



## Corporate Governance Report

The Board of Directors realized the importance of operating its business under good corporate governance in an attempt to promote sustainable growth and development. The corporate governance policy has been prepared and implemented since 2007. The policy has been disclosed on the Company's website, externally on [www.deltathailand.com](http://www.deltathailand.com) for public access as well as internally on intranet for employee's access. The policy covers 5 major categories as followed;

- Rights of Shareholders
- Equitable Treatment to Shareholders
- Role of Stakeholders
- Disclosure and Transparency
- Responsibilities of the Board

(Further details of the Company's Corporate Governance Policies can be read from the Company's website: [www.deltathailand.com](http://www.deltathailand.com))

With determination to act as guided by the policy, the Company has been rated "Very Good" scoring on the Corporate Governance Rating surveyed in the year 2011 by Thai Institute of Directors Association (IOD) with supports from The Securities and Exchange Commission (SEC) and The Stock Exchange of Thailand (SET). The implementation on the good corporate governance activities during the year 2011 can be summarized as follows.

### Rights of Shareholders

The Company realizes and emphasizes the shareholders' rights by encouraging the shareholders to exercise their basic legal rights, for example profit sharing, share sale and purchase or transfer, obtaining adequate business information including the updated important information via the Company's website, participating and vote in the shareholders' meeting for material matters, etc.

The Company generally holds an annual general meeting of shareholders (AGM) once a year within four months after each fiscal year end. And meeting is conducted in accordance with the good governance principles. Shareholders are allowed to exercise their full rights and vote at the meeting.

In 2011, the AGM was held on April 1<sup>th</sup>, 2011 at the Company's office located at Bangpoo Industrial Estate, Samutprakarn province. The Company provided shuttle services at an easily accessible location and near BTS Station for shareholders who wished to attend the Meeting. Record date was used to justify the shareholders who entitled to attend the meeting. The Company entrusted Thailand Securities Depository Co., Ltd. (TSD) who acted as registrar to send out invitation for the meeting in both Thai and English together with other supporting information and documents to all shareholders 14 days prior to the AGM date. At the same time, it announced the call for the AGM meeting on a Thai daily newspaper for three consecutive days and at least three days before the meeting date. All those documents were also made available to the shareholders on the Company's website for 30 days in advance. All information made



available for easy access by shareholders was to provide adequate time for them to review the agenda. The meeting invitation had expressly indicated the matters to be tabled at the meeting, whether for acknowledgement, approval or consideration. In addition, it enclosed the Board's opinions and supported document to ensure that shareholders had sufficient information to consider all issues. To be well prepared for the meeting day, the Company provided a list of necessary evidences must be presented to identify themselves and a proxy form (as outlined by the Ministry of Commerce) to facilitate the shareholders who cannot attend the meeting and wish to give proxy to others. On meeting date, attendance registration commenced not less than 1 hour before the meeting started. Shareholders who came late were allowed to vote for the remaining agenda. Barcode system had been employed to facilitate the attendance registration and vote count. Duty stamps were available to shareholders without charges.

There were 8 directors out of 9 attended the meeting. The Chairman of the Board, Chairman of all sub-committees, the President and other key management members such as Chief Financial Officer (CFO) and the external auditor were presented in order to listen to the shareholders' opinions or suggestions and also answered any questions they might have similar to what were done in prior year. Before the meeting started, the Company notified number of shareholders who attended the meeting in person and proxy, and clarified voting procedure and vote count method. With regard to the voting criteria, each share is eligible for one vote and an ordinary resolution requires the majority votes (except the voting on a special resolution, the meeting must comply with the Company's Articles of Association and/or relevant laws). Votes are not allowed to shareholders who have interests related to any particular agenda. For the election of directors, individual votes are required. At the time of voting, in order to expedite the process, only the ballots voted for objections and abstentions were collected and deducted from total votes which attended the meeting and eligible to vote. There was no any objection or request for re-inspection from shareholders on such arrangement. The meeting proceeded according to the agenda and had no additional item without prior notification to shareholders. The preliminary voting results were reported openly at the meeting. A representative from, Allen and Overy (Thailand) Co., Ltd, was appointed to help inspect the vote count. During the meeting, shareholders were allowed to voice their opinions and raise questions in appropriate time. In fact, shareholders may submit their questions by e-mail to [info@deltathailand.com](mailto:info@deltathailand.com), mail or fax to the Company before the meeting date. However, in the meeting, the Board will principally attend the questions that related to the Company's operations or considered to create material impact on the operating results.

Minutes of meeting recorded in writing every resolution, showing the number of approval, objection and abstention votes for each agenda. Questions, response, and opinions arose during the meeting were fully documented in order to examine afterwards. Report of the meeting had been disclosed on the website of the SET as well as and the Company's within 14 days after the meeting date (Please find further details in the 2011 Minutes of Annual General Meeting posted on the Company's website)



## **Equitable Treatment to Shareholders**

If the shareholder is unable to attend the meeting, the shareholder may give a proxy to a person or to the Company's nominated independent directors to attend the meeting and vote on his/her behalf by completing and sending to the Company a proxy form enclosed with the invitation for the meeting or by downloading the proxy form from the Company's website.

In addition, the Company opened for the shareholders to propose additional agenda and to nominate candidate to be director of the Company in advance. Procedures and details were disclosed on the Company's website during 15 November – 31 December 2010 but none had exercised the rights. For 2012 annual general meeting of shareholders, the Company also provided this opportunity to shareholders during the period of 3 October – 31 December 2011.

### Prevention on Usage of Inside Information

Under the Company's policy, the inside information is restricted to the executives from the middle to the top levels within the relevant departments or plants. Use of inside information for personal benefits or lead to any damage is deemed serious wrongful conduct. In practice, the Company ruled out that its directors and executives must declare securities holding under their names, spouses and minor children to the Office of the Securities and Exchange Commission (SEC) as required by the law. Since listing on the SET, there is no circumstance related to usage of inside information which leads to significant change of the Company's stock price.

### Prevention on Conflict of Interest

In general practice, decision making of the directors and executives must come out in a way to enrich the Company's ultimate benefit. In case of having conflict of interest, the directors or the executives shall submit the issue to the Board or the shareholders' meeting for their consideration on necessity to execute such transaction and potential impact on the Company if the matter is approved. At the time of voting on the issue, the person who has conflict of interest is not allowed to vote. According to the recent Securities and Exchange Act, the directors and executives of the Company have filed their and their related persons' report on their interest with the Company with an extra copy to the Chairman and Audit Committee Chairperson of the Company through the company's secretary. And such reports are required to update annually and submit to the Company by end of January every year. In addition, the Company also deals with related party transaction as regulated by the Capital Market Supervisory Board and also disclosed inter-transaction with its affiliates in the Company's financial statements and in the annual information disclosure form (Form 56-1).

During 2011, there was a related party transaction between the Company and its related company regarding disposal of whole 50% equity rights (shares) in Delta Green (Tianjin) Industries Ltd, which was held by DET SGP Pte Ltd (a wholly owned subsidiary of the Company), to Delta Electronics (H.K.) Ltd. (a subsidiary of Delta Electronics Inc. (DEI), a major shareholder holding approx. 20% in the Company, at the price of USD 15,451,799 (approx Baht 471.28 million) (2.53% of net tangible assets (NTA) of the Company based on its consolidated



balance sheet as at 31 Mar 11). The fair market value was based on internal valuation using Income Approach with a reference value made by independent appraiser. Directors of the Company who were executives of DEI (major shareholder) did not participate the meeting and has no voting right to approve the said transaction and there was no any other different opinion from directors or Audit Committee.

### Code of Conduct

In order to ensure that the Company performs its business with integrity, transparency and responsibility to all interested parties, the Company compiles a Code of Conduct Manual to guide the directors, executives, and employees to act on the same standard. The manual has been published in the Company's intranet and the Company's website. The Code of Conduct covers the following issues.

1. Compliance with laws and Company's regulations
2. The integrity of records
3. Protection of Company's assets
4. Gifts and entertainment
5. Conflict of Interest
6. Protection of Company's intellectual property rights
7. Prohibit on usage of inside information

### **Role of Stakeholders**

The Company gives priority towards lawful rights and agreement to all stakeholders including shareholders, customers, employees, business partners, creditors and the society. Mail and e-mail are two established channels to accept suggestions or complaints from all stakeholders.

Once arrived, the Company's Secretary will pass them to the management, the Audit Committee, or the Board of Directors to examine and classify the message as follows.

- 1) Complaints raised by shareholders will be submitted to the Audit Committee or the Board or addressed directly to the Audit Committee Chairperson at the address of the Company specified above.
- 2) Complaints raised by customers, suppliers, employees or the public will be submitted to the executives to find out solution and report to the Board for acknowledgement.
- 3) Complaints raised by creditors will be submitted to the management or the management may consider passing on the issue to the Board for further consideration.

The Company's stance with regard to this can be described as follows:

#### ***Shareholders:***

The Company aims to bring a long-term sustainable growth to its business, thereby enhancing the Company's value and ultimately providing favorable returns to its shareholders. Since listing, the Company has been operated profitably and paid dividend consistently at a



satisfactory rate with dividend payout ratio ranging 51-85% of annual net profits during the past few years.

***Customers:***

The Company is committed to maximize the customer satisfaction by always providing them with high quality products and reliable services as well as consistently maintaining good relationship.

***Business Partners:***

The Company at all times maintains good relationship with its business partners, not only perform to fulfill the agreement but also cooperate to work closely to improve the quality of raw materials and products to meet demand of both parties and prevention of material shortage

***Creditors:***

The Company strictly abides by its obligations and repays to all creditors as promised. Currently, the Company has gained trust and support from both local and international commercial banks.

***Employees:***



The Company is well aware of highest value of human resource and a clear human resource development policy has therefore been established in order to develop the Company's human resource and that a fair welfare is provided for the employees. This reflects in the Company's policy and practices which can be summarized as follows:

**Safety Health and Environment (SHE)**

The Company is aware of the safety, health and environment equable to other areas of the business undertaken by the Company. The business line executives are responsible for implementing such respective policy to ensure the continuous performance, evaluating the effect of each work station, and providing the employees with training regularly. In addition, the Safety Health Environment Commission has been appointed to ensure that the Company has complied



with the ISO 14001 Environment Management and OHSAS 18001 (Occupational Health and Safety Management System).

### Employee Welfare

The Company has established the Employee Welfare Commission to supervise and maintain the employee's interests and continuously gives precedence to promote labour relations between employees and managements as well as provides proper welfare to all employees. This has been recognized by "**Labour Relations and Welfare Award**" granted by the Department of Labour Protection and Welfare, the Ministry of Labour, for 6 consecutive years.

### Human Resource Development

The Company has been committed to develop the quality of human resources in accordance with the set policy with the focus to enhance education, working capability and skills of the employees continuously. In 2011, the Company's key activities relating to human resources development are as follows:

- **Regional Leadership Talent Development Program (RLTD)**

In past 2 years, Leadership Talent Development Training Program (LTD) that has been established to improve the leadership of the executives is considered so successful that the Company has later initiated the "Regional Leadership Talent Development Program" to improve the leadership skills for regional executives in 2 regions, Asia and Europe, and consists of 3 continuous training modules focusing the regional management. This project had totaled 61 participants (Asia 32 persons, Europe 29 persons) who entirely completed the training and earned certificates.



Participants in RLTD year 2011



- **Educational Support Project**

The Company gives importance on educational support as part of human resource development. A joint cooperation program with Rajabhat University is specially established for potential employees to extend study on Business Administration. The educational support also extends in form of annual scholarships to employees and their children who have outstanding academic performance.

In 2011, the Company and its subsidiaries had a total number of employees of 13,500 and the total remuneration including salary, bonus and provident fund paid to employees was Baht 6,460 million. In Thailand, there were 10,201 employees with Baht 2,876 million paid for remuneration including salary, bonus and provident fund. Employees in Thailand are divided into 2 main groups as follows.

	<u>No. of Employees (31 Dec 11)</u>
1. Production	
• Pan PSBG Product Group	4,611
• DES and IESBG Product Group	1,822
• FMBG Product Group	1,745
• CPBG & Others Product Group	1,558
2. Administration and others	<u>465</u>
Total	<u>10,201</u>

## **Social & Environmental**

The Company has set up the Corporate Social Responsibility (CSR) Team and established policy and guidelines to comply with the ethical standard of the Electronic Industry Code of Conduct – EICC framework which lays standards in relation to production process and business operations in following 5 main areas to ensure safety, environmental and social responsibility .

1. Standard of Labor
2. Standard of Health and Safety
3. Standard of Management System
4. Standard of Environment
5. Standard of Business Ethics

The Company received various international standards as follows.

- ❖ ***Standard for Thai labor***

- TLS 8001 – 2003 Comprehensive level of Thai Labor Standard

- ❖ ***Standard for health and safety management system***

- OHSAS 18001 - Occupational Health and Safety Standard of health and safety in the workplace.



❖ ***Standard for quality management system***

- ISO 9001 - Quality Management System Standard
- ISO/TS 16949 - Quality Management Standard for Automotive Industry
- ISO/IEC 17025 - Laboratory Management Standard
- TL 9000 - Quality Management Standard for the Telecommunications Industry
- IECQ HSPM QC 08000 - Hazardous Substance Process Management for Electronic Standard

❖ ***Standard for environmental management system***

- ISO 14001 - Environmental Management System Standard
- ISO14067 - Standard for Carbon Footprints of Products
- ISO 14064\_1- Quantification and Reporting of Greenhouse Gas Emissions and Removals Standard
- ISO 50001 - Energy Management System Standard

Delta Thailand is the first company that received ISO 14064-1 and ISO 50001 in Thailand and still committed to continuously develop standards-based management and other related benchmarks that will help back capability enhancement to better absorb growing demand in the future

Green building certification is one of the programs that the Company is keen on and promotes. At present, construction of any new building of the Company and its subsidiaries will be blueprinted to meet LEED - Leadership in Energy & Environmental Design, an international standards system for green building. In the past years, the Rudrapur plant of subsidiary in India announced its achievement of “Gold-rate” LEED certification with an honorable from the Indian Green Building Council (IGBC). In the meantime, a recently-opened plant in May 2011 in Gurgaon has applied for LEED Platinum Certification, the highest rated level. As to Thailand, a subsidiary namely Delta Green Industrial (Thailand) currently under construction in Chachoengsao province is also built in compliance with USA’s LEED standards and it will soon seek certification from the standards body.



Green Building “Gold-rate” in Rudrapur, India



New office building in Gurgaon has applied for “Platinum-rate” of LEED



In 2011 the company has been certified in compliance with "Standard for Corporate Social Responsibility-Department of Industrial Work: CSR-DIW" regulated by the Department of Industrial Work, Ministry of Industry. The Company also participates in a program that promotes sustainability in CSR and a program that encourage entrepreneurs to create activities to promote a better society. Other endeavors include campaigns among employees to ensure awareness of an importance of the environment, current controversial detrimental effects of global warming. All are to help implant conserve environmental consciousness and energy consumption reduction. The implementation of the policies and the social and environmental practices as guideline by the CSR-DIW can be divided into seven main areas as follows.

### **1. Organizational Governance**

The Company regulates a social responsibility policy to the directors, executives and employees to use as guideline to perform business and commit to further develop as well as improve to be foundation for ongoing and sustainable social responsibility. This has been communicated to employees, trade partners, contractors and all those involved in business to acknowledge and be aware of the importance of social responsibility.

### **2. Human Rights**

The Company establishes a policy to respect human rights. It is defined in terms of unlawful practices, equitable treatment, and non-discrimination regardless of gender, race or physical defects. Holding it as a strict policy, the Company declared to public and open several channels for complaints. However, there is no complaint in this matter in the past year.

In addition, the Company pays respect on intellectual property right and therefore set a policy regarding usage of personal computer software which prohibits employees to download or upload unauthorized software. This wrong-doing is deemed serious guilty and/or to be legally charge.

### **3. Labor Rights**

The Company signed to participate a program to "Develop Organization into a Sustainable Happy Workplace" organized by the Thai Health Promotion Foundation and The Association of Thai Electrical & Electronic Industries. "Happy organization" is the policy that aims to encourage employee to enjoy working by follow the rules of Eight for Happy Workplace. The eight components that help create "Happy Workplace" includes; 1 Happy Body or physically sound; 2 Happy Heart or mentally sound; 3 Happy Relax or let to; 4 Happy Brain or intellectually sound; 5 Happy Soul or morally sound; 6 Happy Money or spending sound and saving wisely; 7 Happy Family or family care and responsibility; and 8 Happy Society or loving mankind. All are aimed to form balance of family life, work and society.





#### **4. Fair Operating Practices**

The Company has a policy to conduct business in transparency, accountability and integrity by complying with relevant international laws, customers' terms and other requirements to ensure fair treatment in business operation. Again, the Company opens channel for complaints and in the past year, there is no complaints in this matter.

#### **5. Consumer**

To promote sustainable consumption, the Company's products is designed to have an environmentally friendly manufacturing process along with the quality and reliability standards. This year, the Company has applied for its Solar Inverter and the cooling fan products for the "Carbon Footprint Label" from a Greenhouse Gas Management (Public Organization). This label provides information to consumer the amount of greenhouse gas emissions of such products, from the raw materials' procurement, production process, transportation, usage, to disposal at a waste. All these information will give customer an alternative to use most environmentally friendly products while the Company can hold its will to conserve the environment.



#### **6. Community Participation and Development**

Building up good relations and provide assistance to communities and society are part of the social and environmental policy that the Company consistently put into practice. Examples include, employing or outsourcing some parts' producing to communities, funding OTOP projects and providing support to public activities and society in various fields. Every three months, the Company organizes blood donation from employees to the Red Cross. Every year, it provides research funds to students at Kasetsart University in order to help develop skills, knowledge and competency in research that will be beneficial to the country and also give education support to schools in several provinces. In 2011, the Company grants 200 scholarships plus educational equipment and necessary materials to over 30 schools in Chiang Mai, Loei, and Chonburi and 15 scholarships to students at Rajabhat Thonburi University.

To the well-known Tsunami disasters in Japan and the severe flood incidents throughout many provinces of Thailand, the Company donates emergency fund to help victims through the Thais' Helping Hand Program for flood victims worth total 1.1 million Baht. Another 1,002,600 Baht was given to the Southern people who have been affected by an unanticipated flood and Japanese Tsunami's victims through the "TV3 News Family" and the Thai Red Cross Society.

Delta organized a "Big Cleaning Day" at Rachanukroh 1 School located in Bang Pa-in district, Ayutthaya province. There were over 200 employees and executives volunteered participated in this event. Activities included cleaning up, painting and reconstructing landscape of the surrounding area of the school library being damaged by flood.



Delta donates 1.1 million Baht to help Thailand flood victims



Delta on “Big Cleaning Day” at Bang Pa-In “Rachanukroh 1” School, Ayutthaya

Other community development activity worth highlight is “Delta Loves Trees”. The Company cooperates with the nearby community to run reforestation campaign. The program can be held as a model for tree planting in Bang Poo Industrial Estate. There were over 800 Delta's employee and officers from the Industrial Estate Authority of Thailand (IEAT) planted more than 1,200 trees in the surround area of Bang Poo Industrial Estate. Another two projects included “Plook Pa Bang Poo Ruam Jai” in an attempt to return tree to mother land and “Plook Pa Chalerm Prakiat” to honor Her Majesty the King in the wetland around Bang Poo Seaside Resort of the Royal Thai Army.



The “Delta Love Trees” Project



## ***7. Environmental Management***

The Company's mission "To provide innovative, clean and efficient energy solutions for a better tomorrow" has been practically applied in all activities from development of new products and technologies to manufacturing activities. In addition, the Company uses the policy "To develop products of environmentally friendly and energy efficient features and perform operation in a way to reduce environmental impact" as a guideline to conserve global environment. An environmental policy is specially set up to promote and support manufacturing production under Green Label regulation, which mainly focuses on an environmentally friendly manufacturing process, waste management, pollution reduction and efficient usage of resources. Outcome of these activities have been recorded and measured to assess impact on a monthly basis. Employee will regularly be trained and educated.

The Company perceives the importance of energy conservation and, therefore, promotes efficient usage of resources as energy management policy which the Company commits to ensure continuous improvement. The Company communicates, and when appropriate, trains employees, at all levels in the organization to ensure that they acknowledge and realize the importance of energy conservation. Implementation has been monitored, followed up, adjusted for improvement.

The Company and related companies have jointly carried out energy saving program by introducing a concept of energy management into various internal functions and implementing them to some of the projects such as the Company's own air conditioning and lighting systems. A Solar Inverter Panel is also installed to generate electricity for its own factory usage. This program has been further developed with combination of continuing study and "Learning by Doing" through discussion, experience sharing in order to plan and allocate limited resources more efficiently.



Solar panel installed on the roof of the parking lot to generate 11 kilowatts of electricity to use in the Company's lobby.

In addition, the Company designed Energy Recycling System (ERS) whereby heat resulting from simulation process in high-temperature environment (Burn-in) has been converted into electricity. And because of this recycle process, 95% of electricity used in the burn-in process can be reutilized and at the same time heat generated from air conditioning system and its workload can be lessened.



The Company realizes that its current outstanding capability in developing of information technology (IT) products could definitely help enhance its business towards energy technology (ET) in the future. Several green energy products under development including LED, solar energy related devices, wind turbines used to produce wind power, and other power devices and chargers for electric car.

At Delta, we believe energy saving practice and green product promotion are the key solutions to conserve environment and effectively reduce the use of limited fossil fuels.

### **Disclosure and Transparency**

The Company has the policy to disclose data and information accurately, adequately and timely so as to allow stakeholders to know about operating performance, financial position, key developments and information such as financial statements, annual report and disclosure Form 56-1, in both Thai and English language. Such information is available on websites of relevant authorities such as the Stock Exchange of Thailand (SET) and the Securities Exchange Commission (SEC) as well as on the Company's website [www.deltathailand.com](http://www.deltathailand.com). Interest persons may telephone or email to request for more information at [info@deltathailand.com](mailto:info@deltathailand.com). The Company also has investor relations unit to provide information to shareholders, investors, securities analysts, and others and they can be reached at [investor@deltathailand.com](mailto:investor@deltathailand.com).

In 2011, the Company organized press conference quarterly to clarify its operating results to securities analysts, reporters and general investors and for those people to meet with its executives in a bid to nurture confidence of all stakeholders. Additional meetings were also arranged by Investor Relations unit from time to time in order to provide information to both local and oversea securities analysts and investors.

### **Responsibilities of the Board**

#### Structure of the Board

The Board of Directors comprises nine directors, six of whom are executive directors and the other three are independent directors which accounts for one-third of the board. Qualifications of independent director have been set to meet the criteria ruled by the SEC .

Currently, Chairman of the Board and the President are held by two individuals with clearly separated responsibilities. Roles and responsibility of the Board and management are also distinctively defined so as to ensure management transparency. (Please find details of the Board structure, names, and scope of duties can be found in the section of Managerial Structure).

#### Director's Term of office

At the annual general meeting of shareholders, one-third of the directors or close to one-third must vacate from the office. A director who vacates from office by rotation is eligible for re-election. The meeting of shareholders may pass a resolution to remove any director prior to retirement by rotation by a vote of not less than three-fourths (3/4) of the number of shareholders attending the



meeting and having the right to vote and having shares in aggregation not less than a half of the number of shares held by shareholders attending the meeting and having the voting rights.

At the 2011 Annual General Meeting of Shareholders, the retired directors, Mr. Ming-Cheng Wang, Mr. Anusorn Muttaraid and Emeritus Professor Supapun Ruttanaporn were re-appointed.

#### Sub-Committee

The Board of Directors appointed sub-committees to help study, scrutinize, and to give opinion on various matters. At present, there are four sub-committees including executive committee, audit committee, compensation committee and risk management committee.

Following function units have been established to support the committees.

- Company secretary

The Board of Directors appointed Ms. Duangrat Lertvorasirikul and Ms. Wilailak Fungthanakun the Company Secretary. Their main responsibilities are: to prepare meetings, inform and advise on relevant law and regulations, take care of the Board's activities, and coordinate to ensure that the Board's resolutions are put into practice. All are to facilitate efficiency of the Board's administration in order to comply with good corporate governance principle and other responsibilities as required by law.

- Internal Audit

The Internal audit department has been established for over 10 years with the main objective to support the Audit Committee who oversees internal audit tasks. They will help assess adequacy and efficiency of internal control as well as risk management. The Internal Audit reports directly to and works as assigned by the Audit Committee

#### The Board's Meeting

The Company schedules the board meeting at least four times a year or on a quarterly basis. An extraordinary meeting may be arranged when there is an issue to consider. The regular meeting date will be set in advance for the entire year. At least seven days prior to the meeting date, the Company will send out invitation letter with agenda to all directors, In case of emergency, invitation letter may be less than seven days. Each director is free to propose agenda. Company secretary has duties to arrange the meeting, take care and give suggestion to ensure that the meeting is in compliance with all relevant laws and regulations, minutes of meeting will be put in writing, and those endorsed by the Board are kept as evidence at the Company's office.

The independent directors may hold a meeting without attendance of management as it sees appropriate. Normally, meeting of the Audit Committee is held without executive participation. The Company's auditor generally attends the Audit Committee meeting on a quarterly basis when reviewing financial statements. In some circumstances, the Audit Committee may request particular executive to clarify issue as it sees fit.



## Guidelines for Determination of Director and Executive Remuneration

The Compensation Committee will determine remuneration of directors, sub-committee members, the President and the Executives, and propose to seek approval from the board of directors. For compensation of the board of director and sub-committee, it requires approval from the shareholders' meeting. Follows are some key guidelines;

### 1. Guidelines for Director and Sub-Committee Remuneration

1.1 Remuneration package must be reasonable in order to attract and retain competence director. Major factors to determine director remuneration include

- Scope of works and responsibilities
- Current market rate
- The Company's overall performances
- Others specified by the compensation committee or the Board

1.2 Remuneration may be entirely fixed or partially fixed with some variable amount such as meeting allowance or other incentives.

### 2. Guidelines for the President and Executive Remuneration

2.1 Remuneration package must be reasonable in order to attract, retain, and motivate the executive to work at their best.

2.2 The compensation committee must define Key Performance Indicators (KPI) to help assess performance of the executives and propose to the Board for approval before end of each fiscal year.

2.3 Consideration to adjust remuneration or annual salary will depend upon KPI achievement and other accomplishments.

2.4 Determination of remuneration should take into account the current market rate. Market survey or advice from human resource professional may be used in consideration and at the expense of the Company.

(Please find details of the remuneration of directors and executives in the section of Managerial Structure).

### Performance Assessment of the President

The Board assigns the compensation committee to determine and propose Key Performance Indicators (KPI) of the President. The KPI must be approved by the board and be reviewed annually. Appraisal results will be submitted to the Board on a quarterly basis.

### Risk Management

In the past year, the Risk Management Committee summarized that there were 2 major areas of risk that might affect the Company and had proposed risk management plans to the Board of Directors. Those risks included 1) European public debt crisis. This risk would create a currency fluctuation and adversely affect the Company's earnings 2) Thailand's flooding crisis which may result in domestic raw material shortage and affect the Company's business operation



because both two factories are located in risky areas (Bangpoo Industrial Estate, Samutprakarn and Wellgrow Industrial Estate, Chacherngsao) which might be used as water draining zone. An ad hoc working team had been established to closely monitor and evaluate the flooding situation. This was to ensure a good preparation and help mitigate possible detrimental impacts. With the proactive plans to handle those uncertainties, so far, none has created significantly impact to Company's business operation.

#### Training for the Board and Management

The Company has a policy to encourage directors, executives and the Company secretary to continuously train on good corporate governance, both organized internally or externally by relevant institutions such as the SET, the SEC and the Thai Institute of Directors Association (IOD). In 2011, Mr. Supat Limpaporn, the Company's independent director and audit committee member joined Audit Committee Program (ACP) of Thai Institute of Directors Association (IOD). The *Regional Leadership Talent Development Program (RLTD)* above-mentioned is also part of the management training program that consequently build up a new management generation.