

Policy on Supervisory of Subsidiaries and Associate Companies

Pruksa Holding Public Company Limited

Policy on Supervisory of Subsidiaries and Associate Companies

Pruksa Holding Public Company Limited (“**Company**”) is established as a holding company with the primary objective to operate business by holding shares in other companies, with the Company deciding to invest through its subsidiaries and/or associate companies, as well as investments in various businesses. In making investments, the Company will take into consideration the returns for all stakeholders from investments in such businesses. Besides, the Company has established a policy on control and supervisory of businesses in which the Company invests, so as to comply with the criteria on compliance of subsidiaries and/or associate companies in accordance with the Notification of the Capital Market Supervisory Board No. Tor Chor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares, as well as corporate governance guidelines of the Stock Exchange of Thailand (“**SET**”), which are required as a practice. For this policy, the Company has placed high importance on it as it is an important mechanism to achieve good management systems with transparency, accountability, and ability to determine efficient management directions for the businesses in which the Company has invested or will invest in the future, as if they were departments or units of the Company’s organization. In addition, it will enable the Company to follow up on the management and operations of the businesses in which the Company invests, so as to protect the Company’s business investments. The supervisory measures will help increase values and confidence to the Company’s stakeholders that the businesses in which the Company invests will be able to operate continuously and sustainably.

The Company has formulated the policy on the control of operations of subsidiaries and associate companies into two major parts as follows:

1. Policy on management compliance

- 1.1 The Company has determined guidelines on the exercise of voting rights through the Company’s representatives in the meetings of shareholders of subsidiaries and associate companies with important agenda items for consideration, aiming to comply with the proportion of shareholding in the subsidiaries and associate companies, and the guidelines on good corporate governance, in order to maintain maximum benefits of the Company, subsidiaries and associate companies, and the Company’s shareholders and all stakeholders, as follows:

(1) Adoption of the minutes of annual general meetings of shareholders/extraordinary general meetings of shareholders

Approve: In case the proposed minutes contains correct and complete details of the meeting

Not approve: In case there is no representative of the Company at the shareholders' meeting

(2) Approval of annual budgets

Approve: In case the auditor expresses opinions without conditions or with a condition on matters that have no significance on the financial statements and have no impact on the benefits of the shareholders in general

Not approve: In case the auditor's opinion or observation contains doubt that there may be incorrect information in part of the financial statements.

(3) Election of directors and determination of remuneration

Election of directors

Approve: In case the person is proposed by a resolution of the Company's Board of Directors and is a qualified person without prohibitive characteristics according to laws or relevant requirements of the Securities and Exchange Commission ("SEC"), has knowledge, ability and experiences useful to business operations, and is able to devote enough time to the company he/she holds directorship, and performs duties attentively as director, with consideration on a case by case basis.

Not approve: In case the person is proposed for re-election but lacks qualifications, possesses prohibitive characteristics according to laws or SEC's relevant requirements or lacks knowledge, ability and experiences useful to business operations, and moreover is not able to devote enough time to the company he/she holds directorship and fails to perform duties attentively as director without good and sufficient reason. The election of a new director in a subsidiary or associate company shall not go against the Company's controlling power criteria in clause 1.2.1 (a) and the criteria of any relevant laws.

Determination of remuneration

Approve: In case the proposed remuneration is suitable to the director's duty, responsibility and performance reflecting significantly in the operating results and performance and/or financial position of the subsidiary or associate company.

Not approve: In case of special remuneration payment without disclosing the amount of money or the use of ESOP that causes significant dilution to the subsidiary or associate company, not in line with the criteria of the compliance unit, and/or not suitable to the director's duty, responsibility and performance reflecting significantly in the operating results and performance and/or financial position of the subsidiary or associate company.

(4) Appointment of auditor and determination of audit fee

Approve: In case, after consideration, the auditor of an audit firm has reliability and ability to audit and review financial statements correctly and can opine independently from all parties, while the proposed fee is competitive with the audit fees of similar companies.

Not approve: In case of doubt in the reliability or independence of the auditor or the audit fee being much different from that of the previous year, without good reasons.

(5) Allocation of profits and payment or non-payment of dividends

Approve: As proposed by the boards of directors of the subsidiary and the associate company, in line with the dividend payment policy, not going against relevant laws.

Not approve: In case the dividend payment is not in line with the financial position and future plans of the subsidiary and the associate company.

(6) Approval of matters other than items (1) - (5) above

Approve: In case the agenda item is deemed beneficial to the subsidiary and associate company or the shareholders in general, the conditions and proposals are fair and reasonable, while the business operations are ethical and in accordance with

relevant legal criteria, and the procedures in proposing the matter to the meeting for approval are in accordance with legal criteria and the Company's articles of association.

Not approve: In case the transaction is not a normal business operation and the justification and necessity thereof are not given.

(7) Other matters not prior given in the agenda items

Not approve other matters not prior given in the agenda items, especially important matters, as there is a need for time to study information important and necessary for decision. The said agenda item or matter may be postponed for consideration in the next the shareholders' meeting.

- 1.2 The Company has a policy to control, supervise, and be responsible for the operations of subsidiaries and associate companies as if they were units of the Company, both directly and indirectly. The Company also has measures to follow up on the management of subsidiaries and associate companies to protect the benefits of the Company's investments.

1.2.1 Nomination of persons as director in subsidiaries and associate companies

The Company will nominate persons who are approved by the Board of Directors' meeting to be directors and executives of subsidiaries and associate companies for at least in accordance with the proportion of the Company's shareholding in the subsidiaries and associate companies, with the nominated directors and executives having qualifications, roles, duties and responsibilities, not lacking credibility, in accordance with relevant laws or SEC's requirements.

1.2.2 Scope of duty and responsibility of directors and executives in subsidiaries and associate companies

The directors and executives appointed by a resolution of the Company's Board of Directors to serve in subsidiaries and associate companies have duties and responsibilities as determined by the boards of directors and/or the shareholders' meetings of the subsidiaries and associate companies. However, the Company has determined that the following matters have to get approval from a meeting the Company's Board of Directors or a meeting of the Company's shareholders, for the Company to have supervisory mechanisms over the subsidiaries and/or associate companies (as the case may be).

Matters that have to get approval from a meeting of the Board of Directors of the Company

- (a) Appointment or nomination of persons as director or executive in a subsidiary and/or associate company for at least in accordance with the proportion of the Company's shareholding in the subsidiary and/or associate company, with the director or executive nominated by the Company having judgments in voting in a meeting of the board of directors of the subsidiary and/or associate company on matters related to general management and normal business operations of the subsidiary and/or associate company as deemed appropriate by the director and executive of the subsidiary and/or associate company for maximum benefits of the Company, subsidiary and or associate company, except that the director or executive has a stake in the matter.

The nominated director or executive in the above paragraph must have qualifications, roles, duties and responsibilities, not possessing characteristics lacking credibility under SEC's notification prescribing the characteristics lacking credibility of company directors and executives.

- (b) Approval of the payments of annual dividends and interim dividends (if any) of a subsidiary
- (c) Amendment of the articles of association of a subsidiary, except for the amendment of articles of association on significant matters under item (1.2.2) (f)
- (d) Approval of the annual budget of a subsidiary.

Items from (e) to (i) are deemed to have materiality and if a transaction is entered, it will have significant impact on the subsidiary's financial position and operating results. Therefore, there is a need to have prior approval from the Board of Directors of the Company. This must be a case where the calculation of a transaction size that the subsidiary will enter into a transaction of comparing with the size of the Company (by using the criteria of transaction calculation as prescribed in the notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand regarding acquisition or disposal of assets and/or regarding connected transactions, and/or the amended notification in force at that time (as the case may be) *mutatis mutandis*) results under the cases that have to be approved by the Board of Directors. The transactions are as follows:

- (e) A subsidiary agreeing to enter into a transaction with a person connected to the subsidiary or a transaction related to the acquisition or disposal of assets of the subsidiary.

- (f) Transfer or waiver of a benefit including waiver of claims against the person causing damage to the subsidiary
- (g) Sale or transfer of the whole business or important part of the business of a subsidiary to others
- (h) Purchase or transfer of business from another company to belong to a subsidiary
- (i) Entering into, revising, or terminating an agreement related to the lease of the whole business or important part of the business of a subsidiary, delegating others to manage business of a subsidiary or merging business of a subsidiary with other persons
- (j) Rent or lease of the whole business or assets of a subsidiary or significant part thereof
- (k) Borrowing money, lending money, granting credit, guarantee, entering into a binding legal activity causing an increased financial burden to a subsidiary, or providing financial assistance in any other manner to other persons and that is not a normal business of the subsidiary
- (l) Dissolution of a subsidiary
- (m) Any other transaction that is not a normal business transaction of a subsidiary and is a transaction with significant impact on the subsidiary

Matters that have to get approval from a meeting of the shareholders of the Company

- (a) A subsidiary agreeing to enter into a transaction with a person connected with the subsidiary or a transaction related to an acquisition or disposal of assets of the subsidiary. This must be a case where the calculation of a transaction size that the subsidiary will enter into a transaction of comparing with the size of the Company (by using the criteria of transaction calculation as prescribed in the relevant notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand mutatis mutandis) results under the cases that have to be approved by a meeting of the shareholders of the Company.
- (b) Capital increase by issuing capital increase shares of a subsidiary and share allotment including registered capital reduction which is not in proportion to the original shareholding of the shareholders that will result in the direct and/or indirect proportion of the vote of the Company in a meeting of the shareholders of the subsidiary, in any level of the subsidiaries, decreasing more than ten (10) percent of the total vote of the meeting of the shareholders of the subsidiary, or result in the direct and/or indirect proportion of the vote of the Company in

a meeting of the shareholders of the subsidiary, in any share transfer, decreasing to lower than fifty (50) percent of the total vote of the meeting of the shareholders of the subsidiary.

- (c) Any other action that results in the direct and/or indirect proportion of the vote of the Company in a meeting of the shareholders of the subsidiary, in any share level of the subsidiaries, decreasing more than ten (10) percent of the total vote of the meeting of the shareholders of the subsidiary, or result in the direct and/or indirect proportion of the vote of the Company in a meeting of the shareholders of the subsidiary, in any share transfer, decreasing to lower than fifty (50) percent of the total vote of the meeting of the shareholders of the subsidiary in entering into any other transaction that is not a normal business of the subsidiary.
- (d) Dissolution of a subsidiary. This must be a case where the calculation of the business size of the subsidiary that is to be dissolved will be compared with the size of the Company (by using the criteria of transaction calculation as prescribed in the notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand regarding acquisition or disposal of assets, and/or the amended notification in force at that time (as the case may be) *mutatis mutandis*) results under the cases that have to be approved by a meeting of the shareholders of the Company.
- (e) Any other transaction that is not a normal business of a subsidiary and a transaction that will have significant impact on the subsidiary. This must be a case where the calculation of a transaction size to be compared with the size of the Company (by using the criteria of transaction calculation as prescribed in the notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand regarding acquisition or disposal of assets, and/or the amended notification in force at that time (as the case may be) *mutatis mutandis*) results under the cases that have to be approved by a meeting of the shareholders of the Company.
- (f) Amendment of the articles of association of a subsidiary on matters that may have significant impact on the financial position and operating results of the subsidiary, including but not limited to amending the articles of association of the subsidiary that may affect the vote of the Company in a meeting of the board of directors of the subsidiary and/or a meeting of the shareholders of the subsidiary or the dividend payment of the subsidiaries, etc.

1.2.3 Directors of the Company will follow up on the financial positions and operating results of subsidiaries and associate companies to ensure compliance with the plans and budgets

continuously and ensure that the subsidiaries that operate a core business disclose information on connected transactions and transactions on asset acquisition or disposal to the Company in accordance with the relevant notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand (as the case may be) *mutatis mutandis*, completely and correctly.

1.2.4 Directors of the Company must ensure that subsidiaries that operate a core business have put in place suitable internal control systems to prevent fraud that may occur in the subsidiaries, as well as proper work systems to show that the subsidiaries have adequate systems in disclosing information on significant transactions under the established criteria continuously and reliably, and there are channels for directors and executive of the Company to obtain information of the subsidiaries in the follow-up of the operating results and financial positions, transactions between the subsidiaries and the directors and executives of the subsidiaries, and significant transactions of the subsidiaries in an efficient manner. Besides, there must be mechanisms in the subsidiaries to audit work systems within the subsidiaries, with the Company's internal audit team and independent directors having access to the information directly and the work system audit results being regularly reported to directors and executives of the Company to ensure that the subsidiaries have regularly complied with the established work systems.

1.2.5 Directors and executives of the subsidiaries that operate a core business must disclose and deliver the information of their and related persons' stakes to the Board of Directors for information of their relations and transactions with the Company in a way that may lead to a conflict of interest, and avoid a transaction that may lead to a conflict of interest with the subsidiary or the Company. The board of directors of a subsidiary that operates a core business has a duty to notify the Board of Directors of the matter within the period of time prescribed by the Company for use as information in making decision or giving approval, where the interests of the subsidiary and the Company in general must first be taken into consideration, The directors of the subsidiary that operates a core business must not take part in approving a matter in which they have a stake or a conflict of interest, both directly and indirectly. Additionally, the following acts which result in the director, executive or related person of the subsidiary that operates a core business receiving financial benefits other than those that they deserve or causing damage to the subsidiary or the Company, it is assumed that these are the acts that are significantly in contrary to or in conflict with the interests of the subsidiary.

- (a) Transaction made between a subsidiary that operates a core business and the director, executive or related person outside the criteria of connected transactions
 - (b) The use of obtained information of the Company or the subsidiary, except that it is already open to the public
 - (c) The use of asset or business opportunity of the Company or a subsidiary in the same manner as the Company does and in violation of the general practices as specified by the Capital Market Supervisory Board.
- 1.2.6 Subsidiaries must report their business operation plans, business expansion plans, as well as joint investment plans with other entrepreneurs to the Company through their monthly operation reports. The Company has the right to have the subsidiaries testify or deliver supporting documents to the Company for consideration, with which the subsidiaries have to strictly comply.
- 1.2.7 Subsidiaries must deliver operation-related information or documents to the Company upon appropriate request .
- 1.2.8 In case the Company discovers any issue of significance, it may ask the subsidiary to explain and/or deliver documents to support the consideration of the Company.
- 1.2.9 It is prohibited that directors, executives, staff members, employees or assignees of a subsidiary or associate company including their spouses and underage children use inside information of the Company and subsidiaries or associate companies, both obtained from the performance of duty or by any other means, that has or may have significant impact on the Company, subsidiaries or associate companies, for the purpose of their own and others, directly or indirectly, with or without compensation.
- 1.2.10 Directors, executives or related persons of a subsidiary can have a transaction with the subsidiary when the transaction has been approved by the Board of Directors of the Company or a meeting of the shareholders of the Company, depending the transaction size as calculated (as the case may be) (by using the criteria of transaction calculation as prescribed in the notifications of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand regarding acquisition or disposal of assets, and/or the amended notification in force at that time (as the case may be) *mutatis mutandis*), except that the transaction is a trade agreement made in the same manner that a person of ordinary prudence would do under the same circumstances by trading negotiation power without influence of their office as director, executive, or related person, as the case may be, and is a trade agreement that has been approved by the Board of

Directors of the Company or in line with the principle earlier approved by the Board of Directors of the Company.

2. Policy on financial control of subsidiaries and associates

- 2.1 Subsidiaries and associate companies have a duty to submit their monthly operation reports and quarterly financial statements that have been reviewed by the external auditor, including supporting information to the preparation of the financial statements of the subsidiaries and the associate companies to the Company, with consent for the Company to use the information to support the preparation of the Company's quarterly or annual financial statements, as the case may be.
- 2.2 Subsidiaries and associate companies have a duty to prepare operating budgets and summarize the operating results against the actual operating plans in comparison on a quarterly basis, including the follow-up of the operating results to keep up with the plans for reporting to the Company.
- 2.3 Subsidiaries and associate companies have a duty to report significant financial issues to the Company upon discovery or request from the Company for verification and reporting.

Approved by the Board of Directors

signed

(Dr. Pisit Leehtam)

Chairman of the Board of Directors and Independent Director

11 May 2016