

# CORPORATE GOVERNANCE REPORT

## DEFINITION

Corporate Governance is a set of structure and process of relationships between Company's management, its board and its shareholders to enhance its competitiveness towards business prosperity and long-term shareholder value taking into consideration the interests of other stakeholders.

The above definition is as recommended by the SEC and the Company has endeavored to follow the same completely in letter and spirit.

Precious Shipping Public Company Limited ("The Company") recognizes that Good Corporate Governance is important and necessary for sustainable growth in business and long term shareholder value, and accordingly, the Board has set up a Corporate Governance Policy Manual, Business Ethics and Code of Conduct Manual which have been disclosed on the Company's website under the subject of **"Corporate Governance"**.

The Company has won the following awards for Good Corporate Governance in the past few years:

- Classified as one of the Companies with "Excellent" Corporate Governance for 2010, by the National CG Committee.
- Classified as one of the Companies as "Excellent and should be a role model" for conducting Annual General Meeting in 2010, by Thai Investors Association.
- In 2010, the Company was selected to present information about Corporate Social Responsibility of the Company for CSR Awards 2010 by the Stock Exchange of Thailand.
- Adjudged as the Best Managed Company in Thailand in the medium market cap sector and one of the Best in Investor Relations in the Asia's Best Managed Companies Poll conducted by "FinanceAsia", the results of which were published in April 2010.
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2010.
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Shareholders' Rights and Equitable Treatment, Investor Relations and also Best Investor Relations Officer (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll 2010 conducted by "ASIAMONEY".
- In 2009, Mr. Khalid Hashim, Managing Director, was adjudged the Best CEO among all companies in the small and medium market cap sector by the Thai Securities Analysts Association (SAA).
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Investor Relations and Investor Relations Officers (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll conducted by "ASIAMONEY", the results of which were published in ASIAMONEY's January 2010 issue.
- Ranked as one of the Top 3 Companies with the highest Corporate Governance by "CLSA ASIA - PACIFIC MARKETS" in their

Thailand Corporate Governance Survey Report of 3rd February 2009.

- Ranked in 2007 by “The Asset” Magazine of Hong Kong as the Best Company in Thailand for Corporate Governance in the annual list of the Best Governed 60 Companies in Asia.
- Conferred the “Best Corporate Governance Report” and “Best Performance” Awards by the SET at the “SET AWARDS 2006”.

**The Company’s implementation of Good Corporate Governance Principles is outlined in 5 sections hereunder as follows:**

## **1. RIGHTS OF SHAREHOLDERS**

The Company recognizes the rights of shareholders in accordance with good corporate governance guidelines and has conducted its affairs with a view to protecting shareholders’ rights and also encouraging shareholders to exercise their rights. The policy for maintaining rights of shareholders is part of the Company’s Corporate Governance Policy Manual which is disclosed on the Company’s website.

The Company is responsible to the shareholders in terms of information disclosure, accounting methods, internal information usage and conflict of interests. The Board of Directors and Management are expected to be honest and any decision must be based on honesty and fairness to both major and minor shareholders, and for the collective benefit of all. Some of the policies and procedures followed to protect the Rights of the Company’s shareholders are as follows:

### **1.1 Appointment of Board members**

The Company has continuously improved the requirement of documents required for the appointment of each Board member individually to give additional information in the nominees’/existing Directors’ profile in the Company’s Annual Report and also to present to the Company’s shareholders in the AGM. The aforesaid information is provided so that the Company’s shareholders can get correct and complete information, which is relevant and required for their appointment, and include the following:

- Nominee’s/Director’s profile: Name, position, age, education, relevant knowledge, occupation, working experience and illegal acts (if any).
- Nominee’s/Director’s positions in any materially connected business.
- Nomination procedures (in case of the directors who retire by rotation).
- Directors’ previous performance as director in terms of meeting attendance.

### **1.2 Consideration of the policy on Directors’ remuneration**

The Company follows the policy of obtaining the approval of the policy on Directors’ remuneration from the shareholders in the AGM and has also disclosed guidelines/procedures for determining Directors’ remuneration in 5.5 hereunder.

### **1.3 Appointment of auditors**

The Company follows the policy of obtaining the approval of appointment of auditors from the shareholders in the AGM and has improved the information disclosure for the correctness and completeness of the information required for the decision on the appointment of auditors. The information provided in the AGM includes details as follows:

- Auditor's firm.
- Auditor's name.
- Auditor's remuneration for approval including separate disclosure for audit and non-audit related remuneration.
- Auditor's remuneration for the previous year.
- Relationship with the Company such as being the Company's advisor.
- Number of years as the Company's auditor (in case of reappointment of the present auditor).
- Auditor's performance.
- The reasons for changing the Auditor (in case the Company appoints a new auditor).

#### **1.4 Consideration of the dividend policy**

The Company obtained the approval of the new dividend policy in the shareholders' meeting in year 2004 and will continue to obtain such approvals in case of any changes in future.

#### **1.5 Consideration of the share repurchase plan**

The Company obtained the approval for the share repurchase plan from the shareholders in the shareholders' meeting, authorizing the Board of Directors to repurchase the Company's shares in accordance with SET/SEC regulations and provided the correct and complete information required for their decision.

#### **1.6 Shareholders' Meetings**

The Company has followed the recommended practices of SET/SEC for holding shareholders' meeting as follows:

- For the Annual General Meeting of shareholders (AGM) of 2010, the Company provided an opportunity to the shareholders to propose agenda items for the AGM and opportunity to the shareholders to nominate suitable candidates to be a member of the Board of Directors of the Company. This practice is continued for AGM 2011 as well. In practice, shareholders with a combined holding of at least 200,000 shares could propose agenda items or nominate qualified directors before the AGM, which exceeds the privileges provided by law to shareholders. The Company set up the policy and communication channels through the website and announcement through the SET, based on which, a shareholder or a group of shareholders could propose an agenda item and nominate candidates to be Director for consideration in the AGM.
- Providing a complete and correct notice with full information to call shareholders' meeting is the normal policy of the Company. The notice includes the objective and reasons for each agenda item apart from the Board of Directors' comment/opinion, which, has always been included. It is made certain that the Company does not amend the agenda of the shareholders' meeting without giving notice to shareholders.
- The Company discloses the draft notice of shareholders' annual general meeting (AGM) on the Company's website before sending out to shareholders and informs the AGM date to the SET at least 30 days before the date of the AGM. The Company also sends the AGM notice to shareholders, at least 21 days in advance of the AGM.
- The Company publishes the notice of shareholders' meeting in both Thai and English language newspapers for three

consecutive days and at least 14 days prior to shareholders' meeting.

- The Company provides full opportunity for shareholders to participate in the meetings and encourages the shareholders to ask relevant questions which are answered by Management and/or related persons.
- The Company prepares minutes of shareholders' meetings, which are clear and complete and include the names of Board members' who attended the meeting. The minutes also include a correct and complete record of questions/answers, voting method, vote counting procedure and voting results.
- The Company has always followed the policy of obtaining shareholders' approval for any major event and in case of any serious situation that affected the Company's operations and provided correct and complete information required for their decision. An example of this was the acquisition of 15 ships during the year 2004, the signing of contracts for 12 new buildings during the year 2007 and 3 new buildings during the year 2008, for which, the Company also appointed an Independent Financial Advisor to advise the shareholders in all three cases.
- The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact each shareholder who may have, for some reason, not received the dividends. Thereafter, the Company helps shareholders in terms of reminding and advising them on the required procedures to collect the dividends.

During the year 2010, the Company held one shareholders' meeting which was the Annual General Meeting (AGM), on 17<sup>th</sup> March 2010 at Amari Atrium Hotel. All Board members (except one: Ms. Nishita Shah) attended the AGM of 2010 which also included all Audit Committee Members and Independent Directors. The Auditors also attended the AGM of shareholders to answer any questions raised by shareholders in respect of the accounts or the conduct of the Audit. The Chairman of the meeting explained the voting procedures to shareholders when the meeting was started and provided equal opportunity to all shareholders to examine the Company's operations, to ask questions and express their opinions and advice, and ensured that all items and resolutions including questions and answers were properly recorded in the minutes of the meeting. Thereafter, the minutes of shareholders' meetings were also sent to the SET and also disclosed on the website of the Company, including a video recording of the proceedings, under the subject of **"Investor Relations"** within 14 days after the meetings.

## **2. EQUITABLE TREATMENT OF SHAREHOLDERS**

The Company ensures the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Date, time, venue of the meeting is convenient to attend.
- Offering one-share-one-vote.
- Facilitate proxy voting: clearly specifying the documents required to give proxy and by sending out the Notice to the extent possible under the regulations, to the Company's shareholders at least 14 days prior to the meeting date. For shareholders who are unable to attend in each meeting, the Company has designated the Chairman and/or Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings.

- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Providing ballot papers for each agenda item.
- Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.
- Providing an opportunity to shareholders to propose agenda items and to nominate candidates to be Director in advance for the Annual General Meeting of Shareholders (AGM) through various channels including the Company's website.
- Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
- Not adding any new agenda item without notice to shareholders in advance.
- Directors disclosing their interests and those of their related parties to the Board.
- Directors reporting their ownership of Company's shares to the Board regularly.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
  - A new director/executive submits the Form "Report on Conflict of Interest Transaction" within 30 days after appointment.
  - Thereafter when there is a change, director/executive submits the updated Form "Report on Conflict of Interest Transaction" immediately or no later than 7 working days from the transaction date.
  - The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit Committee within seven working days from the date on which the Company has received such a report.
- The Board of Directors has established a guideline to prohibit a director/executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a director/executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the "**Connected Transactions**" section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the "**Insider Trading Controls**" section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

### 3. ROLE OF STAKEHOLDERS

The Company recognizes the importance of all stakeholder groups whether it is the internal stakeholders such as shareholders, employees and management of the Company and subsidiaries or external stakeholders such as creditors, suppliers, customers, communities, government agencies and other related organizations. The Company is aware that the support from each stakeholder would help establish the Company's competitive advantages and profitability, which, would contribute greatly to the Company's long

term success and prosperity. The Company has also amended the Company's website to include under the subject of "Stakeholder Activities", the Policy and Code of Conduct towards stakeholders in Business Ethics and Code of Conduct Manual and included therein a way whereby the website can be used as one of the intended channels for any stakeholder to express his/her opinion and contact the Board of Directors in case they wish to contact the Board of Directors directly without going through the Management. The Board will treat such information seriously and will maintain utmost confidentiality. If the complaints are not unfounded, the Board would take all remedial action that may be necessary.

**Management:** The Company recognizes that Management is one of the key success factors for the Company's operations and accordingly, Management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also allowed to work independently without interference as defined in their duties and responsibilities, which are approved by the Board of Directors.

**Employees:** The Company recognizes that employees are one more key success factor for the Company's operations. The Company provides equal opportunities in employment, job security, and career advancement, as well as adhering to other good principles related to employees and employment. The Company also ensures that employees are adequately knowledgeable and skillful to perform their jobs for the Company's business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends. The subject of safety and occupational health of all seafarers serving onboard the Company's ships has been explained under the subject of "**Corporate Social Responsibility (CSR) Statement**" of this Annual Report.

The Company provides remuneration to office employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments/bonuses are also based on financial status/performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place since the Company feels that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct control like the state of the International Freight Markets and therefore, the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the Ships. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses. Moreover, the Company supports good relationship between all employees including the Management.

**Brokers:** The Company recognizes that ship-brokers with whom the Company regularly deals with for obtaining business for Company's ships are one of the key success factors. Accordingly, terms are negotiated with a view to ensuring fairness and in keeping with industry norms so as to ensure a long term working relationship.

**Creditors:** The Company recognizes Financial Creditors as one more important success factor who provide funds which are

particularly required for the Company's highly capital intensive business. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed.

**Suppliers:** The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

**Customers:** The Company recognizes that the Customers are the key success factors for the Company's operations. The Company always protects customers' interests, is attentive and ultimately responsible for the needs of the customers with regard to service, and in setting and maintaining steady standards of service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

**Competitors:** The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

**Social Responsibility to the Community:** The Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's conduct that affect the people more than what the laws require, including making efforts to absorb social accountability. The Company has provided a separate detailed report under the subject of "**Corporate Social Responsibility (CSR) Statement**" of this Annual Report.

**Regulators:** Apart from the various regulations which the Company's ships are subjected to and explained hereunder in this Report, on a corporate level, the Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of compliance with related laws and regulations and has included its review of compliance as one of the duties of the Internal Audit Department headed by a qualified Internal Auditor. Internal Auditors provide an annual compliance review report of related laws and regulation and directly report to the Audit Committee as explained under the "**Audit Committee Report**" of this Annual Report.

**Environment:** The Company recognizes that shipping operations if conducted irresponsibly may affect the environment, particularly in terms of air and/ or water pollution.

For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy. The Company has provided a separate detailed report under the subject of "**Corporate Social Responsibility (CSR) Statement**" of this Annual Report.

**Respect for International Human Rights Principles:** The Company requires that all of its directors, the management and staff strictly respect International human rights principles as part of the operations and the Company does not tolerate any violations thereof.

**Ethics for Intellectual Property Rights:** The Company requires that all of its directors, the management and staff respect the

intellectual property rights of others with care and caution.

**Policy on preventing corruption and offering a bribe:** The Company has guidelines for preventing corruption and offering a bribe as follows:

- Giving and receiving benefits that could improperly influence decision making should be conducted correctly, honestly, and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed within office staff.
- Procurement is to be conducted according to the Company's guidelines and should be fair to all involved. The procurement's decisions are to be made on the basis of reasonable prices, quality, and service, and should stand scrutiny if an investigation occurs.
- Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

#### **4. DISCLOSURE AND TRANSPARENCY**

The Company has tightened procedures to take care of important information to be disclosed, including both financial and non-financial statements and Reports. The information is disclosed correctly, accurately, on a timely basis and transparently through the proper channels that users could fairly and trustfully access.

##### **4.1 Board of Directors' Report**

The Board of Directors is responsible for the Company and its subsidiaries' financial statements and financial information presented in this Annual Report. The Report on the Board of Directors' Responsibilities for Financial Statements is presented along with the Report of Independent Auditor and Audited Financial Statements in this Annual Report.

##### **4.2 Directors and Management Remuneration**

The Board of Directors appointed the Remuneration Committee in its meeting held on 15<sup>th</sup> November 2007 in order to oversee the remuneration of Directors and Management. The proposal of the Directors' Remuneration and the recommendations and opinion of the Board of Directors regarding the Directors' Remuneration would be presented for approval in shareholders' meeting. The details of Remuneration Committee such as members, qualification, duties, responsibilities and criteria to determine remuneration are disclosed on the website of the Company and under the subject "**Management Structure**" of this Annual Report.

In the years 2010 and 2009, the Company paid the Directors' Remuneration, as a fixed annual amount, which was approved in Shareholders' Meeting as follows:



(In million Baht)

Name of Director	Position	Amount					
		2010			2009		
		Board of Director	Audit Committee	Total	Board of Director	Audit Committee	Total
1 Admiral Dr. Amnad Chandanamatta	Chairman of the Board of Directors, Independent Director	1.20		1.20	1.20		1.20
2 Mr. Thira Wipuchanin *	Vice Chairman of the Board of Directors, Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
3 Mr. Khalid Moinuddin Hashim	Managing Director	0.55		0.55	0.55		0.55
4 Mr. Munir Moinuddin Hashim	Executive Director	0.55		0.55	0.55		0.55
5 Mr. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
6 Mr. Jaipal Mansukhani **	Director	0.55		0.55	0.55		0.55
7 Police Lt.Gen. Kiattisak Prabhavat***	Independent Director	0.55	0.40	0.95	0.55	0.40	0.95
8 Mr. Chira Panupong	Independent Director	0.55		0.55	0.55		0.55
9 Mr. Suphat Sivasriumphai *	Independent Director	0.55	0.20	0.75	0.55	0.20	0.75
10 Miss Nishita Shah	Director	0.55		0.55	0.55		0.55
11 Mr. Kirit Shah	Director	0.55		0.55	0.55		0.55
12 Mr. Peter Feddersen	Independent Director	0.55		0.55	0.55		0.55
<b>Total</b>		<b>7.25</b>	<b>0.80</b>	<b>8.05</b>	<b>7.25</b>	<b>0.80</b>	<b>8.05</b>

\* Inclusive of remuneration as Audit Committee Member.

\*\* Employed in an executive position as a full-time employee in the Company's subsidiary.

\*\*\* Inclusive of remuneration as Audit Committee Chairman.

The remuneration of the senior management included their salary, bonus (paid during the year but is mainly based on the Company's performance in the last 3 years), and other remuneration (income tax, and house rental). During the years 2010 and 2009, the Company (and subsidiary) paid the remuneration to senior management (including the Executive Directors) as follows:

(In million Baht)

	Name of Director/ Management	Position	Amount	
			2010	2009
1	Mr. Khalid Moinuddin Hashim	Managing Director	25.99	24.29
2	Mr. Munir Moinuddin Hashim	Director (Commercial)	20.97	19.67
3	Mr. Khushroo Kali Wadia	Director (Finance)	19.12	17.92
4	Mr. Jaipal Mansukhani	Director (full time employed in the Company's subsidiary)	17.44	16.56
5	Mr. Shrilal Gopinathan	Vice President (Commercial)	10.56	9.94
6	Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)	9.11	8.84
7	Mr. Kodakara Veettil Murali Menon	Vice President (Technical)	8.83	8.47
8	Mr. Neelakantan Vasudevan	Vice President (Risk Management)	8.87	8.35
9	Mr. Stephen Korah	Vice President (International Safety Management)	6.38	6.15
10	Mr. Kamal Kumar Dua	Vice President (Information Technology)	7.64	7.22
11	Mr. Nishikant Govind Desai*	Vice President (Projects)	7.69	-
12	Ms. Somprathana Thepnaplern (Finance & Account) & Company Secretary	Assistant Vice President 4.76	4.35	
13	Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)	5.93	5.56
14	Mr. Yingyong Kanghae	Senior Manager - Group Accounts	3.50	3.19
	<b>Total</b>		<b>156.79</b>	<b>140.51</b>

\*Mr. Nishikant Govind Desai was promoted to the position of Vice President (Projects) from November 2010.

The comparison of remuneration of Chairman, Directors, Chairman of Audit Committee, Audit Directors and Management between the Company and other listed companies and listed companies in the services sector is as follows:

(In Thousand Baht/Person/Year)

Description	*PSL		** Other Listed Companies					
	2010	2009	Services Sector			All Listed Companies		
			Mean	Min	Max	Mean	Min	Max
Chairman of the Board of Directors	1,200.00	1,200.00	774.89	15.00	3,576.00	797.97	15.00	5,400.00
Executive Directors	550.00	550.00	321.68	12.00	1,122.00	321.65	12.00	3,000.00
Non-executive Directors	550.00	550.00	336.75	12.00	1,200.00	392.17	12.00	3,120.00
Management	11,199.29	10,808.46	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	331.63	12.50	1,320.00	327.39	12.50	3,600.00
Audit Committee***	200.00	200.00	227.65	10.00	1,080.00	230.35	10.00	2,400.00

(In Thousand Baht/Person/Year)

Description	*PSL		** Other Listed Companies					
	2010	2009	Listed Companies			All Listed Companies		
			with annual Revenue from					
			5,001 MB to 10,000 MB					
		Mean	Min	Max	Mean	Min	Max	
Chairman of the Board of Directors	1,200.00	1,200.00	524.66	30.00	1,900.40	797.97	15.00	5,400.00
Executive Directors	550.00	550.00	224.10	90.00	550.20	321.65	12.00	3,000.00
Non-executive Directors	550.00	550.00	386.32	75.00	3,120.00	392.17	12.00	3,120.00
Management	11,199.29	10,808.46	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit Committee***	400.00	400.00	299.19	75.00	840.00	327.39	12.50	3,600.00
Audit Committee***	200.00	200.00	214.32	50.00	720.00	230.35	10.00	2,400.00

\* PSL's figures are actuals of respective years.

\*\* From IOD's Remuneration Survey Report for the year 2010.

\*\*\* Additional Remuneration as Chairman of Audit Committee/Audit Committee Member.

N.A. Not available since not reported.

#### 4.3 Relations with investors

The Board of Directors recognizes the importance of accurate, complete and transparent disclosure of financial information and general information, which may affect the Company's share price. The Company provides the information through the channel of the SET, the Company's website and through regular newsletters and communications from the Managing Director. While the Company undertakes investor relations at the top management level, the Company has also designated persons as the contact points in the Company to service investors, shareholders, analysts and public as under:

Mr. Khalid Moinuddin Hashim	Managing Director (voted "Best Investor Relations Officer" in Thailand in the Corporate Governance Poll in December 2008 by "ASIAMONEY") Telephone 66 2696 8801 Email at kh@preciousshipping.com
Mr. Khushroo Kali Wadia	Executive Director Telephone 66 2696 8836 Email at kw@preciousshipping.com
Khun Nicha Wangsuppapon	PR and Corporate Affairs Executive Telephone 66 2696 8820 Email at corp@preciousshipping.com
Khun Somprathana Thepnapaplem	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856 Email at som@preciousshipping.com

The Company has joined many events for press/analysts briefings, which are attended personally by the Managing Director. Some of the major events in which the Company participated in the last three years are enumerated herein as under:

<b>Year / Times</b>	<b>Analyst Meetings</b>	<b>Investor Meetings</b>	<b>Presentations Road shows</b>	<b>Press &amp; TV Interview</b>	<b>Total</b>
2010	46	40	17	1	104
2009	44	33	21	4	102
2008	62	33	14	3	112

## **5. RESPONSIBILITIES OF THE BOARD**

### **5.1 Board Structure**

The number of members on the Board of Directors is commensurate with the size and complexity of the Company's business. Currently, there are 12 Directors on the Board of Directors of the Company which consists of 3 Executive Directors and 1 Director in an executive position in the Company's subsidiary (as full-time employees of the Company/Subsidiary), 2 Non-Executive Directors and 6 Independent Directors (one half of Board of Directors). The Audit Committee comprises entirely of Independent Directors.

#### **Definition**

##### **Executive Director:**

An Executive Director is a Director who is involved in the Management of the Company on a full-time basis and receives regular monthly remuneration from the Company in the form of salary or its equivalent.

##### **Independent Director:**

The Independent Directors are independent from the Management and have no business or activities with the Company and must not be involved in the day-to-day management of the Company or an affiliated company which may compromise the Interests of the Company and/or the Shareholders.

The qualifications of Independent Director of the Company comply with the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

##### **Qualifications of Independent Directors of the Company:**

They must not hold shares exceeding 1 percent each, including shares held by a related person, of paid-up capital of the Company or of an affiliated, associated or a related company.

They must not be involved in the day-to-day management of the Company or an affiliated company, an associated company or a related company, or with the major shareholders of the Company.

They must not have any related business pursuant to the regulations of the Securities and Exchange Commission and also must be free of any present, direct or indirect, financial or other interest in the management and business of the Company, its subsidiaries, associated companies, or its major shareholders.

They must not be a blood relative or legal relative of any Executive Director, executive officer, major shareholder or significantly

influential person in/of the Company.

They must not be acting as a nominee or representative of any director, major shareholder or shareholders, who are a relative of any major shareholders of the Company.

They must be able to carry out their duties, exercise their judgment, and report the committee's performances, which are assigned by the Board of Directors without being influenced by Executive Directors or major shareholders of the Company, including related persons or relatives.

#### **Definition of Related Persons**

Related persons shall include persons who are involved in any kind of benefits or are related to the Company's business to a significant amount, such as suppliers, customers, or creditors. This kind of connection may affect the Independent Directors in carrying out their duties independently or conveniently.

#### **Independent Director's Roles and Duties**

Independent Directors should have access to adequate financial and other business information for them to perform their duties effectively.

They should regularly attend every board meeting, including committee meetings, and raise questions to ensure the interests of Company's shareholders' and the protection of rights of other stakeholders', and that the Company complies with best practices.

Independent Directors should possess abilities and display willingness to learn the Company's businesses, and express their views independently, as well as dedicate time and attention to the Company as needed.

Independent Directors should regularly hold meetings among themselves, and try in every way possible to look for opportunities in which they can discuss business management issues with the Management.

Independent Directors are expected to submit a confirmation letter to the Company verifying their independence in accordance with the Company's definition, on the date they accept the appointment and every subsequent year if required.

It is expected that there should be specific terms given to Independent Directors, and no director is expected to stay on beyond a certain time limit. Nonetheless, the difficulties of searching an appropriate replacement and the benefits of the working relationship built up over the years within the Independent Directors and their understanding of the business must also taken into account. Accordingly, at present no time limit has been set up for the Independent Directors apart from the statutory limits placed under applicable law.

#### **Other Committees**

The Board of Directors appointed the Audit Committee as part of the good corporate governance policy of the Company. The details of the members of the committee, their duties and responsibilities are presented under the sections "**Management Structure**" and "**Audit Committee Report**" of this Annual Report.

The Board of Directors appointed the Remuneration Committee and Nomination Committee in its meeting held on 15<sup>th</sup> November 2007 and reappointed the same members on the Committee in the meeting held on 9<sup>th</sup> November 2009. The details of these

committees such as names and number of members, qualification, duties and responsibilities are disclosed on the website of the Company and under the subject **“Management Structure”** of this Annual Report.

#### **Aggregation or Segregation of Positions**

The Chairman of the Board of Directors is an Independent Director and has no relationship with the Management, as defined by the Stock Exchange of Thailand. The Chairman is not the same person as the Managing Director of the Company nor is he related in any way to the Managing Director of the Company in order to segregate the duties between the policy maker and the policy manager.

#### **Company Secretary**

In keeping with Good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnaphaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and Good Corporate Governance, and responsible for holding the Board and shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

### **5.2 Roles, Duties and Responsibilities**

#### **Leadership and Vision**

The Board of Directors is the main driver in defining the direction of the Company's performance, achieving its goals and objectives and to define the Company Mission, Vision, Core Values, Strategic Business Plan, appointment of competent and effective management and managing the Company's affairs with Good Corporate Governance in order to reach the objectives in accordance with Company's policy and in accordance with the law. The Board of Directors comprises of persons who have the knowledge, expertise, business experience and backgrounds which qualify them to perform their duties and responsibilities in accordance with the highest standards of business ethics.

The Board of Directors has clearly defined and demarcated powers, duties and responsibilities between each committee as mentioned under the **“Management Structure”** section of this Annual Report.

#### **The Corporate Governance Policy**

In recognition of the fact that it is important and necessary for sustainable growth of operating business and long-term shareholder value, the Board of Directors has set up a Corporate Governance Policy for the Company. The Board of Directors has reinforced corporate governance by including policies and directions on operating the business, set up adequate internal controls and internal audit systems and monitoring management to perform effectively under the policy to ensure long term interests of shareholders under applicable laws with full transparency and correct business ethics. A Corporate Governance Policy Manual outlining its features has been drawn up by the Company and already circulated to the Company's employees for the recognition of the necessity of Good Corporate Governance and is also disclosed on the Company's website.

#### **The Company's Corporate Governance Policy consists of:**

1. Right and Equitable Treatment of Shareholders and various groups of Stakeholders.

2. Structure, Rules, Duties, Responsibilities, and Independence of the Board of Directors.
3. Information Disclosure and Transparency.
4. Controlling System and Risk Management.
5. Business Ethics.

The Board of Directors conducts an annual review of Corporate Governance Policy and evaluation of the policy implementation so that the Corporate Governance Policy of the Company is up to date and appropriate with the current situation.

In the Board of Directors meeting in 2010, the Board conducted a corporate governance self-assessment through a questionnaire following the SET and IOD guidelines. The scores of corporate governance self-assessment fall in the level of "Very Good". The Board of Directors intends to use this result to further improve its corporate governance. The Company intends that the corporate governance self-assessment be done every year in order to comply with Good Corporate Governance practice and accordingly, this exercise will be conducted again in year 2011.

#### **Business Ethics**

The Company has set up a code of ethics for Directors, management and employees as a guideline to carry out their respective work for the Company in a transparent, honest, faithful and justifiable manner. It is also disclosed on the Company's website.

#### **Conflict of Interest**

In order to prevent conflict of interest transactions, The Board of Directors, through the Audit Committee has supervised carefully such potential transactions by setting out a written policy and procedure of approval of transactions involving any potential conflict of interests and has set up an appropriate policy as follows:

#### **Potential conflict of interest transactions**

The Board of Directors is well aware of any transaction which could lead to a potential conflict of interest and/or a related party transaction, which, if any, is considered very carefully with a view to full compliance with the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand, apart from compliance with the internal policies and guidelines set up by the Company. Moreover, such transactions are entered into strictly on an "Arms-Length" basis. The terms and conditions of such transactions are always in compliance with generally acceptable, standard commercial terms and conditions and appropriate disclosure regarding the details of the transactions viz. value, counter-party, reason and necessity of the transaction is made in this Annual Report and also in Form 56-1.

In addition to the above, Audit Committee and Internal Audit Department prepared the annual audit plan to review transactions that may cause conflict of interests. For the year 2010, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit Committee in the Audit Committee's Meeting No. 1/2011 in January 2011. The Audit Committee found that the Company has a proper policy for approval and prevention of abuse in such transactions. The existing conflict of interest transactions are made only on the basis of proper comparison of market prices and for the benefit of the Company. Adequate disclosures of all such material transactions have been made in this Annual Report.

Moreover, Internal Audit Department has reviewed the compliance of the Company in respect of the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions as amended from time to time including circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The details of the connected transactions have been explained under the topic **“Connected Transactions”** of this Annual Report. The results of the review have been reported to the Board of Directors of the Company. The Board of Directors of the Company is of the opinion that such transactions are fair and for the full benefit of the Company.

#### **Reporting changes in Company share ownership**

To prevent abuse of inside information, all company directors, including their spouses, must report any changes in their company share ownership to the Company in case of sale or purchase of Company's shares. The changes in Company share ownership is reported to the Board of Directors meeting every quarter.

#### **Controlling System and Internal Audit**

The Company recognizes the importance of internal control systems on an operational level to ensure that the operations are conducted efficiently. Powers and Duties of operations and management level personnel are laid down clearly. There is a proper level of control maintained on the utilization of Company's property/assets for the highest benefit of the Company and there is clear segregation between the operations units, control units and assessment units for the purpose of maintaining appropriate checks and balances. Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant management.

The Company has the Internal Audit Department in order to ensure that the key operations and financial activities are conducted efficiently under the guidelines and relevant laws. Moreover, to ensure that the Company has complied with laws and regulations relating to the business of the Company, the Internal Audit Department conducts regular checks. Internal auditors report directly to the Audit Committee on all matters, in order to make the Internal Audit Department completely independent of management.

Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant managers to achieve the following objectives:

1. Efficient and effective operations, including skillful use of resources for the best benefit of the Company.
2. Accurate, reliable and prompt financial reporting.
3. Full compliance with the Company's policies, laws and regulations.

The Board of Directors recognizes the importance of risk management and is responsible directly on risk management of the organization with the objectives to support the work performance of the management of the Company to be efficient and effective and to achieve the business objectives. The Board of Directors has specified policy on risk management and internal control on the website of the Company and under the topic **“Internal Control”** of this Annual Report.



### 5.3 Board of Directors' Meetings

The Board of Directors' meetings are held quarterly on a regular basis (except in the first quarter when 2 ordinary meetings may be held), but extraordinary or special meetings, if required, may be called at any time during the year. The meeting has a specific agenda, which would include a review of the Company's operations. The Company Secretary sends the notice of the meeting and relevant documents to all Directors, at least 7 days prior to the meeting date, so as to allow sufficient time for them to review the information before joining the meeting.

Board of Directors' meetings are held about 7 to 10 days after Audit Committee meeting so that the minutes of Audit Committee can be sent to the Board of Directors for their consideration and discussion during the Board meeting. However, in case a Director either feels suspicious or has any questions, the Director can seek answers or clarifications directly from the Executive Directors at all times.

In every meeting, the minutes of the meeting are recorded, reviewed and adopted by the Board of Directors. The minutes of the meeting are kept with the Company Secretary for ready reference and review by other concerned parties.

The Board of Directors' meetings normally take around 2-3 hours. In the year 2010, the Board of Directors held 4 ordinary meetings (2009: 4 times) and no extraordinary meetings (2009: no extraordinary meeting). The record of attendance of the Directors is summarized as follows:

#### Attendance / Total Meetings (Times)

	Name of Director	Year 2010	Year 2009
		Ordinary Meeting	Ordinary Meeting
1	Admiral Dr. Amnad Chandanamattha	4/4	4/4
2	Mr. Thira Wipuchanin	4/4	4/4
3	Mr. Khalid Moinuddin Hashim	4/4	4/4
4	Mr. Munir Moinuddin Hashim	4/4	4/4
5	Mr. Khushroo Kali Wadia	4/4	4/4
6	Mr. Jaipal Mansukhani	4/4	4/4
7	Police Lt.Gen. Kiattisak Prabhavat	4/4	4/4
8	Mr. Chira Panupong	4/4	4/4
9	Mr. Suphat Sivasriaumphai	3/4	3/4
10	Miss Nishita Shah	3/4	4/4
11	Mr. Kirit Shah	4/4	4/4
12	Mr. Peter Feddersen	4/4	4/4

The Non-Executive Directors hold meetings among themselves for discussing the business management issues and

performance of the Executive Directors.

#### **5.4 Board Self Assessment**

In the Board of Directors Meeting held on 6<sup>th</sup> May 2010, Board members conducted a self-assessment through a questionnaire following the SET guidelines which covered the subjects as follows:

- Structure and characteristics of the Board.
- Roles and responsibilities of the Board.
- Readiness.
- Strategy Setting and Policy Making.
- Risk Management and Internal Control.
- Conflict of Interest.
- Monitoring of financial reports and the results of operation.
- Board of Directors' meetings.
- The Board's performance of duties.
- Relationship with Management.
- Self-development of Directors and Executive Development.
- Nomination.
- Remuneration.
- Performance Assessment for CEO/MD.

The scores of Board's Self Assessment fall in the level of "Excellent". Board of Directors intends to use this result to further improve its performance. The Company intends that the self assessment be done every year in order to comply with the Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2011.

#### **5.5 Directors and Management Remuneration**

The Management remuneration is fixed in accordance with the principles and policies set by the Board of Directors. The Board of Directors directly and specifically approves the remuneration of the Executive Board and the Director employed in an executive capacity in the Company's subsidiary based on the remuneration in the Industry for equivalent positions, financial status/performance of the Company and their respective individual performances.

Since the year 2007, the Board appointed and assigned the Remuneration Committee to set procedures for consideration of the remuneration of the Directors and Management in accordance with international standards and comparable with other equivalent listed companies including companies in the transportation industry.

The remuneration of the senior Management included their salary, bonus, and other remuneration (income tax and house rental) and the Directors' Remuneration was a fixed annual amount which was approved in Shareholders' Meeting. The remuneration of Directors and Management has been disclosed hereinabove under the subject of "Disclosure and Transparency".

## **5.6 Directors and Management Training**

Board of Directors continues to try and enhance their value by participation in activities, courses and events which add to their knowledge base in the continually changing business environment to ensure that they are updated and possess full knowledge. All the Company's Directors have attended important training courses that are available such as; Director Certification Program (DCP) or at least the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

For instance, Mr. Peter Feddersen, Independent Director, attended "Financial Statements Demystified for Directors (FDD)", an English Program conducted by the Thai Institute of Directors.

### **Directors' Orientation**

If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.