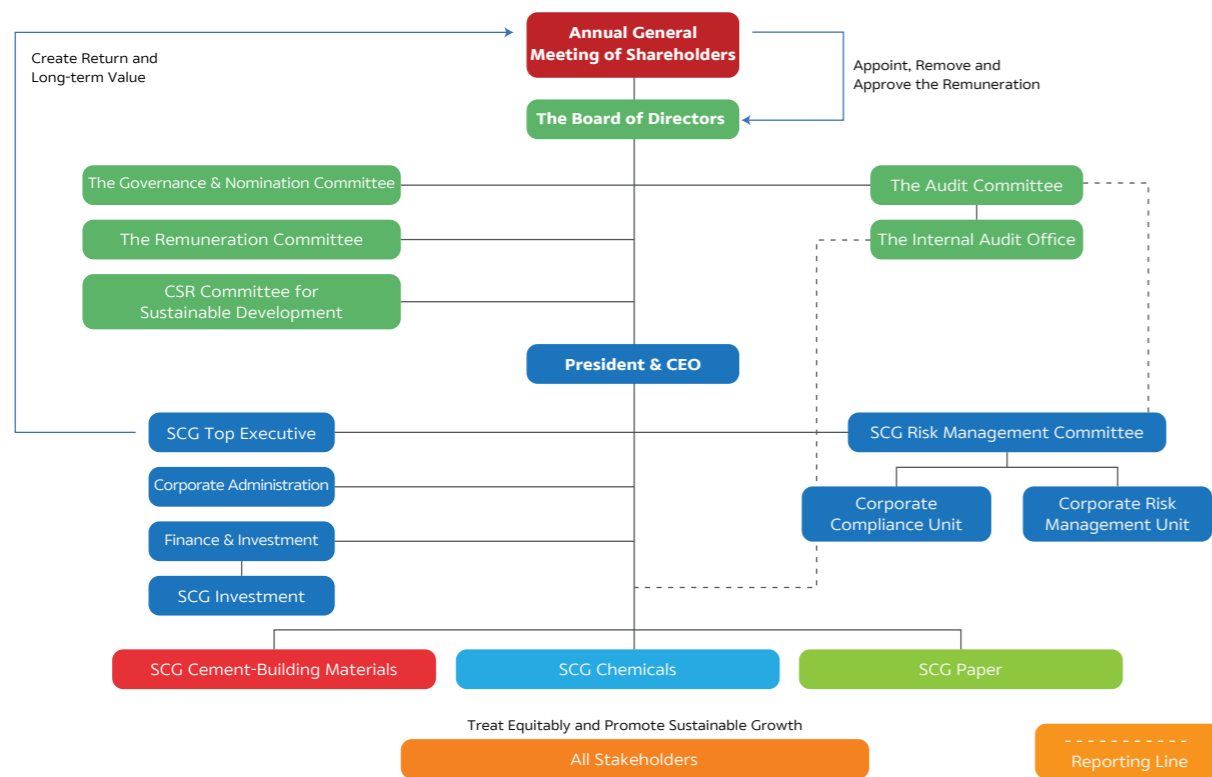


# M3 Corporate Governance

SCG Corporate Governance Structure



SCG operates its business with responsibility, transparency and fairness, observes the principles that have been practiced through generations and are outlined in SCG Code of Conduct, as well as operates on the basis of balanced and sustainable success, with the Company's Board and top executives serving as role models in adhering to SCG Code of Conduct and Corporate Governance principles. As for the Company's vision for 2015, SCG is strongly determined to develop its organization into a role model for corporate governance. To this effect, the Governance and Nomination Committee, a Sub-committee, has the duty of revising policies and guidelines, suggesting

directives for corporate governance development to the Board of Directors, monitoring, supervising, and evaluating levels of compliance to SCG corporate governance policies. SCG does this with a conviction that SCG Corporate Governance principles will constitute a management system capable of creating trust among all stakeholders and increasing our competitive capabilities for sustainable growth.

Furthermore, the Board of Directors has the duty of setting SCG's visions, missions, strategies, business plans, goals and policies, by cooperating with top executives on both short- and long-term operating plans; formulating the Company's corporate governance policies

and risk management; as well as overseeing the overall image of the organization. In addition, the Board is also tasked with a significant role in overseeing, reviewing, and evaluating SCG's operating performance and the performance of top executives independently to ensure that they are in line with set plans.

As for the consideration of the remuneration for the Board of Directors and the Sub-committees, which consists of a fixed fee, attendance fee, and bonuses at a fixed rate not exceeding 0.5 percent of the dividends paid to shareholders, the Remuneration Committee presents relevant data and suggestions to the Board of Directors for further consideration, taking into account comparisons of remunerations for committees of leading companies listed in the SET and those in the same industry as well as SCG's operating performance. Subsequently, the amounts are presented for approval at the Annual General Meeting of Shareholders.

As for the remuneration of the President & CEO and top executives at SCG, the Remuneration Committee provides relevant data to the Board of Directors, with SCG's operating performance, implementation of policies given by the Board, implementation of SCG Sustainability Development Plan, which encompasses economic, social and environmental issues, and the overall socio-economic circumstances taken into account in the consideration of the

appropriate short- and long-term remuneration. In addition to the data from the current year and comparing them with retrospective data in various aspects, findings from surveys on the views of management employees on the President & CEO and top executives are also incorporated in the consideration of the remuneration. (The remunerations of the Board of Directors and the Sub-committees and payments of top executives are shown in the Annual Report 2014 under Management Structure Section.)

With the vision of becoming a regional business leader, SCG has expanded its business to all ASEAN countries and implemented its policies on adopting corporate governance principles and guidelines as a standard all through SCG, which are localized to correspond to the laws, rules, and regulations of the individual countries in which SCG invests, in order to increase the competitive capability and achieve sustainable growth on the basis of business ethics. Moreover, SCG has also exchanged its knowledge and experience on issues regarding corporate governance such as adherence to good corporate governance guidelines, on both domestic and ASEAN-wide level, promotion and compliance of ethical practices, anti-corruption, and complaints procedures for stakeholders.

## Key corporate governance activities in 2014

1. Revision and improvement of the SCG Corporate Governance Handbook so that it corresponds to directives of the corporate governance guidelines of the Stock Exchange of Thailand, the Thai Institute of Directors Association (IOD), and the criteria of the ASEAN Corporate Governance Scorecard. Additional policies and good corporate governance approved by the Board of Directors were also appended.
2. Revision and improvement of the Charter of the Board of Directors and the Charter of the Sub-committees.
3. Disclosure of all types of remuneration of the Board of Directors at the Annual General Meeting of Shareholders and adding the remuneration of the Board of Directors to the agenda to be approved at the Annual General Meeting of Shareholders.
4. Establishment of the SCG's Procurement and Vendor Selection Policies and Guidelines, which clearly define the procurement policies, qualifications and application of SCG suppliers/business partners, and business transaction procedures to ensure a systematic, fair, and transparent selection process.
5. Creation of the Board Skill Matrix to be used in the consideration of the candidates nominated to replace directors retiring by rotation.
6. Executive in-house seminar to enhance essential knowledge for board members and top executives on "The Roles of the Board of Directors in Strategy Formulation and Business Planning" by Ms. Kate Costello, an expert from Governance Matters (Australia) as the seminar leader.
7. Improvement of SCG's corporate governance development plan in accordance with the guidelines of ASEAN Corporate Governance Scorecard.

Board Skill Matrix	
<b>Macro-management knowledge, expertise and experience</b>	<ul style="list-style-type: none"> <li>• on businesses and industries which are related to SCG</li> <li>• on organization management and HR management in government and private sectors</li> <li>• on economy, investment, policy and strategy formulation</li> <li>• on marketing and public relations</li> <li>• on foreign affairs</li> <li>• on risk management</li> </ul>
<b>Specific knowledge, expertise and experience</b>	<ul style="list-style-type: none"> <li>• on laws and government regulations related to business operations</li> <li>• on accountancy and finance, with specific knowledge on financial statement; accounting standards, or current/prior position as a member of an audit committee of a listed company</li> <li>• on communication and information technology</li> </ul>
<b>Corporate Governance knowledge, experience and expertise</b>	<ul style="list-style-type: none"> <li>• on corporate compliance, including the formulation of relevant policies and guidelines</li> <li>• on stakeholder engagement</li> </ul>

**SCG Code of Conduct**

The four core values of SCG’s ethical business conduct, which is continuously practiced by the Board of Directors, management, and employees at all levels, have been an important factor contributing to the Company’s sustainable business growth. In 1987, the Board of Directors compiled business conduct guidelines for the first time in written form in Thai as well as in English as a directive for all employees at all levels, with the Board of Directors and top executives serving as role models. After four revision, with the latest revision in 2007, the Code of Conduct was renamed and published under the name “SCG Code of Conduct Handbook”. In the Code of Conduct, guidelines for each business are compiled, categorized, and furnished with examples, with a list of codes clearly specified for greater clarity.

SCG cultivates its code of conduct in employees from their first day of their employment, and all new employees are given the “SCG Code of Conduct Handbook,” which is considered as part of the regulations which all employees must follow. In addition, SCG arranges training on the principles and guidelines of SCG Code of Conduct as well as raise awareness on their importance via various forms of communication. These include communication via short video clips that are easy to understand and correspond to contemporary lifestyle, distributed via e-newsletters and the SCG intranet. After learning about SCG Code of Conduct,

employees can answer questionnaires to measure their understanding of the Code of Conduct as well as share their views and make suggestions on the Code of Conduct through various channels on the intranet. Responsible working units for the different issues can then provide relevant advice.

In the event that employees or external stakeholders encounter non-compliance with SCG Code of Conduct, they can notify SCG of such corruption and breaches of laws, regulations, or Anti-corruption policy through the “SCG Whistleblower System” available both in Thai and English. Once a claim is submitted, the Internal Audit Office is responsible for investigating and taking further appropriate actions as necessary, all of which are conducted in confidence. To this effect, SCG ensures the security of the system, and a specific server separate from other usage functions is used for the storage of such data. Additional measures are also put in place to ensure the protection and fair treatment of reporters and informants.

In 2014, a total of 26 complaints were filed, eight of which are still being investigated and 18 of which were already investigated. Among the 18 complaints, one fell into the category of corruption, and another fell into the category of non-compliance, in which the financial impact was insignificant and the employee was expelled in accordance with the Human Resources regulations. In addition, the Company has used these complaints to inform



For the first time in Thailand, SCG has been labeled a “Certified Company” for the conglomerate company from the Private Sector Collective Action Coalition Against Corruption Council

the operation and future preventative measures to forestall repeated cases. Currently, the Internal Audit Office is responsible to monitoring, presenting, and reporting the progress to the Audit Committee at every meeting.

**Anti-corruption**

After becoming a “Certified Company”, SCG has continuously set up campaigns to create awareness and support a good culture of corporate governance through workshops in all working units with high risks. SCG employs a policy of “Three Lines of Defense” for working units with risks: Employees and heads from the first line can assess risks and the effects of risks at a given moment and in the future. Control mechanisms and measures for risk management are then planned. This includes cases with new risks. The first line must be able to learn about risks and set appropriate control mechanisms and measures for risk management. The working units for risk management and working units for the supervision of activities form the second line. They help with the examination of risks, plan processes and gather and give advice to create trust in sustainable business performance. The Internal Audit Department constitutes the third line. It has created the “Anti-Corruption Guideline” for investigations to ensure a good follow-up and supervision of activities in accordance with ethical principles and policies against corruption of the first line and second line at every annual investigation.

Subsidiaries and associates under the management of the SCG are kept informed so that they act in line with anti-corruption policies corresponding to the mother company. SCG supports subsidiaries registered at the Thai stock exchange to establish clearer anti-corruption policies, to assess risks and to conduct the IOD self-evaluation in order to improve their anti-corruption measures and increase their efficiency.

SCG has extended our measures of support and help for anti-corruption activities to our supplier/contractor and established the “SCG Supplier Code of Conduct”, a concept for business operations on the basis of correctness, honesty, ethics and transparency for sustainable business operation. The SCG Supplier Code of Conduct contains guidelines on the ethics of business, workforce and human rights, occupational health and security, issues of the environment, law and regulations. Supplier/Contractor must sign their agreement on the Code of Conduct as mentioned.

SCG has furthermore set up systems to receive claims via our website and other communication channels and taken supportive measures to create awareness among our stakeholders in all sectors with regard to this issue so that they truly place importance on using various suitable means of communication and channels. In 2014, no claims related to corruption were found.