Directors whose duties and responsibilities comply with the regulations of SET, possess the required knowledge for the position, have experience to review the Company's financial statements, and are able to perform other duties.

#### **8.1 Board of Directors**

As of 31<sup>st</sup> December 2013, the Company's Board of Directors consisted of the following 12 members; in 2013, the Company had 6 Board of Directors' meetings; details of attendance of each director are as follows:

No.	Board Director	Board Position	Total meeting	Attendance Record	Reason
1.	Mr. Foong Hock Meng	Chairman	6	6	-
2.	Dr. Pisit Leeahtam	Vice Chairman (Independent Director)	6	6	-
3.	Dr. Don Bhasavanich	Director (Independent Director)	6	6	-
4.	Mr. Pradit Sawattananond	Director (Independent Director)	6	6	-
5.	Mr. Picharn Kullavanijaya	Director (Independent Director)	6	6 (5 attending in person and 1 attending by phone)	-
6.	Mr. Wei Chang Fang *	Director	6	5	Urgent meeting abroad
7.	Ms. Bee Leng Ooi *	Director	6	6	-
8.	Ms. Suchada Sodthibhaphkul *	Director	6	6	-
9.	Mr. Wisit Wongpaisan	Director	6	5	Father passed away
10.	Mr. Chin-Lung Tseng	Director	6	6	-
11.	Ms. Pi-Lin Huang *	Director	6	6	-
12.	Mr. Yen, Chih-Chien *	Director	6	2	Unable to travel due to accident

Note \* Any two Authorized Directors shall be required to bind the Company

### Directors' position in other sub-committee

Board Director	Board Position	Directors' position in other sub-committee
1. Mr. Foong Hock Meng	Chairman	-
2. Dr. Pisit Leeahtam	Vice Chairman (Independent Director)	• Audit Committee Chairman • Nomination Committee Chairman
3. Dr. Don Bhasavanich	Director (Independent Director)	• Audit Committee
4. Mr. Pradit Sawattananond	Director (Independent Director)	• Audit Committee • Compensation Committee • Nomination Committee • ESOP Committee
5. Mr. Picharn Kullavanijaya	Director (Independent Director)	-
6. Mr. Wei Chang Fang	Director	• Risk Management Committee Chairman • Debt Recovery Committee Chairman • Human Resource Committee Chairman • ESOP Committee Chairman
7. Ms. Bee Leng Ooi	Director	• Nomination Committee • Risk Management Committee • Human Resource Committee • ESOP Committee
8. Ms. Suchada Sodthibhaphkul	Director	• Risk Management Committee • Debt Recovery Committee • Human Resource Committee
9. Mr. Wisit Wongpaisan	Director	• Nomination Committee • Risk Management Committee
10. Mr. Chin-Lung Tseng	Director	• Compensation Committee Chairman
11. Ms. Pi-Lin Huang	Director	-
12. Mr. Yen, Chih-Chien	Director	-

### 8.2 Management

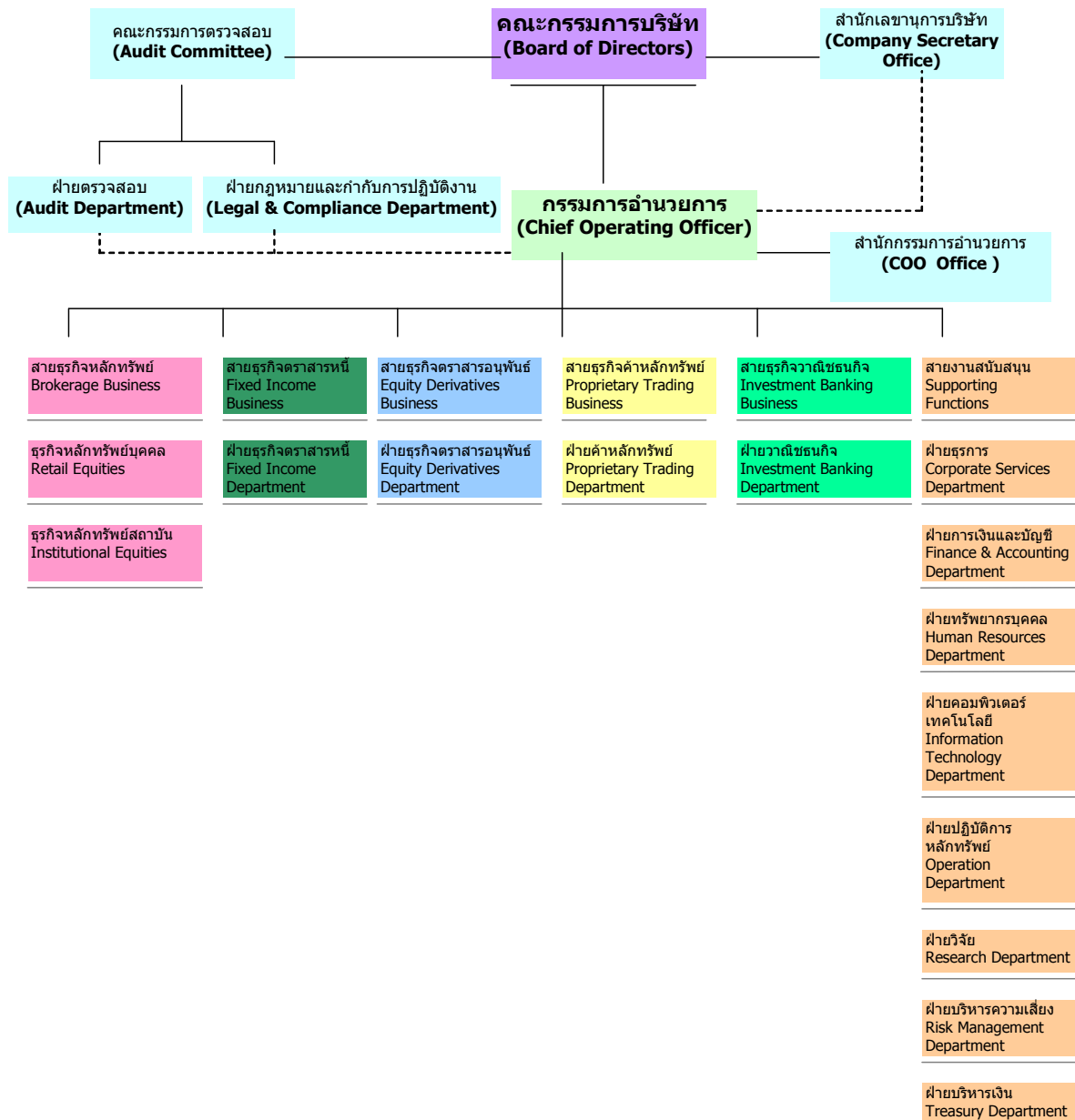
As of 31<sup>st</sup> December 2013, Company's Management (Definition of management in accordance with notification of SEC) consisted of the following 21 members:

No.	Name	Title
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Ms. Bee Leng Ooi	Managing Director
3.	Ms. Suchada Sodthibhaphkul	Managing Director
4.	Mr. Somchai Kanjanapetcharat	Senior Managing Director, Retail Equity Business
5.	Mr. Suthep Rungsiam	Managing Director, Brokerage Business
6.	Ms. Jariya Posayajinda	Managing Director, Proprietary Trading Department
7.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
8.	Mr. Somchai Siripaiboolpong	Executive Vice President, Retail Equity Business
9.	Ms. Songsri Chawengsataporn	Executive Vice President, Retail Equity Business
10.	Ms. Dutsanee Pamontip	Executive Vice President, Retail Equity Business
11.	Ms. Warunlak Aiemmechai	Executive Vice President, Retail Equity Business
12.	Mr. Hua-Feng Chang	Executive Vice President, Retail Equity Business
13.	Mr. Pongsak Komolrit *	Executive Vice President, Institutional Equity Business
14.	Mr. Apichart Tungkiatsilp	Executive Vice President, Fixed Income Department

Note \* Mr. Pongsak Komolrit resigned from the Company effective 1<sup>st</sup> March 2014.

No.	Name	Title
15.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resource Department
16.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
17.	Ms. Patchpon Sankaburanuruk	Executive Vice President, Investment Banking Department
18.	Ms. Acharee Turongsomboon	Executive Vice President, Treasury Department
19.	Mr. Itphong Saengtubtim	Executive Vice President, Research Department
20.	Mrs. Nantararat Surakkhaka	Executive Vice President, COO Office Support Department.
21.	Ms. Nongluk Ningsanond	Executive Vice President, Company Secretary Office.

### Organization Chart



### 8.3 Company Secretary

The Board of Directors' Meeting No.5/2002 dated 6<sup>th</sup> November 2002 approved to appoint Ms. Nongluk Ningsanond, who has Certified Investment and Securities Analyst (CISA III) from Securities Analysis Association and has attended the Company Secretary Program class 5/2004 and the Effective Minutes Taking Program class 10/2008 conducted by Thai Institute of Directors Association. (IOD), as acting Company Secretary. Ms. Nongluk Ningsanond has more than 15 years of experience in the company secretary work and has an understanding of the Company's business. She is appropriate to perform such functions. (see attachment 1 for Details and Responsibilities of Company Secretary)

### 8.4 Compensation of Directors and Managements

The Company's compensation policy for directors and managements is comparable to the industry standard, and takes into account various factors including the experience, roles and responsibilities, and contributions of each person. The compensation of directors requires approval from the shareholders' meeting. The board has delegated the compensation of top management to the Compensation Committee for approval.

#### 8.4.1. Monetary Compensation

##### A) Monetary Compensation for Directors

Directors' compensation consists of 1) Board attendance allowance 2) Monthly allowance 3) Directors' bonus and 4) Audit Committee bonus. In 2013, the Company paid remuneration for 9 non-executive directors of Baht 17.66 million, details are as follow;

Unit: Baht

Director	Position	The Compensation for 2013			Total
		Board	Audit Committee	Travelling and Accommodation	
Mr. Foong Hock Meng	Chairman	3,200,000	-	-	3,200,000
Dr. Pisit Leeahtam	Vice Chairman (Independent Director)	3,580,000	200,000	-	3,780,000
Dr. Don Bhasavanich	Director (Independent Director)	1,160,000	150,000	-	1,310,000
Mr. Pradit Sawattananond	Director (Independent Director)	1,160,000	150,000	-	1,310,000
Mr. Picharn Kullavanijaya	Director (Independent Director)	1,140,000	-	799,071	1,939,071
Mr. Wei Chang Fang	Director	-	-	-	-
Ms. Bee Leng Ooi	Director	-	-	-	-
Ms. Suchada Sodthibhaphkul	Director	-	-	-	-
Mr. Wisit Wongpaisan	Director	3,180,000	-	-	3,180,000
Mr. Chin-Lung Tseng	Director	800,000	-	-	800,000
Ms. Pi-Lin Huang	Director	800,000	-	-	800,000
Mr. Yen, Chih-Chien	Director	1,340,000	-	-	1,340,000
Total		16,360,000	500,000	799,071	17,659,071

##### B) Monetary Compensation of Management

In 2013, the Company paid compensation including salary and bonus to 22 management (includes 1 management who resigned during the year), amounting to Baht 135.22 million.

### 8.4.2 Other Compensation

##### A) Other Compensation of Directors

In 2013, the company paid golf membership, car rental, gasoline, driver, mobile phone, life/accident insurance fee expenses for directors, amounting to Baht 3.06 million.

## B) Other Compensation for Management

### - Provident Fund of Management

The Company has jointly established a provident fund. The Company contributed to the fund monthly at the same rate of 5 percent of basic salary. The funds will be paid to employees upon termination in accordance with the rules of the fund. In 2013, the Company contributed to the fund of 22 management (includes 1 management who resigned during the year), amounting to Baht 3.33 million.

### - Welfare of Management

The Company provides health check-ups every year, having welfare for IPD and OPD medical expenses. For IPD the welfare covers employees' families, spouse and children. In 2013, the Company paid health welfare to 22 management (includes 1 management who resigned during the year), amounting to Baht 0.87 million.

### - Others

In 2013, the company paid golf membership, car rental, gasoline, driver, mobile phone, life/accident insurance fee expenses for 22 management (includes 1 management who resigned during the year), amounting to Baht 13.82 million.

## 8.5 Employees

As of 31<sup>st</sup> December 2013, the Company had a total of 577 employees. Total compensation paid to all employees was Baht 783.92 million, which consisted of salary, overtime payment, cost of living allowance, bonus and provident fund. Furthermore, the Company's subsidiaries also paid same compensation of Baht 111.16 million to its employees.

### Total employees and compensation

Year 2013 (person)	Company	ONEAM <sup>/2</sup>	HOLDCO <sup>/3</sup>	KTHL <sup>/4</sup>
Management <sup>/1</sup>	21	9	-	-
Total Business Unit employee	389	43	-	-
Risk Management Department employee	7	2	-	-
Audit Department Employee	5	5	-	-
Legal & Compliance Department Employee	8		-	-
Other supporting employee	147	51	-	-
<b>Total (person)</b>	<b>577</b>	<b>110</b>	<b>-</b>	<b>-</b>
Number of employee in Head Office (From total employee)	446 (From total 577 persons)	110 (From total 110 persons)	-	-
Total compensation of employee (Baht million)	783.92	111.16	-	-

### Note

/1 The company defines management in accordance with notification of SEC, which rank Executive Vice President and higher

/2 ONEAM: One Asset Management Limited, 99% owned by the Company.

/3 HOLDCO : KGI Securities (Thailand) International Holdings Limited , 100% owned by the Company

/4 KTHL : KGI (Thailand) Holdings Limited, 100% owned by the Company

### Policy on Development of Employees

The Company is aware that employees are the most valuable asset. Therefore, the Company has a policy to enhance the development of its employee as follows:

1. The Company enhances and develops every employee to have good quality, knowledge, and capacity and supports them using their full potential to grow together with the Company.
2. The Company gives employees opportunities to study and develop themselves both locally and abroad.

3. The Company emphasizes developing employees to be efficient and knowledgeable to be more productive and ready for any changes in the future.
4. The Company ensures the budget is appropriate and adequate to develop staff at every level.

In 2013, KGI has organized 28 in-house training courses and supported employees attending more than 100 outside training programs. There were more than 1,700 participants. On average, each employee attended about 27 hours of training sessions per year.

The company encourages employees to compete in sports such as football and badminton with other securities companies. This not only supports healthy employee behavior but also builds good relationships between employees within the Company and other securities companies.

## **9. Good Corporate Governance**

### **9.1 Corporate Governance Policies**

The Company shall abide with Good Corporate Governance so that quality of management is effective, transparent and accessible. The Good CG will enhance confidence and trust from shareholders, investors, stakeholders, and related parties. The Good CG is a tool to increase value and enhance stable growth to the Company.

The Board of Directors Meeting had approved the Good Corporate Governance Policy in writing and has a policy to review the policy and implementation of the policy once a year.

The Company's Good Corporate Governance Policy is presented in 5 categories, as follows:

#### **1) Right of Shareholders**

- The Company shall respect all basic rights of shareholders, for example, share in the profit of the company, buy/sell shares, obtain relevant and adequate information for the meeting, participate and vote in the meeting.
- The Company shall provide all important information related to the shareholders' meeting. The Company will disseminate all information regarding shareholders meetings on the company's web site before sending out the notice of the meetings at the appropriate time.
- The Company shall avoid any actions that could decrease the shareholders' right to attend the shareholders' meeting, for example, the meeting is carried out without switching agenda, adding any agenda, or unexpected significant information thus allowing Shareholders who come after the meeting begins to attend the meeting.

#### **2) Equitable Treatment of Shareholders**

- The Company shall arrange the shareholders' meeting to support the equitable treatment of shareholders. The Company allows shareholders, who cannot attend the meeting, to use proxy forms to send their representative to attend and cast their votes.
- The Company has set up the policy to prevent the misuse of inside information by prohibiting directors, executives, and staffs to use inside information for their own interest.

#### **3) Roles of Stakeholders**

- The Company gives importance to rights and interests of stakeholders, including shareholders, employees, clients, suppliers, creditors, and the society and community. The Company shall ensure that stakeholders' rights will be safeguarded and will comply with related laws and regulations.
- The Company gives opportunities to stakeholders to involve in improving the company performance to ensure the firm's sustainability.

#### **4) Disclosure and transparency**

- The Company shall disclose all the Company's important information correctly, completely, timely, and transparently through easy-to-access channels.



- The Company shall disclose name, background and remuneration of directors. The Company also disclose scope of duties and responsibilities of committees and sub-committees.
- The Board shall ensure that all information presented in the financial reports is correct, in accordance with generally accepted accounting principles and standards, and has been audited by an independent external auditor.
- The Company has set up an Investor Relations Division to be the representative of the Company which can be contacted by institutional investors, retail investors, analysts and governance agencies with fair and equitable treatment.

### 5) Responsibilities of the Board

- The board should clearly separate its roles and responsibilities from those of management and monitor the company's operations to ensure all activities are conducted in accordance with relevant laws and ethical standards.
- The structure of the board should consist of directors with varied qualifications, skills, experience, and expertise that are useful to the company.
- The board of directors should review and approve policies such as the vision and mission of the company, the written good corporate governance policy, code of conducts, internal audit control system and risk management system that all employees can use as practical guidelines for operations.
- The Company has appointed several committees to help the board study various issues as necessary. These committees will enhance the effectiveness of the board's performance.

### 9.2 The sub-committees

The Company structure consisting of the 13 sub-committees, which are

- |                              |   |
|------------------------------|---|
| 1) Board of Director         | 8) Human Resource Committee             |
| 2) Audit Committee           | 9) Disciplinary Committee               |
| 3) Compensation Committee    | 10) Welfare Committee                   |
| 4) Nomination Committee      | 11) Health and Environment Committee    |
| 5) Risk Management Committee | 12) ESOP Committee                      |
| 6) Debt Recovery Committee   | 13) Corporate Governance (CG) Committee |
| 7) Purchasing Committee      |   |

### The Board of Directors

As of 31<sup>st</sup> December 2013, the Board of Directors was composed of 12 Directors as follows:

No.	Board Director	Board Position
1.	Mr. Foong Hock Meng	Chairman
2.	Dr. Pisit Leeahtam	Vice Chairman (Independent Director)
3.	Dr. Don Bhasavanich	Director (Independent Director)
4.	Mr. Pradit Sawattananond	Director (Independent Director)
5.	Mr. Picharn Kullavanijaya	Director (Independent Director)
6.	Mr. Wei Chang Fang	Director
7.	Ms. Bee Leng Ooi	Director
8.	Ms. Suchada Sodthibhapkul	Director
9.	Mr. Wisit Wongpaisan	Director
10.	Mr. Chin-Lung Tseng	Director
11.	Ms. Pi-Lin Huang	Director
12.	Mr. Yen, Chih-Chien	Director



### Responsibility of the Board of Directors

According to the Company's Articles of Association, the Directors shall perform their duties in conformity with laws, and carry on the businesses of the Company in accordance with the laws, the Company's objectives and the Articles of Association. Except in the following cases, the approval from shareholders' meeting is required.

1. A shareholders' resolution is required by law.
2. Connected transaction with a size of more than Baht 20 million or 3% of the net tangible assets (whichever is higher).
3. The acquisition or disposal of assets which the size of transaction exceeds 50% of the relevant criteria.

### The Audit Committee

As of 31<sup>st</sup> December 2013, the Audit Committee was composed of 3 Independent Directors. All of the Independent Directors have attended director training programs of the Thai Institute of Directors Association ("IOD"). All 3 have adequate expertise and experience to review the creditability of financial reports. Ms. Sirima Prapapanich acts as the Secretary of the Audit Committee.

In 2013, the Audit Committee had 5 meetings and details of attendance of each director are as follows

No.	Name	Directorship Training Program	Attendance Record / Total Meeting
1.	Dr. Pisit Leeahtam Chairman of Audit Committee / Independent Director	-DCP 18/2002 from Thai Institute of Directors Association : IOD	5 / 5
2.	Dr. Don Bhasavanich Audit Committee / Independent Director	-DCP 62/2005, ACP 7/2005, FND 8/2004 from Thai Institute of Directors Association : IOD	5 / 5
3.	Mr. Pradit Sawattananond Audit Committee / Independent Director	-DCP 3/2000, ACP 3/2004, QFR 4/2006, MFR 5/2007, MIA 2/2008, MIR 2/2008, RCC 6/2008 from Thai Institute of Directors Association : IOD -CFO 1/2004 from The Institute of Certified Accountants and Auditors of Thailand	5 / 5

### Scope of duties and responsibilities of the Audit Committee

The Audit Committee has the following scope of duties and responsibilities, and reports to the Board of Directors.

- 1 To review the company's financial reporting process to ensure its accuracy and adequacy.
- 2 To review the Company's internal control systems and internal audit systems to ensure that they are suitable and efficient.
- 3 To review the Company's compliance with laws relating to securities and the stock exchange, the SET's regulations, and laws relating to the Company's business.
- 4 To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, and to attend a meeting with the auditor at least once a year at which the Company's management is not present.
- 5 To review any connected transactions, or transactions that may lead to conflicts of interest, to ensure that they are in compliance with the relevant laws and the SEC/SET's regulations, and that they are in the best interests of the Company.

- 6 To review the Company's risk management policies and procedures to ensure that they are suitable and efficient.
- 7 To prepare and to disclose in the Company's annual report, an audit committee report which must be signed by the audit committee's chairman and contain at least the following information:
  - 7.1 an opinion on the accuracy, completeness and creditability of the Company's financial statements,
  - 7.2 an opinion on the adequacy of the Company's internal control systems,
  - 7.3 an opinion on the compliance with the relevant laws relating to securities and the stock exchange, the SET's regulations, and other laws relating to the Company's business,
  - 7.4 an opinion on the suitability of the auditor,
  - 7.5 an opinion on any transactions that may involve conflicts of interests,
  - 7.6 the number of the audit committee meetings, and the attendance at such meetings by each committee member,
  - 7.7 an opinion or overview comment by the audit committee regarding the performance of its duties in accordance with the charter,
  - 7.8 any other transactions which, in the audit committee's opinion, should be disclosed to the Company's shareholders and general investors.
- 8 In the performance of its duties, if it is found or suspected that a transaction or any of the following acts has taken place, which may materially affect the Company's financial condition or operating results, the audit committee shall report it to the Board of directors for rectification within a period of time to be set by the audit committee
  - 8.1 a transaction which causes a conflict of interest,
  - 8.2 any fraud, irregularity, or material defect in an internal control system,
  - 8.3 an infringement of the laws relating to securities or the stock exchange, the SET's regulations, or any other law relating to the Company's business.

If the Board of Directors or management fails to make a rectification within the specified time, any audit committee member may report the transaction or act to SEC or SET.
- 9 If the auditor becomes suspects that a director, manager, or any person responsible for the Company's operations has violated any relevant securities law, they should report the evidence relating to such event to the audit committee for investigation immediately. The audit committee will report the results of its preliminary investigation to the Office of the Securities and Exchange Commission and to the auditor within 30 days. Notification of the suspicious events and procedures for investigating such shall comply with the notification of the Capital Market Supervisory Board.
- 10 To perform any other act as assigned by the Board of Directors and accepted by Audit Committee.

### **Compensation Committee**

As of 31<sup>st</sup> December 2013, the Company's Compensation Committee consisted of 3 members and there were 1 meeting in 2013, details of attendance of each director are as follows:

No.	Name	Position	Attendance Record / Total Meeting
1.	Mr. Chin-Lung Tseng	Compensation Committee Chairman	2/2
2.	Mr. Pradit Sawattananond	Compensation Committee Member / Independent Director	2/2
3.	Ms. Yuan-Chen Chiu	Compensation Committee Member	2/2 (Call conference)

### Scope of duties and responsibilities of the Compensation Committee

1. To consider and approve the compensation of the Company's top management.
2. To set the criteria, components, structure and form of payment of the Directors, to ensure their interests are aligned with those of the shareholders.
3. To recommend the compensation of the Directors to the Board for approval and proposal to a shareholders' meeting for final approval.

### Nomination Committee

As of 31<sup>st</sup> December 2013, the Company's Nomination Committee consisted of 4 members and there was 1 meeting in 2013, details of attendance of each director are as follows:

No.	Name	Position	Attendance Record / Total Meeting
1.	Dr. Pisit Leehtam	Nomination Committee Chairman / Independent Director	1/1
2.	Mr. Pradit Sawattananond	Nomination Committee / Independent Director	1/1
3.	Ms. Bee Leng Ooi	Nomination Committee	1/1
4.	Mr. Wisit Wongpaisan	Nomination Committee	1/1

### Scope of duties and responsibilities of the Nomination Committee

Nomination Committee is responsible for selection of qualified candidates to be directors and top management and proposes to Board's meeting for approval.

### Risk Management Committee

The Risk Management Committee consists of executives from both business units and support units. As of 31<sup>st</sup> December 2013, there are 18 members as follows:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Mr. Wisit Wongpaisan	Director
3.	Ms. Bee Leng Ooi	Managing Director
4.	Ms. Suchada Sodthibhaphkul	Managing Director
5.	Mr. Somchai Kanjanapetcharat	Senior Managing Director, Retail Equity Business
6.	Ms. Jariya Posayajinda	Managing Director, Proprietary Trading Department
7.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
8.	Mr. Pongsak Komolrit*	Executive Vice President, Institutional Equity Business
9.	Mr. Apichart Tungkiatsilp	Executive Vice President, Fixed Income Department
10.	Ms. Patchpon Sankaburanuruk	Executive Vice President, Investment Banking Department
11.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
12.	Ms. Nongluk Ningsanond	Executive Vice President, Company Secretary Office
13.	Ms. Acharee Turongsomboon	Executive Vice President, Treasury Department
14.	Mr. Jenvit Chinkulkitniwat	Senior Vice President, Equity Derivatives Department
15.	Ms. Kanda Prayoonruksa	Senior Vice President, Risk Management Department
16.	Mr. Mark Antony Hodge	Senior Vice President, COO Office
17.	Mr. Thanachai Meechoke	Vice President, Legal & Compliance Department
18.	Mr. Chi-Chih Huang	Assistant Vice President, Information Technology Department

Note \* Mr. Pongsak Komolrit resigned from the Company effective 1<sup>st</sup> March 2014.

### Scope of duties and responsibilities of the Risk Management Committee

1. Implement risk policies and procedures.
2. Approve risk budgeting and risk limits to all Business Units.

3. Approve new product programs, which specify the product characteristic, the risk control, and the work flow.
4. Monitor all risks and exposures within the Company's risk framework.
5. Monitor credit profiles, credit quality, collateral, and counterparty risk for operation.
6. Origination Pricing - assign to Investment Banking sub-committee.
7. Grant credit limits to Business Units.
8. Establish and maintain internal control discipline.
9. Monitor local market risk, liquidity risk and funding.
10. Monitor IT security and operations.
11. Other matters as deemed necessary by the committee.

In the regards that The Company's as the DW issuer, The Company's risk management procedures are described in its regulatory filings for the issue of DWs.

In addition, to avoid violation of Chinese wall or for greater efficiency, the company also established 4 sub-committees under the Risk Management Committee as follows:

**A) Credit Risk Sub-committee for Brokerage Business:** consisted of the following 7 members:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Ms. Suchada Sodthibhaphkul	Managing Director
3.	Mr. Somchai Kanjanapetcharat	Senior Managing Director, Retail Equity Business
4.	Mr. Suthep Rungsiam	Managing Director, Brokerage Business
5.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
6.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Dept.
7.	Ms. Kanda Prayoonruksa	Senior Vice President, Risk Management Department

Scope of duties and responsibilities of Credit Risk Sub-committee for Brokerage Business

1. To approve credit policy; collateral evaluation and management guidelines and others.
2. To approve account opening policy.
3. To list the qualified securities for credit balance and Stock Borrowing and Lending
4. To deliberate on contents of any agreement made with clients or counterparties.

**B) Risk Sub-Committee for Trading Business:** consisted of the following 5 members:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Mr. Wisit Wongpaisan	Director
3.	Ms. Bee Leng Ooi	Managing Director
4.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
5.	Ms. Kanda Prayoonruksa	Senior Vice President, Risk Management Department

#### Scope of duties and responsibilities of Risk Sub-Committee for Trading Business

1. Approve the amendment of policy for Proprietary Trading and holding of financial securities with the inherent credit risk in brokerage and OTC market with counterparties. Also, approve the policy and procedure for related specific business e.g. REPO, SBL is included.
2. Consider and reallocate the temporary limit and market risk budgeting for Proprietary Trading Department / Fixed Income Department and Equity Derivatives Department under the total corporate limit and market risk budgeting approved by Risk Management Committee.
3. Approve to adjust the trading limit for ETF business, in case that the limit objective is requested for the operational technical issue such as for create and redemption purpose.

**C) Investment Banking Sub-committee:** consisted of the following 5 members:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Mr. Wisit Wongpaisan	Director
3.	Ms. Bee Leng Ooi	Managing Director
4.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
5.	Ms. Kanda Prayoonruksa	Senior Vice President, Risk Management Department

#### Scope of duties and responsibilities of Investment Banking Sub-committee

Investment Banking Sub-committee is responsible for approving underwriting deals and other investment banking businesses.

**D) Information Technology Security Sub-Committee :** consisted of the following 6 members:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Ms. Bee Leng Ooi	Managing Director
3.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
4.	Ms. Kanda Prayoonruksa	Senior Vice President, Risk Management Department
5.	Ms. Sirima Prapapanich	Senior Vice President, Audit Department
6.	Mr. Chi-Chih Huang	Assistance Vice President, Information Technology Department

#### Scope of duties and responsibilities of Information Technology Security Sub-Committee

Information Technology Security Sub-Committee is responsible for reviewing and approving policies relating to Information Technology security.

#### **Debt Recovery Committee**

As of 31<sup>st</sup> December 2013, the Company's Debt Recovery Committee consisted of 5 members as follows:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Ms. Suchada Sodthibhaphkul	Managing Director
3.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
4.	Ms. Khunmira Thunnom	Executive Vice President, Finance & Accounting Department
5.	Mr. Thanachai Meechoke	Vice President, Legal & Compliance Department

#### Scope of duties and responsibilities of Debt Recovery Committee

1. To periodically review the progress of debt recovery from time to time.
2. To set guidelines and criteria for restructuring of doubtful debts.
3. To approve settlements with debtors.
4. To monitor and approve management/sale of real estate portfolio incurred from the debt recovery.

#### Purchasing Committee

As of 31<sup>st</sup> December 2013, the Company's Purchasing Committee consisted of 4 members as follows:

No.	Name	Position
1.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resources Department
2.	Ms. Nongluk Ningsanond	Executive Vice President, Company Secretary Office
3.	Ms. Nantararat Surakkhaka	Senior Vice President, COO Office Support Department
4.	Mr. Thanachai Meechoke	Vice President, Legal & Compliance Department

#### Scope of duties and responsibilities of Purchasing Committee

1. Setting up and approving the purchasing process of the Company for items such as office equipment, computer systems and capital expenditure, including insurance of the Company's assets to comply with good internal control. The purchasing process includes:
  - 1.1 Comparing prices, quality of products, and service.
  - 1.2 Selecting lists of suppliers and vendors of products or services to have variety.
2. To recommend negotiations with suppliers or vendors.
3. To select and approve the suppliers and vendors of products or services appropriate for and in the best interest of the Company.

#### Human Resource Committee

As of 31<sup>st</sup> December 2013, the Company's Human Resource Committee consisted of 4 members as follows:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Ms. Bee Leng Ooi	Managing Director
3.	Ms. Suchada Sodthibhaphkul	Managing Director
4.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resources Department

### Scope of duties and responsibilities of the Human Resource Committee

1. To review and approve HR related policies; and
2. To review and approve promotions

### **Disciplinary Committee**

As of 31<sup>st</sup> December 2013, the Company's Disciplinary Committee consisted of 5 members as follows:

No.	Name	Position
1.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resources Department
2.	Ms. Sirima Prapapanich	Senior Vice President, Audit Department
3.	Mr. Thanachai Meechoke	Vice President, Legal & Compliance Department
4.	Ms. Nantararat Surakkhaka	Senior Vice President, COO Office Support Department
5.	The Department Head of the person being charged	

### Scope of duties and responsibilities of the Disciplinary Committee

Disciplinary Committee is responsible for investigating into alleged misconduct and suggesting the penalty for any individual who violates SEC/SET's regulations, and the Company's policies.

### **Welfare Committee**

As of 31<sup>st</sup> December 2013, the Company's Welfare Committee consisted of 7 members as follows:

No.	Name	Position
1.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
2.	Mr. Somchai Siripaiboolpong	Executive Vice President, Retail Equity Business
3.	Ms. Songsri Chawengsataporn	Executive Vice President, Retail Equity Business
4.	Mr. Kamthorn Chinsakuljaroen	Senior Vice President, COO Office
5.	Ms. Pimchai Fuengaromya	Vice President, Human Resources Department
6.	Ms. Suthinee Theerawitpreecha	Manager, COO Office
7.	Ms. Chatkaew Kittayanusorn	Deputy Manager , Fixed Income Department

### Scope of duties and responsibilities of the Welfare Committee:

1. To join and cooperate with the employer in providing the necessary welfare for the employees.
2. To give advice and recommendations, as well as propose ideas, on ways for the employer to provide for the employees.
3. To check, control, and supervise the provision of the welfare extended to the employees by the employer.
4. To propose ideas and guidelines on providing useful welfare for the employees to the "Welfare Committee."

### **Health and Environment Committee**

As of 31<sup>st</sup> December 2013, the Company's Health and Environment Committee consisted of 7 members as follows:



	Name	Position
1.	Ms. Saranya Larksukthom	Senior Executive Vice President, Operation Department
2.	Mrs. Suchada Wongrak	Senior Vice President, Corporate Services Department
3.	Ms. Wipha Katikubanan	Vice President, Finance & Accounting Department
4.	Mr. Surachet Amnuaywittayakul	Vice President, Legal & Compliance Department
5.	Ms. Sirirat Chimkaew	Manager , Corporate Services Department
6.	Ms. Petcharat Ongartpajon	Deputy Manager, Research Department
7.	Ms. Pimploy Kankaew	Deputy Manager , Finance & Accounting Department

#### Scope of duties and responsibilities of Health and Environment Committee

1. To determine regulations about the safety and safety standard for workplace
2. To determine policy, plan, and activities about safety and working environment to protect and reduce the occurrence of accidents and the suffering of injury due to unsafe working conditions.
3. To set the course about the scope of duties and responsibilities of employees' safety
4. To evaluate the implementation of safety of the Company's workplace

#### **ESOP Committee**

As of 31<sup>st</sup> December 2013, the Company's ESOP Committee consisted of 5 members as follows:

No.	Name	Position
1.	Mr. Wei Chang Fang	Chief Operating Officer
2.	Mr. Pradit Sawattananond	Independent Director
3.	Ms. Bee Leng Ooi	Managing Director
4.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resources Department
5.	Ms. Yuan-Chen Chiu	Member

#### Scope of duties and responsibilities of ESOP Committee

1. Determine allocation rules and conditions.
2. Review and approve the list of directors and/or employees eligible to receive the warrants.
3. Review and approve the amount of warrants allocated to directors and/or employees.
4. Determine exercise price, exercise period and other related conditions and other details as deemed necessary.

#### **Corporate Governance Committee**

As of 31<sup>st</sup> December 2013, the Company's Corporate Governance Committee consisted of 4 members as follows:

No.	Name	Position
1.	Ms. Nongluk Ningsanond	Executive Vice President, Company Secretary Office
2.	Ms. Kobkarn Cholchanupatumpa	Executive Vice President, Human Resources Department
3.	Ms. Sirima Prapapanich	Senior Vice President, Audit Department
4.	Mr. Thanachai Meechoke	Vice President, Legal & Compliance Department

Scope of duties and responsibilities of CG Committee

1. Propose the CG policy for board approval
2. Follow up the implementations accordance with the policy
3. Review and evaluate the implementations and propose to the Board of Directors to approve at least once a year.

**9.3 Nomination of Directors and Top management.**Qualifications of Independent Directors

Independent directors of the Company are qualified as per SEC regulation as follows:

- (1) Any shareholding they, and any related persons, have is equivalent to not more than 1 percent of the paid-up capital of the Company, the parent company, any subsidiary company, associated company or major shareholder or any other juristic person which could result in a conflict of interest.
- (2) A director who is not an employee, staff member, or advisor who receives a regular salary, or a controlling person of the Company, the parent company, any subsidiary company or associated company, major shareholders, or of any other juristic person which could result in a conflict of interest, either at present or during the past two years. Not including a director who used to be a government official or advisor of any government department which is a major shareholder of the Company.
- (3) A director who has no biological or legal relationship such as; parent, spouse, sibling, child or spouse of the child with any of the company's executives, major shareholder, controlling person, or any person already proposed to be appointed as an executive or controlling person of the Company or its subsidiaries.
- (4) A director who has no business relationship\* with the Company, the parent company, subsidiary company, associated company, major shareholders, or any conflict of interest with the company which would affect the ability of the director to provide independent opinions relating to the operations of the Company and a director who is not a major shareholder, or persons who have relationship with the Company, the parent company, any subsidiary company, associated company, major shareholder, or of any juristic person resulting in a conflict of interest, either at present or during the past two years.

\*Business relationship includes transactions for operating the business, leasing, asset or services transactions, or financial subsidies such as loaning or borrowing, providing guarantees, giving assets as guarantee, and all behaviours which will affect the Company or counterparties have duties to liquidate in case that the value is from 3% of tangible assets of the Company or Baht 20 million up, up to the lower amount. However, the concept to calculate transaction follows the disclosure of the Securities and Exchange Commission and will calculate total liabilities which have been for one year before a director has business relationship with.

- (5) A director who is not and has never been an auditor of the Company, the parent company, any subsidiary company, associated company or any juristic person which might result in a conflict of interest. A director who is not a major shareholder or director (other than an independent director) or executive or partner of the audit company which has the auditor of the Company, the parent company, any subsidiary company or associated company or of any juristic person resulting in a conflict of interest, either at present or during the past 2 years .
- (6) A director who is not or never been a professional advisor, such as legal advisor or financial advisor that received service fees of more than Baht 2 million per year, for services for the Company, the parent company, any subsidiary company or associated company or of any juristic person resulting in a conflict of interest. In the case that the service provider is a juristic person, a director should never be a major shareholder, person with a conflict of interest, or partner of the juristic person, either at present or during the past 2 years.
- (7) A director who is not a representative of any of the Company's directors or major shareholder or a shareholder who is related to the Company's major shareholder.

- (8) A director who does not own or control any business which would result in a conflict of interest with the Company or any subsidiary company, and is not a partner of such a business or a director, executive, employee, or advisor who receives a regular salary, or hold shares equivalent to more than 1 percent of the paid-up capital of such business.
- (9) No other characteristic that would prevent the director providing an independent opinion relating to the operations of the Company.

In this regards of Accounting period of 2013, The Company's independent directors have fully characteristics of SEC's regulation. There is no business relationship or any services with the Company.

#### Criteria and Process for Nomination Director

In considering the nomination of directors, the Board of Directors will consider the opinion of the Nomination Committee which is considered the most appropriate to the operations of the company. The Nominating Committee will consider and recommend persons who have the qualifications listed below before submitting to the Board for approval. The Board of Directors will then propose at the shareholders' meeting for approval. Furthermore, the Company is a securities business under SEC's control; therefore, the directors of the company must receive approval from the SEC.

1. Meeting the qualifications stated in the Public Company Act, Securities and Exchange Act and the Good Corporate Governance of the Company.
2. Knowledgeable, capable, dedicated with suitable age and ability to perform director's duties with care and loyalty.
3. Has the skills of industry knowledge, accounting & finance, business judgment, management, business strategy, corporate governance and legal or others.

#### Appointment of Directors which Require Shareholder Approval

If the selection of director needs approval from shareholders, the director appointment has to receive the majority of votes from shareholders with the right to vote. Election of Directors shall be made at the shareholders' meeting according to the following procedure and rules;

- (a) Each shareholder shall have one vote for each share;
- (b) Each shareholders shall exercise all votes applicable under (a) in appointing one or more person to be a Director, but provided that any of the vote shall not be divisible; and
- (c) Person who has the most vote respectively shall be elected to be the Directors equivalent to the number of Directors required; in case the following persons be elected have equivalent vote, the Chairman shall have a casting vote.

In the case there is vacancy among the Directors other than a retirement by rotation, the Board shall elect a person who is qualified and not being prohibited by the Public Company Law to fill the vacancy in the next Board of Directors' meeting except in the event the period of time the Director is entitled to retain his office is less than two months. The person who is elected shall retain his office during such time only as the vacating Director was entitled to retain the same. The resolution of the Board of Directors shall consist of votes of not less than three-fourth of the remaining Directors.

#### Number of Representative Directors from Major Shareholder

RICHPOINT COMPANY LIMITED (100% owned by KGI Securities Company Limited, Taiwan), is the Company's major shareholder, owning approximately 35% of the Company's shares. It has 4 representative directors from Major Shareholder which are 1/3 of all directors, and proper with the portion of share holding, the list of representative directors from Major Shareholder are as follow:

Director	Position
Mr. Foong Hock Meng	Chairman
Mr. Chin-Lung Tseng	Director
Ms. Pi-Lin Huang	Director
Mr. Yen, Chih-Chien	Director

Process of Nominating Top Management

For the nomination of top management position “Chief Operating Officer”, the Nominating Committee will consider persons with appropriate qualifications, competence and experience that are beneficial to the company and understand the Company’s business. The Nominating Committee will then propose to the Board for approval. Furthermore, the Company is a securities business under SEC’s control; therefore, top management of the company must receive approval from the SEC.

Right of Shareholder to Propose the Candidate for Election as a Director

The Company allows shareholders to propose candidates for election as Director who have the qualifications set by the Public Company Act, Securities and Exchange Act. Shareholders can send their proposal to the Company Secretary at the address below. The Company Secretary will propose to the Board of Director for further consideration.

Submit documents

The Company Secretary Office

KGI Securities (Thailand) Public Company Limited

No.173 Asia Centre Building, 11th Floor, South Sathorn Road,

Thungmahamek Sub-District, Sathorn District, Bangkok 10120 Thailand

**9.4 Supervision of Business Operation in Subsidiaries Company**

The Company has its mechanisms to control the operations of its subsidiaries, to protect the Company’s investment as follows:

1. Appoint a Company’s representative to act as director in subsidiary companies, the appointment shall be approved by the Board
2. The representative appointed as director in subsidiary companies has duties as follows:
  - 2.1 Get the Company’s Board approval prior to a vote on significant matters of the subsidiary.
  - 2.2 Act for the best benefit of that subsidiary company.
  - 2.3 Participate in the significant policy of the subsidiary.
  - 2.4 Oversee the subsidiary company to ensure it discloses accurate and complete information, such as financial statements, operating results, connected transactions and acquisition & disposition of assets.
  - 2.5 Oversee the subsidiary company to ensure it has appropriate internal control systems.

**9.5 Prevention of the Misuse of Inside Information**

The Board of Directors has set up a strictly policy to prevent the misuse of inside information. The punishment for those who do not follow the policy will be considered by the Disciplinary Committee. The policies are as follows:

1. Company’s directors and executives cannot trade the Company’s securities to seek benefits for themselves or related persons by using the Company’s information which has not been disclosed to public 1 month prior of disclosure of financial statements to the public.
2. In the case that directors or managers purchase or sell KGI securities, they must report the transaction to the SEC in accordance with Section 59 of Securities and Exchange Act and submit the copy one to the Company Secretary.
3. The Company Secretary reports changes in the holding of securities of directors and executives to the Board of Directors every quarter.
4. The Company informed all staff of the mentioned policies and procedures to have them implemented and followed up constantly.
5. Executives cannot conjoin to make decisions on any transactions which they have a conflict of interests with.

The Company has rules and regulations for staff relating to securities trading, including rules on the prohibition of use of inside information. For example, Legal and Compliance department has designated Research List, Grey List and Restricted List for staff in departments that deal with inside information.

## 9.6 Audit fee

### A) Audit fee

For 2013, the Company and its subsidiaries paid audit fee to auditor (EY Office Limited (Formerly known as Ernst & Young Office Limited)) and any persons or companies related to auditor as follows:

Company and its subsidiary	Auditor	Audit Fee (Baht)	Audit Fee (HK Dollar)
KGI Securities (Thailand) Plc.	EY Office Limited (Formerly known as Ernst & Young Office Limited)	1,635,000	-
One Asset Management Limited (The Company's subsidiary which is 99% held by the Company)	EY Office Limited (Formerly known as Ernst & Young Office Limited)	414,000	-
KGI Securities (Thailand) International Holdings Limited (The Company's subsidiary which is 100% held by the Company)	Ernst & Young Hong Kong	-	40,000
KGI (Thailand) Holdings Limited (The Company's subsidiary which is 100% held by the Company)	Ernst & Young Hong Kong	-	60,000
<b>Total Audit Fee</b>		<b>2,049,000</b>	<b>100,000</b>

Note : The above fee are exclusive of out-of-pocket expenses such as traveling , fax and photocopying charges which will be charged to the Company at actual cost.

### B) Non-audit fee

For 2013, the Company's subsidiary paid non-audit fee to auditor (EY Office Limited (Formerly known as Ernst & Young Office Limited)) and any persons or companies related to auditor or auditors' firm as follows:

The Company's subsidiary	Non-audit service	The auditor's firm, persons and companies related to the auditor	Non-audit fee Yearly fee (HK Dollar)
KGI Securities (Thailand) International Holdings Limited (The Company's subsidiary which is 100% held by the Company)	Tax Service	Ernst & Young Tax Services Limited	8,900
<b>Total Non-Audit Fee</b>			<b>8,900</b>

There is no further expense for services not yet completed which will become payable in the near future.

## 9.7 Implementation of Code of Best Practices of SET

The Company believes that good corporate governance is a significant tool to ensure efficient and transparent management to foster shareholders' and investors' trust. The Company intends to conduct business under the Good Corporate Governance Principles issued by the Stock Exchange of Thailand and the rules and regulations of Listed Company issued by the Securities and Exchange Commission and the Capital Market Supervisory Board to continuously raise the governance of the Company to international levels for efficient management and sustainable business growth.

In 2013 the Company was assessed on Good Corporate Governance by the Thai Institute of Directors Association (IOD) at the range of "Very Good". Good Corporate Governance is presented in 5 categories, as follows:

Section 1 : Right of Shareholders

Section 2 : Equitable Treatment of Shareholders

Section 3 : Role of Stakeholders

Section 4 : Disclosure and Transparency

Section 5 : Responsibilities of the Board

The Company discloses the Corporate Governance Policies and the Company's Implementation of Corporate Governance in 2013 on KGI's website at [www.kgiworld.co.th](http://www.kgiworld.co.th). Shareholders who want to receive a hard copy can contact the Company's Secretary Office, tel 02-658-8881.

However, the Company would like to clarify some items that the Company can not follow code to the best practices of SET as follows:

Topic	Reason
1. Allowing minority shareholders to propose AGM agenda in advance, submitting questions about the AGM agenda before the meeting date, proposing the candidate for election as a Director, and disclosing on the Company's website.	Shareholders can propose AGM agenda in advance, and can submit questions about the AGM agenda before the meeting date and propose the candidate for election as a Director, by sending the proposal to the Company Secretary. The Company Secretary will then propose to the Board.  For the proposal of a candidate for election as Director, the Company will follow the Company's Article No. 14: Election of Directors shall be made by the shareholders' meeting with the following procedure and rules.  Shareholders have the right to propose, so the Company did not disclose on the Company's website.
2. The Chairman of the Board is independent director. 3. More than half the Board of Directors should consist of independent directors if the Chairman is not an independent director.	The Chairman of the Company was the representative of the major shareholders. However, the Chairman of the Board of Directors and the Chief Operating Officer are different persons and the Company has clearly divided duties and responsibilities between the Board of Directors and the management in order to balance between management and good corporate governance.
4. The Board of Directors should set limitations an individual may serve as an independent director to a maximum of 9 consecutive years. 5. The Board of Directors should set limitations on consecutive terms of directors and sub-committee members.	The Company did not set limitations on terms for directors since the Company believes that the Company's directors have knowledge and capability. The long-term experience of the director gives them a good understanding of the Company's business.
6. Nomination Committee and Compensation Committee should meet at least 2 times a year.	Nominating Committee will meet to consider nomination of director and executives and Compensation Committee will meet to consider the compensation of the director and management, so meetings will be held as needed. This can not be assigned to at least two times per year.
7. All Nomination Committee members should be independent directors.	The Company's Nomination Committee consists of 2 independent directors, 1 non-executive director and 1 executive director, since the executive director will know the Company's information, so the Nomination committee can make decisions on accurate and complete information.



Topic	Reason
8. Board should consider a policy for non-executive directors to hold a meeting among themselves independently without the management team joining.	The Company's audit committee has its meeting every quarter. This committee consists of 3 non-executive directors, so it is not necessary to arrange another meeting for non-executive directors.

## 10. Corporate Social Responsibilities: CSR

### 10.1 Social Responsibility Policy

The Company operates its business with responsibility for all groups of stakeholders. The Company strives towards this by strictly complying with all applicable laws and regulations and promoting CSR projects on education and learning, which will be a major force for the sustainable development of the country and society in the future. The principles and guidelines consisting of 8 aspects as follows:

#### 1. Fair business operation

The Company is committed to doing business in compliance with the law, giving respect to social rules as well as not committing acts that infringe or degrade the rights of the interested individuals.

#### 2. Anti-corruption

The Company has policies to fight against corruption of all forms directly and indirectly. The Company implements work reviews, financial reports, internal controls, internal audits to ensure proper control systems, which is enough for the risk of any possible corruption.

#### 3. Giving respect to human rights

The Company realizes the importance of humanitarian rights and provides all employees the rights, freedoms and equality in working as well as advancement without discrimination against employee because of position, race, religion, sex, class or political opinions.

#### 4. Fair labor treatment

The Company sets wages at a proper level for the Thai industry. It also provides welfare to its employees in different forms and creates a safe working environment.

#### 5. Responsibilities to the customer

The Company focuses on good services to ensure the highest satisfaction of the customer, adhering to the fairness of price and quality of service and honesty in negotiation and conclusion of the contract, sincere management of customer complaints as well as any attempt to solve any possible deficiencies in activity or services in order to maintain a permanent relationship with the customer.

#### 6. Environmental protection

The Company regularly encourages employees to be environmentally aware.

#### 7. Joint development of the community or society

The Company supports social and community activities and encourages and supports employees to be trainers on investment to investors and students.

#### 8. Innovation

The Company is recognized as one of the leaders in innovation in the development of new products. The Company shall not infringe against the intellectual property or copyrights of others. The Company will regularly organize training/seminars to ensure that our clients thoroughly understand new products before investing with the Company.

### 10.2 Report Preparing and CSR Operations

#### Report Preparing

This 2013 CSR Report of the Company (the fiscal year of 1<sup>st</sup> January 2013 – 31<sup>st</sup> December 2013), is the first report published to communicate with the public and stakeholder groups the understanding of the Company's CSR directions and operations.



**Corporate Social Responsibility Operations****Product design**

The Company's products are based on the principle of conducting business fairly and responsibly with the consumers. The Company proposes products relevant to clients' needs and that do not impose unfair trade terms with customers or competitors. The Company will disclose complete, accurate, and fair information about the products without any distortion to clients.

When the Company launches a new product, it will educate clients and investors in order to enhance their knowledge and build confidence in the Company's product.

**Sources of Funding**

If the Company requires new funds, the policy is to try to procure the cheapest source of funds available and not depend upon just a single source of funds. The Company has a policy to maintain a Net Capital Rule and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Capital Rule must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees. As of 31<sup>st</sup> December 2013, the Company has Net Capital Rule of Baht 4,162 million and Net Capital Ratio (NCR) of 211.01% of liabilities and guarantees.

**Operational laws and regulations**

The Company shall strictly abide by all laws and regulations concerning the securities business. The Audit Department and Legal and Compliance Department are responsible for ensuring the Company has effective internal control systems and that the systems are used properly and comply with SEC/SET regulations.

**Risk Management**

At the heart of the business operation is the question of how to maximize profits while keeping risk at a reasonable level. Under this concept, the Company, who has developed various new financial products such as equity options, structured products, other derivatives, Repurchase Agreement, etc., knows that the risk factors must be handled effectively. Therefore, the Company has established an independent Risk Management Committee as well as other components to see that risk is always balanced with return.

The Company's Risk Management committee is comprised of representatives of all business units as well as senior operational administrative executives. Essentially, the Committee is a forum where professional managers can join forces in coordinating risk-management initiatives. Initiatives include the installation of a mechanism for monitoring and managing market, credit risk and other financial risk. The Risk Management Department is responsible for monitoring all trading positions by systematically calculating Value at Risk (VaR) and also monitoring all the clients' positions by computerized systems. The Company has been able to analytically identify risk and thereby fully realize the full potential of the capital in question. Other innovations by the Company include a variety of standard operational procedures that have been developed to reduce risk in routine operations.

**Fair treatment to employees**

The Company takes action to ensure that qualified applicants are given equal opportunity to be employed with regards to the required qualification, educational background, experience and other requirements on a non-discriminatory basis regarding gender, age, nationality or religion. The Company ensures fair employment and offers fair career advancement opportunities.

**Fair competition policy**

The Company practices under the international competition rules, commercial practices, and does not seek competitors' information using fraudulent methods. The Company does not seek any competitors' confidential information in a dishonest or improper manner and does not destroy the reputation of competitors by accusing them without honest and factual data.

### Caring for the environment

The Company intends to do business environmentally responsibly. The Company supports all employees being environmentally aware and responsible by efficiently using resources to the best benefits. This includes saving electricity, saving use of water and saving use of office equipment.

### Anti - Corruption Practices

The Company's staff must not ask or receive any bribes which can lead to misbehavior or omit to do any duties or cause the Company to lose its benefits. The Company's staff must omit to propose, or give benefit or assets to third parties to encourage such third parties to do illegal practices or behavior.

### Respect for the rights of stakeholders

The Company's operations place importance on the rights of all groups of stakeholders both internal and external as follows:

Stakeholders	Treatment toward Stakeholders
Shareholders	<ul style="list-style-type: none"> <li>Operates with integrity, honesty and justice by considering the Company growth and satisfactory returns to shareholders.</li> <li>Discloses true, sufficient, consistent and timely the Company operating result.</li> </ul>
Employee	<ul style="list-style-type: none"> <li>The Company regards each employee as respected and honored colleague who should be well cared for.</li> <li>The Company will take action to ensure that qualified applicants are given equal opportunity to be employed with regards to the required qualification, educational background, experience and other requirements on a non-discriminatory basis regarding gender, age, nationality or religion.</li> <li>The Company will ensure fair employment and offer fair career advancement opportunities.</li> <li>The Company offers continuous and thorough development and distribution of knowledge and abilities of employees at all levels.</li> <li>The Company will set up a fair compensation system for all employees.</li> </ul>
Government	<ul style="list-style-type: none"> <li>The Company strictly conducts business under the laws and regulations.</li> <li>The Company provides complete and correct information as requested by the government agencies to show transparency and build mutual confidence and trust.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>The Company proposes products relevant to clients' needs and provide quality services.</li> <li>The Company provides equal services to every client.</li> <li>The Company discloses information relevant to the Company's products and services completely, correctly, precisely and without any distortion. Therefore, clients can receive all information thoroughly.</li> <li>The Company does not disclose clients' information to other clients or related persons except for disclosures that are following regulations or injunctions.</li> <li>The Company does not impose any commercial conditions that are unfair to clients.</li> <li>The Company gives clients opportunities to make complaints when they deem necessary and to take the best action to ensure a swift satisfactory resolution.</li> </ul>

Stakeholders	Treatment toward Stakeholders
Suppliers	<ul style="list-style-type: none"> <li>• The Company has a policy for employees not to ask or receive bribes or dishonest benefits from suppliers.</li> <li>• Procurements will be transparent and the Company will provide information to every supplier with equal, accuracy, without bias, and no discrimination. The Company will make fair competition among suppliers and make the procurement process strictly relevant to each situation.</li> <li>• Negotiations must be transparent. The Company's management can supervise and the Company's staff must not receive bribes from procurement. The Company's staff must be neutral and not close to any supplier that may influence the decision making. The Company's staff must strictly follow the conflict of interest rule.</li> <li>• The Company will follow the conditions appropriately and fairly.</li> </ul>
Creditors	<ul style="list-style-type: none"> <li>• The Company treats creditors with fairness, responsibility and transparency by strictly complying with the terms of contracts with the creditor.</li> <li>• The Company does not use dishonest means or conceal information and facts, which may be adverse to the creditors.</li> </ul>
Debtors	<ul style="list-style-type: none"> <li>• The Company follows the contracts, agreements or terms made with debtors with no discrimination in debt handling.</li> <li>• The Company negotiates with debtors in advance to collaborate in finding solutions to problems.</li> </ul>
Society and Community	<ul style="list-style-type: none"> <li>• The Company intends to do business environmentally responsibly.</li> <li>• The Company places importance on coexisting with the communities and society within the office area by creating understanding to continuously build confidence in communities and society.</li> </ul>

### **10.3 Impact of Business Operations on Corporate Social Responsibility**

The Company and its subsidiaries have not been found in violation or under review regarding the 8 principles of Corporate Social Responsibility.

### **10.4 Corporate Social Responsibility after process**

The Company often supports social activities and encourages awareness of social responsibility to employees at every level. In 2010, the Company started the "KGI Scholarship Project", which finances education for undergraduate students in Thailand for 2<sup>nd</sup> – 4<sup>th</sup> year, Baht 1.5 million per year, in order to be part of the CSR project in giving educational opportunities to students.

As of 31st December 2013, there are 61 students from 9 universities who receive KGI scholarships. For 2013, total value of the scholarship is Baht 1,491,850.

### **10.5 Anti-Corruption Guidelines**

The Company has a written anti-corruption policy as apart of the Compliance Manual for Employee ,which is approved by Board of Directors and also publicized through the Company's website via [www.kgiworld.co.th](http://www.kgiworld.co.th).

The Company signed its intention to join the Private Sector Collective Action Coalition against Corruption : CAC, which Thai Institute of Directors (IOD) was the project secretary. The purpose of this project is to create a joint agreement to combat corruption in all its forms. This is the beginning of a collaboration of nationally important issues.

In addition, the Company has taken actions to prevent fraud and corruption as follows:

1. The Company has communicated the policy to all levels of management and employees to ensure they strictly comply with the policy.
2. The Company also provides a channel to inform of violations or corruption and has protective measures for the person who reports the violation or corruption to the Company, by report to Legal & Compliance Department, at Telephone number: 02-658-8740-7 or Fax number: 02-658-8004 or Email: legal&compliance@kgi.co.th
3. The Company have arranged the report and investigation to present before the company's committee for consideration and advice. In this regard, the company's business risk assessment from the corruption would be taken into account in reporting and investigating.
4. The Company will propose to Board of director to review the anti-corruption policy every year.

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

### **11.1 Evaluation of Internal Control**

At the Board of Directors Meeting No.6/2013 held on 12<sup>th</sup> December 2013, there were 3 Audit Committee members attending. The Audit Committee and the Board of Directors completed the self assessment questionnaire on the adequacy of the internal control system in regards to 5 categories as follows; organizational control and environment measures, risk management measures, management control activities, information and communication measures, and monitoring. Regarding the evaluation result, the Audit Committee and the Board gave the same opinion that the Company has an appropriate internal control system with its business and adequate staff to implement the system effectively. The Company has a system of internal controls to monitor the operations of the Company and its subsidiaries, and to protect the assets of the Company and its subsidiaries against actions by the directors or management applied in wrongful or without power. This includes the monitoring of connected transactions.

The Company's Audit Committee is responsible for reviewing the Company's financial statements. By coordinating with external auditors and the relevant managements, the Audit Committee ensures that the Company discloses information fully and accurately. The Audit Committee monitored and reviewed the Company's internal control, and reviewed to ensure that the Company has followed the Securities and Exchange Act and related regulations along with considering related party transactions and risk management to ensure that the Company has an appropriate internal control system.(see the Audit Committee report)

The auditor of the Company, EY Office Limited (Formerly known as Ernst & Young Office Limited), has audited quarterly and annual financial statements of the Company for 2013 and reviewed the general control related computer systems. Regarding the result, the auditor gave the opinion that the Company had moderate risk and the Company will make adjustments based on the auditor's recommendations.

### **11.2 Head of Audit Department and Head of Compliance Department.**

#### Head of Audit Department

The Board of Directors' Meeting No. 5/2013 dated 7<sup>th</sup> November 2013 acknowledged the appointed Ms. Sirima Prapapanich, to act as Head of Audit Department since 9<sup>th</sup> September 2013. The Audit Committee agreed that Ms. Sirima Prapapanich has 22 years of experience in the auditing of securities and banking businesses and has an understanding of the Company's business. She is appropriate to perform such functions.

Transfer or dismissal of the Head of Audit Department needs approval from the Audit Committee. The qualification of the Head of Audit Department as per Attachment 3.

#### Head of Legal & Compliance Department.

The Board of Directors' Meeting No. 6/2012 dated 13<sup>th</sup> December 2012 appointed Mr. Thanachai Meechoke, to act as Head of Legal and Compliance Department, to monitor and control all Business unit to comply with rules and regulations since 19<sup>th</sup> November 2012. Mr. Thanachai Meechoke has 10 years of experience in the compliance field and has an understanding of the Company's business. He is

appropriate to perform such functions. The qualification of the Head of Legal and Compliance Department as per Attachment 3.

## **12. Related Party Transaction**

### **12.1 Related Party Transactions in 2013**

During the years ended 31 December 2013, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company, the subsidiaries and those related parties. Details of Related Party Transaction on 2013 as per note of Financial Statements, Section 34: Related Party Transactions.

### **12.2 Necessity of and reason for transactions**

In 2013, the Company's related party transactions, both commission fee and brokerage fee, were general business terms which were approved in principle by the Board. For other related transactions, the Company has process of approval and disclosure in compliance with the regulation, the Audit Committee and the Board of Directors has considered and agreed that these transactions were necessary and reasonable and served the benefit of the Company and shareholders.

### **12.3 Process for approval of related party transactions**

The Company certifies that future related party transactions shall be reasonable and serve the benefit of the Company and Shareholders. The process for approval by the Audit Committee, Board and/or shareholders will be carried out in compliance with the notifications, regulations, orders or requirements of the SEC/SET, which include related party transactions and acquisitions or disposal of assets of listed companies or subsidiaries. Connected executives or shareholders will not be involved in that agenda.