



## **Thai IOD Statement on “Corporate governance of listed companies’ directors”**

Since late last year there has been a marked increase in the number of cases where directors and executives of listed companies were found guilty and fined by the Securities and Exchange Commission (SEC) for charges relating to asset malpractices. However, it appears that in spite of the penalties, some boards of directors of the companies still fail to probe and take serious disciplinary actions against such malpractices. These inactions have caused much concern in some quarters over corporate governance practices by the boards of listed companies, which are supposed to be the upholder of good corporate practices.

The board of the Thai Institute of Directors Association (IOD), in its institutional capacity, felt that such wrongdoings are serious offences that cannot be ignored. This is because, according to good corporate governance principles, company directors are required to honestly perform their duties consistent with the company’s objectives and regulations and need to be diligent with the issues that could put the interest of the company and stakeholders at risk, as well as corporate image and credibility.

To this end, the Board of IOD, an association that has been promoting corporate governance for more than 15 years, proposes companies, regulators, and the IOD itself consider taking the following actions:

### **1. Listed companies**

Listed companies should establish a system to educate directors and senior executives about laws, regulations, corporate governance, ethics, and their respective duties so that they are equipped with knowledge and understanding to perform their roles properly. In the selection process of directors and senior executives, listed companies should examine previous wrongdoings and penalties imposed for malpractice under the Securities and Exchange Act and take such records into consideration in making the appointment.

### **2. Regulators**

2.1 Regulators should disqualify the wrongdoers, found guilty of serious offences under the Securities and Exchange Act, from taking directorship at listed companies.

2.2 Regulators should tighten conviction procedure and intensify penalties for asset malpractice cases of directors at listed companies to such levels as to discourage or deter directors from committing such offence.

### 3. **The IOD**

On its part, the board of IOD has agreed and resolved to take additional measures to promote prudent exemplary behavior and prevent negative behavior as follows:

3.1 Two-year suspension from the Corporate Governance Report of Thai Listed Companies (CGR) program should company or its directors be charged or fined by the SEC, within the one year prior to the CGR evaluation completion, on the following grounds:

3.1.1 Acted or omitted to act, without good faith or with gross negligence, in executing any transaction for the company or its subsidiary, which caused damage to the company or shareholders or generated unjust enrichment for oneself or others;

3.1.2 Disclosed or disseminated false information or statement regarding the company or its subsidiary which may cause misunderstanding or concealing material facts that should have been explicitly stated which may affect decision making of shareholders, investors or other parties involved; or

3.1.3 Engaged in any unfair practice or taking advantage of investors in trading securities or derivatives.

3.2 Take into consideration any violation of the Securities and Exchange Act by directors or executives during the three years preceding the granting of approval of IOD membership application or renewal, both in the individual and corporate levels. The board of IOD will seek consent in this matter from the IOD members at its general meeting.

Good corporate governance is a crucial factor in bolstering progress and growth of business and the economy. It is important that all relevant parties play their roles to promote continued good corporate governance in Thai businesses. In this regard, the IOD's board commends the roles of institutional and retail investors for demonstrating the importance they give to corporate governance and the practice of good corporate governance by listed companies.

The IOD's board reiterates that company directors should collectively promote good corporate governance by emphasizing righteousness and business ethics. They should set robust example as directors who comprehensively perform their fiduciary duties. Doing so will establish and continuously enhance good corporate governance practices among Thai listed companies, which will effectively create confidence and strengthen the Thai economy.

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