

Best Practice Guidelines for Audit Committee

1. Preamble

Under the management climate which is filled with complexity and rapid changes, it becomes inevitable for a business to implement continuous improvements to achieve the most appropriate, effective and efficient way of management in order to assure the investors and concerned parties in general of its good corporate governance.

At present, the Audit Committee which is a sub-committee of the Board of Directors is widely recognized as an important tool or mechanism required of a business to ensure its good corporate governance. The Audit Committee as an independent committee can alleviate burden of the Board of Directors and afford flexibility in its management function. The Audit Committee can render visions and straight opinions on financial reports and internal control systems and accommodate discussion and consultation between the management and the external auditor with a view to managing possible risks and ensuring complete and correct disclosures in financial reports according to applicable standards and regulations in order that such reports are credible, meeting a high quality and adding value to the organization.

To ensure its effective performance, the Audit Committee needs to clearly set forth its composition, qualifications of its members, meeting regulations, duties and responsibilities of itself and towards the internal auditor and external auditor, and its communication with the Board of Directors. In order that an organization can meet its objectives, all parties concerned must have knowledge and understanding of the roles and duties of themselves and others. Likewise, in the establishment of an Audit Committee, all parties concerned must be aware of and understand its objectives, role and duties, render assistance and provide full cooperation to ensure availability of information, resources and implementations needed from the management.

With our realization of the importance of the Audit Committee and with a view to developing its roles, the Exchange has established these Best Practice Guidelines for Audit Committee in order to ensure understanding of the duties of the Audit Committee and the coordination among the Audit Committee, the internal auditor and the external auditor for their smooth and efficient performance of duties.

2. Objectives

An Audit Committee is a sub-committee of the Board of Directors that assists the Board of Directors in handling the issues which might be overlooked and ensures a good monitoring system within the business. The objectives of these Best Practice Guidelines for Audit Committee are broadly enumerated to reflect the significance of the role of an Audit Committee.

The directors, management, external auditor and internal auditor have direct interest in the efficiency of the Audit Committee because the Audit Committee can assist them in meeting their legal responsibilities and fulfilling their management function as the men of profession.

The aims of the establishment of an Audit Committee are to create efficiency in the operations and to add value to the organization which would give effect to:

- (1) Increment of reliability and creditability of financial reports.
- (2) Increase of carefulness in the performance of duties of the Board of Directors as the Board of Directors would be concerned about its responsibilities towards:
 - 2.1 Reporting of financial information;
 - 2.2 Selection of proper accounting policies;
 - 2.3 Financial management;
 - 2.4 Internal control system and internal audit;
 - 2.5 Formulation of business strategies and policies;
 - 2.6 Compliance with applicable regulations and laws;
 - 2.7 Management and control of business risk.
- (3) Alleviation of burden of the Board of Directors since the power and duties pertaining to financial reporting, internal control and internal audit will be delegated to the Audit Committee. As a result, the Board of Directors would have opportunity to address to various matters in depth and become more efficient in other areas of management.
- (4) Improvement of duties and process of the internal and external audit and increase of efficiency in the communication among the Board of Directors, internal audit department and external auditor.
- (5) Accommodation of formal meetings between the Board of Directors and the financial management department.
- (6) Reinforcement of independence of the internal auditor and internal audit department to enable them to present straight opinions that will give rise to more efficient operations.
- (7) Encouragement of the preservation of independence of the external auditor and provision of framework to enable the external auditor to present straight opinions in case that a conflict with the management may arise.
- (8) Improvement of quality of the internal audit reports.
- (9) Strengthening of the role and authority of outside directors.
- (10) Assurance of the directors' understanding of the defined scope of audit.

3. Composition of the Audit Committee

(1) The Audit Committee shall consist of at least 3 independent members. The number of members of the Committee should depend on the volume, scope of responsibilities and efficiency in the performance of work. Generally, the number of members ranges between 3 to 5 persons.

(2) The committee members shall have skill and expertise suitable for the entrusted task. Every committee member needs not be expected to be an expert in accounting or finance because the Audit Committee can seek advice from an independent specialist of particular field. However, the committee members must be capable of making the right questions and interpreting and evaluating the given answers.

(3) At least 1 committee member must have knowledge, understanding or experience in accounting or finance and be consistently knowledgeable of events affecting the changes in financial reporting process in order to increase the efficiency of the Audit Committee's performance, because the main duty of the Audit Committee is to review the financial reporting process to ensure the best quality.

(4) The committee members must be able to dedicate sufficient time to the performance of work of the Audit Committee.

(5) Continuous and regular coaching as well as knowledge expansion in matters relating to performance of work of the Audit Committee should be provided to the committee members in order to keep abreast of possible changes. The committee members should expand their knowledge of the company operations continuously to increase the efficiency of the Audit Committee.

(6) Appointment

6.1 Committee Members

- The Board of Directors or shareholders' meeting shall appoint members of the Audit Committee who must be directors of the company.

- In case of proposal of the committee members to a shareholders' meeting for approval, the company should provide in a notice of meeting the names, curriculum vitae as well as statement certifying that the appointed persons are qualified and independent as required.

- When the term of service of the committee members expires or there is any circumstance causing any committee member to be unable to hold office until expiration of the term of service, thus making the number of the committee members to be lower than the prescribed number of 3 persons, the Board of Directors' or shareholders' meeting should appoint the new committee member(s) to fill up the vacancy(ies) immediately or no later 3 months from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.

6.2 Chairman of the Audit Committee

- In an election of the Chairman of the Audit Committee, careful consideration shall be given to leadership qualifications because the Chairman of the Audit Committee is the person who gives rise to confidence in the overall efficiency of the Audit Committee which would be beneficial to the effective planning, and is a leader to bring the meetings to right direction.

- The Audit Committee or the Board of Directors shall select 1 member of the Audit Committee to be Chairman of the Audit Committee.

6.3 Secretary to the Audit Committee

- The Secretary to the Audit Committee should be appointed to assist the Audit Committee in performing work pertaining to summoning of meetings, preparation of agendas, delivery of supporting documents for the meetings and keeping of minutes.

- The Secretary to the Audit Committee may be the Company Secretary or the Chief of Internal Audit. In case of a small-sized business, the Chief Financial Officer may act as the Secretary to the Audit Committee.

- The Secretary to the Audit Committee has no voting right.

(7) Vacating from Office

7.1 Vacating from office means to include termination of directorship, or expiration of the prescribed term of service, or resignation, or removal.

7.2 In case that any committee member wishes to resign before the expiration of his term of service, he should give a notice thereof to the company 1 month in advance together with reason therefor so that the Board of Directors' or shareholders' meeting can consider appointing another director who is fully qualified to replace the resigning member. The company shall also report such resignation and send a copy of the resignation letter to the Exchange.

7.3 In case that any committee member is removed before the expiration of his term of service, the company shall report such removal together with the ground of such removal to the Exchange. The committee member who is removed may also give explanation of the ground of such removal to the Exchange.

(8) Term of Service

8.1 The term of service of the committee members should be definitely fixed and cover a reasonable period of 2-5 years to ensure continuity of the performance of work of the Audit Committee.

8.2 The committee members may be re-appointed for another term as the Board of Directors' or shareholders' meeting may think fit, but their membership term should not be automatically renewed.

8.3 New committee members should be appointed to ensure the introduction of new ideas to the Audit Committee.

4. Qualifications of the Committee Members

(1) A committee member must possess full qualifications according to the criteria as follows:

1.1 Holding shares not more than 5 per cent of paid-up capital of the company, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons.

1.2 - Being a director who does not take part in the management of the company, affiliated company, associated company, related company or majority shareholder of the company.

1.3 - Not being an employee, staff member or advisor who receives a regular salary from the company, affiliated company, associated company, related company or majority shareholder of the company; for example, the Chief Executive Officer of the company may not be a member of the Audit Committee because he is directly responsible for the management etc.

- Being a director who has no direct or indirect benefit or interest in finance and management of the company, affiliated company, associated company or majority shareholder of the company.

1.4 - Being a director who has no benefit or interest of the said nature during the period of 1 year before his appointment as a member of the Audit Committee except where the Board of Directors has carefully considered that such previous benefit or interest does not affect the performance of duties and the giving of independent opinions.

- Being a director who is not a related person or close relative of any management member or majority shareholder of the company.

1.5 Being a director whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders.

1.6 Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the Board of Directors free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

(2) Related persons mean to include persons who have relationship with or are related to the company to the extent that they cannot perform their duties independently or in a flexible manner such as supplier, customer, creditor, debtor or person who has business relation that is material etc.

5. Independence

(1) **Independent opinion** means the giving of opinions or making of report in a free and unrestricted manner in accordance with the entrusted task with no concern of benefit pertaining to property, position or duties, and free and clear of influence of any person or group of persons including the force of any circumstance that prevents the giving of opinions in a desirable way.

(2) Samples of the lack of independence in the execution of any task include an event where a member of the Audit Committee is under the influence of the directors, management, officer of the company etc. whether through acquaintance, considerateness or any reason which leads to the carrying out of a task in a manner as desired by such person or group of persons thus giving rise to any of the following circumstances:

2.1 Omission of the entrusted task.

2.2 Acceptance of any proposal or commission of any act that is undesirable and causes the company and the shareholders to suffer damage or lose the benefit that they are entitled to.

2.3 Failure to give opinion or make a report to the Board of Directors or the shareholders straightforwardly.

2.4 Lack of coordination, consultation or failure to cooperate with the directors, management or officers of the company whom the committee member is working with.

(3) Transactions which may be considered as having no impact on the performance of duties and the giving of independent opinions of the committee members:

(4) Transaction engaged between a committee member or a person related to a committee member and the company, affiliated company, associated company or majority shareholder of the company in connection with the acquisition or disposal of goods or services, subject to the conditions as follows:

4.1 Such acquisition or disposal of goods or service is in the ordinary course of business and complies with general commercial terms prescribed on a clear and open basis, and

4.2 The price of goods or service is comparable to the price of goods or service charge offered to other customers.

(5) Financial assistance which a committee member or a person related to a committee member obtains from the company, subsidiary company, associated company, related company or majority shareholder of the company in the ordinary course of business as a financial institution.

(6) Any transaction which is considered to be a connected transaction for which the requirements under relevant regulations of the Exchange have been met.

(7) Other transactions as prescribed by the Exchange.

6. Duties and Responsibilities of the Audit Committee

(1) Duties of the Audit Committee

1.1 The duties of the Audit Committee shall be set forth by the Board of Directors and approved by the Audit Committee, by taking into account the size, complexity of the company, nature of industry and structure of the Board of Directors.

1.2 The duties of the Audit Committee shall be clearly set forth in writing and disclosed to the shareholders.

1.3 The duties of the Audit Committee shall be reviewed and modified regularly to ensure suitability.

1.4 In case of change in the duties of the Audit Committee, the company shall report it to the Exchange.

1.5 Main duties of the Audit Committee:

1.5.1 To review the company's financial reporting process to ensure accuracy and adequate disclosure, by coordinating with the external auditor and the management members who are responsible for preparing the quarterly and yearly financial reports. The Audit Committee may suggest that the external auditor review or examine any transaction which is considered necessary and significant during the audit of the company's accounts.

1.5.2 To ensure that the company has suitable and efficient internal control system and internal audit by making a review jointly with the external auditor and the internal auditor (if any).

1.5.3 To review the performance of the company to ensure compliance with the securities and exchange law, regulations of the Exchange or laws relating to business of the company.

1.5.4 To select and nominate an external auditor of the company, including recommendation of remuneration of the external auditor by taking into account the credibility, adequacy of resources and volume of audit assignments of that auditing firm, as well as experience of personnel assigned to audit the company's accounts.

1.5.5 To review the disclosure of information of the company in case that there is a connected transaction or transaction that may lead to conflict of interest so as to ensure the accurateness and completeness.

1.5.6 To perform any other act as delegated by the Board of Directors and approved by the Audit Committee such as to review the financial management and risk management policies, to review of the compliance with the Code of Corporate Conducts, to review significant reports which must be disclosed to the public as required by law jointly with the management of the company e.g. the Management's Discussion and Analysis etc.

1.5.7 To prepare a report on activities of the Audit Committee and disclose it in an annual report of the company. Such report must be signed by the Chairman of the Audit Committee and should consist of information as follows:

- Comment on the accurateness, completeness and credibility of the preparation process and disclosure of information in financial report of the company.

- Comment on the adequacy of the company's internal control system.

- Ground to believe the company's external auditor is suitable for re-appointment for another term of service.

- Comment on the compliance with the securities and exchange law, regulations of the Exchange or laws relating to business of the company.

- Any other report which should be made to the shareholders and general investors within the scope of duties and responsibilities assigned by the Board of Directors.

1.6 The Audit Committee may seek independent opinion from any other professional counsel when it is deemed necessary at the expense of the company.

(2) Responsibilities of the Audit Committee

The Audit Committee is responsible to the Board of Directors according to the duties and responsibilities assigned by the Board of Directors, while the responsibilities for all activities of the company towards third persons are still vested in the entire Board of Directors.

7. Meetings of the Audit Committee

(1) Agenda

1.1 An agenda of each meeting should be clearly determined in advance, and documents supporting the meeting should be delivered to the Audit Committee and persons who are to attend the meeting for a reasonable period in advance in order to provide time for consideration of the matters or request of additional supporting information.

1.2 The Audit Committee should hold meetings to consider the matters assigned as follows:

- Consideration of financial statement and relevant financial report, accounting principles and procedures, compliance with accounting standards, existence of business, change in significant accounting policies including reasons of the management concerning determination of accounting policies before submission to the Board of Directors for disclosure to the shareholders and general investors.

- Consideration of the internal control system and internal audit.

- Review of the annual audit plan of the company, coordination process of relevant audit plans and evaluation of the results of audit jointly with the internal auditor and the external auditor. The Audit Committee should inquire about the scope of audit which has been planned to ensure that such audit plan will lead to revelation of fraud or defects in the internal control system.

- Consideration of problems or restrictions arising during the audit jointly with the internal auditor, and review of the performance of work of the internal auditor.

- Consideration of problems or restrictions arising from the audit of financial statement jointly with the external auditor.

- Consideration jointly with the internal auditor and the external auditor to ensure that the plan for reviewing the procedures and the control of electronic data processing are in place, and investigation of specific security program to prevent fraud or misuse of computers by company's employees or third persons.

- Review of transactions which may lead to a conflict of interest such as connected transaction of the company, etc.

- Compliance with the securities and exchange law or regulations of the Exchange.

- Any other act as assigned by the Board of Directors.

- Self-evaluation on the fulfillment of duties and responsibilities which have been delegated.

(2) Frequency of Meetings

2.1 Frequency of the meetings in each year shall depend on the size of business and the duties delegated so as to ensure that the performance of work of the Audit Committee meets the objectives which have been intended for. In general practice, meetings of the Audit Committee should be held at the average of 4 times a year.

2.2 The Chairman of the Audit Committee may convene a special meeting of the Audit Committee if there is a request from the committee member, internal auditor, external auditor or Chairman of the Board of Directors in order to consider the issues which must be jointly discussed.

(3) Attendants

3.1 The members of the Audit Committee should attend every meeting of the Audit Committee. The Audit Committee shall fix the number of members required to attend a meeting to make it valid according to law.

3.2 The Audit Committee may invite the directors or management members of the company, the internal auditor or the external auditor to attend a meeting to discuss the matter as specified such as internal control, audit plan etc.

3.3 The Audit Committee should have meetings with the in-house lawyer on regular basis or have a meeting with the outside legal counsel when it is considered necessary and appropriate in order to discuss legal matters which have or may have material impact on the company's financial statement. In a case which is important and necessary, the Audit Committee may invite the in-house lawyer and/or outside legal counsel to attend a meeting of the Audit Committee.

(4) Voting

4.1 The meeting documents must specify the names of persons and require the member of the Audit Committee who has any interest in a matter to be considered to refrain from expressing his opinion and voting on such matter.

4.2 The Secretary to the Audit Committee has no voting right.

(5) Minutes

The Secretary to the Audit Committee or a person whom has been assigned shall prepare the minutes of meetings which must be submitted to the Audit Committee as well as to the Board of Directors in order to provide the Board of Directors with information about the activities of the Audit Committee on a timely basis and to increase efficiency in the performance of work of the Audit Committee. The Audit Committee should deliver the minutes of meetings to the internal auditor and the external auditor for the purpose of confirming information and notifying the matters which are in the attention of the Audit Committee or should be given special attention.

8. Reporting of the Audit Committee

The Audit Committee has the duty and responsibility to report its activities or any other duty as assigned by the Board of Directors. The reports of the Audit Committee are important to the Board of Directors, shareholders and general investors because they will provide independent and straight opinions of the Audit Committee and ensure the Board of Directors that the management has carried out management function in a careful manner and has due regard to the consequences on all the shareholders equally.

(1) Reporting to the Board of Directors

1.1 Report on regular activities so that the Board of Directors is kept informed of activities of the Audit Committee.

- Minutes of meetings of the Audit Committee which clearly specify opinions of the Audit Committee on various matters.

- Summary report of activities during the year.

- Report concerning comments on financial report, internal audit and internal auditing process.

- Any other report which should be disclosed to the Board of Directors.

1.2 Immediate report on the findings so that the Board of Directors can seek a solution on a timely basis.

- Report on conflicts of interests.
- Suspected or presumed fraud or irregularity or material defect in the internal control system.
- Suspected infringement of law or any regulations of the Stock Exchange of Thailand.
- Any other report which should be disclosed to the Board of Directors.

(2) Reporting to the Authorities

If the Audit Committee has reported about anything which has material impact on the financial condition and results of operation to the Board of Directors and has discussed with the Board of Directors and the management that any rectification is necessary, upon completion of the period of time mutually fixed if the Audit Committee finds that such rectification has been unreasonably ignored, any member of the Audit Committee may report such finding to the Office of the Securities and Exchange Commission or the Stock Exchange of Thailand.

(3) Reporting to the Shareholders and General Investors

Report on activities carried out during the year according to the duties and responsibilities delegated by the Board of Directors, which shall be signed by the Chairman of the Audit Committee and disclosed in an annual report of the company.

9. Evaluation of the Audit Committee

(1) To ensure that the performance of work of the Audit Committee is efficient and meets the objectives, a formal evaluation process of the Audit Committee should be in place.

(2) The evaluation may be made derived from an interview of persons involved in the performance of work of the Audit Committee or the response in a questionnaire completed by the committee members in respect to the efficiency of the Audit Committee.

(3) The Audit Committee should be informed of the results of evaluation and impacts pertaining to the performance of work from the external auditor, Chief of Internal Audit, Chief Financial Officer and management in order to use the results of evaluation for improving the performance of work to achieve higher efficiency and meet the objectives intended for.

10. Internal Control System and Internal Audit

(1) Internal Control System

1.1 A listed company should implement a sound and effective internal control system to ensure the effective operations of the company, have accurate and reliable financial reports and comply with the provisions of applicable laws.

1.2 Internal control means the process, organization plan, work system and procedures available in the organization which have been designed by the Board of Directors and management of the organization with the main objective to bring about reasonable confidence in:

- the creditability and perfection of information.
- the compliance with policies, plans, procedures, laws and regulations.
- the supervision, safeguard and care of property of the company.
- the use of resources economically and effectively to meet the objectives and the goal of the operations or the established plan.

1.3 Internal control consists of 5 related components which are encompassing the way of business conduct of the management and integrated into a single management process. These components include Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

(2) Internal Audit

2.1 A listed company should set up an internal audit department to be in charge of analyzing, evaluating, advising and giving recommendations and information to support the operating staff. In case that an internal audit department has not been set up in the company, such listed company should have a substitute internal audit system (out Source).

2.2 Internal audit means the independent performance of duties of examination and evaluation of various activities within an organization with the objectives to assist all levels of operating staff of the organization to perform their duties in a more effective manner and to provide an efficient internal control under suitable cost.

The company should maintain suitable and efficient internal control system and internal audit throughout the term of its listing status.

11. Works Incidental to Duties of the Audit Committee

In performing its duties, the Audit Committee should take into account all incidental works in order to meet the objectives of its function as the Audit Committee; for example,

(1) The Audit Committee should obtain explanations from the management for all the significant variations in the financial statements of the current year and the previous years (this review may be performed at a meeting of the Board of Directors), and should review the Management's Discussion and Analysis or MD&A section in an annual report jointly with the management.

(2) The Audit Committee should inquire the external auditor about the extent of its consideration and review of the MD&A section as well as its opinion as to whether the details revealed in MD&A section and any other information disclosed in the annual report are consistent with the information revealed in the financial statement or not, and how.

(3) The Audit Committee should ask the management and the external auditor to report as to whether they have encountered any significant difficulties in the financial reporting process that should be jointly discussed during the accounting period, and if so how they have been resolved.

(4) The Audit Committee should meet privately with the external auditor to request the opinion on various matters such as the quality of financial and accounting personnel and internal audit staff of the company, including matters most concerned by the external auditor and other matters which should be discussed jointly with the Audit Committee but have not been raised or explained elsewhere.

(5) The Audit Committee and the Board of Directors should consider whether the external auditor should meet with the entire Board to discuss any significant matters relating to financial statement and to answer any questions that other directors may have.

(6) The Audit Committee should request an explanation from the Chief Financial Officer of the company and the external auditor with respect to any changes in accounting standards or rules promulgated by relevant regulatory bodies, that have an effect on the company's financial statements.

(7) The Audit Committee should discuss with the management and the external auditor the substance of any significant issues raised by the in-house lawyer and the outside legal counsel concerning litigation, contingencies, claims or assessments. The Audit Committee should understand how such matters are reflected in the financial statements.

(8) The Audit Committee should review the existence of any significant accounting accruals, reserves or estimates made by the management, and the significant substance that has material impact on the financial statements.

(9) The Audit Committee should investigate problems concerning income tax returns filed to the Revenue Department to determine whether there are any significant items that might be disputed by the Revenue Department, and inquire as to the status of related tax reserves.

(10) The Audit Committee should review the Management Representative Letter given to the external auditor and inquire whether they have encountered any difficulties in obtaining the letter or any specific representations therein.

(11) Any other act as the Audit Committee thinks fit.

12. Reporting of Listed Company to the Exchange

(1) Reporting upon Establishment of the Audit Committee

1.1 Report of resolution of the Board of Directors' meeting or resolution of the shareholders' meeting concerning establishment of the Audit Committee, and submission of form of notification of names and scope of work of the Audit Committee (F24-1) by facsimile and through electronic system according to the regulations of the Exchange.

1.2 Submission of representation letters and curriculum vitae of members of the Audit Committee (F24-2) together with minutes specifying a resolution to establish the Audit Committee and the form of notification of names and scope of work of the Audit Committee.

1.3 Submission of form of acknowledgment of the duty to report the securities holding within 7 business days from the date of appointment.

1.4 Submission of report on securities holding (Form 59-1) within 30 days from the date of appointment.

(2) Reporting upon Change of Members of the Audit Committee

2.1 Report of resolution of the Board of Directors' meeting or resolution of the shareholders' meeting concerning change of members of the Audit Committee, and submission of form of notification of names and scope of work of the Audit Committee (F24-3) by facsimile and through electronic system according to the regulations of the Exchange.

2.2 Submission of representation letters and curriculum vitae of members of the Audit Committee (F24-2) together with minutes specifying a resolution to establish the Audit Committee and the form of notification of names and scope of work of the Audit Committee.

2.3 Submission of form of acknowledgment of the duty to report the securities holding within 7 business days from the date of appointment.

2.4 Submission of report on securities holding (Form 59-1) within 30 days from the date of appointment.

(3) Reporting upon Change of Scope of Duties of the Audit Committee

Report of resolution of the Board of Directors' meeting or resolution of the shareholders' meeting concerning change of scope of duties of the Audit Committee, and submission of form of notification of names and scope of work of the Audit Committee (F24-3) by facsimile and through electronic system according to the regulations of the Exchange.

Listing Department
The Stock Exchange of Thailand
June 23, 1999