



# Corporate Governance

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## Corporate Governance Report 2018

The Board of Directors recognizes the importance of corporate governance (CG) and is determined to ensure that SCB business governance is efficient, transparent, and fair to all stakeholders in order to bolster the trust of all stakeholders - shareholders, customers, employees, business partners, society and regulators – and strengthen the Bank’s competitiveness with ethics and social responsibility to achieve sustainable growth both for the Bank and society at large. The Board believes that adherence to good corporate governance will lead to the Bank’s success in continually enhancing its internal practices and processes to meet the corporate governance standards that are widely accepted in Thailand and internationally. Highlights of the prestigious awards that the Bank received in 2018 for its corporate

governance and sustainability excellence are:

- The Bank was added to the World Index and the Emerging Markets Index of the Dow Jones Sustainability Indices 2018 (DJSI 2018), ranked 6th globally in the banking sector.
- The Bank achieved the top level “Excellent” rating in the 2018 CG assessment of Thai Listed Companies by the Thai Institute of Directors Association (IOD), marking its 14th consecutive year for this recognition since 2005.
- The Bank was awarded the score of 100 in the Thai Investors Association’s 2018 assessment of shareholder meetings, continuing its record of outstanding score of 99-100 since 2009.

In 2018, the Board decided that the Bank of Thailand’s Notification on Corporate Governance for Financial Institutions and the Corporate Governance Code for listed companies, or the CG Code, which was developed by the Securities and Exchange Commission, should be adopted as appropriate to the Bank’s business context and the adoption of the CG Code should be reviewed at least annually. Such decision was officially recorded as a resolution of the Board.

### Corporate Governance Policy

The Board has assigned the Nomination, Compensation and Corporate Governance (NCCG) Committee to formulate the Corporate Governance Policy and monitor compliance. The NCCG Committee also reviews and revises the policy to ensure that it is appropriate and in line with regulatory guidelines pertaining to the Bank which is a commercial bank and a listed company with an aspiration to achieve world-class corporate governance standards. The Bank’s Corporate Governance Policy encompasses the following core elements:



**The Bank was added to the World Index and the Emerging Markets Index of the Dow Jones Sustainability Indices 2018 (DJSI 2018)**

World Index  
Emerging Markets Index

Ranked

**6**

Globally in the banking sector

**The Bank achieved the top level**



**“Excellent”**

Rating in the 2018 CG assessment of Thai Listed Companies by the Thai Institute of Directors Association (IOD), marking its 14<sup>th</sup> consecutive year for this recognition since 2005.

**The Bank was awarded the score of**



**100**

In the Thai Investors Association’s 2018 assessment of shareholder meetings, continuing its record of outstanding score of 99-100 since 2009.

## 1

The vision, mission, core values and codes of conduct applicable to the Bank, its directors, executives and employees of the Bank: In late 2016, the Board approved the Bank's renewed vision, mission and core values as detailed below.

- Vision: To be "The Most Admired Bank" by 2020. In other words, the Bank aspires to be recognized by each of its constituents as follows:

- o Customers: The Most PREFERRED Partner
- o Employees: The Most CARING Employer
- o Shareholders: The Most SUSTAINABLE RETURN Company
- o Society: The Most RESPONSIBLE Corporate Citizen
- o Regulators: The Most PRUDENT Bank

- Mission: The Bank has clearly set its mission to be the best universal bank in Thailand, with a strong focus on key financial markets and customer segments, maximizing leverage from its group franchise, with a strong commitment to social responsibility.

- Core values: The Bank's core values are known as iSCB which stands for innovation, social responsibility, customer focus, and building our people.

The Board has also formulated the Code of Business Conduct and the Code of Conduct for Directors, Executives and Employees, which were reviewed in 2018.

## 2

Corporate governance structure of the Bank: The policy enumerates roles and responsibilities of the

Board; tenure of members of the Board and Board committees; the Board's meeting procedures; composition of the Board and Board committees; nomination and election of directors; an onboarding program for new directors; holding of positions in other companies by the directors and senior executives; separation of position and roles among the Chairman of the Board, the Chairman of the Executive Committee and the President and Chief Executive Officer; remuneration of directors and persons with management authority; assessment of performance of the Board, Board committees and persons with management authority; succession planning; and roles and functions of the Company Secretary.

## 3

Rights and treatment of all stakeholders: The equitable treatment of shareholders in terms of their basic rights, rights related to shareholder meetings, dividend entitlements, information disclosure, and transparency.

## 4

Internal controls: The Bank recognizes the importance of internal controls and gives priority to prevention against the use of inside information by directors and employees, connected transactions, conflicts of interest, and conflict-of-interest reporting of directors and persons with management authority.

The Corporate Governance Policy is publicly disclosed and available on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Corporate Governance Policy." The Policy has also been announced to directors, executives and employees of the Bank for their acknowledgment and compliance as the Bank intends to promote its members' understanding, awareness, regard and internalization of the Corporate Governance Policy, which will become their work habit and eventually the corporate culture.

## 2018 Corporate Governance

The Bank's corporate governance practices in 2018 are summarized as follows:

### 1. Rights of Shareholders

The Bank has complied with its Corporate Governance Policy with the aim of ensuring that shareholders enjoy their rights and exercise such rights in an equitable manner, such as buying or selling shares, receiving dividends and receiving adequate, timely and complete information about the Bank through easily accessible channels (the websites of SCB, Stock Exchange of Thailand and Thailand Securities Depository Company Limited). In addition, shareholders are entitled to take part in material business decisions at shareholder meeting, e.g., payment of dividends, appointment and removal of directors, determination of directors' remuneration, appointment of auditors, determination of audit fees, amendment to provisions of the Memorandum and Articles of Association, and approval of special transactions (e.g., capital increase or reduction, acquisition or disposal of significant assets, or connected transactions). The shareholders may cast their votes on the aforesaid matters according to details provided in the notices of the general meetings of shareholders. The Bank is determined to encourage all shareholders to exercise their rights to the fullest extent permissible by law and shall not violate or derogate the rights of shareholders by any means. The principles adopted by the Bank in respect of the treatment of shareholders are shown in detail on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Rights and Treatment of Stakeholders."

#### 1.1 Shareholder Meeting

In 2018, the Annual General Meeting of Shareholders (AGM) No. 195 was arranged on 5 April 2018 and no Extraordinary General Meeting of Shareholders was held that year. The proceedings were conducted by the Bank in a manner that ensures shareholders' ability to exercise their rights in accordance with laws,

applicable regulations and good governance practices as follows:

#### 1

To ensure that shareholders receive clear and adequate information, have sufficient time to consider agenda items of the AGM, and are able to easily access the Notice of the AGM and its accompanying documents, the Bank posted the Notice of the AGM, accompanying documents, and proxy forms in both Thai and English on its website on 5 March 2018 (30 days prior to the meeting date). The Bank assigned Thailand Securities Depository Company Limited (TSD), which is its securities registrar, to send the Notice of the AGM, in both Thai and English, and the 2017 Annual Report (in CD-ROM format) via post to shareholders on 14 March 2018 (21 days prior to the meeting date). The Notice of the AGM contained information such as date, time and venue of the meeting (with a map and directions), and details of each agenda item (including factual background, purposes, rationale, and opinions or recommendations of the Board) as well as accompanying documents, including details of meeting procedures, voting and proxy appointments. The Bank also advertised the Notice of the AGM in Thai newspapers for three consecutive days in accordance with law and took other relevant actions as required by law. Upon request, shareholders were entitled to receive printed copies of the 2017 Annual Report before the date of the meeting from the Company Secretary.

#### 2

The Bank recognizes shareholders' rights to know and gain full access to information and allows shareholders to submit questions in advance of the AGM to the Company Secretary through various channels, including via post or e-mail to [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th), in accordance with the guidelines on the Bank's website. Questions are compiled and proposed to the Board by the Nomination, Compensation and Corporate Governance Committee.

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**3**

To encourage and facilitate participation of all shareholders (individuals, juristic persons and institutional investors) in the AGM and exercise their rights in an equitable manner, the Bank delivered the Proxy Form B to shareholders for the appointment of proxies to attend the meeting on their behalf in the event that they were unable to attend the AGM in person. Furthermore, institutional investors such as fund managers and custodians were invited to nominate their representatives to attend the meeting and, for their convenience, the Bank assigned officers to check the required documents in advance of the meeting.

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**4**

To facilitate attendance by all shareholders and proxy holders, the AGM was held during business hours and on a working day at the Bank's head office to facilitate convenient transportation for shareholders. On the meeting day, the registration counters were open two hours prior to the meeting time to facilitate procedural document checks and registration. For efficiency and convenience, the Bank made available revenue stamps to be affixed to the proxy forms presented by proxies attending the meeting and different registration counters were specifically set up for different types of shareholders, i.e., shareholders attending the meeting in person, individual shareholders, juristic persons and fund managers or custodians. For greater convenience and speed, the meeting registration service made use of a bar code system and each shareholder or proxy holder was given the ballot bearing the same bar code as his/her registration bar code for voting on each agenda item. Meeting registration remained open to shareholders during the meeting, allowing shareholders to register and attend the meeting at any time and vote on any remaining agenda item.

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**5**

The Chairman of the Board presided as the chairman of the meeting and all 15 directors of the Bank attended the 2018 AGM together with the chairmen of Board committees, the Bank's senior executives and the external auditors in order to clarify and respond to any questions or issues raised by

shareholders. Prior to proceeding in accordance with the meeting agenda, the Company Secretary, assigned by the chairman of the meeting, announced the voting procedure and vote counting practices for each agenda item. Holders of the Bank's ordinary and preferred shares, including proxy holders who attended the meeting, were entitled to cast their votes based on the one-share-one-vote basis. In order to increase the efficiency and speed of the voting process, only the ballots for disapproval and abstention votes were collected. Voting and ballot counting were conducted openly, and the bar code system was employed in tabulating and reporting votes. Representatives from Baker & McKenzie, an independent law firm, were engaged to inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Therefore, the voting results for each agenda item were reported to the meeting in a timely, accurate and transparent manner. In addition, all ballots will be kept as evidence for post-meeting examination, in case of dispute.

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**6**

Multimedia presentations were used at the meeting to show shareholders for acknowledgement the 2017 performance highlights and the 2018 business strategies. The chairman of the meeting allowed shareholders to ask questions, express opinions and make recommendations on an equitable basis and provided comprehensive responses to all questions or issues raised. The directors and management jointly responded to shareholders' questions and clarified issues. The Company Secretary recorded the minutes of the meeting and the votes cast under each agenda item. Additionally, the meeting proceeded in accordance with the announced agenda, and the Bank did not reorder, add or revise any agenda items, or modify previously issued information at the meeting, nor proposed any other agenda that had not been specified in the AGM Notice.

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**7**

Following the meeting adjournment, the resolutions adopted at the 2018 AGM and the voting results for each agenda item (in both Thai and English) were publicly disclosed via the SET Portal platform of the Stock Exchange of Thailand and on the Bank's

website on the meeting date. In addition, the minutes of the AGM in Thai and English were submitted to the Stock Exchange of Thailand and made available on the Bank's website on 19 April 2018 (within 14 days from the meeting date) for quick and inclusive access to shareholders. The minutes were also submitted to the Ministry of Commerce within the timeframe specified by law. The minutes contained the list of directors and executives who attended the meeting, the voting procedures, abstracts of the questions and issues raised and the answers or clarifications provided by the Board and executives, and the resolutions reached, together with the number of approval, disapproval and abstention votes on each agenda item that required voting.

## 1.2 Dividend Payment

The Bank has a policy to pay dividends in the range of 30-50 percent of its consolidated annual net profit with consideration to long-term return for all shareholders. Dividends will be considered in any year that the Bank records a net profit after deduction of all statutory and other reserves, provided that there is no accumulated loss and the Bank is able to maintain adequate capital funds to comply with the regulatory requirements, as well as taking into account the need to preserve capital for its future business requirements. The interim dividends and annual dividends will be paid within 30 days after approval by the Board or the shareholder meeting (as applicable). In proposing a dividend payment for approval, the Bank discloses its Dividend Policy, dividend rate and amount, including rationale and other relevant information to support the shareholders' decision-making.

At the 2018 AGM, the meeting resolved to approve the dividend payment from the Bank's 2017 operating results to holders of the Bank's preferred and ordinary shares at the rate of Baht 5.50 per share, equivalent to a total of Baht 18,696 million or approximately 43.3 percent of the 2017 consolidated net profit. Such dividend payment complies with the Dividend Policy of the Bank, and its details are as summarized below:

### 1

The Board, at its meeting No. 9/2017 on 22 August 2017, resolved to approve an interim dividend payment at the rate of Baht 1.50 per share to holders of the Bank's preferred and ordinary shares. The interim dividends were paid to holders of the Bank's preferred and ordinary shares on 19 September 2017 (23 days from the date of approval of the interim dividend payment by the Board); and

### 2

The final dividend was paid at the rate of Baht 4.00 per share to holders of the Bank's preferred and ordinary shares on 3 May 2018 (28 days from the date of approval of the dividend payment by the shareholder meeting).

## 1.3 Election of Director on an Individual Basis

As part of the director election process, profiles of nominated directors are disclosed in the notice of the AGM to support the shareholders' consideration. Each profile included information such as the nominee's age, education, work experience, positions in other listed and non-listed companies, date of appointment as director, Board/Board committee meeting attendance in the previous year, and type of directorship. In the case of independent directors, the Bank additionally provides its definition of independent directors and other information such as their relationship or conflicts of interest with the Bank, its parent companies, its subsidiary companies, its associate companies and any other parties having the authority to control the Bank or juristic persons with potential conflicts of interest with the Bank either at present or during the two years preceding their appointment as independent director of the Bank.

Pursuant to the Bank's Articles of Association, one-third of the directors shall retire by rotation at every AGM. At the 2018 AGM, six directors retired by rotation. The Bank arranged for shareholders to elect directors to replace the outgoing directors by independently directing their votes toward each individual nominee as opposed to a slate

director election. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated and the voting results for each director nominated for the election were clearly specified in the AGM minutes.

#### 1.4 Determination of Directors' Remuneration

As stipulated in the Bank's Articles of Association approved by the shareholder meeting, a director is entitled to receive remuneration from the Bank in the form of gratuities, meeting allowances, rewards, bonuses or other benefits consistent with the Articles of Association or the resolution of the shareholder meeting. Such remuneration may be a fixed amount or based on the criteria specified at the time, or may be allowed to remain in effect until changed. Further, a director is also entitled to allowance and any welfare according to the Bank's rules. The Nomination, Compensation and Corporate Governance Committee is delegated to make recommendations on directors' remuneration to the Board, the Board committees and the director's bonus prior to proposing the remuneration to an AGM for approval on an annual basis. The Board has a policy that the directors' remuneration should be appropriate and commensurate with the scope of duties and responsibilities of director and Board committees, comparable to other major listed companies and commercial banks, and in line with prevailing business conditions and trends.

#### 1.5 Communication Among the Bank's Shareholders

The Bank does not interfere with communication among its shareholders in any way. Shareholders have complete liberty to share information among one other and may request a copy of the list of the Bank's shareholders from the Business Development Department of the Ministry of Commerce.

## 2. Equitable Treatment of Shareholders

As stipulated in the Bank's Corporate Governance Policy, all shareholders, i.e., major, minor, institutional and foreign shareholders, are entitled to the same shareholder rights and are treated on an equitable and fair basis in accordance with the scope permissible by law. The principles of equitable treatment of shareholders, to which the Bank has adhered, are provided on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Rights and Treatment of Stakeholders."

### 2.1 Invitation to Shareholders to Propose Agenda Items, Candidates for Directorship, and Questions Prior to the Shareholder meeting

All shareholders of the Bank are invited to propose matters to be included in the AGM agenda and to nominate qualified candidates for the director election by an AGM according the explicit criteria published on the Bank's website. Shareholders may submit their proposals on agenda and candidates for directorship including questions to the Company Secretary via post or e-mail at [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th). The Nomination, Compensation and Corporate Governance Committee will consider the shareholders' proposals prior to submitting them to the Board for further consideration. The decision on the matter will be notified to the shareholders concerned for acknowledgment. Any proposals that are accepted will be included in the AGM agenda.

The Bank invited shareholders to propose agenda items, candidates for directorship, and questions for the 2018 AGM three months prior to the end of the Bank's accounting period, i.e. from 1 October to 31 December 2017. Nonetheless, the Bank did not receive any proposals from the shareholders.

## 2.2 Proxy Appointments for Shareholder Meeting

For every shareholder meeting, the Bank has made available three types of proxy forms (Form A, Form B and Form C) as determined by the Department of Business Development of the Ministry of Commerce. Conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties to the proxy appointment.

For the 2018 AGM, the Proxy Form B indicating specific details of a proxy appointment was delivered to shareholders together with the Notice of the Annual General Meeting of Shareholders. Shareholders had an option to appoint as their proxies one of two independent directors of the Bank who did not have any conflicts of interest in the relevant agenda items of the AGM. Shareholders were given important information about these independent directors and had the liberty to appoint either one of the two independent directors or any other person of their choice as proxy. In addition, Proxy Form A or Proxy Form C could be downloaded from the Bank's website for shareholders' use as and when applicable.

## 2.3 Ballots for Shareholder Meeting

In the 2018 AGM, ballots were used for voting on every agenda item, but only the ballots indicating disapproval and abstention votes were collected and retained for future examination.

To ensure that the voting process was efficient, accurate, speedy and verifiable, a bar code system and PDA were employed in tabulating votes. Before proceeding with the meeting agenda, the Company Secretary informed the meeting of the voting and vote tabulation procedures. In addition, the Bank requested shareholders to return all unused ballots to the Bank's officers and kept these ballots as evidence.

## 2.4 Conflict-of-Interest Reporting by Directors and Persons with Management Authority

The Bank requires directors and persons with management authority (as defined in the Financial

Institutions Business Act B.E. 2551 (A.D. 2008)) to report to the Company Secretary on a quarterly basis any conflict of interest concerning themselves and their related parties as well as changes to any previously reported items. The Company Secretary collects and submits copies of the conflict-of-interest reports to the Chairman of the Board and the Chairman of the Audit Committee in compliance with the Securities and Exchange Act B.E. 2535 (A.D. 1992). This information is used by the Bank to monitor transactions between the Bank and directors, persons with management authority, and/or their related parties in accordance with applicable legal requirements.

## 3. Role of Stakeholders

### 3.1 Treatment of Stakeholders

As one of the largest organizations within the Kingdom, with a long heritage of service to the country as the first Thai bank, the Bank recognizes that it needs to respond to the interests of a broad range of stakeholders. The issue of responsibility to stakeholders is covered in more detail in the 2018 Sustainability Report. The essence is summarized below:



#### Customers:

The Bank exists to serve its customers who encompass almost the entire spectrum of Thai society. For all segments of customers, the Bank aspires to provide a broad range of products and services and to meet their needs via its branch network, electronic and direct channels such as SME Business Centers, Wealth Centers and Customer Service Centers. The overriding aim is for the Bank to be recognized as the most preferred partner for customers through reliable services, innovative and best-in-class products and trustworthy conduct. Customer data security and confidentiality are also strictly protected.

On top of the reliable standards and the rigorous protection of customer data security and confidentiality, the Bank has specified these matters in the Employee Code of Conduct and communicated

them to employees to raise their awareness about the importance of data security and their adherence to applicable principles. The Bank measures its success in this regard through regular customer surveys and has consistently attained top satisfaction score from such surveys. In 2018, the Bank actively promoted the compliance with market conduct among its employees by communicating and sharing market conduct knowledge across the organization while implementing an ongoing monitoring system.



### Employees:

The Bank recognizes the importance of the continuous capability development of employees at all levels. Employees will always remain the Bank's most valuable assets. As such, the Bank aims to recruit, develop and retain talents because they are central to the Bank's success in both short-term and long-term strategic implementation and accomplishing its mission and vision.

The Bank has developed an employee capability development roadmap which incorporates various training programs, such as design thinking for innovation, digital transformation, mindset, and change management, to acquire skills and capabilities of its employees, provide career advancement opportunities, and develop their professional expertise and positive attitude toward change for their readiness to face any challenge.

It is the Bank's policy to align employee compensations with the Bank's short-term and long-term performance and ensure that compensations is appropriate and competitive for the banking sector.

The Bank has employed the balanced scorecard as a goal-setting and employee performance management tool which considers three dimensions of performance: strategy, organizational health and business performance. Senior executives are jointly accountable for the Bank's corporate KPIs and the KPIs of business units under their supervision. These KPIs are then deployed into individual KPIs for employees. In addition,

executives and employees are required to jointly develop individual development plans to support fulfilment of assigned duties. The Bank has also implemented a performance-based compensation structure that incorporates fair and accurate evaluation.

In 2018, the Bank reviewed its pay structure to compensate employees fairly for their job value and conducted a compensation survey to identify the industry and cross-industry benchmarks as a baseline for the Bank's compensation management. To increase the motivation and wellbeing of employees, the Bank offers attractive welfare and benefit packages that are regularly fine-tuned, i.e., medical benefits, scholarships, emergency financial assistance, pension fund and employee welfare loans, such as mortgage loan and auto loan programs, retirement bonus, and savings cooperative.

The Bank respects human rights and treats its employees fairly and equally without discrimination based on gender, age, religious belief or disability. As specified in the SCB Human Rights Policy, employees are entitled to join labor unions and are encouraged to voice their opinions that contribute to organizational development, such as improvement of the Bank's policies, work processes, procedures, and product and service offering. Furthermore, the Bank respects intellectual property rights and deters the infringement thereof by incorporating policies and guidelines related to intellectual property in its Employee Code of Conduct. It is the responsibility of all employees to protect the Bank's intellectual property from unauthorized use and dissemination and to respect the intellectual property rights and the copyrights owned by others. To assess the Bank's health and readiness for future changes, the Bank engaged third-party experts to conduct an organizational health survey in 2018 with the organizational health index (OHI) methodology in which the Bank's score was ranked in the top quartile of companies in Southeast Asia. The Bank believes that workplace happiness, employees' wellbeing and work-life balance are building blocks for the Bank's sustainable and solid growth.



### Shareholders:

The Bank's existence is made possible by capital contributions of a large number of shareholders. The Bank aspires to provide transparent disclosure that meets high standards, equitable treatment of shareholders, and sustainable return on equity.



### Community and Environment:

The Bank aspires to always operate in an ethical way as a model corporate citizen with an emphasis on the youth development and learning enhancement, improvement of the quality of life of members of society, and cultivation of the sense of responsibility toward the environment to promote the sustainable development of Thailand. The Bank has actively and consistently supported and carried out activities that are beneficial to communities and society at large with particular attention on activities relating to the local youth as they are the foundation and drivers of the country's sustainability. Our priorities include activities that promote community involvement and sustainable development in accordance with the Sufficiency Economy Philosophy. Furthermore, to foster the culture and sense of volunteerism among employees, the Bank has encouraged all employees to regularly participate in such activities. We also aim to make banking accessible to all by responsibly offering products and services and simultaneously promoting financial literacy, particularly among farmers and communities in remote areas that lack financial knowledge. The Bank is determined to operate in accordance with relevant laws and regulations and implements effective environmental and safety management measures internally. The Bank also supports projects relating to natural resource and environmental conservation through awareness-raising campaigns and voluntary programs to educate and engage employees, business partners, customers and other CSR networks in this initiative. To raise environmental consciousness among SCB employees, the Bank initiated an internal campaign to reduce the plastic bottle waste which has become a major environmental problem of Thailand and planned to replicate success across its network to create positive ripple effects.



### Regulators:

The Bank operates in accordance with the principles of corporate governance with effective oversight and transparency, as well as adopts the supervisory guidelines applicable to financial institutions, good market conduct and the government's policy to develop Thailand into a cashless society. The Bank emphasizes long-term strategic stability and works to enhance its multidimensional capabilities to heighten its risk awareness and adaptability to uncertainties and change in pursuit of sustainable growth and returns.



### Business Partners:

The Bank honors its obligations to business partners with integrity and implements a transparent and fair procurement process in accordance with the Bank's procurement rules and guidelines. The selection and assessment of suppliers and vendors must be transparent on the basis of fair and open competition and all business partners are treated equally. In assessing and selecting suppliers and vendors, the Bank takes into account not only the quality, price, service and reliability, but also their compliance with laws and ethics. In addition, the Bank refrains from doing business or engaging with vendors and suppliers who have been convicted of or involved with corruption. The Bank's "Supplier Code of Conduct" has been enforced with an aim to encourage its suppliers to conduct their businesses ethically, respect the freedom and rights of others, and treat their workers responsibly in accordance with labor rights and human rights principles, including occupational health, safety and environmental standards. Green procurement guidelines have been adopted to promote the selection of environmentally friendly products and encourage manufacturers to improve the quality of their products and services with environmental considerations. The SCB Supplier Code of Conduct is communicated to its business partners at the Vendor Communication Day, which is held annually, and all business partners of the Bank are required to, in writing, acknowledge and strictly comply with the Supplier Code of Conduct.



### Competitors:

The Bank ethically treats its competitors with transparency and honors its obligations to its competitors with integrity, accountability, and respect. To uphold fair business practices, the Bank does not interfere with fair price competition, respects intellectual property rights of others, and avoids intellectual property infringement.



### Creditors:

The Bank strictly fulfills the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to maintain financial strength and solid debt servicing ability. In an event that the Bank is unable to fulfill a condition, the Bank will notify its creditors of such matter without delay to jointly consider possible solutions based on the principle of reasonableness and accountability toward creditors. The Bank is committed to making punctual payments and debt repayments as well as maintaining good relationships with its creditors.

Furthermore, the Bank identified material sustainability topics based on their economic, environmental and social impact from perspectives of both internal and external stakeholders and developed a sustainability report in accordance with the GRI Sustainability Reporting Standards (GRI Standards): Core Option, as well as the Financial Services Sector Supplement (FSSS). Costs were assessed to analyze the values in six dimensions in accordance with the Integrated Reporting (IR) framework, addressing 20 sustainability topics: 1) anti-money laundering, 2) labor rights, 3) empowering community & society, 4) employee health, safety and well-being, 5) climate change risk & opportunity, 6) corporate governance, 7) responsible lending, 8) market conduct, 9) anti-corruption & bribery, 10) risk management, 11) financial inclusion & financial literacy, 12) operational eco efficiency, 13) brand management, 14) digital technology, 15) talent attraction & retention, 16) products & services / customer experience, 17) customer expansion, 18) cyber

security, 19) culture & mindset, and 20) people capabilities/workforce planning. Details of each material sustainability topic are described in the 2018 Sustainability Report.

## 3.2 Anti-Corruption

Anti-corruption continues to be a priority of the Bank as evidenced by, among others, the Bank's membership in the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), which underlines the Bank's determination and commitment to fight corruption in all forms, and the aspiration to promote a culture of zero tolerance for corruption and bribery. All CAC members are required to undergo a membership certification process and the membership must be re-certified every three years. As part of the re-certification process, each CAC member is required to complete an anti-corruption self-assessment which is based on a highly rigorous standard. On 10 November 2017, the Bank's CAC membership was officially re-certified and valid for another three years.

The Bank's anti-corruption activities were as follows:

1. The Bank has enforced the Anti-Corruption and Bribery Policy, which serves as an anti-corruption guideline, upon all companies in the SCB Financial Group. The said policy has been communicated to directors, executives and employees at all levels to ensure that they recognize and understand their obligations and responsibilities in this respect and apply the policy in the workplace to their best abilities.
2. All employees of the Bank are required to enroll in relevant training courses, such as the e-learning courses on anti-money laundering/combating the financing of terrorism (AML/CFT), and anti-corruption and bribery. They must pass relevant tests to complete the mandatory courses and must periodically enroll in refresher courses within a specified time frame.
3. In 2018, the Bank declared its adoption of the No Gift Policy in a bid to promote the culture of transparency and integrity and prevent corruption. Cooperation in refraining from giving or receiving gifts on all occasions was also requested.

4. The Bank has informed external parties and stakeholders of its Anti-Corruption and Bribery Policy through various channels, such as its website and credit card statements. To extend anti-corruption and bribery initiatives to a wider context, the Bank has encouraged suppliers, as a key stakeholder of the Bank, to adopt the same principles and concepts by formulating the “SCB Supplier Code of Conduct” as a guiding framework for its suppliers.

5. The Bank has set up complaint channels, such as the Whistle Blower program, for complaints about wrongdoing or suspected fraud or corruption. To actively monitor and evaluate compliance with the Anti-Corruption Policy, the Bank regularly assesses corruption and bribery exposure, with the Audit Committee being responsible for overseeing the Bank’s internal controls to ensure that they are adequate and effective in protecting the Bank from the risk of corruption and bribery as well as reporting the results to the Board of Directors.

### 3.3 Contact Channels for Stakeholders

The Bank provides multiple channels for various groups of stakeholders to directly contact the relevant unit as follows:

**Customers or third parties** can communicate with the Bank through staff at branches or relationship managers or through the Call Center at 0-2777-7777, or by writing to senior executives of the Bank. All communications are recorded, monitored and responded to within a specified period. The Bank also establishes a complaint management team with a major role in identifying corrective measures and ensuring that relevant units resolve customer complaints within applicable service level agreements which are published on the Bank’s website for customers’ reference.

**Employees** are informed that the Bank has multiple channels to accept complaints and reports of misconduct from employees. Employees can voice their opinions and report on any unfair treatment, fraudulent activity or suspicion of misconduct, either directly to their supervisors or through the following channels:

- SCB’s Whistleblower Policy provides a channel through which employees can report complaints, fraud or non-compliance with the Bank’s regulations, rules and Code of Conduct as well as acts that may cause damage to customers and the SCB Group, including any unfair treatment they might have suffered. The aim is to ensure the Bank’s adherence to its principles of transparency and corporate governance. There are multiple channels for reporting complaints, fraud or non-compliance, e.g., via e-mail to [whistleblower@scb.co.th](mailto:whistleblower@scb.co.th) or via post to PO Box 177, Chatuchak Delivery Post Office 10900, or via telephone at 0-2544-2000. A brief report on actions taken in this regard will be reported to the Audit Committee every quarter.
- The HR Call Center at 0-2544-4444 is a channel for employees to make inquiries related to employment and/or benefits or to share opinions.

It is the Bank’s policy to maintain confidentiality and anonymity of employees reporting misconduct or complaints for protection against retaliation or adverse consequences. Upon notification by an employee, an independent, case-by-case investigation team will be quickly set up to investigate any issue or possible fraudulent behavior. If there are proven grounds for a complaint, the matter will be escalated for disciplinary action in accordance with the following procedure:

- Employees submit opinions, reports, or complaints relating to fraud via a range of channels, where they can choose to remain anonymous, and the cases will be treated as confidential.
- The Working Team conducts a preliminary investigation. The progress will be reported to the informants if they have chosen to be identified.

- The Working Team forwards proven cases of misconduct to relevant units in order to appoint an investigation committee according to the Bank's regulations or to the Financial Crime & Security Services Division for further action.

The Bank takes action as deemed appropriate in each case without disclosing the sources of information so as to protect confidentiality of the informants.

Further, all stakeholders can raise complaints, or make suggestions or comments to the Board and management of the Bank by writing to the following address:



#### **Company Secretary**

The Siam Commercial Bank PCL.  
Shareholder Services and  
Corporate Governance, 21<sup>st</sup> Floor,  
Zone A, 9 Ratchadapisek Road,  
Chatuchak, Bangkok 10900

**Telephone :** 0-2544-4210

**Fax :** 0-2937-7931

**E-mail :** company\_secretary@scb.co.th

Also, the Bank has established a clear policy and procedure for handling complaints from customers, suppliers and other stakeholders. All complaints received are kept confidential, investigated and resolved as well as reported to the Audit Committee and the Board.

## **4. Disclosure and Transparency**

### **4.1 Disclosure Policy and Practice**

The Bank's disclosure policy and procedures are incorporated within the Corporate Governance Policy. Disclosure of the Bank's information shall be in accordance with the following principles:

- 1) Information to be disclosed must be accurate, adequate and clear as well as disclosed on a timely basis;
- 2) Disclosure must comply with all applicable rules and regulations;
- 3) Stakeholders including shareholders, investors, analysts and interested persons must have equal right of access to the information disclosed by the Bank; and
- 4) Information that could affect the Bank's share price, influence investors' decisions, or affect the rights of shareholders must be immediately disclosed to the public through the Stock Exchange of Thailand.

The Bank has designated responsible persons for the disclosure of the Bank's information to regulators, shareholders and the general public with a specified time frame. For example, audited annual financial statements are released within 60 days from the end of each fiscal year and reviewed quarterly financial statements are disclosed together with the Management Discussion and Analysis (MD&A) within 45 days from the end of each quarter to give investors a clear picture of the Bank's operating results.

In addition to financial information disclosure to regulators, shareholders, and the public as mentioned above, the Bank regularly holds press conferences and media events and issues press releases to publicize and promote its activities.

The Bank's Corporate Governance Policy also requires directors and management to disclose their holdings of the Bank's shares. Changes in the holdings of the Bank's shares by directors and executives in 2018 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" section of this Annual Report.

**In 2018, disclosure activities undertaken by Investor Relations are summarized below:**

Form of activity	Frequency (times)
One-on-one meetings/conference calls with investors and equity analysts	92
Meetings with securities analysts	4
Investor conference	4
Global roadshow	2

## 4.2 Investor Relations

Investor Relations is one of the Bank's functions which is responsible for providing accurate, adequate, and clear disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable laws. In addition to its planned activities, such as meetings with investors and analysts, investor events, and roadshows, Investor Relations serves as the primary point of contact for all shareholders, analysts, fund managers, bondholders, and rating agencies. The president and chief executive officer, the chief financial officer, and other senior executives regularly participate in investor relations activities.

The Investor Relations Code of Conduct is published on [www.scb.co.th](http://www.scb.co.th) under the sequence of menu headings "About SCB," "Investor Relations," and then "Code of Conduct for Investor Relations". Contact information of Investor Relations is as follows:



### Investor Relations

The Siam Commercial Bank PCL.  
9 Ratchadapisek Road,  
Chatuchak, Bangkok 10900

**Telephone :** 0-2544-4358

**E-mail :** [investor.relations@scb.co.th](mailto:investor.relations@scb.co.th)

**Website :** [www.scb.co.th](http://www.scb.co.th)

### 4.3 Auditors

Auditors' qualifications are vetted by the Audit Committee in terms of their independence, suitability, accountability, and absence of any conflict of interest with respect to the Bank and its subsidiaries, management, major shareholders, or related parties, as well as approval by the Office of Securities and Exchange Commission (SEC). The Audit Committee also reviews annual audit fees based on the scope of the audit and proposes qualified auditors and appropriate audit fees to the Board for consideration prior to proposing to the meeting of shareholders for approval.

In 2018, the total audit fees of the Bank and its subsidiaries were Baht 30.8 million. In addition, the Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulators, such as special audits, examination of banking returns, and audit of the Risk-Based Capital Reports
- Examination of foreign exchange kiosks
- Tax services
- Review of the embedded value report (insurance company)

Non-audit fees to the external auditors were Baht 29.3 million, of which Baht 6.6 million was paid in the fiscal year of 2018 while the outstanding amount of Baht 22.7 million will be paid in 2019.

### 4.4 Compliance with the Principles of Good Corporate Governance

The Bank aims to adhere to both national and international corporate governance standards. However, certain practices of the Bank did not comply, or complied only in part, with the 2017 Corporate Governance Code for Listed Company (CG Code) announced by the Securities and Exchange Commission and the corporate governance principles stipulated by the Institute of Directors Association, due to reasons set out below:

#### 1

The Board should have an appropriate number of members ranging from five to 12. As of 31 December 2018, the Board consists of 17 members. The Bank views the number as appropriate, considering the growing size and complexity of the Bank's business. Given rapid technological change, it is necessary for the Bank to have directors with diverse experience, knowledge, and expertise so that the Board can perform effectively.

#### 2

Disclosed information on shareholding structure should clearly specify actual owners of SCB shares. The Bank's shareholders include nominee companies being custodians of foreign investors. Such appointment of nominee companies as custodians is considered a normal practice and is beyond the Bank's control.

#### 3

The Bank should include in its policy a requirement that directors and senior executives notify the Board or designated persons of their intention to trade SCB shares at least one business day in advance of the transaction date. At present, there is no such requirement in the Bank's policy, but the Bank already has in place clear regulations against insider trading. These regulations include Directors Code of Conduct, Employee Code of Conduct, rules governing securities trading by directors, executives and employees, insider trading rule, guideline on declaration of securities holding by directors, executives, and employees, and non-trading period rules, all of which directors, executives, and employees must comply with.

## 5. Responsibilities of the Board

### 5.1 Board Composition

At the end of 2018, the Bank had 17 directors filling the total of 17 seats approved by the meeting of shareholders. The Bank selects its Board members based on the criteria set forth by relevant regulators and with the aim of fostering diversity in terms of professional skills, expertise, age, gender and other key attributes that are essential for, and in line with, the Bank's strategy. It is the policy of the Board to maintain such balanced diversity in its composition. Of the total 17 directors, there are one woman and 16 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social development, corporate governance, law, science and technology, and other experience that are considered beneficial and relevant to the Bank's business. Composition of the Board is as follows:

- The nine independent directors\* (representing 52.94 percent of the total directors) are Mr. Anand Panyarachun, Mr. Prasan Chuaphanich, Mr. Kan Trakulhoon, Mr. Krirk Vanikkul, Dr. Thaweesak Koanantakool, Mr. Ekamol Kiriwat, Mr. Weerawong Chittmittrapap, Mr. Boontuck Wungcharoen and Dr. Pasu Decharin.

- The three executive directors (representing 17.64 percent of the total directors) are Dr. Vichit Suraphongchai, Mr. Arthid Nanthawithaya, and Mr. Orapong Thien-Ngern.
- The five non-executive directors (representing 29.41 percent of the total directors) are ACM Satitpong Sukvimol, Pol. Col. Thumnithi Wanichthanom, Mr. Chakkrit Parapuntakul, Mr. Prapas Kong-ied, and Mrs. Kannikar Chalitaporn.

The names of the Bank's directors and their respective number of years as director are provided in Table 1.

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\*The term " independent director" has the meaning as specified in the Bank of Thailand's Notification No. SorNorSor. 10/2561 Re: Corporate Governance of Financial Institutions, and the Capital Market Supervisory Board's Notification No. TorJor. 39/2559, Re: Application and Approval for Offering Newly Issued Shares, and/or their amendments (if any). Moreover, the number of shares held by an independent director and his/her related parties combined shall not exceed 0.5 percent of the total voting shares of the Bank, or the Bank's parent company, subsidiaries, or associate companies, or major shareholders, or the persons having the authority to control the Bank. This shareholding restriction of no more than 0.5 percent is the Bank's standard, which is stricter than the standard set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1 percent of the total voting shares of the company of which he/she is a director.

Table 1 Board of Directors (As of 31 December 2018)

Name	Position	Date of Appointment	Number of Years in Directorship
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	6 March 1984 2 October 1992	1 <sup>st</sup> round: 7 years (1984 - 1991) 2 <sup>nd</sup> round: 26 years 3 months (1992 - present)
2. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	10 December 1999	19 years 1 month
3. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	4 April 2013	5 years 9 months
4. Mr. Kan Trakulhoon	Independent Director, Chairman of the Nomination, Compensation and Corporate Governance Committee, and Member of the Executive Committee	5 April 2016	2 years 9 months
5. Mr. Krirk Vanikkul	Independent Director and Chairman of the Risk Oversight Committee	1 November 2015	3 years 2 months
6. Dr. Thaweesak Koanantakool	Independent Director and Chairman of the Technology Committee	5 April 2016	2 years 9 months
7. Mrs. Kannikar Chalitaporn	Director, Chairman of the Corporate Social Responsibility Committee, and Member of the Risk Oversight Committee	21 January 2002	16 years 11 months
8. ACM Satitpong Sukvimol	Director and Member of the Nomination, Compensation and Corporate Governance Committee	13 June 2018	7 months
9. Pol. Col. Thumnithi Wanichthanom	Director and Member of the Corporate Social Responsibility Committee	13 June 2018	7 months
10. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	5 April 2011	7 years 9 months
11. Dr. Pasu Decharin	Independent Director and Member of the Audit Committee	19 October 2018	2 months
12. Mr. Boontuck Wungcharoen	Independent Director, Member of the Executive Committee, Member of the Risk Oversight Committee, and Member of the Technology Committee	5 June 2018	7 months
13. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	22 September 2014	4 years 3 months
14. Mr. Chakkrit Parapuntakul	Director, Member of the Nomination, Compensation and Corporate Governance Committee, and Member of the Risk Oversight Committee	25 November 2015	3 years 1 month
15. Mr. Prapas Kong-ied	Director and Member of the Corporate Social Responsibility Committee	4 July 2018	6 months
16. Mr. Arthid Nanthawithaya	President and Chief Executive Officer, Member of the Executive Committee, Member of the Corporate Social Responsibility Committee, Member of the Technology Committee, and Member of the Risk Oversight Committee	2 April 2015	3 years 9 months
17. Mr. Orapong Thien-Ngern	Director and Member of the Technology Committee	5 April 2018	9 months

## 5.2 Directors' Term of Office

One-third of the total number of directors must retire by rotation at every annual general meeting of shareholders. Directors who have held office for the longest time shall retire. In the case that the total number of directors is not divisible by three, the number of directors to retire shall be the number closest to one-third of all directors. Directors retiring by rotation may be re-elected to continue their office.

To enhance transparency and corporate governance, the Bank has limited the office term of independent directors to nine years. In 2018, two independent directors whose tenure had reached the nine-year limit resigned from the Bank, namely Dr. Kulpatra Sirodom (resigned on 30 April 2018) and Khunying Jada Wattanasiritham (resigned on 19 October 2018).

With regard to the tenure of directors as members of the six Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Risk Oversight Committee, the Technology Committee and the Corporate Social Responsibility Committee, their tenure shall be concurrent with their directorships.

## 5.3 Segregation of Roles, Duties and Responsibilities

The Bank has clearly segregated the positions and authority of the Chairman of the Board, the Chairman of the Executive Committee, and the President and Chief Executive Officer to enhance performance effectiveness, governance, and transparency as follows:

**Chairman of the Board** – The Chairman of the Board of Directors is an independent director and shall not serve as the Chairman of the Executive Committee or the President and Chief Executive Officer of the Bank, or be involved in the Bank's routine management. This practice conforms to the principle of segregation of policy-making and oversight

duties from those in operations management. The key roles of the Chairman of the Board are: to ensure that Board meetings are conducted effectively and matters that are essential to the Bank's operations and/or performance are placed on the meeting agenda, particularly matters related to corporate strategy; to allocate sufficient time for management to present clear and timely information; to allow attending Board members to voice their opinions and ask questions; and to ensure that Board resolutions are clear and the meeting minutes are complete and correct. The Chairman of the Board also presides over the shareholder meeting. Another key role of the Chairman is to ensure that the Bank's governance practices, such as the composition of the Board, directors' performance of duties and succession planning for top executives, comply with the adopted policies.

**Chairman of the Executive Committee** – The Chairman of the Executive Committee is appointed by the Board with power and duties to oversee the Executive Committee whose key roles and responsibilities are to ensure that the Bank's business and operations are in line with its strategies, policies and regulations and to perform tasks assigned by the Board with the goal of leading the Bank to achieve its vision and mission while upholding its core values. The Chairman of the Executive Committee is appointed by the Board as an authorized director with signing authority.

**President and Chief Executive Officer** – The Board appointed Mr. Arthid Nanthawithaya, a director of the Bank, as the President and Chief Executive Officer to be principally in charge of managing and leading the Bank's business and operations in accordance with the Bank's policies, strategy and business plan as approved by the Board and in compliance with applicable regulations under the principles of corporate governance. The President and Chief Executive Officer is appointed by the Board as an authorized director with signing authority.

#### 5.4 Directorships of Other Companies

The Bank has established a clear policy on holding of positions by the Bank's directors and senior executives in other companies. The Bank's directors are not allowed to hold directorship in more than five listed companies, i.e., SCB and other four listed companies. This is in line with the Bank of Thailand's Notification Re: Corporate Governance of Financial Institutions, the 2017 CG Code, and the corporate governance principles stipulated by the Institute of Directors Association. Furthermore, to comply with the Bank of Thailand's Notification Re: Corporate Governance of Financial Institutions, holding of positions by directors, managers, persons with management authority, and advisors of the Bank as a chairman and/or an executive director of other companies shall be limited to three business groups only.

In addition to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies which requires the Bank's directors to notify the Nomination, Compensation and Corporate Governance Committee of their positions in other companies or organizations so that the Nomination, Compensation and Corporate Governance Committee can review the appropriateness of the appointment and compliance with relevant laws and regulations. The Company Secretary shall regularly report changes in positions held by directors to the Board of Directors. Information on positions held by the Bank's directors in other companies, which is disclosed to shareholders in this Annual Report, indicates that no director holds positions in more than five listed companies, i.e., SCB and other four listed companies, and no director or senior executive of the Bank (Executive Vice President or higher) holds positions as chairman of the board of directors and/or executive director and/or authorized director of other companies in more than three business groups.

#### 5.5 Roles and Responsibilities of the Board of Directors

The Board of Directors is committed to pursuing the highest standards of ethical conduct and complying with the provisions of laws. The Board's roles and responsibilities shall be in accordance with those specified by law, the Bank's Memorandum and Articles of Association, and the resolutions of the shareholder meetings. Duties, responsibilities, and approval authority of the Board also include those specified in the charter of the Board of Directors such as setting the Bank's policies, strategies, and financial targets. In the prior fiscal year, the Board reviewed the Bank's vision, mission and business strategy which must be reviewed annually. The Board is also responsible for approving business policies and directions proposed by management and overseeing the performance of the management to ensure that policies and strategies are implemented and financial targets are achieved. The aim is to maximize long-term shareholder value by taking into account the best interests of all stakeholders. The Board is also responsible for reviewing the succession plan for the position of President and Chief Executive Officer, establishing structures and processes for sound risk management, audit, compliance and internal control systems, and reviewing such structures and processes regularly. Details on the roles, responsibilities and approval authority of the Board are available on [www.scb.co.th](http://www.scb.co.th) under the section "Charter of the Board of Directors."

In addition to complying with relevant laws and regulations as mentioned above, the Board, executives and employees strictly abide by the Code of Conduct for Directors, Executives and Employees which provides ethical standards governing: 1) corporate governance, 2) protecting SCB's interest, image, honor, reputation and virtue, 3) conflicts of interest, 4) information integrity, 5) information confidentiality, 6) insider trading, 7) anti-money laundering and combating the financing of terrorism and proliferation of weapons of mass destruction, 8) anti-corruption, 9) gambling, alcohol and drugs, 10) giving and receiving gifts and entertainment, 11) corporate assets, 12) outside employment or other commercial activities, 13) harassment, and 14) whistleblower. The Code of Conduct of SCB and

SCB Financial Group, which must be complied with by all directors, executives and employees, and the Code of Business Conduct were approved by the Board. New directors of the Bank are provided with an orientation program and a director's manual that contains the said codes of conducts for their compliance. New executives and employees of the Bank are required to sign a pledge of compliance with these codes of conducts. Details of the Code of Conduct of SCB and SCB Financial Group and the SCB Supplier Code of Conduct are available on [www.scb.co.th](http://www.scb.co.th) under the section "Code of Conduct."

## 5.6 Board Committees and Management Team Committees

### 5.6.1 Board Committee

The Bank has appointed six Board committees in total, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Risk Oversight Committee, the Technology Committee, and the Corporate Social Responsibility Committee, to assist the Board in considering specific matters as assigned by the Board. The Risk Oversight Committee and the Technology Committee were newly appointed in 2018 to enhance and align the oversight with the Bank's business strategy.

Meetings of each Board committee are scheduled in advance for the entire year and are held in accordance with the criteria specified in the charter of each Board Committee and the Corporate Governance Policy. Duties and responsibilities of each Board committee are clearly specified in its charter, which is available on [www.scb.co.th](http://www.scb.co.th) under the section "Charter." Details are summarized below:

- **Executive Committee**

The major duties and responsibilities of the Executive Committee are to oversee and ensure that the Bank's business and operations are in line with its strategies, policies and regulations and to perform tasks as assigned by the Board. Key responsibilities include screening all matters that are proposed to the Board for consideration,

excluding those matters under responsibility of other specific committees, and approving requests within the scope of authority delegated by the Board and stipulated in the charter of the Executive Committee.

As of 31 December 2018, the Executive Committee consists of four directors of the Bank, namely Dr. Vichit Suraphongchai (Chairman of the Executive Committee), Mr. Kan Trakulhoon (Independent Director), Mr. Boontuck Wungcharoen (Independent Director), and Mr. Arthid Nanthawithaya. Their tenure on the Executive Committee is concurrent with their directorships. Performance of the Executive Committee in 2018 is described in the Executive Committee Report in this Annual Report.

- **Audit Committee**

The Board first appointed the Audit Committee in 1998 with responsibilities in several areas, e.g., financial reporting, internal control, internal audit, and oversight of compliance with regulations, codes of ethics, codes of conduct, and risk management principles. These responsibilities include: to review the accuracy and adequacy of the Bank's financial statements; to ensure that the management of the Bank has established appropriate and effective internal control and internal audit systems; to review the effectiveness of the Bank's regulatory and legal compliance monitoring system; to review the efficiency of the risk management system of the Bank and the SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee. Another key role of the Audit Committee is to propose the appointment and discharge of external auditors, including the corresponding audit fees, to the Board for consideration prior to obtaining approval at the meeting of shareholders on an annual basis. Furthermore, the Audit Committee is responsible for evaluating performance of external auditors. The Audit Committee of the Bank also serves as the Audit Committee of the SCB Financial Group.

As of 31 December 2018, the Audit Committee consists of three independent directors of the Bank, namely Mr. Prasan Chuaphanich (Chairman of the Audit Committee), Mr. Ekamol Kiriwat, and Dr. Pasu Decharin. Their tenure on the Audit Committee is

concurrent with their directorships. Every member of the Audit Committee has extensive knowledge and experience in reviewing financial statements, particularly with one member of the Audit Committee holding advanced degrees in accounting and finance. Performance of the Audit Committee in 2018 is shown in the Audit Committee Report in this Annual Report.

- **Nomination, Compensation and Corporate Governance Committee**

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are: 1) To nominate qualified individuals as directors of the Bank as well as proposing for the Board's consideration appropriate remuneration for members of the Board and Board committees prior to obtaining approval at the shareholder meetings; 2) To nominate individuals as senior executives and ensure that their remuneration is commensurate with their roles and responsibilities; and 3) To formulate the Bank's corporate governance policy and ensure compliance with corporate governance principles set forth by regulatory authorities and best practices. Details regarding duties and responsibilities of the Nomination, Compensation and Corporate Governance Committee are provided in the charter of the Nomination, Compensation and Corporate Governance Committee.

As of 31 December 2018, the Nomination, Compensation and Corporate Governance Committee consists of four directors of the Bank, namely Mr. Kan Trakulhoon (Chairman of the Nomination, Compensation and Corporate Governance Committee and Independent Director), ACM. Satitpong Sukvimol, Mr. Weerawong Chittmittrapap (Independent Director), and Mr. Chakkrit Parapuntakul. Their tenure on the Nomination, Compensation and Corporate Governance Committee is concurrent with their directorships. Performance of the Nomination, Compensation and Corporate Governance Committee in 2018 is shown in the Nomination, Compensation and Corporate Governance Committee Report in this Annual Report.

- **Risk Oversight Committee**

The Risk Oversight Committee was appointed by the Board on 1 July 2018 to provide advice to the Board regarding the risk oversight framework of the Bank and companies in SCB Financial Group and to review the overall risk management policies and strategies, and risk tolerance for all risks including emerging risks to ensure their adequacy, effectiveness and proper implementation. The Risk Oversight Committee is also responsible for reporting to the Board risk positions, risk management effectiveness, status of the risk culture adoption, significant risk factors and issues, and risk management policy/strategy gaps. The Risk Oversight Committee is also responsible for providing advice to the Board concerning organization-wide risk culture cultivation, supervising the culture adoption and the management and risk function heads' compliance with the risk management policies and strategies and risk appetite framework, and rendering opinions on or assessing the performance of Chief Risk Officer.

To promote independence, the Bank ensures that more than half of the total members of the Risk Oversight Committee are independent directors and non-executive directors. As of 31 December 2018, the Risk Oversight Committee consists of five members, i.e., two independent directors, two non-executive directors and one executive director, namely Mr. Krirk Vanikkul (Chairman of the Risk Oversight Committee, who is an Independent Director), Mr. Boontuck Wungcharoen (Independent Director), Mrs. Kannikar Chalitaporn, Mr. Chakkrit Parapuntakul and Mr. Arthid Nanthawithaya. Their tenure on the Risk Oversight Committee is concurrent with their directorships and/or incumbency as executives of the Bank. Performance of the Risk Oversight Committee in 2018 is shown in the Risk Oversight Committee Report in this Annual Report.

- **Technology Committee**

The Technology Committee is responsible for directing the Bank's technology-related direction and strategy for their alignment with the Bank's strategy with an aim to enhancing the Bank's technology, data and technology risk management capabilities. Where necessary, other committees, such as the Risk Oversight Committee and the Audit Committee, will be involved by the Technology Committee in the technology risk management process.

The Technology Committee is appointed by the Board and consists of at least four members who are directors and/or executives of the Bank and most of them possess knowledge, expertise and insight in the field of technology with business and risk acumen. As of 31 December 2018, the Technology Committee consists of four members, namely Dr. Thaweesak Koanantakool (Chairman of the Technology Committee who is an Independent Director), Mr. Boontuck Wungcharoen (Independent Director), Mr. Arthid Nanthawithaya, and Mr. Orapong Thien-Ngern. Their tenure on the Technology Committee is concurrent with their directorships and/or incumbency as executives of the Bank. Performance of the Technology Committee in 2018 is shown in the Nomination, Compensation and Corporate Governance Committee Report in this Annual Report.

- **Corporate Social Responsibility Committee**

The roles and responsibilities of the Corporate Social Responsibility Committee are to direct, supervise and develop the Bank's CSR framework with the goal of contributing to Thailand's economy, the society and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks, and sustaining success in the following three core areas: 1) youth development and learning enhancement, 2) development of the quality of life and environment, and 3) preservation of cultural heritage and environment. The Bank fosters a culture and spirit of volunteerism, civic awareness and sense of social responsibility among employees by actively involving them in the Bank's CSR activities.

The Corporate Social Responsibility Committee is appointed by the Board and consists of at least three directors. Their tenure on the Corporate Social Responsibility Committee is concurrent with their directorships. As of 31 December 2018, the Corporate Social Responsibility Committee consists of four members, namely Mrs. Kannikar Chalitaporn (Chairman of the Corporate Social Responsibility Committee), Pol. Col. Thumnithi Wanichthanom, Mr. Prapas Kong-ied, and Mr. Arthid Nanthawithaya. Performance of the Corporate Social Responsibility Committee in 2018 is shown in the Corporate Social Responsibility Committee Report in this Annual Report

## 5.6.2 Management Team Committees

There are four key management team committees, namely the Management Committee, the Risk Management Committee, the Assets and Liabilities Management Committee and the Equity Investment Management Committee. The roles and responsibilities of each committee are as outlined below:

- **Management Committee**

The Management Committee consists of senior executives and is chaired by the President and Chief Executive Officer. The Management Committee is responsible for developing and proposing the Bank's strategy, business plan, annual action plan and business targets to the Board, collectively driving the Bank's operations according to the established strategy, plan and targets, including directing and monitoring operations and making decisions on major projects of the Bank. In 2018, the Management Committee held 43 meetings.

- **Risk Management Committee**

The Risk Management Committee is chiefly responsible for: formulating and aligning risk management policies with the risk governance framework of SCB Financial Group; screening risk management policies and guidelines of SCB Financial Group that address material risks; exercising supervision and control over compliance of companies in SCB Financial Group with the SCB Financial Group's risk management policies and

strategies; assessing and controlling compliance with risk appetite; and approving risk models. The Risk Management Committee is also responsible for reporting risk positions, risk management effectiveness, status of the risk culture adoption, significant risk factors and issues, and risk management policy/strategy gaps to the Risk Oversight Committee on a regular basis. In 2018, the Risk Management Committee held 10 meetings.

- **Assets and Liabilities Management Committee**

The Assets and Liabilities Management Committee is a key mechanism for the Bank's management of liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate policies and approve risk management strategies to address funding and liquidity, interest rate and foreign exchange risk faced by the Bank as well as ensuring capital adequacy to support its business direction including Tier II capital. The Assets and Liabilities Management Committee also ensures that the Bank effectively and efficiently manage its assets and liabilities to build resilience against adverse economic conditions and unexpected shocks. In 2018, the Assets and Liabilities Management Committee held 12 meetings.

- **Equity Investment Management Committee**

The Equity Investment Management Committee's responsibilities are to review and approve investment in, or divestment of, equities in the Bank's investment portfolio, including the investment policy and operational process associated with the investment. In 2018, the Equity Investment Management Committee held 12 meetings.

## 5.7 Board Meetings

Meetings of the Board of Directors are held in accordance with the rules and procedures specified in the charter of the Board and the Corporate Governance Policy. The Board meeting is scheduled to be held once every month (except December) and the meeting schedule is planned in advance for the entire year. The Chairman of the Board determines the agenda of each Board meeting whereby directors and the President and Chief Executive Officer may propose agenda items

through the Company Secretary. In addition, the Board has a policy to call a meeting of independent directors and non-executive directors on a semi-annual basis. An invitation to a Board meeting is sent to all directors at least seven days prior to the meeting date unless an urgent meeting is required to protect the Bank's rights or benefits. Other relevant documents are sent to directors at least five business days prior to the date of each meeting so that directors have sufficient time to study the information, unless an urgent necessity requires otherwise. Directors can request additional information through the Company Secretary.

At each Board meeting, executives are invited to attend the meeting on agenda items concerning their areas of responsibility in order to provide relevant details to the directors. In addition, the Board has specified in its charter that at least two-thirds of all directors shall be present during the voting procedure.

In 2018, there were 20 Board meetings, consisting of 12 meetings that were originally included in the annual Board meeting calendar and eight extra meetings. The meeting attendance of the Board was 89.17 percent, and the meeting attendance of each individual director was above 75 percent, which is in compliance with the charter of the Board prescribing that each director shall attend at least 75 percent of the total Board meetings. In addition, the Bank arranged two non-executive directors' meetings (led by an independent director) to provide a forum for non-executive directors to discuss issues of their interests. Details of individual directors' meeting attendance in 2018 are as shown in Table 2.

Table 2 Individual Directors' Meeting Attendance in 2018

Name	Unit: Meeting								
	Board of Directors	Board of Directors (Extra)*	Executive Committee	Audit Committee	Nomination, Compensation and Corporate Governance Committee	Risk Oversight Committee	Tech-nology Committee	Corporate Social Responsibility Committee	Annual General Meeting of Share-holders No. 195
1. Mr. Anand Panyarachun	12/12	8/8	-	-	-	-	-	-	1/1
2. Dr. Vichit Suraphongchai	12/12	7/8	40/41	-	-	-	-	-	1/1
3. Mr. Prasan Chuaphanich	11/12	8/8	-	12/13	-	-	-	-	1/1
4. Mr. Kan Trakulhoon	11/12	8/8	12/15	-	11/12	-	-	-	1/1
5. Mr. Krirk Vanikkul	12/12	7/8	26/26	-	-	8/8	-	-	1/1
6. Dr. Thaweesak Koanantakool	10/12	7/8	22/26	-	-	-	4/4	-	1/1
7. Mrs. Kannikar Chalitaporn	12/12	6/8	25/26	-	-	8/8	-	7/7	1/1
8. ACM Satitpong Sukvimol	6/6	0/1	-	-	4/5	-	-	-	0/0
9. Pol. Col. Thumnithi Wanichthanom	6/6	0/1	-	-	-	-	-	3/3	0/0
10. Mr. Ekamol Kiriwat	12/12	7/8	-	12/13	-	-	-	-	1/1
11. Dr. Pasu Decharin	1/1	0/0	-	2/2	-	-	-	-	0/0
12. Mr. Boontuck Wungcharoen	6/6	2/2	15/15	-	-	8/8	1/2	-	0/0
13. Mr. Weerawong Chittmitrapap	12/12	6/8	-	-	12/12	-	-	-	1/1
14. Mr. Chakkrit Parapuntakul	11/12	5/8	-	-	5/5	7/8	-	4/4	1/1
15. Mr. Prapas Kong-ied	5/5	1/1	-	-	-	-	-	3/3	0/0
16. Mr. Arthid Nanthawithaya	10/12	8/8	38/41	-	-	1/1	3/4	6/7	1/1
17. Mr. Orapong Thien-Ngern	9/9	4/4	-	-	-	-	4/4	-	0/0
18. Dr. Chirayu Isarangkun Na Ayuthaya	4/4	2/4	-	-	3/4	-	-	-	1/1
19. Khunying Jada Wattanasiritham	11/11	4/8	-	6/6	11/11	-	-	6/6	1/1
20. M.R. Disnadda Diskul	1/1	1/2	-	-	-	-	-	-	0/0
21. Dr. Kulpatra Sirodom	4/5	4/5	-	5/5	-	-	-	1/1	1/1
22. Dr. Ekniti Nitithanrapas	4/6	3/6	-	-	4/6	-	-	-	1/1

Remark: \* Extra Board meetings are Board meetings not included in the original Board meeting calendar that has been set in advance for the entire year.

\*\* Changes in the Board and Board committees are detailed in an annex to this Corporate Governance Report.

## 5.8 Board and Senior Executive Assessment

### 5.8.1 Board and Board Committee Assessment

The Board assessment is conducted annually and is divided into four parts: 1) Board assessment, 2) Board committee assessment, 3) Individual director assessment, and 4) Board Chairman assessment. An assessment form is sent to each director at the end of each year by the Company Secretary who is also in charge of compiling and presenting the assessment results to the Nomination, Compensation and Corporate Governance Committee. The assessment results and recommendations gathered are subsequently presented to the Board for acknowledgment and discussion on further improvement of the Board's performance. Aiming to enhance the Board assessment in accordance with the Stock Exchange of Thailand's Corporate Governance Code for Listed Companies, the Bank hired an external consulting firm that has experience and expertise in corporate governance to conduct the Board assessment process every three years since 2012. The Bank engaged Aon Hewitt (Thailand) Limited ("Aon") in the 2018 Board assessment process, and self-evaluation and cross-evaluation were employed for the assessment of the Board and individual directors as detailed below:

#### 1

Board Assessment - Nine key assessment topics are: Board composition, information management, Board processes, representation of shareholders and environmental, social and governance (ESG), managing the Bank's performance, Board strategy and priorities, management performance and succession planning, director development and management, and risk management.

#### 2

Board Committee Assessment - Key assessment topics are performance of duties as specified in the charters of the Board committees, compliance with applicable supervisory rules, regulations and

principles, promotion of open communications, participation and rigorous decision-making at Board committee meetings, frequency of Board committee meetings and time for discussion at such meetings, access to information relevant to issues discussed at the meetings, and calendar of pre-scheduled meetings with regular agenda items. All directors are engaged in the assessment of every Board committee for better reflection of each Board committee's performance.

#### 3

Individual Director Assessment - Key assessment topics are contribution, knowledge and abilities, collaboration, integrity, and support for the Board.

#### 4

Board Chairman Assessment - This section evaluates the performance of the Chairman of the Board in relation to: 1) Effective management and facilitation of Board meetings and shareholder meeting such as setting meeting agenda, encouraging contribution and different perspectives from all directors, effectively summarizing the outcomes from the meetings, ensuring that meeting minutes were adequately recorded and disseminated in a timely manner, and demonstrating leadership, and 2) Working with directors such as facilitating clear communication between the executive and non-executive directors, following up on the assessment of each director to elicit performance improvements, and leading the Board to perform effectively.

Average rating of the four sections under the 2018 Board assessment was good, i.e., the performance of the Board, Board committees, individual directors, and Chairman of the Board generally met expectations. There were recommendations from the directors on areas for development to further enhance its effectiveness amid the growing complexity and rapid changes in today's business environment; and the Board is committed to applying the findings from the assessment to its performance development.

### 5.8.2 Senior Executive Assessment

The Nomination, Compensation and Corporate Governance Committee is responsible for the annual performance assessment of the Bank's senior executives, namely the Chairman of the Executive Committee, the President and Chief Executive Officer, and senior executives at Executive Vice President level and higher. The assessment is conducted annually and proposed to the Board for approval.

### 5.9 Procedure for Nomination of Directors and Senior Executives

The Nomination, Compensation and Corporate Governance Committee is responsible for screening and proposing to the Board qualified candidates whose qualifications match the Bank's strategic requirements to serve as directors and members of Board committees. Nomination is based on each candidate's knowledge, capabilities, expertise, and past experience in relation to each vacancy's requirements, the board skill matrix, which is employed as a screening tool, and, in the case of independent directors, the independence of the candidate. The Bank proceeds with its due diligence process to ensure that qualifications of nominated individuals are not contrary to relevant laws and conform to the Bank's policies governing directors' holding of position in other companies. The Nomination, Compensation and Corporate Governance Committee selects candidates for directorship from the director pool of the Thai Institute of Directors Association (IOD) and nominations by the directors and the shareholders of the Bank. After thoroughly vetting each candidate's qualifications to ensure compliance with laws and regulations (where applicable), the Nomination, Compensation and Corporate Governance Committee will propose the nomination to the Board for consideration. Following the Board's approval, the Bank will consult with and seek endorsement from the Bank of Thailand prior to proposing the nomination to the shareholders, if applicable, for approval of the appointment.

To ensure that the director nomination and selection is in line with the Bank's strategic and

business directions, the Nomination, Compensation and Corporate Governance Committee has defined the qualification screening criteria which set out three aspects of attributes and expertise that constitute desired qualifications of directors: (1) Knowledge, expertise, or experience in macro-level management, (2) Knowledge, expertise, or specific experience in the management of financial institutions, and (3) Knowledge, expertise, or experience in other fields deemed useful to the Board. The Nomination, Compensation and Corporate Governance Committee also regularly reviews and updates the board skill matrix for the effectiveness of the director screening and nomination.

In addition to the nomination of directors, the Nomination, Compensation and Corporate Governance Committee is responsible for reviewing and screening qualifications of candidates for positions at the level of Executive Vice President and higher, prior to proposing the nomination to the Board for approval and subsequently to the Bank of Thailand for endorsement of the senior executive appointment as well as overseeing the formulation of policies, criteria, and procedures for the nomination and remuneration of directors and persons with management authority of companies in SCB Financial Group.

The process for nomination, selection and appointment of directors and senior executives and the oversight of the formulation of policies, criteria, and procedures for the nomination and remuneration of directors and persons with management authority of companies in the SCB Financial Group as mentioned above are conducted by the Board, the Nomination, Compensation and Corporate Governance Committee, and relevant management without any discrimination on race, religion, gender, marital status or physical disability.

### 5.10 Succession Planning

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility of succession planning to ensure that the Bank has in place a succession plan that incorporates nomination, selection, and training for key positions, particularly the posi-

tions of the Chairman of the Executive Committee, the President and Chief Executive Officer, and executives at the level of Executive Vice President or higher. This is to ensure the continuity of the Bank's management and business operations when executive positions become vacant due to new appointment, job transfer, retirement, resignation, or any other reason.

Also, the Bank has regularly refined the competency sets for many senior positions and job families to support the development of career road map and succession planning.

## 5.11 Director and Executive Remuneration

### 5.11.1 Director Remuneration

The Board has a policy that director remuneration shall be commensurate with the functional duties of directors who must fulfill the expectations of various groups of stakeholders and comply with applicable laws and regulations. It is thus required that Bank's directors possess appropriate experience and qualifications and their remuneration reflect their contributions, responsibilities and risks associated with each

director. The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration of members of the Board and Board committees to the Board for consideration and, subsequently, to shareholders for approval each year.

At the 2018 AGM, the shareholders resolved to approve the Chairman of the Board's remuneration of Baht 1.8 million per year, and each member of the Board's remuneration of Baht 1.2 million per year which are the levels that have been in effect since 2000. In 2018, the annual remuneration paid to 22 directors (inclusive of five directors who resigned during 2018) totaled Baht 19.7 million.

At the same AGM, shareholders approved a bonus payment to directors at a rate of no more than 0.5 percent of dividend and authorized the Board to determine the appropriate amount and allocation. Since shareholders approved the 2017 dividend at Baht 5.50 per share or Baht 18,696 million in total, the directors' bonus for 2017 was set at Baht 54 million or 0.29 percent of the dividend.

Remuneration of the Board committees in 2018 as approved by the 2018 AGM is shown below:

Committee	Monthly remuneration (Baht)	Attendance fee (Baht/meeting)
<b>Executive Committee</b>		
• Chairman	-	-
• Member	300,000	-
<b>Audit Committee</b>		
• Chairman	75,000	15,000
• Member	50,000	10,000
<b>Nomination, Compensation and Corporate Governance Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000
<b>Corporate Social Responsibility Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000

Remark: The Chairman of the Executive Committee, the President and Chief Executive Officer, and senior executives do not receive remuneration for serving on Board committees.

With regard to the Risk Oversight Committee and the Technology Committee newly established on 1 July 2018, their remuneration will be proposed to shareholders for approval at the

2019 Annual General Meeting of Shareholders.

Details of monetary remuneration for individual directors are shown in Table 3.

Table 3 Details of Monetary Remuneration for Individual Directors in 2018\*

(Unit: Million Baht)

Name	Board of Directors	Executive Committee	Audit Committee	Nomination, Compensation and Corporate Governance Committee	Corporate Social Responsibility Committee	Directors' bonus for 2017 performance
1. Mr. Anand Panyarachun	1.80	-	-	-	-	4.91
2. Dr. Vichit Suraphongchai	1.20	-	-	-	-	3.27
3. Mr. Prasan Chuaphanich	1.20	-	1.08	-	-	3.27
4. Mr. Kan Trakulhoon	1.20	1.80	-	0.58	-	3.27
5. Mr. Krirk Vanikkul	1.20	1.80	-	-	-	3.27
6. Dr. Thaweesak Koanantakool	1.20	1.80	-	-	-	3.27
7. Mrs. Kannikar Chalitaporn	1.20	1.80	-	-	0.43	3.27
8. ACM Satitpong Sukvimol	0.60	-	-	0.22	-	-
9. Pol. Col. Thumnithi Wanichthanom	0.60	-	-	-	0.21	-
10. Mr. Ekamol Kiriwat	1.20	-	0.72	-	-	3.27
11. Dr. Pasu Decharin	0.24	-	0.14	-	-	-
12. Mr. Boontuck Wungcharoen	0.69	1.80	-	-	-	-
13. Mr. Weerawong Chittmitrapap	1.20	-	-	0.48	-	3.27
14. Mr. Chakkrit Parapuntakul	1.20	-	-	0.23	0.22	3.27
15. Mr. Prapas Kong-ied	0.59	-	-	-	0.21	-
16. Mr. Arthid Nanthawithaya	1.20	-	-	-	-	3.27
17. Mr. Orapong Thien-Ngern	0.89	-	-	-	-	-
18. Dr. Chirayu Isarangkun Na Ayuthaya	0.32	-	-	0.19	-	3.27
19. Khunying Jada Wattanasiritham	0.96	-	0.34	0.40	0.52	3.27
20. M.R. Disnadda Diskul	0.10	-	-	-	-	3.27
21. Dr. Kulpatra Sirodom	0.40	-	0.25	-	0.13	3.27
22. Dr. Ekniti Nitithanprapas	0.50	-	-	0.19	-	3.27
<b>Total</b>	<b>19.69</b>	<b>9.00</b>	<b>2.53</b>	<b>2.29</b>	<b>1.72</b>	<b>53.96</b>

Remark: \* The above remunerations are exclusive of the remunerations of the Risk Oversight Committee and the Technology Committee which have been established since 1 July 2018. The 2018 remunerations of the Risk Oversight Committee and the Technology Committee will be proposed to the 2019 AGM for approval.

\*\* Changes in directors and Board committees are as detailed in an annex to this Corporate Governance Report.

### 5.11.2 Executive Remuneration

The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration for executives, including the Chairman of the Executive Committee, the President and Chief Executive Officer, and senior executives at Executive Vice President level and higher to the Board for approval. Remuneration should be appropriate for and in line with the Bank's policies as well as reflect short-term and long-term corporate performance and individual performance. Performance is assessed and benchmarked against KPIs, which include financial indicators, customer-related indicators as well as indicators relating to work process improvement and people development, to build a solid foundation for sustainable success of the Bank. Remuneration is determined based on transparent criteria, scope of responsibilities, and competitiveness within the financial industry and relative to other leading companies in Thailand.

Based on the Securities and Exchange Commission's definition, the term "executives" refers to "the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive, and shall include the persons holding the position of manager or equivalent and higher in the accounting or finance departments." In 2018, the number of the Bank's executives based on this definition was 18, and collectively they received remuneration in the form of salaries, bonuses, and allowances of Baht 434.92 million (inclusive of two executives who resigned and changed their positions during the year). On the other hand, the term "executives" according to the definition of the Bank of Thailand refers to executives at Executive Vice President level and higher. In 2018, the number of Bank's executives based on the Bank of Thailand's definition was 102, and collectively they received remuneration in the form of monthly salaries, bonuses, and allowances of Baht 1,410.89 million (inclusive of 19 executives who resigned during the year).



### 5.11.3 Other Benefits for Directors and Executives

Directors and executives of the Bank are entitled to receive other welfare and benefits in accordance with the Bank's regulations. Directors are entitled to medical benefits, including an annual medical check-up, that are equivalent to those offered to the Bank's executives at Executive Vice President level or higher, and the Chairman of the Board is additionally entitled to a company car benefit. In 2018, non-executive directors of the Bank received welfare benefits (medical benefits, annual medical check-up, and life insurance) of Baht 0.35 million in total. The Bank's executives are entitled to welfare and other benefits similar to those offered to other employees, such as medical benefits, annual medical check-up, life and accident insurance, welfare loans, and provident fund contribution. In 2018, the Bank's provident fund contribution for 18 executives as defined by the Securities and Exchange Commission, i.e., Senior Executive Vice President level, was Baht 11.06 million in total, while the provident fund contribution for 102 executives as defined by the Bank of Thailand, i.e., Executive Vice President level and higher, was Baht 47.24 million in total.

### 5.12 Director Orientation

The Bank arranges orientation meetings to brief all new directors on the Bank's vision, strategies, key business targets, performance highlights and relevant regulatory rules. Also, important documents are provided to new directors, i.e., the Director's Manual, the Memorandum and Articles of Association of the Bank, the Bank's Annual Report, SCB Code of Conduct, and Code of Conduct for Directors, Executives and Employees. These documents contain, among others, key information on roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and duties of Board committees, and the Anti-Corruption and Bribery Policy.

### 5.13 Director, Executive and Employee Development

#### 5.13.1 Director Development

The Bank attaches importance to director development and encourages directors to regularly participate in courses or activities to enhance their knowledge and performance as members of the Board of Directors and Board committees. This includes courses and activities arranged by the Stock Exchange of Thailand, the Securities and Exchange Commission, the Thai Institute of Directors Association, and other institutions. Directors are also encouraged to attend overseas seminars and activities relating to corporate governance practices and are regularly informed of relevant training courses.

Furthermore, the Board of Directors has directed the Bank to arrange appropriate development programs on an ongoing basis to ensure that directors remain current with skills and knowledge relevant to their performance as members of the Board of Directors and Board committees. Additionally, the Bank arranges workshops or seminars at least once per year as a knowledge-exchange forum for directors. Details of each director's participation in development programs and training courses in 2018 are shown in Table 4.

Table 4 Participation of the Bank's Directors in Training Courses and Development Programs in 2018

Name of Director	Course Subject	Organizer
1. Mr. Anand Panyarachun	<ul style="list-style-type: none"> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Exponential Social Enterprise Co., Ltd. and Singularity University</li> <li>The Siam Commercial Bank PCL</li> <li>The Siam Commercial Bank PCL and PricewaterhouseCoopers</li> <li>The Siam Commercial Bank PCL</li> </ul>
2. Dr. Vichit Suraphongchai	<ul style="list-style-type: none"> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Exponential Social Enterprise Co., Ltd. and Singularity University</li> <li>The Siam Commercial Bank PCL</li> <li>The Siam Commercial Bank PCL and PricewaterhouseCoopers</li> <li>The Siam Commercial Bank PCL</li> </ul>
3. Mr. Prasan Chuaphanich	<ul style="list-style-type: none"> <li>• Bangkok FinTech Fair 2018: SME and Consumer Financial Solutions</li> <li>• Bangkok Sustainable Banking Forum 2018</li> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Bank of Thailand</li> <li>Bank of Thailand</li> <li>Exponential Social Enterprise Co., Ltd. and Singularity University</li> <li>The Siam Commercial Bank PCL</li> <li>The Siam Commercial Bank PCL and PricewaterhouseCoopers</li> <li>The Siam Commercial Bank PCL</li> </ul>
4. Mr. Kan Trakulhoon	<ul style="list-style-type: none"> <li>• Bangkok FinTech Fair 2018: SME and Consumer Financial Solutions</li> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Customer Experience and Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Bank of Thailand</li> <li>Exponential Social Enterprise Co., Ltd. and Singularity University</li> <li>The Siam Commercial Bank PCL</li> <li>The Siam Commercial Bank PCL</li> </ul>
5. Mr. Krirk Vanikkul	<ul style="list-style-type: none"> <li>• Bangkok Sustainable Banking Forum 2018</li> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Bank of Thailand</li> <li>Exponential Social Enterprise Co., Ltd. and Singularity University</li> <li>The Siam Commercial Bank PCL</li> <li>The Siam Commercial Bank PCL and PricewaterhouseCoopers</li> <li>The Siam Commercial Bank PCL</li> </ul>

Name of Director	Course Subject	Organizer
6. Dr. Thaweesak Koanantakool	<ul style="list-style-type: none"> <li>• Board Matters and Trends (BMT)</li> <li>• Bangkok Sustainable Banking Forum 2018</li> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	Thai Institute of Directors Association Bank of Thailand Exponential Social Enterprise Co., Ltd. and Singularity University The Siam Commercial Bank PCL The Siam Commercial Bank PCL and PricewaterhouseCoopers The Siam Commercial Bank PCL
7. Mrs. Kannikar Chalitaporn	<ul style="list-style-type: none"> <li>• Director Accreditation Program (DAP)</li> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	Thai Institute of Directors Association Exponential Social Enterprise Co., Ltd. and Singularity University The Siam Commercial Bank PCL The Siam Commercial Bank PCL and PricewaterhouseCoopers The Siam Commercial Bank PCL
8. ACM Satitpong Sukvimol	<ul style="list-style-type: none"> <li>• Customer Experience and Value Creation</li> </ul>	The Siam Commercial Bank PCL
9. Pol. Col. Thumnithi Wanichthanom	<ul style="list-style-type: none"> <li>• Customer Experience and Value Creation</li> </ul>	The Siam Commercial Bank PCL
10. Mr. Ekamol Kiriwat	<ul style="list-style-type: none"> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	The Siam Commercial Bank PCL The Siam Commercial Bank PCL and PricewaterhouseCoopers The Siam Commercial Bank PCL
11. Dr. Pasu Decharin	<ul style="list-style-type: none"> <li>• Leadership Development Program (LDP6)</li> <li>• Customer Experience and Value Creation</li> </ul>	Thai Listed Companies Association The Siam Commercial Bank PCL
12. Mr. Boontuck Wungcharoen	<ul style="list-style-type: none"> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	The Siam Commercial Bank PCL and PricewaterhouseCoopers The Siam Commercial Bank PCL
13. Mr. Weerawong Chittmittrapap	<ul style="list-style-type: none"> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Customer Experience and Value Creation</li> </ul>	The Siam Commercial Bank PCL The Siam Commercial Bank PCL
14. Mr. Chakkrit Parapuntakul	<ul style="list-style-type: none"> <li>• Bangkok FinTech Fair 2018: SME and Consumer Financial Solutions</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	Bank of Thailand The Siam Commercial Bank PCL The Siam Commercial Bank PCL and PricewaterhouseCoopers The Siam Commercial Bank PCL

Name of Director	Course Subject	Organizer
15. Mr. Prapas Kong-ied	<ul style="list-style-type: none"> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<p>The Siam Commercial Bank PCL and PricewaterhouseCoopers</p> <p>The Siam Commercial Bank PCL</p>
16. Mr. Arthid Nanthawithaya	<ul style="list-style-type: none"> <li>• SingularityU Thailand Summit 2018</li> <li>• Blockchain/ Crypto/ Initial Coin Offering (ICO)</li> <li>• Cyber Security and Technology Risk</li> <li>• Customer Experience and Value Creation</li> </ul>	<p>Exponential Social Enterprise Co., Ltd. and Singularity University</p> <p>The Siam Commercial Bank PCL</p> <p>The Siam Commercial Bank PCL and PricewaterhouseCoopers</p> <p>The Siam Commercial Bank PCL</p>
17. Mr. Orapong Thien-Ngern	<ul style="list-style-type: none"> <li>• SingularityU Thailand Summit 2018</li> <li>• Customer Experience and Value Creation</li> </ul>	<p>Exponential Social Enterprise Co., Ltd. and Singularity University</p> <p>The Siam Commercial Bank PCL</p>

### 5.13.2 Executive and Employee Development

Preparing employees and executives of the Bank for change amid digital disruption was a key theme of the Bank's people development program in 2018 with an aim to develop new skills and leverage on data and emerging technologies for the best benefits of the Bank and its customers.

SCB Academy was established to function as an open forum where employees can learn and experiment with new ideas together. Executive coaching programs were expanded, and senior executives were invited to share their knowledge with the participants of these programs. Multiple learning and training courses, such as Building on Talent, Digital Transformation, Execution Leadership and Changing Employee Behavior, were designed in collaboration with leading international academic institutions. In addition, Talent Accelerated Program (TAP) was further developed to include a more diverse range of high-potential talents, focusing on projects of which deliverables could be furthered for the Bank's benefit and the development of practical and functional skills for

these talents who will be key drivers of the Bank's digital transformation. New training courses, such as design thinking and agile foundation, were also introduced to foster the desired mindset and practical skills.

A new digital learning platform known as Phon La Muang Dee(gital) was launched on [www.phonlamuangdee.com](http://www.phonlamuangdee.com), which is the first platform in Thailand that enables employees to access and learn digital skills according to their preferences from anywhere and at any time. This innovative and advanced platform offers more than 10,000 courses and AI-enabled recommendations of contents and courses that match the needs and learning behaviors of each employee. As part of space and reinforcement learning, knowledge snippets and small quizzes are sent via Line application to learners daily.

Details of executive and employee development in 2018 are shown in the 2018 Sustainability Report.

#### 5.14 Internal Control and Risk Management

The Bank regularly monitors its internal control system and risk management system and annually evaluates the adequacy of the systems, including related-party transactions and prevention of conflicts of interest. The monitoring and evaluation framework is based on the internal control framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) which encompasses five key components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Details are as elaborated under the section of "Internal Control and Risk Management" of this Annual Report.

#### 5.15 Oversight of Companies in SCB Financial Group

The Bank, as the parent company, attaches importance to aligning the business direction of companies in SCB Financial Group to the Bank's policies and processes, which contributes to the Group's synergy and operational effectiveness.

The Board of Directors has delegated the Nomination, Compensation and Corporate Governance Committee the authority to oversee the formulation of policies governing the nomination and remuneration of persons with management authority of companies in SCB Financial Group. To enable the alignment between the policies and management guidelines of companies in SCB Financial Group and the Bank's key policies, the Bank has developed a representative director handbook, which defines the roles and responsibilities of representative directors and provides guidelines for representative directors whose key duty is to protect the rights and interests of the Bank and its shareholders.

The Board of Directors has delegated the Audit Committee to oversee and monitor compliance of companies in SCB Financial Group with the Bank's policies and review their financial statements to ensure accuracy. Also, to promote transparency and prevent conflicts of interest, the Bank, as the parent company, has established policies and regulations governing transactions among companies in SCB Financial Group to comply with applicable regulatory and legal requirements.

As regards the risk oversight framework, the Bank has delegated the Risk Oversight Committee to control, monitor and oversee risk management practices of all companies in SCB Financial Group to ensure compliance with the SCB Financial Group Risk Management Policy and the Intra-SCB Financial Group Transaction Policy, including regulations of both the Bank and relevant regulators. The Risk Management Committee, which is a management-level committee, is in charge of reviewing such policies and proposing them to the Risk Oversight Committee for endorsement and subsequently to the Board for approval. These policies must be reviewed at least annually or upon significant changes to effectively address associated risks.

#### 5.16 Board Support Unit

The Bank recognizes the importance of, and provides support to, the following units and their personnel who are responsible for ensuring the Bank's proper compliance with laws and regulations as well as the Board's adherence to statutory and good corporate governance practices:

### 5.16.1 Audit Function

The Audit Function is an independent and business-neutral unit that has been established to improve and enhance internal control, including policies, practices, and procedures, and to ensure compliance with applicable regulations for SCB Group. Also, the Audit Function conducts regular audits, identifies matters requiring attention, provides advice, and makes improvement recommendations on internal control, risk management systems, and corporate governance practices. The Audit Function is led by Mr. Krieng Wongnongtaey, First Executive Vice President, Chief Audit Officer, who is responsible for ensuring that the roles and responsibilities of the Audit Function are effectively carried out and reports directly to the Audit Committee in an independent manner. The Audit Committee has the authority to consider and approve the appointment, removal, transfer, or dismissal of the Chief Audit Officer, as well as the merit pay of the Chief Audit Officer.

### 5.16.2 Compliance Function

The Compliance Function serves as the Bank's regulatory center, providing consultation and advice pertaining to regulatory requirements and the Bank's policies, practices, procedures, and controls as well as coordinating with the regulators on behalf of the Bank. The Compliance Function is also in charge of formulating internal policies, rules and regulations that govern the regulatory and legal compliance for all employees and executives of the Bank. It is also responsible for conducting due diligence on persons nominated as directors or executives of the Bank and its subsidiaries to ensure that the nominees possess appropriate qualifications that meet legal and regulatory requirements. The Compliance Function is under the leadership of Mr. Nopadol Mungonchai, Executive Vice President, Head of Compliance, who functionally reports to Senior Executive Vice President, Chief Legal and Control Officer, and independently reports to the Presidents and the Audit Committee in relation to key regulatory compliance matters.

### 5.16.3 Company Secretary

The Board of Directors has appointed a Company Secretary to act under the provisions of law and as further instructed by the Board of Directors. Currently, Mrs. Siribunchong Uthayophas, Executive Vice President, Head of Corporate Office, is the Company Secretary. The key roles are to support the Board with respect to statutory and supervisory requirements and good corporate governance. Functions of the Company Secretary are shown on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the "Functions of Company Secretary" section.

Educational background, work experience, and training records of the persons mentioned above are provided in this Annual Report under "Information of the Directors and Executives of the Bank."

## Annex to the Corporate Governance Report

### Changes in the Board and Board Committees

1. Changes in the Board
  - 1.1 ACM Satitpong Sukvimol and Pol.Col. Thumnithi Wanichthanom were appointed as directors of the Bank, effective on 13 June 2018, to fill the seats vacated by the resignation of Dr. Chirayu Isarangkun Na Ayuthaya and M.R. Disnadda Diskul.
  - 1.2 Dr. Pasu Decharin was appointed as a director of the Bank to fill the seat vacated by the resignation of Khunying Jada Wattanasiritham who completed her independent directorship term, effective on 19 October 2018.
  - 1.3 Mr. Boontuck Wungcharoen was appointed as a director of the Bank, effective on 5 June 2018, to fill the seat vacated by the resignation of Dr. Kulpatra Sirodom who completed her independent directorship term.
  - 1.4 Mr. Prapas Kong-ied was appointed as a director of the Bank, effective on 4 July 2018, to fill the seat vacated by the resignation of Dr. Ekniti Nitithanprapas.
  - 1.5 Mr. Orapong Thien-Ngern was appointed as a director of the Bank to fill the seat vacated by the resignation of Mr. Yol Phokasub, whose directorship term shall complete at the AGM No. 195 on 5 April 2018
2. Changes in the Executive Committee
  - 2.1 Mr. Krirk Vanikkul, Dr. Thaweesak Koanantakool, and Mrs. Kannikar Chalitaporn resigned as members of the Executive Committee, effective on 1 July 2018.
  - 2.2 Mr. Kan Trakulhoon and Mr. Boontuck Wungcharoen were appointed as members of the Executive Committee, effective on 1 July 2018.
3. Changes in the Audit Committee
  - 3.1 Khunying Jada Wattanasiritham was appointed as a member of the Audit Committee, effective on 1 May 2018, to fill the seat vacated by the resignation of Dr. Kulpatra Sirodom.
  - 3.2 Dr. Pasu Decharin was appointed as a member of the Audit Committee, effective on 19 October 2018, to fill the seat vacated by the resignation of Khunying Jada Wattanasiritham.
4. Changes in the Nomination, Compensation and Corporate Governance Committee
  - 4.1 Dr. Chirayu Isarangkun Na Ayuthaya resigned as chairman of the Nomination, Compensation and Corporate Governance Committee, effective on 6 April 2018. In addition, Dr. Ekniti Nitithanprapas and Khunying Jada Wattanasiritham resigned as members of the Nomination, Compensation and Corporate Governance Committee, effective on 1 June 2018 and 19 October 2018 respectively.
  - 4.2 ACM Satitpong Sukvimol and Mr. Chakkrit Parapuntakul were appointed as members of the Nomination, Compensation and Corporate Governance Committee, effective on 1 July 2018.
5. The Risk Oversight Committee and the Technology Committee were established on 1 July 2018.
6. Changes in the Corporate Social Responsibility Committee
  - 6.1 Dr. Kulpatra Sirodom, Mr. Chakkrit Parapuntakul, and Khunying Jada Wattanasiritham resigned as members of the Corporate Social Responsibility Committee, effective on 30 April 2018, 1 July 2018, and 19 October 2018 respectively.
  - 6.2 Pol.Col. Thumnithi Wanichthanom and Mr. Prapas Kong-ied were appointed as members of the Corporate Social Responsibility Committee, effective on 1 July 2018 and 4 July 2018 respectively.

## Internal Control and Risk Management

Over the past few years the Bank has greatly developed its technology and services, in line with its vision of being the Most Admired Bank, both domestically and regionally. Excellent technology and innovation development processes to achieve the goal of becoming the Most Admired Bank require effective and efficient risk oversight and management, operational compliance, and internal control meeting international standards, both in operations and IT systems. At SCB, the Audit Committee defines policies to oversee the Bank's internal control operations and internal audit, with international standards and practices as references.

The Board of Directors, the Audit Committee, and management set the Bank's internal control based on the Internal Control Practice Guidelines 2013 of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Internal Audit unit assesses the adequacy of the Bank's internal control system, following the Securities and Exchange Commission's assessment form. The assessment of internal control system adequacy is presented for the Audit Committee's consideration and endorsement before approval by the Board of Directors.

According to COSO's internal control practice guidelines, there are five necessary components for internal control, namely: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. The Bank's activities undertaken under each of these components are outlined below:

### 1. Control environment

The Bank requires that all business and functional units, including those under the umbrella of the SCB Group, maintain a culture and environment providing for a sound and effective internal control system, together with a commitment by employees at every level to adhere to the principles of integrity and transparency. The Bank is well aware that a sound internal control system is a critical foundation in meeting its business objectives in a sustainable manner – effective and efficient operations, trustworthiness of financial reporting, and regulatory compliance.

#### 1.1 Promoting awareness

The Bank has prepared formal policies and procedures requiring management and staff at every level in the organization to have roles, duties, and responsibilities in maintaining sound internal control. The Bank has established an organizational structure that supports a sound internal control system through clear supervisory lines and scopes of authority and responsibility for management and staff, all of which are under the oversight of the Board of Directors. The Board of Directors is independent from management and exercises oversight over the development and effectiveness of the internal control environment. Over the recent year, management was the overseer after the Board of Directors promoted the development of tools to create a preventive system for business operations to cope with changing risks, as follows:

- Develop an e-learning course to educate and promote awareness among staff at all levels every year, so that they can properly follow the Code of Conduct and Anti-Corruption and Anti-Money Laundering guidelines in performing their duties. Bank staff at all levels must attend and pass the course to ensure that they are well aware of and understand the Code of Conduct and Anti-Corruption and AML Guidelines.

- Promote the Three Lines of Defense management model, which is internationally recognized and emphasized by regulators. The Bank encourages staff and supervisors across the operations of operating units (the first line of defense), supporting units (the second line of defense), and audit units (the third line of defense) to continuously apply the model in performing their duties, from risk assessment to control, monitoring, and assessment. Those at the first line of defense are deemed having the most important role in leading the successful and effective model. The Bank promotes awareness through many activities, including communication with staff and workshops for further execution.
- Communication about case studies concerning non-compliance with law, regulations, corporate policies, and codes of conduct are in place to create staff awareness and prevention of recurrence. Included was the promotion of concrete operations in line with regulating guidelines on the market conduct of financial institutions. The Bank has set a fair customer service policy and strict operational measures covering pre-sale, during-sale, and after-sale processes. The Board of Directors and senior executives have specified persons in charge of overseeing operations, and punishment provisions for inappropriate staff performance. For maximum operational effectiveness, the Bank conducts quality assessment by means of mystery shopping by third parties to ensure that customers receive quality service and are treated fairly. In addition, the Bank reviewed its KPI & Incentives policy to encourage staff at every level to treat customers fairly. The policy covers ways to encourage staff and incentives, establishing key performance indexes or performance measurements, and a staff remuneration process. Policy appropriateness is regularly reviewed, as are integrity and accountability guidelines for every action in line with the Bank's policy.

In 2018, the Bank implemented a No Gift Policy as a guideline for staff and executives at all levels that covered appropriately giving and receiving gifts and other benefits, and attending receptions, meetings, seminars, or company visits. Strict compliance with the policy is required.

## 1.2 Whistleblowing

The Bank has whistleblower channels to receive complaints and notifications from staff and external stakeholders that may indicate non-compliance with corporate governance, the Code of Conduct, regulations, anti-corruption law and policies, potential fraud, or corrupt practices. The whistleblower channels include a Whistleblower Hotline, an e-mail inbox: [whistleblower@scb.co.th](mailto:whistleblower@scb.co.th), and by writing directly to CEO, head of the Audit Function, or head of the People Function. The Bank has set a clear procedure for complaint management covering confidential fact finding, appointment of a fact finding committee, consideration and approval of punishment, and reporting complaint management results. The results and actions taken were reported to the Audit Committee on a quarterly basis. Suggestions for improvement can also be sent to CEO at [ceo@scb.co.th](mailto:ceo@scb.co.th). Such whistleblowing has promoted business integrity, so that management and staff effectively perform their duties with transparency, integrity, fairness, and accountability, and their performance is routinely reviewed so as to gain trust from all stakeholders.

## 2. Risk assessment

Well aware of the importance of risk management amid changes in both internal and external factors, the Bank considers risk management an essential component in every process of SCB and the SCB Group business operations, which must be connected across all levels. The Board of Directors has set a risk management policy for the SCB Financial Group, which requires compliance by all staff. Risk assessment is in place at every level. For overall risks there is systematical management through the Bank's sub-board committees, while operational risks are under the responsibility of executives in charge of each operation.

In 2018, the Risk Oversight Committee (ROC) was appointed to review the adequacy and effectiveness of overall risk management policies and strategies and acceptable risk levels; ensure senior executives and heads of risk management units' compliance with risk management policies and strategies and acceptable risk levels; and to oversee capital and liquidity management strategies to ensure that the SCB Group's risks are within the endorsed acceptable risk levels. To cope with drastic and rapid technological changes, the Technology Committee was appointed as a sub-committee specifically overseeing IT issues. Its duties are to oversee IT strategies and IT infrastructure architecture to ensure that they are relevant to the Bank's goals and objectives, as well as technology service integration, technological risk management, and promoting best practice regarding technology in line with the Bank's core values. In addition, the Bank also assigned the following sub-board committees with key risk management roles: the Executive Committee and the Audit Committee.

In addition to the above mentioned sub-board committees, the following management committees have also been set up to oversee the Bank's risk management matters: the Risk Management Committee, The Assets and Liabilities Management Committee, The Equity Investment Management Committee, etc.

In risk management, the Bank considers chances of fraud or operational risk, and direct/indirect or potential impacts on its business. Risk management is an essential component in every process of its business operations, which must be connected across all levels and reported to management and concerned committees. The Risk Management Committee reports resolutions from its meetings to the Executive Committee, the Risk Oversight Committee, the Audit Committee, and the Board of Directors on a monthly basis. This is to ensure the Bank's compliance with related regulatory requirements and maintain its capability for coping with unforeseen risks at acceptable levels.

The SCB Group's risk management policy requires that executives manage and monitor key risks to ensure that they are at acceptable levels, and report significant risks to concerned senior executives/committees. For operational risk management, an internal risk control self-assessment (RCSA) was prepared by each unit of the Bank. Bowtie analysis, an easy-to-understand standard tool, has been used to communicate risk management scenarios with pictograms. It explains risk factors, causes and effects, tools for risk control, and the importance of assessment and testing of tools for risk control to constantly ensure their effectiveness to best mitigate risks.

The Bank considered external factors led by changes in the business environment that may affect its business in order to support defining its overall strategy. Risk management units formulate plans to support the Bank's key goals, mainly based on risk management. The Bank has developed a risk materiality assessment process covering all material risks, namely, strategic risk, credit risk, market risk, IRRBB, liquidity risk, operational risk, reputational risk, people risk, and technology risk. The process is reviewed annually to ensure that it is continuously and regularly exercised, with appropriate risk management, controls, and monitoring.

### 3. Control activities

The Bank has formal policies, regulations, operational procedures, manuals, and instructions, which are reviewed and updated on a regular basis or upon any significant incident or change. These include general controls over the information systems covering data center operations, data networks, systems development and testing, IT system maintenance, and physical and technology security procurement and management.

Further, the Bank specified scopes of duty and approval authorization for executives at each level in the Bank's operational regulations, such as those for procurement, administrative expenses and capital budget, and credit and investment approval. They clearly emphasize the segregation of duties as a key control in maintaining adequate and appropriate

controls over operations at every level within the organization and to maintain a system of checks and balances, particularly for activities prone to risk or giving rise to conflicts of interest.

Because IT systems and data are crucial assets and need careful access and usage for their safety, the Bank has implemented more stringent requirements on the relevancy of IT usage in operational procedures, general IT controls, and information and data usage. In 2018, the Bank established a unit under the Chief Data Officer directly in charge of defining data management strategies and standards and control over information and data access and usage.

The Bank set more stringent regulations for customer information protection and disclosure and protection of inside information about SCB and its customers, as well as other inside information not made public to prevent leakage and misuse by those accessing them for their personal benefit or the benefit of others.

As for people management, the Bank set a people management system and adequate control, monitoring, and assessment systems covering recruitment, remuneration, assignment of duties and responsibilities, skill development, performance, and communications to ensure that staff have the knowledge, capability, and effectiveness relevant to the changing environment both inside and outside the organization.

Following the engagement of an external consultant in 2016 to review the SCB Group's internal control systems and recommend improvements thereto, in line with international standards and practices, the project was completed in early 2017. Consequently, the Audit Committee periodically acknowledged and monitored the progress of corrective actions following recommendations, and all the high-risk issues were completely resolved in 2018.

## 4. Information and communications

Since 2017, the Bank has developed innovations and IT systems to enhance business competitiveness in terms of effective IT and communications to keep up with new global challenges led by financial technology, a changing business environment, and consumer behaviors rapidly responding to digital trends. The Bank has developed IT systems for constant data communications that provide complete, reliable, and timely information to the Board of Directors, executives, and other stakeholders, such as shareholders, investors, and regulators. The Bank emphasizes the importance of IT security in processing transactions and the protection of customers' confidential data, to ensure that its security measures remain sound and appropriate.

### 4.1 IT systems

The Board of Directors approved and promoted execution following the digitization roadmap to develop innovations for more operational effectiveness and cost savings in business operations with effective IT and communications. This is to achieve the goal of creating the leading digital banking offering in Thailand, which will be a key channel to support and create added business value for SCB and the SCB Group. For example, the Bank works with SCB Abacus on big data management for smart analytics to offer the most useful products and services for business operations, but also uses internal units for the development of integrated data systems for the People Function and people development, and digitization of internal operational systems for more effectiveness, time-savings, and reduced paperwork, etc.

## 4.2 Communications

The Bank provides internal communication channels for the Bank and the SCB Group to circulate policies, regulations, procedures, manuals, and other essential information. These communications are designed to keep all executives and staff knowledgeable and informed, and to facilitate proper compliance with policies, procedures, and regulations in a timely manner. In addition, the Bank provides a separate special communication channel to enable safe communication for both internal and external parties.

In 2018, the Bank introduced a new channel called "Make No Sense" at <https://makenosense.scb.co.th> for staff to suggest issues that make no sense or suggestions from customers for service improvement.

## 5. Monitoring activities

The Bank has internal control monitoring and assessment in place to ensure that the internal control system remains effective and efficient, with complete and appropriate monitoring and assessment ability as designed and able to tackle changing risks.

- 5.1 **The Compliance Function** is responsible for reviewing and monitoring all units' operations within the Bank and the SCB Group to ensure their compliance with important regulations, laws, rules, and regulatory requirements.
- 5.2 **The Audit Function** performs independent assurance and consulting, so that the organization's internal processes are regulated with sound

governance, risk management, and internal control. The Audit Function also considers the root cause of findings and risks found during audits, which are directly reported for the Audit Committee's consideration on a monthly basis. Furthermore, the Audit Function also follows up on the implementation of its recommendations to ensure that issues of concern are resolved and improvements are implemented.

The Audit Committee and the Board of Directors have considered the results of internal control adequacy assessment, and discussed actions taken in line with the recommendations for internal control development with the Bank's management.

The Audit Committee and the Board of Directors' opinion are that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion was in line with the opinion of the external auditors.

## Related Party Transactions

The Bank places great emphasis on safeguarding against misusing internal information for personal gain by directors and staff. Accordingly, the Bank has set policies, rules, and approval procedures for related party transactions, as well as guidelines on related party transaction execution and disclosure to prevent and manage any potential conflicts of interest in a transparent and fair manner.

The Bank's rules and approval procedures for related party transactions and conflicts of interest transactions are as follows:

- Strict compliance with regulations of the Stock Exchange of Thailand, the Securities and Exchange Commission, and notifications of the Capital Market Supervisory Board regarding related party transactions and conflict of interest transactions. In particular, any directors or executives related to a transaction that may lead to a conflict of interest must be excluded from making decisions or consideration regarding such transaction. Furthermore, the Company Secretary must have a formal record of directors or executives related to the issue under consideration in meeting minutes, if applicable.
- Policies on pricing and terms and conditions for transactions between the Bank and related entities are required to be on an arm's length basis and, broadly, on the same terms as those applied to transactions with unrelated third parties.
- The Board of Directors (excluding any director who has a conflict of interest) has approval authority for loans, investments, obligations, or lending-like transactions with the Bank's major shareholders or businesses that are related to the Bank, directors, and persons with management authority, or their related persons (as defined by the Financial Institution Business Act B.E. 2551(2008).
- The Bank has also established the Intra-group Transactions policy to ensure compliance

with applicable regulations and to prevent conflicts of interest. SCB is also in compliance with the Joint Policy Statement between the Bank of Thailand and the Securities and Exchange Commission Thailand on Consolidated Supervision of Financial Groups that Operate Fund Management Businesses. In 2018, SCB and Intra-group Transactions comply with the Joint Policy Statement.

### Intra-Group Transactions Policy and SCB Group Risk Management Policy

#### Governance on Intra-Group Transactions

To enhance transparency for intra-group transactions within the SCB Group and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, the Bank has established the Intra-Group Transaction Policy, which has been approved and reviewed annually by the Board of Directors. This policy entails risk management for intra-group transactions and controls for material transactions which are classified into two types of significant transactions, namely, credit transactions (loans, investments, and obligations or lending-like transactions) and non-credit transactions (those other than loans, investments, or obligations). The policy ensures that such transactions comply with regulations and requirements of the Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as local laws and regulations in the countries that SCB operates.

A key part of this Policy requires that intra-group transactions be executed without special terms and conditions that are materially different from other risk-equivalent transactions. In the absence of equivalent transactions, intra-group transactions must follow standard market practices with enforceable contracts, proper documentation and record keeping, as well as approval authority based on risk and materiality.

## Related Party Transaction Trends and Policy Outlook

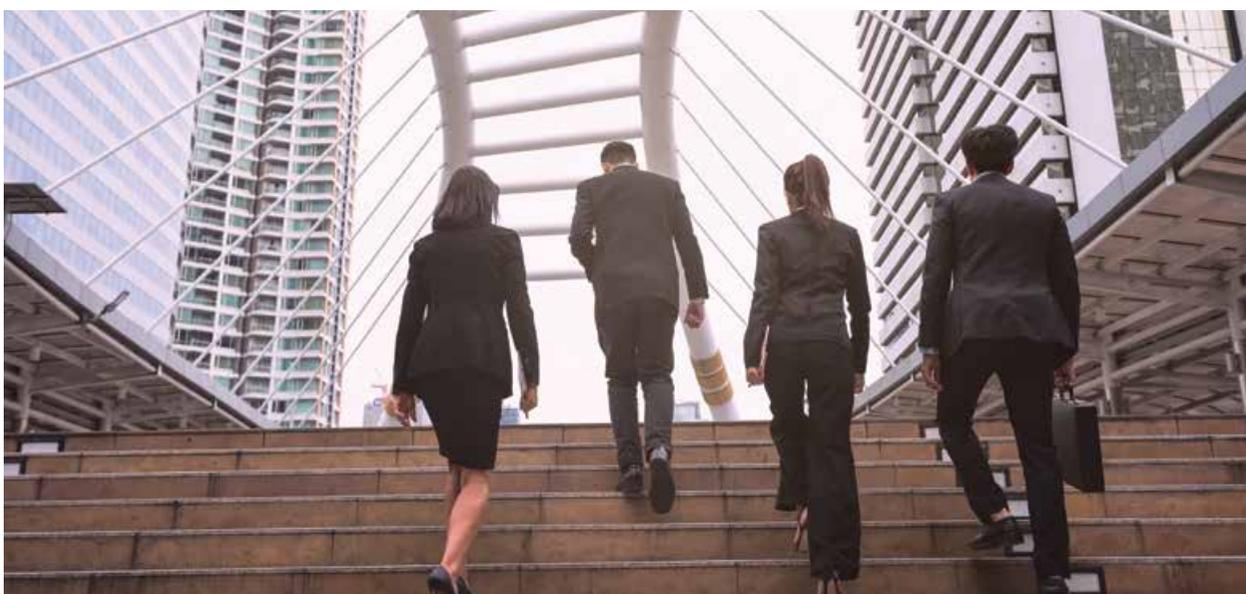
SCB's emphasis on good governance principles has led to a clear policy on related party transactions to comply with laws, regulations, and notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission on related party transactions, which include the acquisition and disposal of assets of listed companies, as well as compliance with the Bank of Thailand's notifications. SCB's related party transactions may arise as part of its normal business operations for which the Bank has clear and appropriate internal approval measures and procedures.

## Information Disclosure

The Bank's policy on disclosure of market-sensitive information focuses on timely, transparent, and adequate disclosure of all material information and prohibits misuse of internal information, either directly or indirectly.

The Bank discloses related party transactions and connected transactions as defined by the Stock Exchange of Thailand in the notes to the financial statements in the Annual Report in accordance with information disclosure requirements and guidelines. Related party transactions are reported to the Audit Committee on a quarterly basis.

In 2018, the Bank did not have related party transactions with sufficient materiality to require disclosure per the Stock Exchange of Thailand's criteria. Information pertaining to other related party transactions is disclosed in the notes to the financial statements.



## Nomination, Compensation, and Corporate Governance Committee Report

The Nomination, Compensation, and Corporate Governance (NCCG) Committee comprises four directors, i.e., two independent directors, and two non-executive directors, and is chaired by an independent director. Duties and responsibilities of the NCCG Committee are as set forth in the NCCG Committee Charter and the Bank's Corporate Governance Policy.

In 2018, the NCCG Committee held 12 meetings and undertook the following key activities:

1

Amended the Bank's Articles of Association in relation to minority shareholders' rights to call a meeting of shareholders pursuant to the Public Limited Companies Act B.E. 2535, which was amended in April 2017. The amended Articles of Association were then proposed to the Board for endorsement and the 2018 Annual General Meeting of Shareholders for approval.

2

Reviewed and proposed for the Board's approval the SCB Corporate Governance Policy and the charters of the board committees for alignment with the corporate governance principles applicable to financial institutions as stipulated by the Bank of Thailand and the corporate governance code for listed companies.

3

Reviewed and proposed for the Board's approval the SCB Code of Conduct for alignment with the principles as set forth in the Banking Industry Code of Conduct jointly developed by the Thai Bankers' Association and 15 member banks with the aim of fostering good corporate culture and suitability amid the changing business landscape.

4

Reviewed and proposed for the Board's approval the Conflict of Interest Prevention and Management Policy for Asset Management Business of the SCB Financial Group in a bid to prevent and manage conflicts of interest among the Bank and companies in the SCB Financial Group dealing with asset management as well as to enhance the asset management practices of the SCB Financial Group in pursuit of international standards of transparency.

5

Selected and nominated candidates for directorship from the director pools maintained by the Thai Institute of Directors Association (IOD) and the Bank as well as the lists of candidates proposed by the Bank's directors and shareholders (if available) by taking into account the Board Skill Matrix which illustrates qualifications and diversified traits in terms of knowledge, competence, experience, and education. The NCCG Committee also placed importance on the due diligence process to check each candidate's qualifications prior to obtaining approvals from the Bank of Thailand and subsequently from the Board and/or the shareholders.

6

Determined appropriate compensation for the chairman and members of the Board and board committees based on the assigned scope of duties and responsibilities, the Bank's profits, and overall economic conditions prior to obtaining approvals by the Board and the shareholders. The directors' performance bonuses were capped at 0.5% of the dividend payout, while the amount of directors' bonuses paid as reward for their 2017 performance was Baht 53.96 million, or 0.29% of dividends.

7

Arranged the performance assessment of the Board, including the Chairman of the Board, individual directors, and other board committees. In 2018, the Bank assigned Aon Hewitt (Thailand) Limited, an external consulting firm with experience and expertise in corporate governance, to conduct a board effectiveness assessment. This is in line with the Bank's policy to engage an external consultant in its performance assessment process every three years pursuant to the Corporate Governance Code set forth by the Stock Exchange of Thailand.

8

Considered and recommended for the Board's approval a new organizational structure focusing on customer centricity and collaboration by reorganizing internal functions for greater clarity on accountability.

9

Considered and recommended for the Board's approval rotation among senior executives as part of the Bank's professional development program designed for executives at all levels. In addition to training, job rotation is another important skill development approach for executives to help provide new experiences and insights which encourages continuous development.

10

Arranged for the performance assessment of the Chairman of the Executive Committee, the President and Chief Executive Officer, and senior executives of the Bank against established targets and performance criteria. The NCCG Committee also reviewed management's proposal on the compensation policy and appropriate compensation and benefits for the aforesaid senior executives by considering their assigned scope of duties and responsibilities, performance, general economic conditions, and relevant industry benchmarks, prior to obtaining approval from the Board.



**(Mr. Kan Trakulhoon)**

Chairman of the Nomination, Compensation and Corporate Governance Committee

## Report of the Executive Committee

The Executive Committee has roles, duties and responsibilities of overseeing the management and granting approval on matters according to the scope of authority delegated by the Board of Directors and as set forth in the Executive Committee Charter. The Committee also screens all matters proposed for consideration by the Board of Directors, except those under responsibility or authority of other sub-committees. The Executive Committee comprises four directors, of which two members are executive directors and another two are non-executive directors.

In 2018, the Executive Committee held 41 meetings marking major achievements as follows:

1

Considering and screening strategic plans of the Bank and SCB Financial Group; financial targets; and business plans, including the annual budget to be proposed to the Board of Directors.

2

Considering and granting approval of loans under the scope of the Executive Committee's authority, and screening loans under approval authority of the Board of Directors. The Committee also considered and laid out guidelines to resolve major problem loans, while monitoring the status of major loans on a regular basis, including reports of business impacts caused by unforeseen incidents or nonordinary situations, so as to ensure appropriate management.

3

Considering and granting approval on other important matters, such as investment, financial information disclosure, foreign business, the business of SCB Group companies, and screening matters under approval authority of the Board of Directors.

4

Monitoring and providing recommendations on improvement of operational processes of the Bank to increase its potential to the fullest extent and to achieve its strategic goals, aiming for the Bank to be technology-driven and customer-centric.



**(Dr. Vichit Suraphongchai)**

Chairman of the Executive Committee

## Report of the Technology Committee

The Board of Directors established a Technology Committee on June 23, 2018 to help the Board develop and execute optimal long-term strategies on the Bank's deployment of technology and response to technological challenges. The Committee comprises four members: Dr. Thaweesak Koanantakool (Chairman of Technology Committee), Mr. Boontuck Wungcharoen (Independent Director and Committee Member), Mr. Arthid Nanthawithaya (CEO) and Mr. Orapong Thien-Ngern (President). The Committee's secretary is Mr. Colin Richard Dinn (SEVP, Chief Technology Officer)

The duty of the Technology Committee is to oversee the future direction of the Bank's engagement with technology so as to ensure service integrity; alignment with future business goals; strong governance; stability and scalability of services. The Committee's key concerns are planning how to respond to technology-related risks (requiring appropriate risk awareness, management and mitigation); disruption risks (by fintech); and technological requirements in the ongoing SCB Transformation program. The Committee also focuses on other key issues such as data governance (including new legislation on data privacy) and productivity enhancement.

The Technology Committee held four meetings in 2018 and recorded meeting minutes, which were presented to the Board of Directors.

### Achievements of the Technology Committee in 2018 (August – December)

The Committee defined their members' roles and responsibilities as supporting the Board of Directors by (i) overseeing technology policies, (ii) shaping the direction of technology strategy and (iii) overseeing technology-related risk, including digital, infrastructure, data, people and process, to align with the Bank's strategies. Its charter was approved by the Nomination, Compensation and Corporate Governance Committee (NCCG) and the Board of Directors in September 2018.

Regarding governance of technology, the Committee provides oversight of technology policies to incorporate standard and new practices as well as compliance with regulations.

The Committee reviewed SCB's technology risk roadmap and execution in 2018 to ensure that appropriate governance and standards were achieved, and technology risk visibility was aligned with the Risk Oversight Committee and Audit Committee.

The Committee emphasized the importance of technology infrastructure, security and human resources to ensure that the Bank's technology supports its operations and service to customers. The Committee also reviewed the Bank's strategy and plan regarding digital expansion so as to enhance the customer experience and provide more efficient delivery of services. Regarding oversight of data security, the Committee focused on data privacy and control of data use and access. It provided guidelines for ongoing improvement in the Bank's data quality and usage.



**(Mr. Thaweesak Koanantakool)**  
Chairman of Technology Committee