Public hearing document

Corporate Governance Code

Practice Principles for Board of Directors of Listed Company

The Securities and Exchange Commission, Thailand

Securities and Exchange Commission would like to express our sincere thanks and appreciation to the Taskforce for Developing Sustainability of Listed Companies for their cooperation and support in drafting the CG Code.

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3. Representative from Thai Listed Companies Association	Member
4. Representative from Thai Institute of Directors	Member
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Public hearing document

No. AorSorPor. 32/2559

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Distributed on July 22, 2016

The SEC drafted this document for conducting the public hearing.
To download this document, please visit www.sec.or.th/hearing

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Thank you for your comments.

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The purpose of the hearing

The intended outcome of the three-year strategic plan (2016-2018) of the Office of the Securities and Exchange Commission (SEC) no. 1.1 has been to enhance the quality of listed companies to help them create sustainable values by treating investors fairly and by promptly disclosing accurate, adequate, and accessible information to investors through systems that consider the economic, social, and environmental business impacts.

Achieving these objectives requires a combination of rules, regulatory enforcement and discipline, and market discipline, as well as self-discipline, which is the most important element. Self-discipline allows listed companies to create sustainable business values. Therefore, the board of directors play a crucial role in enabling self-discipline to create sustainable value and are responsible for ensuring there is a mechanism to achieve these objectives.

The SEC realised the importance of issuing a Corporate Governance Code (CG Code) as the code of conduct for boards. The CG code would integrate social and environmental issues into business processes in terms of direction, strategy, procedures, operations, monitoring, and reporting. This is for the board to have a framework for governing listed companies so that they operate fulfilling social and environmental responsibilities and create sustainable values for the company.

To accomplish the intended outcome and gain acceptance from stakeholders, the SEC appointed a Committee for Sustainability in Listed Companies (the Committee). Representatives from related organisations would join the committee to draft and determine the implementation of the CG Code. The Committee recognised that 'The Principles of Good Corporate Governance for Listed Companies 2012' issued by the SET has been used for developing CG and disclosure policies of listed companies and as a reference for evaluating the Corporate Governance Report (CGR) of the Thai Institute of Directors Association (IOD). However, if the SEC were to issue its own Principle of Good Corporate Governance, it would result in two corporate governance codes, which could create confusion. So, the Committee considered the following options for implementing the CG Code:

	The Principles of Good Corporate Governance 2012	CG Code
All companies	1. Use the Principles of Good Corporate Governance 2012	4. Use the CG Code
Some companies	2. Use the Principles of Good Corporate Governance 2012 and use the CG Code as a guideline	3. Use CG Code instead of the Principles of Good Corporate Governance 2012

Among the options, the Committee considered the fourth (using the CG Code instead of the Principles of Good Corporate Governance 2012) as the most appropriate to create "CG in Substance". Initially, the listed companies and related organisations will need to adjust from the usual presentation of five methods of the Principles of Good Corporate Governance 2012, but, in the long term, the CG Code will help the boards of listed companies to understand and use the code to create more sustainable value for the company.

This hearing document explains the context of CG Code, the necessity for issuing the CG Code, its practical implementation, and the differences from the current regulatory principles, including the direction and timeframe for listed companies to adjust. The SEC would like to invite all related parties to review this document and comment on the CG Code along the following points of view:

1. Do you agree that the CG Code will benefit the work of boards of directors and help them to understand the responsibilities necessary for managing a company to achieve its objectives?
2. Is the 'apply or explain' approach an appropriate method for listed companies?
3. Is the timeframe for listed companies to prepare and adapt by starting with information disclosure of the listed company according to the CG Code in 2019 appropriate?
4. What problems could the CG Code for boards of directors when carrying out their duties, and what are your suggestions regarding this?
5. Which are the issues or subjects that need a manual or additional guidelines?

Introduction

1. Whom is the CG Code meant for?

The CG Code outlines a conduct code for boards of directors of listed companies, which is the highest authority responsible in managing a company, to create sustainable value for their companies. The CG Code is a collection of principles for good corporate governance, social responsibilities, and concepts of international standards of a board's roles and responsibilities and is designed to be consistent with business management and to give clear responsibilities to the board.

The CG Code can also be used by other entities such as limited companies, partnerships, or any other organisation, whether a listed company or not.

2. What is the CG Code?

Corporate governance covers the relationship between governing, the chain of command and other mechanisms for (1) determining business objectives, (2) developing strategy and structure to achieve the objectives, and (3) monitoring, evaluating, and reporting on the results from operations to achieve the objectives, all of which is within the scope of Corporate Governance stated in the G20/OECD Principles of Corporate Governance (2015)[1] (OECD Principles).

Corporate Governance in this document means the governance for creating sustainable value for a company, including the management and development of the company, which includes:

1. performing well and being able to create value with a long-term perspective
2. operating ethically and having a responsibility to stakeholders (Ethical and Responsible Business)
3. complying with the law, and benefiting, or having a less negative impact on, society and the environment (Good Corporate Citizen), and
4. being able to cope with risk factors and changes (Resilience).

The CG Code also expands the definition of corporate governance to replace the SET's meaning of good corporate governance, focussing on the relationship between governance and monitoring operations to achieve targets. The CG Code offers a broader view and includes other mechanisms for governing, decision-making, and other actions carried out by a company such as achieving goals, business objectives, business strategy, performance indicators, incentives, and skills of people within the company. The board is the leading authority with the responsibility to govern these mechanisms to create sustainable value in the company.

This CG Code contains principles that emphasise the responsibility and accountability of the board, which is an important aspect of the OECD Principles. Such responsibilities include respecting the rights of and providing equitable treatment for shareholders, respecting the rights of stakeholders, and being responsible for disclosing information in accordance with other OECD Principles.

3. Necessity for issuing the CG Code

Thailand's capital market has been using the SET's Principles of Good Corporate Governance as its main mechanism for creating corporate governance for listed companies, and with satisfying results. In the beginning, the SET issued 15 corporate governance principles, which then further developed into the Principles of Good Corporate Governance 2012, divided into five topics in accordance with the OECD Principles at that time. To motivate listed companies to comply with these CG principles, the SEC requires listed companies to disclose their information in Form 56-1 in accordance with such CG principles, based on 'comply or explain'. The Thai Institute of Directors Association evaluated the results from complying with the corporate governance principles, based on publicly disclosed information, in the Corporate Governance Report (CGR), which gives ratings of one to five stars and discloses the name of companies that receives three stars and above. This evaluation has encouraged listed companies to focus on developing their corporate governance to achieve higher results, together with the supporting measures, training activities, and rewards from various organisations including the SEC, SET, IOD, the Thai Listed Company Association (Thai LCA), the Thai Investor Association, and other related organisations. As a result, the overall corporate governance of listed companies in Thailand has emerged as a leader in this region.

Although the development of corporate governance has been successful so far, further improvements will mean overcoming the following challenges:

1. Changes in social structure and global environment deterioration, which is partly caused by industrial development, capitalism, and business expansion, has made many national and international organisations and investors demand more social and environmental responsibilities, in addition to good corporate governance.
2. Some listed companies are still limited in complying with CG criteria and guidance, including redundant evaluations and rewards that could burden listed companies.
3. The OECD has made amendments in the OECD Principles 2015, clearly indicating that the principles are guidelines for setting policies by governments (not for listed companies).
4. The evaluation of the IOD's CGR (using information disclosed to the public) is the main driver for encouraging listed companies, making many listed companies focus more on the image rather than actually achieving results in business operation, or form over substance.

In 2015, the SEC completed a survey to obtain the opinion of directors, shareholders, and executive officers in listed companies regarding the factors that hinder "CG in Substance". The results showed that the key obstacles are a lack of process in developing CG in Substance; major shareholders and boards do not see any benefits, and a lack of resources needed to be allocated for other priorities (in the case of small and medium listed companies). The results showed that listed companies still perceive corporate governance as a separate issue from business operations.

Therefore, the SEC realised the need to issue a new CG Code as guidelines for a board, who is the leader accountable for corporate governance mechanisms. The CG Code would integrate social and environmental issues into the business process to set the company's direction, strategy, operating process, monitoring, and reporting, providing a framework for the board to govern listed companies to operate responsibly for the environment and society and to create sustainable value.

To ensure that the CG Code will achieve the intended objectives and gain acceptance from stakeholders, the SEC has allowed the stakeholders to participate in the drafting process since the beginning by setting up Committee for Sustainability in Listed Companies (the Committee), with Mr. Chanin Wongkusolkij as the Chairman and with representatives from related agencies (SET, Thai LCA, IOD, Thailand Management Association (TMA)) as part of the committee along with Mrs. Varunee Pridanonda, partner of PricewaterhouseCoopers ABAS Limited. Moreover, the SEC has discussed with executives and specialists in corporate governance from the SET many times for opinions and suggestions.

4. <u>Core elements and practicalities of the CG Code</u>

The CG Code outlines eight key principles for the conduct of the board:

Principles 1: Establish Clear Roles and Responsibilities

Principles 2: Define Objectives and Central Ideas

Principles 3: Strengthen Board Effectiveness

Principles 4: CEO and People Management

Principles 5: Nurture Innovation and Responsible Operations

Principles 6: Strengthen Effective Risk Management and Internal Control

Principles 7: Ensure Disclosure and Financial Integrity

Principles 8: Ensure Engagement and Communication with Shareholders

The CG Code has two main parts:

Part 1: Principles contains the principles of conduct which are for the board to adapt to its business and the necessities for listed companies under the principle of 'apply or explain', and

Part 2: Guidelines contains the practicalities and explanations of the principles of conduct for the board to put into use (Best Practices). However, if the board considers that a particular guideline is not suitable for the company, the board can use other measures to achieve the same objectives.

5. <u>How does the CG Code differ from the Principles of Good Corporate Governance for Listed Companies 2012?</u>

The majority of the CG Code is derived from the Principles of Good Corporate Governance For Listed Companies 2012 but is presented in the context of the roles and responsibilities of the board in each business process, from setting objectives and goals, strategies, plans, operations, people management, risk management, internal control, and reporting, including the integration of social and environment issues into the business process to ensure that the board is able to use this CG Code as a framework for governance. This is to ensure that business operations will achieve its objectives, creating long-term value with sustainability as a corporate citizen and with responsibility for society and the environment.

Nonetheless, to ensure that the CG Code is in line with current international standards, some improvements and updates were made to the Principles of Good Corporate Governance 2012:

1. Focussing on the board's leadership role by clearly dividing the roles of the board and management. Some matters are under the board's direct responsibility. Some matters require discussion between the board and management, where the board monitors the management to ensure that matters are properly resolved. Some matters should be assigned to management's direct responsibility.

2. Adding qualitative measures when setting objectives and main goals through ecosystem analysis and stakeholder engagement, including organisational value to reflect good corporate governance.

3. Clearly set out the role of the chairman of the board, which wasn't stated previously.

4. If the chairman and the CEO are not clearly separated, the board may appoint an independent director to participate in board meetings as an alternative to balance the power between the board and management.

5. In a family-controlled business, the board should understand family governance and its effects on the duties of the board.

6. Adding the role of the board to support other matters such as creating innovation to increase the company's value, information technology governance, a policy to protect confidential information, safeguarding classified information and market sensitive information, monitoring financial liquidity and debt servicing ability, a mechanism to support operations under tight financial constraints, a procedure to educate employees with financial management knowledge, and provident funds.

6. <u>What should listed companies do?</u>

1. Information disclosure

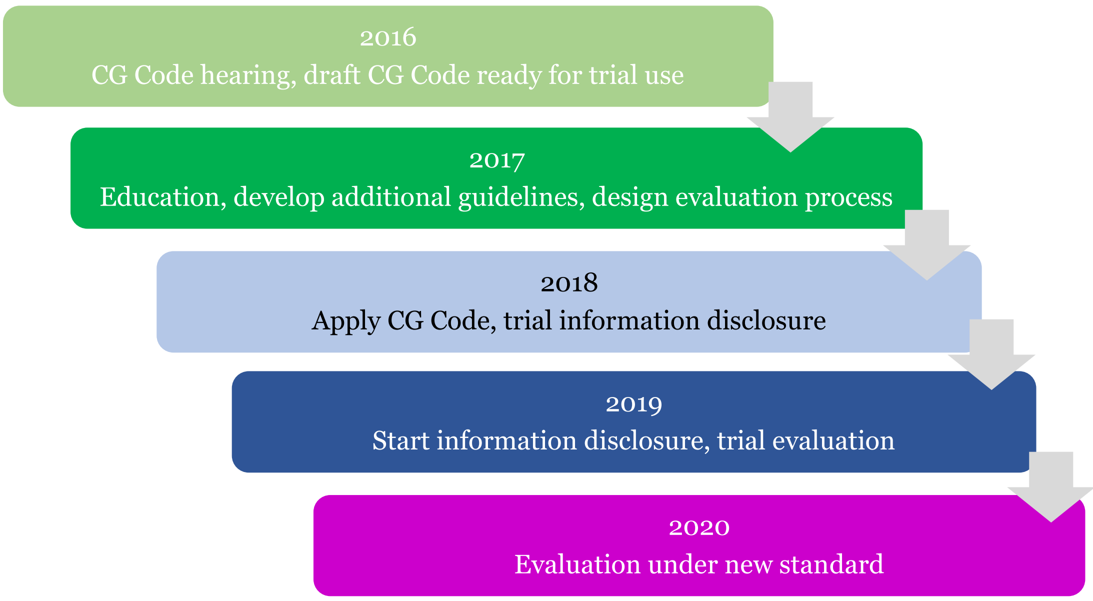
At present, CG-related information disclosure follows the principle of 'comply or explain', which are considered rules and formalities for listed companies to follow, but, in fact, the principles of conduct of the CG Code are merely guidelines for the board to adapt to the business and needs of the listed companies. Some parts can be applied directly but some parts need to be adjusted to suit the context and size of the listed companies. Thus, the SEC believes that it needs to adjust the principles of information disclosure from 'comply or explain' to 'apply or explain'. In this way, the board can review the CG Code to see if any part isn't suitable for the context and size of the company, and the board can opt for more suitable mechanisms to achieve the same objectives.

The information disclosure under the CG Code will become effective for listed companies in the year 2019.

2. Evaluation of the Corporate Governance Report (CGR)

The main contents of the CG Code are derived from the Principles of Good Corporate Governance for Listed Companies 2012 and are the main principles for the evaluation of the CGR. Approximately 70% of the guidelines under the CG Code are covered in the CGR criteria. Therefore, for the first phase (2017-2018) after the CG Code is published, listed companies will still be evaluated by the current CGR criteria to avoid any confusion about the evaluation result and to allow some lead time for listed companies to become familiar with the practices under the CG Code. In the meantime, the IOD will review the CGR criteria, considering the CG Code, so that the CGR, which is a tool for improving listed company corporate governance, can achieve the true intended outcome for the listed companies to have CG in Substance.

For the evaluation by the ASEAN CG Scorecard, any adjustment would be unlikely since it requires consensus from every country. Moreover, most companies will be evaluated by only the CGR. Only large listed companies (Top 100) will be evaluated under both standards. Most large listed companies already have good corporate governance, so the evaluation under both the CGR and ASEAN CG Scorecard will still apply in Thailand. Listed companies can use the same report for evaluation under both standards, which would reduce the burden for the companies.



Part 1

Principles

Principles

Principle 1

Establish Clear Leadership Roles and Responsibilities

Principle 1.1

The board should have a thorough understanding and awareness of its responsibilities as the leader who oversees the company's management.

Principle 1.2

The board should ensure that the company is managed to achieve sustainable value creation.

Principle 1.3

The board should ensure that all directors and management carry out their roles and responsibilities with duty of care and duty of loyalty to the organisation.

Principle 1.4

The board should establish clear functions reserved for the board and for the CEO and management and should oversee that the CEO and management carry out their duties properly.

Principle 2

Define Objectives and Central Ideas

Principle 2.1

The board should define the objectives and goals of the company that promote sustainability, as a framework for everyone in the organisation to follow.

Principle 2.2

The board should ensure that the medium-term and annual targets of the company lead to the company's objectives and goals.

Principle 3

Strengthen Board Effectiveness

Principle 3.1

The board should be responsible for determining and reviewing the board structure, in terms of size, composition, and the proportion of independent directors to lead the company to its primary objectives and goals.

Principle 3.2

The board should select an appropriate person as the chairman and ensure that the board composition is appropriate, enabling the board to make their decisions independently.

Principle 3.3

The board should ensure the nomination and selection processes for directors are clear and transparent so that the board's qualifications are in line with the desired composition.

Principle 3.4

When proposing the board's remuneration to the shareholders' meeting, the board should consider whether the remuneration structure and rates are appropriate for the board's responsibilities and can motivate the board to lead the organisation in meeting its objectives, both in the short and long term.

Principle 3.5

The board should ensure that all directors are properly accountable for their duties and are able to allocate sufficient time to do so.

Principle 3.6

The board should ensure that there is a framework and mechanism to oversee the policies and operations of subsidiaries and other businesses that the company has significant investment. Such framework and mechanism should be appropriate with each organisation. Those subsidiaries and other businesses should have the same understanding of the policies and operations.

Principle 3.7

The board should conduct an annual performance evaluation for the board, the committees, and each individual director. The evaluation results should be used for further development as well.

Principle 3.8

The board should ensure the board and each individual director understand their roles and responsibilities, the nature of the business, and related laws. The board should support all directors in enhancing their skills and knowledge necessary to carry out their duties.

Principle 3.9

The board should ensure that the board could perform their duties appropriately. The board should be able to access all necessary information. The company secretary should have the necessary knowledge and experience to support the board in performing their duties.

Principle 4

CEO and People Management

Principle 4.1

The board should set up an appropriate nomination, development, compensation, structure, and performance evaluation to ensure that the CEO and top executives have the skills and qualifications necessary to drive the company towards its goals.

Principle 4.2

The board should ensure that a development plan for top executives and a succession plan are in place.

Principle 4.3

The board should oversee the efficiency of the company's human resources management.

Principle 5

Nurture Innovation and Responsible Operations

Principle 5.1

The board should give precedence and provide support to building innovation that creates value for the business, together with benefits to its clients, stakeholders, society, and the environment.

Principle 5.2

The board should encourage management to transfer business strategy to an operations plan. This is to ensure that every department in the organisation follows the business objectives, goals, and strategies, with responsibility to society and the environment.

Principle 5.3

The board should encourage management to allocate, manage, and develop resources to support the organisation to meet business objectives.

Principle 5.4

The board should encourage management to include information technology as a part of its strategies and operations. The board should also supervise management to apply information technology, to increase business opportunities and performance. These are also for business sustainability.

Principle 6

Strengthen Effective Risk management and Internal Control

Principle 6.1

The board should ensure that the company has effective risk management and internal control systems that will help the company to meet its objectives. The company also should comply with laws, rules, regulations, and operational standards, including a related operational manual.

Principle 6.2

The board should establish an audit committee that can act efficiently and independently.

Principle 6.3

The board should monitor and manage any conflicts of interest that might occur between the company, management, board, and shareholders. The board should also prevent the inappropriate use of assets, information, and opportunities of the company, including preventing inappropriate transactions with the related parties.

Principle 6.4

The board should establish a clear anti-corruption policy and guidelines and communicate this to everyone in the organisation, so that everyone will comply.

Principle 6.5

The board should establish a system of handling complaints and managing whistleblowing.

Principle 7

Ensure Disclosure and Financial Integrity

Principle 7.1

The board must oversee the financial reporting and disclosure of any information to ensure that it is correct and to follow best practices and related regulations.

Principle 7.2

The board should monitor the adequacy of the business's financial liquidity, and abilities to pay debts.

Principle 7.3

If the business is experiencing financial problems or is likely face trouble, the board should ensure that the business has plans to reduce the problem or has other systems to recover operations while considering creditors' rights.

Principle 7.4

The board should consider preparing a sustainability report, as appropriate.

Principle 7.5

The board should ensure management sets a function or a person responsible for investor relations to communicate with such relevant external parties as investors, analysts, and the media equitably, and fairly.

Principle 7.6

The board should nurture the use of information technology in disseminating information.

Principle 8

Ensure Engagement and Communication with Shareholders

Principle 8.1

The board should oversee the company to ensure that shareholders participate in decision making on the company's important matters.

Principle 8.2

The board should check that the shareholders meeting on the meeting date is done in order, with transparency, efficiency, and supports shareholders' ability to exercise their rights.

Principle 8.3

The board should oversee the correctness and completeness of the disclosure of shareholder meeting resolutions and the preparation of the minutes of meeting.

Part 2

Guidelines and Explanations

Principle 1

Establish Clear Leadership Roles and Responsibilities

Principle 1.1

The board should have a thorough understanding and awareness of its responsibilities as the leader who oversees the company's management.

Guidelines

Overseeing the company's management includes determining the structure of the relationship or mechanisms for:

1. setting primary objectives and goals
2. setting business strategies and operations to achieve the primary objectives and goals, and
3. monitoring and evaluating performance.

Principle 1.2

The board should ensure that the company is managed to achieve sustainable value creation.

Guidelines

1.2.1 Sustainable value creation for the company should cover:

1) good performance that creates value with a long-term perspective
2) ethical and responsible business towards stakeholders
3) good corporate citizenship, taking into account beneficial or reduced negative impact on the society and environment, and
4) resilience, with the ability to cope with changes.

1.2.2 In determining the success of the business, the board should not just consider the financial result but also take into account the impact on society and the environment.

1.2.3 The board should provide a written policy for corporate governance and a code of conduct for the company.

1.2.4 The board should ensure that the company has adequate mechanisms to encourage everyone to comply with the corporate governance policy and code of conduct, including a communication to ensure understanding among directors, management, and every staff member, monitoring the compliance with the CG policy and code of conduct, and a regular review of the policies and practices at least annually.

Principle 1.3

The board should ensure that all directors and management carry out their roles and responsibilities with duty of care and duty of loyalty to the organisation.

Guidelines

1.3.1 Generally, if the board's action or decision is carried out in the following fashion, the board's duty of care is attained:

1) such actions or decisions are reasonable, and in a manner generally expected of a director in similar circumstances
2) such actions or decisions are carried out in an informed way, and
3) without cause to doubt the reliability of the information.

1.3.2 A duty of loyalty means loyalty to the organisation, which is not limited to non-fraudulent acts but also includes the following:

1) Actions with legitimate intention (Proper Purpose).

2) Decisions made without conflict of interest. In a situation where some directors or CEO may have vested interests in a given transaction, such transaction should be considered by other directors who do not have vested interests. The company can carry out that transaction if the directors who do not have vested interests determine that the transaction is in the best interests of the company.

3) Protection against the abuse of inside information for personal interest or a third party's interest.

Principle 1.4

The board should establish clear functions reserved for the board and for the CEO and management and should oversee that the CEO and management carry out their duties properly.

<u>Guidelines</u>

1.4.1 The board should create a board charter that clearly identifies the roles and responsibilities of the board, to be used as a reference for all directors. The board should review the board charter at least annually. The board should regularly review the division of responsibilities among the board, the CEO, and management to ensure alignment with the company's direction.

1.4.2 Generally, the board would delegate the task of managing the business to management; however, this would not relieve the board of its accountability, and the board's role is to provide oversight on management's performance. Moreover, assigning authority to management should be in a written document with clear boundaries of roles and responsibilities. The scope of authority of the board, the CEO, and management can be classified as follows:

1.) Matters that the board should be directly responsible for, of which the board should have a thorough understanding and full consideration. (In some cases, the consideration of the board can be aided by or involve management.) Examples are:

a) setting up the objectives and primary goals of the business which can be constructed in the form of the company's vision, mission, and values

b) overseeing the company's structure and the conduct of the board to be efficient and practical for the business to achieve its objectives and goals

c) upholding the integrity of the disclosure of financial and non-financial information

d) setting an incentive structure that motivates staff to carry out their work in line with the company's objectives

e) recruiting and developing incentives and performance evaluation of the CEO, and

f) developing a corporate culture that adheres to ethics and being role models.

2.) For matters requiring joint discussion among the board, the CEO, and management, which management proposes to the board for approval, the board must ensure that these matters align with the business objectives and primary goals. Some matters can be assigned to management with regular reports to the board. Examples are:

a) establishing and reviewing strategy, annual business plan, and desired performance targets

b) overseeing and developing risk management mechanisms

c) setting a table of authority suitable for management's responsibilities

d) establishing a plan for resource allocation and budgeting

e) establishing a policy and plan to manage human resources, and

f) monitoring and evaluating performance based on the policies and plans.

3.) Matters that the board assigns as the main responsibilities of the CEO and management to fulfil, which the board oversees at the policy level. Examples are:

a) business operations to be in accordance with the board's policy. Nevertheless, the scope should be flexible enough for management to carry out promptly and efficiently. The table of authority should be clear and suitable for the size of the business to allow flexibility while, at the same time, the scope should not be too broad

b) procurement, where the board should not interfere with the vendor selection process or instruct management to procure goods or services from any party where a director may have vested interests, and

c) hiring staff.

1.4.3 The board must ensure that important activities such as investment, transactions with significant impact to the company, related party transactions, the acquisition/disposal of assets, and dividend payments are subject to the board's approval, as required by law.

Principle 2

Define Objectives and Central Ideas

Principle 2.1

The board should define the objectives and goals of the company that promote sustainability, as a framework for everyone in the organisation to follow.

Guidelines

2.1.1 The board should ensure that the company has clear business objectives and can communicate them in the form of the company's vision and/or mission, including its values, which will serve as a common goal or guideline for everyone in the company.

2.1.2 Objectives and goals should base on three fundamental understandings:

1) understanding the environment and changes in factors such as society, environment, and technology
2) understanding customers and stakeholders, and
3) understanding the business itself such as competitiveness, readiness, expertise, opportunities, and risks.

The company should choose the most important ideas that can create common benefits towards the primary objectives and goals.

2.1.3 The company's values should reflect the character of good corporate governance such as accountability, integrity, transparency, caring, and sharing.

2.1.4 The board should promote the realisation of the vision, mission, and values in decision-making and business operations, which ultimately becomes the company's culture.

Principle 2.2

The board should ensure that the medium-term and annual targets of the company lead to the company's objectives and goals.

Guidelines

2.2.1 The medium-term and annual targets should align with the strategy and business plan while considering the company's risk appetite.

2.2.2 Establishment of the strategic and annual business plans should be supervised by the board to ensure that the company takes into account the environment such as risks and other factors that may affect stakeholders in the value chain, including other factors that may affect the achievement of the company's primary objectives. A mechanism should be in place to understand stakeholders' true needs.

2.2.3 The results from a business environment analysis should be part of the strategy and annual business plan, as well as the design of the management structure, operation procedure, resource allocation, and control procedure including target setting and regular performance reporting, where all of these processes should be integrated into the business operation.

2.2.4 The targets should be suitable for the business environment and the company's capacity. The board should set up both financial and non-financial targets, while taking into account the risk that a target may lead to unethical conduct.

2.2.5 The board should supervise the communication of the objectives and targets in terms of strategy and annual business plan across the organisation.

2.2.6 The board should ensure that the strategy and annual business plan execution is properly monitored. The board may assign a party to be responsible for this monitoring.

Explanation

Examples of mechanisms for understanding stakeholders' needs (Stakeholder engagement):

1) *Clearly define the procedure, practice, and engagement or communication channels between stakeholders and the company. This will allow the company access to issues or needs from each group of the stakeholders as accurately as possible.*
2) *Clearly define each stakeholder group (internal and external, short and long term) including individuals, groups, and entities, such as staff, shareholders, customers, business partners, communities, society, environment, government agencies and regulators.*
3) *Define stakeholders' issues and expectations, including an analysis of the levels of importance and impact on the company and stakeholders and if these issues or expectations are not responded to, taking into account both positives and negatives.*

Principle 3

Strengthen Board Effectiveness

Principle 3.1

The board should be responsible for determining and reviewing the board structure, in terms of size, composition, and the proportion of independent directors to lead the company to its primary objectives and goals.

Guidelines

3.1.1 The board should ensure that it consists of directors with various qualifications in terms of characters, skills, experience, specific expertise, gender, and age necessary to achieve the primary objectives and goals of the company by setting a skills matrix. This is to ensure the overall board has the proper qualifications to be able to understand and respond to stakeholders' needs. At least one director should be a non-executive director with experience in the company's major industry.

3.1.2 The board should determine the proper number of directors to function effectively. There should be at least five and no more than 12 directors, depending on the size, type, and complexity of the business.

3.1.3 The proportion between executive directors and non-executive directors should reflect proper checks and balances, where the majority of the board should be non-executive directors who are able to comment on management independently. The non-executive directors should consist of independent directors where the board should consider the qualifications and the number of independent directors in accordance with SEC and SET regulations. The board should ensure that the independent directors can work with the entire board efficiently and can exercise independent judgement.

3.1.4 The board should ensure that the board's diversity policy and directors' qualifications such as age, education, experience, shareholding percentage, years of service as director, and holding a director position in other listed companies are disclosed in the annual report and on the company's website.

Principle 3.2

The board should select an appropriate person as the chairman and ensure that the board composition is appropriate, enabling the board to make their decisions independently.

Guidelines

3.2.1 The chairman of the board should be an independent director.

3.2.2 The chairman's roles and responsibilities are different from those of the CEO. The board should clearly define the roles and responsibilities of both positions. To achieve a balance of power, the two positions should be held by different individuals.

3.2.3 The chairman is responsible for leading the board. The chairman's duties should at least cover the following matters:

1) Oversee, monitor, and ensure that the board carries out its duties effectively to achieve the company's objectives.
2) Ensure that all directors contribute to the creation of an ethical culture and good corporate governance.
3) Set the board meeting agenda by discussing with the CEO which important matters should be included.
4) Allocate sufficient time for management to propose topics and for directors to debate important matters thoroughly. Encourage directors to exercise prudent judgement. Pay attention to every agenda item in the meeting including corporate governance issues.
5) Promote a good relationship between the board and management.

3.2.4 If the chairman and the CEO are not clearly separated, e.g. the chairman and the CEO are the same person, the chairman is not an independent director, the chairman and the CEO are family members, or the chairman is a member of the management team or has been assigned a management role, the board should encourage the balance of power between the board and management by:

1) having more than half of the board members as independent directors, or

2) appointing one of the independent directors to participate in setting the board meeting agenda.

3.2.5 The board should establish the policy that the tenure of an independent director should not exceed a cumulative term of nine years from the first day of service. Upon completing nine years, an independent director may continue to serve on the board, subject to the board's rigorous review of the need.

3.2.6 The board can appoint committees to review specific matters, to screen information, and to provide recommendations before proposing them to the board for approval; however, the accountability is still with the board.

3.2.7 The board should disclose the roles and responsibilities of the board and the committees, the number of meetings and the number of directors participating in meetings in the previous year, and report the performance of every committee, including continuous training and knowledge development of the board, in the annual report.

Principle 3.3

The board should ensure the nomination and selection processes for directors are clear and transparent so that the board's qualifications are in line with the desired composition.

Guidelines

3.3.1 The board should establish a nomination committee. The majority of its members and the chairman should be independent directors. However, they should not be potential candidates for director nomination.

3.3.2 The nomination committee should meet to consider the nomination criteria and process so that they are consistent with the skills matrix approved by the board and to review the background of candidates. These should be proposed to the board before being presented to the shareholders' meeting for appointing directors. Shareholders should receive sufficient information about candidates before making decisions.

3.3.3 The nomination committee should review the nomination criteria and process and presented to the board before nominating new directors. If the nomination committee nominates current directors, their performances should be considered.

3.3.4 If the board appoints any person as a consultant to the nomination committee, that consultant's information should be disclosed in the annual report, including information about independence and any conflicts of interest.

Principle 3.4

When proposing the board's remuneration to the shareholders' meeting, the board should consider whether the remuneration structure and rates are appropriate for the board's responsibilities and can motivate the board to lead the organisation in meeting its objectives, both in the short and long term.

Guidelines

3.4.1 The board should establish a remuneration committee. The majority of its members and the chairman should be independent directors. The remuneration committee is responsible for setting the criteria and the form of payment to directors and top executives and presenting the results to the board. While the board approves executive's remuneration, the board's remuneration should be proposed to the shareholders' meeting for approval. However, if there is no remuneration committee, the board should set a policy and procedure for considering remuneration.

3.4.2 The remuneration committee should meet to consider and discuss the form and rates of remuneration and how they are linked to performance evaluation, including other responsibilities designated from the board.

3.4.3 If the board appoints any person to consult with the remuneration committee, that consultant's information should be disclosed in the annual report, including information regarding independence and any conflicts of interest.

3.4.4 The board should disclose directors and top executives' remuneration policy that reflects the duties and responsibilities of each individual and forms of remuneration. The amount of remuneration disclosed should also include what each individual receives from the directorship of subsidiaries.

Explanation

1. *Shareholders must approve the remuneration structure and rates for directors, in both monetary and non-monetary forms. The board should consider the appropriateness of each type of remuneration, both in terms of constant rates (such as regular compensation and meeting allowance) and remuneration paid according to the company's performance (such as bonus and rewards). These should link to the values that the company creates for shareholders but shouldn't be at too high a level to cause directors to focus only on short-term earnings.*
2. *The remuneration of the board should be consistent with the company's strategies and long-term goals, comparable to the industry's practice, and reflect the experience, obligations, scope of work, accountability and responsibilities, and contributions of each director. Directors who have additional roles and responsibilities, such as a member of a committee, should be entitled to additional remuneration.*

Principle 3.5

The board should ensure that all directors are properly accountable for their duties and are able to allocate sufficient time to do so.

Guidelines

3.5.1 The board should ensure that there is a mechanism to support directors to understand their roles and responsibilities.

3.5.2 The board should set criteria to limit directors to take positions in other companies and should consider the effectiveness of directors who hold multiple board seats. To ensure that directors have sufficient time to perform their duties, the board should limit the number of board seats in listed companies that an individual director can hold simultaneously. The number should be appropriate to the nature and type of business but should not be more than five listed companies. This is because the effectiveness of duties performed as a director may be lessened if the number of positions taken in other companies is too high. These criteria should be disclosed to the public.

3.5.3 The board should set up a reporting system to publicly disclose about directors taking other positions.

3.5.4 The board should ensure that the company has sufficient measures to prevent a director taking a position as a director, or management, or having vested interests, both directly and indirectly, of other companies that create conflict of interest with the company, or from using company information for his/her own benefit. This information should also be reported to shareholders, as appropriate.

3.5.5 Each director should attend not less than 75 percent of all board meetings in a whole year.

Principle 3.6

The board should ensure that there is a framework and mechanism to oversee the policies and operations of subsidiaries and other businesses that the company has significant investment. Such framework and mechanism should be appropriate with

each organisation. Those subsidiaries and other businesses should have the same understanding of the policies and operations.

Guidelines

3.6.1 The board should consider setting up a policy to govern its subsidiaries, including:

(1) The authorisation level needed to appoint persons as directors, management, or other authorised persons having controlling powers in a subsidiary. This should be in writing. Generally, the board should have the authority to appoint those persons, except for smaller subsidiaries that are the company's operating arms, the board may delegate this authority to the CEO.

(2) Determination of the duties and responsibilities of those appointed persons in (1). Their roles are to oversee the subsidiaries' operations to make sure they follow the subsidiaries' policies. If the subsidiary has other investors, the board should set a policy for the appointed representative to perform duties for the subsidiaries' best interest and to be consistent with the policies of the parent company.

3.6.2 The board should ensure that a subsidiary's internal control systems are efficient and effective and that all transactions comply with relevant laws and regulations.

3.6.3 The board should ensure that subsidiaries have a mechanism to oversee the disclosure of its financial status and performance, related party transactions, acquiring and disposing of assets, other important transactions, capital increases or decreases, and termination of a subsidiary, etc.

3.6.4 For other businesses that the company has significant investment, the board should ensure that shareholder or other agreements are in place to allow the company to participate in management at a level where approval is required. In addition, the company should be able to request necessary information for auditing and monitoring and for preparing consolidated financial statements.

Principle 3.7

The board should conduct an annual performance evaluation for the board, the committees, and each individual director. The evaluation results should be used for further development as well.

Guidelines

3.7.1 The board's and the committee's performance evaluation should be conducted at least once a year to allow all board members to consider the board's performance and solve any problems they may have. A benchmark of the board's performance should be systematically set in advance.

3.7.2 Board members should assess the performance of the board as a whole and on an individual basis. At a minimum, the board should conduct a self-evaluation. Alternatively, the board may consider using a cross-evaluation together with the self-evaluation. The criteria, process, and results of the evaluation should be disclosed in the annual report.

3.7.3 The company should appoint an external consultant to assist in setting guidelines and providing recommendations for a board assessment at least once every three years. This information should be disclosed in the annual report.

Principle 3.8

The board should ensure the board and each individual director understand their roles and responsibilities, the nature of the business, and related laws. The board should support all directors in enhancing their skills and knowledge necessary to carry out their duties.

Guidelines

3.8.1 The board should ensure that newly appointed directors receive proper induction and useful information to perform their duties including the objectives, goals, vision, mission, and the corporate values, nature of business and company operations.

3.8.2 The board should ensure that directors regularly receive sufficient training and education.

3.8.3 The board should have knowledge and understanding of laws, regulations, standards, risks, and environment related to the company's business and should receive regular updates.

Principle 3.9

The board should ensure that the board could perform their duties appropriately. The board should be able to access all necessary information. The company secretary should have the necessary knowledge and experience to support the board in performing their duties.

Guidelines

3.9.1 The board should set its meeting schedule and agenda in advance and notify each director of the schedule, so that each board member can manage their time to attend meetings.

3.9.2 The number of board meetings should be appropriate to the obligations and responsibilities of the board and nature of the business, but they should meet at least six times per year. If the board meetings are not held monthly, the board should receive a monthly report on the company's performance for the months when it does not meet, so that it can monitor management performance continuously and promptly.

3.9.3 The board should have a mechanism that allows each board member to be free to propose any issues for a meeting agenda that will be useful for the company.

3.9.4 Meeting documents should be sent to each director at least five business days before the meeting.

3.9.5 The board should encourage the CEO to invite top executives to attend board meetings to present details on the issues that they are directly responsible for and to give the board a chance to know more about top executives and help directors to prepare succession plans.

3.9.6 The board should have access to additional information, under prearranged conditions, from the CEO, company secretary, or executive designated as a contact person. If necessary, the board may seek independent opinions from an advisor or professional consultant, at the company's expense.

3.9.7 Non-executive directors should be able to meet, as necessary, among themselves without the management team to debate their concerns. The non-executive directors should notify the CEO as to the meeting outcome.

3.9.8 The board should define proper qualifications and experience for the company secretary in performing his/her duties, providing advice on legal and other regulations that the board must know, preparing the board's meeting documents, other important documents, and the board's activities, including coordinating with other parties to ensure the board's resolutions are being followed. In addition, the board should disclose the qualifications and experience of the company secretary in its annual report and on the company's website.

3.9.9 The company secretary should receive ongoing training and education that will be useful for performing duties and supporting board meetings.

Principle 4

CEO and People Management

Principle 4.1

The board should set up an appropriate nomination, development, compensation, structure, and performance evaluation to ensure that the CEO and top executives have the skills and qualifications necessary to drive the company towards its goals.

Guidelines

4.1.1 The board should consider or assign the nomination committee to consider the criteria and process for nomination, development, and performance evaluation of the CEO. Moreover, the board should consider or assign the remuneration committee to consider the criteria and structure of the CEO's remuneration, including:

(1) short-term compensation, such as salary and bonus, and long-term compensation, such as ESOP

(2) the amount, i.e. higher or equal to the industry standard, and

(3) key criteria of performance evaluation to motivate the CEO to perform duties as stated in the strategic plan and in line with stakeholder expectations. The key criteria of performance evaluation should be communicated in advance.

4.1.2 The board should oversee the CEO in appointing appropriate top executives. The board or the nomination committee together with the CEO should consider the criteria and method of top executive nomination and appointment, approving top executive appointments, performance evaluation criteria, and compensation structures.

4.1.3 There should be an annual performance evaluation of the CEO's performance by all non-executive directors. The performance evaluation should be based on pre-determined criteria, and the evaluation result should be presented to the board for approval. The chairman or a senior director should communicate the result of performance evaluation, including areas for improvement, to the CEO.

4.1.4 The board should oversee that performance evaluation principles are in place throughout the organisation. In addition, the board should ensure that the CEO evaluates the performance of top executives based on similar principles.

4.1.5 The board should set clear policies and guidelines for the CEO and top executives serving as a director in other companies. The policies should include the type of appointment and the number of companies that they are allowed to serve. This matter should be subject to the board's approval.

Principle 4.2

The board should ensure that a development plan for top executives and a succession plan are in place.

Guidelines

4.2.1 The board should ensure long-term business continuity and should ensure that a succession plan is in place for the CEO and top executives. The board should request the CEO to present a succession plan for the board's acknowledgement regularly, at least once a year.

4.2.2 The board should establish a development programme for executives. The CEO should report to the board annually about the programme. The board should take into account executive development when considering the firm's succession plan.

4.2.3 If the CEO or his family member is the founder of the company, the board should understand family governance and the impact of the control over the company and should ensure that this issue does not affect the board's responsibilities.

Principle 4.3

The board should oversee the efficiency of the company's human resources management.

Guidelines

4.3.1 The board should ensure that human resources management aligns with the organisation's direction and strategy. All levels of employee must be fairly treated. An appropriate compensation structure should be established to motivate and retain employees. The organisation's objectives, goals, culture, and strategy should be communicated to the employees to serve as a common goal in value creation.

4.3.2 The board should encourage management to set a system for providing financial literacy knowledge to employees to prevent fraud risk. Provident funds should be in place. Investment knowledge should be provided to employees so that they can select an investment policy that is suitable for their age, risk appetite, and life path.

Principle 5

Nurture Innovation and Responsible Operations

Principle 5.1

The board should give precedence and provide support to building innovation that creates value for the business, together with benefits to its clients, stakeholders, society, and the environment.

Guidelines

5.1.1 The board should give precedence to innovation and supervise management's inclusion of innovation in strategy reviewing, operational development planning, and operation monitoring and to building a culture that promotes innovation.

5.1.2 The board should nurture innovation to create value for the business in a changing environment. This could cover promoting research, design, and development of products and services and the improvement of production and work processes.

5.1.3 The business might cooperate with its network to spread the idea of innovation to society by persuading its partners to co-develop the innovation.

Explanation

Innovation should create benefits for clients or partners, society and the environment. In addition, innovation shouldn't lead to inappropriate behaviour or illegal business.

Principle 5.2

The board should encourage management to transfer business strategy to an operations plan. This is to ensure that every department in the organisation follows the business objectives, goals, and strategies, with responsibility to society and the environment.

Guidelines

5.2.1 The board should encourage management to ensure that the business is responsible to society and the environment. The business might create policies or guidelines to use as operational guidelines for every department in the organisation.

5.2.2 The board should encourage management to have channels for handling complaints from stakeholders. There should be more than one channel, and each channel should be easy to use. In addition, the complaints handling process, including progress monitoring, should be disclosed on the company's website or in the annual report.

Explanation

Policies or guidelines for running the business fairly and not violating stakeholders' rights should at least include the following topics:

(1) Responsibilities to employees and workers by considering fair treatment and respect for human rights, including a fair level of remunerations and other benefits, a level of welfare that is not less than the legal limit (but can be over the legal limit where appropriate), health care and safety in the workplace, training support, potential development and promotion of advancement, and giving chances to employees to develop other skills.

(2) Responsibilities to clients by considering health, safety, fairness, customer information security, after-sales service throughout the lifespan of products and services, and following up on customer satisfaction measurements to improve the quality of products and services. In addition, advertising and public relations must be done responsibly, and these should not cause misunderstanding or encourage unwanted habits such as over-spending.

(3) Responsibilities to partners by having a fair procurement process and contract or agreement conditions, providing training, developing potential and enhancing production and service to meet standards, and explaining and supervising business partners to respect

human rights and treat their workers fairly, including monitoring and assessing partners to have mutual sustainable businesses.

(4) <u>Responsibilities to the community</u> by applying business knowledge and experience to develop projects that can concretely add value to the community. There should be a follow up on progress and success tracking in the long term.

(5) <u>Responsibilities to the environment</u> by managing and ensuring that there is no negative impact on the environment, including raw material use, energy use (for production, transportation, or in the office), water use, renewable resources use, rehabilitating the diversity of biology, having an impact from running the business, discharging and managing waste from running business, and greenhouse gas emissions.

(6) <u>Competing fairly</u> by running the business transparently and not taking advantage of competitors.

(7) <u>Anti-fraud and corruption</u> by ensuring that the company sets up and announces anti-fraud and corruption policies to the public. The company might work with its network and with other companies in anti-fraud and corruption. The company can also encourage business partners to be in the network.

Principle 5.3

The board should encourage management to allocate, manage, and develop resources to support the organisation to meet business objectives.

<u>Guidelines</u>

5.3.1 The board should ensure that management uses resources efficiently and effectively. In addition, management should always review and develop the resource use based on changes in internal and external factors to meet business objectives based on ethics, responsibility, and good value for money.

<u>Explanation</u>

Resources that the business should consider consists of at least six types, which are financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

Principle 5.4

The board should encourage management to include information technology as a part of its strategies and operations. The board should also supervise management to apply information technology, to increase business opportunities and performance. These are also for business sustainability.

<u>Guidelines</u>

5.4.1 The board should establish Information Technology Governance (IT Governance) to ensure that the business use and maintenance of an efficient information technology system.

<u>Explanation</u>

The following are examples of topics in an IT Governance Policy:

(1) The business follows laws, rules, regulations, and standards that are related to information technology use.

(2) The business has an information security system and can prevent leaks of confidential business information.

(3) The business considers information technology risks and has risk mitigation plans for those risks.

Principle 6

Strengthen Effective Risk management and Internal Control

Principle 6.1

The board should ensure that the company has effective risk management and internal control systems that will help the company to meet its objectives. The company also should comply with laws, rules, regulations, and operational standards, including a related operational manual.

Guidelines

6.1.1 The board should consider and approve a risk management policy to use as a framework for everyone in the organisation, so everyone will operate in the same direction and in accordance to the business's objectives and strategy. The risk management policy should be reviewed regularly, such as annually, with priority given to early warning signals and irregular transactions.

6.1.2 The board should understand the substantial risks and should approve the risk appetite of the company.

6.1.3 The board should oversee the company to identify risks by considering internal and external factors that will cause the company not meet its objectives.

6.1.4 The board should ensure that the company assesses the impact and likelihood of identified risks to prioritise those risks and set up suitable risk mitigation plans. Also, the board should supervise the management's setting up of policies and procedures to ensure that the risk management system is effective, and monitored.

6.1.5 The board can assign a risk management committee or audit committee to consider those in guidelines no. 6.1.1 – 6.1.3 before making proposals to the board for consideration. This depends on the business.

6.1.6 The board has the duty to oversee the business to run under appropriate laws, both in terms of Thai laws and related laws in other countries, including regulations, criteria, standards, principles, good practices, and traditional practices, both domestic and international. The business can choose those related to general business and/or those related to the specific industry.

Explanation

1. *For guideline no. 6.1.3, major risks that the board should pay attention to can be categorised into strategic, operational, financial, and compliance risks.*
2. *For guideline no. 6.1.4, examples of risk response that the business can use are take, treat, terminate, and transfer.*

Principle 6.2

The board should establish an audit committee that can act efficiently and independently.

Guidelines

6.2.1 The board should establish an audit committee that comprises of at least three directors, all of whom must be independent directors. The audit committee should have qualifications and duties as defined by the SEC and SET.

6.2.2 The board should set the audit committee's duties and responsibilities to at least include the following:

(1) Review the company's financial report to ensure accuracy and adequacy of disclosure.

(2) Review the company's internal control and risk management systems to ensure that they are suitable and efficient.

(3) Review the company's operations to ensure compliance with related laws.

(4) Select and nominate the company's auditor, consider the auditor's remuneration, and ensure that the company discloses auditor fees and fees for other services provided by the auditor.

(5) Ensure the accuracy and completeness of the company's information disclosure, especially for connected transactions or the transactions that may cause conflicts of interest.

6.2.3 The board should encourage the company to have a method to assist the audit committee in accessing the information necessary to perform their duties, for example, by making it convenient for the audit committee to contact someone to obtain information, to talk with external auditors, or to get independent opinions from professional consultants to support the audit committee's considerations.

6.2.4 The board should define an individual or establish an internal audit function that can be independently responsible for reviewing the efficiency of the risk management and internal control systems. This individual or internal audit function will report the review result to the audit committee. The result of the review must be disclosed in the annual report.

6.2.5 The board should express their opinion on the adequacy of internal control and risk management systems and disclose them in the annual report.

Principle 6.3

The board should monitor and manage any conflicts of interest that might occur between the company, management, board, and shareholders. The board should also prevent the inappropriate use of assets, information, and opportunities of the company, including preventing inappropriate transactions with the related parties.

Guidelines

6.3.1 The board should establish an information security policy to prevent information from leaking and should set up an information security and market sensitive information system. The board should also monitor how directors, executive management, employees, and all related parties, such as legal consultants and financial consultants, keep the company's information confidential.

6.3.2 The board should prudently consider conflicts of interest and transactions that might involve a conflict of interest. The board should establish clear guidelines that consider the benefits of the company and shareholders. Any party having vested interests in a particular situation should not involve in the decision-making in such situation. In addition, the board should govern the company to follow procedures and completely disclose information about conflicts of interest.

6.3.3 The board should set requirements for all directors to report conflicts of interest at least before being considered as part of the board of directors meeting agenda and recording the report in the minutes of meetings. The board should also ensure that all directors that have a conflict of interest and can't provide independent opinions, abstain in any related meeting agenda item.

Principle 6.4

The board should establish a clear anti-corruption policy and guidelines and communicate this to everyone in the organisation, so that everyone will comply.

Guidelines

6.4.1 The board should establish a project or guidelines of anti-fraud and anti-corruption and should support activities that promote compliance to the laws and related regulations for everyone, so that they become practice.

Principle 6.5

The board should establish a system of handling complaints and managing whistleblowing.

Guidelines

6.5.1 The board should ensure that the business has a system of handling and managing complaints appropriately. The business should also have a clear guideline for whistleblowers who want to give information through the company's website or in a direct report to the company. Whistleblowing channels might be set up through independent directors or the audit committee to hold investigations by following the company's process and reporting to the board.

6.5.2 The board should ensure that whistleblowing is not retaliated against and that there is a guideline on how to protect whistleblowers.

Principle 7

Ensure Disclosure and Financial Integrity

Principle 7.1

The board must oversee the financial reporting and disclosure of any information to ensure that it is correct and to follow best practices and related regulations.

Guidelines

7.1.1 The board should ensure that any staff member involved in the preparation and disclosure of any information has suitable knowledge and that there is sufficient staff numbers to perform their duties and responsibilities. This includes senior management in finance and accounting, accountants, internal auditors, a company secretary, and investor relations.

7.1.2 When approving the financial reports, the board should consider the following factors:

(1) The evaluation results of the adequacy of the internal control system.

(2) The external auditor's opinions on financial reporting, observations on the internal control system, and any other observations through other channels.

(3) The Audit Committee's opinions.

(4) Consistency within the company's strategies and policies.

7.1.3 The board should ensure that the annual report, including the explanation and management discussion and analysis (MD&A) reflects the company's financial status and performance adequately. The board should also encourage the company in preparing the MD&A to support financial statements every quarter. This is to keep investors informed and help them have a better understanding of any changes occurring to the company's financial status and performance in each quarter, other than numeric data in financial statements.

7.1.4 If the disclosure of any transactions is related to any individual directors, the director should ensure the accuracy of the information disclosed. Examples of information include shareholders' information and shareholders' agreement for their group.

Principle 7.2

The board should monitor the adequacy of the business's financial liquidity, and abilities to pay debts.

Guidelines

7.2.1 The board should regularly follow up with management on the financial status and liquidity reporting and analysis. If any signs indicate problems with liquidity and debt repayment abilities, the board should cooperate with management to find solutions to resolve the issues promptly.

7.2.2 When approving any transactions or when proposing any opinions that need approval from a shareholders meeting, the board should ensure that those transactions would not affect business continuity. The board should not approve any transactions that could prevent the company from being able to pay its debts.

7.2.3 If the business tends not to be able to pay debts or has many liabilities, the board should pay close attention to the company's business and consider creditors' rights.

Explanation

The followings are examples of indicators that will lead to problems in liquidity and the ability to pay debts:

(1) the company's continuous loss

(2) low cash flow

(3) lack of historical financial data

(4) lack of a proper accounting system

(5) *lack of cash flows and budget assessment*

(6) *lack of a business plan*

(7) *increases in liabilities that are much higher than those of assets, and*

(8) *problems in inventory turnover.*

Principle 7.3

If the business is experiencing financial problems or is likely face trouble, the board should ensure that the business has plans to reduce the problem or has other systems to recover operations while considering creditors' rights.

Guidelines

7.3.1 The board should oversee the business in setting a financial rehabilitation plan, without violating creditors' rights or increasing more liabilities. The board should monitor the results of financial problem resolutions by requesting that management regularly reports the status.

7.3.2 The board should make sure that any consideration of any decisions to recover the company's status, no matter which method is used, is reasonable.

Principle 7.4

The board should consider preparing a sustainability report, as appropriate.

Guidelines

7.4.1 The board should consider the appropriateness of operational data related to society and the environment, by considering a report framework that is accepted domestically and internationally. The company can disclose this information in the annual report or in a separate report, as appropriate.

7.4.2 The board should oversee the sustainability report to make sure it contains practices that lead to sustainable value creation.

Principle 7.5

The board should ensure management sets a function or a person responsible for investor relations to communicate with such relevant external parties as investors, analysts, and the media equitably, and fairly.

Guidelines

7.5.1 The board should establish a disclosure policy for the board, management, and employees to ensure the same understanding on disclosures to third parties.

7.5.2 The board should determine a responsible person to communicate the company's information to external parties. The person should have experience, should understand the company's business, and should be able to communicate with capital market analysts well. Examples of qualified responsible persons are the Managing Director, the Chief Financial Officer, or the Investor Relations Manager.

7.5.3 The board should ensure management sets directions for and supports an investor relations function that works properly to create value for the organisation.

7.5.4 The board should encourage the company to have channels and appropriate guidelines for communicating information, including ensuring that information is provided to shareholders equally.

Principle 7.6

The board should nurture the use of information technology in disseminating information.

Guidelines

7.6.1 In addition to the disclosure of information according to defined criteria through the SET's channels, the disclosure report concerning additional information (Form 56-1), and the annual report, the board should consider disclosing information in both Thai and in English through other channels, such as the company's website. This should be done regularly and should be presented with updated information.

<u>*Explanation*</u>

The following are examples of information that should at least be disclosed on the company's website:

(1) the company's vision and mission

(2) nature of the business

(3) list of the board of directors members and management

(4) financial statements and reports about the financial status and the company's performance, for current and previous years

(5) a disclosure report concerning additional information (Form 56-1) and an annual report that can be downloaded

(6) information and other documents that the company presents to analysts, fund managers, and other media

(7) shareholder structure, both direct and indirect

(8) the company's group structure, including subsidiaries, affiliates, joint ventures, and special purpose enterprises/vehicles (SPEs/SPVs)

(9) direct and indirect major shareholders, holding shares from 5% of paid-in capital with voting rights

(10) direct and indirect shareholding of directors, major shareholders, and executives

(11) invitation letter to the shareholder's Annual General Meeting, both ordinary and extraordinary

(12) the company's regulations and affidavit

(13) the company's corporate governance policy

(14) risk management policy, including risk reduction plans

(15) the board of directors' charter or the board's responsibilities, qualifications, and terms, including matters that must be approved by the board. Charters or the responsibilities, qualifications, and terms of the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Corporate Governance Committee

(16) code of conduct for employees and the board of directors, including code of conduct for investor relations, and

(17) contact information for functions or the person responsible for investor relations and the company secretary, such as the name of the person who can provide the company's information and phone number.

Principle 8

Ensure Engagement and Communication with Shareholders

Principle 8.1

The board should oversee the company to ensure that shareholders participate in decision making on the company's important matters.

Guidelines

8.1.1 The board should oversee important matters, both those specified in legislation and those that might affect the business's direction, to be considered and/or approved by the shareholders. These important matters should be included in the agenda of the shareholders meeting.

8.1.2 The board should support the participation of shareholders. For example, by:

(1) Setting up criteria for minority shareholders to be able to propose agenda items before the meeting date. The board should consider shareholders' proposals to be included in the agenda, and if the board rejects a proposal, the reasons should be given at the meeting.

(2) Setting up criteria for minority shareholders to nominate persons to serve as directors.

The board should ensure that those criteria above should be disclosed to shareholders in advance.

8.1.3 The board should check the invitation letter of the shareholder's Annual General Meeting (AGM) to make sure that it's correct, complete, and sufficient for the shareholders' exercise of rights.

8.1.4 The board should oversee the dissemination of the invitation letter of the shareholder's AGM on the website.

8.1.5 The board should give chances to shareholders to submit questions before the meeting by determining the criteria of questions submitted in advance. The criteria should be published on the company's website.

Explanation

The invitation letter of shareholder's AGM should include the following:

(1) Date, time, and venue of the meeting.

(2) Meeting agenda stating which items are for acknowledgement or approval. The agenda should be clearly separate each topic. For example, for agenda items related to directors, the election of directors, and the approval of directors' remuneration should be separated.

(3) Objectives and reasons, including directors' decisions for each proposed agenda item.

(4) Dividend payment approval agenda – dividend payment policy, proposed dividend rate paid, including reasons and supporting information and, where a proposed dividend payment is declined, the reasons and supporting information should be stated too.

(5) The appointment of a directors' agenda – identifying the name, age, educational and working background, the number of listed companies and general companies where they hold directorial positions, the criteria and procedures for selection, and types of proposed directors. Where proposed directors are those who are re-entering the same position, information must be identified about participation in meetings in previous years and the date of appointment as a director.

(6) The approval of directors' remuneration – the policy and criteria for determining directors' remuneration for each position and all types of directors' remuneration, both non-monetary and in terms of benefits.

(7) The appointment of the external auditors agenda – auditor's name, the company the auditor works for, working experience, independence, auditor's fees and other fees

(8) Proxy form using the form defined by the Ministry of Commerce.

(9) Other supporting information such as voting procedures, voting count and results, the voting rights of each type of shares, information about independent directors that the

company proposed as proxies for shareholders, documents that shareholders must show before attending the meeting, supporting documents of the proxy, and map of meeting venue.

Principle 8.2

The board should check that the shareholders meeting on the meeting date is done in order, with transparency, efficiency, and supports shareholders' ability to exercise their rights.

Guidelines

8.2.1 The board should set the date, time, and venue of the meeting by considering the convenience of shareholders' attending the meeting, such as a proper and adequate meeting time to debate, and that the venue is convenient to travel to.

8.2.2 The board should ensure that there would be no actions that limit chances to attend the meeting or unduly burden shareholders. For example, the company shouldn't require shareholders or proxies to bring lists of documents or proof of identity that exceed those identified in the regulators' guidelines.

8.2.3 The board should promote the use of information technology in the shareholders meeting. It can be used for registration, vote count, and results, etc. This is to make the meeting fast, correct, and accurate.

8.2.4 The chairman of the board is the chairman of the shareholders meeting. The responsibilities include ensuring that the meeting follows the company's regulations, that the allocation of meeting time for each agenda set in the invitation of the meeting is appropriate, and that shareholders have their chance to give opinions and ask questions related to the company.

8.2.5 For shareholders to be able to make decisions on important matters, the board, as a participant and shareholder, shouldn't allow additions to the agenda that aren't notified in advance, if it's not necessary, especially items that shareholders would need time to study before making decisions.

8.2.6 The board and executive management should attend the meeting for shareholders to ask questions on issues related to the company.

8.2.7 Before starting the meeting, shareholders should acknowledge the number and the proportion of the shareholders attending the meeting in person and through proxies, the meeting method, and the voting and vote counting methods.

8.2.8 If any agenda item has several matters, the chairman of the meeting should provide a separate vote for each matter, for instance, where shareholders are entitled to exercise the right to appoint each director and the appointment of the directors' agenda.

8.2.9 The board should encourage the use of ballots for important agenda issues and promote an independent individual to count or to audit the voting results in the meeting and to disclose the voting results of agree, disagree, and abstain from the voting for each issue at the meeting, including the recording of the disclosure in the minutes of the meeting.

Principle 8.3

The board should oversee the correctness and completeness of the disclosure of shareholder meeting resolutions and the preparation of the minutes of meeting.

Guidelines

8.3.1 The board should ensure that the company discloses the shareholder meeting resolutions and the results of voting on the next day of the meeting through the SET's news system and through the company's website.

8.3.2 The board should ensure that the company prepares the minutes of the meeting, including the following information:

(1) list of directors and management members who attended the meeting

(2) voting and vote counting methods, meeting resolutions, and voting results (agree, disagree, and abstain) for each agenda item, and

(3) questions and answers during the meeting.

References

1. The Stock Exchange of Thailand, 2012. *The Guidelines for Corporate Social Responsibility.*
2. The Stock Exchange of Thailand, 2012. *The Principles of Good Corporate Governance for Listed Companies.*
3. ASX Corporate Governance Council, 2014. *Corporate Governance Principles and Recommendations.*
4. Charan, R., Carey, D. and Useem, M., 2014. *Boards the Lead. When to Take Charge, When to Partner, and When to Stay out of the Way.*
5. Financial Reporting Council, 2014. *The UK Corporate Governance Code.*
6. G20/ Organisation for Economic Co-operation and Development, 2015. *Principles of Corporate Governance.*
7. Institute of Directors Southern Africa, 2009. *King Code of Governance for South Africa.*
8. International Federation of Accountants, 2011. *Competent and Versatile. How Professional Accountants in Business Drive Sustainable Organisational Success.*
9. International Federation of Accountants, 2012. *Integrating Governance for Sustainable Success.*
10. International Integrated Reporting Council, 2013. *Capitals. Background Paper for <IR>.*
11. Securities Commission Malaysia, 2012. *Malaysian Code on Corporate Governance.*

Example of additional guidelines and practices

1. The Securities and Exchange Commission, 2004. *Director's handbook.*
2. The Securities and Exchange Commission, 2010. *Audit Committee Handbook.*
3. The Stock Exchange of Thailand, 2012. *Investor Relations Handbook.*
4. The Stock Exchange of Thailand, 2011. *Example of CEO performance evaluation form.*
5. The Stock Exchange of Thailand, 2015. *Example of board self-assessment form.*
6. The Stock Exchange of Thailand. *Board Orientation Guidelines.*
7. The Stock Exchange of Thailand. *Whistle Blowing Guidelines.*
8. The Stock Exchange of Thailand, 2006. *Best Practice Guidelines for Audit Committee (Bor Jor/ Ror. 25-00).*
9. Thai Institute of Directors Association, 2007. *Director Nomination Best Practices.*
10. Thai Institute of Directors Association, 2007. *Director Compensation Best Practices.*
11. The Stock Exchange of Thailand, 2006. *Codes of Conduct Guidelines for Listed Companies.*
12. The Stock Exchange of Thailand, 2008. *Remuneration Committee Additional Guidelines.*
13. The Stock Exchange of Thailand, 2014. *Nomination Committee Guidelines.*

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