

## **HUMAN RIGHTS**

**Principle# 1:** The business should support and respect the protection of internationally proclaimed human rights

**Principle# 2:** The business should make sure that it is not complicit in human rights abuses

KCE is dedicated and committed to upholding the United Nations Universal Declaration of Human Rights and all other international, regional and/or local laws that apply to KCE, such as the Thai Labour Standards: Corporate Social Responsibility of Thai Business (TLS 8001-2010), the Labour Protection Act, B.E. 2541 (1998) and its amendments, the Labour Relations Act, B.E. 2518 (1975) and its amendments, the Social Security Act, as well as the Workmen Compensation Insurance Act.

### **POLICIES AND SYSTEMS**

- To ensure that KCE is constantly improving its commitments to the UN's Universal Declaration of Human Rights, KCE has continually reviewed and revised its policies and strategies to support human rights. Top Management shall define the policy on social and labor accountability by a written document and formal declaration, expressing the intention to confirm the requirement of human rights, employment conditions and working condition standards.
- KCE appointed an Employee & Welfare Committee comprised of employer and employee representatives to be responsible for carrying out activities related to the application to the requirement of the Thai Labour Standards.
- KCE shall conduct appropriate measures related to occupational safety and health covering all areas and types of work, which may be harmful to worker's health and safety, in accordance with laws and occupational safety and health standards. In order to prevent harm and to decrease risk factors, KCE arranges a safe working environment and provides the following for its workers:
  - a) An opportunity to participate in the management of occupational safety and health.
  - b) An opportunity to obtain access to information concerning hazards that may arise from the working process or working environment.
  - c) Knowledge and awareness of rules, regulations, code of practice or guidelines concerning occupational safety and health.

- d) Training related to occupational safety and health focusing on issues that are newly assigned or re-assigned for the performance of work.
- e) Safety equipment in accordance with safety standards and suitable for working conditions of each worker.
- KCE shall not engage in or support any discrimination in respect of employment, payment of wages and remuneration, providing welfare and opportunities for training and development, promotion, termination of employment or retirement, and so on, due to national extraction, race, religion, language, age, sex, marital status, personal attitude on gender or sexual orientation, invalidity, HIV/AIDS, AIDS patients, trade union membership, employee committee, political affiliation or personal opinion.
- KCE ensures that corporate social responsibility, of which human rights is the core component, being an integral part of the company's strategy and that KCE will continue to operate its business in responsible manner for the community.
- KCE shall provide for and maintain procedures to evaluate and select suppliers or subcontractors who conform to the requirement of the Thai Labour Standards in regard to human rights.

## ACTIONS

- Phase 1 of the new KCE plant at Latkrabang successfully started operations on January 2, 2015. In the final quarter of 2015, KCE commenced Phase 2 by completing the transfer of operations from the old plant. Various measures related to occupational safety and health covering all areas and types of work, which may be harmful to worker's health and safety, were put in place at the new plant facilities, in accordance with laws and occupational safety and health standards.
- During 2015, the Company participated in the safety, occupational health and environmental workplace activities as follows:
  1. Reported 91.5% achievement in compliance with the safety plan of 2015, due to extra activities regarding the new plant, i.e. the Safety week, assessment of environment, water inspection and annual fire drill.
  2. The Safety unit performed the following activities at the new plant:
    - Studied the new plant layout.
    - Tried to understand the operating system of new machines and other facility systems.
    - Installed the fire protection system.
    - Conducted risk assessment regarding the health of worker who involve chemical substance.
    - Conducted an assessment regarding the danger from chemicals.
    - Reviewed and updated safety manual.

- Arranged trainings for leaders regarding the suspension of an emergency caused by chemicals.
- Fire drill.
- Submitted related application and updated the official documents/ registration as necessary.

3. The following master projects were carried out:

- Studied and survey fire extinguisher system, storing and transporting system for chemicals at the new plant, i.e. the Sprinkle system, fire fighting foam, Nitrogen fire fighting, fire alarm system, fire pump, fire hose, chemical pipelining and etc.
  - Explored the mounting points for the closed circuit cameras and oversee the installation of 230 cameras at the new plant.
  - Installation of the Master key.
  - Installation of the Access Control
  - Survey of the risk areas for fire, determination of fire escape routes and the points to place the fire tanks.
  - Installed the safety equipments, i.e. fire detection system, fire alarm system and including various fire suspension systems, fire extinguishers, fire hose, fire fighting nozzles, fire equipment cabinet, fire fighting suit - SCBA, the automatic fire suspension by Nitrogen or Foam, the sprinkler system, removing equipment for detector, megaphone, flashlight and etc.
  - Purchased necessary equipments for the first-aid nursing room.
  - Improved documentation system to facilitate the ISO 14001 certification.
- During 2015, the Company conducted Customer Satisfaction surveys in various categories, such as technical area, quality, on-time delivery, problem responsiveness, logistics, accuracy of the document and communication. The results of which are satisfactory (in the level of 80%-100%.)
  - Many customers conducted the plant audit to qualify the new factory, and the results were in the level of 82% - 97%, or 89% at the average, this considered as the new plant was "qualified" for production. Another audit was in regards to Logistics, where the audit score was as high as 92% (very good.)
  - At the new plant, KCE appointed the safety officers at all levels: professional, supervisor and management level (HR announcement # 008-11/2015 dated February 18-24, 2015). Safety office is mainly responsible for the planning, monitoring and evaluating the results of the implementation of safety and occupational health policies in order to ensure their strict compliance and maximum effectiveness.
  - KCE appointed the Emergency response team at both plants. (HR announcement # 016-17/2015 dated March 11, 2015)

- KCE elected a Committee for the Safety, Health and Working Environment (HR announcement # 030/2015 dated May 25, 2015), effective from May 25, 2015, to May 24, 2017. The main responsibility is to establish a safety policy, develop a working plan, monitor procedures and report achievements in order to improve the working environment so as to comply with safety standards pertaining to the law.
- KCE appointed an Educational Fund for Employees' Children Committee on March 18, 2015. Employees who complete one year of service and earned income at a lower than certain amount is entitled to apply for the fund.
- The Company's policies and objectives are delivered through "continuous training," including occupational safety and health, technical and professional education, specific knowledge and skills training, and basic training courses to all employees as appropriate for their job and career path. (See Appendix 2).
- KCE has continued its commitments to CSR activities (See Appendix 3)

Activity #1: Mangrove planting at the Mangrove Forest Development Station 1, Tambon NoenKho, Amphoe Klang, Rayong province, July 25, 2015.

Activity #2: Refurbishment of Prasert-Wittayatarn Suksasongkraw School, Tambon Champa, Amphoe Tharuea, Phra Nakhon Sri Ayutthaya province, September 19, 2015.

## PERFORMANCE

- No complaints from employees were filed with the Ministry of Labour during 2015.
- KCE was awarded an "Excellent Establishment on Safety, Health and Working Environment" certificate by the Department of Labour Protection and Welfare, Ministry of Labour, in 2010, 2011, 2012 and 2014.
- KCE was certified for achieving the requirements of Thai Labour Standards – Corporate Social Responsibility, TLS 8001-2010 Certificate Completion level, issued by the Department of Labour Protection and Welfare, Ministry of Labour, issued on February 8, 2013. The certification is valid until February 7, 2016.
- KCE was awarded the AIDS-response Standard Organization Certification, "ASO Thailand – Silver," from the Department of Labour Protection and Welfare, Ministry of Labour, and the Department of Disease Control, Ministry of Public Health, issued on August 8, 2013. The certification is valid until August 8, 2015.
- The Company participated in the "Safe Factory" Project, organized by the Ministry of Labour and was certified for its commitment on the participation in such project, on August 3, 2015.
- In 2015, the Company was awarded the "Excellent Establishment on Labour Relations and Welfare" at the National level in the year 2015 achievement, award organized by the Department of Labour Protection and Welfare, issued July 17, 2015.

- KCE was awarded a certificate "The Company is able to maintain Thai Labour Standard continuously", issued by the Department of Labour Protection and Welfare, on May 26, 2015.
- Additionally, the Company was certified in its supporting on the "better health in the workplace" project, by the Association for the Development of Environmental Quality.
- The Human Resource & Organization Development Department has continually arranged various training programs for employees throughout the year, resulting in an increase in the total number of training hours and the number of multi-skilled operators:

	2012	2013	2014	2015
Total number of training hours	23.94	23.75	30.14	74.06
% of multi-skilled operators	60.00%	64.44%	69.26%	69.45%

- Accident Statistics in 2013-2015

Type		2013	2014	2015*
First aid	Times	28	25	36
Lost days ≤ 3 days	Times	20	24	20
Lost days > 3 days	Times	9	9	11
Total number of lost days	Days	165	147	209
Incident Frequency Rate (IFR)		10.84	10.91	13.74
Incident Severity Rate (ISR)		31.47	27.66	42.96

Note \* The statistics of the new plant

## LABOUR

**Principle # 3:** The business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle # 4:** The business should eliminate all forms of forced and compulsory labor.

**Principle # 5:** The business should effect the abolition of child labor.

**Principle # 6:** The business should eliminate discrimination in respect of employment and occupation.

Thai Labour Standards: Corporate Social Responsibility of Thai Business (TLS 8001-2010) is written within the provisional scope of the Constitution of the Kingdom of Thailand, provisions of labor laws concerning labor protection, occupational safety, health and environment, labor welfare, and labor relations. Moreover, related conventions of the International Labour Organization and of the United Nations are also brought into account.

KCE recognizes that employees are our greatest asset. To ensure that we are able to recruit, hire, and retain the talented individuals in our organization, we strive to assist all of our employees in maintaining a balanced work life and to provide flexibility to employees on an individual basis.

- KCE respects the right of a worker to establish or become a member of a trade union or other committees in the company, and the right of the worker to bargain collectively without imposing obstacles or any kind of sanction on such activities.
- KCE shall not engage in or support the use of forced and compulsory labor in any form.
- KCE shall not hire or give support to hire a young worker under the age of 15.
- KCE shall not engage in or support any discrimination in respect of hiring, employment, payment of wage and remuneration, providing welfare and opportunity for training and development, promotion, termination of employment or retirement.

#### **POLICIES AND SYSTEMS**

- Union-neutral policy: An employee representative will not be subjected to discrimination, displacement or dismissal, or other illegal actions.
- The Company's management provides facilities to the Union or employees' representative in regard to carrying out their functions:
  - collect annual union member fees via payroll deduction
  - time-off with pay for union activities: union committee meeting, Union Annual General Meeting (AGM)
  - arrange for a meeting venue outside the company for the Union's AGM
  - provide partial financial support for union activities
  - allow union activities during regular working hours, as requested
  - Provide a bulletin board to post union notices
- HR administration policy addressing the issues of human rights:
  - HR policy takes into account the Company's strategy and conforms to the business ethics and the equitable treatment of employees.
  - The HR policy ensures clear, transparent and fair procedures.
  - The Company will recruit and hire a person who is suitable for the job based on skills and experience and other qualifications as required.

- The Company will pay wages and remuneration according to the Company's pay structure, which is based on job responsibility, economics, and the wage rate of the current market.
- The Company supports HR development as well as self-development so that employees are knowledgeable and continually increase their efficiency in carrying out their job duties.
- There is no requirement that workers lodge a financial deposit with the Company.
- KCE recognizes the importance of the workforce and prohibits any form of forced or compulsory labor. Workers in debt bondage or in other forms of forced labor are not engaged and, where found, removed.
- The Company's policy for pregnant employees is that they are prohibited to work in situations deemed detrimental to their condition, health and safety for women, and prohibited from working during the hours of 22.00 – 6.00, from working overtime and working on holidays so that they may take care of their health.
- The minimum wage age provision of Thai Labour law is 15 years. However, KCE prohibits hiring employees under the age of 18 years.
- In the recruitment process, an adequate verification method for age is employed to ensure the validity of the applicant's age.
- KCE seeks to disseminate to staff, among other relevant information, applicable laws and regulations, and international regulations ratified by the country for the eradication of child labor and current debates about these issues.
- Grievance procedures regarding discrimination, where found.
- KCE offers equal employment opportunities for all. The persons we recruit and promotions are based on merit and suitability.
- KCE has an annual performance and career development review process which provides all employees with the opportunity to receive regular reviews, regardless of job, grade, gender, age or ethnic origin.
- The recruitment and selection process for employment is based on a policy of non-discrimination and guidelines of Thai Labor Standard.
- All employees are awarded equal opportunities to develop knowledge, skill and competence that are relevant to their job. KCE started to conduct a training needs analysis for specific roles within the organization.
- The recruitment and the selection process of employees of KCE are based on a policy of non-discrimination and the guideline of Thai Labour Standards
- Salary increases for employees depend on performance and added value of an employee's work. All employees are accorded equal opportunity to develop their knowledge, skill and competence as relevant to their job.

- We seek to eradicate discrimination, increase cross-cultural understanding and eliminate workplace violence and harassment. In addition to all the above, KCE organizes in-service training such as the learning of languages, first-aid training, rules of protocol, occupational course training, personnel development courses, team work and regular social events, such as New Year parties, walk rallies, and other sport activities.
- KCE's employees are not discriminated against because of gender, race, origin, background, religion, marital status, sexual orientation, disability or age.

## ACTIONS

- During 2015, the union cooperated with the Company's management in various activities, as follows:
  - 2015 annual collective bargaining as a forum to improve employment terms and other benefits and welfare
  - Regular meetings
  - Participation in the Company's activities as well as CSR activities
- KCE appointed an Employee Committee and Welfare Committee on January 11, 2012, (HR announcement #005/2555). The committee is composed of six representatives from employees and five representatives from the employer. The committee is responsible for proposing provisions to ensure that employees have access to adequate welfare, consider grievances from employees and resolve any conflicts, if any.

In 2015, there were four meetings in which the following topics were discussed:

- The general business situation
- KPI evaluations for the old plant and new plant
- Company recreational activities
- Reward for the "Good attendance" and the "Long-service" award of 10, 20, 30 years
- Schooling scholarships for children of employee
- Safety in traveling between old plant and new plant
- Welfare for medical expense for the employee's family members
- Food service in the canteen
- KCE's policy for transferring subcontracted worker to KCE's permanent operator, and promotion of daily worker to monthly worker
- Arrangement of trade union activities
- Vacation entitlement
- Annual working calendar



- Employee uniforms
  - General disciplinary procedures
  - Promotion procedures and criteria used
  - Safety equipment
  - 5-S activities and the Big cleaning day
  - Miscellaneous issues: bus service, canteen, car parking, drinking water
- On February 10, 2015, collective bargaining was conducted to address issues related to working conditions and employee welfare. Negotiations reached an agreement for both parties.
  - KCE has always been supportive of the freedom of association and the effective recognition of the right to collective bargaining.
  - Prior to employment, it is our policy to be transparent about all working terms and conditions. KCE's employee policies are specified within employment contracts. These contracts clearly state the actual working conditions and their rights, and thus all employees are aware of their existence and must agree before signing an employment contract.
  - Regularly review timecard, payroll and production records in respect of incorrect record keeping, incorrect or non-payment of wages and excessive overtime hours and verify their accuracy through worker interviews.
  - KCE's employee manual defines work hours. The overtime procedure provides employees a form to sign if he/she agrees to render more than eight hours of duty. Those on overtime are given a premium pay rate according to Thai labour law, travel allowance from and to their home and a meal allowance.
  - KCE has a child labor employee policy for suppliers and subcontractors to follow. In its contracts with suppliers, the Company requires that suppliers declare that they do not employ child labor.
  - An Employee Satisfaction Survey was conducted for 2015, the result of which was summarized at an average of 63% (a range of min-max 56-68%), an increase from 61% in 2014 and 57% (a range of min-max 47-66%) in 2013, representing a high level of satisfaction. The highest score category was for an intrinsic aspects of the job and a Social aspects of the job, and the lowest score category was for an opportunity for advancement.
  - The Company continually communicates with employees in order to obtain feedback, assess their needs and problems through various channels:
    - Reports from supervisors
    - Employee satisfaction surveys
    - Grievances by employees via personal consultation, telephone, intranet, e-mail or comment box

- In 2015, the "Talent Management" program was implemented. It is mainly used for personnel development planning, which is already incorporated in the SAP system. The program is based on the principle of competency management, which can help identify and develop a suitable career development plan for individual personnel, including a succession plan for key positions.
- KCE treats subcontracted labor fairly based on the same standard as used with the Company's own staff in terms of human rights, competency development, training, safety & health and working environment, incentive pay, etc. During 2015, a large number of daily-subcontracted workers changed to the monthly-workers. Subcontracted labor is also entitled to a merit increase and an annual bonus from the Company. This has caused a major change in the workforce structure; and the turnover rate was reduced from 7% to 5.7% at the new plant.

Subcontracted labor headcount by type:

	2014	2015
Daily	1,043	772
Monthly	<u>496</u> (33%)	<u>796</u> (50%)
Total	1,539	1,568 persons

- Human Resources Department develop a road map for 2016-2018 :

Challenge:      Support business requirement  
                          Customer needs  
                          Expansion of KCE's business  
                          Foundation of HR system  
                          Increase HR service level

- HR develop the Master Training plan for 2016
- An "Assessment Center" was set up to track HR service via on line, regarding :
  - 1) Recruitment
  - 2) Training
  - 3) Employee relation
  - 4) Employee self service (KPI, OT, Leave record, E- Pay slip ...)

## PERFORMANCE

- KCE received accreditation from the Thai Labour Standard project of the Ministry of Labour in 2010. The Company received TLS 8001-2010 certification (Thai Labour Standard: Corporate Social Responsibility) on February 8, 2013, by having met the requirements of the Department of Labour, Protection and Welfare of the Ministry of Labour. The certification is valid until February 7, 2016.

- The Company received the “Excellent Establishment on Labour Relations and Welfare” award from the Department of Labour Protection and Welfare on August 20, 2014.
- In 2015, the Company was awarded the "Excellent Establishment on Labour Relations and Welfare" at the National level in the year 2015 achievement, award organized by the Department of Labour Protection and Welfare, issued July 17, 2015.
- KCE received a Certificate, "the Company is able to maintain Thai Labour Standard continuously", issued by the Department of Labour Protection and Welfare, on May 26, 2015.
- 60% of the Company's employees are represented by the union.
- List of established Associations:
  - Labour Union
  - Employee and Welfare Committee
  - Safety, Health and Working Environment Committee
  - 5S Team
  - Thai Labour Standard Committee
  - Educational Fund for Employees' Children Committee
  - KPI Committee
  - Environment Management Representative (EMR)
- In 2015, there were no conflicts between employees and the Company.
- All employees received salary above the stipulated minimum wage.
- KCE does not employ child labor, and all employees are over 18 years old.
- KCE's risk management demonstrates that there are no current or planned business activities in which child labor is or is likely to be a factor. We have appropriate systems in place to ensure that we do not employ child labor.
- We have enhanced our ability to identify opportunities to influence others to abolish child labor and are considering further embedding of this within our existing risk management system.
- Neither employees nor the union filed a case regarding unfair treatment against the Company with the Ministry of Labour in accordance with Labour Relations Act B.E. 2518 (1975).
- Employee complaints averaged less than 1% per year.
- In 2015, KCE employed 838 employees. All employees were above 18 years of age, and there were no employees between the ages of 15-18.

	<u>Age 18+ yrs.</u>		<u>Age 15-18 yrs.</u>		<u>Handicap</u>	
	Men	Woman	Men	Woman	Men	Woman
2013	418	387	None	None	4	1
2014	438	400	None	None	3	2
2015	450	388	None	None	4	4

## ENVIRONMENT

**Principle #7:** The business should support a precautionary approach to environmental challenges.

**Principle # 8:** The business should undertake initiatives to promote greater environmental responsibility.

**Principle # 9:** The business should encourage the development and diffusion of environmentally friendly technologies.

KCE recognizes the importance of being a socially and environmentally conscious company. KCE is committed to supporting a precautionary approach to environmental challenges and will undertake initiatives to promote greater environmental responsibility, as well as encourage the development and diffusion of environmentally friendly technologies. KCE demonstrates our commitment through a strong set of policies and objectives that shape the scope of the business and the way that it deals with clients and suppliers.

### POLICIES AND SYSTEMS

- KCE is committed to the establishment of an Environment Management System by complying with the Company's environment management policy, as follows:
  - To meet all legal requirements as well as contribute to the improvement of environmental issues.
  - Reduce waste materials.
  - An effective and efficient utilization of natural resources.
  - Continuous assessment and evaluation of the environment management system; review objectives, and targets to ensure the effectiveness of the system.

- Promote and develop staff awareness and responsibility to the environment through communication, provision of relevant information and cooperation among staff, suppliers, customers, government agencies, the private sector and the general public.
- KCE applies a precautionary principle and seeks to minimize the environmental impact of its activities. Social and environmental impact assessments and reviews are carried out regularly in accordance with international standards and industry requirements.
- KCE aims at collaborating with stakeholders for the protection of environmental quality and values by using every effort in the utilization of energy and natural resources for a sustainable life and environment, working for the development and implementation of environmentally friendly and clean technology and voluntarily adopting environmental management systems and environmental standards. In addition, the Company collaborates and exchanges information with local, national and international environmental organizations to that end.
- KCE adheres strictly to environmental law and other regulatory requirements, including concerned environmental directives such as RoHs, WEEE, and REACH.
- KCE provides an ongoing environmental induction training and awareness program to provide employees with an insight into our environmental efforts at both the operational and office levels.
- The Company continuously strives to improve our environmental performance by:
  - promoting environmental awareness
  - integrating environmental consideration into the business process
  - developing and applying sustainable processes and products
  - reducing the use of resources and endeavoring to prevent pollution
  - monitoring and evaluating environmental performance throughout the entire supply chain
  - engaging in dialogue with stakeholders and partnerships, and providing performance reports
  - complying with environmental legislation and relevant requirements
- KCE started to reduce paper consumption and encourage its employees to use alternative products such as recycled paper and to avoid unnecessary expense. KCE encouraged staff to correspond and communicate via electronic mail to minimize paper usage.
- Energy and natural resources are utilized effectively and efficiently. The Company has established a waste water treatment plant and an air emission prevention system to treat waste water and air before discharge.
- KCE is committed to contributing to the development of public policy and to the initiatives of businesses, government agencies, international programs and non-government organizations that will enhance environmental awareness and protection through the public release of selected research findings.

- KCE is dedicated to creating more environmental friendly products; to produce environmentally safe PCB products, and to work with our customers and raw material suppliers to produce environmental friendly products such as lead-free and halogen-free products, as well as to use environmental friendly packaging materials such as bubble sheets instead of plastic foam.

## ACTIONS

- In 2015, KCE performed two internal audits, conducted two management reviews, and satisfied a surveillance audit performed by SGS (Thailand) for ISO 16949:2009.
- In 2015, KCE performed two internal audits, conducted two management reviews, and satisfied two surveillance audits performed by SGS (Thailand) for ISO 14001.
- Established environmental plans for 2015, as follows:
  - Reduce electricity usage to 6.50 KWH/sq ft, the operation of which began in 2009 under the responsibility of the energy conservation committee.
  - Reduce water usage to 0.113 m<sup>3</sup>/sq ft.
  - Reduce process scrap to target rates:
    - Inner Layer < 0.550%
    - Outer Layer < 4.200%
- In 2015, the Company began operating a new plant to expand capacity in order to accommodate growth in customer orders. The new plant was designed based on the Green Building concept to be more resource friendly and efficient in accordance with evaluation criteria of the US Leadership in Energy & Environment Design Standard (LEED) by incorporating the following
  - Waste water treatment technology to reduce water usage , using a Reverse Osmosis (RO) system to treat wastewater from production to recycling.
  - 24-hour use of LED lighting in production areas to reduce electricity usage.
  - A fire sprinkler system in line with the US National Fire Protection Association Standard (NFPA).
  - A fire suppression system for specific areas such as electrical rooms that does not utilize ozone-depleting substances.
  - Full wastewater treatment in accordance with IEAT regulations.
  - A high efficiency chiller with an Atmosphere Impact Index according to LEED (Green Building Design and Construction).
  - VSD (variable speed drives) installed on pumps and AHUs.

- A building management system is provided to monitor and control all energy consumption equipment in order to maximize efficiency during operations.
  - A Chiller Plant Manager monitors and operates chillers and pumps to ensure they operate at the highest efficiency.
  - A sponge Ball-Cleaning system is utilized to clean the condenser tubes of chillers to enhance system performance.
  - Generators are provided to back up life safety equipment.
- The Company arranged activities to promote and encourage environmental policy in accordance with the ISO 14001 standard, as follows:
- Mangrove planting: The Mangrove Forest Development Station 1, Tambon NoenKho, Amphoe Klang, Rayong province, on July 25, 2015.  
The Company participated in an environmental conservation project with help from a team of 45 persons to reforest the mangrove area by planting 2,000 trees to replace trees that have died, collect garbage in the surrounding area to restore the ecosystem and protect the top soil from erosion.
  - Refurbishment of Prasert Wittayatarn SuksaSongkraw School, Ayutthaya:  
The Company together with its employees participated in the following activities for the community at Prasert Wittayatarn School:
    - provided maintenance for the toilet doors, the school's kitchen, made shoe racks, repainted the bedding building and made shelves for cleaning tools
    - repainted the outer and inner building
    - Donated teaching aids
    - Offered scholarships, provided funds for lunch and donated consumer goods
  - Reduction of paper usage, including paper for copying, and encouraging the use of recycled paper. The team also seeks cooperation from all departments in changing their behavior or adjusting their work patterns. The result was satisfactory.
  - Promote energy saving in office areas by encouraging all departments to change their behavior in order to reduce electricity consumption.
- Promoted safety and environment awareness through fun activities during the Safety Week event.
- In 2015, the Company had no social or environmental legal disputes.

## PERFORMANCE

- KCE was granted recertification of ISO 14001:2004.
- KCE passed the surveillance audit of ISO 16949:2009.

- In terms of environmental operation, the Company achieved the objectives specified by the legal rules and regulations as well as the environmental management system.
- KCE was awarded the following:
  - ISO/TS 16949:2009 Edition 3 (July 10, 2015 - July 9, 2018), Certificate of Quality Management System of Technical Specification for Automatic Productive and Relevant Service Part (certified since July 18, 2003).
  - ISO 14001: 2004, valid from October 14, 2015 –March 28, 2017 (certified since March 28, 2002), certified by UKAS and NAC in regard to the Environmental Management System and Quality Management System.
  - ISO 9001:2008 (October 14, 2015 - September 14, 2018), certified by UKAS
- The Company was certified by the "Green Industry", the Ministry of Industry, that the Company is rated "Green industry-Level 3) in the Green system, as the Company has systematically manage the environment, monitor and assess the outcome and continuously improve the results, issued by April 3, 2015 - April 2, 2018.

#### Environmental Performance in 2015

	2015 Actual measurement		Per Law
	Jan - Jun	Jul - Dec	
Air quality from chimneys			
CO Emission (ppm)	13.96	13.95	690
No <sub>2</sub> Emission (ppm)	38.81	68.36	200
So <sub>2</sub> Emission (ppm)	n/a	n/a	60
Particulate (mg/Nm3)	3.93	25.79	400
Noise quality			
Average noise level 8 hrs.	86.9		90
Maximum noise level	114.4		140
Quantity of industrial waste			Properly Buried or Recycled  Managed by licensed company
Non-toxic industrial waste (per year)	1,200 Tons/ year		
Toxic industrial waste (per year)	6,000 Tons/ Year		



### Principle# 10:

The business should work against corruption in all its forms, including extortion and bribery.

KCE manages its business with honesty, fairness and transparency, and is committed to being responsible to society and all stakeholders in compliance with accepted principles of good corporate governance and business ethics.

KCE believes that bribery and corruption must be tackled by all levels of society. KCE's role as a private company is to act responsibly in all aspects of how KCE conducts business, as well as to actively support relevant initiatives to combat corruption.

### POLICIES AND SYSTEMS

- The Company is committed to implementing an anti-corruption policy. Directors, management executives and all employees of the Company will not accept any form of corruption involving all areas of business and all related sections of the organization.
- The Company's directors are responsible for setting up a policy and ensuring that an efficient system to detect corruption is in place.
- The Company's code of conduct and the business ethics must emphasize anti-corruption.
- The Company's financial statements are reviewed quarterly and audited by a qualified external auditor who is fully independent.
- All information presented in the financial reports are correct, complete and reliable. It was prepared in accordance with generally accepted accounting principles and appropriate standards.
- KCE strives to treat all parties equally and consistently within the framework of the SET by avoiding favoritism or situations where conflicts of interest may arise.
- Directors, management executives and all employees must comply with the Company's code of conduct where sensitive issues are involved.
- Whistle blowing: The Company has a policy to receive information regarding wrongdoing, violations of the law, regulations or Good Corporate Governance principles, or corruption, directly through the Audit Committee.

## ACTIONS

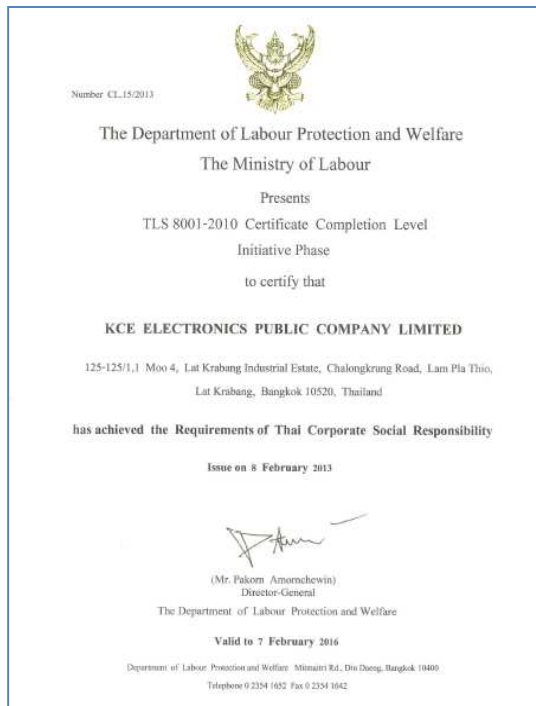
- KCE's Board of Directors appointed a Corporate Governance Committee on September 17, 2013. The committee is responsible for managing and controlling the Company's operations in accordance with good corporate governance, policies and related laws.
- In 2015, the CG Committee promoted the efficiency in the practice of Corporate Governance:
  - Encouraged the distribution of Corporate Governance Policy, business ethics and a code of conduct
  - Updated the corporate governance and code of conduct handbook.
  - Had all subcommittees and the CEO conduct a self-performance appraisal.
  - Established a channel for claims and suggestions on any matter so that employees and stakeholders could express their opinions independently, which led to improvements.
  - Reviewed, adjusted, assessed and updated Corporate Governance principles and business ethics to conform with the law, regulations of the SET and SEC, and good practices of international standards, and reported such compliance to the Board in each quarter.
- In 2014, the Company carried out the following tasks regarding the Fraud risk analysis:
  1. Assessed risk from fraud through the following procedures and steps:
    - Identified fraud risk and classify risks based on category of fraud
    - Assessed a fraud risk rating:  
Rate risks based on the likelihood of occurrence and the significance of the risks
    - Assessed mitigation controls:
      - Identify control
      - Determine the control's effectiveness
      - Determine the current residual risk
      - Draft a fraud risk register
    - Conducted a workshop to validate significant fraud risks and related controls
    - Obtained a fraud risk register
    - Developed a fraud risk monitoring mechanism
  2. Developed a fraud policy and anti-corruption policy
  3. Conducted a fraud risk awareness training workshop and classes for all management, HR, and selected supervisors and personnel to ensure that principles and policies are communicated effectively to all levels of employees.

4. Promoted an ethical culture and an awareness of fraud by a series of initiatives and activities throughout the year using various formats (e-mail, posters, training material, etc.).
- Throughout 2015, KCE promoted communication regarding an anti-corruption policy and fully supported the undertaking of the certification process. As a result, the Company was certified a member of CAC on April 3, 2015.
  - At orientations provided for new employees, the Company explains KCE's business ethics, and employees must sign a form in which they agree to strictly comply with the Company's employee code of conduct.

## PERFORMANCE

- There was no fraud reported by the internal auditor for 2015.
- The 2015 Audit Committee's report confirmed that:
  - The Company's financial report for the year ended December 31, 2015, was prepared in accordance with generally accepted accounting principles, and the information was accurate, complete and reliable with a reasonable application of accounting policy.
  - The Company's internal control systems are adequate and appropriate.
  - All related party transactions are part of the Company's normal course of business with regular commercial terms, sensible and fair conditions and for the maximum benefit of the Company.
  - The Company fully complies with the Public Company Act and regulations of the Stock Exchange of Thailand, as well as other laws pertaining to the Company's business.
- A business code of conduct and practical guidelines were completed in 2014 and updated in 2015.
- KCE undertook steps in compliance with the CAC's certification process, such as the development of anti-corruption measures, conducting self-evaluations regarding anti-corruption practices. As a result, the Company was certified a CAC member on April 3, 2015.
- In 2015, the Company was awarded an "Excellent" ranking for its Corporate Governance based on a survey of listed companies, by the Thai Institute of Directors Association (IOD)
- SET Awards 2015: The Company was awarded the "Outstanding CEO Awards" and the "Outstanding Company Performance Awards", in a category of company with market capitalization of Bt10,000 - 30,000 million.

## Appendix 1: Certificates/Awards



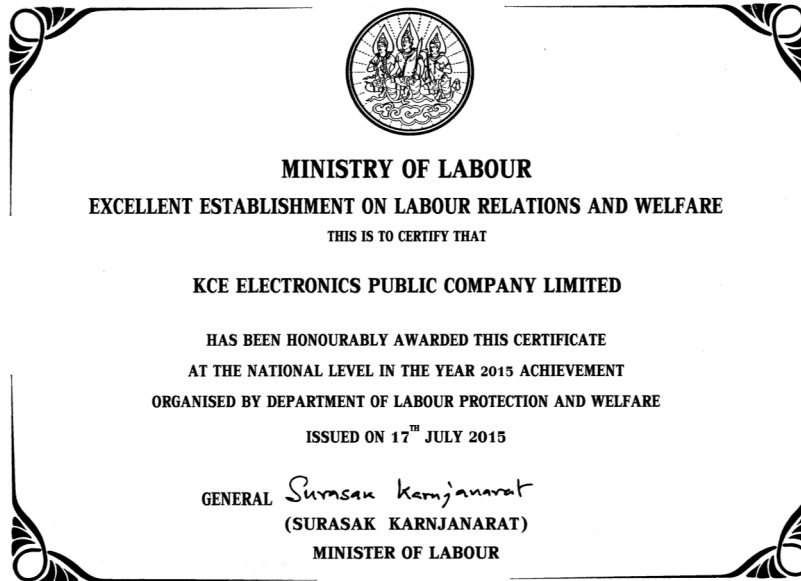
KCE was certified for achieving the requirements of Thai Labour Standards – Corporate Social Responsibility, TLS 8001-2010 Certificate Completion level, issued by the Department of Labour Protection and Welfare, Ministry of Labour, issued on February 8, 2013. The certification is valid until February 7, 2016.



KCE was awarded the AIDS-response Standard Organization Certification, "ASO Thailand – Silver," from the Department of Labour Protection and Welfare, Ministry of Labour, and the Department of Disease Control, Ministry of Public Health, issued on August 8, 2013. The certification is valid until August 8, 2015.



The Company participated in the "Safe Factory" Project, organized by the Ministry of Labour and was certified for its commitment on the participation in such project



The Company was awarded the "Excellent Establishment on Labour Relations and Welfare" at the National level in the year 2015 achievement, award organized by the Department of Labour Protection and Welfare



KCE was awarded a certificate "The Company is able to maintain Thai Labour Standard continuously", issued by the Department of Labour Protection and Welfare, on May 26, 2015



The Company was certified in its support on the "better health in the workplace" project, issued by the Association for Development of Environmental Quality.



The Company received the "Excellent Establishment on Labour Relations and Welfare" award from the Department of Labour Protection and Welfare on August 20, 2014.



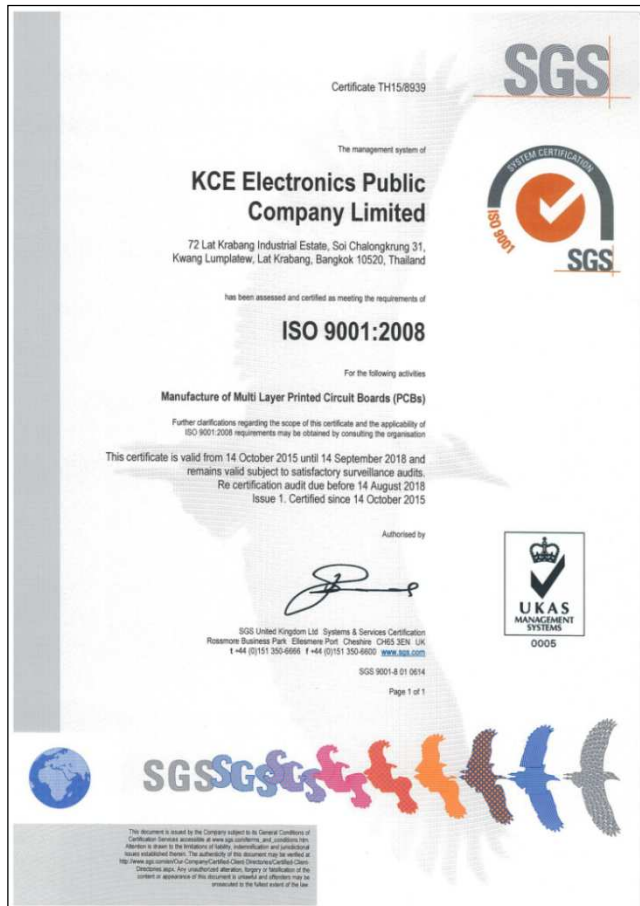
ISO 14001: 2004, valid from October 14, 2015 –March 28, 2017(certified since March 28, 2002), certified by UKAS in regard to the Environmental Management System and Quality Management System.





ISO 14001: 2004, valid from October 14, 2015 –March 28, 2017 (certified since March 28, 2002), certified by NAC in regard to the Environmental Management System and Quality Management System.





ISO 9001:2008 (October 14, 2015 - September 14, 2018), certified by UKAS



KCE was certified by the "Green Industry", the Ministry of Industry, that the Company is rated "Green industry-Level 3) in the Green system, as the Company has systematically manage the environment, monitor and assess the outcome and continuously improve the results, issued by April 3, 2015 - April 2, 2018.



KCE undertook steps in compliance with the CAC's certification process, such as the development of anti-corruption measures, conducting self-evaluations regarding anti-corruption practices. As a result, the Company was certified a CAC member on April 3, 2015.



SET Awards 2015: The Company was awarded the "Outstanding CEO Awards" and the "Outstanding Company Performance Awards", in a category of company with market capitalization of Bt10,000 - 30,000 million.

## Appendix 2: Training and Development

KCE implements an employee development program to enhance their knowledge and potential. In 2015, training courses for employees included, but were not limited to, the following:

No.	Course	Objective	Target Group	Date	Period (TL Hours)	No. of Trainee
<b>Safety</b>						
1	ERT (EMERGENCY RESPONSE TEAM)	Train Emergency Response Team	Emergency Response Team	May-Dec 2015	36	20
2	Fire Suppression Basis	1.To educate causes and prevention of fires 2.To educate how to use fire suppression equipment.	All employees	Feb, Mar, Oct & Dec 2015	6	45
3	Safety Officer in Executive level	To comply with the rule	Leader, Foreman, Officer, Supervisor, Engineer, Sr. Supervisor, Sr.Engineer	Jul & Dec 2015	12	50
4	Forklift skills and Maintenance Training	1. To develop skills in using Forklift. 2. To educate for maintenance.	Warehouse, Material preparation, FG stock	Sep 2015	6	15
5	Safety for working with X-rays	To comply with the rules and educate how to prevent dangerous when working with X-rays.	X-ray Area Staffs	Nov 2015	6	7
6	Safety for working with the electricity and helping the victim of electricity.	To provide knowledge of electrical system, dangerous, safety rules and educate how to help the victim of electricity and to comply with the law.	Sr. Supervisor, Supervisor, Sr. Engineer, Engineer and Maintenance staffs	Nov 2015	6	34

7	Safety training for the Committee of Safety, Occupational Health and Environment	1. To comply with the law 2. To educate the Committee member to understand their roles and responsibilities.	The Committee member	Jul 2015	12	16
8	Annual Fire Drills and Evacuation.	1.To comply with the rules. 2.To educate how to survive and move from fire areas.	All Employees	Dec 2015	0.5	2,388
9	Training for the basic of First Aid	To understand the basic knowledge of the first aid and be able to help in the emergency incident	Foreman, Leader and Operator	Dec 2015	6	34
10	Chemical Handling & Emergency Response	1. To know various types of chemical and the usage of chemical 2. Provide safety procedure in handling and storing chemical and working with chemical. 3.How to handle the emergency incident in case of chemical leaking.	Employee working with chemical	Jul & Aug 2015	3	30-45
11	C-TPAT Security system	To support C-TPAT	Sr. Supervisor, Supervisor, Sr. Engineer, Engineer, Foreman, Leader, Officer	Apr 2015	6	43
12	Safety Awareness	To create safety awareness in everyday working, toward zero accident.	Sr. Supervisor, Supervisor, Sr. Engineer, Engineer, Foreman, Leader, Officer	Feb, Jun & Aug 2015	12	134

13	Creating an awareness of ownership in the company	To understand the principle of the sense of ownership and to promote the awareness of ownership at the operator level	All operators	Oct 2015	6	38
14	Career Path Management & Succession Planning	<p>1. To understand the concept and steps in developing the Career Path and the Succession Planning.</p> <p>2. To be aware of problem and barrier to Career Path and Succession plan.</p> <p>3. To understand the relation between the Career path and the succession plan.</p>	Management level	Nov 2015	6	22
<b>Environment</b>						
15	ISO 14001:2004 Awareness and Requirement	<p>1.To educate about the environment management system</p> <p>2. To specify rules of environment management for ISO 14001:20014</p>	Sr.Engineer, Engineer, Sr.Supervisor, Supervisor, Foreman, Officer	Mar 2015	6.0	29
16	Monitoring for environment management (Effective Internal Audit for ISO 14001:2004)	To understand the importance and the regulations of the environment management system of ISO 14001:2004 and be able to prepare an effective monitoring report for the audit	Sr.Engineer, Engineer, Sr. Supervisor, Supervisor	Nov 2015	12	54
17	Aspect Identification for Environmental System	To explain aspects of identifying environmental issues and be able to apply those techniques in the practice.	Sr.Engineer, Engineer, Sr. Supervisor, Supervisor	Nov 2015	6.0	40



18	Strategy for Management and the 5's Committee	To understand the 5'S principles, procedures and the correct scoring method for the 5'S	5'S Committee	May 2015	6	30
19	ISO14001:2015 Requirement	1. To be prepare for the new standard of ISO14001:2015 2. To be able to apply to work	Management, Senior Supervisor-Engineer, Supervisor-Engineer	Nov & Dec 2015	12	82
<b>Human Resources</b>						
20	Training for the Trainer	To be aware of the proper qualification for the Trainer	Sr.Engineer, Engineer, Sr.Supervisor, Supervisor	Nov 2015	6	40
21	Team Power	To understand the true concept of "Team power"	Sr.Engineer, Engineer, Sr. Supervisor, Supervisor	Sep 2015	6	37
22	Knowledge regarding Social Security Fund, Self-sufficient economy, drug abuse prevention	To explain basic information regarding Social Security benefits and other related laws, and to be able to apply the philosophy to work.	All employee levels	Aug 2015	6	34
23	Anti-corruption for Management	To be aware of corruption and the Anti-policy in place for KCE group.	All Managements	Mar 2015	6	68
24	Developing KPI and the Anti-corruption policy	1. To educate KPI concept and guideline for developing KPI  2. To be aware of the importance of the Anti-corruption policy.	พนักงานทุกท่าน	Jul & Nov 2015	8	45
25	Resilience quotient (RQ)	To explore a methodology of RQ to create a happiness in working, in order to improve work performance	All Managements	Mar 2015	6	45

			Supervisor, Sr.Supervisor, Engineer, Sr.Engineer, foremen, officers	Mar 2015	6	21
26	Communication & Co-ordination technique	1. To learn how to effectively assign the work to subordinate  2. To get the skill in evaluating the subordinate, and the needs for coaching.	Supervisor, SR.Supervisor  Engineer, Sr. Engineer, foreman, leader, officer	Nov 2015	6	52
27	Creative Employee Relation with Subordinate	To understand the labor relation management toward subordinates, including the creation of work incentive and disciplinary punishment.	Supervisor, Sr.Supervisor, Engineer, Sr.Engineer, foremen, officers	18-Nov-15	6	66
28	Labor law for Management	To be aware of the Labor law and regulations, and understand the duty and responsibility of the employer and employee according to the labor law.	All Managements	Mar 2015	6	20
			Supervisor-Engineer Sr.Supervisor-Engineer	Mar 2015	6	41
29	Proactive Mind	To be aware of the nature of the "change" and accept the change, to learn the proactive working, and to be able to apply the concept in practice.	Management	Sep 2015	6	22

### Appendix 3: CSR activities

In 2015, the Company together with its employees participated in the following activities to contribute to the community and the public:

**ACTIVITY 1:** Mangrove planting at the Mangrove Forest Development Station 1

Tambon NoenKho, Amphoe Klang, Rayong province

Saturday, July 25, 2015 (Number of participants: 45)

The Company participated in an environmental conservation project with help from a team of 45 persons to reforest the mangrove area by planting 2,000 trees to replace trees that have died, collect garbage in the surrounding area to restore the ecosystem and protect the top soil from erosion. The team also released fish and donated necessary equipment such as hoes, shovels, spades and black garbage bags to the Mangrove Forest Development Station 1.

Mangrove Forest Development Station 1, a division of the Ministry of Natural Resources and Environment, is located at Tambon NoenKho, Amphoe Klang, Rayong province. It is responsible for marine and coastal resources in combination with work of the Department of Fisheries, the Department of Forestry and the Land Development Department. Its main duties are as follows:

- Establish a policy for the management, conservation and recovery of marine and coastal resources.
- Update, amend and add in rules and regulations, and measures related to conservation.
- Oversee and assess the results and monitor compliance to such rules and regulations as well as preset measures.
- Study, research and development regarding the conservation and recovery of marine and coastal resources, including endangered plant and marine life.





## ACTIVITY 2: Refurbishment of PrasertWittayatarn SuksaSongkraw School

Tambon Champa, Amphoe Tharuea, Phra Nakhon Sri Ayutthaya province

Saturday, September 19, 2015 (Number of participants: 56)

The Company together with its employees participated in the following activities for the community at PrasertWittayatarn School, Ayutthaya:

- Extended the roof in front of the bedding building, replaced the floor mat with linoleum, provided maintenance for the toilet doors, made shoe racks, repainted the bedding building and made shelves for cleaning tools.
- Replaced mosquito nets, cleaned and repainted the curved steel.
- Repainted the outer and inner building and cleaned the toilets.
- Provided maintenance of the school's kitchen, i.e., repainted, shelves for cooking utensils.
- Donated teaching aids, i.e., computers, teaching tools.
- Offered scholarships, provided funds for lunch and donated consumer goods.
- Provided lunch, ice cream and snacks to students.

PrasertWittayatarn School, under the Ministry of Education, is located at 53/13 Soi Wat Cokekratai, Champa-Tharuea Road, Tambon Champa, Amphoe Tharuea, Ayutthaya province. It is a boarding school for disadvantaged students mostly from poor families in Nan and Chaiyaphum provinces. The school provides classes for students of Mathayom levels 1-3. There are 102 students in the school comprising 50 boys and 52 girls.







