

## Board Responsibilities

The Board of Directors consists of experts with knowledge, capability and experiences from diversified professions including engineering, management and other experiences that are beneficial to the running of the company and have independence in making decision for the maximum benefit of the company and shareholders. The Board of Directors participates in formulating the vision, missions, targets, policies, long-term business strategies and annual budget of the company, by assigning the management to present, and the Board of Directors shares opinions and discusses with the management. This is to create mutual agreement as well as to supervise the management to carry out the business according to the business plan and specified budget in an efficient manner. Moreover, the Board of Directors also supervises the procedures for assessing adequacy of the internal control system, financial reporting and performance monitoring on a regular basis.

## Structure of the Board of Directors

The Board of Directors consists of 8 experts which is an appropriate number for the company and efficient to function, 2 executives, 1 non-executive and not an independent director, and 5 directors who are not executives and qualified as independent directors, which accounts for more than one-third of the total number of directors. Furthermore, the Board of Directors promote diversity in the structure of the Board of Director to have experts from diversified fields fully equipped with experiences, knowledge, expertise that are beneficial to the business running, adhering to morale and integrity, regardless of gender, race, religion, age, professional skills or other specific qualifications.

## Board of Directors' Meetings

The Board of Directors' meetings follow the regulations, laws related to public limited company, and regulations of the Stock Exchange of Thailand. Special meetings are arranged if necessary. The meetings are held at least 4 times a year when the company will send an invitation letter with the meeting agenda and meeting documents as attachments to the directors no less than 7 days before the date of the meeting so that the directors have time to study the information adequately before attending the meeting.

The Board of Directors requires that the meeting must have directors attending the meeting at least 2 out of 3 of the total number of directors to constitute a quorum. Every director must attend the meetings at least 75 per cent of the total number of meetings over the year. The company has an accurate and complete record of the meetings such that shareholders can inspect.

The Board of Directors requires that directors who are not executives to arrange their own meetings as appropriate by not having executive or management directors attending the meetings. This is so that they can have an opportunity to discuss issues or express opinions relating to the company's business and management of interest independently. Nonetheless, the results from such meetings shall be reported to the chairman and the Board of Directors for acknowledgement so as to convey to the management to implement accordingly.

## Compensation for the Board and Managements

The company has determined the remuneration of directors in a clear and transparent manner as well as asked for approval from the ordinary meeting. The criteria in determining the remuneration of directors is considered from the appropriateness with the responsibilities of each director. The remuneration uses the same rate as the industry and at the level that provides incentives to retain directors who are capable and have appropriate qualifications for the responsibilities.

## Report of the Board of the Directors

The Board of Directors is responsible for the financial reports preparation including the Company's financial statements, the consolidated financial statements of the Company and subsidiaries and financial information memorandum as shown in annual report. The financial statements are prepared based on generally accepted accounting standard. The Company applies proper and acceptable accounting standard and complies with such standard regularly. The Company is very careful to prepare and manage sufficient information to disclose in the notes of financial statements.

### **Self-evaluation of the Board of Director**

The Board has evaluated their performance every year with three formats 1) person 2) team 3) sub-team in order for the Board to assess the outcome, the problems, and the obstacles during the previous year in order to fix and increase efficiency. The evaluation as a team and as a sub-team will be based on the protocols suggested by the Stock Exchange of Thailand, leading to properly changes of the company. With this, The assessment as referred to 6 topics:-

- 1) The structure and qualifications of the Board of Directors
- 2) Duty and responsibility of the Board of Directors
- 3) The Board of Directors' meeting
- 4) Performance of Directors
- 5) Relationships with the management
- 6) Self-development of Directors and management development.

### **Consolidation or Separation of Office**

The Board of Directors requires that it's the Chairman and Managing Director be two different persons. There are clearly separated to achieve a healthy balance between management and good corporate governance. The current Chairman of the Board is an independent director.

### **Knowledge development of the Board**

#### **· Training for Directors and Executives**

The company encourages the Board of Directors and the management to attend seminar courses that are beneficial to their functions. Courses that the Board of Directors should attend at least are courses arranged by the Thai Institute of Directors (IOD) namely Directors Certification Program courses from related supervisory agencies on a regular and constant basis. The Board of Directors has assigned the company's secretary to be a coordinator with directors to inform training courses so that directors can bring in knowledge and experiences to continuously develop the company.

#### **· The orientation of new Directors**

The Board sets up the orientation for all new members for them to understand the roles, the duties of the Board, and the protocols in operating the business. This includes building up the business knowledge and process, risk management, and organization visiting in order to prepare for the job performance.

### **Policy on re-positioning to the Board position, managing director, and executives in other company**

Corresponding to the good corporate governance and the suggestion from the Stock Exchange of Thailand, the Board has determined the policy on limiting the number of the re-positioning to the Board of other companies that are registered in the Stock Exchange of Thailand to be no more than 5 companies. All current Board members are within this limit.

Also, the Board determines the managing directors and Managements to take the positions in other company as necessary in a way that it will not affect the duties and the responsibilities of the company. There also requires approval from the Board or the one in charge first.

### **Succession Plan**

In order to ensure that the company shall have continuity in administration, the Board of Directors sees the necessity and importance of position succession of the high-level executives and positions that are considered 'Critical Position' by considering the age criterion close to retirement (60 years), difficulty for replacement in the labor market or being likely to be on demand in the market, the company thus arranges to have position succession for the following positions: managing director, deputy managing director, assistant managing director and division director, so as to select appropriate persons for the position who are equipped with knowledge, capability, experiences, visions, leadership, honesty and key qualifications required by the position (Key Jobs) as well as there are regular revisions consistent with the current situations.

In the high-level executive position, the company has made a position succession plan in support of the positions from division directors upwards. Replacement persons are identified. In case no persons who can replace instantly, the company has arranged a personnel development system for preparing persons in subordinate positions along with external selection. This is to ensure confidence in investors, organizations as well as employees that the business running of the company shall be succeeded in good time.

### Report of conflicts of interests

The Board has determined the protocol in reporting of conflicts of interests of the Board and Managements for transparency in order to prevent the problem that will lead to benefit conflicts as the followings

- The Board or Managements including family members that are associated or are the shareholders must report the conflict of interest to the company by each member must report the information since the day he or she started.
- The Board determines the evaluation of the conflicts of interests in August of every year or within 7 days after known changing of the data.
- The Board or Managements have the duties to report the stock holding of the company. If any changes, they must report to the Stock Exchange Commissioner within 3 days after changes.
- The Board assigns the Corporate Secretary to record the report of conflicts of interests.

### Recruitment and Appointment of Directors and Management

#### Independent Director

The shareholding restrictions of an independent director follow the minimum requirements of the Securities and Exchange Commission or the Stock Exchange of Thailand in accordance with the Capital Market Supervisory Board. Under the new definition, the Company's independent director shall have the following qualifications.

Independent Director Means a director who has no business or any related work which may affect their independent judgment. The features of the independent directors in accordance with regulations of The Stock Exchange of Thailand details are as follows: -

- 1) Holding shares not over one percent of the total shares with voting right of the company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company for license, however, it includes shareholding by related persons of the independent director also.
- 2) Not being or has been a director with management participation on employees, consultant with regular salary or authorized person of the Company, holding company, subsidiary, affiliation subsidiary in same level, major shareholder or of authorized person of the Company, except relieved from aforesaid characteristic at not less than two years before submitting permission to the Office. However, the prohibited characteristics do not include that of civil service or consultant of government body holding major shareholding or authorized person of the Company.
- 3) Not being person of whole blood or registration as stated in the law, in the manner of being father or mother, spouse, brotherhood and offspring including spouse of the offspring of the management, major shareholder, authorized person of person designated to be management of authorized person of the company or subsidiary.
- 4) Not have or has been in business relation with the Company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company, in the manner that may obstruct the independent exercise of discretion including in not being or has been a significant shareholder or authorized person of the person with business relation with the Company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company, except relieved from aforesaid characteristics at not less than two years.

The business relation in paragraph one includes trade transactions in normal business, rent or lease on items related to asset or in giving or receiving financial assistance through acceptance or lending, guarantee, granting asset as debt security including similar behavior resulting in the Company or contract party with debt burden to be settled with another party from 3% of net tangible asset of the Company or from twenty million baht up, as which amount is lower, However, the debt burden calculation shall be in value calculation or related items as announced by the Securities

- Exchange Commission on rules of related items, by mutatis mutandis. But the consideration of such debt burden shall include debt burdens incurred at one previous year before the date of business relation with the same person.
- 5) Not being or has been auditor of the Company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company and shall not be significant shareholder, authorized person or partner of auditing office with the auditor of the Company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company in attachment, except relieved from such characteristic at not less than two years.
  - 6) Not being or has been professional provider which includes legal consulting or financial consulting with service fee over two million baht a year from the Company, holding company, subsidiary, affiliation, major shareholder or authorized person of the Company, and not being a significant shareholder, authorized person or partner of the professional provider, except relieved from such characteristic at not less than two years.
  - 7) Not being a director appointed to be agent of the director of the Company, major shareholder or shareholder with relation with the major shareholder.
  - 8) Not operating similar or significant competitive business to the business of the Company or subsidiary or not being significant partner in the partnership of directorship with management participation on employees, consultant with regular salary or holding shares over one percent of the total shares with voting right in other company, operating business similar or competing with business of the Company or subsidiary.
  - 9) Not having any characteristics that will hinder free independent opinion in relation with the operation of the Company.

After having been appointed as an independent director following the qualifications specified under items (1) through (9) above, the independent director may be assigned by the Board of Directors to make decisions on the operation of the company, the parent company, the associates, the affiliates, the associates of the same level, the major shareholders or the entities with the authority to control the company in the manner of a collective decision.

The Board contains 5 independent members, which are the persons with knowledge or competency and truly have the freedom to operate such as no business connection to the company, no connect to other influences that might affect the independent performance.

The company does not have the searching team or any specific compensation since the company has a small structure. In the future, there might be setting up for the searching committee and the compensation determination by considering the structure and the profits of the company. In that case, the person in the searching committee must have qualifications according to the Section 68 of Company Limited Law (1992) and company regulation. He or she must not possess any prohibitive qualifications according to the announcement of money market committee at 28/2008 on the permission for new stocks on December 15, 1992.

#### **Terms of the Independent Director**

The Board determines the independent Director to be in position for 3 years and will circulate and retire as 1 in 3 of the entire team accordingly. When the term comes, the committee could be presented to the Annual General Meeting of Shareholders to continue as the Board and to come back in the position. The independent committee will in the position for no longer than 3 terms or 9 years starting from the day of accepting the position. In 2014, no independent committee stays more than 9 years.

#### **Recruitment of Directors and Management**

In selecting experts to take up a position of directors who complete the term, or in other cases, to propose to the company in selecting persons who are nominated to be candidates to the meeting of shareholders for approval, the company has a procedure to select experts from their expertise, visions, leadership, morale, transparent work background and ability to express opinions independently. The selection of persons to take up the director position must be consistent with the business strategy of the company, in which case the company has prepared the Board Skill Matrix to be used as supplementary to the consideration of the director

selection by considering knowledge, necessary expertise lacking in the Board of Directors. The Board of Directors shall consider experts who will be taking up the position from a list of candidates proposed by shareholders, searches from professional search firm, directors' pool or selection by other procedures that the Board of Directors sees appropriate.

In searching and appointing the Board member of the company, the Board determines the structure of the Board to contains diverse qualities in terms of skills, experiences, special expertise, and gender. At least one of the Board must not be executives but must have the knowledge in business and industry. The composition of the company's directors and the selection, appointment, or removal from the position of a director of the company has been determined in the regulations of the company which can be concluded as follows:

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- 1) The Board of Directors consists of at least 5 directors but not exceeding 15 directors who are elected in the meeting of shareholders. The members of the Board must contain at least 3 directors from the Audit Committee and at least a half of the total number of directors must reside in Thailand.
- 2) The meeting of shareholders is responsible for electing directors according to the following rules and methods:
  - Each shareholder has 1 vote for 1 share.
  - Each shareholder will cast all of their votes according to (1) to elect one person or more than one person to be a director. In case of electing more than one person, the votes will not be divided unequally between the elected persons.
  - Persons with the highest votes in order respectively will be elected as directors equaling to the number of directors that are supposed to be or to elect in a particular occasion. In case that persons in the second orders have the same number of votes and more than the number of directors that are supposed to be or to select in a particular occasion, the chairman of the meeting shall have the deciding vote.
- 3) In every Annual General Meeting of shareholders, the terms of one-third (1/3) of the current number of the Directors will be ended. If the number of Directors could not be divided into three proportions, the number of Directors whose terms will be ended will be the closet number to the one-third proportion. Directors whose terms are ended in the first and the second years after the registration of the company will be decided by drawing lots. For the consecutive years, the Directors who are in the positions the longest will be removed. However, those Directors who are removed may be elected to fill the positions again.
- 4) Any director who is resigning from the position should submit the letter of resignation to the company with the effective date from the date that the letter of resignation reaches the company.
- 5) In casting a vote on which Directors whose terms should be ended before seeing out their actual terms, the number of votes must be at least no less than three-fourth of the number of shareholders attending the meeting and having the right to vote, and that the total number of shares must be no less than a half of the number of shares held by the shareholders who attend the meeting and having the right to vote

The Board must allow the shareholders to present a name with qualifications to become a Board member. In 2014, no name was nominated by shareholders

#### **Composition and Appointment of the Audit Committee**

The Audit Committee of the company must be the company's director who is appointed from the Board of Directors and have qualifications as specified by the securities law and the Stock Exchange of Thailand. The Audit Committee must contain no less than 3 persons and at least 1 director must have knowledge on accounting and finance.

### **Composition and Appointment of the Executives Committee**

The Board of Directors is responsible for proposing the appointment of the Executives Committee by electing from Directors and/or a certain number of Management as it sees appropriate and the Board of Directors will appoint one of the members of the Executives Committee to be the chairman of the Executives Committee.

### **Corporate Governance of the Subsidiaries**

The company always gives importance to the good corporate governance along with the business running, and has formulated the corporate governance policy and prepared the business ethics manual in writing with the objective to control the operations of the company and its subsidiaries. The Board of Directors has disseminated the good corporate governance policy and Code of Business Ethics and Code of Conduct to Directors, Management, and every level of employees so as to ensure understanding and observance. The company believes that good corporate governance will help the company to achieve the company's missions and that the principle of good corporate governance is to control the business running of the organization so as to ensure functional responsibility with transparency, accountability, and creation of moral competitiveness. In addition, the practices of good corporate governance help to reduce risks and create long-term competitiveness for the organization while focusing on the maximum benefits of shareholders.

Nonetheless, in nominating and using the right to vote to appointing a person as a Director of the subsidiary is carried out by the management. Since 2010, the company has determined the regulations that such nominating and using the right to vote must be granted approval from the Board of Directors as well. The person who is appointed to be a director in the subsidiary is responsible for operating for the best benefits of the subsidiary. And the company has determined that the appointed person must be granted approval from the Board of Directors before casting a vote or using the right to vote in issues as important as those required the approval from the Board of Directors for the case of the issues operated by the company. Nonetheless, the number of Directors to represent the company in the subsidiary will be determined by the proportion of the company's shareholding.

Besides, in case of a subsidiary, the company has set the regulations that a person being appointed from the company must ensure that the subsidiary has the regulations regarding the preparation of related items, acquisition or sales of assets, or preparation of any important issues of the company in a complete and accurate manner. In addition, the subsidiary must be ensured to use the rules regarding disclosure of information and preparation of the aforementioned items in the same way as the rules of the company as well as to keep information and bookkeeping of the subsidiary in such a way that the company can examine and gather for the preparation of the consolidated financial statements on a timely basis.

### **Use of Internal Information**

Directors must perform their duties according to the relevant laws, the company's objective and regulations, as well as the resolutions from the meeting of shareholders. For disclosure of information that is important and affects the company, if it is information on operations, approval must be required from the managing director. If the information may affect investors, approval must be required from the meeting of the Board of Directors. For the policy and method of monitoring the misuse of internal information for own benefits, the company has assigned the Board of Directors to supervise and consider misconduct of a director and/or executive by assigning the managing director to consider the misconduct according to the penalty as agreed in the meeting of the Board of Directors in case the company's employee makes the offence. In addition, the Board and Managements cannot buy or sell the stocks during 1-month period before financial statement data or other data that can affect the price of the stock will be revealed to general audiences. They cannot buy or sell the stocks until 24 hours since the data revelation to public have passed.

### **Policy on internal control**

The Board realizes the importance of internal control that is sufficient and proper for all performance levels. The control must cover all aspects including control conditions, risk management, law protocols, regulations, associated rules, and assessment mechanism in order to efficiently balance and to prevent and monitor the investment of shareholders and the assets of the company.

The Board assigns the Audit Committee to review and to assess the internal control system and directly report to the Audit Committee and hires external unit to evaluate the sufficiency of internal control system to give opinions and suggestions to modify the internal control system of the company. The Board requires the report to the Audit Committee for every 3 months for better efficiency and performance.

The Audit Committee had set up Dharmniti Auditing Co., Ltd. to internally investigate the company since 2009. Currently, this company had assigned Mr. Kumnueng Sarisara as the head of internal audit of the company, who is responsible for internal audit of the company.

#### **Process in following and evaluating the outcome of the principles of good cooperate governance**

The Board has determined the process to follow and evaluate the outcome from the principles of good corporate governance including ethics and business ethics

- Following up and evaluating by Dharmniti Auditing Co., Ltd., internal audit of the company
- Self evaluation by Managements and employees

The company has communicated to Managements and the employees in the managing levels to follow up their subordinates. There must be an immediate report to the direct senior in the case that the performance does not follow the predetermined policy. Such policies will be a part of annual evaluation of Managements and the employees.

#### **Auditor Fee**

The Audit Committee will consider auditors according to the assessment standard of the company such as independence in working, quality of work, and working standard.

The auditors must have qualifications according to The Stock Exchange of Thailand. They must not relate to the stakeholders of the company, subsidiary, executives, major shareholder, and associated persons. They must have freedom to Audit and give opinion to the financial statement of the company.