

การกำกับดูแลกิจการ
เครือธนาคารกสิกรไทย
KASIKORNBANKGROUP
CORPORATE GOVERNANCE

Preface

KASIKORNBANK (“KBank”) is dedicated to offering our customers complete financial solutions as a “Universal Bank” while conducting our business in compliance with the Statement of Corporate Governance Principles. We operate with prudence, transparency and fairness for all stakeholders, society and the environment. We seek to achieve greater stability and a more secure future for our corporation and the nation. We strongly believe that corporate governance is an important factor in the success of our organization.

Since the Asian economic crisis of 1997, KBank has built a corporate governance framework for the Bank and its subsidiaries under the KASIKORNBANKGROUP. Together, the Bank and its subsidiaries have aimed to develop a structure, system and mechanisms required for corporate governance operations.

Therefore, KBank deems it appropriate to compile some key issues and corporate governance principles for dissemination to all stakeholders, presented via this booklet. More information can be obtained from the KASIKORNBANKGROUP website: <http://www.kasikornbankgroup.com>, or the KBank Annual Report.

1. What is Good Corporate Governance?

As a commercial bank, we view corporate governance as involving responsibility and accountability to all stakeholders regarding how we operate our business. These stakeholders include shareholders, customers, investors and employees of our bank, as well as the society, environment and our business partners. Furthermore, the Board of Directors places great significance on conducting our business operations for the highest benefit to the KASIKORNBANKGROUP, through sufficient information disclosure, transparent operations, and assurance of fairness to all stakeholders.

2. Board of Directors and Board Committees

2.1 Board of Directors

The Board of Directors has a centrally important role in corporate governance, ensuring prudent and fair business undertakings for shareholders. The Board is composed of a proper ratio of non-executive directors, executive directors and independent directors. They provide a wide range of qualifications, skills, and experience for the best benefit to KGroup.

The Board of Directors is independent of the Bank's management, wherein the qualified independent directors, per the standards and regulatory requirements and KBank policy, drive the corporate governance system. They must use their unfettered judgment and opinions in guiding the Bank's business operations with

impartiality, free of vested interests, and in sufficient numbers (of independent directors) to meet regulatory guidelines or best practices.

2.2 Recruitment of Directors

The Human Resources and Remuneration Committee is responsible for recruitment process and criteria, to be endorsed by the Board. This should be conducted with transparency, so that persons with the proper qualifications, ethics and experience can be considered fairly for the positions of director, independent director, CEO and President.

2.3 Board Committees

The Board of Directors appoints Board Committees, i.e., the Audit, Corporate Governance, Human Resources and Remuneration, and Risk Management Committees. These specialized committees oversee the Bank and KASIKORNBANKGROUP to ensure their efficient and effective operations.

Each Board Committee has the respective duties and responsibilities established under specific charters.

2.3.1 Audit Committee

The Audit Committee is composed of no fewer than three independent directors from the Board. Their duty is to consider and provide unbiased opinions on banking matters to ensure that all operations are carried out legally, with proper and effective risk management, and sufficient internal controls. This is accomplished via delegation of work to various internal audit units that are required to report their findings back to the Audit Committee. The Audit Committee also reviews the Bank's and KGroup's financial statements in parallel with the Finance and Control Division Executives and the Bank's external auditors. From time to time, they also handle other assignments from the Board of Directors.

2.3.2 Corporate Governance Committee

The Corporate Governance Committee is responsible for establishing the primary principles and codes of conduct for corporate governance mechanisms of KGroup, along with dissemination of KGroup's corporate governance policies, principles and Code of Conduct to all concerned parties. This includes the setting of policy pertaining to Corporate Social Responsibility (CSR). The Corporate Governance Committee must oversee continuous and effective implementation

of corporate governance policies in a manner that suits KGroup's business, together with performing other duties assigned by the Board of Directors.

2.3.3 Human Resources and Remuneration

Committee

The Human Resources and Remuneration Committee recommends policies, principles and methods of recruiting directors and high-ranking executives, along with reviewing the proportion of directorships, and the particular qualifications and rates of compensation for members of the Board of Directors. The Committee also has to consider the setting of vision and strategy for Human Resources management, as well as the succession plan for executive officers of the Bank. They are also given related assignments by the Board, when necessary.

2.3.4 Risk Management Committee

The Risk Management Committee formulates corporate risk management policies to present to the Board of Directors for consideration. They also oversee, review and offer recommendations on related policies, operational standards and procedures, strategies and methods of measuring overall risks to ensure that appropriate risk management strategies are in place. Like other Board Committees, the Risk Management Committee also

handles other related assignments from the Board of Directors.

3. Role and Responsibilities of the Board of Directors

3.1 Role

The Board of Directors takes leadership in establishing business direction, goals and policies of the Bank, and also monitoring management performance. They delegate authority to the Bank's management to oversee operations and ensure that goals are met. However, in all matters of importance, the management must seek prior approval of the Board of Directors before taking action.

3.2 Responsibilities

The Board of Directors establishes a clear division of authority between the Board and the senior management of the Bank, as defined in the Charters of the Board of Directors and Management Committee.

The Board of Directors is responsible for defining the company's vision, mission and important policies, as well as monitoring the operations of the Bank, and overseeing the appropriate internal controls, risk management and corporate governance processes of the entire organization. They must also govern corporate communications and public relations contacts with all stakeholders, including the general public, and must promote cooperation within the corporation for the highest sustainable benefit to KGroup.

3.3 Setting the Statement of Corporate Governance Principles

The Board of Directors not only establishes the principles by which the organization must operate, but also believes strongly in good corporate governance, composed of the following elements:

- Integrity
- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

3.4 Equal Rights and Treatment for Shareholders

Shareholders have rights as owners of the business. The Board of Directors encourages shareholders to exercise their rights. The Bank treats every shareholder fairly and equally.

The Board of Directors calls for the Annual General Meeting, and provides all shareholders with relevant information in advance to ensure that they have adequate time to reflect upon pending issues for which they have voting rights. For their rights and interest, shareholders can voice opinions, or offer suggestions and recommendations to the Bank.

3.5 Prevention of Conflict of Interest

KGroup has both policies and specific regulations to guard against any conflict of interest. The directors, management and employees of the Bank - where they may be seen to have any personal stake in any matter, and where they could conceivably derive personal gain through use of their authority or position in the consideration of approval of any matter - are forbidden by the rules and regulations set forth by the Board of Directors from taking part in deliberation and/or decision-making on such related transactions or similar matters, which are also reviewed by the Audit Committee. KGroup oversees the complete and transparent disclosure of information, to assure all stakeholders that all transactions have been conducted for actual benefits to the whole organization.

3.6 Use of Inside Information

To ensure proper use of inside information, KGroup prohibits its personnel from using any confidential data without proper authorization, especially when it could impact change in price of securities, and when the data in question have not previously been available to the general public, and were learned of in the course of one's duties as a KGroup employee. This is forbidden, whether for one's own benefit or for the benefit of others. The directors and high-ranking executives are responsible for reporting on transactions involving the

purchase or sale or transfer of securities issued by the Bank, to regulatory authorities as established by law, and within the time limits specified.

In addition, for effective and thorough internal control, all high-ranking executives of KGroup are required to open securities-trading accounts with a securities company as specified by the Bank.

3.7 Internal Control and Risk Management

The Board ensures that KGroup has sufficient internal control systems, and risk management policies that cover all important areas of risks. All members of KGroup have systems to effectively assess, manage and control risks. Reports are regularly made to the Board of Directors. In this regard, the Compliance and Audit Division reports directly to the Audit Committee. This ensures judgments free of management influence as part of a good, reliable internal control system.

3.8 Disclosure and Transparency in Operations

KGroup discloses both financial and non-financial information, according to timelines set under regulatory requirements, with sufficient details, as below:

3.8.1 Management Discussion and Analysis

The Board of Directors places great importance on the Management Discussion and Analysis (MD&A), which is released quarterly and annually in substantial detail.

3.8.2 Financial Data

KGroup's appointed external auditors have certified all financial data contained in the Bank's financial statements, and provided independent opinions regarding the data therein. The Board of Directors has provided a statement of responsibility for the company's financial reports, as being correct, complete and sufficient, and further attested that KGroup has maintained financial data in accordance with accepted accounting standards.

3.8.3 Non-Financial Data

Clear and precise data are provided in the Bank's Annual Report and Reporting Form.

3.9 Fairness for all Stakeholders

The Board of Directors recognizes that the continued growth of KGroup depends upon treating all stakeholders fairly. Thus we monitor ourselves to ensure that we conduct our operations with regard for the rights of all stakeholders. We have clear policies for the environment and society to assure all concerned that we operate our business under a Corporate Social Responsibility (CSR) framework for sustainable development. We have also passed on these policies to all subsidiaries in KASIKORNBANKGROUP so that there is a common direction to our efforts.

3.10 Communication with the Board of Directors

The Bank allows stakeholders to communicate with the Board of Directors via the independent directors, wherein they may send letters to provide information or make suggestions to the Bank, so that they receive due consideration in an established, formal process.

3.11 Business Ethics and the Employee Code of Conduct

Operating our business with the highest ethical standards is the most important factor we adhere to in maintaining and building upon the reputation of “KASIKORNBANKGROUP”, KBank’s Board of Directors, and all employees, are dedicated to our eight core principles in the Statement of Business Conduct, i.e., Integrity, Trust, Confidentiality, Professionalism, People, Leadership, Ownership, and Compliance.

The Bank emphasizes having the entire KASIKORNBANKGROUP conduct its operations according to this Statement of Business Conduct, and has specified that all internal rules, regulations and operational procedures must be consistent with it.

4. Board of Directors Meetings

4.1 Scheduling of Meetings

The Board of Directors schedules regular monthly meetings as well as extraordinary meetings when required. The Chairman sets a meeting length that allows sufficient time to review, discuss and consider the various management and corporate governance issues on the agenda in appropriate detail. Independent judgment and discretion is encouraged in every deliberation process. From time to time, high-ranking executives have been invited to provide necessary information to the Board for appropriate decision-making.

4.2 Non-Executive Directors' Meetings

The Non-Executive Directors of the Bank have the opportunity to meet and discuss issues without participation of Executive Directors at least once per year, or when deemed appropriate, and consistent with the basic principles of good corporate governance.

4.3 Monitoring of Business Performance

The Management Committee is responsible for monitoring KGroup's business activities and making updates on overall performance, versus objectives, to report to the Board of Directors on a regular monthly basis. These reports shall compare quarterly evaluations of business performance to forecasts, estimates and established targets, as well as making comparisons to industry peers, to meet the Board of Directors' needs in having adequate and relevant operating information. In any event, where operating performance has not reached targets, consultations will be sought with relevant parties to devise corrective measures, and undertake required actions for continuing improvement and development.

Conclusion

The Board of Directors is dedicated to the principles of good corporate governance in the operations of the KASIKORNBANKGROUP. These principles should be promoted as integral to the organizational culture, for effective corporate governance actions, and, meanwhile, for better competitiveness of KGroup, both in the short and long term, for the benefit of all stakeholders, society and the nation.

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