

## Part 2

### Management and Corporate Governance

#### 7. Securities Information and Shareholders

##### 7.1) Number of Common Shares and Paid-up Capital

- (a) Registered capital and Paid-up capital was Baht 7,111,160,664 consist of 1,185,193,444 ordinary shares of 6 Baht each.
- (b) Other Shares:  
none

##### 7.2) Shareholders

- (a) Major Shareholders :

No.	Names of Shareholders	8 December 2016	
		Number of shares (shares)	%
1	SOLVAY VINYL HOLDING AG	696,511,059	58.7677
2	PTT GLOBAL CHEMICAL PUBLIC COMPANY LIMITED	296,038,689	24.9781
3.	MR. YANYONG PHATRALAOHA	10,165,735	0.8577
4.	MS. WANNGAM KITTHANAMONGKONCHAI	8,000,000	0.6750
5.	THAI NVDR COMPANY LIMITED	7,903,273	0.6668
6.	JPMORGAN THAILAND FUND	7,413,600	0.6255
7.	MR. NARONG PHATRALAOHA	6,803,645	0.5741
8.	MR. KITTI PHATRALAOHA	6,797,930	0.5736
9.	EAST FOURTEEN LIMITED-DIMENSIONAL EMER MKTS VALUE FD	6,688,917	0.5644
10.	MR. CHAVENG APATA	5,750,000	0.4852

- (b) At the above-mentioned latest closing date of the share register, the group of major shareholders who can significantly influence and determine the policy, management and operations of the Company are as follows:

Solvay Group held a total of 696,511,059 shares, or 58.7677%, in the Company:  
SOLVAY VINYL HOLDING AG 58.7677%

PTT Global Chemical Public Company Limited holds a total of 296,038,689 shares, or 24.9781%, in the Company:  
PTT Global Chemical Public Company Limited 24.9781%

- (c) Shareholder's Support Agreement  
-none-

##### 7.3) Other Securities none

**7.4) Dividend Policy**

It is the policy of the Company to pay an annual dividend of not less than 30 percent of net profit after tax and legal reserve.

**The dividend payment policy for VNT's subsidiaries**

The payment of dividends by the subsidiaries shall be considered and proposed by the Board of Directors of each subsidiary for approval at the Annual General Meeting of each subsidiary. The dividend payment of subsidiaries shall be calculated based on the investment plans and other requirements and considerations, such as the adequacy of cash flow of each subsidiary after deducting reserve funds in accordance with the law.

## **8. Management Structure**

The Company's management structure comprises the Board of Directors and three other committees, namely the Business Advisory Committee, the Audit Committee and the Nomination and Remuneration Committee.

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

#### **STRUCTURE OF THE BOARD OF DIRECTORS**

- ▶ The Board of Directors comprises at least 10 directors, not less than half of whom must have residence in Thailand.
- ▶ It is the policy of the Board of Directors that the Chairman and Chief Executive Officer or Managing Director should not be the same person. This is so as to ensure clarity of responsibilities for issuing governance policy and undertaking the Company's management.
- ▶ The Board of Directors is responsible to shareholders, with each director representing all shareholders and participating in the corporate governance of the Company with independence and neutrality, for the benefit of all shareholders and other stakeholders.
- ▶ The Board of Directors sets its own appropriate membership numbers and composition, including a proportion of independent directors that is equal to at least one-third of the total board size and numbering not less than three positions.
- ▶ At least one Independent Director should be knowledgeable in the matter of reviewing the Company's financial statements.
- ▶ The Directors may not be directors of more than five listed companies on the Stock Exchange of Thailand and must notify the Board of Directors of their positions for acknowledgement and approval.

#### **CHARACTERISTICS AND QUALIFICATIONS OF DIRECTORS**

- Directors must be persons who have knowledge and experience that are beneficial to the Company's business and must understand and be interested in the Company's business.
- Directors must be qualified in accordance with Section 68 of the Public Company Limited Act, B.E. 2535.
- Directors must be recruited and approved by the Board of Directors.
- No Director shall engage in any business of the same nature as or coinciding

with the business of the Company, either for their own benefits or for the benefits of others, unless they have notified the General Meeting of Shareholders prior to their appointment as director.

- Directors shall act in good faith, ethically and honestly.
- Directors shall be responsible and accept the obligation to fully perform their duties for the Company and interested parties, ethically and legally.
- Directors must use independent discretion that shareholders can trust.
- Directors must devote time and pay attention to the Company's affairs and regularly participate in the Company's meetings.
- Directors must comply with corporate governance guidelines set by relevant agencies.

As of 31 December 2016, the Board of Directors comprises 11 directors as follows:

1. Mr. Vincent De Cuyper <sup>1/</sup>	Chairman of the Board of Directors / Chairman of the Nomination and Remuneration Committee
2. Mr. Supattanapong Punmeechaow	Vice Chairman of the Board of Directors / Member to the Nomination and Remuneration Committee
3. Mr. Pipop Pruecksamars	Independent Director / Chairman of the Audit Committee / Member to the Nomination and Remuneration Committee
4. Mr. Bruno Van der Wielen	Director / Managing Director / Member to the Business Advisory Committee
5. Mr. Pote Videtyontrakich <sup>2/</sup>	Independent Director Member to the Audit Committee.
6. Mr. Vincenzo Morici <sup>1/</sup>	Director / Member to the Business Advisory Committee
7. Ms. Duangkamol Settanung	Director / Chairperson of the Business Advisory Committee
8. Associate Professor Dr. Danuja Kunpanitchakit <sup>2/</sup>	Independent Director / Member to the Audit Committee
9. Mr. Andre R. van der Heyden	Independent Director
10. Mr. Martin Laudenbach <sup>1/</sup>	Director
11. Mr. Richard Verlaque <sup>1/</sup>	Director

Note: <sup>1/</sup> *director whose residence is outside the kingdom*  
<sup>2/</sup> *declared as audit committee member with adequate expertise and experience to reliably review the accuracy and credibility of the Company's financial statements*

## MEETING OF THE BOARD OF DIRECTORS

- At the beginning of the year, the schedule of the Board meetings shall be set in advance to allow the directors to arrange their Calendar for attendance at every meeting. Special session of the meeting may be called by the Chairman as deemed appropriate
- Meetings of the Board of Directors shall be held at least once every three months.
- Not less than fifteen days prior to the meeting date, notice of the Board of Directors' meeting shall be given to each director or director's representative. The Company Secretary is responsible for ensuring that the Board of Directors receives adequate and timely information. The Company Secretary is responsible for ensuring that all directors receive relevant information at least seven days in advance in order to give them enough time to study the materials, consider the matters raised and reach appropriate decisions to be expressed at the applicable Board of Directors' meeting.
- At all meetings of the Board of Directors, quorum will be achieved with the attendance of at least one half of the total number of directors in office.
- Directors who have an interest in agenda items under consideration will be considered non-voting and shall not participate in that part of the meeting.
- Directors can access and request from the management information regarding the Company's operations. They can also request an opinion from the Company's independent external advisors at the Company's expense.
- The Chairman of the Board shall approve the matters to be included in the agenda in consultation with the Company Secretary. The Company Secretary will consider the directors' request to add other important matters for consideration at the next Board of Directors' Meeting.
- The Chairman is responsible for allocating sufficient time for management to present all information enabling the Board of Directors to fully discuss important issues.
- The Chairman of the meeting shall highlight items on the agenda for consideration by the directors and give necessary support and opportunity for each director to share his/her opinion in order to process ideas and reach a conclusive resolution by the meeting.

The record of Board of Directors meeting and committee meeting attendance for 2016 is as follows:

Meeting attendance / Total no. of meeting

Name	Board of Directors Total 5 times/year	Business Advisory Committee Total 5 times/year	Audit Committee Total 5 times/year (including the Non-Management meeting)	Nomination and Remuneration Committee Total 2 time/year
1. Mr. Vincent De Cuyper <sup>(1)</sup>	5/5	-	-	2/2
2. Mr. Supattanapong Punmeechaow	3/5	-	-	2/2
3. Ms. Duangkamol Settanung <sup>(2)</sup>	5/5	4/4	-	-
4. Mr. Vincenzo Morici <sup>(1)</sup>	5/5	4/5	-	-
5. Mr. Martin Laudenbach <sup>(1)</sup>	3/5	-	-	-
6. Mr. Richard Verlaque <sup>(1)</sup>	4/5	-	-	-
7. Mr. Bruno van der Wielen	5/5	5/5	-	-
8. Mr. Pipop Pruecksamars	5/5	-	5/5	2/2
9. Mr. Pote Videtyontrakich	2/5	-	4/5	-
10. Mr. Andre R. van der Heyden	4/5	-	-	-
11. Associate Professor Dr.Danuja Kunpanitchakit	5/5	-	5/5	
12. Mrs. Puntip Oungpasuk <sup>(3)</sup>	-	1/1	-	-

<sup>(1)</sup> Directors whose residence is outside the Kingdom.

<sup>(2)</sup> Appointed as the Company's director, effective from 17 February 2016; therefore the number of attendances at Business Advisory Directors' Meetings is 4 times/year.

<sup>(3)</sup> Resigned from the Company's director, effective from 1 February 2016; therefore the number of attendances at Business Advisory Directors' Meetings is 1 times/year.

- Current Business Advisory Committee members are directors number 3, 4, and 7

- Current Audit Committee members are directors number 8, 9 and 11

- Current Nomination and Remuneration Committee members are directors number 1, 2, and 8

## Committees

The Board of Directors has set up 3 committees to strengthen good corporate governance and support its administration as follows:

- (1) The Business Advisory Committee
- (2) The Audit Committee
- (3) The Nomination and Remuneration Committee

## 8.2 Management Staff

As at 31 December 2016, the management according to the definition of the SEC, which is the Managing Director and 4 persons downward, are:

- |                                  |   |
|----------------------------------|---|
| 1. Mr. Bruno van der Wielen      | Managing Director   |
| 2. Mr. Jean-Luc Preat            | Business Director   |
| 3. Mrs. Siriporn Wutthilaohaphan | Operation Director  |
| 4. Mrs. Jamjuree Sirovetnukul    | Vice President Finance and Accounting                                   |
| 5. Mr. Sompot Cheeranorawanich   | Vice President Corporate Affairs and Communications - Company Secretary |

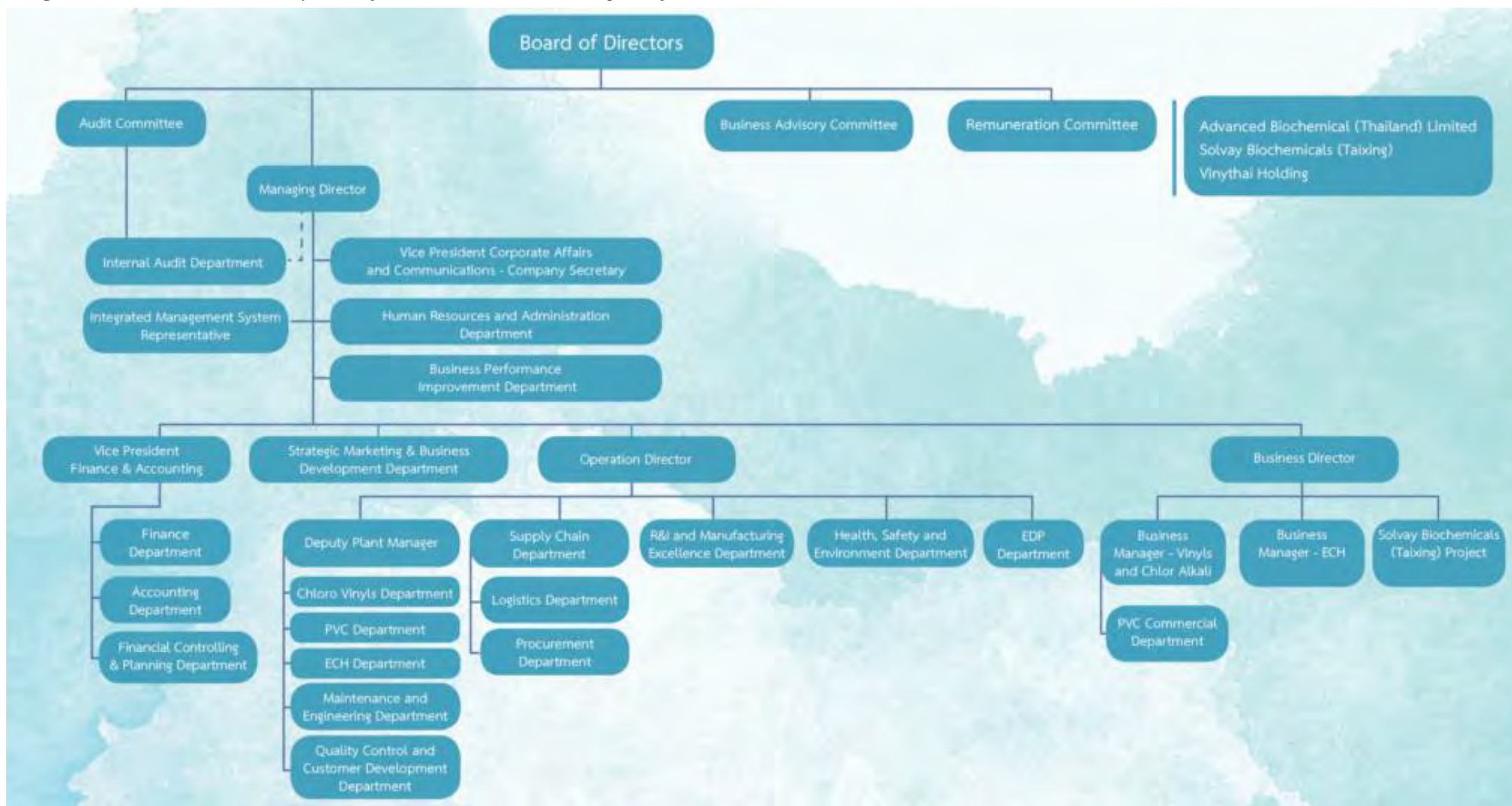
Finance Department Manager is as follows:

Mr. Ms. Naddawan Triyawathanyu - Finance Department Manager

Accounting Department Manager is as follows:

Mr. Kittipong Jamsak - Accounting Department Manager

## Organisation Chart of Vinythai Public Company Limited





### 8.3 Company Secretary

Mr. Sompot Cheeranorawanich, Vice President - Corporate Affairs & Communications has been appointed as the Company Secretary effective from July 24, 2008.

(Experience and educational qualification of the Company's Management is disclosed in the Attachment 1 - Information of Directors, Management, Empowered Persons, and Company Secretary).

### 8.4 Remuneration of Directors and Management

#### 8.4.1 Remuneration (money)

The Company has fixed a policy for remuneration of directors that entails maximum transparency. The remuneration is considered by the Nomination and Remuneration Committee and proposed to the Board of Directors to seek approval from the Company's shareholders. The remuneration of directors is set at a level that is appropriate within the industry. Any Board members who serves in various positions, in the Board, shall receive payment only from the position with the highest remuneration.

In 2016, the shareholders' meeting considered and approved monthly remuneration of the directors as follows:

- Chairman of the Board of Directors	70,000 Baht/month
- Vice Chairman	50,000 Baht/month
- Chairman of the Business Advisory Committee	65,000 Baht/month
- Business Advisory Committee	60,000 Baht/month
- Chairman of the Audit Committee	65,000 Baht/month
- Audit Committee	60,000 Baht/month
- Other Director	30,000 Baht/month

The Remuneration for the Board of Directors includes monthly remuneration and bonus. In 2016, the shareholders approved remuneration for the Board of Directors in the shareholders' meeting, including bonus payments based on the operational results for 2015. The total remuneration for the Board of Directors amounted to 6,927,500 Baht, inclusive of a total bonus payment of 3,099,515 Baht. Details are as follows:

Unit: Baht/year

Name	Position	Remuneration	Bonus paid in 2016	Total Remunerations and Bonus
1. Mr. Vincent De Cuyper	Chairman of the Board of Directors / Chairman of the Nomination and Remuneration Committee	840,000	340,606	1,180,606

2. Mr. Supattanapong Punmeechaow <sup>®</sup>	Vice Chairman of the Board of Directors / Member to the Nomination and Remuneration Committee	600,000	272,485	872,485
3. Mr. Bruno van der Wielen	Director / Managing Director / Member to the Business Advisory Committee	720,000	272,485	992,485
4. Mr. Pote Videtyontrakich	Independent Director / Member to the Audit Committee	720,000	272,485	992,485
5. Mr. Pipop Pruecksamars	Independent Director / Chairman of the Audit Committee / Member to the Nomination and Remuneration Committee	780,000	272,485	1,052,485
6. Mr. Vincenzo Morici	Director / Member to the Business Advisory Committee	720,000	272,485	992,485
7. Associate Professor Dr. Danuja Kunpanitchakit	Independent Director / Member to the Audit Committee	720,000	272,485	992,485
8. Mr. Andre R. van der Heyden	Independent Director	360,000	272,485	632,485
9. Mr. Martin Laudénbach	Director	360,000	272,485	632,485
10. Mr. Richard Verlaque	Director	360,000	272,485	632,485
<b>Directors who were appointed during 2016</b>				
11. Ms. Duangkamol Settanung <sup>(1)</sup>	Director / Chairperson of the Business Advisory Committee	682,500	-	682,500
<b>Directors who resigned during 2016</b>				
12. Mrs. Puntip Oungpasuk <sup>(2)</sup>	Director / Chairperson of the Business Advisory Committee	65,000	272,485	337,485
<b>Directors who resigned during 2015</b>				
13. Mrs. Vallapa Assakul <sup>(3)</sup>	Independent Director	-	34,060	-
<b>Grand Total</b>		<b>6,927,500</b>	<b>3,099,515</b>	<b>10,027,015</b>

<sup>(1)</sup>Appointed as the Company's director effective from 17 February 2016

<sup>(2)</sup>Resigned from the Company's director effective from 1 February 2016

<sup>(3)</sup>Resigned from the Company's director effective from 13 February 2015

In addition to above, as resolved by the Nomination and Remuneration Committee, executive who served as the company secretary is entitled to receive an appropriate additional remuneration due to increased workload. The total of remuneration of the

company secretary paid in 2016 was 512,485 Baht, comprising total annual remuneration of 240,000 Baht and annual bonus payment of 272,485 Baht.

Remuneration of management is in conformity with the principles and policy set by the Board of Directors, which corresponds to the performance of the Company. The total 2016 remuneration for the 5 executives (as the definition of the SEC) was 54,097,480 Baht, such remuneration comprised salary and bonus.

#### 8.4.2 Remuneration (other)

- **Other Remuneration for Director**

-none-

- **Other Remuneration for Management**

**Provident Fund**

The Company provides pension support to employees by contributing to the provident fund at a level of 5% to 8% of basis salary.

### 8.5 Personnel

As at 31 December 2016, total headcount is as follows:

	<b>Vinythai</b>	<b>Advanced iochemicals (Thailand)</b>	<b>Solvay Biochemicals (Taixing)</b>
Map Ta Phut	412	1	0
Bangkok	36	1	0
China	0	0	2

Employees in each main working unit consist of:

	<b>Vinythai</b>	<b>Advanced iochemicals (Thailand)</b>	<b>Solvay Biochemicals (Taixing)</b>
Managing Director Unit	10	0	0
Business and Administration	25	1	1
Production Unit	197	1	0
Production and Business Support Unit	216	0	1
Project and Construction Unit	0	0	0

#### Remuneration to Staff

In 2016, the total remuneration consisting of salary, bonus and other benefits, including provident fund scheme paid to employees is as follows :

	<b>Vinythai</b>	<b>Advanced Biochemicals (Thailand)</b>	<b>Solvay Biochemicals (Taixing)</b>
<b>Total Remuneration of employees (MTHB)</b>	552	40	1.7

## **HUMAN RESOURCES - Leverage Workforce Transformation**

Vinythai is strongly committed to offering its employees a safe working environment and promoting their professional development. The Company respects fundamental human rights and provide its employees with equal opportunity without any discrimination. It also strives to maintain a regular dialogue with its employees and their representatives in an atmosphere of trust.

### **1) Vinythai Values Its Employees**

Vinythai values and respect equally all its employees. All employees are also expected

to respect the distinctions of our individuality. The Company provides equal opportunity and encourages diversity at every level of employment. All employees should respect one another and should promote the Company's objectives collectively and collaboratively without any regard to race, ethnicity, religion, national origin, gender, sexual orientation, disability, age, family status, or any other basis. Unlawful discrimination will not be tolerated.

Vinythai is also committed to respecting and supporting human rights with regard to its employees, the communities in which it operates and its business partners. The Company prohibits any kind of child labor or forced labor and takes seriously any indication that human rights are not properly protected within the workplace or that it may be complicit in any human rights violation. Employees are expected to understand the human rights issues that may be at stake in their workplaces and should prevent any violation of these rights.

Furthermore, the Company is strongly committed to the promotion and enhancement of the labor relations in the workplace by collaboratively working with the Welfare Committee, and the representatives of employees in the format of working groups and committees. By that way, the Company is developing trust and constructive relations between the employees, their representatives and the management. The employees are encouraged to have open dialogue between them, their representatives and the management to insure a mutual understanding and favorable relationships.

### **2) Promoting Our Culture**

**Diversity & Inclusion** policy was deployed in 2016 as we recognize that the diverse workforce and inclusive work-environment leads to better teamwork, more effective decision-making, increased creativity and innovation and higher employee engagement.

All employees in the company attended “D&I Awareness” training and all Department Managers and top management joined “D&I and Unconscious Bias Workshop”.

Diversity at Vinythai is more than gender, nationality, age, disability, ethnic origins and sexual orientation. It includes thought and belief, culture, education and background as well as corporate culture.

Our commitment covers all dimensions of diversity and our success and performance are built on our ability to embrace diversity. An inclusive workplace promotes openness, respect and welcomes individual perspectives.

Management team is responsible for putting this commitment into action in business context. HR plays the key role in embedding diversity and inclusion in all HR processes where relevant and in supporting and guiding all employees to implement the policy.

Building a company-wide culture of Diversity and Inclusion will require behavior change and commitment of all employees in order to create inclusive cultures which welcome diversity.

### 3) Develop People

**“E3 Leader Program: Engage, Empower, Execute”** was extended this year to staff level after successfully implemented for Manager, Supervisor and Engineer level since 2014. Vinythai realized that to expand and sustain the success and practice of E3 Leadership Program in our company, we are in need to enhance our staff participation in the E3 process by developing their communication skills in the following aspects:

- Staff needs to build more effective communication skills in working within/across teams.
- Staff needs to better support cooperation and collaboration with other functions, levels and stakeholders.
- Staff needs to be more proactive, clear and effective communicating their messages and information to their supervisor and other stakeholders.
- Staff needs to listen actively and empathetically in order to build positive work climate.

The E3 program for Staff, therefore, is focused to equip them with the powerful tools to listen to others' opinion and express their response for effective and immediate on-the job usage.

From the training evaluation, almost 90% of the participants viewed that the workshop gave them practical tools and techniques that they would use on their jobs.

### **Leadership & Management Training with Solvay Corporate University:**

Our nominated talents attended Leadership & Management training of Solvay Corporate University in following program:

**1) Management Development Series (MDS) Program :**

10-days program helps to support the transition from individual contributor to a people management role by developing core management skills in alignment with Group's requirements.

**2) Adaptive Leadership :**

This 3-day program helps our people in improving their interpersonal/ leadership and feedback skills in order to better influence, lead and enhance performance of oneself and a team.

**3) Transformational Leadership Program :**

3-day program with a business focus that requires the managers to work on live business projects which will have a transformational impact within their business areas. This program was defined to equip leaders to transform their organizations and engage their people in the process of cultural change. The program focuses on two distinct applications of transformational leadership skills:

- Horizontal transformation - improve collaboration across the organization, in support of identified business objectives and enhancing end delivery to the customer
- Vertical leadership - develop a culture of empowerment and accountability by helping the Senior Managers prepare to cascade this program to their direct reports, and the broader organization.

**4) Seven Habits :**

This 2-day program will enable the participants to effectively lead themselves, influence, engage and collaborate with others, and continually improve and renew their capabilities. The program shows the participants how to use processes and tools to live and apply the 7 Habits every day. It helps to:

- Develop increased maturity, greater productivity, and the ability to manage one's self.
- Execute critical priorities with laser-like focus and careful planning.

**Excellence Training Program - A Thrust for Improved Performance**

In order to reinforce the culture of excellence, well-established at Vinythai, our employees have been trained by Manufacturing Excellence tools, methodologies and programs to provide our employees with a systematic approach, the necessary tools and skills to solve their business and operation issues, and to institutionalize the systematic data-driven decision making process, root cause analysis, statistical data analysis for all aspects of the operations.

**1) Lean Six Sigma :**

Lean Six Sigma, the belt based training system, is a methodology that relies on a collaborative team effort to improve performance by systematically removing waste and reducing deviation in processes. During 2016, Vinythai had developed 1 Black belt person, 16 Green belt persons, 17 Yellow belt persons and 380 White belt persons. Since 2012, there has been 491 employees attending the belt based

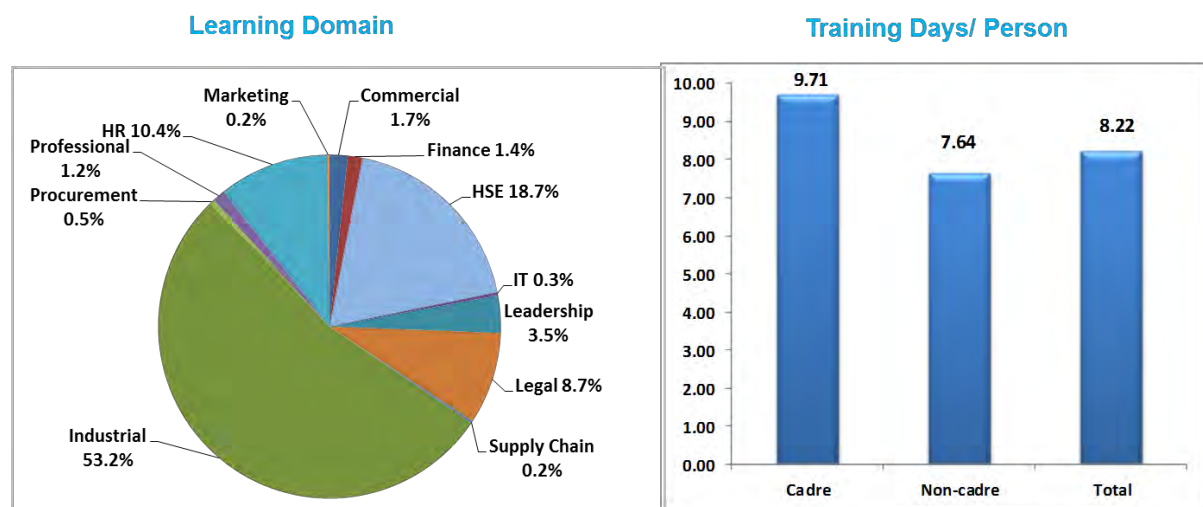
training system.

**2) Irritant Workshops :**

The purpose of Irritant Workshop is upgrading employee mindset and behavior within his/her working environment. It results in better individual's interactions, job performances and career prospects.

**3) Commercial and Marketing Excellence Program :**

The commercial and marketing excellence programs encourage cross-fertilization and, in particular, the sharing of practices and the development of commercial population. The programs provides the role-specific development requirements for the main Commercial and Marketing positions to fill the competency gap with the training modules such as selling skills, key account management, customer portfolio management, transactional pricing, negotiation skills, value-based pricing, marketing fundamental, innovation marketing, market pull, techno push.



**4) Career Management and Development**

The Career management process aims to provide development opportunities to ensure that every employee reaches his/her highest potential and develop skills for the future by focusing on individual development needs and career aspirations from the Performance, Development and Career Review.

“Employee Mobility” and “Development & Succession Planning” policy are the crucial HR tools of career management and talent development.

**Employee Mobility:**

First and foremost, the Company is committed to the ongoing development of its employees and as a part of this, to providing interesting and enriching career opportunities. The Company believes it is in the best long-term interest of both the Company and its people, to ensure that there are open channels to communicate about job opportunities to its employees and to implement clear rules that are applicable globally for how to apply to these opportunities.

The Company also believes that the movement of its employees across Business, Functions, and Locations is a key vector of the promotion of its culture, sharing of management practices, and ensuring the necessary transfer of scientific, technical and commercial expertise across the organization. All of this contributes to a motivated workforce, the sustainability of the Company and the employability of its people throughout their careers.

In order to foster internal mobility, in year 2016, **10.7%** of open positions were filled by internal candidates, and totally **4** persons were transferred within the Solvay Group across the Business.

### Development and Succession Planning

The Development and Succession Planning aims to ensure the Company has the right people at the right place to achieve its growth strategy and performance. Development and Succession Planning is a management meeting where topics related To Succession Planning, Talent identification and Career Development are discussed, and where decisions are prepared and made collectively taking into account employees' career aspirations and abilities.

The career evolution of each talent is discussed in the DSP process at least once a year and each talent receives feedback about his/her next career steps and development plan based on the DSP outcome.

In year 2016, **7.3%** was assessed as a Hi-potential talent with the corresponding development plan, and **64.3%** of key positions have at least one identified internal successor in order to secure the filling of key positions with internal candidates as early as possible.

### 5) Compensation Policy - Reward for Performance

Compensation policy is based on 4 guiding principles :





The employees' Base Salary is annually reviewed to reward the job performance, according to the assessment performed in the Performance, Development and Career Review (PDCR). The annual salary increase is also linked to market movements to ensure labor market competitiveness.

Short-term incentive (bonus) policy applies to all employees and is designed to:

- Implement a high performance culture linked to the contribution to the Company success
- Reward individual and collective performance
- Measure progresses on sustainable development targets

Individual Bonus is based on the achievement of individual objectives set as a part of Performance, Development and Career Review process (PDCR), and the Collective Bonus is based on the realization of economic and sustainable development KPI's.

The bonus also links the performance of employees to the economic performance of the company where they have a direct impact and contribution. This will foster empowerment, collective engagement at the company level, and reward performance closer to the reality of the contribution of each.

## **6) Employee Pulse Survey 2016 - Your Opinion Matters**

Vinythai values the individual voices of its employees. Employee Survey 2016 was launched online for all employees in November to provide feedback on their working environment as well as the progress which has been made following the initiatives developed and implemented after the Solvay Employee Survey 2015.

This survey enabled the Company to gain more insights on the engagement level of Employees, as well as to respond more quickly to issues and improve the working environment for everyone.

Although it is not compulsory, the Company received a 92% participation from its employees. The results of 2016 Employee Survey shows overview top three strengths, which employees feel that:

- My job makes good use of my skills and abilities - **84%**
- Sustainable development is an important part of Company's strategy - **82%**
- I have a clear idea of what is expected of me in my job - **75%**

In addition, the results shows that they are more satisfied than before with clear job expectations and regular development discussion with managers, and some improvements on support of work-life balance.

Nevertheless, the 2016 Solvay Employee Survey shows the Company needs to pursue its efforts on area of concerns such as reasonable amount of work, feeling free to speak one's mind and fair rewards. 'Engagement' index shows that we are moderately engaged same as the last survey in 2015. Last but not least, **70%** demonstrates that they feel proud to work for Vinythai.

## 9. Corporate Governance

### **9.1 Corporate Governance Policy**

The Board of Directors realize the importance of good corporate governance principles and lays strong emphasis on implementation and practices, believing that implanting good governance systems increases the Company's competitiveness and ensures sustained business growth while enhancing confidence in the Company among its shareholders, investors and other stakeholders. The Board of Directors, the Company's management and employees, rigorously adhere to good corporate governance principles and strictly comply with applicable laws and regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). With an aim to continually improve corporate governance practices, the Company's management actively takes into account the recommendations of the SEC, the SET, and the Thai Institute of Directors Association (IOD). The Company creates and maintains awareness of good corporate governance practices and business Conduct among its management and staff at all levels.

To ensure that Vinythai's businesses are conducted responsibly, ethically, fairly, transparently and accountably, with a clear focus on the creation of utmost benefits for the shareholders and stakeholders, towards mutual trust and sustainable growth, the Board of Directors has established the good corporate governance policy for all directors, managers, and employees to observe in their discharge of duties as follows:

- (1) The Board of Directors observes the international guidelines and consistently improves the Company's corporate governance practices in accordance with these international standards in matters relating to consideration of the rights of shareholders, the equitable treatment of shareholders, the responsibilities to stakeholders, the disclosure of information and transparency, and the responsibilities of the Board of Directors.
- (2) The Board of Directors, the managers and all employees are determined in their observance of the core of good corporate governance principles. Additionally, they need to ensure strict compliance with the laws and relevant regulations in all countries in which the company invests.
- (3) The Board of Directors arranges for an administrative structure with fair relationship between the Board of Directors, the managers and the shareholders. They shall play a vital role in the determination of visions, strategies, policies and key plans. They shall ensure that a performance monitoring and evaluation system is in place, that risks are efficiently managed, that they are independent, and that they are responsible for their discharge of duties in accordance with the good corporate governance principles.

### **9.2 Committees**

The Board of Directors has set up three committees to strengthen good corporate governance and support its administration as follows:

### (1) The Business Advisory Committee

The Board of Directors Meeting No.3/2013, held on 29 August 2013 resolved to create a **“Business Advisory Committee”** to supersede Executive Committee and expand the advisory roles on Strategic and Risk Management.

The Board of Directors’ Meeting of the Company No. 3/2016 held on 14 July 2016, resolved to renew of members of the **“Business Advisory Committee”** for 3 years effective from 29 August 2016 to 28 August 2019.

As of December 2016, the Business Advisory Committee comprises the following members:

- |                              |             |
|------------------------------|-------------|
| 1. Miss Duangkamol Settanung | Chairperson |
| 2. Mr. Vincenzo Morici       | Member      |
| 3. Mr. Bruno Van der Wielen  | Member      |

Mrs. Jamjuree Sirovetnukul, Vice President Finance and Accounting, served as Secretary to the Business Advisory Committee.

(Please see the more details in our website:

<http://www.vinythai.co.th/en/binaries/VNT-CG-Handbook-EN-040814-195018.pdf>

(Business Advisory Committee Charter on page 29-33)

### (2) The Audit Committee

The Board of Directors Meeting no. 6/1999 held on 15 November 1999 appointed the **“Audit Committee”** whose qualifications comply with the SEC rules which defines that the Audit Committee shall comprise at least three independent directors, and at least one of them must have sufficient knowledge understanding or experience in the field of accounting or finance.

The Board of Directors’ Meeting of the Company No. 5/2014 held on 27 November 2014, resolved to renew of members of the **“Audit Committee”** for 3 years effective from 17 November 2014 to 16 November 2017.

As of December 2016, the Audit Committee comprises the following members:

- |  |          |
|--|----------|
| 1. Mr. Pipop Pruecksamars                | Chairman |
| 2. Mr. Pote Videtyontrakich              | Member   |
| 3. Assoc.Prof. Dr. Danuja Kunpanitchakit | Member   |

Dr. Supachat Chairatanathavorn, Internal Audit Department Manager, served as Secretary to the Audit Committee.

All members of the committee are evidently knowledgeable and competent persons with appropriate experience to perform their duties. **Mr. Pote Videtyontrakich and Assoc.Prof. Dr. Danuja Kunpanitchakit, committee members possess adequate expertise and experience to review the reliability and creditability of the financial statements.** Details of their qualifications and experience are disclosed in the Company’s Annual Report and Form 56-1.

(Please see the more details in our website:

<http://www.vinythai.co.th/en/binaries/VNT-CG-Handbook-EN-040814-195018.pdf>)

(Business Advisory Committee Charter on page 34-39)

### **(3) The Nomination and Remuneration Committee**

The Board of Directors Meeting No. 3/2013, held on 29 August 2013 resolved to extend the roles of the “Nomination and Remuneration Committee” to also consider and recommend for the development of Senior Management (Vice President Level up).

The Board of Directors’ Meeting of the Company No. 3/2016 held on 14 July 2016, resolved to renew of members of the “Nomination and Remuneration Committee” for 3 years effective from 29 August 2016 to 28 August 2019.

As of December 2016, the Committee comprises of existing members as follows:

- |                                  |          |
|----------------------------------|----------|
| 1. Mr. Vincent De Cuyper         | Chairman |
| 2. Mr. Supattanapong Punmeechaow | Member   |
| 3. Mr. Pipop Pruecksamars        | Member   |

Mr.Sompot Cheeranorawanich, Vice President Corporate Affairs and Communications - Company Secretary, served as Secretary to the Nomination and Remuneration Committee.

(please see the more details in our website:

<http://www.vinythai.co.th/en/binaries/VNT-CG-Handbook-EN-040814-195018.pdf>)

(Business Advisory Committee Charter on page 40-43)

## **9.3 Nomination and appointment of Directors and Top Management**

### **9.3.1 Independent Directors**

The Company’s independent directors possess qualifications as prescribed under the SEC regulations as follows:

- 1) holding shares not exceeding one per cent of the total number of voting rights of the Company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director;
- 2) neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the Company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two years prior to the date of application filing with the Office;
- 3) not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the Company or its subsidiary;
- 4) not having a business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, in the manner which may interfere with his independent judgement, and neither being nor having been a major shareholder, non-independent director or executive of any company having business relationship with the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office;

- 5) neither being nor having been an auditor of the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;
- 6) neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the Company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;
- 7) not being a director who has been appointed as a representative of the Company's director, major shareholder or shareholders who are related to the Company's major shareholders;
- 8) not having any characteristics which make him incapable of expressing independent opinions with regard to the Company's business affairs.

### **9.3.2 Directors and Top Management**

The Nomination and Remuneration Committee is responsible for considering candidates deserve a nomination as new directors, Chief Executive Officer or Managing Director, including consideration and advising on the development of various aspects of the Vice President level and above. The Rules and Procedures for the Nomination are established the best criteria and transparency to be presented to the Board of Directors and/or the shareholders' meeting for approval.

#### **Rules and Procedures for the Nomination of Director(s), Independent Director(s) and Audit Committee Member(s)**

1. In case of any vacancy for a Director, Independent Director or Audit Committee Member, the Nomination and Remuneration Committee shall nominate a qualified candidate who does not possess any prohibited characteristics to serve as Director, Independent Director or Audit Committee Member and propose to the Board of Directors' Meeting for consideration and approval of the appointment.
2. Any director has the right to propose the name of a qualified candidate to the Nomination and Remuneration Committee within the timeframe for consideration, including preliminary qualification check, before proposing such person to the Board of Directors' Meeting for consideration and approval of appointment.
3. Any major shareholder has the right to propose the name of a qualified candidate to the Nomination and Remuneration Committee within the allotted timeframe for consideration, including preliminary qualification check, before proposing the person to the Board of Directors' Meeting for consideration and approval of appointment.
4. The Nomination and Remuneration Committee will announce the timeframe for proposing the name of a qualified candidate who meets all requirements to serve as a Director, Independent Director or Audit Committee Member.

5. Any time the Nomination and Remuneration Committee identifies a qualified candidate or candidates meeting all characteristics, to serve as a Director, Independent Director or Audit Committee Member, the Nomination and Remuneration Committee shall forward the resume(s) of the proposed qualified candidate(s) to the Company Secretary to conduct a preliminary check of the candidate(s) qualifications.
6. Once the Company Secretary has checked the proposed candidate(s) qualifications, the Company Secretary will prepare a summary report and propose the candidate to the Nomination and Remuneration Committee for its consideration and resolution. If it agrees with the proposal, the Nomination and Remuneration Committee will propose the candidate for consideration and approval by the Board of Directors' Meeting.
7. Once the Board of Directors' Meeting has approved the appointment, the Company Secretary will be responsible for disclosure to or registration with the Stock Exchange of Thailand (SET), Securities and Exchange Commission (SEC), Ministry of Commerce and/or any related organizations. The Company Secretary will compose a profile of the director in compliance with the relevant rules and/or laws.
8. In case of any vacancies for Directors, Independent Directors or Audit Committee Members arising otherwise than by rotation, and the remaining term of office of such Directors, Independent Directors and Audit Committee Members being less than two months, the Board of Directors' Meeting will propose replacement candidate(s) to the Shareholders' Meeting for consideration and approval.

Once the Shareholders' Meeting has approved the replacement, the Company Secretary will be responsible for disclosure to or registration with the SET, SEC, Ministry of Commerce and/or any related organizations. The Company Secretary will be responsible for composing a profile of the director in compliance with the relevant rules and/or laws.

The Board of Directors resolved to propose the shareholders' meeting to elect new directors in place of those to be retired by rotation and amend the authority of directors (in case there is a change in directorship). The shareholders' meeting will resolve by a simple majority vote, in accordance with the following rules and methods:

1. Each shareholder shall have votes equal to the number of shares held.
2. Each shareholder may exercise all the votes he has under item 1 to elect one or several persons as directors, but may not allot his votes to any person at any number.
3. The persons receiving the highest number of votes, in their respective order of the votes, shall be elected as directors according to the number of directors that the Company may have or the number that are to be elected at such meeting. Where the votes cast for candidates in descending order are tied, which would cause the number of directors that the Company may have or that are to be elected at such a meeting to be exceeded, the Chairman of that meeting shall have a casting vote.

#### **9.4 Good Corporate Governance of its subsidiaries and associates**

Nomination and appointment for a director of the subsidiaries and the associates must be approved by the Company's Board of Directors. Such director is responsible to act

at the optimum interest of the Company. Moreover, prior to proceeding of any important issue(s) of the subsidiaries, it should get approval from the Company's Board of Directors.

In addition, the Vinythai Board has directed several important policies of the subsidiaries such as Management policies, Financial Accounting Policies Management policy on Safety, Health and Environment, CSR policy and HR management policies. It also ensures that those policies are consistent with the requirements and regulations of the Securities and Exchange Commission of Thailand and related laws.

## **9.5 Control on the use of Internal Information**

Considering the supervision of the usage of inside information, the Company has established control measures related to the use of internal information and stipulated the measures in the Corporate Governance Charter and Code of Conduct.

In addition, the Company has established policy about the protection of company confidential information. A measure of protection of the Company's confidential information has been stipulated as a standing instruction for all employees at all level to comply with. Failure to control and protect the Company's confidential information is breach of employment duties, and grounds for disciplinary action, up to, and including termination of employment. Disclosure or use of Company confidential information without authorization is illegal and may subject an employee to civil or criminal liability.

To ensure the security of the information, the Company has put in place and developed the Information Technology system to secure the accessibility to the Company's information. As such, the IT system prevents the accessibility to the Company's confidential and important information from external parties, and gives the rights for accessibility to confidential and important information properly classified for units in line with their works and responsibilities.

## **9.6 Audit Fee**

### **(1) Audit Fee**

The Company paid the audit fee to the auditor in the past fiscal year in the amount of THB 1,840,000.-

### **(2) Non-Audit Fee**

The Company paid the non-audit fee for corporate income tax review and other services in the past fiscal year in the amount of THB 1,714,748

## **9.7 Compliance with good corporate governance principles in other matters**

With the aim of further strengthening its governance systems, the Company has continued to rigorously implement action plans that reinforce its compliance with the principles of good corporate governance for the listed companies.

## 1. Rights of Shareholders

The Company respects the right of shareholders equally and ensures that all shareholders are fully entitled to exercise their fundamental rights. These include: the rights to buy, sell, or transfer shares, ownership rights to participate in shareholders' meeting; voting rights to elect board members and approve directors' remuneration; the right to receive dividends; the right to express opinions freely, etc. The Company also regularly discloses its information through the SET channel, publications and its website, including organizing activities for shareholders such as invitation to plant visit and coral cultivation using PVC pipes. The Company enhances the exercise of rights and does not infringe upon or curtail those rights. Shareholders are actively encouraged to exercise their rights, as follows:

### **Prior to the Annual General Meeting of Shareholders (AGM)**

- Following the Board of Directors' resolution dated February 17, 2016 to call an Annual Ordinary General Meeting of Shareholders, the Company, on the same day, announced a meeting schedule along with the agenda through the SET's communication channels and the Company's website.
- Prior to the shareholders' meeting, the Company prepared a notice to call the shareholders' meeting both in Thai and English specifying the date, time and venue of the meeting, along with an agenda including the respective opinion of the Board of Directors pertaining to each item:
  - Agenda items considered at the meeting included: the Company's annual operating results and dividend payment; the appointment of an auditor and consideration of the auditing fees; appointment of new directors in place of those to be retired by rotation; and remuneration for the Board of Directors.
  - The notice of the shareholders' meeting and the agenda included significant and sufficient detailed information; and were distributed together with: a map clearly indicating the meeting venue; a barcode registration form; a copy of the Company's most recent annual report; a copy of the minutes of the previous shareholders' meeting; a copy of the Company's Articles of Association relating to the shareholders' meeting; the names of directors to be retired by rotation and those proposed to be re-appointed for another term; proxy forms containing name and details of independent director, appointed as proxy, and details about the credentials each shareholder needs to bring to the meeting.
- Concerning director nominations, the Company specified type of directors proposed for approval and provided their relevant personal records, including shareholding (if any), meetings attendance record and years of service with the Company. Particularly for the nomination of independent director, the Company pays significant attention to follow the SEC regulation.
- The Company designated Thailand Securities Depository Co., Ltd, its share registrar, to distribute the notice of shareholders' meeting and relevant documents as above-mentioned, to shareholders. The distribution took place 27 days in advance of the meeting day in order to allow shareholders sufficient time to consider proposed meeting agenda items. The Company disclosed the notice of shareholders' meeting and accompanying documents on its website 36 days ahead of the meeting and communicated such disclosure through the SET channels. The Company also publicized the notice to call a shareholders' meeting in Thai daily newspapers for 3 consecutive



days prior to the meeting.

- To enhance the rights of shareholders, the Company allowed shareholders to propose agenda items prior to the meeting day. The Company notified shareholders accordingly through the SET channels and the Company's website including clear explanation of criteria and consideration procedures, as well as a form for proposing agenda made available in the Company's website. .
- Prior to the shareholders' meeting, the Company also provided its shareholders with the opportunity to send their questions concerning the agenda to the Company's website

([https://solway.az1.qualtrics.com/SE/?SID=SV\\_3RgfUYtSoOa7rZH](https://solway.az1.qualtrics.com/SE/?SID=SV_3RgfUYtSoOa7rZH)).

Notification of this opportunity was posted through the applicable SET channel.

### **On the AGM Day**

- For the convenience of shareholders on the meeting day, the Company implemented a barcode system for registration, recording attendance of the participants, and vote-counting. The barcode system significantly accelerated these processes and enhanced the convenience of the shareholders.
- Upon registration, the Company also provided shareholders with ballots for each agenda items and encouraged them to cast their votes, especially those wishing to vote against or abstain on any item.
- The shareholders' meeting starts when there is a quorum, based on both shareholder attendance and proxies. Prior to the meeting, the Company introduced its directors, management, the Company's auditor, legal advisor, and explained the procedures for voting, counting of votes and result of vote counting. Resolutions of the meeting are passed by a vote of the attending shareholders and proxies on the basis of 1 share 1 vote. Procedures for voting and counting of votes are as follows:
  - 1) A shareholder may vote in favor of, against, or abstain from voting for each agenda item, in the ballot received upon registration.
  - 2) When the Chairman requests the meeting to put a vote to any resolution to, the Chairman will first ask the meeting whether there would be an objection from any shareholders to the proposed resolution. If there is no objection (in which case no ballot will be used), it shall be deemed that the meeting passes an unanimous resolution approving what has been proposed. The Chairman will then state that the meeting passes an unanimous resolution for that agenda item.
  - 3) If a shareholder votes against or abstains from voting on any agenda item, the Chairman will request him or her to mark the ballot and raise his or her hand for the official to collect the ballot.
  - 4) Only the votes cast by shareholders voting against or abstaining shall be counted. The votes of disagreement or abstention shall be deducted from all the votes of those attending the meeting, and the remaining votes shall be deemed to have agreed with the proposal for the relevant agenda item.
  - 5) The voting method for the agenda of appointment of directors will be on a person by person basis. The ballots will be collected from the shareholders for the vote cast for each director separately, whether for, against or abstain from voting.

- 6) Where a shareholder has appointed a proxy and has casted his or her votes in the instrument appointing the proxy, the votes shall be counted as marked by the shareholder. If the shareholder does not indicate his intention, and the proxy does not vote against, such shareholder shall be deemed to vote for that resolution.

With due transparency, the Company announces the result of the vote on each agenda item at the meeting, enumerating the votes for and against and abstentions. The result of each vote is displayed together with the percentage of affirmative votes out of the total number of shares held by the shareholders present.

- The Board members participating in the meeting included the Chairman of the Board, the Vice Chairman of the Board, the Managing Director, Chairman of the Audit Committee, Chairperson of the Business Advisory Committee, Independent Director and other Board members totaling 9 persons. The Chairman of the Board of Directors acted as chairman of the meeting. In addition, the Company's auditor and concerned Management were present to answer shareholders' inquiries and provide any clarifications required. To facilitate the shareholders' understanding, a professional interpreter was provided to help translating messages and information discussed in the meeting in Thai Language. The Chairman of the meeting allowed adequate time for the meeting to proceed and equal opportunities for all shareholders to examine the Company's operations. To ensure that shareholders have sufficient information, they were encouraged to express their opinions, make recommendations and raise questions on agenda items before casting votes. In addition, after the meeting adjourned, directors, management, and the shareholders informally discussed relevant matters and exchanged views.
- Shareholders are permitted to register their attendance and exercise the right to vote on still pending agenda items after the meeting starts.
- The Company conducted the shareholders' meeting in accordance with the sequence of agenda items as specified in the notice of shareholders' meeting. When conducting the meeting, the Company neither switched the agenda nor added any items to the agenda specified in the notice of shareholders' meeting.
- The Company distributed ballots to the shareholders to vote against or abstain from voting on any agenda item. Concerning the election of directors, the Company allowed shareholders to cast separate votes for individual directors whether for, against or abstain from voting. Lawyers from Chandler and Thong-Ek Law Office Limited also attended the meeting to oversee proceedings, and assure transparency with respect to ballots and vote counts and compliance with relevant laws and regulations and the Company's Articles of Association.

#### **After the AGM Day**

- The Company notified the resolutions of the Shareholders Meeting after the Shareholders Meeting through SET Portal. The resolution stated the results of the vote and the voting results on each agenda.
- All significant inquiries were recorded in the minutes of the meetings, together with attendance of directors, key issues discussed, Management responses and vote counts on each agenda item where votes were taken.

- The meeting minutes were prepared accurately and in their entirety, both in Thai and English. They were submitted to the SET within 14 days after the date of shareholders' meetings, and posted on the Company's website for shareholders to examine without having to wait until the next shareholders' meeting. In addition, to ensure the transparency, the meetings were videotaped by the Company with copies available to shareholders on request.

The Company's management is fully cognizant of how an effective shareholders' meeting is constituted. As such, it continually promotes and supports the rights of shareholders prior to, during and after the shareholders' meeting in accordance with the Annual General Meeting (AGM) Checklist initiated by the SEC, with joint support by Thai Investors Association. As a further indication of the Company's commitment to shareholder rights, the management reviewed the assessment findings of the AGM Checklist and find ways to correct areas where the need for improvement was indicated.

## **2. Equitable Treatment of Shareholders**

The Company provides equitable treatment to all shareholders. The shareholders' meetings are conducted in strict compliance with the applicable legal framework, including rules and regulations of the SET, the SEC, and the Company's Articles of Association. This applies to every aspect of arranging and conducting meetings, from sending out invitations to distributing meeting documents and communicating meeting agenda to all concerned. Meeting procedures and submissions of reports is in full compliance with the SET and the SEC regulations. Shareholders can appraise themselves of the Company's Articles of Association by accessing through the Company's website.

**The Company values and treats all shareholders fairly through the following actions.**

- The Company fully facilitates the attendance of shareholders at every shareholders' meeting by organizing the meeting according to a convenient schedule, at a convenient time and at a convenient venue.
- The Company provides shareholders with the option of appointing a proxy to attend the shareholders' meeting on their behalf. Any shareholder who is unable to attend the meeting also has the option of delegating their votes to an independent director. In order to facilitate the shareholders' authorization of a proxy according to their wishes, proxy forms are provided in various forms and distributed to the shareholders including the proxy in the format that the shareholders can specify the voting direction for each agenda. Considering the supervision of the utilization of inside information, as stipulated in its Code of Conduct, the Company practices effective safeguards against the abuse of inside information, including internal controls and monitoring systems tailored to each business unit and scenario. The Company prohibits executives or concerned departments who receive inside information from disclosing corporate data to the public or outside parties and requires them not to misuse their positions and confidential information to which they are privy for their own advantage. The employees are prohibited from utilizing the Company information or news which has not been disclosed to the public and may be material to the Company share price, with the purpose of seeking profit or benefitting from trading the Company's stock, whether directly or

indirectly. Strict implementation of these preventive measures has resulted in no insider trading violations arising.

- The Board of Directors specified that Board members and Management must disclose any changes in their securities holdings to the SEC in accordance with Section 59 of the Securities and Exchange Act B.E. 2535. In case of purchase, sale, or transfer of securities, Board members and Management shall report changes in their applicable securities holding to the SEC and the SET. In addition, any changes in directors' shareholding shall be reported to the Board of Directors' meetings. The Board of Directors and Management shall submit one copy of the securities disclosure to the Company for record.
- The Company disclosed complete information about the shareholding of the Company's directors and management as defined by the SEC regulation, including their spouse and minor children (if any) in the annual report.
- Any director or management, who may have a vested interest in any transaction or matter directly affecting the Company, should not participate in the decision making process on such issue.
- Each year, the Company arranges the activities for Shareholders to visit the Plant and participation of the Coral Cultivation, 80,000 branches, for His Majesty the King project to support the growing corals with PVC pipe

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

The Board of Directors has fully appreciated the value of the support of all groups of stakeholders, recognizing that they all contribute to the Company's competitiveness and corporate profits. Thus, the Corporate Governance Charter approved by the Board of Directors promotes practices towards each of various groups of stakeholders. Moreover, the Company's Code of Conduct also includes practices toward shareholders, customers, employees, and business partners, which the management and all employees shall follow so as to uphold consistent standard of conduct.

As it is understood that the participation of stakeholders can have a positive effect on the Company on an on-going basis, considerable effort is made to safeguard the interests of each group as follows:

#### **Shareholders**

Vinythai drives the sustainable growth of the Company and creates continuous profits by conducting business with care and transparency, so as to generate competitive, long-term value for shareholders.

#### **Board of Directors and Management**

The Company's Board of Directors and Management are aware of their rights, exercise their duties within the frameworks and models defined by the Company, and apply the rules of equity and fairness of all stakeholders.

#### **Employees**

The Company realizes the value of every employee and enables its employees to have pride in the organization by providing working environments designed to maximize participation and opportunities for career advancement. The Company encourages employees to develop their ability to thoroughly and continually create value and maintain business excellence by:

- Offering equal employment opportunity, respect for human rights and respect employee's right, and developing and fully realizing employees' potential in performing their tasks and duties. The Company also implements equitable employment conditions and maintains a safe and conducive working environment. A welfare committee comprising representatives from the management and employees monitors and reviews employee benefits to ensure the employees welfare is adequate and secures for them the parity with the industry.
- Providing training and employee development opportunities at all levels. Employees are encouraged to develop thorough knowledge and competencies so as to continuously upgrade both the ability of the organization and its capacity in each work area.
- Providing seminars and trainings for all employee levels in order to gain the knowledge and understanding in respect to the environment including creation of the awareness in protection of natural resources and environment within the community and the public.
- Promoting two-way communications within the whole Company and making employees proud to work for the organization.
- Providing suitable welfare for all levels of employees.
- Placing at the top of all priorities, hygiene, safety and environment in the workplace.

### **Customers**

The Company is resolved to deal promptly with customer claims. Moreover, it strives to achieve high customer satisfaction, promotes sound relations based on respect for customer interests and is committed to continually developing products and services that add value to the customer. The Company takes full responsibility for consistently providing good-quality products and services at reasonable prices. The Company also provides comprehensive and accurate information concerning its products and services in conjunction with professional advice on product selection and utilization. Moreover, the Company actively consults with customers to find the best ways to mitigate any potential harmful impacts from utilization of its products and jointly develops products with customers that optimize their business growth while safeguarding public health and the environment. Also with the objective of maintaining sustainable relationships with its customers, the Company regularly organizes Customer Relationship Management (CRM) activities and conducts customer satisfaction surveys.

### **Creditors**

The Company treats all creditors equally and is fully cognizant of its accountability to creditors and its obligation to ensure that its conduct strictly adheres to contractual commitments and financial obligations. To ensure that all creditors are kept up-to-date with relevant financial information, the Company submits its financial statement to all creditors on a quarterly and annual basis. Furthermore, the Company's internal procedures ensure that it is open equally to all creditors to offer competitive pricing and services. In addition, the Company can only accept new credit facilities offered by any financial institution after they are proposed to and approved by resolution of the Board of Directors.

**Business Partners**

The Company obliges directors, executives and employees involved in leasing, hiring, purchasing or selling property or goods or services of all kinds to act strictly in the Company's best interests based on accurate, actual information that does not mislead lessors, leaseholders, buyers or sellers of assets, products or services with information that is incomplete or insufficiently accurate. Involved executives and employees do not accept gifts or any other remuneration unless it is a traditional practice, in which cases such gifts or remuneration should not be of such high value as to invite censure or prompt special consideration in the future.

**Business Alliances**

The Company is committed to compliance with agreements made with its business partners in a manner that is mutually beneficial to the overall business.

**Competitors**

The Company supports and encourages free and fair competition, always behaving in accordance with accepted rules of etiquette and good competition within the framework of the law.

**Community, Society and Environment**

The Company conducts itself as a good corporate citizen and operates its business in accordance with its well-recognized duties and responsibilities to the community, society and the environment.

In addition, the Company is fully conscious of its responsibilities to the Thai society and societies of host countries, with its prime concern to develop and strengthen communities towards sustainable self-sufficiency resulting in economic prosperity and social harmony throughout the country. The Company encourages its employees to be aware of their social responsibilities in both their work and daily lives, including:

- Creating business practices and implementing activities that are responsible and beneficial to society, both in the short and long term, and focusing on business transactions with trade partners who share common intentions regarding social and environmental responsibility.
- Supporting learning and skills development among youths and the public and promoting awareness of natural resource and environment preservation in communities and Thai society.
- Providing correct information, creating understanding, and listening to problems and information about impacts on surrounding communities with a view to implementing appropriate solutions, all based on the principle of co-existence between the Company's plants and communities for mutual benefit and without conflict.
- Supporting beneficial activities, especially in areas where the Company's businesses are located, taking into consideration suitability and providing sustainable benefits to society and communities.
- Supporting public activities and national development policy for the country's benefit as a whole.
- Considering how to utilize natural resources with minimum impact on society, the environment and quality of life.

## Public Sectors

The Company is resolved to fully conform to all relevant laws and regulations without reservation.

## Suggestions and / or Complaints

To improve the Company's services, customers, employees and any person can make recommendations or comments or complaints related to the Company through the following:

- Audit Committee, <http://www.vinythai.co.th/en/contacts/index.html#audit>
- The Company's website or [www.vinythai.co.th](http://www.vinythai.co.th)

## 4. Disclosure and Transparency

The Company is committed to providing equal treatment to shareholders, financial institutions, securities companies, investors and others who use financial information, with emphasis on open, accurate, complete and timely data that does not discriminate either positively or negatively. However, the Company realizes the need to keep secret certain vital business information, including its operational strategies. Disclosure is governed by the relevant rules and regulations of the Stock Exchange of Thailand and Securities and Exchange Commission of Thailand.

Disclosure of information includes but is not limited to annual disclosures of information (Form 56-1), the Company's annual report (Form 56-2), quarterly reports, any minutes of meeting, news, press releases, letters to shareholders, information on the Company's website, information provided through various media, and interviews with the media and press conferences, etc.

### • Disclose and Transparency

The Board of Directors is well aware of its responsibility for the integrity of the Company's financial information. As such, the Board maintains effective internal control systems that ensure the accuracy and completeness of the Company's bookkeeping as well as adequacy of measures to safeguard the Company's assets. Recognizing the right of shareholders and investors to receive adequate and reasonable notification of the Company's financial status, the Company prepared the "Responsibility Statement from the Board of Directors on Disclosure of the Financial Report" and presented it both in Thai and in English in a separated item in its Annual Report and Form 56-1. The Board of directors also ensures that the financial information is disclosed completely, correctly and in timely manner in line with the SET's regulations.

To ensure equitable treatment to all stakeholders, in addition to disclosing information as specified in relevant regulations through the SET's channel, the Company also discloses information such as the Company's news, its vision, mission and values, Articles of Associations, corporate governance policy, corporate activities, Board members and sub-committees, and investors news on its website both in Thai and in English. In addition, a list of the Company's current top ten major shareholders is disclosed on its website and is updated on a monthly basis. In this way, shareholders can find information about the Company's major shareholders prior to the shareholders' meeting.

- **Policy to report the shareholding and transactions of company shares to Board of Directors**

The Board of Directors specified that Board members and Management must disclose any changes in their securities holdings to the SEC in accordance with Section 59 of the Securities and Exchange Act B.E. 2535. In case of purchase, sale, or transfer of securities, Board members and Management shall report changes in their applicable securities holding to the SEC and the SET. In addition, any changes in directors' shareholding shall be reported to the Board of Directors' meetings. The Board of Directors and Management shall submit one copy of the securities disclosure to the Company for record.

***The holding of the Company's shares by the Director and Management as of 31 December 2016 and changes from the past year is as follows:***

- *Directors: None of Directors holding the company's share*
- *Management: There are 5 managements (as the definition of the SEC) but there is only one holding the company's share*

(Common Share)							
	as at 31 December 2015			as at 31 December 2016			
Name	Number of shares held by (a) director or management	Number of shares held by (a) related person(s)	total	Number of shares held by (a) director or anagement	Number of shares held by (a) related person(s)	total	Change: increase / (decrease)
1. All Directors (11 Persons)	-	-	-	-	-	-	-
2. Mr. Sompot Cheeranorawanich Vice President Corporate Affairs and Communications - Company Secretary	3,990.00	-	3,990.00	3,990.00	-	3,990.00	-

With regard to any issues that might result in a conflict of interest, the Company strictly complies with the SEC and the SET's related regulations on "Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions" while always taking into account the best interests of all stakeholders. Details, counter parties, values, reasons, and necessities for each transaction are all disclosed in the Annual Report and Form 56-1.

- **Investor Relations**

The Company's Vice President Finance and Accounting is in charge of investor relations activities and is required to communicate directly with institutional and individual investors, analysts and concerned government agencies. In year 2016, the Company recorded 26 visits by investors and analysts as follows:

Type of Visit	No. of visits	No. of companies
One-on-One Meeting	15	10
Group Analyst Meeting	11	11



Investors may request any information from the Company at Tel. 0-2030-6800 or Fax. 0-2030-6801, e-mail at [jamjuree.sirovetnukul@vinythai.co.th](mailto:jamjuree.sirovetnukul@vinythai.co.th) or mailing address at Vinythai Public Company Limited, Wave Place, 11th and 16th Floor, 55 Wireless Road, Lumpini, Pathumwan, Bangkok 10330

- **Whistleblowing and Whistleblower Protection Measures**

With a view to enhancing the participation of stakeholders in improving the Company's performance to ensure the sustainability, the Company opened communication channel for stakeholders to voice their concern about any crucial case related to the Company's operations or unethical practices via the Audit Committee at the Company's website :

<http://www.vinythai.co.th/en/contacts/index.html#audit>

Where such concerns are raised, the Audit Committee shall arrange an investigation and report the findings to the Board of Directors for consideration, so that the Company can find solution in a timely manner. The rights of any person who communicates such concern should be protected. The Company has duly communicated this information to stakeholders through the SET channel.

In addition to the above, the Company's website includes details of personnel responsible for each area so that investors, customers, local communities and other stakeholders can communicate recommendations and make enquiries from the Company via the Company's website.

- **Policy for prevention of software copyrights violations**

The company has the policy on prevention of software copyrights violations, the Company also formulated guidelines to which its employees must strictly adhere. The guidelines include abuse of company's computer and IT system, such as, store and/or use illegal software on company's computer. In event of violations of the mentioned policy, an investigation shall be conducted as quickly as possible. An employee found guilty of such conduct is subject to the Company's disciplinary actions.

## **5. Responsibilities of the Board**

Pursuant to the Company's Articles of Association, the Board of Directors shall comprise at least 10 directors, provided that not less than half of the total number of directors must have residence in Thailand. The Board structure consists of accepted knowledgeable, competent persons with various qualifications, skills, experience, and expertise that can provide optimum benefit to the Company and its shareholders. Qualifications and experiences of the Board of Directors are disclosed in the Annual Report and the Form 56-1, which were posted on the Company's website. With respect to the Company's Corporate Governance Charter, the directors may not be directors of more than five listed companies and must notify the Board of Directors of their positions for acknowledgement and approval.

It is the policy of the Board of Directors that the Chairman and Managing Director should not be the same person. This is to ensure clarity of responsibilities for issuing governance policy and undertaking the Company's management. Although the Chairman of the Board and the Managing Director both represent one of the Company's major shareholders, Solvay Vinyls Holding AG, the current structure of

the Company's Board also includes representation of the other major shareholder, PTT Global Chemical Plc., and 4 independent directors. This arrangement creates a balance of power that ensures fair oversight of the Company's administration. Even though, the Chairman is not an independent director, he has performed his duty in good faith, with due diligence and care, in accordance with the Board policy and in the best interests of the Company.

The roles and responsibilities of the Chairman of the Board are different from those of the Managing Director. The Chairman of the Board conducts the Board meeting efficiently by urging all directors to actively participate, raise questions, and provide essential recommendations, leading to decision taken on significant policies pertaining to the Company. The Managing Director reports to the Board of Directors and is authorized to administer, manage, supervise, and execute all acts in connection with the business of the Company in accordance with the policies endorsed by the Board of Directors. The Managing Director takes responsibility for the Company's operating results, controls expenses and capital expenditures limits as approved by the Board of Directors, manages the Company's human resources to ensure a high level of motivation, performance and productivity and delegates authority in accordance with the strategy and performance of the Company, and maintains effective communication with the stakeholders. The Managing Director takes step to ensure that the policies and action plans of the Company are implemented in line with its strategy and to the highest level.

The roles and responsibilities of the Board of Directors and the Management are clearly segregated. The Board of Directors formulates significant policies and oversees the Management's implementation of those policies. The Management shall be responsible for implementing policies formulated by the Board of Directors and ensuring that these are carried out as planned. Managerial authority is channeled through the Management according to clearly specified levels of authority. The Board advises and supports the Management through the Business Advisory Committee. However, the Board does not intervene in routine tasks and business activities under the Management's responsibility.

### **Roles and Responsibilities of the Board**

The Board of directors fully commit to their roles and responsibilities in order to ensure effective discharge of their duties. All members of the Board of Directors exert their utmost efforts to perform their duties in good faith, with due diligence and care, in the best interests of the Company and all stakeholders. Each director shall discharge their responsibilities in good faith in such a way to safeguard and promote the Company's interests. The Board of Directors also conducts its meetings in accordance with its responsibilities to shareholders, including setting targets to secure optimum benefit for shareholder and other stakeholders within legal framework and business conduct. The Board of Directors reviews and approves the company's vision, mission, values and strategy every year. In addition, the company has improved the Charter on Corporate Governance and Code of Conduct .

(see the details at :

<http://www.vinythai.co.th/en/binaries/VNT-CG-Handbook-EN-040814-195018.pdf>,  
or [http://www.vinythai.co.th/en/binaries/CG\\_code\\_of\\_conduct\\_handbook\\_EN-190696.pdf](http://www.vinythai.co.th/en/binaries/CG_code_of_conduct_handbook_EN-190696.pdf))

**The Board of Directors takes overall responsibility for the following:**

- 1) Endorse the vision, goals and strategies of the Company every year, including risk policies, business plans & annual budgets, monitor the Company's operations and approve major investments, takeovers and sales of Company businesses.
- 2) The Board of Directors shall manage and carry on the business of the Company in accordance with the law, the Company's objectives and articles of association and resolutions of shareholders' meetings. Moreover, directors shall do so in good faith and consistent with the best interests of the Company and shareholders.
- 3) Supervise and monitor activities of the Company's management to ensure that their performance is in line with established policy in accordance with good corporate governance and so as to add economic value to the Company and increase wealth for shareholders.
- 4) Monitor the operation of the Company at any time with cognizance of relevant laws and contract terms as they relate to the Company and require management to report its performance and other important matters to each Board of Directors' meeting, thereby effectively improving the Company's operation.
- 5) Provide accounting systems, financial reporting, internal controls and effective and credible internal audits.
- 6) Control and oversee management treatment of all interested parties to ensure that they are ethical and equitable.
- 7) Evaluate the Company's success in order to determine bonuses and rates of annual salary increases within the Group.
- 8) Play a key role in risk management matters so as to establish and maintain guidelines and measures to ensure adequate risk management and regular monitoring.
- 9) Independent directors and other outside directors are prepared to use their discretion in independently considering issues pertaining to strategic management of resources, appointment of directors and setting operational standards, and are ready to challenge the actions of directors and other management figures in cases of conflicting opinions as they affect the equitable treatment of all shareholders.
- 10) If necessary, the Board of Directors shall enlist the services of external professional advisors at the Company's expense.
- 11) Appoint a Company Secretary to assist the Board of Directors with various activities, including Board of Directors' meetings and shareholders' meetings, and regularly advise the Board and the Company on their conduct and correct operations according to laws and relevant regulations. The Company Secretary will also ensure that the Directors and the Company disclose information correctly and transparently.
- 12) Provide provisions pertaining to business Conduct, director Conduct, executive Conduct, and employee Conduct to be implemented in-house.
- 13) Suspend trading at least one month prior to announcements of financial news and for at least three days after announcement of financial statements.

- 14) Report the securities holdings of their spouses and minors to each Board of Directors' meeting and notify the Company without delay in the event of an interest, whether directly or indirectly held, arising in any contract made within the Company's fiscal year, or if holding shares or debentures in the Company and/or the Company's subsidiaries.

The material approval authorities of the Board of Directors are for example:

1. Approval of major investment, takeover or sale of business including the acquisition and disposal of asset, related party transaction in accordance with the regulation of the office of the Securities and Exchange Commission and the Stock Exchange of Thailand
2. Appointment, withdrawal and authorization of duties to the sub-committees including the appointment of directors during the year, appointment of specific committee, the determination of names of director who can sign to bind the company.
3. The appointment of the company secretary in accordance with the Securities and Exchange Act
4. The approval of vision, goal, strategy and policy for the operation of the company.
5. Approval of the establishment, merger and acquisition of subsidiaries.
6. Approval of the open and close of accounts and implementation of company's normal business accounts with banks or financial institutions.
7. Approval of the institution, conduct, prosecution, settlement, compromise and defense of any action or other legal proceeding including the appointment of a lawyer whatsoever necessary to sustain the interest of the company for both civil and criminal cases.
8. Approval of entering into the major contracts of the Company

To avoid unnecessary problems, the Board of Directors carefully scrutinizes any issues that might result in a conflict of interest. Such issues are acknowledged by the Board of Directors in accordance with the SEC and the SET regulations stipulated for a transaction based on an Arm's Length Basis. The Board of Directors monitors compliance with the regulations regarding criteria, procedures and disclosure of transactions with conflict of interests. The Audit Committee is assigned to review significant related transactions to ensure the transparency and the best interest of the Company. To ensure fairness, directors or management having interests in the related transaction must not be involved in decisions and approval process.

### **Board Assessment**

The Board of Directors has carried out its duties with maximum transparency and in full conformity with the Principles of Good Corporate Governance and Code of Best Practices for Directors of Listed Companies, as prescribed by the SET, as well as the Securities and Exchange Act, B.E. 2535. The Board of Directors recognizes the importance of a self-evaluated and a constant improvement in its working performance. Therefore, the company conducted a self-assessment for all of the Board's members to evaluate their performance in accordance with the principles of Corporate Governance. The process and criteria of the self-assessment are mentioned here under.

**The process of Board of Directors self-assessment.**

1. The Nomination and Remuneration Committee reviewed the assessment form for its accuracy and completeness as determined by the Principles of Corporate Governance.
2. The Company Secretary summarized the results of the assessment.
3. The Company Secretary reported the assessment results to the Board of Directors as reference for performance improvement.

**The self-assessment has generally been taken in 6 main criteria;**

1. Structure and qualifications of the Board of Director.
2. Roles and responsibilities of the Board of Director.
3. The Board of Director meetings
4. The Board's performance in duties
5. The Board's relationship with the Company's management.
6. Self-improvement of the directors and management development plan.

The Board of Directors' self-assessment is conducted on an annual basis. The result of the previous year self-assessment is satisfactory. The Board has effectively contributed for their duties. The findings of the assessment were presented and reviewed for continual improvement.

**Board Self-Assessment of Sub-Committee**

Annual evaluation of performance of Sub-Committee e.g. Audit Committee was carried out in order to monitor and carry out continual improvement. The assessment result was reported in the Board meeting for their acknowledgement. Based on 2016, the result showed that all performance was highly satisfactory.

**Board and Management and Employee Training**

The Company supports and facilitates trainings for members of the Board of Directors, the Management and employees so as to continuously improve their skills, knowledge and working performance. The Company's Board of Directors actively participates in the director trainings arranged by the Thai Institute of Directors Association (IOD). Some foreign directors who do not reside in the Kingdom are sometimes unable to attend the director training sessions as scheduled by the Thai IOD. However, they are provided relevant information by the Management to update themselves. Details of the Board of Directors' trainings are presented in the Annual Report and Form 56-1.

Business Orientation and plant visit are provided to the new directors in order to help them better understand the nature of the business and operations of the Company. Training sessions for directors on pertinent topics are arranged to enhance their performance of their roles and responsibilities.

The Company has introduced a career development planning program to cultivate the potential of its personnel and prepare those showing promise for roles that will serve the future needs of the Company. The career development highlights management positions for which training and development are recommended for each individual, both technical and non-technical programs, so as to enhance and

promote learning and transfer of technologies and knowledge, both domestically and abroad.

## 10. Corporate Social Responsibility

### CORPORATE SOCIAL RESPONSIBILITY

#### Sustainable Development - A Progress

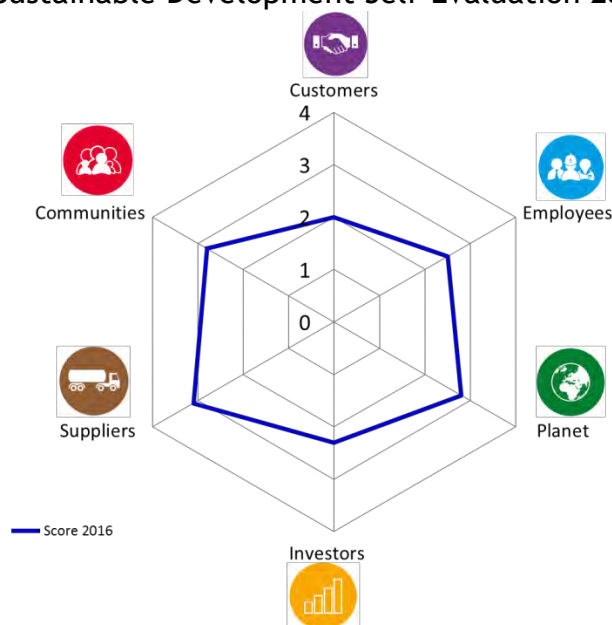
Vinythai Plc has made sustainable development one of its core business strategies. In this connection, the Company follows guidelines established by its partner, Solvay, addressing economic, societal and environmental aspects of sustainability. At the same time, the strategy integrates the interests of six major stakeholder categories: Customers, Employees, the Planet, Investors, Suppliers, and Community. The main idea is to support business growth while providing solutions to stakeholders, not least by acting with social responsibility and minimizing environmental impacts.

Sustainable development targets for 2015 - 2016 focused on five main issues:

- Reducing the Lost Time Accidents Rate (LTAR) and Medical Treatment Accident Rate (MTAR).
- Raising the Employee Engagement Index.
- Reducing CO<sub>2</sub> emissions.
- Increasing product and service sustainability.
- Operating and participating in social support activities.

In 2016, the Company conducted a Sustainable Development Self-Evaluation covering its six stakeholders which revealed a significant 22% improvement over 2015.

Sustainable Development Self-Evaluation 2016 Findings



Note: Level 1 = Launch, Level 2 = Deployment, Level 3 = Maturity, Level 4 = Performance

The Company will use the self-evaluation to develop short- and long-term plans to improve performance in relation to each stakeholder category.

#### The Board of Directors' Engagement in Corporate Social Responsibility Practices

The Vinythai Plc Board of Directors' engagement in CSR practices exists at the policy and management levels. The Board of Directors analyzes the previous years' operations and gives suggestions on needed improvements.

One aspect of Vinythai's CSR practices that received close attention from the Board

in 2016 is anti-corruption efforts. The Management deployed at all levels of the Company the new procedures related to its participation to Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) which is coordinated by the Thai Institute of Directors (IOD). This significant move emphatically endorses the Company's commitment to contribute to the elimination of corruption and to the development of stronger ethical behaviors in all its business activities.

The Board of Directors' engagement in this process greatly contributes to the accomplishment of the sustainability goals set by the Company which are prioritized according to its economic, environmental and social responsibilities.

### **Integrated Management System Policy**

Vinythai Group aims to be a sustainable development reference point. As such, the Company applies management system excellence practices and adheres to the following key principles:

- To make safety the first priority wherever and whenever employees and contractors are working while always striving for improvement and achievement of the Company's ongoing zero accident target.
- To integrate health and environmental principles into its daily activities by continually-reducing the key impacts of its businesses, including energy consumption, natural resources & resources consumption, emission reduction, and product life-cycle perspectives.
- To comply with all applicable legal requirements, business code of conduct and other rules to which the Group subscribes internally and externally.
- To commit to continual improvement, taking a risk-based approach adhering to preventive principles and best practices via established management tools and processes, including innovations & suggestions, knowledge management, excellence programs, and a sustainable development program.
- To enhance employee engagement and foster teamwork practices in order to nurture and maintain a happy work place.
- To enhance and deliver satisfaction to the Group's key stakeholders - customers, suppliers, external providers, communities and investors.



**(Mr. Bruno van der Wielen)**  
**Managing Director**



## **Economic Responsibility**

In addition to strictly complying with local and international laws and regulations, the Company constantly tracks, anticipates, and responds to its customers' ever-evolving needs and expectations. Concerning product sustainability, Vinythai periodically reviews both its primary and processed products using the Sustainable Portfolio Management (SPM) tool. SPM implementation reveals a thorough profile of each product in terms of market sustainability and environmental risk. It also indicates potential new product areas to consider for research and development.

### **Managing economic sustainability continuously**

In 2016, Management reviewed the Company's sustainability goals and developed plans in line with its vision and mission. At the same time, the Company assessed enterprise risk that may pose obstacles to smooth business operation.

Vinythai has rigorously adhered to good corporate governance principles since its inception. The Company established sustainable good corporate governance guidelines, based on its Corporate Governance Charter, which reflect regulations concerning structure and practices of the Board of Directors, Management, Employees and Shareholders. Moreover, the Charter sets out guidelines that are consistent with international practices and principles recommended by the Stock Exchange of Thailand.

Vinythai believes that corporate governance practices increase management efficiency, strengthening both short- and long-term competitiveness and earning the confidence of investors, financial institution and businesses allied with the company. Thus the results of these practices are beneficial to all stakeholders while perpetually supporting balanced and sustainable social conditions and a healthy environment.

The Company has been annually evaluated by the Cooperate Governance Report of Thai Listed Companies and has been designated "Good Level" for 10 consecutive years.

The Company also implements an anti-corruption plan, including reviewing its Code of Business Conduct and Good Corporate Governance Charter.

The Company also prioritizes Business Continuity Management in case of unexpected events such as natural disasters and epidemics. In 2016, the Company reviewed and continued to implement its Business Continuity Plan with the objective of providing products and services to its customers as per contract, including surmounting difficulties as they might arise.

### **Customer Satisfaction Survey**

Given Vinythai's stated objective "to be the customers' first choice", the Company continuously works to improve its products and services and tailor them to its customers' needs. Efforts along these lines include providing to customers complimentary instruction around technology, safe usage, handling, storage and delivery.

In monitoring and measuring customer satisfaction, the Company's marketing team surveys domestic and international customers alike in collaboration with independent specialist agencies. Findings from those surveys are used to develop marketing plans closely tailored to individual customers and market trends. Implementation of such plans further strengthen the Company's business dynamic going forward.

The survey questions cover customer perceptions from eight angles: product, price, sales representation, delivery, financial/shipping documentation, credit policy, technical services and corporate social responsibility. Responses in 2016 consistently indicated increasing levels of satisfaction. Nevertheless, Vinythai remains committed

to continuing to raise its customer satisfaction levels in each area in the coming year and beyond.

The Company also tracks customer complaints and takes steps to prevent or resolve any issues or problems. The steps taken include monitoring, comprehending and improving overall performance. In 2016 customer visits both within and outside the country indicated consistently high levels of customer satisfaction.

An additional internal survey of a similar nature conducted inside the company has further contributed to enhancing levels of customer satisfaction. The objectives of the internal survey are to streamline processes by monitoring such aspects as laboratory production testing service, maintenance and engineering service to production and warehousing, among others.

### **Product Stewardship**

In an effort to reduce Occupational Health, Safety and Environment impact from the supply chain, the Company in 2016 rigorously applied Solvay Product Stewardship Guidelines. The guidelines are used as references for planning, regulating and controlling raw materials selection, processes, storage, transportation, product use and reuse & disposal. The key associated activities implemented are as follows:

- Improving plant safety documentation in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS).
- Providing product safety training to customers and transporters.
- Performing risk assessment of product health impact.

### **Management Systems**

Each department adopts targets set by the Integrated Management System for each year. The head of each department monitors performance in relation to the targets and periodically reports progress to concerned directors. Department heads are also tasked with communicating with staff via the Company's intranet on matters pertaining to target achievement. The intranet is used to ensure that staff understands what is required of them and to keep them up-to-date with relevant matters.

### **Product Licenses**

- Thai Industrial Standards Institute license to display a Standard Grade stamp on PVC piping resin.
- Thai Industrial Standards Institute license to display a Standard stamp on 32% & 50% sodium hydroxide, quality level 1.
- Food and Drug Administration (FDA), Ministry of Public Health, Thailand, license to display an FDA stamp on 32% & 50% sodium hydroxide food additives.
- A Central Islamic Committee of Thailand license to display a Halal stamp on 32% & 50% sodium hydroxide food additives.
- A Thai Kashrut Services Ltd., Jewish Community of Thailand, Certification to display a Kosher stamp on caustic soda product which meets the requirements of the Jewish law framework.
- Thailand Greenhouse Gas Management Organization (TGO), license to display a Carbon Reduction Label for PVC Suspension, PVC Emulsion, 32% & 50% Sodium Hydroxide, and Epicerol.

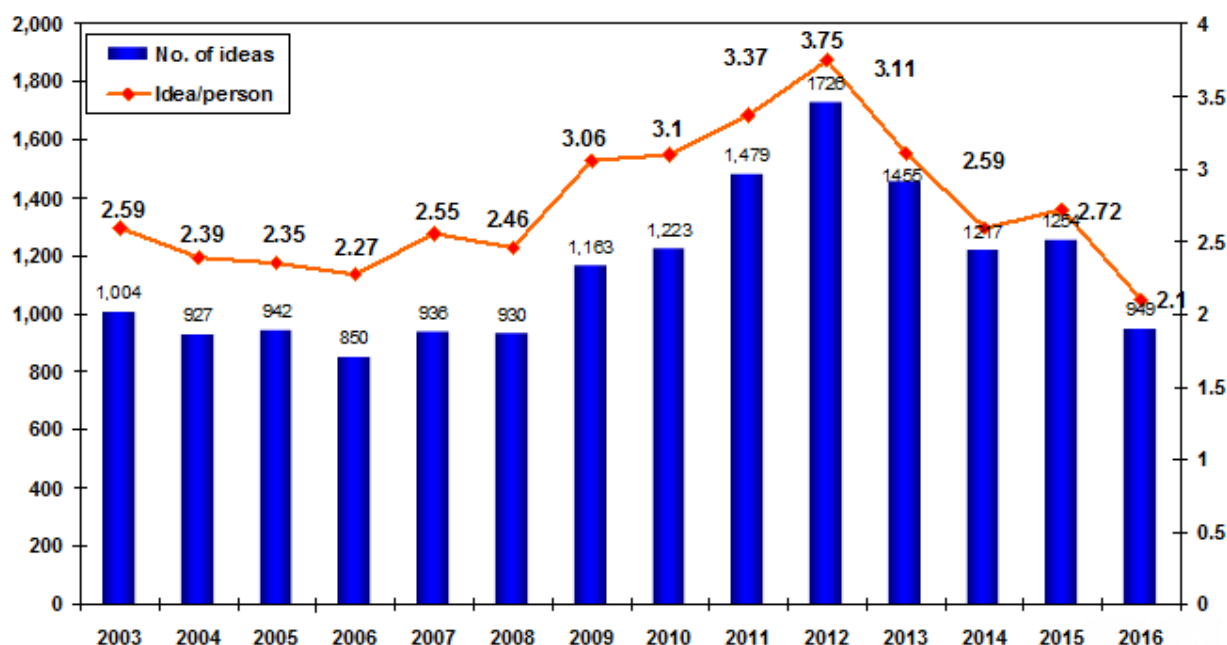
### Management Standards

- ISO 9001:2008 certification, assessed by Bureau Veritas Certification Thailand, since 1997.
- ISO 14001:2004 certification, assessed by Bureau Veritas Certification Thailand, since 1999.
- OHSAS 18001:2007 certification, assessed by Bureau Veritas Certification Thailand, since 2001.
- ISO/IEC 17025:2005 Laboratory accreditation, certified by the Thai Industrial Standards Institute (TISI), since 2004.
- GMP Certification & HACCP certification of Caustic Soda product, assessed by Bureau Veritas Certification Thailand, since 2014.
- Roundtable on Sustainable Biomaterials (RSB) certification, assessed by SCS Global Services Company, United States, since 2015.
- Carbon Footprint Label issued by the Thailand Greenhouse Gas Management Organization (TGO) for Carbon Dioxide emission reduction during production of PVC Suspension, PVC Emulsion and Sodium Hydroxide, and intermediate products, namely, Vinyl Chloride Monomer, Ethylene Dichloride and Epichlorohydrin, since 2011.
- Green Building Council of Australia (GBCA) - Green Star Credit Best Practice Guidelines PVC as assessed by Lloyds Register Quality Assurance Limited, since 2014.

To ensure effective implementation of the integrated management system in 2016, the Company's Management System Auditor conducted an audit covering ISO 9001, ISO 14001, OHSAS 18001, GMP and HACCP standards and applicable product standards. The results of the audit indicated satisfactory performance throughout.

### Innovation and Suggestion

*Total Number of Ideas & Ideas/Person from 2003 - 2016*



A committee is nominated to run and promote the Innovation & Excellence activities. Before each year ends, the committee organizes the Innovation & Suggestion event in order to celebrate and recognize those implemented & outstanding innovative ideas.



In 2016, the innovation and suggestion idea ratio reached 2.1 ideas per person (949 ideas), saving approximately a total of 100 MTHB. The results demonstrated continuous development on quality of employees at all level which made the production gained more profits steadily and sustainably.

On October 17-19, 2016, around 350 of Solvay's innovators met in Brussels at Inspiring Innovation. All GBUs were invited to share their learnings, impressions, experiences and new networks with their colleagues. Four Vinythai employees had an opportunity to present 2 innovations and 2 posters to all participants

Jean-Pierre Clamadieu, Solvay CEO, emphasized the fact that, while Science & Innovation have been at the heart of Solvay since 1863, we need innovation to achieve Solvay's transformation and to reach our sustainability objectives. "There is no better way to create value to our customers than Innovation", said Jean-Pierre insisting on customer centricity.

### Environmental Responsibility

With its strong commitment to environmental governance, the Company seriously implements its environmental management in accordance with stringent legal and regulatory requirements. Regular environmental assessments are thoroughly reviewed. Corrective and preventive measures are implemented to lessen environmental impacts and maximize the efficiency of environmental resources consumption. Moreover, environmental awareness is raised and environmental culture promoted among employees and stakeholders in the Company. It included:

- **Climate Change and Energy Efficiency:** Energy efficiency has been improved with respect to optimization and improvement of production processes, machinery and energy savings. The Company could reduce the CO2 emissions to 31 tons per 1,000

tons/product and energy consumption to 339 gigajoules per 1,000 tons/product. In 2016, Vinythai won “Carbon Footprint Reduction Label” Award given by Thailand Greenhouse gas Management Organization (TGO) because its emission of CO<sub>2</sub> was reduced more than 2% comparing to 2013.

- **Air Emissions:** Since 2002, Vinythai has rigorously implemented Leak Detection and Repair (LDAR) guidelines in performing its VOC management. LDAR is a highly efficient and cutting-edge technology.
- **Waste Management:** Vinythai implements 3Rs (Reduce, Reuse, Recycle) principles according to Department of Industrial Works’ guideline in its waste management to reduce solid wastes. Moreover, wherever possible waste is re-used or recycled.

### Social Responsibility

Vinythai’s policy regarding its role with respect to community, society and environment, as defined in its Corporate Governance manual, lays the ground-rules for the Company’s sustainable operation and contribution to the welfare of society.

The Company conducts itself as a good corporate citizen and operates its business in accordance with its clearly defined duties and responsibilities to community, society and environment. The Company encourages its employees to be aware of their social responsibilities in both their work and daily lives, including:

- Creating business practices and implementing activities that are responsible and beneficial to society, both in the short and long term, and focusing on business transactions with trade partners who share common intentions regarding social and environmental responsibility.
- Supporting learning and skills development among youths and the public and promoting awareness of natural resource and environment preservation in communities and Thai society.
- Providing correct information, creating understanding, and listening to problems and information about impacts on surrounding communities with a view to implementing appropriate solutions, all based on the principle of co-existence between the Company’s plants and communities for mutual benefit and without conflict.
- Supporting beneficial activities, especially in areas where the Company’s businesses are located, taking into consideration suitability and providing sustainable benefits to society and communities.
- Supporting public activities and national development policy for the country’s benefit as a whole.
- Considering how to utilize natural resources with minimum impact on society, the environment and quality of life.

The aim of mutual benefit and harmony between the Company’s industrial activities

and society is further enhanced as follows:

## **1. Health and Safety of Employees and Surrounding Communities**

In 2016, the Company implemented the following health and safety projects:

### **Community Health and Safety**

- In collaboration with Noenphra Municipality and communities, Vinythai organized the 7th Noenphra-Vinythai Super Minimarathon for the HRH Princess Soamsawali Cups. The event involved 2,000 participants from across the country. Organized since 2010, the event celebrated His Majesty the King's 84th birthday. The ongoing project is acclaimed for encouraging youngsters and the public to exercise and for promoting the tourism potential of Sangchan-Suchada Beach.
- In collaboration with Map Ta Phut Industrial Estate and the Office of Disaster Prevention and Mitigation, Map Ta Phut Municipality, the Company staged a rehearsal of the Community Emergency Preparedness Plan for Soi Prapa Community and Rayong Wittayakom Nikom Utsahakam School. The objective of this project is to ensure that locals and teachers and students know how to manage crises when they occur and can minimize the risk of loss of life and/or impairment of natural resources.
- On Open House Day, 160 locals from eight communities in Map Ta Phut visited Vinythai's plant to learn how it applies rigorous quality, health, safety, environment and social measures to its production, followed by a guided tour of the plant. Questions raised and suggestions made were answered and noted in a spirit of helpfulness and transparency.
- As a member of the Chlor-Alkali Products Transportation Emergency Mutual Aid Group (CATEMAG), Vinythai led emergency drills in case of chemical leakage from tank trucks during transportation. The drills ensure that concerned parties are ever ready to competently and speedily contain and neutralize any emergency that may occur.

### **Health and Safety for Employees and Contractors**

#### **Occupational Safety - from "Zero Injuries" to "Zero Incidents" Organization**

The Company promotes systematic risk assessments in relation to activities performed, and monitors for potential hazards at the earliest stage, thereby minimizing risks. Several development programs have been introduced for employees and contractors, including safety management system guidelines, as follows:

- Conducting systematic risk assessment and following plans to avoid or mitigate the impact of such risks. Concerned employees receive continuous training. In 2016, all Vinythai employees received at least 16 hours of safety training.
- Leveraging safety management to avert fatal accidents and accidents with irreversible consequences. With a very simple concept, "Zero Tolerance Project" was rolled out to achieve safety excellence.
- "Behavior Based Safety" (BBS) is implemented to continuously promote a safety culture throughout the Company. In 2016, over 10,000 dialogues were initiated with employees and contractors.

- Reinforcing safety standard reviews by exchanging knowledge and experience with other plants every month.
- HSE Leadership Visits were carried out by top management 16 times in 2016
- The 21<sup>st</sup> HSE Day was organized with the aims at raising Vinythai employees, contractors and suppliers' awareness in safety

In 2016, there was one lost time accident recorded. Thorough investigation and root cause analysis were carried out and preventive actions and measures were taken to prevent re-occurrence. This accident ended a tremendous safety record of 8 million hours without any lost time accident.

### **Health Risk Assessment**

The Company has voluntarily and proactively implemented the Health Risk Management system covering every area and activity. The Company undertook its annual review of the program and the progress with the concerned staff.

Critical Task Exposure Screening is implemented to study and analyze primary risks and impacts to operators' health. The information gained from the analysis is used to compile and plan for advanced risk analysis. Training on Health Protection from Chemicals was organized for every employee and contractor.

### **Process Safety Management Program Enhancement**

To operate and maintain its plant and asset integrity in such a way that all risks are appropriately managed and contained, the Company implements Process Safety Management. Moreover, the Company conducts Quantitative Risk Analysis to define risk control measures and maintain process safety reliability, as follows:

- Reviewing risks that may impact production processes and safety analysis systems every five year by applying Solvay's risk analysis practices.
- Providing regular training courses on risk assessment, analysis, prevention & control, as well as safety management systems, to all concerned.
- Sharing cases and experiences from other organizations with employees and designing preventive measures accordingly.
- Being risk-assessed by an insurance company. The Company was designated "Excellence" level risk management of insurance concerns.

In 2016, the Company reported one process accident on a high pressure container at the Chlorovinyls Unit. The accident was quickly brought under control without any environmental impact or injuries. Thorough investigation and root cause analysis were carried out and preventive actions and measures were taken to avert future risk.

## Transportation Management Risk

In collaboration with transport service providers and expert, the Company established Transportation Safety Committee to start implementing Safety and Quality Assessment System - SQAS in order to ensure reliable delivery to customers. Moreover, Vinythai took several steps to avoid transport accidents. These included: training truck drivers in hazardous chemicals transportation; providing truck check-ups aligned with international standard; installing GPS tracking devices in trucks, and; maintaining an active role in the “Chlor-alkali Agreement for Transportation Emergency Mutual Aid Group, CATEMAG”, the well-recognized organization initiated by chlor-alkali manufacturers and transport service providers in Thailand to inspect Emergency Response Centers while audits and emergency response drills are regularly conducted

## 2. Environmental Conservation and Management

Vinythai has engaged in a wide range of environmental conservation activities, notably:

- The Company management and staff in collaboration with Map Ta Phut Industrial Estate Authority, 26 industrial enterprises and communities, enthusiastically participated in the 14th International Coastal Cleanup along 11.5 kilometers of Mae Rumphueng Beach. The annual cleanup raised over 2,500 people’s awareness of coastal protection and garbage management and helped to improve the local environment.
- Vinythai has for many years been a key supporter of the Starting Coral Cultivation (80,000 branches) for His Majesty the King Project which revives coral beds by cultivating coral on artificial structures and planting them in the sea. This year, the project reached its objective of 80,000 coral branches being cultivated. From 2008-2016, 102,978 people participated in these coral cultivation activities during which they were informed about marine and coastal resource conservation. Vinythai won His Royal Highness Crown Prince Maha Vajiralongkorn’s Trophy for this Coral Cultivation Project.
- Vinythai organized an Open House Day to welcome around 160 locals from eight communities in Map Ta Phut to learn how the Company implements rigorous health, safety, environment and social measures in its operations. This was followed by a guided tour of the plant. Questions raised and suggestions made were answered and noted in a spirit of helpfulness and transparency. The party then proceeded to Vinythai’s Coral Cultivation project at the Samaesan community in Chon Buri.

## 3. Educational Support for Youths

STEM (Science, Technology, Engineering, Mathematics) education was brought to the fore of the Company’s attention by its Community Perception survey. Besides financial support for students in need, Vinythai organized activities to promote STEM education accordingly:

- In collaboration with Nakhon Sawan Science Center for Education and Nakhon Sawan Provincial Administrative Organization, Vinythai organized a star observation



activity by using PVC telescope at Bueng Boraphet, the largest freshwater swamp and lake in central Thailand. The purposes of this activity are to support King Rama IV's wish in raising youths and public's awareness in seeing the importance and benefits of astronomy in daily life. Moreover, this activity encouraged students of the schools that received PVC telescopes to show the public how telescopes work and introduce star observation activities. The event could attract around 400 youngsters and members of the general public to visit Bueng Boraphet.

- From 2008-2016, the Company supported the instruction of over 70,000 students and teachers in coral reef life cycles, benefits of coral reefs to ecosystems, and how to cultivate coral with PVC pipes.

#### **4. Activities Supporting Religion, Traditions and Important National Days**

The Company cooperates with communities, temples, schools and public sector entities in Map Ta Phut, to organize events and activities that respect and celebrate the religions, cultures and traditions of Thailand. In 2016, the Company cooperated with surrounding communities to fund and organize the annual ceremonial presentation of robes at Mabkha temple. Other examples include the pouring of water onto the hands of revered elders and seeking their blessing during the annual Thai New Year "Songkran" festival, and renovation of a mosque in a Muslim community in Map Ta Phut. In addition, Company staff regularly volunteer for worthy causes undertaken as part of significant national celebrations such as Her Majesty the Queen's Birthday (Mother's Day).

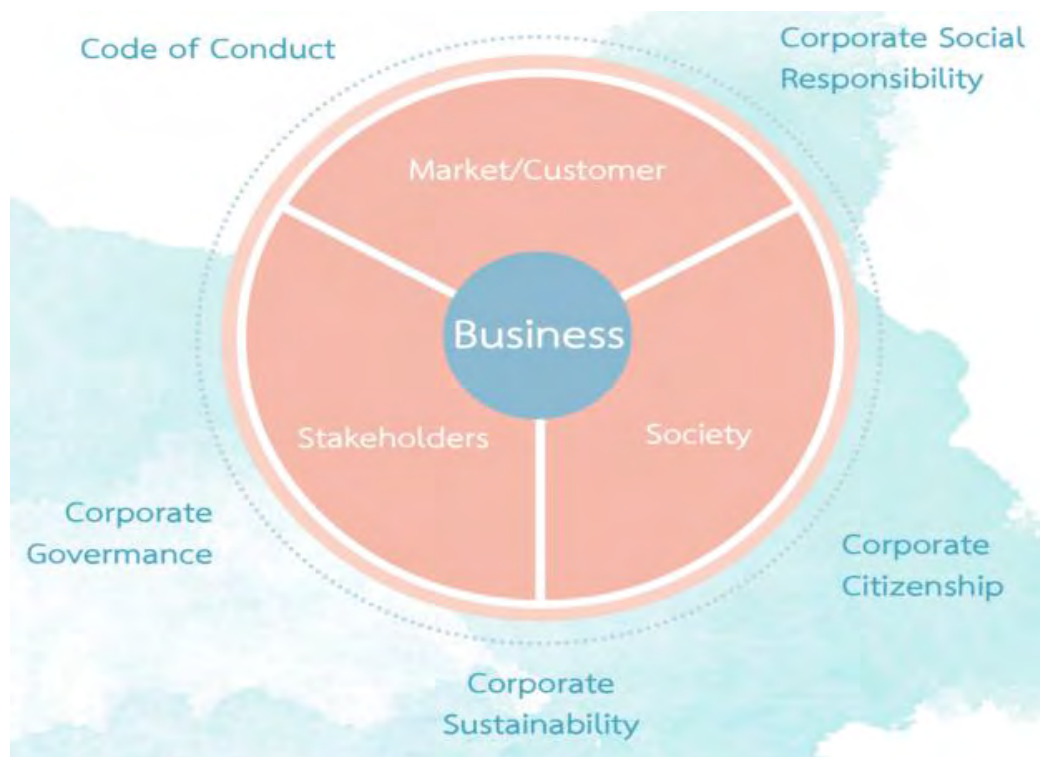
#### **5. Occupational Development and Community Well-being**

Vinythai staff regularly visit communities around Map Ta Phut to spread awareness and understanding of the Company's operations and synchronize areas of mutual interest. The Company listens and responds to suggestions that help resolve issues and generate income in the communities. Vinythai has formed an occupational group comprised of members of Map Kha-Map Nai, Soi Ruam Pattana and Ban Plong communities and empowered it to develop community members' skills so that they can produce handicrafts of commercial quality and viability. The Company's support includes arranging expertise-raising in-house training courses taught by professionals, and supporting marketing efforts. As an active member of the Community Partnership Association, Vinythai proposed the Map Kha-Map Nai occupational group to join an initiative of the Association's to leverage community enterprise in accordance with the effective Thammasat Model.

### **Guidelines on Prevention of Corruption Involvement**

Vinythai Public Company Limited (the "Company"), as listed on the Stock Exchange of Thailand, recognizes the importance of good corporate governance and is committed to conduct the business with utmost integrity and in compliance with the laws, rules, regulations, and anti-corruption laws. Its Board of Directors has approved the Anti-Corruption Policy as the guideline in respect to the anti-corruption measures and corruption risks of the Company. The Company condemns and prohibits corruption in any form.

The Company has developed and operated in accordance to the Sustainable Development and Code of Conduct Framework as illustrated in the below picture.



### The Code of Conduct

The Code of Conduct of Vinythai Public Company Limited is developed to comply with laws and regulations applicable to the business of the Company.

The Code of Conduct of the Company comprises of the following topics:

- 1) Conflicts of Interest
- 2) Safety, Health & Environment
- 3) Safeguarding of Confidential Information
- 4) Anti-Corruption Policy
- 5) Customer Relations and Product Quality
- 6) Harassment in Workplace
- 7) Charitable Activities and Philanthropy
- 8) Speak Up and No Retaliation
- 9) Disciplinary Actions

Policy Administrative Procedures:

- Compliance and Enforcement
- Speak up and No Retaliation
- Training and Awareness
- Designated Compliance Function

(More information of the Code of Conduct is available at website of the Company: [http://www.vinythai.co.th/en/binaries/CG\\_code\\_of\\_conduct\\_handbook\\_TH-190699.pdf](http://www.vinythai.co.th/en/binaries/CG_code_of_conduct_handbook_TH-190699.pdf))

In addition, the Company also developed the Anti-Corruption Policy and Procedures, which include the following contents:

### **Anti-Corruption Policy**

Corruption means any bribery whether offering, promising, giving, receiving or soliciting of money or another item of value or any other advantage with the intention to influence the behavior of the recipient or improper abuse of power through any gifts or services, cash or in-kind, bribery of public official and private-to-private bribery.

In this Anti-Corruption Policy, public officials shall mean any person in the position of legislative, executive, or judicial office of the state or any person working on the official duties to the state, its agencies or enterprises whether appointed or elected as temporary or permanent position with or without any remuneration.

The Anti-Corruption Policy prohibits Board of Directors, management and staff members to act or accept any form of corruption, whether direct or indirect, for the benefits of anybody, including one's self, family, friends or acquaintances. The scope of this policy covers the business of the Company in every country and all relevant parties. The Company also establishes procedures to regularly review the implementation of this Anti-Corruption Policy as well as regularly review the content of the policy and relevant guidelines to ensure that they are in compliance with changes in businesses, relevant rules, and applicable laws and regulations.

(More information of the Anti-Corruption Policy is available at website of the Company: <http://www.vinythai.co.th/th/binaries/Anti-Corruption-Policy-V8-Thai-2016July14-291627.pdf>)

The company has taken steps to promote the anti-corruption initiatives as follows.

1. Chairman of the Board of Directors signed the Declaration of Intent to join Thailand's Private Sector Collective Action Coalition Against Corruption on 19 November 2015
2. The Meeting of the Board of Directors No. 3/2016 dated 14 July 2016 approved the Anti-Corruption Policy for the business interests of the company.

On recommendation by the Audit Committee, the Board of Directors Meeting No. 5/2016 dated 30 November 2016 approved the Self-Evaluation Form to be used for the Certification by the CAC Council. The Company submitted the Self-Evaluation Form and its supporting documents to CAC Council for consideration and issuance of Certification to the Company on 9 December 2016. The Company anticipates to receive the Anti-Corruption Certificate in 2017.

3. The company has prepared the guidance on direction and supervision in order to prevent the fraud and risk from corruption in the Anti-Corruption Procedures and relevant Procedures related to charitable contribution, sponsorships, gifts, and hospitalities.
4. The company has provided training to all employees to raise their awareness of the Code of Conduct and Anti-Corruption Policy of the Company including arrangement of tests after the training, which results were satisfactory.
5. The Company has 4 processes regarding the corruption risk assessment as follows

Step 1: Preparation to determine the risk parameters in terms of impact and likelihood of occurrences, as well as to determine the level of risk appetite for the Company.

Step 2: Identification of corruption risks, their root causes, and current controls in place.

Step 3: Assessment of the current controls in place and performance of risk analysis to determine the impact and likelihood level of each risk, considering the current controls in place (residual risk analysis).

Step 4: Identification of risk response measures to mitigate the risk to an acceptable level for the cases where the current controls in place are insufficient to prevent fraud risks.

Vinythai assesses and reviews corruption risks annually to identify potential changes in corruption schemes, scenarios and events. The reviews includes considerations of changes in operations, new information systems, changes in job roles and responsibilities, new or evolving industry trends and emerging corruption threats/schemes, amongst others.

6. The Company establishes guidelines for monitoring and evaluating the implementation of the Anti-Corruption Policy by assigning the Internal Audit

Department to be responsible for auditing and reviewing business operations for accuracy and compliance with policies, guidelines, delegation of authority, standards and relevant laws and regulations to ensure that the control system is appropriate and adequate for any potential corruption risk. The results of the audit shall be reported to the Audit Committee.

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

### **11.1 Audit Committee's Report for 2016**

The Company's Audit Committee as appointed by the Board of Directors comprises three Independent Directors, leading by Mr. Pipop Pruecksamars as Chairman, with Mr. Pote Videtyontrakich and Associate Professor Danuja Kunpanitchakit, Ph.D. as members. All of the Audit Committee members have knowledge, expertise and experiences in various areas such as finance and investment, accounting, technical and petrochemical business. The Audit Committee's qualifications and composition meet all standards as defined by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand.

The Audit Committee has independently performed its duties in conformity with the Audit Committee Charter which fully aligned with the requirements of the Stock Exchange of Thailand, and the mission entrusted to it by the Board of Directors. The Audit Committee also emphasized on adherence to good corporate governance and compliance with laws and regulations in relation to the business operations of the Company and its subsidiaries.

**Major activities carried out by the Audit Committee during 2016 are summarized as follows:**

- **Meetings**

In 2016, the Audit Committee held totally five meetings: four ordinary meetings and one non-management meeting with the external auditor. Meeting attendance of each committee member was disclosed in the Annual Report 2016, under Corporate Governance. The management and external auditor were invited to attend the meeting to discuss various issues of concern. The Audit Committee held a non-management meeting once a year with the external auditor without the presence of the Company's management in order to freely discuss issues concerning the preparation of the financial statements, disclosure of information, internal control and management's cooperation, as well as to review other special items so as to obtain sufficient clarifications from the external auditor. The external auditor did not find significant issues which could impact the financial statements. The management provided full support and information as required by the external auditor to perform its duties.

- **Review of quarterly and annual financial statements**

Reviewed the financial statements of the Company as well as the consolidated financial statements for the Company and its subsidiaries for ended 2015 and 2016 quarterly reports, in collaboration with the external auditor and the management, prior to submission to the Stock Exchange of Thailand and the public. The review covered significant accounting, reporting issues and their impact on the financial statements, including review of compliance with accounting standards, selection of the accounting policies, as well as proper disclosure of financial statements. The Audit Committee expressed its observations, provided recommendations and obtained clarification from the external auditor and the management to ensure that

the financial statements were credible, complete in compliance with the generally accepted accounting principles, and contained adequate information and timely disclosure. The financial information was complete, correct and reliable in compliance with the generally accepted accounting principles and requirements of relevant laws and regulations.

In addition, according to the new requirement of the accounting standards, the Audit Committee acknowledged the new auditor's report. The Audit Committee also discussed Key Audit Matters with the external auditor and the management.

- **Connected transaction review**

Reviewed the disclosure of connected transactions and potential conflicts of interest to ensure that the Company has conducted its affairs in full compliance with relevant rules and regulations. Based on the review of commercial transactions undertaken in the normal course of business, no unusual transactions considered material were found.

- **Internal control and risk management review**

Advised and monitored the adequacy, appropriateness and effectiveness of the Company's internal control systems and risk management in place. Assessed the internal control in accordance with the SEC's internal control checklist form, whereby the Audit Committee found that the internal control system remains satisfactory, adequate and appropriate for the Company's business operations. In addition, internal control test was conducted annually by Solvay Group's auditors to ensure an efficiency of internal processes particularly those contributing to the protection of its assets and reliability of financial information.

Reviewed the progress status of internal control self-assessment of procurement process as well as the implementation of areas for improvement.

Encouraged the management to focus on promoting all employees' roles and responsibilities through internal control self-assessment.

- **Internal audit review**

Reviewed the internal audit reports of the Company's operations and internal auditing processes, including planning, reporting and following up on implementation of the internal auditor's recommendations for improving operational effectiveness and efficiency. Based on its review, the Audit Committee concluded that the Company's internal auditing has been carried out adequately, properly and effectively. All outstanding issues from previous audit reports had been satisfactorily resolved.

Reviewed the annual audit report conducted by internal auditors of Solvay group, of which the audit was extended to its subsidiaries. The auditors concluded that overall control of the Company and its subsidiaries are at satisfactory level.

- **Corporate Governance review**

Reviewed overall management of corporate governance in line with regulations and recommendations of the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Thai Institute of Directors (IOD). Resulting from continually conforming to the good corporate governance principles, in 2016, the Company has been assessed and received the Very Good level of corporate

governance recognition from the SET, the SEC and the Thai IOD. In addition, a scoring result of AGM assessment by the Thai Investors Association was ranked in “Excellent”.

Reviewed reports, submitting via the Company’s website, from stakeholders communicating critical issues and complaints regarding accounting, deficient internal control or unethical behaviors. In 2016, there has been no report of such finding through the Audit Committee.

Reviewed the Company’s self-evaluation for countering bribery prior to Board consideration

Reviewed the Audit Committee Charter to ensure that the scope of duty and responsibility is in compliance with the requirement of the Stock Exchange of Thailand

Continued to perform self-assessment of the Audit Committee’s overall performance to evaluate its general effectiveness. Based on 2016 self-assessment, which was assessed by all committee members, the result showed that all performance was highly satisfactory, similar to the previous years.

- **External auditor and audit fee review**

Evaluated and selected KPMG Phoomchai Audit Ltd. to be the auditor of the Company and its subsidiaries based on the auditor knowledge, expertise, engagement and reasonable audit fee. Consequently, the Audit Committee recommended to the Board of Directors to seek the approval of the shareholders’ meeting to appoint Mr. Waiyawat Kosamarnchaiyakit, or Ms. Sureerat Thongarunsang, or Ms. Pornthip Rimdusit, as the Company’s auditor, and determined the auditor’s remuneration for 2016.

Upon consideration of the above issues, the Company’s Audit Committee is of the opinion that the Company’s financial statements were prepared in accordance with generally accepted accounting principles and adequate disclosure of connected transactions and that the Company conducted its business in compliance with the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand and related laws. It is further deemed that the internal audit functions, internal control systems, and suitable risk management are effective in ensuring that the Company’s financial information is complete, correct and reliable with sufficient disclosure.

Mr. Pipop Pruecksamars

Chairman of the Audit Committee

- 11.2** The Company’s Board of Directors places an importance of the effectiveness and adequacy of the internal control system. The Audit Committee has been assigned by the Board of Directors to review and evaluate adequacy and appropriateness of the internal control to cope with changing business environment while taking into consideration the risk management as well as to maintain accuracy and transparency in operations.

The Audit Committee presented its semi-annual report to the Board of Directors in the Board Meeting No.3/2016 held on July 14, 2016, and year-end



report of 2016 to the Board Meeting No.1/2017 held on February 22, 2017 which included the evaluation of the internal control of the Company in compliance with the internal control evaluation form outlined by the SEC based on COSO Framework. After consideration, the Board of Directors has the same view as the Audit Committee that overall internal control system is present and functioning, remains satisfactory, adequate and appropriate for the Company's business operations. Current risk management is adequate to safeguard the shareholders' investment, the interests of customers, regulators, stakeholders, and company's assets. The review has not identified any circumstances which suggest any fundamental deficiencies in the Company's internal control system, which can be summarized that

#### **1) Control Environment**

- Policy on Corporate Governance, Anti-Corruption, business ethics and code of conduct practices for director, management and employees have been defined and approved by the Board as well as communicated to employees at all level. Under the Policy of Corporate Governance, designated compliance function is assigned to oversee the deployment of the code of conduct and the accompanying compliance program, as well as to monitor the effectiveness of the implementation. The Company takes all steps to ensure full compliance with ethical principles and that appropriate penalties are imposed in the event of any violation. Implementation on good corporate governance practices has been continually carried out to further improvement. Realizing the importance of anti-corruption compliance while encouraging its employees to be aware of corruption in all forms, in 2016, training sessions for employees at all levels have been conducted in order to raise the employees' awareness towards their responsibilities and commitment to the Company's anti-corruption policy and measures.
- The Board of Directors provides governance and oversight to the management. The Board of Directors supervises the Company to set clear and measurable annual business goals and strategic plans, as well as to monitor KPIs set by the management, which are used as guideline and benchmarks to ensure achievement of the objectives. The Board has responsibility for ensuring that an adequate system of internal control is established and maintained. The management takes step to develop appropriate internal control system and monitor the effectiveness of the internal control. All employees are accountable for their internal control activities and maintain effective internal control system.
- According to the Company's structure, delegation of authorities has been clearly defined by the Board of Directors, especially for significant matters, to ensure transparency and accountability. Explicit approval procedures for operations, the roles and responsibilities of management and operation in each level, including reporting lines, have been clearly stated in writing and reviewed upon changes to ensure sufficient control. Appropriate resources are regularly reviewed and adjusted to ensure that the duty performance process especially involving high risks are justifiable. Performance measures are formulated and applied to employees at all levels. Trainings are continuously provided to employees to enhance their

competency.

## 2) Risk Assessment

- The Company's risk management system is integrated into the review of corporate strategic plan which is annually presented to the Board of Directors for consideration. The Board of Directors assigned the Business Advisory Committee to prescribe policies and suggest measures for the appropriate and efficient management of risks associated with the business of the Company, to evaluate the performance and to review risk profiles of the Company as to ensure that the risks are not higher than determined risk tolerance. The review by the Audit Committee is to ensure that the risk management systems and measures of the Company are appropriate.
- Under current Risk Management Policy and the Risk Management System which are steered by top level executives, all risk management members are responsible for management and mitigation of the potential corporate risks identified both from internal factors and external factors that could affect the achievement of the Company's objectives in the changing business environment, by taking into consideration, risks to objectives related to operation, compliance, external financial and non-financial reporting. The Company has implemented an Enterprise Wide Risk Management framework (ERM) which has been also revamped to strengthen the risk identification and assessment of the risks relating to objectives. On-going monitoring of high risks are monitored and assessed to ensure effective mitigation measures. According to the policy, employees are required to integrate the risk management into normal management processes including when implementing any projects. All managers with support of their subordinates are expected to maintain an up-to-date risk list or equivalent approaches to provide assurance that the risk management system is being followed. Reporting on key risks and status of controls shall be incorporated in management reports.
- The management is also well aware of operation risk related to fraud, thus measures for preventing and detecting potential fraud are implemented through effective control procedures, segregation of duties, explicit delegation of authorities and control over information system and accessibility. In addition, to emphasize the anti-corruption program implemented by the Company, in 2016, the management also developed the fraud risk assessment to determine and identified the extent of the corruption risk to the business in order to ensure that the Company has adequate measurement to prevent fraud to the Company's business operations .

## 3) Control Activities

- Policies, business process manuals, and procedures related to procurement, finance and credit management, contracts and loan agreement have been formulated to ensure management directives are carried out. Such policies and procedures are regularly reviewed to be appropriate for business operations. Delegation of power and transaction authority with line of approval has been defined in writing

and regularly reviewed with approval by the Board of Directors, which covers delegation of power granted to the management to act as directors in its subsidiaries. Extending from the management down to the operational level, roles and responsibilities at each level have been defined, in writing, to demonstrate clear authority and duties of all employees. For the sake of maintaining good control, the Company separates the function of authorization of the transactions from that of book recording and safeguarding of assets. All relevant parties are given a framework, within which they can control utilization of the Company's assets, while the duties of operational staff and inspectors are kept separate. Additionally, a financial control system has been introduced, via the implementation of a financial reporting process for the various levels of management.

- Regarding connected transaction, Directors and the management are well aware of and comply with the regulations governing the connected transactions. Significant related transactions had been reviewed by the Audit Committee, covering criteria, procedures and information to ensure the transparency and the best interest of the Company. Directors or management having interests in the related transaction were not involved in decisions and approval process. The Company Secretary is responsible to keep report on interest filed by a director or executive of the Company.

- The financial reporting and all connected transactions are correct, complete with adequate disclosures to meet the generally accepted accounting principles and in conformity with the Securities and Exchange Acts, Regulations of the Stock Exchange of Thailand, and any other relevant laws.

- The Company selects and develops control activities over technology to ensure accuracy and transparency of the operations. Access to confidential information, significant data, or critical application is limited to authorized persons. Rules and regulations have been established to ensure security of the Company's information system. In addition, procedure of business continuity plan which extended to supply chain logistics was established to ensure company operation, products to customers and information system continuously in operation from any kind of failure.

- The Company always monitors legal compliance relevant to business operation of the Company and its subsidiaries, both locally and internationally.

#### 4) Information and Communication

- The management obtains or generates and uses relevant and quality information from internal and external sources. Meeting materials prepared for the decision of the Board of Directors are adequate and submitted to the directors in advance. Meeting minutes are recorded and kept for reference. Transactions and accounting records are completely filed. The financial reporting has been prepared in compliance with the generally accepted accounting principles in Thailand and other appropriate and consistent accounting policies. The Company has disclosed all important information both financial and non-financial to the SEC, the SET, and relevant regulators in a proper and transparent manner.

- The Company has implemented systematic data processing and enhanced information quality through a data governance program, as well as, identified, protected, and retained financial data and information with access and application control.
- Several internal communication channels have been set up to deliver important information to employees, such as e-newsletter, intranet, etc. The management also organized Town Hall meetings to facilitate communication from senior managements to employees at all level in order to update business information and progress, the Company's visions and objectives to the employees.
- The Company has set up communication channel for stakeholders to voice their concern about any crucial case related to the Company's operations or unethical practices via the Audit Committee at the Company's website. The Company's website also includes details of personnel responsible for each area so that investors, customers, local communities and other stakeholders can communicate recommendations and make enquiries from the Company via the Company's website. Furthermore, the Company encourages employees to ask questions, voice concerns and make appropriate suggestions regarding the business practices of the Company. Employees are expected to report promptly to management suspected violations of laws, policies, and internal controls. Alternative channels of communication on such concern are provided for employees. According to the Company's code of conduct, the rights of any person who communicates such concern shall be protected.

#### 5) Monitoring activities

- The Company has a monitoring process at both operational and management levels. The Board of Directors assigned the Business Advisory Committee to assist the Board in monitoring the performance indicators and business goals compared to the approved targets. The Management Team holds monthly meeting to discuss and follow-up significant issues related to business performance, resources planning, employee development plan, as well as to monitor the risk mitigation measures as defined. In case there is a major issue with possible impact to the Company, the management will review the situation and propose actions to the Board of Directors. Each operational unit has implemented their on-going monitoring process to ensure their works are aligned with and achieved the business targets of the Company, with consideration of risk assessment. Control Self-Assessment approach has been initiated as to foster an awareness of risk and controls among management and staff as well as to enhance each area owner's responsibility and accountability for risk and controls. In 2016, the control self-assessment was conducted on procurement activities to identify and manage areas of risk exposures to ensure the effectiveness of the controls in place.
- The Company has also established internal audit department to review the control system and monitor plans to ensure an effectiveness and adequacy of the internal control. Audit findings are reported to the Audit Committee meetings whereby the Audit Committee reviewed and provided recommendations for

improvement. The Audit Committee also reviewed audit reports and internal control report performed by the main shareholder's auditors, whereby the auditors found that over control environment of the Company and its subsidiaries remains satisfactory. As assigned by the Board of Directors, the Audit Committee shall review the overall management of the Company's corporate governance practices. In 2016, the audit reports did not find significant deficiency in the internal control system. No violations of the SEC and the SET regulations or other related laws were found.

#### **11.2 Head of Internal Audit**

The Company has appointed Dr. Supachat Chairatanathavorn as Internal Audit Department Manager and in charge of Secretary to the Audit Committee. The Audit Committee recognized that Dr. Supachat Chairatanathavorn has competency to perform the duty in leading the internal audit unit. He has continuously participated in relevant trainings to update knowledge and expertise. With his in-depth experiences in various aspects and qualifications, Dr. Supachat has extensively supported the Company for business performance improvement.

According to the Audit Committee Charter, the Audit Committee approves the appointment, transfer, and dismissal of the chief of an internal audit unit, or any other unit in charge of an internal audit, including expressing an opinion on qualifications and performance of the chief of an internal audit unit.

(Experience and educational qualification of the Internal Audit Department Manager are disclosed in the Attachment 3 - Information of Head of Internal Audit).

## 12. Related Transaction

### (1) Related Persons and Significant Connected Transactions in 2016

	Product or nature of business	Nature of relationship and connected transactions	Transaction between companies	2016 Thousand Baht
<b>Transaction with subsidiaries</b>				
1. Advanced Biochemical (Thailand) Co., Ltd.	Production of Epichlorohydrin (ECH)	Vinythai holds 100 percent of its shares.	Service income Interest income Sale of Caustic Soda and CL2 Purchase of raw materials Reimbursement expense Reimbursement income Spare part income Spare part expense Interest income	144,169 109,609 674,083 174,973 203 10 4,252 379 34,700
2. Solvay Biochemicals (Taixing) Co., Ltd.				
<b>Transaction with associated company</b>				
1. Pimai Salt Co., Ltd.	Manufactured and trading of industrial salt	Vinythai holds 28.49 percent.	Purchase of raw materials	383,276
<b>Transactions with related Companies</b>				
1. Solvay S.A. and Solvay's Subsidiaries	Production and distribution of products in 2 core businesses: Chemical and Plastic.	Solvay S.A. holds 100 percent of Solvay Vinyls Holding AG's shares.	Interest income Purchase of raw materials Services expenses and others SIS service charge License expenses and technical assistance services Commission expenses Sale of PVC Other service income	186 8,241 5,615 23,044 3,643 1,718 - 4,903
2. Solvay Peroxythai Co., Ltd.	Production and distribution of Hydrogen peroxide	Company owned by Solvay's subsidiaries holds 100 percent of its shares.	Sales of Hydrogen Service income Purchase of Hydrogen peroxide 50% Reimbursement income	47,086 1,841 1,915 150
3. PTT Global Chemical Public Co., Ltd.	Production and distribution of petrochemical products, by-products and the provision of support services	Holds 24.98 percent.	Sales of NaOH 50% Purchase of ethylene Throughput fee and services	66,812 5,191,146 559
4. Thai Tank Terminal Limited	Provides storage and transport services for liquid chemicals, oil and gas.	Company owned by PTT Global Chemical Public Co., Ltd.	Rental tank and services	57,084
5. Solvay Asia Pacific Co., Ltd.	Regional Office Headquarter to provide services and consulting for business administration and technical assistances to affiliates.	Solvay S.A. holds 100 percent of Solvay Asia Pacific's shares.	Service income Service expense Reimbursement income	9,368 10,300 97
6. MTP HP JV (Thailand) Co., Ltd.	Production and distribution of Hydrogen peroxide	Company owned by Solvay's subsidiaries	Sale of Caustic Soda	17,900
<b>Total</b>				<b>6,977,262</b>

Remark: The above related party transactions are in the ordinary course of business. The amounts shown above were already included in the Statements of Earning. There are additional explanations in Notes no. 4 to the 2016 financial statements as examined and reported by the auditor under his audit report dated 15 February 2017.

**(2) Policy or Connected Transaction in the Future**

In order to avoid any unnecessary conflict of interest, the Board of Directors has a policy to carefully scrutinize any connected transaction. Thus, the connected transaction in the future will be a normal business operation of which no special issue and no beneficial transfer between the Company, the associated or related company and the Shareholders would be carried out. This is to be in line with the Stock Exchange of Thailand's regulations based on Arm's Length Basis.