

# Corporate Governance Policy

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The Erawan Group Public Company Limited has conducted the business based on the Corporate Governance Principle by focusing on a law-abiding operation and adhering to morality and business code of conduct where the information is disclosed in a transparent and straightforward manner. We also established the internal control system and auditing mechanisms to ensure that our operations are effective and efficient. We operate the business by taking into account our responsibility in every aspect to shareholders and stakeholders. The Company Board of Directors' structure, that stipulated 36.36% of total number must be independent directors, was consist of 4 sub-committees in order to supervise the management in details.

With regard to the corporate governance, The Erawan Group has set up the Nominating and Corporate Governance Committee (NCG) to establish, review and update the corporate governance policies and practices to ensure that the company have the management standard and guidelines which can be actually and appropriately implemented under the President's supervision. The established corporate governance practices was divided into 8 areas and, for more effective, it was used as one of the factor of the staff's annual performance appraisal.

The Erawan Group has emphasized the staffs' understanding on the concept of Corporate Social Responsibility where business is run by properly taking into consideration the interest of all stakeholders whether they are employees and family, customers, suppliers/creditors, competitors, public sector, society and environment and has appointed the responsible unit to monitor and conduct an opinion survey of stakeholders regularly. In 2015 and 2017-2019 the Erawan Group was certified as an ESG100 Company are recognized for its outstanding sustainability performance in the tourist & leisure sector in Thailand by ThaiPat Institute and the Securities and Exchange Commission, Thailand (SEC)

**Corporate Governance Practices can be divided into eight areas as follows:**

## **1. Code of Conduct**

The Erawan Group have announced a policy to conduct our business based on the principles of good corporate governance. We combined the best practices and the Code of Conduct, which not only were in line with our corporate strategy, but were also practicable, into our Code of Conduct manual. The manual was updated in 2014, which was indeed a significant move based on our motto of **"Success with Integrity"**. The updated Code of Conduct has been distributed to executive officers and staff for implementation to ensure our success with integrity and also to promote our corporate culture and ethical performances. Our Code of Conduct is now posted in our website at [www.TheErawan.com](http://www.TheErawan.com), a mechanism to ensure that our directors, management and staffs commit to their responsibilities to all stakeholders.

## **2. Qualifications, Structure, Duties and Responsibilities of the Board and the Management**

Not only qualifications of our directors are in line with the SET's requirements but they are also much more intensive. Director's term of office is three years each term with clear scopes of work and with power being balanced between non-executive directors. The Board of Directors consists of 11 members - the Chairman of the Board who is a different person from the President where their roles, authority and responsibilities are clearly separated to maintain balance between managing and supervising function, 4 Independent Directors, 6 Non-executive directors and 1 executive directors.

The Board has appointed 4 different committees to clearly define duties and responsibilities and also has a rotation policy among directors to sit at different committees for appropriate timeframe and on appropriate occasions. Chairman of the committee is responsible for submitting

a clear-cut policy of his committee to the Board. Every committee must appoint a secretary, who will coordinate with directors and the management to ensure that the policy was applied in action and record minutes of meeting in writing.

**The Committees are as follow:**

**The Audit Committee (AC):** The Audit Committee consists of 3 independent directors who must have sufficient knowledge on accounting, finance and nature of company business in order to be responsible for reviewing the company's financial statements and its internal control system and monitoring the company's risk management practices on a regular basis. The Audit Committee's responsibilities are also to review the independence of the company's Internal Audit Unit, to approve the appointment, transfer or termination of head of unit who works as its secretary, to review the legal compliance, to select, appoint, remove and propose an auditor and auditor's fees and to review and disclose information about connected transactions to meet the criteria in an accurate and transparent manner.

**The Strategic and Investment Committee (SIC):** The Committee consists of 7 members and is responsible for considering and formulating the business plan and long term strategy of the Company, supervising and approving the investment projects and divestment transactions as set out in the Company's master plan. The Committee's responsibilities shall include a preliminary approvals of project feasibility, financial returns, and review of risks associated with the project, financial structure and source of financing and giving the recommendation to management in relation to business opportunity.

**The Nominating and Corporate Governance Committee (NCG):** The Committee consists of 3 members and is responsible for reviewing the structure of the Board, setting qualifications of a particular position, reviewing and recruiting experts to become our directors as well as assessing the Board's performances and other committees appointed by the Board. The Nominating and Corporate Governance Committee also oversee that directors, executive officers and staff of all levels will comply with the Good Corporate Governance practices and Code of Conduct.

**The Management Development and Compensation Committee (MDC):** The Committee consisting of 3 members

and is responsible for proposing development policies, assessing knowledge and skills of and compensations to the Executive management, writing the executive management's succession plan and reviewing the company's HR development policy.

### 3. Qualification of Directors

**Principles:**

The Board of Directors should consist of members of eclectic qualifications in terms of gender, age, knowledge and experiences in various fields from finance to economy, management, business administration, marketing, service, tourism, law and property development as this will allow the Board to formulate business policies and goals, approve strategic plans and operations, supervise and audit the management's performances and ensure the management is carried out under the principles of Good Corporate Governance.

### Board of Directors' Composition

1. Non-executive directors
2. Independent directors, whose number will be no fewer than one-third of all company directors where one must be knowledgeable in accounting and finance in order to be sufficient for appointing as a member of the Audit Committee.
3. Executive directors

**General Qualifications:**

1. Not over 75 years old
2. Being knowledgeable with well-versed experience; being professional and ethical
3. Understanding one's roles and responsibilities; able to completely conduct one's practices on behalf of others with good faith and with ongoing commitment to maximize long-term interest of the business and shareholders
4. Having sufficient time to effectively perform one's duty
5. Able to conduct a self-assessment and notify the Board upon change or incident that may compromise one's effective performance.

### Term of Office and Retirement

1. Directors and executive director will remain in office for three years each term in accordance with the Articles of Association. The Board may nominate directors for re-election to shareholders when their term becomes due. Their directorship will be evaluated based on annual performances. Meanwhile, the members of the sub-committee will also be in the office three years each term. If their term becomes due and there is no new appointment yet, the same sub-committee will continue performing duties until a new sub-committee is appointed.
2. Independent directors will remain in office for three years each term but their term will not exceed nine consecutive years unless the Nomination and Corporate Governance Committee requests the Board to consider it on a special case where a relevant independent director is found being independent enough to continue performing his duty in a critical role of corporate governance to oversee the interests of both the company and its shareholders while also remaining independent from the management. In such a case, the Board of Directors shall duly grant its approval.
3. Directors may retire from office in accordance with the Articles of Association and when he/she is older than 75 years old as per director's qualifications mentioned above. Directors however may remain in office to the day of the Annual General Meeting (AGM) is held but will leave the office as soon as the meeting is completed.

### Specific Qualifications:

#### Chairman of the Board of Directors

Aside from roles and responsibilities described in the principles and set for other directors, Chairman shall have the following duties: (1) presiding over the meeting of the Board of Directors; (2) making a casting vote at the Board's meeting when votes are tied; (3) calling the meeting of the Board of Directors; and (4) presiding over the Shareholders' Meeting. Chairman shall not be involved in the management or shall not being an employee, staff or advisory who is on the payroll, external auditor or professional service provider in the associated companies and audit firms.

### Executive Director

An Executive Director who is Chief Executive Officer and/or President is advised to dedicate time to actively manage the business. He/she should not hold a position in other firms except in a subsidiary or an affiliate. His/her wish to become a director in other firms shall however be first subject to the Board of Directors' review.

### Independent Director

1. Independent Director shall hold less than 1 percent of the total shares with voting rights in a company, its affiliated company, associated company or any other person with possible conflicts of interest (including shares held by related persons).
2. Independent Director must not be involved in the management and is currently not being and has never been an employee, staff, advisor enjoying monthly income or person with controlling power of the company, its affiliated company, associated company and auditing company; nor shall he be a person with conflict of interest without having to have any interest or stake in such manner for no less than two years.
3. An Independent Director shall have neither blood nor registered relationship as a father, mother, spouse, sibling and children including spouse of children of executive officers, major shareholders, persons with controlling authority or anyone to be nominated as an executive officer or a person with controlling power of the company or its subsidiary.
4. An Independent Director shall have no business relationship with the company during the previous two years. Details are as follows:
  - 4.1 No relationship as a provider of professional service including being an auditor (in any case), or of other professions such as being a legal consultant, a financial advisor or an asset appraiser with an annual transaction value exceeding Baht 2 million.
  - 4.2 A business and trade relationship including normal transactions, renting or leasing of property, transactions relating to assets and services and giving or getting financial assistance with a transaction value from Baht 20 million or 3 percent of the Company's NTA, whichever is lower. This however shall include values of all retroactive transactions during at least the six previous months prior to the latest transaction.

4.3 An Independent Director shall possess no other characteristic that prevents him/her from expressing his opinion independently.

5. Independent Director must attend at least one of the following courses held by the Thai Institute of Directors (IOD); namely, Director Certification Program (DCP); Director Accreditation Program (DAP); Audit Committee Program (ACP)

#### **Member of the Audit Committee**

1. He/she shall be an Independent Director appointed by the Board of Director or Shareholders.
2. He/she shall not be a director entrusted by the Board to make any decision with regard to a business of the company, its parent company, subsidiary and affiliate, subsidiary of the same level or other entities that may have a conflict of interest.
3. His duties must not be fewer than what is stipulated by the SET.

#### **Transactions with Possible Effects to Independence**

1. Being authorized person to approve transactions or signing to bind the Company, except the signing under the approval of the Board of Director or in the form of the collective decision.
2. Attending a meeting or voting in a matter that he has an interest or a conflict of interest therein.

#### **Prohibited Characteristics**

Directors and executive officers must possess no qualifications that are conflicting with the company's requirements and announcements made by the SEC and the SET.

#### **4. Rules and Responsibility of the Board of Directors and the Management**

The Board of Directors determines policies and practices for the management, which include important tasks of an executive. In addition, the Board also allows the management to formulate a management policy based on the Company's objectives and missions, which will be subject to the Board's approval.

The Board of Directors also sets to have the meeting of Independent Directors, and the meeting between the directors and senior executives without the top management's presence.

#### **5. Board of Directors' Meeting**

The Erawan Group set a number of both the Board of Directors' meetings and those of other committees. The meeting dates of the entire year should be communicated to the directors and related persons in advance. In addition, an agenda should be set to allow the independent directors freely exchange ideas at the Board of Directors' Meeting without the presence of President or the top management.

In 2019, The Erawan Group organized 6 the Board of Directors' meetings, 4 the Audit Committee's meetings, 10 the Strategic and Investment Committee's meetings, 2 the Nominating and Corporate Governance Committee's meetings and 2 the Management Development and Compensation Committee's meetings. Minutes of each meetings were recorded in writing and kept at the Office of the Company Secretary and on a data server so that officers can conveniently access the database. Times of Directors' Attendance to the Meeting in 2019 is as the following details:

## Times of Attendance 2019

Name	Title	Term	Times of attendance/Number of total attendance				
			Board of Directors	Audit Committee	Strategic and Investment Committee	Nominating and Corporate Governance Committee	Management Development and Compensation Committee
1. Mr. Chanin Vongkusolkit	Chairman of the Board Director	27 Apr.2019-Present Apr.2019-2022	6/6				
2. Dr. Kulpatra Sirodom	Independent Director	Apr.2017-2020*	6/6	4/4			
3. Mr. Ekasith Jotikasthira	Independent Director	Apr.2017-2020*	6/6	2/4		2/2	
4. Assoc. Prof. Somprawin Manprasert	Independent Director	Apr.2018-2021	6/6	4/4			
5. Mr. Baryong Pongpanich	Independent Director	Apr.2019-2022	3/6				2/2
6. Mr. Supol Wattanavekin	Director	Apr.2018-2021	5/6			2/2	
7. Mrs. Panida Thepkanjana	Director	Apr.2017-2020*	6/6				2/2
8. Mrs. Arada Vongkusolkit	Director	Apr.2017-2020*	6/6		10/10		2/2
9. Mr. Gavin Vongkusolkit	Director	Apr.2019-2022	6/6		7/10		2/2
10. Mr. Kasama Punyagupta	Director	Apr.2018-2021	6/6		10/10		
11. Mr. Peitch Krainukul	Director President	Apr.2018-2021 1 Jan 2018-Present	6/6		10/10		
12. Mrs. Vansamom Wannamethee	Member of Sub-Committee	Jun. 2018-2021			9/10		
13. Mr. Nattapong Vongkusolkit	Member of Sub-Committee	Jun. 2018-2021			10/10		
14. Mr. Supatchara Wattanavekin	Member of Sub-Committee	Jan 2018-2021			10/10		
<b>Percent of Directors' and attended</b>			<b>94%</b>	<b>83%</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>

Note: \*the reappointment of all four directors to act as the directors for another term. The term of office will be three-year term starting from April 24, 2020

## 6. Evaluation of the Board's Performances

Our Board of Directors is subject to an annual performance evaluation. To comply with the principle of good corporate governance for listed companies, the Board of Directors and sub-committees are having a self-evaluation at least once a year so that they could review and improve their own conduct. The evaluation is based on the latest forms developed by the Corporate Governance for Capital Market Department of the Stock Exchange of Thailand (SET) released in February 2015, which is applied to suit our business nature and to cover performances of one Board of Directors and four sub-committees. The forms we have used consist of the following:

1. Evaluation form of the Board of Directors' performance to evaluate the entire Board.
2. Evaluation form of four sub-committees of:
  - 2.1 The Audit Committee (AC)
  - 2.2 The Strategic and Investment Committee (SIC)
  - 2.3 The Nominating and Corporate Governance Committee (NCG)
  - 2.4 The Management Development and Compensation Committee (MDC)
3. Evaluation form of Self- assessment
4. The Effectiveness of the Board meeting in 2019

How to read scores: Scores from 1 to 5 are given for statistical analysis. For each score, here is its meaning:

- 1 = Strongly disagree and need urgent improvement. Please provide recommendations.
- 2 = Disagree and need somewhat improvement. Please provide recommendations.
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Agree

As for the Board of Directors' evaluation performance in 2019, 93% of board members agreed with the structure of the board and its components that they were appropriate and that members were independent enough to create a right check and balance. 90% were of the opinion that directors did understand their roles and responsibilities that they were independent when making a decision without being dominated by anyone. 96% viewed that the number of board meetings was appropriate and they had received enough documents to make a sound decision. Board members were able to study documents prior to the meeting and could

attend the meeting on a regular basis. 93% felt that all members performed their duties with responsibilities to maximize the interest of shareholders. 96% deemed that board members did have a good relationship with the management and could frankly communicate with executives. 91% felt that directors were properly exposed to both self-development and executive development processes that allowed them to adequately understand the nature of the business.

## 7. Nomination of Directors and Executives

The Board entrusts the Nominating and Corporate Governance Committee to draft a clear nomination policy and process for the selection of directors. This refers to a process to initially check a nominee's qualifications to ensure that his/her is in compliance with director's qualifications; a selection and courting process of a nominee to be our director; a nomination process to the Board or shareholders and a reviewing process of director being re-nominated. An individual evaluation of a director's performances while in the office will be used to support the consideration.

Furthermore, the selection was independently conducted without being subject to anyone's influence. The management conducted a two-hour orientation session and arranged for a management team to meet the new director so that he learned about the company, got access to corporate information and strategic plans.

The Board designated the Management Development and Compensation Committee to recruit and formulate a succession plan of executive management, to ensure continued performances and to avoid business disruption.