

# CENTRALRETAIL

Policy on Investment and Supervision and Governance of Subsidiaries and Associates

---

Central Retail Corporation Public Company Limited

6 December 2019

## **Policy on Investment and Supervision and Governance of Subsidiaries and Associates**

### **Definitions**

“Company” and “Parent Company” refers to Central Retail Corporation Public Company Limited.

“Company Operating the Core Business” refers to a Central Subsidiary, an Independent Subsidiary Operating the Core Business, all Subsidiaries and Associates operating the core business, and subject to the Notification of the Capital Market Supervisory Board No. TorJor. 39/2559 Re: Application for Approval and Granting of Approval for Offering of Newly Issued Shares (as amended), unless stated otherwise in this document.

“Central Subsidiary” refers to a Subsidiary that functions as the governance center of each business group of the Parent Company by supervising and governing the business operations of the Subsidiaries and Associates under it.

“Subsidiary or Associate under Central Subsidiary” refers to a Subsidiary or an Associate which operates the core business under the governance of a Central Subsidiary.

“Independent Subsidiary Operating the Core Business” refers to a Subsidiary operating the core business which is under the direct supervision of the Parent Company.

“Subsidiary under the Direct Supervision of the Company” refers to the Central Subsidiaries and the Independent Subsidiaries Operating the Core Business.

“Subsidiary” and “Associate” refer to a subsidiary and an associate as defined in the Notification of the Securities and Exchange Commission No. KorChor. 17/2551 Re: Determination of Definitions in Notifications relating to Issuance and Offer for Sale of Securities (as amended).

### **Investment**

The Company has policy to invest in subsidiaries and associates that are in line with its vision and growth strategies and will be able to increase its profitability. Or invest in other business that is synergy to its business and achieve the target as a leader of the market. The Company, subsidiaries and/or associates might consider investing in other businesses that have ability to grow or beneficial to the group of the Company and have good return. The Company will take into consideration of the investment proportion, expected profit, expected risk, the Company’s financial position including a feasibility study and potential of the investment. The consideration of any investment in the Company, subsidiaries and/or associates shall be agreed and/or approved by the Board of Directors’ meeting and/or the shareholders’ meeting (as the case maybe)

### **Supervision and Governance of Subsidiaries and Associates**

The Company determined the policy on the supervision and governance of Subsidiaries and Associates operating the core business as a mechanism for the Company to supervise and govern its Subsidiaries and Associates, be held accountable for their operations, and maintain certain measures for monitoring the management of its Subsidiaries and Associates operating the core business, its Central Subsidiaries, its Subsidiaries under Central Subsidiaries, and its Subsidiaries under the Direct Supervision of the Company, as if these entities were its departments, including overseeing that such Subsidiaries and

Associates comply with the policies and long-term goals of the Company and the Civil and Commercial Code, the Public Limited Companies Act B.E. 2535 (as amended), the Securities and Exchange Act B.E. 2535 (as amended), as well as the relevant notifications, regulations, and rules of the Stock Exchange of Thailand and the Office of the Securities Exchange Commission, the details of which are mentioned below. In addition, the Audit Committee's Meeting No. 9/2019, held on 4 December 2019, considered and concluded that the governance of the management and operation of the Subsidiaries under Central Subsidiary were adequate and proper.

Any other terms not mentioned in this document are subject to the securities and stock exchange laws, including other laws applicable or related to the Company's operation. Nevertheless, this policy is applicable so long as it is not in contrast with or contradictory to the laws, rules or regulations of other jurisdictions that are enforceable against the Subsidiary and the Associate or so long as they do not result in such Subsidiary and Associate losing any benefit to which they are entitled under the laws of such jurisdictions.

## **1. Operation of the Company Operating the Core Business**

The board of directors of the Company Operating the Core Business (excluding Associate) must ensure that a transaction or an undertaking in relation to the following matters are approved at the meeting of the board of directors and/or general meeting of shareholders of the Parent Company before the Company Operating the Core Business may enter into the transaction only in the event that the size of such proposed transaction of the Company Operating the Core Business in comparison to the size of the Parent Company pursuant to the relevant notifications on acquisitions or disposals of assets and/or connected transactions (as the case may be) of the Capital Market Supervisory Board and the Board of Governors of the Stock Exchange of Thailand requires approval at the meeting of the board of directors and/or general meeting of shareholders of the Parent Company:

- (a) The entry into any transaction with a related person of the company or the Parent Company, or any transaction concerning an acquisition or a disposal of assets by the company.
- (b) The transfer or waiver of any rights or interests, including waiver of any claim against any person who causes damage to the company.
- (c) The sale or transfer of the whole or any substantial part of the company's business to any other person.
- (d) The purchase or acceptance of the transfer of business of other companies by the company.
- (e) The execution, amendment, or termination of a contract concerning the lease of the whole or any substantial part of the business of the company, the assignment to any other person to manage the company's business, or the amalgamation of the company's business with any other person.
- (f) The lease or hire-purchase of the whole or any substantial parts of the company's business or assets.
- (g) Borrowing, lending, granting of credit, provision of a guarantee, entry into any transaction that will cause the company to incur additional financial burden, or giving of any other kinds

of financial aid to any other person which is not in the ordinary course of business of the company. In this regard, lending to directors of the company is prohibited, except for lending under employee loan program.

- (h) The dissolution of the company.
- (i) Any other transaction which is not in the ordinary course of business of the company and may materially affect the company.
- (j) The capital increase by issuing new shares and share allocation of the company, including any reduction of the registered or paid-up capital of the company which is not proportionate to the shareholding of the existing shareholders, or any action that will result in the dilution of more than ten (10) percent of the Parent Company's direct and/or indirect shareholding and/or voting rights (as the case may be) in the general meetings of shareholders of the company at any level.
- (k) The capital increase or reduction of the company which is not proportionate to the shareholding of the existing shareholders, or any action that will result in the dilution of the Parent Company's direct and/or indirect voting rights in the general meetings of shareholders of the company at any level to the extent that the Parent Company loses control over such company.

## **2. Operation of the Subsidiary under the Direct Supervision of the Company and the Associate Operating the Core Business**

In addition to the duties stated in item 1., the board of directors of the Subsidiary under the Direct Supervision of the Company has the following duties:

- 2.1 The board of directors of the Subsidiary under the Direct Supervision of the Company and the Associate operating the core business must ensure that a transaction or an undertaking in relation to the following matters is approved at the meeting of the board of directors of the Parent Company before the Subsidiary under the Direct Supervision of the Company and the Associate operating the core Business may enter into the transaction:
  - (a) The nomination or appointment of a director or an executive of the Subsidiary under the Direct Supervision of the Company or an Associate operating the core business, which must be at least proportionate to the Parent Company's shareholding in the Subsidiary under the Direct Supervision of the Company or an Associate operating the core business. The directors and executives nominated or appointed by the Parent Company shall have discretion in casting votes at the meetings of the board of directors of the relevant Subsidiary under the Direct Supervision of the Company or the relevant Associate operating the core business in relation to the general management and normal business operation of such Subsidiary under the Direct Supervision of the Company or Associate operating the core business as the directors and executives deem appropriate in the best interests of the Parent Company, the Subsidiary under the Direct

Supervision of the Company and the Associate operating the core business, unless as specified otherwise in this document.

However, the directors or executives of the Subsidiary under the Direct Supervision of the Company nominated or appointed by the Parent Company as stated in the preceding paragraph must be those who are listed in the database of directors and executives of securities issuing companies (White List), and they must have the qualifications, roles, duties and responsibilities and lack all untrustworthy characteristics as prescribed in the notifications of the Office of the Securities and Exchange Commission on the determination of untrustworthy characteristics of directors and executives of a company.

- (b) The consideration and approval of distribution of annual dividends and interim dividends (if any) of any Subsidiary under the Direct Supervision of the Company, except when the dividends paid by the Subsidiary under the Direct Supervision of the Company for the whole year are not less than the amount as specified in its annual budget or such payment of dividends is in accordance with the dividend payment policy of the respective Subsidiary under the Direct Supervision of the Company that has already been approved by the board of directors of the Parent Company.
  - (c) The amendment of the Articles of Association of any Subsidiary under the Direct Supervision of the Company, except the amendment of significant matters as specified in item 2.2 which requires approval from the general meeting of shareholders of the Parent Company.
  - (d) The consideration and approval of the annual budget of any Subsidiary under the Direct Supervision of the Company, except for the cases set out in the Delegation of Authority of such Subsidiary under the Direct Supervision of the Company which has already been approved by the board of directors of the Parent Company.
- 2.2 The board of directors of the Subsidiary under the Direct Supervision of the Company must seek prior approval from the general meeting of shareholders of the Parent Company for any amendment of the Articles of Association of the Subsidiary under the Direct Supervision of the Company that may have a material impact on the financial conditions or operating results of such Subsidiary under the Direct Supervision of the Company, including, but not limited to, any amendment of the Articles of Association of the Subsidiary under the Direct Supervision of the Company which may have a negative impact on the Parent Company's rights to nominate or appoint a director or an executive of the Subsidiary under the Direct Supervision of the Company proportionate to the Parent Company's shareholding in the Subsidiary under the Direct Supervision of the Company, the voting rights of the director(s) nominated by the Parent Company at the meetings of the board of directors of the Subsidiary under the Direct Supervision of the Company, the voting rights of the Parent Company at the general meetings of shareholders of the Subsidiary under the Direct Supervision of the Company, and/or the dividend distributions of the Subsidiary under the Direct Supervision of the Company.

### **3. Operation of the Subsidiary or the Associate under Central Subsidiary**

In addition to the duties stated in item 1., the board of directors of the Subsidiary or the Associate under Central Subsidiary has the following duties:

3.1 The board of directors of the Subsidiary or the Associate under Central Subsidiary must ensure that a transaction or an undertaking in relation to the following matters are approved at the meeting of the board of directors of the Central Subsidiary before the Subsidiary or the Associate under Central Subsidiary may enter into the transaction:

(a) The nomination or appointment of a director or an executive of the Subsidiary or the Associate under Central Subsidiary, which must be at least proportionate to the Central Subsidiary's shareholding in the Subsidiary or the Associate under Central Subsidiary. The directors and executives nominated or appointed by the Central Subsidiary shall have discretion in casting votes at the meetings of the board of directors of the relevant the Subsidiary or the Associate in relation to the general management and normal business operation of such Subsidiary or Associate as the directors and executives deem appropriate in the best interests of the Parent Company, the Central Subsidiary and the Subsidiary or the Associate under Central Subsidiary, unless as specified otherwise in this document.

However, the nominated or appointed directors or executives of the Subsidiary under Central Subsidiary as stated in the preceding paragraph must be knowledgeable, honest, and ethical; must not be bankrupt, incompetent or quasi-incompetent; have never been imprisoned on the final judgment of a court for an offence related to property committed with dishonest intent; have never been dismissed or discharged from the government service, organization or agency for malfeasance; and there are no other reasons to doubt such persons' performance as directors and executives.

(b) The consideration and approval of distribution of annual dividends and interim dividends (if any) of any Subsidiary under Central Subsidiary, except when the dividends paid by the Subsidiary under Central Subsidiary for the whole year are not less than the amount as specified in its annual budget or such payment of dividends is in accordance with the dividend payment policy of the respective Subsidiary under Central Subsidiary that has already been approved by the board of directors of the Central Subsidiary.

(c) The amendment of the Articles of Association of any Subsidiary under Central Subsidiary

(d) The consideration and approval of the annual budget of any Subsidiary under Central Subsidiary, except for the cases set out in the Delegation of Authority of such Subsidiary under Central Subsidiary which has already been approved by the board of directors of the Central Subsidiary.

The Parent Company or the Central Subsidiary will appoint directors and executives of the Subsidiary and the Associate operating the core business proportionate to their shareholdings in such Subsidiary and the Associate unless the Parent Company is subject to certain restrictions or other

agreements under the relevant joint venture agreements by which the Parent Company is bound. In this regard, the board of directors of the Parent Company and the Central Subsidiary shall have the power to nominate persons to hold the position of director and executive in such Subsidiary and Associate. The board of directors of the Parent Company shall have the power to determine the scope, duties and responsibilities of the directors or executives of the Subsidiary and the Associate who were nominated by the Parent Company and appointed as directors or executives of the Subsidiary and the Associate operating the core business, including the following:

(1) Determine a clear scope of authority for using discretion where such directors and executives shall have the right to vote at the meeting of the board of directors of the Subsidiary and the Associate on significant matters which require prior approval from the meeting of the board of directors of the Parent Company or Central Subsidiary or the general meeting of shareholders of the Parent Company;

(2) Ensure that the Subsidiaries have an internal control system, risk management system, anti-corruption system and other necessary systems, including measures for monitoring the operations of the Subsidiaries and the Associates which are appropriate, efficient and sufficiently concise so that the operations of the Subsidiaries and the Associates will be in compliance with the plan, budget, policies of the Parent Company, as well as legislations and rules on good corporate governance of listed companies, including the relevant notifications, regulations and rules of the Capital Market Supervisory Board, the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, and monitor the Subsidiaries and the Associates to ensure that they completely and correctly disclose information relating to the financial conditions and result of operations, entry into connected transactions and acquisitions or disposals of material assets transactions and any other matters material to the Parent Company in compliance with the regulations in relation to the governance and supervision of subsidiaries and associates of the Capital Market Supervisory Board and the Office of the Securities and Exchange Commission.

(3) Monitor the Subsidiaries to ensure that they disclose information relating to the financial conditions and result of operations, entry into connected transactions and acquisitions or disposals of material assets transactions completely and correctly.

(4) Monitor the directors or executives of the Subsidiaries and the Associates nominated by the Parent Company or the Central Subsidiary to ensure that they comply with the duties and responsibilities required by law, the Articles of Association and the policies of the Parent Company and the Central Subsidiaries.

Policy on Investment and Supervision and Governance of Subsidiaries and Associates is effective from 6 December 2019 onwards.

*-Signed-*

(Dr. Prasarn Trairatvorakul)

Chairman

Central Retail Corporation Public Company Limited