

CGG | CHAROEN POKPHAND GROUP

voices

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— Editor's Talk —

Happy New Year and wishing all C.P. friends a wonderful 2023!

We begin the first issue of CG Voices in 2023 with some good news. C.P. Group has been named one of 2023 World's Most Ethical Companies by Ethisphere, a leading global institute from the USA, for the third consecutive year.

The Group places importance on ethical business operations and has systematic corporate governance, risk management, compliance, and audit functions in place. We believe that "Subsidiary Governance" helps the operations of companies in the Group to be in the same direction, resulting in strong corporate governance.

In this issue of CG Voices, we would like all C.P. Group colleagues to learn and understand about "Subsidiary Governance" and "Charoen Pokphand Group's Corporate Governance Framework" as established by the Group. We are honored to have Khun Oranuch Apisaksirikul, Director of the Corporate Governance, Risk and Audit (GRA) Steering Committee at Charoen Pokphand Group, share with us insights regarding the importance and guidelines for driving subsidiary governance. Moreover, Khun Kulvech Janvatanavit, Chief Executive Officer of the Thai Institute of Directors (IOD), will also share with us about how subsidiary governance lead to sustainability.

We strongly believe that good corporate governance is the foundation of business sustainability. Therefore, this year and over the following years, we will continue to focus on further development to ensure effective subsidiary governance of C.P. Group companies where the Group can monitor new or upcoming businesses so that they operate in accordance with the Group's corporate governance framework. This will ultimately lead to all subsidiary companies streamlining business operations under the same standard, enabling the whole Group to grow sustainably.

See you in the next issue.



Rongruja Saicheua
Editor

Subsidiary Governance: Great Leaders Aim to “Oversee” Rather Than “Control”

This issue of CG Voices deals with “Subsidiary Governance” which means oversight of operations by the parent company and reporting performance of subsidiary companies back to the Group. A lot of employees may not be familiar with the term. We would therefore like to highlight its importance so that everyone can better understand Subsidiary Governance.

When asked how to explain ‘Subsidiary Governance’ in simpler terms, Ms. Oranuch Apisaksirikul, Director of C.P. Group Corporate Governance, Risk and Audit Steering Committee said “it is comparable to raising a child, where you must instill discipline to ensure we can live together in harmony and share a common culture. Similarly, organizations have business objectives and requires governing policies to serve as a common foundation that will ultimately result in an organizational culture that leads to development, growth, wealth, and stability.”

Ms. Oranuch emphasized that Subsidiary Governance is about “oversight” and not “control.” This must be communicated to employees and made clear so they understand that overseeing and controlling are entirely different matters. Governance is establishing the direction derived from analytical thinking, planning, as well as the engagement and implementation of all employees in order for business operations and organizational culture to head in the same direction, leading to a term called “sustainability.”

Subsidiary Governance is indeed a difficult topic. Ms. Oranuch therefore suggested that group policies must be established so that everyone has the same understanding and implements them in the same direction. That is why Charoen Pokphand Group set up the Corporate Governance department responsible for formulating and driving compliance with Group policies, enabling subsidiary companies to see how the Group’s corporate governance functions. In addition, the Group appointed the Corporate Governance, Risk and Audit Steering Committee to provide oversight and supervision.

Ms. Oranuch added that the difficulty in formulating Group policies is the determining of a large framework that requires hearings (listening and talking) as well as constant interaction with subsidiary companies because good governance involves coaching and supervision whereby employees must be involved in expressing ideas and understand all aspects. We must not create a framework that is too narrow nor think on behalf of all employees to a point that there leaves no breathing space because each individual has their own different competencies and capabilities. On the contrary, we should provide some form of leeway and, most importantly, establish rules and regulations so that people want to follow them without being pressured to do so. Therefore, if we can make people comply with regulations where they believe in their involvement and they believe that it is indeed a good



Ms. Oranuch Apisaksirikul

Director of C.P. Group Corporate Governance,
Risk and Audit Steering Committee

practice, they will do it willingly without force, resulting in high commitment and the desire to do and follow. This is essentially the principle of a good framework.

As an example, she provided that “It’s like releasing crabs and allowing them to walk all over the place without any boundaries or sense of direction. Hence, we are unable to gather them. The idea here is to put walls on either side enabling the crabs to walk along a path. No matter how they walk, they will eventually end up at the same place together and not go astray. Essentially, governance is the setting up of walls while the walls themselves are the company’s various policies and guidelines. However, each subsidiary company should be given the freedom to establish the details because each organization has specific parameters and their own footprint, otherwise they will lose benefits of doing business. Nevertheless, there are many things that each company cannot override, such as breaking laws and regulations.”

“For Subsidiary Governance to be successful, the most important factor is that a great leader must make followers unaware that there is a leader.”

With today’s highly volatile and constantly changing world, ‘Subsidiary Governance’ policy frameworks must therefore be continuously reviewed and revised. Moreover, we must constantly understand how one thing affects another and implement the necessary adjustments to suit the status quo so we can continue to achieve stability.

“This is the Subsidiary Governance principles of Charoen Pokphand Group.”

How Subsidiary Governance Can Lead to Sustainability

Another perspective on Subsidiary Governance that CG Voices would like to present to our colleagues is the view from corporate governance expert, Mr. Kulvech Janvatanavit, Chief Executive Officer of the Thai Institute of Directors Association (IOD), an organization domestically and internationally recognized for the advancement of good corporate governance in Thailand specifically by providing best practices and training courses in this area.

When asked about his views on Subsidiary Governance, Mr. Kulvech Janvatanavit commented that because the damage caused by subsidiary companies can affect the reputation of the parent company, Subsidiary Governance is therefore important. The parent company can be sustainable only when its subsidiary companies are sustainable as well. Sustainability therefore has to be practiced systematically throughout the organization.

Mr. Kulvech advised that in order to achieve the goal of “Subsidiary Governance” there are 5 things that should be taken into account: 1. Understanding the nature of the parent company-subsidiary company relationship such as joint venture or 100% shareholding; 2. Knowing the objectives of setting up a subsidiary; 3. Group policies and oversight; 4. Defining Risk Appetite at group level; and 5. The Board of Directors must have responsibilities in corporate governance.

In order for Corporate Governance to function effectively, Mr. Kulvech said that this does not only involve oversight of compliance, but also oversight of performance, that is, performance must meet goals. Therefore, it is important for the Board of Directors of both the parent company and subsidiary companies to know and understand what factors will make business operations unsustainable.

In addition, Mr. Kulvech emphasized that although it is good to have Group policies or a Group corporate governance framework, we must allow subsidiary companies to adjust these to suit their business context but within the aforementioned framework because business objectives of each company are different. Moreover, Group policies or corporate governance frameworks must be regularly reviewed since the policy or framework we set today may not be relevant in the future. It is comparable to raising a child where one has to change parenting styles accordingly as they grow up.

Mr. Kulvech also shares with us the challenges of Subsidiary Governance taken from real experiences of directors who attended IOD’s training programs, where their executives sent by the parent company to be directors of their subsidiaries are still acting as executives of the parent company while unable to perform their duties as a director of the subsidiary



Mr. Kulvech Janvatanavit
Chief Executive Officer
of the Thai Institute of Directors Association (IOD)

company. For example, they have communicated the policies of the parent company but have never reported the challenges faced by the subsidiary company in its business operations back to the parent company, which shows that it is only a one-way communication.

Therefore, Mr. Kulvech suggested that executives assigned to serve as directors of subsidiary companies should not forget their directorship role in questioning and exploring what factors can contribute to business growth. Moreover, when selecting executives who will serve as directors of subsidiary companies, the parent company should also consider the qualifications of directors to suit that company’s business direction.

When asked how to measure success of Subsidiary Governance, Mr. Kulvech responded that we should look at stakeholders’ perspective. How they perceive us or how they talk about us will reflect the status of our business practices.

“Subsidiary Governance” is not just a regulation for employees to follow. There must be engagement between the parent company and its subsidiaries, thus creating a strong corporate culture by allowing subsidiaries to adapt within the corporate governance framework set by the parent company. This will make Subsidiary Governance successful and lead to sustainable growth together.

C.P. Group Included as One of the World's Most Ethical Companies for the Third Consecutive Year by Ethisphere, a Global Institute for Assessing Business Ethics Standards

On March 13, 2023, C.P. Group was announced by Ethisphere as one of “2023 World's Most Ethical Companies.” A total of 135 companies from 19 countries around the world had been selected, with Charoen Pokphand Group Co., Ltd. or C.P. Group from Thailand named as one of the world's most ethical company in 2023 for the third consecutive year in the Food, Beverage & Agriculture industry category.

CG Voices would like share with our colleagues the background information on this award as well as provide insights as to how are leading companies, including C.P. Group, managed to receive this prestigious recognition.



Who is Ethisphere?

“Ethisphere” is a world-class institution from the United States whose mission is to set and develop ethical business standards in order to drive the business sector to conduct business with integrity and grow sustainably. Currently, there are more than 300 leading companies from around the world as members, including Kellogg's, L'Oreal, H&M, Pepsico, Intel, Microsoft, Kohl's, etc. Ethisphere is also an institution that assesses ethics and compliance processes in large corporations worldwide to be included as one of the World's Most Ethical Companies® annually.



Before becoming one of “2023 World's Most Ethical Companies,” what is the assessment process?

Companies must apply and complete the assessment in the Ethics Quotient (EQ) system which comprises over 200 questions. Every company must answer the same questions which are grouped into 5 categories, each with different weights. Overall, the assessment will focus on what processes each company has to create ethics as well as governance in the organization.

It took about 3 months for C.P. Group to gather all the responses together with supporting evidence. The questions are in the form of both multiple choice and written narratives. For example, in Leadership and Reputation criteria, Ethisphere would like to understand the Group’s procedures on reputation management to handle adverse incidents that may affect our reputation, or in the Environmental & Societal Impact criteria, the Group must provide information on how to engage with the environment, society, and community in order to achieve mutual development and growth.

Not all companies that have applied to join the assessment will be selected for inclusion in the World's Most Ethical Companies list. Ethisphere will announce the companies that have been assessed successfully against the standards of the annual assessment criteria. Moreover, the criteria are revised every year.

This is therefore a challenge for all companies participating in this assessment, which requires constant self-improvement and development.

Ethisphere Assessment Criteria:

- Governance 15%
- Leadership & Reputation 10%
- Ethics & Compliance Program 35%
- Culture of Ethics 20%
- Environmental & Societal Impact: ESG 20%

What does C.P. Group gain from this award?

Being selected by a global institution such as Ethisphere as one of 2023 World's Most Ethical Companies for the third consecutive year showcases C.P. Group as an organization with international standards that is committed to conducting business ethically and focused on creating positive values for society in all dimensions.

The Ethisphere assessment provides an opportunity for C.P. Group to benchmark our working processes against global corporate standards as well as adapt our systems which continuously raises performance standards. Moreover, we can learn about trends of working processes from fellow World’s Most Ethical Companies, enabling the Group to further elevate its ethical and compliance practices that meet international standards.

This prestigious recognition is the result of the dedication and cooperation of all executives and staff from all business groups in the Group, both in Thailand and every country in which C.P. Group operates. Therefore, C.P. Group will not stop here, as our Senior Chairman Dhanin Chearavanont always say that “Success can be only enjoyed for one day. For tomorrow, we must strive to develop ourselves further than today.” C.P. Group thus remains committed to continually improving our corporate governance that will lead to sustainable business growth and participation in economic and social development in all dimensions.

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GOOD. SMART. BUSINESS. PROFIT.[®]

C.P. Group Subsidiary Governance Framework: Sustainable Growth Within One Standard

What are the benefits of expanding businesses by establishing subsidiary companies? One benefit is business risk diversification, which enables the parent company to penetrate new markets such as new target groups and overseas markets. This results in the parent company's brand becoming more well-known. However, inefficient management and lack of oversight from the parent company can lead to business failure. It is a challenge for both the parent and subsidiary company.

This is why Subsidiary Governance is important to C.P. Group. Ms. Rongruja Saicheua, Senior Vice President, Corporate Governance, from Charoen Pokphand Group's Sustainability, Good Governance and Corporate Communications Office (SGC Office) said "If subsidiary companies operate within the same corporate governance system, this will strengthen C.P. Group's corporate governance. Therefore the 'Subsidiary Governance Framework of Charoen Pokphand Group' is established so that subsidiary companies have a corporate governance system within the parent company's framework as well as acknowledging their duties and responsibilities towards the parent company."

What is C.P. Group's corporate governance system? Ms. Rongruja explained that it is a system overseen by a group of persons acting as a governing body together with assigned functions through policies, rules and regulations, guidelines and processes set by the company. This enables management to work efficiently with prudence and care, resulting in the company's long-term success.

To paint a clearer picture, there are 3 important parts that subsidiary companies must do in order to build a corporate governance system according to C.P. Group's Subsidiary Governance Framework. The first part is establishing a Corporate Governance Structure that has a Governing Body or corporate body responsible for setting the vision, policies, strategies as well as overseeing and monitoring operations to attain organizational goals and objectives in accordance with C.P. Group's Corporate Governance Principles and the Code of Conduct. More importantly, there must be clear reporting lines to ensure there are persons responsible for oversight to conform with the charters of Governing Bodies. This includes holding meetings and annual performance evaluations to continually improve their performance, or to quote Peter Drucker's phrase "What gets measured gets managed." Furthermore, subsidiary companies must disseminate and communicate CP's 6 Core Values, 11 Corporate Governance Principles, Code of Conduct, as well as policies and guidelines to employees throughout each company so that they are aware, understand, and comply.



Ms. Rongruja Saicheua

Senior Vice President, Corporate Governance, Sustainability, Good Governance and Corporate Communications Office (SGC Office), Charoen Pokphand Group

The second part is designating functions or persons to oversee corporate governance, risk management, compliance, and audit. This also includes designating a person to coordinate operations in each of the aforementioned areas with the parent company. The third part is implementing corporate governance processes, whereby subsidiary companies must prepare an annual action plan, organize training programs or prepare learning materials including hold various activities to create awareness, monitor and evaluate performance. This also covers reporting the company's performance to executives and Governing Bodies as well as submitting the reviewed performance report to the parent company. Additionally, subsidiary companies should also disclose their operational performance in various reports or on their company website.

Ms. Rongruja emphasized that this is a framework that the Group has set for its subsidiary companies to follow within one standard, but we also allow each subsidiary company to adjust accordingly to suit their business context.

An important factor that creates commitment from subsidiary companies in driving successful C.P. Group subsidiary governance is engagement with leaders and representatives of subsidiary companies to form a working network in each responsible function such as the Corporate Governance Network or Compliance Network, which leads to a stronger corporate governance system for our Group.

Corporate Governance Held Its First Meeting of 2023 with BUs Worldwide to Formulate CG Implementation Plan

In order for business units to be able to drive corporate governance operations in 2023 according to the Group's goals, the Corporate Governance Department has therefore disseminated the Group-level CG Implementation Plan in its first CG Network Meeting of the year, which encompasses CG structure and governance processes, building an ethical culture, as well as disclosure and transparency. In this regard, all business units have formulated their respective CG plans.

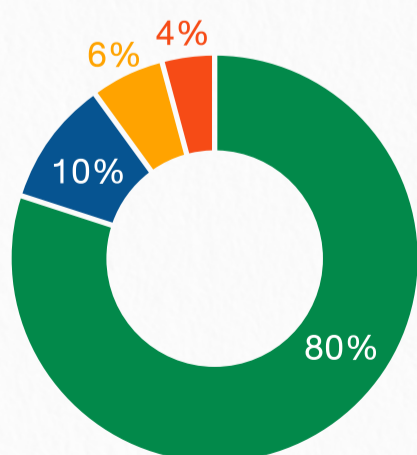
In addition, the Corporate Governance Department welcomed C.P. Future City Development Corporation Limited (CPFC) as a new member of the CG Network.



C.P. Employee Survey Results on Caring for Mental Health

In the previous issue of CG Voices, we invited fellow employees to share their views on caring for mental health. In this issue, we would like to share with you the opinions of 127 colleagues across all business units and how they perceive this topic.

1. 80 percent of respondents agreed that good mental health care impacts job performance the most. Moreover, they believe that receiving good mental health care can increase job efficiency even more.

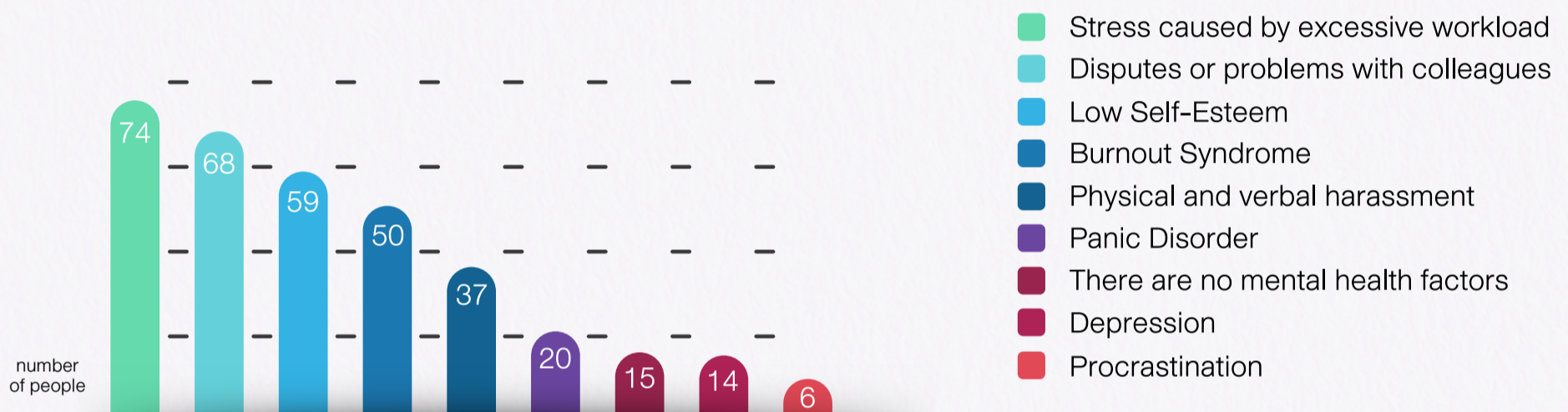


- It has the most significant impact because receiving good mental health care will increase job efficiency.
- It has a significant impact because mental health has an effect on your job performance.
- It has not much impact because job efficiency depends on individual employee's responsibilities.
- It has no impact because work normally requires knowledge, expertise, and experience more than the mental state.

2. Direct supervisors and work colleagues play an important role in taking care of the mental health of employees within the organization.



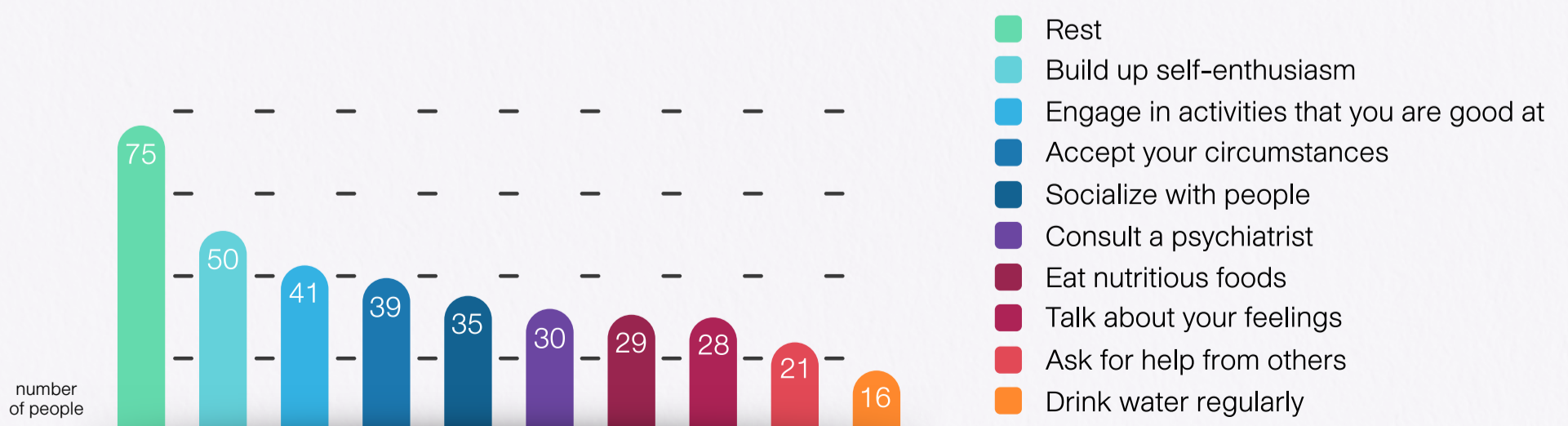
3. Which mental health factor(s) do you think affects your work performance the most?



4. If you are faced with mental health problems, which channel would you like most to receive consultation?

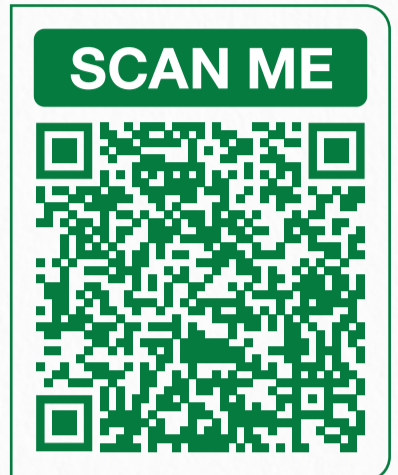


5. How do you take care of your mental health at work? (select 3 answers):



Quiz Game

We invite fellow employees to join in the fun and answer questions about “Subsidiary Governance” which is featured in this issue of CG Voices. The first 50 respondents who answer all questions correctly will each receive a cap with compliments from Siam Land Flying Co., Ltd. (SLF).



1. The reason why a parent company establishes subsidiary companies is:

- To expand the business and increase opportunities to penetrate new markets.
- To further increase credibility as a large-scale business.

2. The duties and responsibilities of the Board of Directors in subsidiary companies are:

- To oversee the general management of the subsidiary company.
- To oversee business operations of the subsidiary company so that they are in accordance with group policies and report operating results to the parent company.

3. Corporate governance of each subsidiary company in the group, both local and abroad, involves

- Letting subsidiary companies operate independently for business efficiency.
- Providing policies and directions to serve as an operational framework where group companies can adapt them according to their own business context.

4. What elements comprise the group’s corporate governance system?

- 1) Corporate governance structure and 2) Corporate governance processes.
- 1) Corporate governance structure; 2) Responsible departments or persons; and 3) Corporate governance processes.

5. What is important in corporate governance of subsidiary companies?

- Both the parent and subsidiary companies operate according to the same corporate governance framework.
- The parent company and its subsidiary companies appoint a person who is directly responsible.

