

Directors want stiffer penalties for malpractice JAIL AND BAN FROM DIRECTORSHIP SOUGHT - THE NATION

Issued date 31 May 2016

THE NATION

ACCORDING to a recent survey by the Thai Institute of Directors Association (IOD), most company directors thought that the current penalties for board members and executives culpable of unfair treatment to shareholders, including insider trading, were too light.

They would like to see the penalties include fines, imprisonment, and a ban from directorship, instead of just fines as in most cases in Thailand.

Absence of a strong ethical corporate culture was also seen by directors responding to the survey as the key factor behind the unethical conduct of directors.

The second annual Thai Director Survey reflects views of company directors on issues of their immediate concern. Conducted between March and May, it drew responses from 416 directors. Given the diversity of respondents' experiences and the types and sizes of their businesses, the survey is believed to represent fairly the overall views of directors in Thailand.

According to the survey, 65 per cent of directors think the current penalty for unfair treatment or taking advantage of other investors such as insider trading and stock manipulation is too light. Most directors think the punishment for such wrongdoing should include fines, jail terms, and disqualification from directorships.

Based on data available on the Securities and Exchange Commission website, the IOD has found that most directors or executives who were found guilty of unfair treatment just paid a fine and were able to keep their board seats. Some cases are repeat offences. Penalties should therefore be raised to such levels as to discourage or deter such offences, the survey results suggest.

"The IOD feels that wrongdoings by directors related to asset malpractice are serious offences that can-not be ignored, as they undermine both legal and ethical standards. Therefore, boards should thoroughly probe the persons being nominated for directorships to ensure that they have no prior record of conviction under the Securities and Exchange Act," said Dr Bandid Nijathaworn, president and chief executive officer of the IOD.

Respondents took the view that key factors causing directors to perform their duties unethically included the lack of an ethical corporate culture (60 per cent), boards weighing profit over ethics (47 per cent), and inefficient internal control (36 per cent).

An improvement on these fronts should start at the board level by recognizing the importance of the establishment of an ethical corporate culture. The board should also set a prudent example and install a proper and ethical governance system.

Board performance

Regarding board performance, 74 per cent of respondents viewed board diversity, specifically inclusion of directors with various skills that align with business strategy, as the most crucial element in enhancing board efficiency.

At board meetings this year, most directors think they will put more emphasis on business strategy (61 per cent) and risk management (54 per cent).

On the outlook for the Thai economy, 35 per cent of directors expect stable growth, 33 per cent foresee slightly worsening conditions, 10 per cent anticipate severe economic deterioration, and 22 per cent project a mild improvement.

They share a similar view on the global economic outlook, with 39 per cent of directors anticipating steady growth, 33 per cent foreseeing slightly weaker prospects, 12 per cent expecting a steep decline, and 16 per cent projecting a small improvement.