

LH BANK



**GOOD CORPORATE GOVERNANCE POLICY**

**LAND AND HOUSES BANK PUBLIC COMPANY LIMITED**

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## 1. Preface

Land and Houses Bank Public Company Limited is committed to operating its business under good corporate governance principles along with sustainable development of society and environment by focusing on creating the culture of corporate governance in the organization. The bank has established the Corporate Governance Committee with the duties to determine and review the corporate governance policy, and act as representative of the bank in communicating and operating corporate governance activities to ensure the same standard throughout the organization. Having business ethics can create competitiveness and trust among shareholders, investors, stakeholders and all related parties; and is fundamental to operating business with efficiency, transparency and trust. The Corporate Governance Committee also supports the enhancement of management with honesty, value addition to business, stability and sustainable growth, places the importance on internal control, internal audit, and equitable and fair treatment of shareholders and stakeholders and business ethics; prevents any transactions with conflicts of interest, discloses adequate information; and is aware of risks and appropriate risk management.

Board of directors has appointed sub-committees to help supervise a wide range of operations closely as follows:

- Executive Committee
- Audit Committee
- Nomination and Remuneration Committee
- Corporate Governance Committee
- Risk Oversight Committee

Sub-committees will supervise the business operations following the vision, mission, operation plan and good corporate governance by clearly determining the roles and responsibilities in writing. The good corporate governance consists of the main principle which the board of directors, executives and employees adhere to as the operational guidelines in 4 principles as follows:

1. Transparency : Transparency in operations and information disclosure to related parties
2. Integrity : Honesty
3. Accountability : Responsibility for performance
4. Competitiveness : Ability to compete with rivals

## 2. Good Corporate Governance Policy

The bank has defined the good corporate governance policy according to the Corporate Governance Code: CG Code of the Securities and Exchange Commission and the Corporate Governance of Financial Institutions of the Bank of Thailand for the Board of Directors, executives and employees to use as the operational guidelines which consist of 8 principles as follows:

Principle 1 Establish clear leadership roles and responsibilities of the board of directors as the role model of organization that creates values for sustainable business

Principle 2 Define objectives and goals attributable to sustainability

Principle 3 Strengthen the board of directors' effectiveness

Principle 4 Recruit and develop top executives and people management

Principle 5 Nurture innovation and responsible business

Principle 6 Strengthen effective risk management and proper internal control

Principle 7 Ensure information disclosure and financial integrity

Principle 8 Ensure engagement and communication with shareholders

**Principle 1 Establish clear leadership roles and responsibilities of the board of directors as the role model of organization that creates values for sustainable business**

1. Board of directors is the heart of good corporate governance. It consists of experts in various fields with expertise, experiences, leadership, vision, independent decision making, contribution and best attempt to perform duties according to roles and responsibilities, conservatism and integrity for the best interest of the bank and shareholders as well as supervise the good corporate governance in the following areas:

- Setting objectives and goals and allocation of resources to achieve objectives and goals
  - Determining strategies by taking into account sustainable banking including environment, social and governance
  - Monitoring, evaluating and reviewing a strategic plan
2. The board of directors supervises and ensures the bank achieves the governance outcomes in the following aspects:
- Being competitive with good performance by considering long-term impacts
  - Conducting business operations with ethics, respect for rights, accountability to shareholders and stakeholders
  - Being beneficial to society, developing or reducing environmental impacts
  - Being adaptive under risk factors
3. The board of directors shall supervise the directors and executives to perform their duties with responsibilities, conservatism and honesty; ensure the operation conforms to the laws, the bank's Article of Association; resolution of shareholders meeting and resolutions of the board of directors' meetings; oversee the disclosure of corporate governance; clearly determine the scope of duties and responsibilities for the CEO and president; and monitor the CEO and president to perform the duties as assigned.
4. Board of Directors Meeting
- The bank determines the regular meeting schedule for the board of directors meeting in advance for a one-year period. In case of any special agenda item, extra meetings shall be arranged as deemed appropriate and necessary. The bank shall inform all directors in advance so that they can schedule their time to attend the meeting. Agenda for each meeting are clearly defined with significant agenda items, for instance, to approve the quarterly and annual financial statements; to monitor the bank's performance.
  - Directors are responsible for attending the meetings at least 75% of the total number of board of directors meetings held each year except having reasonable grounds and necessities. In addition, the chairman has

the duties to promote the culture of open session for sharing ideas during meeting and directors can discuss, argue and exchange ideas in a creative and straight forward manner.

- The quorum of the board of directors Meeting must not be less than half of the total number of the directors in accordance with the bank's Articles of Association and the decision of the meeting requires a majority vote. If the votes are tied, the chairman of the meeting can exercise his casting vote. For agenda requiring resolutions, a vote of not less than two-thirds of the total number of the directors shall be obtained.
  - Chairman and top management shall jointly consider the matters to be included in the agenda of the board of directors meeting.
  - Company secretary shall submit the meeting's invitation letter to all directors not less than 7 days before the meeting date together and send them the supporting documents at least 5 days before the meeting date so that they have adequate time to study the materials. The company secretary shall record meeting minutes in writing and store the minutes approved by the board of directors for audit purposes.
5. The board may seek the opinion of an independent consultant or external professional, if necessary and it deems the expense of the bank.
  6. Non-executive directors are able to arrange the meetings to discuss any management issues or problems in the spotlight and find the ways to improve or provide useful suggestions to the management and report the resolutions and summarize the comments from the meeting to the CEO and president for acknowledgement.
  7. The annual performance appraisal of the CEO and president is provided by assigning the Nomination and Remuneration Committee to consider the method for the performance appraisal of the CEO and president which includes the remuneration and bonus.

**Principle 2: Define objectives that promote sustainable value creation**

1. The board of directors shall define the bank's objectives and main goals for sustainability in compliance with creating value to the bank, customers, stakeholders and society as whole.
2. The board of directors shall ensure the business objectives, goals and strategies for each period correspond to the objectives and main goals.

**Principle 3: Strengthen the Board of Directors' Effectiveness**

1. Structure, Composition and Qualifications of the Board of Directors
  - The board of directors has proper number of members sufficient for business operation, with at least 5 members according to the bank's Articles of Association to assure the independence of the chairman and division of authority. The chairman of the board shall not be the same person taking the role of CEO and president and roles of the two are separated in order not to allow absolute power of any individual and audit, check and balance mechanism.
  - There are at least 3 independent directors, or one-thirds (1/3) of the board of directors, whichever is higher.
  - All directors including independent directors shall have all qualifications according to related laws, regulations and bank's Articles of Association governing directors and good corporate governance principles, possess knowledge, expertise in various fields, experiences, skills, sincerity, specialties in the areas which benefit the bank, independent decision making, business acumens and no gender discriminations. Above all, they shall pass the consideration process from the Nomination and Remuneration Committee.

2. Appointment of directors shall comply with the prescribed term of office and be transparent. To nominate any person for directorship or existing directors to be reappointed as directors, their profiles and sufficient details including criteria and method of nomination shall be readily available for shareholders' voting.
3. Directors, CEO and president and authorized person can be either the chairman of the board or executive director or authorized signatories in other companies not more than 3 business groups and to be a director in not more than 5 listed companies in the Stock Exchange of Thailand or abroad. This is to align with good corporate principles and take into account the effectiveness of the performance of directors who take several positions in other entities and ensure that directors make full contributions to the bank.
4. The term of office of directors conforms to the Public Limited Companies Act and the Articles of Association prescribing that the independent director can hold office of not more than 9 consecutive years.
5. At every Annual General Meeting of Shareholders, the directors who have been the longest in term of office shall retire first to maintain one-thirds of the directors in the board. However, the directors who vacate the office can be re-elected.
6. Sub-committees

The board of directors has appointed the sub-committees to study the details of work and screen the work so as to ease the burden of the board and have the sub-committees consider specific matters and report to the board.

The sub-committee consists of:

- Executive Committee
- Audit Committee
- Nomination and Remuneration Committee
- Corporate Governance Committee
- Risk Oversight Committee

The chairman of the Audit Committee, the chairman of the Nomination and Remuneration Committee and the chairman of the Corporate Governance Committee are independent directors as to assure transparency and independency in performing the duties.



## 7. Company Secretary

- The company secretary has been appointed as to give some advice on laws and regulations that the board should be aware of, and implement the resolutions of the board. The scope of duties and responsibilities of the company secretary has been defined to include his accountability, conservatism and integrity.
- The company secretary will be empowered and equipped with trainings and development of skills and knowledge in law, accounting, or corporate secretarial duties.

## 8. Remuneration of Directors and Executives

The policy, method and criteria for determining the remuneration of directors, CEO and president are clearly defined with fairness, reasonableness, transparency and conformity to their duties, bank's performance and individual performance to be leveled with industry and sufficient to maintain the desired directors and the remuneration shall be proposed to the shareholders meeting for approval.

## 9. Self-assessment of the Board of Directors

The collective assessment, individual assessment and cross assessment for the board of directors and sub-committees are provided at least once a year to accommodate the review of performance and obstacles in the previous year; to enhance the efficiency of the boards of directors and to suit the bank's business environment and operations.

### **Principle 4: Recruit and Develop Top Executives and People Management**

#### 1. Development of knowledge for directors, executives and employees

- Value and support knowledge development of directors and members of sub-committees by encouraging them to regularly attend training courses and activities which are related to their roles and responsibilities.
- Always support any skill enhancement, knowledge expansion, and expertise development of executives and employees to accommodate both short-term and long-term business growth.

2. Provide an orientation for newly appointed directors to give briefings on the vision, mission, performance, strategies, key business targets, material operations, nature of business and relevant documents for their performance and further study
3. Succession Plan for Top Executives  
The board of directors pays attention to the development of key positions for smooth business continuity of operation and to ensure that the bank has prepared the persons for the key positions necessary for business operations of the bank.
4. Appropriate remuneration and welfare are provided for employees to ensure a good standard of living.
5. Provident fund has been established for employees.

#### **Principle 5: Nurture Innovation and Responsible Business**

1. The bank gives priority to and takes into account the rights of stakeholders based on related laws; does not commit any violation against the rights of stakeholders; and fulfills its responsibility towards all groups of stakeholders
2. Treatment of stakeholders
  - Raise awareness to work in a moral manner and follow guidelines to carry out the work honestly and fairly for the bank, stakeholders, public and society
  - Disclose the information of the bank to shareholders, investors, and public with accuracy, comprehensive and timely manner according to related laws and regulations as well as cooperate with regulatory organizations by reporting with accuracy, completely and timely
  - Establish the code of conduct and ethics of the bank to be used as treatment guidelines for all groups of stakeholders consisting of internal stakeholders: employees and executives, and external stakeholders: shareholders, customers, trade partners, competitors, government sectors and other agencies; to ensure operations with transparency; to initiate cooperation between the company and stakeholders to create mutual benefits; and to ensure that stakeholders receive protection and good treatment

- Establish the ethics for directors and employees; promote the implementation so that they perform their duties with ethical, honest, moral and conservative principles and practices; and prevent any acts that violate the rules and regulations and may have negative impacts on the bank's reputation
  - Determine a whistleblower policy to ensure the effectiveness of whistleblowing and open up opportunities for both external and internal stakeholders to whistle blow clues of corruptions, voice their complaints, and suggest constructive advice; and put in place procedure and channels of receiving and handling complaints and whistleblowing reports or other significant matters through independent directors and the bank's website. The bank protects whistleblowers from any threats or damages
  - Establish a policy for corporate social responsibility (CSR) for sustainable business development by applying business ethnics together with good corporate governance and placing CSR as the main process of business operations (CSR-in-Process) and outside the main process of business operations (CSR-after-Process). It also reinforces executives and staff at all levels to participate and provide volunteer to build awareness of social responsibility. Besides, it lays a strong foundation for sustainable development which leads to sustainability of social and national development
3. Disclosure the policy compliance and preparation of social responsibility reporting
- Disclose the compliance of the social responsibility policy through the bank's various activities and promote employees' engagement in policy implementation to create a sense of social responsibility among all levels of employees constantly
  - Prepare the bank's social responsibility for sustainable business reporting
4. Establish Safety Healthy Environment committee (SHE) to steer occupational health and safety policy for workplace
5. Do not violate human rights and care for public sentiments

6. Encourage fair treatment towards stakeholders in both costs and compensations by having fair procurements, setting adequate delivery period and arm's length trade agreements, avoiding any activities that violate property or infringe intellectual property, and arranging payments for usage or acquisition of properties fairly and timely such as prompt payments made

#### **Principle 6: Strengthen Effective Risk Management and Proper Internal Control**

1. Internal Control and Internal Audit

The board of directors supports and pays attention to internal control activities in 5 areas: environment, internal control in the organization, risk assessment, information technology system control and communication activities, and monitoring and evaluating, to ensure that the bank has adequate and appropriate internal control which will achieve the established objectives of business operations under good compliance and good internal control.

2. Risk Management

The board of directors pays attention to risk management across the organization and promotes risk governance framework and risk culture by establishing risk management policy and risk management procedure which consist of risk identification, risk assessment, risk monitoring and controls and risk reporting; and by regularly reviewing the adequacy of risk management and the effectiveness of risk management.

3. Head of Compliance

Head of Compliance shall be assigned or shall oversee audit tasks and regulatory compliance, policies, regulations, and code of conduct.

4. Prevention of Conflicts of Interest

- The bank's transactions independently conducted shall be free from conflicts of interests deliberately and reasonably under good ethical framework for the utmost benefits of the bank, shareholders and all groups of stakeholders.

- The board of directors is aware of transactions with conflicts of interest, connected transactions or inappropriate connected transactions. Such transactions' prices and conditions shall be set in the same way as those of external parties. The disclosure of details is required by policies, regulations and related laws.
  - Directors and executives shall accurately and adequately disclose the information about transactions with the bank for decision making, consideration, and approval of said transactions.
  - Directors must immediately inform the bank when having conflicts of interest both directly and indirectly in any contracts of the bank or in case of any doubt over conflicts of interest.
  - Any director or person who may have stakes or conflicts of interest in any agenda items shall not consider, have authority to approve operations, or cast votes for such agenda items as required by the Office of the Securities and Exchange Commission and / or the Stock Exchange of Thailand. The details of stakes and conflicts of interest shall be recorded in meeting resolutions.
5. An anti-corruption policy shall be established to align with accreditation and membership of Collective Action Coalition Against Corruption (CAC) of Thailand's Private Sector against the corruption as guidelines for operations. The principles and procedures are as follow so that Directors and employees are aware of their duties and responsibilities, have a sense of responsibility to combat corruption, transact business with ethics, code of conduct, and in opposition to all kinds of corruption.

**Principle 7: Ensure Disclosure and Financial Integrity**

Disclosure of important financial and non-financial information shall be made with completeness, timeliness, and transparency via various channels which are convenient to access, equal and reliable.

1. Disclosure of Financial Information and Non-financial Information

- Disclose important information to the shareholders, investors and public with transparency, accuracy, completeness, sufficiency, timeliness and accountability in compliance with the related laws and regulations in both Thai and English versions via various channels which are convenient to access, easy to search, and equal. The information shall be kept updated.
- Disclose the shareholding structure and direct and indirect shareholding information of directors and executives in in the annual report.

## 2. Investor Relations Function

- A unit is set up to publicize information, coordinate to provide information, create a healthy relationship between the bank and shareholder, investors, analysts, and other related bodies.

## **Principle 8: Ensure Engagement and Communication with Shareholders**

1. Any acts of infringement or derogation of the rights of shareholders are prohibited and all shareholders are encouraged to exercise their fundamental rights as regulated by law.
2. Protection of Shareholders Rights and Fair Treatment of Shareholders
  - All shareholders are the owners of the business who equally have all fundamental rights, thus the bank is committed to ensuring equitable treatments for all shareholders by preserving their rights and benefits and urging individual shareholders and institutional shareholders to exercise their basic rights. The basic rights include right to receive the rightful portion of bank's profits and dividends; right to buy, sell, or transfer securities they own; rights to obtain relevant and adequate information via easily accessible communication channels and in due time for decision making; rights to appoint or remove directors; rights to determine the director's remuneration; rights to appoint auditors; right to attend and vote in shareholder's meetings.
  - A policy to prevent the use of insider trading information to illicit personal gain shall be established.

- An easily accessible website shall be set up to update the bank's information and news such as financial statements, the Management Discussion and Analysis (MD&A), letters to shareholders, CSR activities, the annual report, invitation letter to shareholders' meeting, other activities of the bank, etc.
- The bank shall notify shareholders in advance of the rules and procedures for attending the AGM meeting, shall prepare necessary information of each agenda in advance and in a timely fashion for their decision making, shall disclose such information on the bank's website before sending hard copies to them so that they can study in advance, and shall facilitate them by providing channels for all shareholders to exercise their right to attend the meeting and vote or to give a proxy to another person to attend the meeting and vote on their behalf without restriction. The bank also provides an easy registration process for them to attend and vote.

### 3. Shareholders Meeting

- Shareholders meeting has been properly organized according to related laws, regulations and good corporate governance principles.
- All groups of shareholders are encouraged to attend the meeting as they are the owners of the bank and through the board of directors acting on their behalf, they have right on the bank's key decision making.
- The bank opens an opportunity for each shareholder to have a right to elect individual director.
- The bank takes into account the rights of shareholders according to the good corporate governance principles.

### 4. Operations on the date of shareholders meeting

- Any operations shall be carried out quickly, properly, and accurately so that shareholders who join the meeting experience convenience and promptness.
- The bank's directors, chairmen of sub-committees, top executives are obliged to allocate their time to attend shareholders meeting and answer any questions from shareholders attending the meeting unless they have other priorities with greater urgency to attending the meeting.

- A person shall be assigned to verify vote counting to ensure transparency, and compliance with law and the bank's articles of association.
- Vote shall be casted agenda by agenda, especially, in the appointment of directors, shareholders shall vote for each director individually to ensure transparency and verifiability throughout the process.
- During the meeting, shareholders can register to attend the meeting as to exercise their right to vote in the agenda has not yet been voted.
- The bank shall manage time appropriately and encourage shareholders to inquire, comment, and express their opinions. Directors and related executives are responsible for explaining and answering the queries.

5. Minutes taking and disclosure of shareholders meeting resolutions

- The minutes of shareholders meeting shall contain discussions, queries and answers, voting method, voting result of each agenda, and name list of the directors attending the meeting and absent directors; and shall be published on the bank's website.

6. Equitable treatment of shareholders

The bank shall equitably treat shareholders, fairly protect their fundamental rights, and have measures to prevent conflicts of interest and wrongful use of insider trading information for their own and other people's benefits.

7. Information provision prior to the shareholders meeting

- An invitation letter to shareholders meeting which contains meeting itinerary, agenda and supportive documents shall be provided. Each agenda shall be clearly labeled either as matters for acknowledgement, matters for consent, or matters for approval, depending on the nature of each agenda; and shall sufficiently contain director's opinion, facts, and reasons for decision making. The invitation letter is published on the bank's website prior to the shareholder's meeting day so that shareholders can study the information.
- Proxy form shall be available as required by law so that shareholders can determine the direction of their vote.



- At least 2 independent directors along with their profiles shall be proposed for shareholders' consideration and convenience.
- Rules of meeting shall be made known among shareholders. The rules, method for attending a meeting, voting method, voting right, and voting counting shall be displayed in the meeting invitation letter.

#### 8. Protection of the minorities' rights

- The bank shall equally establish full rights for all shareholders, and treat all groups of shareholders fairly. All shareholders shall, at the same time, receive key information with completeness and correctness from the bank.

#### 9. Protection of Insider trading information Usage

- An insider trading policy shall be established for directors, executives, employees, and their spouses, minor children, who are aware of material information and financial statements of the bank, to strictly follow to guard the secret of the bank.
- Guidelines shall be laid down for employees to fulfill their duties with honesty, integrity, fairness, compliance with law and other regulations; and to not prioritize their personal benefits to responsibilities towards the bank, as well as not exploit insider trading information for personal interests.

### **3. Self-Assessment of Compliance with the Good Corporate Governance Policy**

The assessment shall be made once a year as a tool for the bank's board of directors and management to self-assess whether the bank had complied or not complied with any matter. The results will be considered for proper improvement of such matter.

### **4. Policy Review**

The review shall be held once a year or when any key changes made.