

## **Sri Trang Agro-Industry Public Company Limited**

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### **Part 2**

#### **Management and Corporate Governance**

## 7. CAPITAL STRUCTURE

### 7.1 Shares in STA

As of 3 March 2016, STA has a registered capital of Baht 1,280,000,000 (One thousand two hundred and eighty million) and paid-up capital of Baht 1,280,000,000 (One thousand two hundred and eighty million), divided into 1,280,000,000 (One thousand two hundred and eighty million) shares with a par value of Baht 1 each. The aforementioned shares are listed securities on both the SET and SGX-ST.

#### Non-Voting Depository Receipt (NVDR)

As of 3 March 2016, the Thai NVDR Co., Ltd. held 41,752,935 shares in STA or 3.26 % of the total issued shares of STA. The investors who hold NVDRs will receive the same financial benefits (i.e. dividends, rights issue, and warrants) as those who invest directly in the shares in STA. The NVDR holders, however, do not have the right to vote in the meeting of shareholders. The Thai NVDR Co., Ltd. will not exercise the right to vote in the shareholders' meeting, except in the case of considering the delisting of securities from the SET.

### 7.2 Shareholders

#### Distribution of Shareholdings

As of 3 March 2016

| Size of shareholdings                              | Number of shareholders | %             | Number of shares     | %             |
|----------------------------------------------------|------------------------|---------------|----------------------|---------------|
| 1 – 999                                            | 1,372                  | 10.25         | 478,045              | 0.04          |
| 1,000 – 10,000                                     | 8,032                  | 59.99         | 35,378,689           | 2.76          |
| 10,001 – 1,000,000                                 | 3,890                  | 29.05         | 243,826,178          | 19.05         |
| 1,000,001 - 10,000,000                             | 81                     | 0.60          | 290,310,242          | 22.68         |
| 10,000,001 – less than 5% of paid-up share capital | 13                     | 0.10          | 298,389,316          | 23.31         |
| More than 5% of paid-up share capital              | 2                      | 0.01          | 411,617,530          | 32.16         |
| <b>Total</b>                                       | <b>13,390</b>          | <b>100.00</b> | <b>1,280,000,000</b> | <b>100.00</b> |

Note: Includes shareholders holding through CDP

#### Public Float

Based on information available to the Company, approximately 53.63% of the Company's shares are held in the hands of the public as of 3 March 2016.

Top ten largest shareholders of STA according to the book closure date as of 3 March 2016, are as follows:

|     | <b>Name</b>                                                      | <b>No. of Shares</b> | <b>%</b>     |
|-----|------------------------------------------------------------------|----------------------|--------------|
| 1.  | STH                                                              | 277,818,360          | 21.70        |
| 2.  | Dr. Viyavood Sincharoenkul                                       | 135,660,070          | 10.60        |
| 3.  | Ms. Punnin-on Sirisuwat                                          | 53,468,045           | 4.18         |
| 4.  | Thai NVDR Co., Ltd                                               | 41,752,935           | 3.26         |
| 5.  | CITIBANK NOMS S'PORE PTE LTD                                     | 36,573,250           | 2.86         |
| 6.  | Mr. Vitanath Sincharoenkul                                       | 22,600,000           | 1.77         |
| 7.  | Mr. Veerasith Sinchareonkul                                      | 22,441,000           | 1.75         |
| 8.  | Mr. Vitchaphol Sincharoenkul                                     | 22,000,000           | 1.72         |
| 9.  | UOB Kay Hian Private Limited                                     | 18,615,075           | 1.45         |
| 10. | CITIGROUP GLOBAL MARKETS LIMITED-IPB CUSTOMER COLLATERAL ACCOUNT | 15,322,071           | 1.20         |
|     | <b>Total</b>                                                     | <b>646,250,806</b>   | <b>50.49</b> |

Note: Information obtained from TSD and CDP

The top 10 major shareholders of STH<sup>(1)</sup> are as follows;

| <b>Name</b>                             | <b>As at 3 March 2016</b>                                |                                        |
|-----------------------------------------|----------------------------------------------------------|----------------------------------------|
|                                         | <b>No. of Shares<br/>(Par value of<br/>Baht 10 each)</b> | <b>Direct<br/>Shareholding<br/>(%)</b> |
| 1. Mr. Viyavood Sincharoenkul           | 2,215,700                                                | 25.18                                  |
| 2. Ms. Susan Su                         | 1,206,000                                                | 13.70                                  |
| 3. Mr. Sumade Sincharoenkul             | 967,860                                                  | 11.00                                  |
| 4. Ms. Somsri Sirisuwat                 | 672,000                                                  | 7.64                                   |
| 5. Mr. Chaiyos Sincharoenkul            | 542,860                                                  | 6.17                                   |
| 6. Paktai Rubber <sup>(2)</sup>         | 528,000                                                  | 6.00                                   |
| 7. Nguan Chiang Food Industry Co., Ltd. | 448,000                                                  | 5.09                                   |
| 8. BRADSHAW EQUITIES HOLDINGS LTD.      | 440,000                                                  | 5.00                                   |
| 9. Mr. Kitichai Sincharoenkul           | 348,880                                                  | 3.96                                   |
| 10. Mrs. Woradee Sincharoenkul          | 226,840                                                  | 2.58                                   |
| 11. Others                              | 1,203,860                                                | 13.68                                  |
| <b>Total</b>                            | <b>8,800,000</b>                                         | <b>100.00</b>                          |

Note:

(1) STH engages in long-term investment for dividend income business.

(2) Mr. Viyavood Sincharoenkul, Mrs. Duangjai Sincharoenkul and Mr. Chaiyos Sincharoenkul are limited partners.

### 7.3 Issuing other securities

#### Debt Securities

##### Debentures

On 1 December 2011, STA successfully issued the debentures in two tranches to the institutional and high net-worth investors with total amount of Baht 2,150 million. On 1 November 2011, Tris Rating Co., Ltd. assigned A- / Stable rating for the newly issued debentures. Net proceeds from the issuance of debentures in an aggregate amount of approximately Baht 2,145 million will be

used for long-term loan refinancing and/or business expansion. Details of each tranche of debenture are as follows;

|                                       | Tranche 1*                                                                          | Tranche 2                                                                           |
|---------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Debenture Name</b>                 | Debenture of Sri Trang-Agro Industry Public Company Limited no. 1/2554 due in 2014. | Debenture of Sri Trang-Agro Industry Public Company Limited no. 1/2554 due in 2016. |
| <b>Type of Debentures</b>             | Unsubordinated and unsecured debentures with a debenture holders' representative    | Unsubordinated and unsecured debentures with a debenture holders' representative    |
| <b>Principal amount of Debentures</b> | Baht 1,600 million                                                                  | Baht 550 million                                                                    |
| <b>Interest rate</b>                  | Fixed interest rate at 4.4% per annum Semi-annually                                 | Fixed interest rate at 4.7% per annum                                               |
| <b>Interest Payable</b>               | Semi-annually                                                                       | Semi-annually                                                                       |
| <b>Term</b>                           | 3 Years                                                                             | 5 Years                                                                             |
| <b>Maturity Date</b>                  | 1 December 2014                                                                     | 1 December 2016                                                                     |

\* In 2014, STA has fully repaid the holder of Tranche 1 of the debenture according to the maturity date.

On 13 February 2013, STA successfully issued the debentures in two tranches to the institutional and high net-worth investors with total amount of Baht 900 million which, on 12 February 2013, Tris Rating Co., Ltd. assigned A- / Stable rating for the issued debentures. STA intends to use the net proceeds for working capital and/or business expansion of the group. Details of each tranche of debenture are as follows;

|                                       | Tranche 1*                                                                       | Tranche 2                                                                        |
|---------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>Type of Debentures</b>             | Unsubordinated and unsecured debentures with a debenture holders' representative | Unsubordinated and unsecured debentures with a debenture holders' representative |
| <b>Principal amount of Debentures</b> | Baht 300 million                                                                 | Baht 600 million                                                                 |
| <b>Interest rate</b>                  | Fixed interest rate at 4.1% per annum                                            | Fixed interest rate at 4.5% per annum                                            |
| <b>Interest Payable</b>               | Semi-annually                                                                    | Semi-annually                                                                    |
| <b>Term</b>                           | 3 years                                                                          | 5 years                                                                          |
| <b>Maturity Date</b>                  | 13 February 2016                                                                 | 13 February 2018                                                                 |

\* In 2016, STA has fully repaid the holder of Tranche 1 of the debenture according to the maturity date.

On 23 November 2015, Tris Rating Co., Ltd. maintained A- / Stable rating for STA and the issued debentures.

## 7.4 Dividend Policy

### 7.4.1 Dividend Policy of STA

Our policy is to pay a dividend of approximately 30.0% of our net profit for each financial year as contained in our Company's stand-alone financial statements, but not in excess of our retained earnings. In considering the level of dividend payments, we intend to take into account various factors, including STA's financial position, results of operations and cash flow; the ability of our subsidiaries, associates and joint venture entity to make dividend payment to STA; STA's expected working capital requirements to support STA's future growth; and general economic conditions and such other external factors that STA believes to have an impact on the business operations of STA.

#### 7.4.2 Dividend Policy of Our Subsidiaries

The dividend payment of our subsidiaries shall be approved by the Board of Directors of each subsidiary and shall be presented to the shareholders' meeting for approval. The Company does not fix the percentage of dividend payment of each subsidiary. The dividend payment made by our subsidiaries will depend on the business profits, financial position and the future investment plans and shall be according to its Articles of Association and the relevant laws of each subsidiary.

Information of dividend payment for the years 2011 – 2015

| Operating Year | Number of share* | Par value* (Baht) | Earnings per share (Baht) | Dividend per share (Baht) | Total dividend payment (Baht) | Dividend Payout ratio (%) |
|----------------|------------------|-------------------|---------------------------|---------------------------|-------------------------------|---------------------------|
| 2015           | 1,280,000,000    | 1                 | 0.87                      | 0.40                      | 512,000,000                   | 45.79                     |
| 2014           | 1,280,000,000    | 1                 | 0.81                      | 0.40                      | 512,000,000                   | 49.34                     |
| 2013           | 1,280,000,000    | 1                 | 1.42                      | 0.65                      | 832,000,000                   | 45.93                     |
| 2012           | 1,280,000,000    | 1                 | 1.08                      | 0.50                      | 640,000,000                   | 46.41                     |
| 2011           | 1,280,000,000    | 1                 | 1.04                      | 0.50                      | 640,000,000                   | 48.99                     |

#### Interest of Directors and Executives

As of 31 December 2015, the directors and executives of STA had the following interests in the ordinary STA shares as follows;

| Name                               | Position                       | Number of Shares on 1 January 2015 | Number of Shares on 31 December 2015 | Increase (decrease) during Year of 2015 | Percentage of Shares on 31 December 2015 |
|------------------------------------|--------------------------------|------------------------------------|--------------------------------------|-----------------------------------------|------------------------------------------|
| Mr. Viyavood Sincharoenkul         | Chairman and Managing Director | 135,590,170                        | 135,660,070                          | 69,900                                  | 10.60                                    |
| Spouse and minor child             |                                | 9,000,000                          | 9,000,000                            | 0                                       | 0.70                                     |
| Mr. Prasit Panidkul <sup>(1)</sup> | Director                       | 7,815,575                          | 7,815,575 <sup>(1)</sup>             | 0                                       | 0.61                                     |
| Spouse and minor child             |                                | 0                                  | 0                                    | 0                                       | 0                                        |
| Mr. Chaiyos Sincharoenkul          | Director                       | 7,410,825                          | 7,410,825                            | 0                                       | 0.58                                     |
| Spouse and minor child             |                                | 4,300,000                          | 4,300,000                            | 0                                       | 0.34                                     |
| Mr. Kitichai Sincharoenkul         | Director                       | 14,402,000                         | 14,402,000                           | 0                                       | 1.13                                     |
| Spouse and minor child             |                                | 3,246,500                          | 3,246,500                            | 0                                       | 0.25                                     |
| Mr. Paul Sumade Lee                | Director                       | 8,906,955                          | 8,906,955                            | 0                                       | 0.70                                     |
| Spouse and minor child             |                                | 27,213,075                         | 27,604,075                           | 391,000                                 | 2.16                                     |
| Mr. Veerasith Sinchareonkul        | Director                       | 22,441,000                         | 22,441,000                           | 0                                       | 1.75                                     |
| Spouse and minor child             |                                | -                                  | -                                    | -                                       | -                                        |
| Mr. Patrawut Panitkul              | Director and CFO               | 0                                  | 0                                    | 0                                       | 0                                        |
| Spouse and minor child             |                                | 0                                  | 0                                    | 0                                       | 0                                        |
| Mr. Li Shiqiang                    | Director                       | 933,000                            | 1,173,000                            | 240,000                                 | 0.09                                     |
| Spouse and minor child             |                                | 0                                  | 0                                    | 0                                       | 0                                        |

| Name                                                             | Position                                             | Number of Shares on 1 January 2015 | Number of Shares on 31 December 2015 | Increase (decrease) during Year of 2015 | Percentage of Shares on 31 December 2015 |
|------------------------------------------------------------------|------------------------------------------------------|------------------------------------|--------------------------------------|-----------------------------------------|------------------------------------------|
| Mr. Chalernpop Khanjan <sup>(2)</sup><br>Spouse and minor child  | Director and Chief Operating Officer                 | 0 <sup>(2)</sup><br>0              | 0<br>0                               | 0<br>0                                  | 0<br>0                                   |
| Mr. Prakob Visitkitjakarn<br>Spouse and minor child              | Chairman of Audit Committee and Independent Director | 450,060<br>17,940                  | 450,060<br>17,940                    | 0<br>0                                  | 0.04<br>0.001                            |
| Mr. Kriang Yanyongdilok<br>Spouse and minor child                | Audit Committee Member and Independent Director      | 0<br>0                             | 0<br>0                               | 0<br>0                                  | 0<br>0                                   |
| Mr. Samacha Potavorn<br>Spouse and minor child                   | Audit Committee Member and Independent Director      | 0<br>0                             | 0<br>0                               | 0<br>0                                  | 0<br>0                                   |
| Mr. Neo Ah Chap<br>Spouse and minor child                        | Independent Director                                 | 1,100,000<br>0                     | 1,100,000<br>0                       | 0<br>0                                  | 0.09<br>0                                |
| Ms. Prapai Srisutipong<br>Spouse and minor child                 | Group Manager of Procurement                         | 260,500<br>0                       | 260,500<br>0                         | 0<br>0                                  | 0.02<br>0                                |
| Mr. Arsom Aksornnam<br>Spouse and minor child                    | Chief Operating Officer                              | 0<br>3,500                         | 0<br>3,500                           | 0<br>0                                  | 0<br>0.0003                              |
| Mr. Chaidet Pruksanusak<br>Spouse and minor child                | Group Manager of Quality Assurance                   | 0<br>0                             | 0<br>0                               | 0<br>0                                  | 0<br>0                                   |
| Ms. Lim Li Ping <sup>(3)</sup><br>Spouse and minor child         | Group Manager of Controller                          | 150,000<br>-                       | 150,000 <sup>(3)</sup><br>-          | 0<br>-                                  | 0.01<br>-                                |
| Mr. Rattapong Laparojkit<br>Spouse and minor child               | Group Manager of Technical                           | 60,500<br>0                        | 60,500<br>0                          | 0<br>0                                  | 0.005<br>0                               |
| Mr. Phanlert Wangsuphadilok<br>Spouse and minor child            | Group Manager of Technical                           | 0<br>0                             | 0<br>0                               | 0<br>0                                  | 0<br>0                                   |
| Mr. Udom Pruksanusak<br>Spouse and minor child                   | CEO - Plantation <sup>(4)</sup>                      | 10,000<br>0                        | 10,000<br>0                          | 0<br>0                                  | 0.0008<br>0                              |
| Ms. Nuchanart Chaiyarat<br>Spouse and minor child                | Group Manager of Human Resource                      | 0<br>-                             | 0<br>-                               | 0<br>-                                  | 0<br>-                                   |
| Ms. Thanawan Sangiamsak <sup>(5)</sup><br>Spouse and minor child | VP Business Development & Investor Relations         | 0 <sup>(5)</sup><br>-              | 0<br>-                               | 0<br>-                                  | 0<br>-                                   |
| <b>Total</b>                                                     |                                                      | <b>243,311,600</b>                 | <b>244,012,500</b>                   | <b>700,900</b>                          | <b>19.08</b>                             |

- (1) The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards. / Shareholding information as of 26 October 2015.
- (2) The appointment of Mr. Chalernpop Khanjan as a director of the Company was effective from 29 October 2015 onwards.
- (3) The resignation of Ms. Lim Li Ping was effective on 8 August 2015. / Shareholding information as of 8 August 2015.
- (4) The position of Mr. Udom Pruksanusak has been changed from Group Manager of Human Resource to CEO – plantation on 23 July 2015.
- (5) Ms. Thanawan Sa-ngiamsak was appointed as VP Business Development & Investor Relations on 14 August 2015./ Shareholding information as of 14 August 2015.

Note:

- (1) Dr. Viyavood Sincharoenkul is deemed interested in the 9,000,000 shares held by his wife.
- (2) Mr. Chaayos Sincharoenkul is deemed to be interested in the 4,300,000 shares held by his wife.
- (3) Mr. Kitichai Sincharoenkul is deemed to be interested in the 3,246,500 shares held by his wife.
- (4) Mr. Paul Sumade Lee is deemed to be interested in the 27,604,075 shares held by his wife.
- (5) Mr. Prakob Visitkitjakarn is deemed to be interested in the 17,940 shares held by his wife.
- (6) Mr. Neo Ah Chap is deemed interested in 1,100,000 shares held through Thai NVDR Co., Ltd.
- (7) Mr. Arsom Aksornnam is deemed to be interested in the 3,500 shares held by his wife.

The Company Board of Directors has specified the reporting policy in regard of the interest of directors and executives in order to monitor the interest of directors and executives or their related persons in relation to the business operation of the Company or subsidiaries. The reporting policy is as follows;

- First time report when at an appointment as a director or executive.
- Report at any time when there is any change in interest.
- Report at the end of each year.

The directors and executives shall report their interests to a company secretary. The company secretary, thereafter, shall report such interests to the chairman and the chairman of audit committee within 7 days from the date that the company secretary receives a report from the directors or executives. The acquisition of shares of the directors and executives shall be presented to the Company's Board of Directors for their acknowledgement every quarter.

## 8. MANAGEMENT STRUCTURE

### 8.1 The Board of Directors of STA

As of 31 December 2015, the Board of Directors of STA consists of 12 directors as follows:

| Name                                         | Position                                                                                                          | Remarks                |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------|
| 1. Mr. Viyavood Sincharoenkul                | Chairman /Managing Director/<br>Executive Committee member                                                        | Executive Director     |
| 2. Mr. Prasit Panidkul <sup>(1)</sup>        | Vice-chairman/<br>Executive Committee member                                                                      | Executive Director     |
| 3. Mr. Chaiyos Sincharoenkul                 | Director/ Executive Committee member                                                                              | Executive Director     |
| 4. Mr. Kitichai Sincharoenkul                | Director/ Executive Committee member / Nominating Committee member                                                | Executive Director     |
| 5. Mr. Paul Sumade Lee                       | Director/ Executive Committee member                                                                              | Executive Director     |
| 6. Mr. Veerasith Sinchareonkul               | Director/ Executive Committee member / Chairman of the Risk Management Committee                                  | Executive Director     |
| 7. Mr. Patrawut Panitkul                     | Director/ Executive Committee member / Risk Management Committee member                                           | Executive Director     |
| 8. Mr. Li Shiqiang                           | Director                                                                                                          | Non-Executive Director |
| 9. Mr. Chalernpop Khanjan <sup>(2)</sup>     | Director/ Executive Committee member / Risk Management Committee member                                           | Executive Director     |
| 10. Mr. Prakob Visitkitjakarn <sup>(3)</sup> | Lead Independent Director/ Chairman of the Audit Committee/ Chairman of the Remuneration Committee                | Non-Executive Director |
| 11. Mr. Kriang Yanyongdilok                  | Independent Director/ Audit Committee member/ Chairman of the Nominating Committee/ Remuneration Committee member | Non-Executive Director |
| 12. Mr. Samacha Potavorn                     | Independent Director/ Audit Committee member/ Nominating Committee member/ Remuneration Committee member          | Non-Executive Director |
| 13. Mr. Neo Ah Chap                          | Independent Director                                                                                              | Non-Executive Director |

**Note:**

- (1) The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.
- (2) The appointment of Mr. Chalernpop Khanjan as a director of the Company to replace Mr. Prasit Panidkul was in accordance with the resolution of the Board of Directors' meeting no.6/2558 on 28 October 2015 and was effective from 29 October 2015 onwards.
- (3) The appointment of Mr. Prakob Visitkitjakarn as a Vice Chairman of the Company was in accordance with the resolution of the Board of Directors' meeting no.2/2559 on 9 March 2016.

Mrs. Pacharin Anuwongwattanachai is a secretary to the Board of Directors of the Company.



**Authorized Directors of STA**

Any two of seven of the following directors of the Company, Mr. Viyavood Sincharoenkul, Mr. Chaayos Sincharoenkul, Mr. Kitichai Sincharoenkul, Mr. Veerasith Sinchareonkul, Mr. Paul Sumade Lee, Mr. Patrawut Panitkul, and Mr. Chalernpop Khanjan shall jointly sign with STA's seal affixed.

**Engagement of Mr. Somwang Sincharoenkul as Honorary Adviser**

The Board of Directors Meeting No. 2/2016 held on 9 March 2016 resolved to approve the continuance of the engagement of Mr. Somwang Sincharoenkul as the Honorary Adviser of STA for another 2 years. Such advisory services are as follows:

1. Advise on the formulation of the Company's goals and vision.
2. Advise on the Company's investment and business plans and the business operation policy of the Company, both domestically and internationally.
3. Advise on strategies in relation to the use of raw materials, procurement, price and quantity in each period pursuant to the local conditions.
4. Advise on dealings with communities, local authorities and government agencies in the Southern part of Thailand.

Mr. Somwang Sincharoenkul does not have any participation in the Company's operation. His remuneration starting from 6 May 2016 to 6 May 2018 is THB 428,000 per month or THB 5,136,000 per year. This transaction is considered as a connected transaction.

**Selection of Independent Director****Qualifications of Independent Director**

1. Holding shares not exceeding one percent of the total number of shares with voting rights of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, including shares held by related persons of such independent director.
2. Not having any relationship with (a) STA; (b) STA's holding company, subsidiary or fellow subsidiary; (c) any person who has an interest or interests in one or more voting shares in STA and the total votes attached to that share, or those shares, is not less than ten percent of the total votes attached to all the voting shares in STA ("**10% Shareholder**"); and/or (d) STA's officers, that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgment with a view to the best interests of STA.
3. Neither being nor having an immediate family member who is or was, in the current or immediate past financial year, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which STA or any of its subsidiaries made, or from which STA or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year.
4. Not being nor having been directly associated with a ten percent shareholder of STA in the current or immediate past financial year.
5. Neither being nor having been an executive director, employee, staff, advisor who receives salary, or a controlling person of STA, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person of STA, unless the foregoing status ended not less than three financial years prior to the appointment as an independent director. Such prohibited characteristic shall not include the case where the independent director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of STA.

6. Not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of child, of a director, executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of STA or its subsidiary company.
7. Not have an immediate family member including spouse, child, adopted child, stepchild, brother, sister and parent, who is, or has been in any of the past three financial years, employed by the Company or any of its related companies and whose remuneration is determined by the remuneration committee.
8. Not being a director or having an immediate family member including spouse, child, adopted child, stepchild, brother, sister, and parent, accepting any compensation from STA or any of its related corporations for the provision of services, other than compensation for board service, for the current or immediate past financial year.
9. Neither having nor having had a business relationship with STA, its parent company, subsidiary company, associate company, major shareholder or controlling person, in the manner which may interfere with his independent judgement, and neither being nor having been a significant shareholder or controlling person of any person having a business relationship with STA, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director .
10. Neither being nor having been an auditor of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director .
11. Neither being nor having been a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding two million baht per year from STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship ended not less than two years prior to the appointment as an independent director .
12. Not being a director appointed as representative of directors of STA, major shareholder or shareholder who is related to a major shareholder, or a director who is or has been directly associated with a 10% Shareholder, in the current or immediate past financial year. A director will be considered "directly associated" with a 10% Shareholder when the director is accustomed or under obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% Shareholder in relation to the corporate affairs of STA.
13. Not undertaking any business in the same nature and in competition to the business of STA or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holds shares exceeding one percent of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of STA or its subsidiary company.
14. Not having any other characteristics which would cause the inability to express independent opinions with regard to STA's business operations.

The qualifications of the Independent Director of STA are more stringent than the definitions as specified in the notification of the Capital Market Supervisory Board.

The Board of Directors is of the opinion that both Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok, who have served as Independent Directors for STA beyond nine years, should continue to serve as Independent Directors of STA as they have the qualifications required by the Capital Market Supervisory Board and do not have any characteristics which would cause them to be unable to express their independent opinions with regard to STA's business operations. During their respective terms of appointment, both Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok have performed their duty as Audit Committee and Remuneration Directors for the benefit and the good governance of the Company.

The Audit Committee meeting shall be held on quarterly basis. Without management team, private meeting of the Audit Committee with auditor and internal audit shall be held at least once a year in order to review the adequacy of external and internal audit, especially the scope, quality, and independence of external and internal auditors.

### **Selection of Audit Committee**

#### **Qualifications of Audit Committee**

1. Holding shares not exceeding one percent of the total number of shares with voting rights of STA, its parent company, subsidiary company, associate company, major shareholder or controlling person of STA, including shares held by related persons of such audit committee.
2. Not being a person taking part in the management of STA, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder of STA.  
  
Neither being nor having been an executive director, employee, staff, advisor who receives salary, or a controlling person of STA, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person of STA; for example, the Chief Executive Officers may not be the audit committee because they are directly responsible for the management.
3. Not have direct and indirect benefits or interests in finance and management of STA, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder of STA.  
  
Not have aforementioned benefits or interests of the past one financial year prior to the appointment as a member of the audit committee, unless the audit committee has carefully considered the foregoing benefits or interests does not affect the performance of duties and the giving of independent opinions.
4. Not being a related person or close relative of any management member or majority shareholder of the company.
5. Not being a person whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders.
6. Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the Board of Directors with free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

**Details of Attendance for the Meetings of the Board of Directors and Board Committees**

Details of the meeting attendance for the meetings of the Board of Directors, Executive Committee, Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee in 2015 are as follows:

| Name                                                      | No. of Attendances        |              | No. of Attendances  |              | No. of Attendances |              |
|-----------------------------------------------------------|---------------------------|--------------|---------------------|--------------|--------------------|--------------|
|                                                           | Board of Directors of STA |              | Executive Committee |              | Audit Committee    |              |
|                                                           | 2015                      | (%)          | 2015                | (%)          | 2015               | (%)          |
| 1. Mr. Viyavood Sincharoenkul                             | 7/7                       | 100          | 6/6                 | 100          | -                  | -            |
| 2. Mr. Prasit Panidkul <sup>(1)</sup>                     | 0/5                       | 0            | 0/5                 | 0            | -                  | -            |
| 3. Mr. Chaiyos Sincharoenkul                              | 7/7                       | 100          | 6/6                 | 100          | -                  | -            |
| 4. Mr. Kitichai Sincharoenkul                             | 6/7                       | 85.71        | 6/6                 | 100          | -                  | -            |
| 5. Mr. Paul Sumade Lee                                    | 7/7                       | 100          | 6/6                 | 100          | -                  | -            |
| 6. Mr. Veerasith Sinchareonkul                            | 7/7                       | 100          | 6/6                 | 100          | -                  | -            |
| 7. Mr. Patrawut Panitkul                                  | 7/7                       | 100          | 6/6                 | 100          | -                  | -            |
| 8. Mr. Li Shiqiang                                        | 7/7                       | 100          | -                   | -            | -                  | -            |
| 9. Mr. ChalermPOP Khanjan <sup>(2)</sup>                  | 1/1                       | 100          | 1/1                 | 100          |                    |              |
| 10. Mr. Prakob Visitkitjakarn <sup>(3)</sup>              | 7/7                       | 100          | -                   | -            | 6/6                | 100          |
| 11. Mr. Kriang Yanyongdilok                               | 7/7                       | 100          | -                   | -            | 6/6                | 100          |
| 12. Mr. Samacha Potavorn                                  | 6/7                       | 85.71        | -                   | -            | 6/6                | 100          |
| 13. Mr. Neo Ah Chap                                       | 7/7                       | 100          | -                   | -            | -                  | -            |
| <b>Percentage of meeting attendance of each committee</b> |                           | <b>90.11</b> |                     | <b>87.50</b> |                    | <b>100.0</b> |

**Note:**

- (1) In 2015, Mr. Prasit Panidkul was not able to attend the meeting due to health constraint. The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.
- (2) The appointment of Mr. ChalermPOP Khanjan as a director of the Company to replace Mr. Prasit Panidkul was in accordance with the resolution of the Board of Directors' meeting no.6/2558 on 28 October 2015 and was effective from 29 October 2015 onwards.
- (3) The appointment of Mr. Prakob Visitkitjakarn as a Vice Chairman of the Company was in accordance with the resolution of the Board of Directors' meeting no.2/2559 on 9 March 2016.

Details of the meeting attendance for the meetings of Nominating Committee, Remuneration Committee, and Risk Management Committee in 2015 are as follows:

| Name                                                      | No. of Attendances   |            | No. of Attendances     |            | No. of Attendances        |              |
|-----------------------------------------------------------|----------------------|------------|------------------------|------------|---------------------------|--------------|
|                                                           | Nominating Committee |            | Remuneration Committee |            | Risk Management Committee |              |
|                                                           | 2015                 | (%)        | 2015                   | (%)        | 2015                      | (%)          |
| 1. Mr. Viyavood Sincharoenkul                             | -                    | -          | -                      | -          | -                         | -            |
| 2. Mr. Prasit Panidkul                                    | -                    | -          | -                      | -          | -                         | -            |
| 3. Mr. Chaiyos Sincharoenkul                              | -                    | -          | -                      | -          | -                         | -            |
| 4. Mr. Kitichai Sincharoenkul                             | 2/2                  | 100        | -                      | -          | -                         | -            |
| 5. Mr. Paul Sumade Lee                                    | -                    | -          | -                      | -          | -                         | -            |
| 6. Mr. Veerasith Sinchareonkul                            | -                    | -          | -                      | -          | 1/2                       | 50.00        |
| 7. Mr. Patrawut Panitkul                                  | -                    | -          | -                      | -          | 1/2                       | 50.00        |
| 8. Mr. Li Shiqiang                                        | -                    | -          | -                      | -          | -                         | -            |
| 9. Mr. Chalernpop Khanjan                                 | -                    | -          | -                      | -          | 1/2                       | 50.00        |
| 10. Mr. Prakob Visitkitjakarn                             | -                    | -          | 2/2                    | 100        | -                         | -            |
| 11. Mr. Kriang Yanyongdilok                               | 2/2                  | 100        | 2/2                    | 100        | -                         | -            |
| 12. Mr. Samacha Potavorn                                  | 2/2                  | 100        | 2/2                    | 100        | -                         | -            |
| 13. Mr. Neo Ah Chap                                       | -                    | -          | -                      | -          | -                         | -            |
| <b>Percentage of meeting attendance of each committee</b> |                      | <b>100</b> |                        | <b>100</b> |                           | <b>50.00</b> |

The Board of Director's profile is in the attachment 1.

## 8.2 Executives (pursuant to the definition of "Executive<sup>(1)</sup>" in the SEC's notification no. GorJor. 17/2008 re: Determination of Definitions under Notifications relating to Issuance and Offering of Securities)

As of 31 December 2015, the list of Executives of STA is as follows:

| Name                                         | Position                                                 |
|----------------------------------------------|----------------------------------------------------------|
| 1. Mr. Viyavood Sincharoenkul                | Chairman and Managing Director                           |
| 2. Mr. Prasit Panidkul <sup>(2)</sup>        | Vice Chairman                                            |
| 3. Mr. Chaiyos Sincharoenkul                 | Director                                                 |
| 4. Mr. Kitichai Sincharoenkul                | Director and Group Manager of Legal and Administration   |
| 5. Mr. Paul Sumade Lee                       | Director and Chief Marketing Officer                     |
| 6. Mr. Veerasith Sinchareonkul               | Director and Chairman of the Risk Committee              |
| 7. Mr. Patrawut Panitkul                     | Director and Chief Financial Officer                     |
| 8. Mr. Li Shiqiang                           | Director                                                 |
| 9. Mr. Chalernpop Khanjan <sup>(3)</sup>     | Director and Chief Operating Officer                     |
| 10. Mr. Prakob Visitkitjakarn <sup>(4)</sup> | Independent Director and Chairman of the Audit Committee |

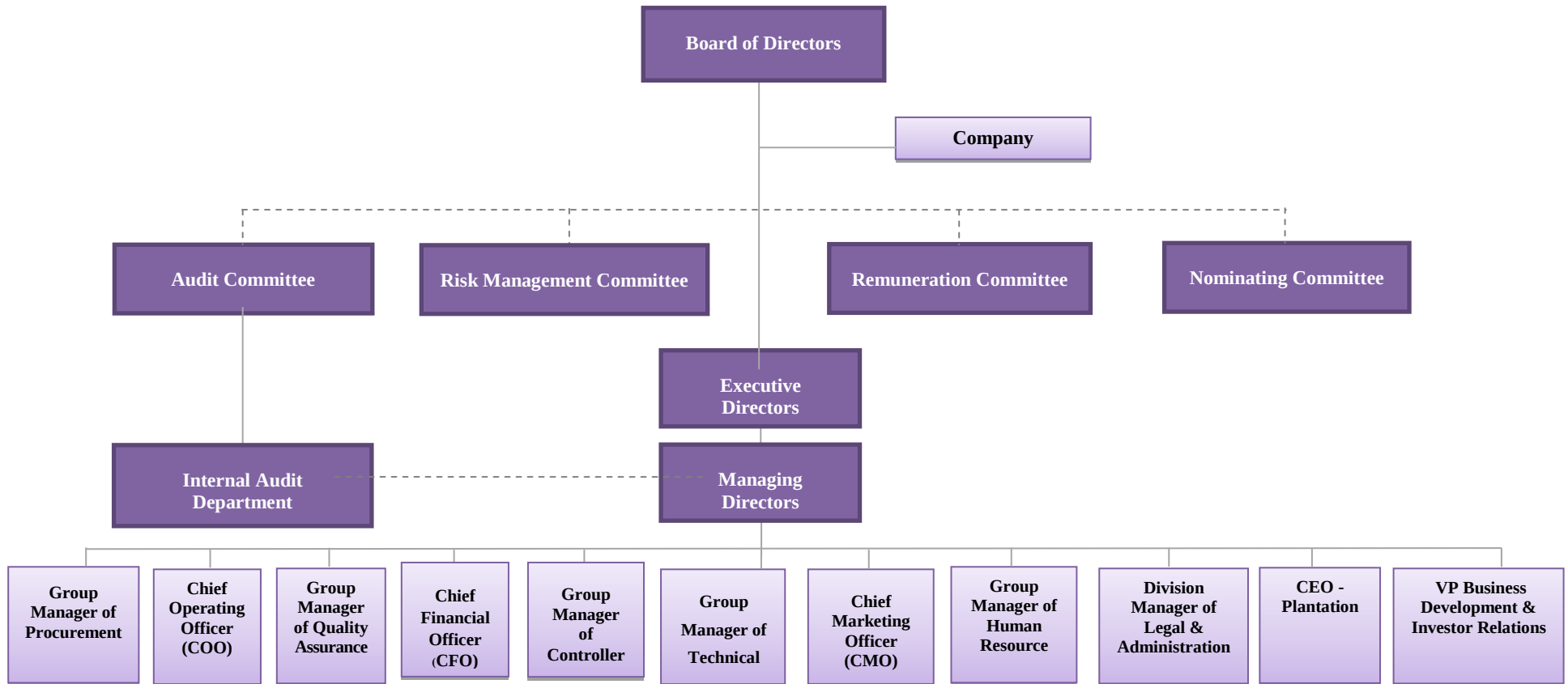
| <b>Name</b>                                 | <b>Position</b>                                        |
|---------------------------------------------|--------------------------------------------------------|
| 11. Mr. Kriang Yanyongdilok                 | Independent Director and Member of the Audit Committee |
| 12. Mr. Samacha Potavorn                    | Independent Director and Member of the Audit Committee |
| 13. Mr. Neo Ah Chap                         | Independent Director                                   |
| 14. Mrs. Prapai Srisuttiiphong              | Group Manager of Procurement                           |
| 15. Mr. Arsom Aksornnam                     | Group Production Manager                               |
| 16. Mr. Chaidet Pruksanusak                 | Group Manager of Quality Assurance                     |
| 17. Mr. Rattapong Laparojkit                | Group Manager of Technical                             |
| 18. Mr. Phanlert Wangsuphadilok             | Group Manager of Technical                             |
| 19. Mr. Udom Pruksanusak <sup>(5)</sup>     | CEO - Plantation                                       |
| 20. Ms. Nuchanart Chaiyarat                 | Group Manager of Human Resource                        |
| 21. Ms. Lim Li Ping <sup>(6)</sup>          | Group Manager of Controller                            |
| 22. Ms. Thanawan Sa-ngiamsak <sup>(7)</sup> | VP Business Development & Investor Relations           |

**Note:**

- (1) “Executive” means a director, manager or the next four executives succeeding the manager, a person holding an equivalent position to the fourth executive, including a person holding the position of manager or equivalent in the accounting or finance departments
- (2) The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.
- (3) The appointment of Mr. Chalernpop Khanjan as a director of the Company to replace Mr. Prasit Panidkul was effective from 29 October 2015 onwards.
- (4) The appointment of Mr. Prakob Visitkitjakarn as a Vice Chairman of the Company was in accordance with the resolution of the Board of Directors’ meeting no.2/2559 on 9 March 2016.
- (5) The position of Mr. Udom Pruksanusak has been changed from Group Manager of Human Resource to CEO – plantation on 23 July 2015.
- (6) The resignation of Ms. Lim Li Ping was effective on 8 August 2015.
- (7) Ms. Thanawan Sa-ngiamsak was appointed as VP Business Development & Investor Relations on 14 August 2015.

The Executive’s profile is in the attachment 1.

## Corporate Structure as of 31 December 2015



### 8.3 Company Secretary

The Board of Directors of STA resolved to approve the appointment of Mrs. Pacharin Anuwongwattanachai, who had an appropriate qualification, graduated in accounting, passed the company secretary training program and other related training programs, as well as possessed skill, knowledge, understanding in business, laws and other related regulations, as the Company Secretary (the "Company Secretary") by having the duties and responsibilities as provided in the Securities and Exchange Act, including providing advice on and ensuring compliance with relevant laws and regulations which the Board is required to know and follow. The Company Secretary attends and documents all Board meetings and ensures Board procedures are followed. The appointment and removal of the Company Secretary is subject to the approval of the Board in the Securities and Exchange Act.

Note: The Company Secretary's profile is in the attachment 1.

### 8.4 Remuneration of Directors and Executive Officers

#### (1) Financial Remuneration

##### (A) Directors' Fees

For the fiscal year ended 31 December 2015, STA paid the directors' fees to the Directors in the amount of Baht 6,494,400 for services rendered by them in forms of monetary remuneration. The details are as follows:

| Name                           | Amount of Directors' Fees (Baht)*  |
|--------------------------------|------------------------------------|
|                                | Fiscal year ended 31 December 2015 |
| 1. Mr. Viyavood Sincharoenkul  | 633,600                            |
| 2. Mr. Prasit Panidkul         | 396,000                            |
| 3. Mr. Chaiyos Sincharoenkul   | 475,200                            |
| 4. Mr. Kitichai Sincharoenkul  | 475,200                            |
| 5. Mr. Paul Sumade Lee         | 475,200                            |
| 6. Mr. Veerasith Sinchareonkul | 475,200                            |
| 7. Mr. Patrawut Panitkul       | 475,200                            |
| 8. Mr. Li Shiqiang             | 475,200                            |
| 9. Mr. Chalernpop Khanjan      | 79,200                             |
| 10. Mr. Prakob Visitkitjakarn  | 792,000                            |
| 11. Mr. Kriang Yanyongdilok    | 633,600                            |
| 12. Mr. Samacha Potavorn       | 633,600                            |
| 13. Mr. Neo Ah Chap            | 475,200                            |

Note\*: This remuneration is only for the directorship and audit committee of the Company excluding directorship of other sub-committees.

##### (B) Remuneration of the Directors and Executive Officers

For the fiscal year ended 31 December 2015, STA paid remuneration to the Executive Directors and Executive Officers, totaling 21 persons, in the amount of Baht 231.462. Such remuneration was in the



form of salary, bonus and other compensation comprising benefit-in-kinds and compensation that has already been paid includes any deferred compensation accrued for the financial year in question and payable at a later date including bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

Sri Trang International Pte. Ltd. have entered into employment agreements with each of our Directors, Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee. Each of these employment agreements does not have a fixed term of employment.

Pursuant to their respective employment agreements, each of Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee will be entitled to the following:

- a monthly salary and a variable bonus, as determined by the Profit Incentive Scheme (as defined below); and
- coverage of all reasonable business expenses incurred or paid for during the term of employment, in connection with the discharge of their duties to Group.

### **Profit Incentive Scheme**

Each of our Directors, Dr. Viyavood Sincharoenkul and Mr. Paul Sumade Lee are entitled to participate in a profit incentive scheme (the "Profit Incentive Scheme") in respect of each financial year of our subsidiary, Sri Trang International.

Under the Profit Incentive Scheme, in respect of each financial year, if the board of directors of Sri Trang International determines that there is a surplus ("Surplus") after deducting (i) 10% of Sri Trang International's issued and paid-up capital, or such other amount as may be determined by the board of directors of Sri Trang International, at their sole discretion, from time to time, (ii) 5% of any retained profits as at the beginning of the relevant financial year and (iii) accumulated losses as at the beginning of the relevant financial year, from Sri Trang International's profit after tax (as reflected in its audited accounts), 20% of such Surplus will be payable under the Profit Incentive Scheme ("Profit Incentive").

### **(2) Other Remuneration**

In 2015, the Company has paid the contribution of provident fund for the Board of Directors and Executive Officers as follows:

|                                | Total list | Amount (Baht) |
|--------------------------------|------------|---------------|
| Contribution of provident fund | 14         | 2,670,470     |

### **Employees' retirement benefits**

The Company provides employees' retirement benefits to employees in accordance with Thai labor laws. Such benefit amount depends on the salary base and number of years working for the company until the termination date.

## 8.5 Employees

### Number of Employees and Significant Changes to the Number of Employees

As of 31 December 2013, 31 December 2014 and 31 December 2015, the Company had 7,285 employees, 7,239 employees and 8,016 employees, respectively, which can be divided into the following activities:

| Activity                                      | As of 31 December |              |              |
|-----------------------------------------------|-------------------|--------------|--------------|
|                                               | 2013              | 2014         | 2015         |
| Procurement                                   | 647               | 659          | 669          |
| Production                                    | 4,916             | 4,693        | 5,373        |
| Quality assurance                             | 506               | 491          | 505          |
| Finance and accounting                        | 175               | 183          | 221          |
| Engineering                                   | 617               | 751          | 761          |
| Information Technology                        | 35                | 33           | 49           |
| Sales and marketing                           | 82                | 105          | 122          |
| Human resource                                | 291               | 308          | 297          |
| Company secretarial, legal and administrative | 16                | 16           | 19           |
| <b>Total</b>                                  | <b>7,285</b>      | <b>7,239</b> | <b>8,016</b> |

The breakdown of our employees by geographical location as of 31 December 2013, 31 December 2014 and 31 December 2015 is as follows:

| Geographical location | As of 31 December |              |              |
|-----------------------|-------------------|--------------|--------------|
|                       | 2013              | 2014         | 2015         |
| Thailand              | 5,687             | 5,835        | 6,212        |
| Indonesia             | 1,543             | 1,346        | 1,669        |
| Singapore             | 20                | 20           | 24           |
| USA                   | 12                | 12           | 11           |
| PRC                   | 23                | 23           | 33           |
| Vietnam               | -                 | 3            | 3            |
| Myanmar               | -                 | -            | 64           |
| <b>Total</b>          | <b>7,285</b>      | <b>7,239</b> | <b>8,016</b> |

Our employees are not unionised in Thailand. Certain of our employees in Indonesia have established labour unions that have been registered with the Indonesia Manpower Authority and have entered into collective labour agreements with our subsidiary in Indonesia.

### Major labour disputes during the last three years

The Company has not experienced any material labour disputes or related work stoppages in the three most recent completed financial years. We believe that our relationship with our employees is good.

**Personnel Remuneration**

**Total remuneration of STA employees:** The employees of STA receive the remunerations in forms of salary, overtime payment, bonus, and other welfares such as life and health insurance. For the fiscal year end as of 31 December 2015, the Company had expenses for salary and bonus and others employee benefit in an amount of Baht 748.66 million.

**Employee Development Policy**

The rubber processing industry is a labour- and capital-intensive industry. Accordingly, we place emphasis on staff training to improve and upgrade our employees' well-rounded knowledge, technical capability, skills in their respective fields, and ethic with regard to transparency together with environmental care as well as social and family responsibility. We believe that focusing on the training of our employees not only helps us to increase the efficiency of our operations and optimise our production capabilities but also build cohesion and team working within our Group's workforce. On top of that, this will create a better society for organization and national indirectly.

Our staff training programmes are formulated by our human resource department and are designed according to our employees' job requirements and responsibilities. Our staff training programmes are divided into four main categories — administration, manufacturing, service and engineering. This ensures that our employees receive the appropriate training for them to carry out their assigned roles within our Group.

We also send our employees for training and exchanges for skill development on yearly basis.

## 9. CORPORATE GOVERNANCE

### 9.1 Corporate Governance Policy

#### Principles of Good Corporate Governance for Listed Companies of 2012

The Board of Directors of STA has conducted the business operation appropriately and effectively in accordance with its objectives by utilizing expertise, diligence, and due care to protect the interests of the Company and to comply with the laws, objectives, and the Articles of Association of STA. The Board of Directors of STA has also followed the Principles of Good Corporate Governance for Directors of Listed Companies and the Principles of Good Corporate Governance for Listed Companies of 2012. The roles and responsibilities of the Board of Directors of STA are all managed with due care, in particular in the process of decision making. Careful consideration is given using reasonable judgment based on honesty, transparency, ethics, and the concern of stakeholders as well as all aspects of the best interests of shareholders.

#### Principles of Good Corporate Governance under the Principles of Good Corporate Governance for Listed Companies of 2012

STA has established and reviewed principles for good corporate governance in accordance with the Principle of Good Corporate Governance for Listed Companies of 2012 as prescribed by the SET. The details of 5 principles of good corporate governance areas that are appropriate for current business environment are as follows:

#### 1. Rights of Shareholders

STA always realises that the main factors for building shareholders' trust and confidence for investing in the businesses of STA are the application of policies and operations that protect the fundamental rights of the shareholders as well as the equality of all shareholders as prescribed by the laws, and encouraging the shareholders to exercise their fundamental rights. For example:

- (1) **Right to Receive Profit Sharing in the Form of Dividend:** STA has a policy on dividend payment which is based on careful consideration of the financial position, results of operation and cash flow of STA, the ability of our subsidiaries, associates and joint venture entity to make dividend payment, STA's expected working capital requirements to support the future growth of STA, the economic situation, and other external factors that STA expects will have an impact on its operations. In order to manage the business operation efficiently, the dividend payment policy is at approximately 30 percent of the net profit.
- (2) **Right to Attend the Shareholders' meeting:** STA pays great attention to the sufficiency of information so that the shareholders are able to make a well-informed decision at the shareholders' meeting, including casting their votes and expressing their opinions on significant changes and the election of the Board of Directors of STA, based on information which is accurate, complete, transparent, and equally shared.

Where the STA's shares are held through CDP, CDP will be the only holder on record of such shares. Accordingly, as a matter of Thai law, CDP will be the only person or entity recognised as a shareholder and legally entitled to vote on any matter to be submitted to the vote of the Company's shareholders at a general meeting of shareholders.

CDP has appointed a Thai custodian to safe keep all the shares held by CDP. Such Thai custodian will act as CDP's proxy during a general meeting of shareholders and CDP will instruct such Thai custodian to split its votes in accordance with the instructions that CDP receives from investors holding shares through CDP. However, shareholders who desire to

attend shareholders' meetings and exercise their voting rights under their names with regard to the shares beneficially owned by them will be required to transfer their shares out of the CDP system and have the share transfer registered in the share register book. In addition, a shareholder who transfers the Company's shares out of the CDP system will not be able to trade such shares on the SGX-ST unless he first transfers such shares back into the CDP system.

In order to provide the equivalent of the annual general meeting to shareholders in Singapore holding shares through the CDP, last year STA held an investor forum in Singapore soon after the annual general meeting was held in Thailand, to enable as even a level of access to information as possible at the time of such forum. Shareholders in Singapore holding shares through the CDP will be given the opportunity to air their views and ask Directors any questions they may have. The representation of the Board at the forum will include at the minimum, the Managing Director, two other Executive Directors and two Independent Directors, one of whom will be the Lead Independent Director.

- (3) **Right to Vote on Agenda Items in the Shareholders' meeting:** The completed invitation to shareholders' meeting and attachments will be forwarded to shareholders in advance. The invitation to shareholders' meeting includes details on agenda items, attachments to agenda items, opinions of the Board of Directors of STA, proxy forms as prescribed by the Ministry of Commerce, a name list of all independent directors to whom the shareholders are able to give their proxy, and a map of the meeting venue. The invitation to the shareholders' meeting also includes the information regarding the required documents that shareholders have to present to the meeting in order to protect their right to attend the meeting, the Articles of Association of STA pertaining to the shareholders' meeting, and voting instructions. Furthermore, so that the investors can obtain information thoroughly, the shareholders can access all information with respect to the agenda of the shareholders' meeting at [www.sritranggroup.com](http://www.sritranggroup.com) and the website of the SGX-ST at [www.sgx.com](http://www.sgx.com) ("**SGXNET**") in advance approximately 30 days prior to the meeting date. Moreover, STA has assigned Thailand Securities Depository Co., Ltd. (TSD) and CDP as its securities registrar to dispatch the meeting invitation and other related documents to shareholders at least 21 days prior to the meeting. The policy of STA is that no additional agenda item is included in the meeting without prior notice to the shareholders.

For the election of directors agenda, STA gives an opportunity to shareholders to vote on individual directors. In addition, STA provides examiners for the vote counting on the meeting date and discloses the information in the minutes of the shareholders' meeting.

- (4) **Equal Right to Express Opinions and Make Inquiries in the Shareholders' meeting:** With respect to agenda items and proposed agenda items, the Chairman of the shareholders' meeting should allocate sufficient time and encourage the shareholders to express their opinions and make inquiries in the meeting. The Chairman of each sub-committees comprising Mr. Prakob Visitkitjakarn, STA's Lead Independent Director as well as the Chairman of the Audit Committee and Remuneration Committee, Mr. Kriang Yanyongdilok, the Chairman of the Nominating Committee and Independent Director, Mr. Veerasith Sinchareonkul, the Chairman of the Risk Management Committee will be present at the annual general meeting to address questions that shareholders' may have. External auditors will also be present to address queries in relation to the audit of the Company and the auditors' report. STA will note the questions and clarifications in the minutes of the shareholders' meeting for acknowledgement of shareholders who did not attend the meeting.

## 2. Fair Treatment of Shareholders

STA has the policies of fair and equitable treatment to all groups of shareholders including institutional investors, foreign investors, and retail shareholders.

- (1) The shareholders' meeting shall be held in accordance with the agenda mentioned in the invitation to shareholders' meeting. STA sends a complete invitation to shareholders' meeting, including attachments, both in Thai and English language with all sufficient information relevant to the meeting to the shareholders. Moreover, STA posts all information which is relevant to the meeting at its website ([www.sritranggroup.com](http://www.sritranggroup.com)) so that the shareholders will have sufficient time to carefully study this information. In addition, the invitation to shareholders' meeting shall be advertised no less than three days prior to the shareholders' meeting in a daily newspaper for at least three consecutive days in order to allow shareholders to have sufficient time to prepare for attending the shareholders' meeting. Before the commencement of each meeting, the Chairman will give instructions on the voting and the counting methods as clearly prescribed. During the meeting, the Chairman allows the shareholders, equally, to make inquiries and express their opinions as well as to make recommendations. The Chairman also answers questions and provides complete information as requested by the shareholders. After the meeting, STA will send the minutes of the shareholders' meeting to the SET within the prescribed period.
- (2) STA gives an opportunity to shareholders to cast their vote on one share one vote approach and encourages the shareholders to use ballots for voting on each agenda item. The ballots shall be kept in the meeting room for vote counting prior to the announcement of the resolutions. For the purpose of transparency, STA makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages and keeps all ballots having signatures of the shareholders or their proxy for future reference.
- (3) Minutes of the shareholders' meeting must be accurately and completely recorded and submitted to the SET within 14 days after the shareholders' meeting. The resolutions of the shareholders' meeting will be posted on the website of STA at [www.sritranggroup.com](http://www.sritranggroup.com).
- (4) The policy regarding the monitoring of the use of insider information has been established for strict compliance by personnel at all levels.
- (5) A full and clear disclosure of shareholding structure in the subsidiaries and associates is made to assure shareholders that the operational structure of STA is transparent and accountable.
- (6) STA places importance on the accurate, full, timely, and transparent disclosure of information on various issues to shareholders. As such, significant information is disclosed on a regular basis.

### **3. Role of Stakeholders**

STA fully realises that the growth and development of STA has resulted from the full support given by all interested parties. STA places importance on the rights of all stakeholders, both internal stakeholders such as personnel, staff members, and the Executives of STA and the subsidiaries and external stakeholders such as commercial partners ranging from the suppliers of raw materials to various groups of customers of finished products, financial institutions, government agencies that provide close co-operation, and finally, the shareholders of STA. In this regard, STA realises its responsibilities towards the above-mentioned stakeholders. The Board of Directors of STA has reviewed stakeholder engagement policy and established the policies concerning the non-infringement of intellectual property such as copyright, patent, and trademark as well as the whistleblower policy which has specified the channels of notice or complaint, operating procedure, and guidelines for the protection of claimer(s) in the Company's website. The Board of Directors has also established the anti-corruption policy to build a good conscience and right core value in order to prevent any type of corruptions in the organisation.

The followings are details of policies in connection with stakeholders:

#### **Shareholders:**

STA is committed to be the representative of its shareholders in conducting its business operation in a transparent manner, and having a reliable accounting and finance system that brings the highest satisfaction to shareholders by continuous considering the long-term, sustainable growth of STA and an adequate return.

#### **Employees:**

STA treats its employees equally and fairly by providing a good and safe working environment and adequate remuneration. Moreover, STA supports its employees in terms of providing the opportunity to develop knowledge, skills and experiences for career improvement. STA has established a Health and Working Environment Committee. A training program is specially designed for relevant personnel responsible for overseeing, providing advice, and giving accurate information on safety, occupational health, and the working environment, and the prevention of accidents resulting from work as well as providing other interesting health information to the employees. Considering the employee's welfare with respect to the safe and maximum working efficiency, STA promotes and provides training to employees to worthily utilise natural resources and introduces various activities that promote the quality of life of employees, such as establishing a library and creating entertainment programs as well as various activities which are designed to promote employees' good physical and mental health. Moreover, a handbook for employees has been published and is publicised through STA Intranet.

The Company has established the employee provident fund of which permanent employees are entitled to apply for with options to pay the contribution at the fixed rate or at the rate equal to the contribution paid by the Company. The contribution rate paid by the Company depends on years of services of each employee. The employee will receive such provident fund benefit on the termination of their employment except for cases where the terminations are not eligible to the compensations.

**Safety information of employees in 2015**

Details of work accident statistics in 2015 are as follows:

|                                         | Accident Statistics<br>(Times) | Percentage* |
|-----------------------------------------|--------------------------------|-------------|
| No lost time accidents                  | 54                             | 0.45        |
| Less than 3 days of lost time accidents | 62                             | 0.52        |
| More than 3 days of lost time accidents | 72                             | 0.60        |
| Dismemberment for body parts            | 4                              | 0.03        |
| Disabled                                | 0                              | 0           |
| Death                                   | 1                              | 0.01        |

Note\*: Computed based on the number of the Company's weighted average employee for the year 2015 at 12,007.

The Board of Directors of STA has established the anti-corruption policy and communicated with employees to provide better knowledge and understanding for the prevention of corruption. This is to build a good business conscious, right core value, and good corporate culture.

The Board of Directors of STA has established the Whistleblower Policy and set channel for appellant from all groups of stakeholder regarding falsify or inappropriate actions which may cause the damage to the Company including protective measures for claimer who is in good faith.

STA has established a channel of communication for shareholders or any stakeholders to directly report to the directors. The Audit Committee assigned to receive these complaint reports will investigate and report to the Board of Directors. Furthermore, shareholders or any stakeholders may directly seek information from the Company Secretary of STA and the Investor Relations Office as following details:

- The Audit Committee, E-Mail Address: [auditcommittee@sritranggroup.com](mailto:auditcommittee@sritranggroup.com)
- The Company Secretary, E-Mail Address: [corporatesecretary@sritranggroup.com](mailto:corporatesecretary@sritranggroup.com)
- The Investor Relations Office, E-Mail Address: [ir@sritranggroup.com](mailto:ir@sritranggroup.com)
- Telephone no. +662-207-4500

**Customers:**

STA is committed to creating customer satisfaction by producing quality products and delivering the products on a timely basis and maintaining a good sustainable relationship. A guideline for customer relations practice is included in the Code of Business Conduct under Conduct of Relations to the Customers.

**Business Partners:**

STA has the policy to screen business partners and purchases goods and services from such business partners pursuant to commercial conditions. The Company always complies with the agreements entered into with its business partners and strictly follows the laws and regulations and possesses good business ethics in regard to business competition.

**Competitors:**

STA promotes and supports the policy of fair and free competition. STA will not take any actions that infringe or violate any laws related to commercial competition or that could cause harm reputation of its competitors.



**Creditors:**

STA complies with the conditions of loan agreements and provides accurate, transparent, and accountability information to creditors. Moreover, STA strictly adheres to the compliance with the prescribed conditions of the contract from creditors.

**Government Agencies and Related Organizations:**

STA strictly complies with various laws and regulations e.g. laws pertaining to the environment, safety, labour, tax management and accounting, as well as the government notifications relating to the business operations of STA.

**Society and Environment:**

STA is aware of and concerned about the safety, environment, and the quality of life of the people, and the importance of natural resources conservation, the promotion of energy sufficiency, the alternative use of natural resources to minimize the impact on society, the environment and people's quality of life to the greatest possible extent. As such, STA supports activities in the neighborhood community of the factories by providing the most efficient management of safety and environment.

In addition, STA has prepared corporate social responsibility report while the Board of Directors has supervised and monitored the management system to ensure full compliance with laws and regulations of regulatory agencies and the fair and strict equitable treatment of all stakeholders.

**4. Information Disclosure and Transparency**

- (1) The Board of Directors of STA is responsible for the accurate, complete, clear, timely, and transparent disclosure of both significant financial and non-financial information of STA both Thai and English in balance and easy to understand form through the Annual Registration Statement (Form 56-1), the Annual Report (Form 56-2), and easy-to-access channels, which reflects fairness and reliability at the same time of maintaining the commercial interest of STA so that the stakeholders are all equally able to receive information in compliance with the Securities and Exchange Commission, the Stock Exchange of Thailand, and the requirements of various regulators.
- (2) STA has set up a public relations department in order to communicate with investors and related third parties. The Investor Relations Office is the center for communication between shareholders, stakeholders, investors, analysts, and other related parties.
- (3) To report the corporate governance policy through the Annual Registration Statement (Form 56-1), the Annual Report (Form 56-2), and the Company's website.
- (4) To disclose vision, mission, and goal of the Company. Such disclosed information will be reviewed by the Board of Directors of the Company on yearly basis.
- (5) To clearly disclose the shareholding structure of the Company including shareholding of the directors and the Executives of the Company both direct and indirect by presenting the beginning and ending shares as well as movement transaction during the year.
- (6) To establish the policy that the directors must report all trading in securities and quarterly present to the Board of Directors.
- (7) To establish the policy for the directors and the Executives to report their interest on the first appointment to the position and at the end of every year or every time when there is a change.

- (8) To present report of the Board of Director's responsibility for the financial reports together with auditor's report in annual report.
- (9) To disclose minutes of the annual general meeting on website of the Company.
- (10) To disclose profile of the directors and their attendance on the Board of Directors and Sub-Committee meeting of the preceding year.
- (11) To disclose the date of first appointment to the Board of each director.
- (12) To disclose details of training and development program that the directors joined during the preceding year.
- (13) To disclose the audit fees and non-audit fees in annual report.
- (14) To disclose Memorandum of Association and Article of Association in the website of the Company.
- (15) To provide various communication channels such as website, annual report, analyst meeting so that shareholders or investors can easily access company information thoroughly and equally.

STA discloses significant information in Thai and English through website that is updated regularly. The Investor Relations Office at Bangkok Branch can be contacted at: Tel: +66-2207-4500, Fax +66-2108-2244, or at [www.sritranggroup.com](http://www.sritranggroup.com)

The STA website is updated regularly. Information which should be disclosed is posted on the STA website. The Investor Relations Office at Bangkok Branch can be contacted at: Tel: +66-2207-4500, Fax +66-2108-2244, or at [www.sritranggroup.com](http://www.sritranggroup.com)

## **5. Responsibility of the Board of Directors**

### **(1) The Structure of the Board of Directors**

The Board of Directors of STA, consisting of directors who have knowledge, competence and experience in business, has the duty to determine policies, visions, strategies, goals, missions, business plans and budgets of STA, as well as to monitor the management team to effectively and efficiently manage the business of STA in accordance with the policies under the legal framework, objectives, the Articles of Association of STA and the resolutions of the shareholders meeting and the Board of Directors Meeting. Such duties must be performed with responsibility, due care and loyalty under the principles of good corporate governance in order to increase the best economic value for the business and the highest stability for the shareholders.

The Board of Directors of STA consists of 12 directors, including four independent directors who are fully qualified under the notifications of the Capital Market Supervisory Board and the SET.

Moreover, in compliance with the principles of good corporate governance and in order to ensure the directors' effectiveness of work, the Board of Directors has established the policy that the directors should not hold directorship positions for more than five listed companies. In the case that any director holds the office of director in more than five listed companies, the Board of Directors will further review the efficiency of such director's performance.

According to the Articles of Association of STA, at every annual general meeting, one-third of the directors, or, if the number of directors is not a multiple of three, then the number nearest to one-third, shall retire from office. The directors who are to retire from office in the first and the second years after registration of the company shall be drawn by lots. In the subsequent years, the directors who have been holding office for the longest time shall retire.

The Board of Directors has passed a resolution to appoint Mrs. Pacharin Anuwongwatanachai as a Company Secretary to provide advice on compliance with relevant laws and regulations which the Board of Directors is required to know. The Company Secretary shall also supervise the activities of the Board of Directors and ensure that the resolutions of the Board of Directors meeting have been complied with.

(2) Sub-committees

The Board of Directors has a duty to carefully and effectively consider and give approval on significant operational matters; therefore, sub-committees are formed to assist the Board of Directors in various aspects. An Audit Committee is appointed consisting of at least three independent directors and at least one of them must have knowledge of accounting and finance and must have a qualification on independence as prescribed by the notifications of the Capital Market Supervisory Board and by the STA definition of an independent director. The Audit Committee was established for the purpose of monitoring the internal control system, financial report system, corporate governance, risk management, as well as the selection and the appointment of the auditor. Moreover, STA has formed other sub-committees such as the Remuneration Committee, the Nominating Committee, and the Risk Management Committee in order to manage the businesses of STA. The majority of members of the sub-committees are independent committee members in order to ensure a transparent and independent business operation.

(3) Roles, Duties, and Responsibilities of the Board of Directors

The Board of Directors of STA oversees the business operation and the mission of STA to be in accordance with the approval given by shareholders, applicable laws, objectives, the Articles of Association of STA, and resolutions of the Board of Directors meeting and the shareholders meeting. The Board of Directors of STA must exercise good business judgment in making business decisions and perform its duty with responsibility, due care, and loyalty in the best interests of the Company.

**Conflict of Interests**

The Board of Directors of STA has established a policy for preventing conflicts of interests on the basis that any decision-making on business transactions must be made only for the best interest of STA, and that any act which may cause a conflict of interest should be avoided. It is required that a person involved in or having a conflict of interest in any agenda item to be discussed in a meeting shall report the relationship or conflict of interest in such agenda item to STA, as well as abstain from voting and shall have no authority to grant approval for such transaction.

(4) The Board of Directors Meeting

According to the Articles of Association of STA, the Board of Directors shall hold a meeting at least once every three months and any additional meetings as necessary. The meeting schedule shall be prepared in advance throughout the year and notified to all directors for their acknowledgement on yearly basis. A meeting notice will be delivered to directors at least seven days prior to the date of the meeting, except in the case where it is necessary or urgent to preserve the rights and benefits of STA. At each meeting, the agenda items of the meeting must be clearly specified and supported by complete and sufficient documents, and must be delivered to the directors in advance so that the directors will have sufficient time to study such information prior to the meeting. At the meeting, each director is allowed to

openly discuss and express his/her opinion. In addition, at the meeting of the Board of Directors, the senior executives will be invited to participate in order to provide additional details of information on such matters in which they are directly involved. The Board of Directors can directly and independently contact the senior executives and the Company Secretary.

STA is committed to providing the Board of Directors with adequate, complete, and continuous information in a timely manner prior to a Board of Directors meeting.

(5) Remuneration

The remuneration for directors must be made on a practical industry level based on working experience, role, responsibilities, and must be in line with the average market practice of the same industry.

(6) Training for the Directors and the Executives

STA usually provides an orientation to the newly appointed director so that such Director can discharge his/her duties effectively. The Company Secretary will liaise with the directors in any matters such as affidavit, Articles of Association, manual of director in Annual Registration Statement (Form 56-1), working system information within the Company, and other laws and regulations related to business operation of the Company.

The Board of Directors has a policy to enhance and accommodate the provision of training on good corporate governance. Regular and continuous training programs are provided to directors so that they can improve their knowledge.

STA has the policy to support the directors and the senior management at least one person a year to join any training programs that equip them with knowledge to support their duties. In 2015, Mr. Patrawut Panitkul has joined SFE24/2015 Successful Formulation & Execution of Strategy held by the Thai Institute of Directors Association.

Moreover, in 2015, STA has arranged the seminar “Sri Trang Core Value and Corporate Governance” for Directors, the Executives, and employees within the organization in order to recommend the principles of good corporate governance, especially the integrity and transparency. This is to enhance understanding of strategies to prevent and detect fraud in practical level with the aim to efficiently reduce losses and mitigate risks as well as to promote the long term sustainability of the business operation.

(7) Assessment of the Directors’ Performance

STA has conducted the Directors’ Self-Assessment where the assessment form is in accordance with the good corporate governance so that the assessment results can be further used to develop the performance of the directors. Three types of assessment form are;

- The Board Assessment Form (Assessment of the Board as a whole)
- Individual Board Member Assessment Form (Self-Assessment)
- Sub-committee Assessment Form (Self-Assessment of the Sub-committee comprised the Audit Committee, the Nominating Committee, the Remuneration Committee, and the Risk Management Committee)

The guideline for the assessment grading for each area is as follows:

- More than 90% = Excellent
- More than 80% = Very good
- More than 70% = Good
- More than 60% = Fair
- Less than 50% = Poor

The assessment process can be summarised as follows:

The Company Secretary is to prepare and review these 3 assessment forms in accordance with the related rules to ensure the accuracy and completeness before presenting to the Board for a recommendation. The assessment form will be then passed to the directors to evaluate. The Company Secretary will summarize the assessment results.

The details of assessment can be summarized as follows:

1. The Board Assessment Form (Assessment of the Board as a whole) consists of 6 areas; structure and qualification of the Board of Directors, roles, duties and responsibilities of the Board of Directors, the Board's meetings, the Board's performance of duties, relationship with management, and self-development of the directors as well as the development of the Executives.
2. Individual Board Member Assessment Form (Self-Assessment) consists of 4 areas; responsibility on their decisions and actions as well as the effective performance of their duties, fair and equitable treatment to the stakeholders, transparency and traceability of work with the disclosure of information, and level of Principles of Business Ethics as well as Code of Business Conduct on their business operation.
3. Sub-committee Assessment Form (Self - Assessment of the Sub-committee as a whole) consists of 3 areas; structure and qualification of the directors, performance during the sub-committee meeting, as well as roles, duties, and responsibilities of the sub-committee.

The assessment results can be summarised as follows:

1. The Board Assessment Form (Assessment of the Board as a whole)

Overall assessment results for Board Self-Assessment (Assessment of the Board as a whole) in 6 areas represent an excellent performance with an average score of 95.45% which improved from 2014.

2. Individual Board Member Assessment Form (Self-Assessment)

Overall assessment results for Individual Board Member Assessment (Self-Assessment) in 4 areas represent an excellent performance with an average score of 91.48% which improved from 2014.

3. Sub-Committee Assessment Form

3.1 The Audit Committee

Overall assessment results for the Audit Committee in 3 areas represent an excellent performance with an average score of 100.0%.

3.2 The Nominating Committee

Overall assessment results for the Nominating Committee in 3 areas represent an excellent performance with an average score of 95.59%.

### 3.3 The Remuneration Committee

Overall assessment results for the Remuneration Committee in 3 areas represent an excellent performance with an average score of 95.0%.

### 3.4 The Risk Management Committee

Overall assessment results for the Risk Management Committee in 3 areas represent very good performance with an average score of 80.59%.

## Dealings in Securities

STA has a policy and procedure to monitor its executives in relation to their use of inside information of STA and its subsidiaries for personal interest as detailed in No. 9.5.

## 9.2 Sub-Committees

### Committees of STA

As of 31 December 2015, the corporate structure of STA consists of six committees which are the Board of Directors of STA, the Audit Committee, the Executive Committee, the Nominating Committee, the Remuneration Committee, and the Risk Management Committee.

### The Board of Directors of STA

As of 31 December 2015, the Board of Directors of STA consists of 12 directors as follows:

| Name                                         | Position                                                                                                 | Remarks                |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------|
| 1. Mr. Viyavood Sincharoenkul                | Chairman /Managing Director/<br>Executive Committee member                                               | Executive Director     |
| 2. Mr. Prasit Panidkul <sup>(1)</sup>        | Vice-chairman/<br>Executive Committee member                                                             | Executive Director     |
| 3. Mr. Chaiyos Sincharoenkul                 | Director/ Executive Committee<br>member                                                                  | Executive Director     |
| 4. Mr. Kitichai Sincharoenkul                | Director/ Executive Committee<br>member / Nominating Committee<br>member                                 | Executive Director     |
| 5. Mr. Paul Sumade Lee                       | Director/ Executive Committee<br>member                                                                  | Executive Director     |
| 6. Mr. Veerasith Sinchareonkul               | Director/ Executive Committee<br>member / Chairman of the Risk<br>Management Committee                   | Executive Director     |
| 7. Mr. Patrawut Panitkul                     | Director/ Executive Committee<br>member / Risk Management<br>Committee member                            | Executive Director     |
| 8. Mr. Li Shiqiang                           | Director                                                                                                 | Non-Executive Director |
| 9. Mr. Chalernpop Khanjan <sup>(2)</sup>     | Director/ Executive Committee<br>member / Risk Management<br>Committee member                            | Executive Director     |
| 10. Mr. Prakob Visitkitjakarn <sup>(3)</sup> | Lead Independent Director/ Chairman<br>of the Audit Committee/ Chairman of<br>the Remuneration Committee | Non-Executive Director |
| 11. Mr. Kriang Yanyongdilok                  | Independent Director/<br>Audit Committee member/ Chairman<br>of the Nominating Committee/                | Non-Executive Director |

| Name                     | Position                                                                                                          | Remarks                |
|--------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------|
|                          | Remuneration Committee member                                                                                     |                        |
| 12. Mr. Samacha Potavorn | Independent Director/<br>Audit Committee member/<br>Nominating Committee member/<br>Remuneration Committee member | Non-Executive Director |
| 13. Mr. Neo Ah Chap      | Independent Director                                                                                              | Non-Executive Director |

**Note:**

- (1) The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.
- (2) The appointment of Mr. Chalernpop Khanjan as a director of the Company to replace Mr. Prasit Panidkul was in accordance with the resolution of the Board of Directors' meeting no.6/2558 on 28 October 2015 and was effective from 29 October 2015 onwards.
- (3) The appointment of Mr. Prakob Visitkitjakarn as a Vice Chairman of the Company was in accordance with the resolution of the Board of Directors' meeting no.2/2559 on 9 March 2016.

Mrs. Pacharin Anuwongwattanachai is a secretary to the Board of Directors of the Company.

**Scope of Duties and Responsibilities of the Board of Directors of STA**

In 2015, the Board of Directors' meeting no. 6/2558 STA has reviewed and determined the scope of duties and responsibilities of the Board of Directors of STA as follows:

1. The Board of Directors have power and duties and responsibilities in the management of the Company in accordance with the law, the Company's objectives, the Articles of Association, the resolutions of Board and the resolutions of the general meeting of shareholders. The Board of Directors shall make prudent business decisions. They shall perform their duty responsibly with care and honesty for the best interests of the Company.
2. Response to propose, review and approve the policy of the Company.
3. Appoint, remove and assign duties to advisors to the Board of Directors, sub-committees, and the Managing Director.
4. Authorise the Executive Directors, management officers, or any person to act on behalf of the Board of Directors.
5. Approve investments of the Company, investment in equity and/or debt securities.
6. Approve the entering into guarantee for credit facility to any entity who has business connection with the Company as the shareholder.
7. Approve the establishment, merger, or dissolution of any subsidiary company.
8. Seek advice from specialists or consultants (if any), or retain the services of outside specialists or consultants at the Company's expenses.
9. Propose the capital increase or capital decrease, or the change in par value, or amendment to the memorandum of association, the articles of association, and/or the objectives of the Company to the shareholders for consideration.
10. Appoint and remove the Company Secretary.
11. Consider and approve the connected transactions, except if such transactions require approval of the shareholder meeting. Such approval will be in accordance with notifications, rules and/or regulations related to the SET.
12. Provide the efficiency internal audit system especially for the transactions with the any interested director which is within the scope of SET's regulation.

In any case, the assignment of the duties and responsibilities of the Board of Directors of STA shall not constitute an authorization or sub-authorization which may cause the Board of Directors of STA or its assignee to be able to approve any transaction in which such person or other related party (as defined in the Notification of the SEC or the notification of the Capital Market Supervisory Board) may have a conflict of interest or may benefit in any manner, or any other conflict of interest with STA or its subsidiaries, except when the approvals of such transactions are consistent with the policy and criteria approved by the shareholders meeting or the Board of Directors meeting of STA.

### **Composition and Appointment of the Board of Directors of STA**

The following is a summary of the composition, appointment, removal or retirement from the Board of Directors of STA set forth in the Articles of Association of STA:

1. The number of members of the Board of Directors of STA shall be determined by a shareholders meeting but shall be not less than five persons and not less than one-half of the total number of Directors must reside in the Kingdom of Thailand.
2. Directors shall be elected at a shareholders meeting in accordance with the following criteria and procedures:
  - (1) Each shareholder shall have one vote for one share.
  - (2) A shareholder must use all of his/her votes in (1) to elect one or several persons as Director or Directors, however, he or she may not split his/her votes unequally between any person in any number.
  - (3) The persons who receive the most votes shall be elected as Directors, in the number of Directors required or to be elected on the relevant occasion. In the event that votes of two or more nominees are equal in number, causing the number of Directors required or to be elected on such relevant occasion to be exceeded, the chairman of the meeting shall have a casting vote.
3. At every annual general meeting, one-third of the directors, or, if the number of Directors is not a multiple of three, then the number nearest to one-third, shall retire from office.

The directors who are to retire from office in the first and the second years after registration of the Company shall be drawn by lots. In subsequent years, the directors who have been holding office for the longest time shall retire.
4. Any Director wishing to resign from office shall submit his or her resignation letter to STA. The resignation shall be effective from the date on which STA receives the resignation letter.
5. The shareholders meeting may pass a resolution to remove any Director from office prior to rotation, by a vote of not less than three-fourths of the number of the shareholders attending the meeting and having the right to vote, and whose shares represent a total of not less than one half of the number of shares held by the shareholders attending the meeting and having the right to vote.

The Board currently comprises twelve Directors, four of whom are Independent Directors. The Company has seven Executive Directors and five Non-executive Directors.

The composition of the Board takes into consideration the nature and scope of the Group's operations to allow constructive discussion, a diversity and balance of judgment for effective decision making. The directors have invaluable experience in accounting, finance, business management, strategic planning, marketing, law and the rubber industry.



**EXECUTIVE COMMITTEE**

As of 31 December 2015, the list of Executives of STA is as follows:

| <b>Name</b>                              | <b>Position</b>                |
|------------------------------------------|--------------------------------|
| 1. Mr. Viyavood Sincharoenkul            | Chairman of Executive Director |
| 2. Mr. Prasit Panidkul <sup>(1)</sup>    | Executive Director             |
| 3. Mr. Chaiyos Sincharoenkul             | Executive Director             |
| 4. Mr. Kitichai Sincharoenkul            | Executive Director             |
| 5. Mr. Paul Sumade Lee                   | Executive Director             |
| 6. Mr. Veerasith Sinchareonkul           | Executive Director             |
| 7. Mr. Patrawut Panitkul                 | Executive Director             |
| 8. Mr. Chalernpop Khanjan <sup>(2)</sup> | Executive Director             |

**Note:**

- (1) The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.
- (2) The appointment of Mr. Chalernpop Khanjan as a director of the Company to replace Mr. Prasit Panidkul was in accordance with the resolution of the Board of Directors' meeting no.6/2558 on 28 October 2015 and was effective from 29 October 2015 onwards.

**Scope of Duties and Responsibilities of the Executive Committee**

1. To order, plan, and operate the business of STA to be in accordance with the policies set out by the Board of Directors of STA.
2. To appoint STA's management to efficiently and transparently manage STA's businesses.
3. Any two of the Executive Committee members jointly signing and affixing the company seal are eligible to grant proxies to any person to perform on behalf of STA in respect of any business that will benefit STA.
4. To determine the appropriate employees' benefits and welfare in compliance with corporate culture and applicable laws.
5. To approve the credit limits of the normal business transactions or other transactions that bind STA.

In any case, the assignment of duties and responsibilities of the Executive Committee shall not constitute an authorization or sub-authorization which may cause the Executive Committee or its assignee to be able to approve any transaction in which such person or other related party (as defined in the Notification of the SEC or the Capital Market Supervisory Board) may have a conflict of interest or may benefit in any manner or any other conflict of interest with STA or its subsidiaries. Such approval must be proposed at a meeting of the Board of Directors and/or the meeting of shareholders, as the case may be, for approval, as stipulated in the Articles of Association of STA or subsidiaries, or any applicable laws.

**AUDIT COMMITTEE**

The Audit Committee consists of 3 independent directors and all have the qualifications required by the Capital Market Supervisory Board and the SET. As of 31 December 2015, the Audit Committee consists of the following directors:

| <b>Name</b>                  | <b>Position</b>                 |
|------------------------------|---------------------------------|
| 1. Mr. Prakob Visitkitjakarn | Chairman of the Audit Committee |
| 2. Mr. Kriang Yanyongdilok   | Audit Committee Member          |
| 3. Mr. Samacha Potavorn      | Audit Committee Member          |

Mr. Prakob Visitkitjakarn and Mr. Kriang Yanyongdilok are the Audit Committee members who have sufficient knowledge and experience to review the reliability of financial statements of STA.

Mr. Wittawas Grungtanmuang is a secretary to the Audit Committee.

**Scope of Duties and Responsibilities of the Audit Committee**

1. To assist the Board of Directors in the discharge of its responsibilities on financial and accounting matters (including reviewing STA's financial reporting process and our Company's consolidated financial statements to ensure accuracy and adequacy).
2. To review our Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit.
3. To review our Company's compliance with the law on securities and exchange, the regulations of the SET, and the laws relating to business of STA.
4. To consider the election, the nomination, and the removal of persons with independence, reliability, acceptable qualification and are auditors approved by SEC to act as an auditor of STA and to determine the remuneration of such person as well as to attend a non-management meeting with an auditor at least once a year.
5. To review the connected transactions, interested person transactions or the transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws and the regulations of the SET, and are reasonable and in the best interests of STA.
6. To prepare, and to disclose in our Company's annual report, an Audit Committee's report which must be signed by the Chairman of the Audit Committee and consist of at least the following information:
  - (1) an opinion on the accuracy, completeness and credibility of the company's financial report;
  - (2) an opinion on the adequacy of the company's internal control system;
  - (3) an opinion on the compliance with the law on securities and exchange, the regulations of the SET, or the laws relating to the STA's business;
  - (4) an opinion on the suitability of the auditor of STA;
  - (5) an opinion on the transactions that may lead to conflicts of interests;
  - (6) the number of the Audit Committee meetings, and the attendance at such meetings by each committee member;
  - (7) an opinion or overview of comments received by the Audit Committee from its performance of duties in accordance with the charter; and
  - (8) other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, within the scope of duties and responsibilities assigned by the company's board of directors.
7. To commission and review the findings of significant internal investigations and/or consult with the auditor in relation to such findings and report the findings to the Board of Directors of STA in the event that there is any suspected fraud or irregularity or infringement of any law or regulations of Thailand, the rules of the SET, or other relevant regulations which has or is likely to have a material impact on the results of operations and/or financial position of STA.

8. To review the audit plans, scope of work and results of our audits compiled by our internal and external auditors.
9. To review the co-operation given by our officers to the external auditors.
10. To review our risk management structure (including all hedging policies) and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by our Directors.
11. To perform any other act as delegated by the Board of Directors and approved by the Audit Committee.

Apart from the duties listed above, the Audit Committee is required to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the results of operations and/or financial position of STA.

### **NOMINATING COMMITTEE**

As of 31 December 2015, the Nominating Committee of STA consists of 3 Directors as follows:

| <b>Name</b>                   | <b>Position</b>                      |
|-------------------------------|--------------------------------------|
| 1. Mr. Kriang Yanyongdilok    | Chairman of the Nominating Committee |
| 2. Mr. Samacha Potavorn       | Nominating Committee Member          |
| 3. Mr. Kitichai Sincharoenkul | Nominating Committee Member          |

### **Scope of Duties and Responsibilities of the Nominating Committee**

1. Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board of Directors of STA for the appointment of Directors.
2. Reviewing and recommending nominations for appointment, re-appointment or re-election or renewal of appointment of the directors having regard to the director's contribution and performance.
3. Determining annually whether or not a Director is independent.
4. Deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

Certain factors considered by the Nominating Committee in order to carry out their responsibilities above include:

- independence of mind;
- capability of the individual and how it meets the needs of the Company and simultaneously complements the skill set of the other Board members;
- experience and track record as directors in other companies; and
- ability to commit time and effort toward discharging his responsibilities as a Director.

**REMUNERATION COMMITTEE**

As of 31 December 2015, the Remuneration Committee consists of 3 Directors as follows:

| <b>Name</b>                  | <b>Position</b>                        |
|------------------------------|----------------------------------------|
| 1. Mr. Prakob Visitkitjakarn | Chairman of the Remuneration Committee |
| 2. Mr. Kriang Yanyongdilok   | Remuneration Committee Member          |
| 3. Mr. Samacha Potavorn      | Remuneration Committee Member          |

**Scope of Duties and Responsibilities of the Remuneration Committee**

Our Remuneration Committee is responsible, among other things, for recommending to the Board of Directors a framework and criteria of remuneration for the directors and executive officers, and for recommending specific remuneration packages for each Director and the Managing Director and to perform any other acts as delegated by the Board of Directors.

**RISK MANAGEMENT COMMITTEE**

As of 31 December 2015, the Remuneration Committee consists of 5 Directors as follows:

| <b>Name</b>                    | <b>Position</b>                           |
|--------------------------------|-------------------------------------------|
| 1. Mr. Veerasith Sinchareonkul | Chairman of the Risk Management Committee |
| 2. Mr. Chaidet Pruksanusak     | Risk Management Committee Member          |
| 3. Mr. Chalernpop Khanjan      | Risk Management Committee Member          |
| 4. Mr. Patrawut Panitkul       | Risk Management Committee Member          |
| 5. Mr. Nattee Touchamongkon    | Risk Management Committee Member          |

Mr. Kitipong Phetkul is a Secretary of Risk Management Committee.

**Scope of Duties and Responsibilities of the Risk Management Committee**

1. Review policy and specify the risk management framework.
2. Recommend solutions for the risk management of all departments.
3. Monitor and evaluate risks and approve roles and responsibilities regarding the risk management for each relevant units.

**9.3 Nomination of Directors and Executive Officers****Nomination of Directors and Independent Directors**

STA has established the Nominating Committee to nominate candidates who have appropriate qualifications to be a Director of STA (the Qualifications of Independent Director are set out under 8.1 The Board of Directors of STA). At the end of the office term of any Director or when it is necessary to appoint more Directors, the Nominating Committee will jointly discuss and consider determining the person(s) with appropriate experience, knowledge and ability to benefit STA to be a Director of STA. The nomination of the aforementioned person(s) will be proposed to the meeting of the Board of Directors of STA and the meeting of shareholders, respectively, for further approval.

Directors shall be elected at a shareholders meeting in accordance with the following criteria and procedures:

- (1) Each shareholder shall have one vote for one share.
- (2) A shareholder must use all of his/her votes in (1) to elect one or several persons as Director or Directors, however, he or she may not split his/her votes unequally between any person in any number.
- (3) The persons who receive the most votes shall be elected as Directors, in the number of Directors required or to be elected on the relevant occasion. In the event that votes of two or more nominees are equal in number, causing the number of Directors required or to be elected on such relevant occasion to be exceeded, the chairman of the meeting shall have a casting vote.

In case of vacancy in Directors' position according to any reasons except their service term ended, the rest of committee nominates candidates who are appropriate and no prohibited qualifications in accordance with the law as a replacement. The nomination will be a resolution in the next committee meeting. In case the service term of resigned Directors is less than 2 months, the replaced Directors will be appointed for service only in remaining period. The resolution to appoint any Directors for replacement shall be passed by a vote of not less than three-fourths of the number of the rest committee.

The resolution of the meeting of shareholders for the appointment of directors and independent directors will be the majority of votes of the shareholders attending the meeting and having the right to vote.

#### **9.4 Principles of good corporate governance in subsidiaries and associates in following areas:**

##### **- Disclosure of financial performances and operational performances**

The Company ensures that the disclosure of financial performance and operational performance of subsidiaries and associates are conducted in an accurate, reliable and transparent manner in accordance with the accounting standard under certified public accountants association, company regulations and any relevant regulations.

##### **- Related party transactions**

To avoid any conflict of interest, STA and its subsidiaries, in engaging in related party transactions, will ensure that the transactions are carried out in reasonable and transparent way without any decision or opinion from an interested party who may have interest in the transactions. The transactions will be done based on the Company's interests and a related party will be treated as if a third party.

In the event that STA engages in related party transactions in the future, STA will ensure that such transactions are carried out in compliance with the SEC Act, the Securities Law of Singapore, regulations, notifications, orders or rules of the SET. In addition, STA must also comply with the Thai GAAP on disclosure rules related to related party transactions and other requirements as specified by the Institute of Certified Accountants of Thailand and the Company's policy or other relevant laws.

In addition, when STA enter into related party transactions, STA will seek the Audit Committee's opinion on the reasonableness of such transactions. In the event that the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, the Committee may arrange an independent expert, such as auditor or independent appraiser, to give opinion of the Audit Committee or the independent expert will be used by the Company's Board of Directors or

shareholders, as the case may be, for making a decision to ensure that these related party transactions are carried out without any conflict of interest and for the best interest of all shareholders.

**- Acquisition and disposition of assets**

Any acquisition or disposition of assets with high value that may affect the Company's financial status will be brought up to a management meeting in order to classify the classes of transaction. The transaction's value will be calculated according to class transaction criteria and if the value of the transaction falls under any class, further actions will be taken according to the guidelines of the Securities and Exchange Commission on disclosure of information of listed companies on the acquisition and disposal of assets.

**- Internal Control of Subsidiaries**

The Internal Audit Department of the Company is assigned to audit the sufficiency of the internal control of the subsidiaries and reports its findings to the Audit Committee in order for the Company to be able to effectively control and monitor the internal control operation of the subsidiaries.

## **9.5 Dealings in Securities**

STA has a policy and procedure to monitor its executives in relation to their use of inside information of STA and its subsidiaries for personal interest as follows:

1. Educate the directors and executives of each department regarding their duties to prepare and disclose the report of securities holding and the report of changes in securities holding of STA to the Office of the SEC and the SET, as the case may be, including the applicable penalty in the case of breach according to the SEC Act and the regulations of the SET.
2. Arrange for the directors and executives of STA and their spouses and minor-children to prepare and disclose the report of securities holding and the report of changes in securities holding of STA to the Office of the SEC pursuant to Section 59 of the SEC Act and deliver copies of such documents to STA on the same day.
3. The directors and executives of STA and its subsidiaries who know material inside information affecting changes in securities price, must be cautious in the trading of securities of STA within one month prior to the time when the financial statement or such inside information is disclosed to the public. Moreover, within 24 hours after such inside information has been disclosed to the public, no person involved with such inside information shall disclose any inside information to any person before such inside information has been notified to the SET and/or SGX-ST. Regarding penalty measures in the case of a violation of the above-mentioned regulations, the Group deems such violation as warranting a disciplinary penalty according the working rules of the Group.
4. The directors, executives, staff members and employees of STA shall not, whether directly or indirectly, purchase or sell, offer to purchase or sell or invite any other person to purchase, sell or offer to purchase or sell shares or other securities (if any) of STA by using inside information which has or may have an impact on the change of the price of STA securities and has not been disclosed to the public, in a manner that may directly or indirectly cause damage to STA and whether or not such act is done for their own or another person's benefit, or to disclose such information so that they will receive consideration from the person who engages in the aforementioned acts.

Directors and employees are also expected to observe applicable insider trading laws at all times even when dealing in securities within permitted trading periods. In addition, the directors and employees are expected not to deal in the Company's securities for short-term considerations.

**9.6 Audit's compensation****9.6.1 Audit Fee**

Audit fee for the year 2015 of STA and its subsidiaries was Baht 8.17 which consisted of audit fee of stand-alone financial statements in amount of Baht 6.31 and audit fee of STA's subsidiaries in amount of Baht 1.86.

**9.6.2 Non-Audit Fee**

Non-audit fee for the year 2015 of STA and its subsidiaries of Baht 3.99 was for BOI audit and consulting services on tax and accounting principles of which has already been paid in full.

**9.7 Good Corporate Governance under the SET's Code of Best Practices**

To comply with the SET's code of best practices, STA has used the Corporate Governance Self-Assessment to be the guideline of company corporate governance.

**10. Corporate Social Responsibility (“CSR”)****10.1 The Policy of Corporate Social Responsibility**

Sri Trang Group has committed to processing and exporting Natural Rubber products, we are dedicated to conduct business with good practices of corporate governance and Corporate Social Responsibility (CSR) and become a leader in global natural rubber industry. Moving towards our 3rd decade of sustainable business operation, we still maintain our global leadership in natural rubber industry and pursue sustainable business development. Our philosophy is to grow contingently with the community and society and to be an effective mechanism to constantly strengthen the NR industry. We value our way of conducting business in parallel with creating activities for communities and societies, maintaining our environmentally -friendly production, establishing a fair trade standards to gain trusts and acceptance from rubber farmers and customers, considering the impact on every aspect of business operations to all stakeholders including shareholders, employees, customers, suppliers, communities, and government agencies, as well as nurturing the socially-responsible mindset and organizational culture, which encourage our employees to actively participate in CSR activities.

The Board of Directors of Sri Trang has put CSR Policy and Guideline as our core mission and established 5 foundation principles of “GREEN” Natural Rubber which encompass our CSR Policy and Guideline;

**1. Good Corporate Governance**

The Company has been dedicated to good corporate governance practices focusing on the pertinent structure of the Board of Directors, management, and shareholders to create a competitive advantage with consideration to other stakeholders, society and community as a whole, which will build growth and create value to shareholders in the long run.

**2. Responsibility to Supply Chain**

The Company has extended its business to cover the whole supply chain starting from rubber plantations to the production of finished products. It is our top priority to ensure our rubber products are of the highest quality and cater the delicate requirements of the downstream products such as medical examination gloves or automotive tires, which demand for the highest level of safety for the end-users. Thus, our responsibilities through supply chain management cover;

- 2.1 Rubber Farmers and Rubber Dealers : The Company strived for fair, transparent, accountable and auditable procurement of NR which is the main raw materials for our production. We have actively supported rubber farmers to produce high quality of rubber without contamination and to properly store the rubber so that the quality of raw materials will meet our standards. Moreover, we have provided rubber farmers with knowledge to properly operate rubber plantations in order to increase the yield which will, in return, increase their revenues as well as sustainable quality of lives.
- 2.2 Customers : The Company has been committed to producing high quality products and providing good services to achieve the highest satisfaction from our customers. We sincerely handle complaints from customers and promptly improve our productions and/or services to ensure customer satisfaction and also to create the highest production effectiveness and efficiency.

**3. Environmental Friendly and Safety Operation**

As our business is directly related to the nature and environment, we strictly adhere to be compliance with environmental practices by implementing the effective environmental management systems. We have also set up procedures to prevent and minimise the environmental impacts caused by different activities from our Group and in compliance with relevant laws and regulations. Furthermore, we aim to develop and promote more green areas in our factories to retain moisture, increase fresh air, and reduce unfavorable odors from production process. In addition, we have reduced the use of chemicals,



which might affect the environment and communities in the long run in rubber plantation and the production of NR products as well as our finished products. In addition to our environmental-friendly production and being aware that we are a part of the community, we have followed the practice guidelines to preserve and maintain the ecological environment and clean surrounding communities which will not only create pleasant community but also support the smoothness of our business operation in the long term.

In terms of health & safety, our Group has fully complied with laws, regulations and other relevant requirements. We have provided training, set up adequate and effective health & safety procedures in our workplaces, and created a safe working environment for employees, contractors, and the other related parties.

#### 4. Engagement with Transparency

The Company is committed to operating business with fairness, transparency, and accountability in all processes of our business operation. We strongly adhere to operating business with fairness and ethics, complying with laws and respecting the rules of society. This would ultimately build the confidence of all stakeholders and reduce any potential conflict of interests which will benefit business operation of the Company in the long run. We have also encouraged all of our employees to work with integrity and adhere to business ethics. Employees should not exploit benefits that may cause conflict of interests to the Company and its stakeholders and should not improperly indulge the business operation. We also have a policy to prevent any kind of corruptions by establishing standards of transparent business operation which will benefit the organisation and rubber industry in the long run.

#### 5. Nurture Sustainability Attitudes Towards Organization

The Company believes that effective and sustainable CSR practices are rooted from the awareness of every employee in any departments. They need to have positive attitudes to follow the policies and have mindset of being responsible to society and other related parties. Our people also volunteer to participate in the community development and the improvement of quality of life of our business partners. Moreover, they have cooperated to change their working behaviors and daily lifestyle in line with environmental protection guidelines, energy reduction program and enhancement of the operational effectiveness. We have promoted and supported employees to devote themselves for social activities, for example, to volunteer and participate in any activities for better community, alleviate natural disaster victims with ultimate hope to sustainably create a benevolent and careful society.

## 10.2 Performance and Reporting

10.2.1 The preparation of CSR report is based on the 8 principles of CSR guidelines laid out by SET.

10.2.2 Corporate Social Responsibility Performance : The Company has employed various approaches to carry out and evaluate our CSR activities including questionnaires, conferences, seminars, open house events, and visits to business partners, communities and suppliers as well as taking complaints and suggestions from our customers to improve the Company's CSR operation and framework as outlined below:

#### 10.2.2.1 Fair Trading

##### Responsibility to Business Partners and Competitors

The Company believes that honorable and fair business management would create confidence from stakeholders including, governmental agencies, shareholders, business partners, competitors, suppliers, customers and competitors. The Company has strictly upheld business ethics with full concerns of any business partners and competitors, so as to make sure that none of our activity would be harmful to the reputations of any parties in the industry.

When dealing with raw material suppliers, the Company has abided by regulations for a fair and transparent business practices with suppliers or rubber farmers. Under our free trading system, anyone can apply for our supplier codes in accordance with the standards of operations specifying in the Company's agreement. The selection and evaluation processes are transparent and auditable.

Purchasing prices for raw materials are based on SICOM market, which are the global reference prices and the marketplace for RSS and TSR trading around the world.

The Company continues to transparently participate in and abide by the governing regulations of various regional rubber auction markets, which are overseen by Rubber Research Institute of Thailand. List of the rubber auction markets which the Company participated in includes:

1. Songkhla Central Rubber Market
2. Nakhon Sri Thammarat Central Rubber Market
3. Surat Thani Central Rubber Market
4. Other markets through telephone calls: Thong Pa Phum Cooperatives, Karnchanaburi province and Pa Kloack Farmers Group of Phuket province

The Company also signed an agreement with cooperatives to purchase the raw materials directly from the cooperatives to support the rubber farmer communities.

The Company believes that by providing knowledge and knowhow for suppliers and rubber farmers on how to efficiently carry out rubber farming, it would create sustainable income and good quality of life for the people in the industry. The procurement teams then have visited suppliers and rubber farmers on a regular basis to educate the farmers on qualified rubber plantation, quality enhancement and to inquire them about their satisfaction towards the Company.

In addition, the Company has contributed to the continuous development of the country's rubber industry with focus on rubber farmers who are the crucial part in driving the Natural Rubber Products to market. The Company has entered into an agreement with the Office of the Rubber Replanting Aid Fund (ORRAF) in creating a special programme to train rubber tappers in the Northeastern region of Thailand called "Rubber Tapper Skill Development Project" with an aim to educate the farmers with the proper approaches in tapping rubber trees. The training also provided the rubber farmers with the knowledge on environmental caring and how to look after the rubber plantation to nurture the best quality of product to maximise the useful life of rubber plantation. The Company's goal is to building and improving rubber farmers' knowledge in every places we go in, which will be translated into their better living qualities.

The Company has continued its CSR program since 2012 to hold 13 seminars of Rubber Tapper Skill Development in Mukdahan, Sakon Nakorn, Udorn Thani, Loei, Narn, Phitsanulok, Nakhorn Panom, Prae, Chiang Rai, Chiang Mai, and Kalasin with 390 rubber farmers participated in the program. The training aimed to provide the knowledge in producing good quality raw materials meeting with the Company's standard and environmental awareness. The Company also supports the use of proper acid to produce cup lump and promotes the use of proper installation of latex tank and tube for field latex transportation to reduce the smell and for safety reason on the road.

#### Purchasing (responsible by center purchasing unit)

The Company's central purchasing unit has set up purchasing and procurement policies to be in line with social responsibility. This unit has been carrying out its operations in accordance with the Company's purchasing and procurement policies, as well as business ethics concerning the relationships between business partners, competitors, and trade creditors, so as to promote new suppliers and prevent unfair business competitions, monopolisation in the

industry. In case of irregularities, the investigation will be thoroughly carried out to find out the root causes. If fraud or corruption occurs, there will be a disciplinary punishment and blacklist system to handle such business partners or suppliers.

#### 10.2.2.2 Anti-Corruption Policies

The Company has emphasised our strong focus on our anti-corruption stand in the Company's CSR policies under Fair Trading: Responsibility to Business Partners and Competitors. In 2014, the Board of Directors has reviewed and established the anti-corruption policy to prevent any type of corruptions in the business and disclosed in the Company's website ([www.sritranggroup.com](http://www.sritranggroup.com)) as well as communicated the policy to the employees at all level.

Moreover, in 2015, Internal Control Department of STA has arranged three seminars of "Sri Trang Core Value and Corporate Governance" for employees within the Group.

#### 10.2.2.3 Human Rights and Employee Rights

The Company value the importance of human rights and equality in the workplace and has been treating all employees justly and equally without discriminations under a set of morale and ethics as described below:

- Welcome all idea and suggestion from the employees at all level.
- Focus on people development, build good working environment, encourage teamwork, and provide career progression opportunity with attractive remunerations.
- Establish a clear complaint handling system for employees
- Support anti-child labour and anti-forced labour policies
- Support employees' right to form an association to voice the employees' opinions provided that such association is in compliance with the jurisdictions of the laws, regulations, and the Company's regulations.
- Adheres to democracy and encourages all employees to exercise their voting rights in accordance with the national Constitution

The Company realised that employees are the most vital resources in propelling the Company forward. Therefore, apart from the compensation as required by laws such as social security fund, every employee is entitled to receive benefits and welfares in forms of salary and OTs, while hard shifters are also provided with extra pay. All employees are also entitled to summer vacation pay, annual bonuses, and welfares for their quality of lives, such as, uniforms, housing welfare, travelling allowances, health and safety insurances, provident fund, pensions, disaster relieve fund, taking leave to pursue higher study, as well as trainings for career development, recreation activities, including, sports day and New Year's party.

In terms of giving opinion, employees can present their opinions and ideas via an opinion box, questionnaire submission to employees, monthly meeting, and Kaizen activity for opinions sharing from employees.

The Company has an evaluation committee to review employees' performances. The Company has also used the standard Key Performance Index (KPI) system to evaluate each employee for rewards and bonuses in order to provide a transparent and fair career advancement opportunity to the employees.

For in-house activities, the Company has adopted the Happy Workplace principles to continually build the happy working environment. The activities included:

- In-house sport days at each branch
- Sri Trang Cup sports day of the company in lower southern Thailand
- Andaman Zone Cup sports day of the company in upper southern Thailand

- Chor Sri Trang sports day of the company in Northeastern and North Thailand
- Annual merit making ceremony
- Team Work and Team Building trainings
- Big cleaning day activities
- Participation in each province's Labour Day activities
- Blood donation

#### 10.2.2.4 Clients, Customers and Consumers Responsibility

The Sales and Marketing department has been abiding by the Company's business ethics concerning customer relations, with an aim to create the best satisfaction and confidence for the customers in receiving the best quality products and services, at the right prices. This department has also provided complete and correct information about any single product or service, delivered the products on schedule, provided product guarantees, as well as provided communication channels to customers for any complaints about products and services. Moreover, we have kept customers' information private and secured. We have also organised factory visit for customers to make sure that they have full understanding about our operations and products. Moreover, the Company annually arranges thank you party for customer to strengthen relationship. An evaluation system has been established for customers to provide their feedbacks for our instant response.

#### 10.2.2.5 Environmental Concern

The Company realises that to have a sustainable business operation, we must sincerely contribute and participate in environmental and social activities. As such, the Company not only focus on producing high quality Natural Rubber Products, but also the products that are environmental-friendly, and the production process that consumes less natural resources through energy efficiency management. The Company also pays high attention on minimising the potential impact from our operation to the environment and communities.

In 2015, the Company has developed odor treatment system to reduce the impact from production process, improved the efficiency of water treatment system, and held environmental activities such as reforestation with the communities, fish breed releasing of Rubberland Products, Buriram branch, eatable road project, weir building of STA, Sikao branch, community's green areas increase, seminar in regard of how to produce quality cup lump of STA, Udon Thani branch, and reforestation 800 million young plants 80<sup>th</sup> years of Queen Sirikit at Don Puta and Nhong Wang, Moo 3 Najarn Sub-district of STA, Kalasin branch co-hosting with municipal district Najarn.

#### 10.2.2.6 Innovation Performance

The Company continued to publicise and our innovation in 2015 in the areas below:

##### Unused Materials

TSR Factories have used SBR Palate to create shoe shelves, book shelves for usage within the factories and to be donated to schools in need for the benefits of the communities located in various provinces. The Company also produced bio-fertilizer for backyard garden from the washed out soils from cup lump that contained no contamination but essential nitrogen for plant leaf type .

##### Promotion of the Correct Way to Transport Cup Lump

Incorrect way to transport the cup lump could result in the leak of remaining latex onto the road surface and the unfavourable odor. The Company has set out letters to notify our suppliers of our concern, and handed out leaflet to promote the proper coverage of the vehicle

to reduce the odor level and the installation of a gutter and the tank to contain such leaking latex during the transportation. Moreover, the Company also coordinated with provincial industrial authorities and related parties to extend the practice to other TSR manufacturers as well.

The Company has continuously carried out this campaign especially on the first purchasing days of new factories when awards would be given to the suppliers with proper installation of the gutter and the barrel to promote their awareness of social responsibility and road safety.

In 2015, the company co-hosted with the relevant local authorities to clean the road in front of our Northeastern factory during high season of raw materials purchasing in November – December.

### **10.3 Impact on Social Responsibility from Business Operation**

The Company has operated its TSR production with high awareness of the environment and surrounding communities. The Company has continually conducted research to develop and improve the odors treatment system and controlled odor emissions of cup lump stored at the factory by using wood vinegar to keep smells at a minimal level. In addition, the Company has setup teams to undergo special trainings and seminars with the Pollution Control Department and obtained a certification for an appropriate mean to check the level of odor emitted in surrounding area. In 2015, the Company focused on building relationships with the communities by increasing the number of staff in charge of social affairs and setting up working team to track and resolve complaints about odor problems of factories in Udon Thani and Kalasin. The Company also gave an opportunity to those affected and Government Agencies to periodically check. The Company has no significant legal dispute on environment or community.

### **10.4 Environment and Social Activities**

#### Environmental Concerns

In addition to managing the pollution level in our factor areas in accordance to legal requirement, the Company has engaged in the following activities to support our “Green Rubber Company” principles in 2015:

- STA, Huay Nang branch planted trees to increase community’s green areas on National Mother Day 2015.
- Rubberland Products, Buriram branch cooperated with Sub-district Administrative Organization of Kog Ma held Reforestation and Community Development Project to increase shady tree in the community and reduce global warming.
- STA, Sikao branch cooperated with environmental network Namuengpetch Sub-disrict to build a weir in the canal where the current flows through the area.
- Rubberland Products, Buriram branch released fish breed for Baan Kokpetch School to support lunch for student project.
- STA, Sikao branch cooperated with community leader to hold Eatable Road Project growing the trees along the entrance road of Gling Glong village.
- STA, Sikao branch cooperated with Khao Gaew temple, community, and government agency in Namuengpetch Subdisrict to hold Water Resource Development Project (The canal in front of Khao Kaew temple)
- STA, Udon Thani branch planted trees to increase green areas, enhance ozone purification, and improve environment in the factory under Reforest - Conserve the Earth – Preserve Nature Project.
- STA, Udon Thani branch cooperated with Baanjumpa community to release the fish to increase food chain at Baanjumpa brook.

- Sri Trang Group North and Northeastern zone collectively 8 factories held Ruamhang Ruamjai for bright road activity which was the biggest road cleaning event in the community.

### Community and Social Development

The Company provides full support to activities of the communities surrounding the factories. These include local traditional and cultural activities such as various types of merit making ceremonies, and long-tail boat race, to name a few. The Company also gives donations to different agencies to support for various activities as well as to improve public utilities and donate funds to assist natural disaster victims, both domestically and internationally. In 2015, the activities included;

- “Sri Trang Sri Baan Sri Mueng” Project
  - o Rubberland Products, Bung Karn branch recycled its unused materials in the factory to build the bookcase and donated to neighboring schools.
  - o Rubberland Products, Bungkan branch donated the old tires and collaborated with teacher team to develop playground for Baan Kok Sawang School.
  - o STA, Sikao branch donated the old tires and collaborated with teacher team to develop playground for Baan Gling Glong School.
  - o STA, Sa Kaeo branch cooperated with Tahrapa School to improve playground under Sri Trang Reunite for the Primary Student no.1 Project in order to promote good environment and good health of the students.
  - o STA, Sa Kaeo branch held Sri Trang Restroom for Students Project to promote hygienic practice and early childhood development.
  - o STA, Kalasin branch donated medical equipment including Cervical Cancer Detector and Examination gloves to Baan Phon Thong health improvement hospitals.
  - o STA, Kalasin branch improved playground and landscape to promote good environment and good health of the students.
- Community clean-up: STA, Udon Thani, Kalasin, and Thungsong branches as well as Rubberland Products, Bung karn and Buriram branches cleaned up roads, temples, schools, recreation areas in the communities. Not only building up harmonization among our staffs but also creating positive perceptions of the communities towards our factories.
- “Bring Knowledge to Community” Project
  - o STA, Thungsong branch arranged seminar in regard of using dredges from cup lump cleaning process as fertiliser for agricultural purposes.
  - o STA, Udon Thani branch cooperated with Udon Thani Province arranged seminar in regard of how to produce quality cup lump.
  - o STA, Udon Thani educated and campaigned to create a good environment during the transportation of rubber.
  - o STA, Hat Yai branch provided knowledge of planting Sajor-caju mushroom for lunch to students in Baan Muang Kong School.
  - o STA, Sikao branch held an open house activity to educate students and villagers around the factory to about environmental management system.
- Rubberland Products, Mukdaharn branch repaired and developed the tap water system for the villagers.
- Sri Trang Agro-Industry, Tung Song branch cooperated with Tum Yai Subdistrict Office to construct bus stop in front of the factory for public use.

- Rubberland Products, Bungkan branch cooperated with Subdistrict Administrative Organization of Nonsomboon in building pavilion for neighboring communities.
- STA, Phitsanulok branch installed electric street lighting along Sadao-Nhongfak road for the convenience and safety of the community.
- STA, Udon Thani branch cooperated with Baan Non Sa-ard community in painting community hall
- Organised and arranged activities in all communities on Children day and New Year Celebrations.
- Rubberland Products, Buriram branch shared water from reservoir to neighboring villagers for their agriculture activities during drought season.

Full report of Corporate Social Responsibility 2015 can be downloaded from [www.sritranggroup.com](http://www.sritranggroup.com) under sustainability section.

**11. INTERNAL CONTROL AND RISK MANAGEMENT**

STA recognises the importance of its internal control system, risk management, and the monitoring of the business operation, which is a continuous process; and the role and shared responsibilities of all our staff members ranking from the Executive Committee to each employee. The Company has set up a sufficient and appropriate internal control system to provide a reasonable assurance that all functions within the Group are operated concordantly and are able to meet the goals laid down by Executive Committee. The Company has established an Internal Audit Department which is an independent unit and reports directly to the Audit Committee. The appointment, removal, and rotation of Head of Internal Audit Department need an approval from the Audit Committee. The Internal Audit Department performs an internal control assessment pursuant to the annual plan by considering related risk factors as approved by the Audit Committee as well as supporting the creation of a risk management system and providing various recommendations to ensure that all operations of the Company meet the objectives as planned. The Internal Audit Department has followed the Standard for the Professional Practice of Internal Auditing as a guideline for its work, which focuses on independent, just, and internationally standardised operations with high quality auditing work. Therefore, the Company encourages internal audit personnel to take internal audit related certificates i.e. CIA (Certified Internal Auditor), CISA (Certified Information Systems Auditor) and CPIAT (Certified Professional Internal Audit of Thailand). Three of our internal audit personnel have already earned CPIAT. Furthermore, an adequate training program specially designed for each individual internal audit personnel is provided continuously. In addition, according to an independent auditor who certified the Company's financial statements for the year 2015, there was no weakness in the internal control system which will materially affect the financial statements of the Company.

The following is a summary of the internal control and risk management system of the Company:

**Audit Committee:** The responsibility of Audit Committee is to consider the sufficiency of the Company's internal control system by continuously reviewing the performance of the Internal Audit Department and the independent auditor. The Audit Committee emphasises the sufficiency and adequacy of the internal control system and ensures that all operations have complied with the laws, rules, regulations and other relevant policies. The Audit Committee may advice the development of internal control and internal audit system to the Board of Directors. If the Audit Committee has any recommendations or finds any significant error or misconducts, the Audit Committee will discuss with responsible management team and directly report such matters to the Board of Directors for appropriate actions or further improvement.

**Internal Audit Department:** STA has appropriately and sufficiently recruited internal audit staffs with the knowledge and experience related to internal audit. Mr. Wittawas Krungtaenmuang serves as a Chief Audit Executive. The internal audit staffs can access all information of the Company without any limitations in order to independently monitor the operation of various units within the Group in accordance with the annual plan as assigned by the Executive Committee or the Audit Committee by using the principles of risk management to make an assessment on the businesses or the working processes, and also give advices and makes recommendations regarding the improvement of internal control to the management of each unit as well as provide operation guidelines to improve effectiveness and efficiency of the Group's business operation.

**Management Activity Control System:** The Board of Directors sets the operating goals of the Company by determining the clear core value, vision, mission, as well as business growth and appointing working team to review Key Performance Indicators (KPIs) of each business unit. This is to ensure that the target in terms of financial outcome, operating result, customer satisfaction, etc. of each business unit will be consistently aligned with the Company's goals throughout the organisation. Such control is continuously closely monitored.



**Risk Management:** The Board of Directors value the risk management system and urge for implementing systems for its effectiveness. Risk management committee is responsible to review the policies and oversee the effectiveness of the Company's risk management system. Changing environments may cause business at risk and negative impacts, therefore continuous risk assessment and monitoring are required. Each department shall assess its risk and prepare the solution plan. In addition, there is a regular management meeting to evaluate the current situation and select appropriate strategies to cope with any possible risks.

**Control:** The Company clearly determines measures and implementation plans by issuing orders, rules, approval authority, and working procedures for the management and all employees.

**Information and Communication:** The Company has various communication networks, via both the Internet and its Intranet. The Internet is a communications channel between the Company and stakeholders such as shareholders, investors, and other external parties. For internal communication within the Group, the Intranet is the key channel for correspondence. This ensures efficiency and accuracy of information, and that information is delivered in time to all related parties. In 2015, the Company implemented Systems, Applications, and Products in Data Processing (SAP) for the Enterprise Resource Planning (ERP) to link various working systems which will enhance the accuracy, speed, and effectiveness of information integration and communication within the Group.

**Monitoring and Evaluation Systems:** The management continuously monitors economic situations to strategically plan business operation under current and future circumstances that may impact organisation's goal. Key Performance Indicator (KPI) report will be conducted in order to closely and timely monitor and evaluate operating performance of organisation.

**Risk Reporting:** Daily reports setting out the aggregate amount and cost of raw materials purchased are generated by the managers of each of the Company's rubber processing facilities. In addition, the Company's sales and marketing department also generates a daily sales and inventory report. The senior management team utilises these reports to determine the net position of the Company's sales and cost of goods sold, and hence, the exposure to the various risks.

**Reviews:** The managers of the Company's rubber processing facilities meet with the procurement and sales and marketing teams on a monthly basis, to prepare the budget (including the targeted monthly production capacities for each of the Company's rubber processing facilities as well as the sales targets for the month). These targets are set after taking into account several factors such as the estimated effective production capacity at each of the rubber processing facilities, the supply of raw materials that the Company is able to acquire, the demand of natural rubber products, the price of natural rubber in the commodities markets and other general economic conditions. Such budgets are then reviewed by the senior management team before they are implemented. Through these monthly budget meetings and the setting of targets, the Company has established procedures which it believes to achieve maximum return on investments within the appropriate risk parameters that are set and revised by the senior management team according to any changing circumstances. For the performance of each business unit, Internal Audit Department has randomly checked the accuracy of important topics in KPI report, especially on main function departments such as procurement department, production department, exporting department, etc.

Following the meeting of the STA Board of Directors no. 1/2016, on 26 February 2016, which was attended by four members of the Audit Committee, the STA Board of Directors, having received information from the management and relevant staff members, assessed the internal control system and concluded that by assessing the internal control system of the Company in five elements, which are organization and the environment, risk management, control of the operation of the management, information and communication, and monitoring system. The STA Board of Directors was of the opinion that the Company has a sufficient and appropriate internal control system with adequate personnel to effectively monitor the system and the operation of subsidiaries. Neither the opinion of

the independent directors nor the Audit Committee differs from the opinion of the STA Board of Directors with regard to internal control. However, the Audit Committee has emphasized the strict implementation of Good Corporate Practice of the Company in order to comply with the regulations of the Capital Markets Supervisory Board, the SET, and the SEC to ensure that the operation of the Company is conducted in the most transparent and effective manner possible.

In addition, the meeting of the Audit Committee of STA no. 1/2016, on 25 February 2016, made an assessment of the internal control system of the Company and was of the opinion that the internal control of the Company was adequate and appropriate.

Regarding the monitoring and supervision of the subsidiaries of STA, the Directors of STA will serve as directors of the subsidiaries and associates and may from time to time nominate the Company's representatives to serve as directors of the subsidiaries. The Internal Audit Department of the Company is assigned to audit the sufficiency of the internal control of the subsidiaries and reports its findings to the Audit Committee in order for the Company to be able to effectively control and monitor the internal control operation of the subsidiaries.

## 12. RELATED PARTY TRANSACTIONS

### 12.1 RELATED PARTY TRANSACTIONS

The material related party transactions that were disclosed in the notes to the financial statements of STA and the interested person transactions that were not disclosed in the notes to the financial statements of STA for the financial year ended 31 December 2014 and 31 December 2015 are as follows:

| Related Parties                   | Relationship                                                                                                                                                                                              | Type of Transaction                                                            | Value of Transaction<br>(Million Baht) |                              | Necessity / Reasonableness of the Transaction                                                                                                                                                                                                                                                                                                                           | ความเห็นของคณะกรรมการตรวจสอบ                                                                                                                                                                                                    |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |                                                                                                                                                                                                           |                                                                                | Consolidated<br>Jan-Dec 2015           | Consolidated<br>Jan-Dec 2014 |                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                 |
| <b>1. Prukha Rubber Co., Ltd.</b> | The Executives officer of STA, Mr. Udom Pruksanusak and siblings, hold more than 50% of the shares in Prukha Rubber Co., Ltd. Mr. Udom Pruksanusak is the authorized signatory of Prukha Rubber Co., Ltd. | 1.1 STA <ul style="list-style-type: none"> <li>Sales of field latex</li> </ul> | 1.63                                   | 2.74                         | STA sold field latex to Prukha Rubber Co., Ltd. because STA did not have in-house logistic service team, and Prukha Rubber Co., Ltd. purchased the field latex right at STA's rubber plantation. This provided administrative, distribution and labor cost savings to STA. The selling price of field latex was the price set by STA procurement team on a daily basis. | Since STA's plantation mature for tapping was still small, it is better to control STA logistic and administrative costs by selling field latex to Prukha Rubber Co., Ltd. at the reasonable price set by STA procurement team. |

| Related Parties | Relationship | Type of Transaction                                                                                         | Value of Transaction<br>(Million Baht) |                              | Necessity / Reasonableness of the Transaction                                                                                                                                                                                                                                                                                                                                                                                                                                                                | ความเห็นของคณะกรรมการตรวจสอบ                                                                                                                                                                                                                                                                   |
|-----------------|--------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 |              |                                                                                                             | Consolidated<br>Jan-Dec 2015           | Consolidated<br>Jan-Dec 2014 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                |
|                 |              | 1.2 Nam Hua Rubber <ul style="list-style-type: none"> <li>• Purchase of field latex</li> </ul>              | 67.19                                  | 75.48                        | Nam Hua Rubber purchased field latex from Pruksa Rubber Co., Ltd. because the rubber plantations of Pruksa Rubber Co., Ltd. were located close to the factory and the purchasing center of Nam Hua Rubber. Moreover, Pruksa Rubber Co., Ltd. was capable to supply rubber of the quality and quantity as required by Nam Hua Rubber. The purchase price of the field latex was at the price that the Group made an announcement to suppliers in front of its factory.                                        | Nam Hua Rubber required field latex as a raw material for the production of Concentrated Latex. The purchase price was at the market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from other suppliers.                       |
|                 |              | 1.3 Sadao P.S. Rubber <ul style="list-style-type: none"> <li>• Purchase of unsmoked sheet rubber</li> </ul> | -                                      | 4.04                         | Sadao P.S. Rubber purchased unsmoked sheet rubber from Pruksa Rubber Co.,Ltd., a dealer who bought unsmoked sheet rubber from the farmers and resold to factories located in the Sadao District which was close to Sadao P.S. factory. Moreover, Pruksa Rubber was capable to supply unsmoked sheet rubber of the quality and quantity as required by Sadao P.S. Rubber. The purchase price of unsmoked sheet rubber was the price that the Group made an announcement to suppliers in front of its factory. | Sadao P.S. Rubber required unsmoked sheet rubber as the raw material for the production of ribbed smoked sheet (RSS). The purchase price was at the market price determined daily by the procurement department of the Group for the purpose of purchasing raw materials from other suppliers. |

| Related Parties | Relationship | Type of Transaction                                                                       | Value of Transaction<br>(Million Baht) |                              | Necessity / Reasonableness of the Transaction                                                           | ความเห็นของคณะกรรมการตรวจสอบ                                                                                                            |
|-----------------|--------------|-------------------------------------------------------------------------------------------|----------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
|                 |              |                                                                                           | Consolidated<br>Jan-Dec 2015           | Consolidated<br>Jan-Dec 2014 |                                                                                                         |                                                                                                                                         |
|                 |              | 1.4 Startex Rubber <ul style="list-style-type: none"> <li>Sales of field latex</li> </ul> | 0.53                                   | 0.77                         | Startex Rubber sold field latex to Prukso Rubber Co., Ltd. The selling price was based on market price. | The selling price that Startex Rubber sold field latex to Prukso Rubber Co., Ltd. was based on market price similar to other customers. |

| Related Parties              | Relationship                                                                                                                                                                                                                                                   | Type of Transaction | Value of Transaction<br>(Million Baht) |                              | Necessity / Reasonableness of the Transaction                                                                                                                                                                                                                                                                                                                                                                                             | ความเห็นของคณะกรรมการตรวจสอบ                                                                                                                                                                                                                                                                                                              |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              |                                                                                                                                                                                                                                                                |                     | Consolidated<br>Jan-Dec 2015           | Consolidated<br>Jan-Dec 2014 |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                           |
| 2. Mr. Somwang Sincharoenkul | Father of: <ul style="list-style-type: none"> <li>Mr. Viyavood Sincharoenkul, Chairman and Managing Director of the Company</li> <li>Mr. Kitichai Sincharoenkul, Director of the Company; and</li> <li>Mr. Paul Sumade Lee, Director of the Company</li> </ul> | Honorary Adviser    | 5.14                                   | 5.02                         | Mr. Somwang Sincharoenkul has engaged as Honorary Adviser for the Company and advised the Company on goal & vision, business plans, investment plans, operational policy, raw material supply strategies, procurement, and engagement strategy with communities, local authorities and government agencies. The remuneration was Baht 428,000 per month or Baht 5,136,000 per year for 2 years period starting from May 2014 to May 2016. | There was no comparable basis available in the market for such invaluable advice Mr. Somwang Sincharoenkul provided for the Company. Nevertheless, the remuneration was considered appropriate considering the extensive experience, expertise and time Mr. Somwang Sincharoenkul has contributed to the Company as the Honorary Adviser. |

| Related Parties                                                                                                                                                                                                                                                | Relationship                          | Type of Transaction                                                                                                            | Value of Transaction<br>(Million Baht) |                              | Necessity / Reasonableness of the Transaction                                                                                                                                   | ความเห็นของคณะกรรมการตรวจสอบ                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                |                                       |                                                                                                                                | Consolidated<br>Jan-Dec 2015           | Consolidated<br>Jan-Dec 2014 |                                                                                                                                                                                 |                                                                                                                                                                                                                                                |
| <b>3.</b> The Board of Director of STA and subsidiaries consists of: <ul style="list-style-type: none"> <li>• Mr. Viyavood Sincharoenkul</li> <li>• Mr. Kitichai Sincharoenkul</li> <li>• Mr. Prasit Panichkul*</li> <li>• Mr. Chiyos Sincharoenkul</li> </ul> | Directors of STA and the subsidiaries | Personal guarantees have been provided on the loans that have been extended to STA and subsidiaries by financial institutions. | 267.00                                 | 1,235.00                     | Directors of STA and its subsidiaries provided personal guarantees for the loans extended to STA and its subsidiaries by financial institutions as part of loans' requirements. | Such support complied with the requirements set out in the sponsor support agreement and was made for the benefit of STA and its subsidiaries. The directors acting as guarantors did not charge any fee for providing the personal guarantee. |

Note\*: The resignation of Mr. Prasit Panidkul as a director of the Company was effective from 26 October 2015 onwards.

Apart from what were disclosed in "Related Party Transactions", there were no other material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder which are either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## 12.2 Audit Committee's Opinion on Related Party Transactions

The Audit Committee of STA evaluated and expressed its opinion on the above related party transactions that such transactions were carried out reasonably and were necessary to the business operation of STA.

## 12.3 Measures or Procedures for Approving the Related Party Transactions

In the event that STA or its subsidiaries carries out its business with a party who may have a conflict of interest, whether at present or in the future, or have an interest with STA, the Audit Committee will express its opinion regarding the necessity and the reasonableness of the price of such transaction. The Audit Committee will ensure that the terms and conditions of these transactions are consistent with market practice and the prices charged for these transactions compared with third party or market prices. If the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, STA will arrange an independent expert or the auditor of STA to give an opinion on such transactions. The Board of Directors or Audit Committee or the STA shareholders, as the case may be, will use this opinion from the independent expert as a supplement to form their own conclusion. Those directors who may have an interest in the transaction are prohibited from voting on such transactions. In addition, related party transactions will be disclosed in the notes to the STA's audited or reviewed financial statements.

At present, STA has a pricing policy for its subsidiaries, associates, joint venture entities and related companies as follows:

|                                              | <b>Pricing Policy</b>                                                                |
|----------------------------------------------|--------------------------------------------------------------------------------------|
| Sales of products and raw materials          | At arm's length as if it was transacted with a third party                           |
| Revenues from services – logistic services   | At arm's length as if it was transacted with a third party                           |
| Revenues from services – management services | At fixed rate pursuant to the contract which is comparable to the market price       |
| Interest income from trade credit            | At arm's length as if it was transacted with a third party                           |
| Rental income                                | At a contract price which had been agreed upon and is comparable to the market price |
| Product purchase                             | At arm's length as if it was transacted with a third party                           |
| Rental and Service Expenses                  | At arm's length as if it was transacted with a third party                           |
| Guarantee                                    | No fee charged                                                                       |
| Fixed assets acquisition                     | At arm's length as if it was transacted with a third party                           |

Furthermore, the Board of Directors Meeting resolved to approve in principle business transactions with general trading conditions or supporting normal business transactions with general trading conditions between STA or its subsidiaries and the Directors, Executive Officers or any related parties.

STA and its subsidiaries may purchase raw materials, sell products, provide transportation services or enter into any other transactions between the Directors, Executive Officers or related parties, whether at present or in the future. In this regard, STA authorizes the management to approve such transactions if the purchase price, selling price, transportation fees or other related transactions is not different from the price offered to other customers (market price) and the conditions and commercial terms are the same as those an ordinary person would agree with any party under similar circumstances. The transportation fee shall be the same as the rate of transportation used by the general public. In respect of the transportation fee, the fee will be according to the normal market rate. In addition, STA shall



prepare a report on the summary of the transactions every quarter to present to the Board of Directors Meeting or upon the request of the Board of Directors.

#### **12.4 Policy on Future Related Party Transactions**

In the event that STA engages in related party transactions in the future, STA will ensure that such transactions are carried out in compliance with the SEC Act, regulations, notifications, orders or rules of the SET. In addition, STA must also comply with the Thai GAAP on disclosure rules related to related party transactions and other requirements as specified by the Institute of Certified Accountants of Thailand and the Company's policy or other relevant laws.

In addition, when STA enters into related party transactions, STA will seek the Audit Committee's opinion on the reasonableness of such transactions. In the event that the Audit Committee is unable to evaluate related party transactions due to lack of expertise in certain areas, the Committee may for arrange an independent expert, such as auditor or independent appraiser, to give opinion on the transactions. The opinion of the Audit Committee or the independent expert will be used by STA's Board of Directors or shareholders, as the case may be, for making a decision to ensure that these related party transactions are carried out without any conflict of interest and for the best interest of all shareholders.