**Code of Best Practice for Directors of Listed Companies**

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The Stock Exchange of Thailand

**Code of Best Practice for Directors of Listed Companies**

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The Stock Exchange of Thailand's (SET) Code of Best Practice for Directors of Listed Companies is not a legal requirement but should be used as guidelines for all board members concerning their behavior while holding such appointments. The SET believes that management under these guidelines should help ensure a high standard of best practice on behalf of the company and its shareholders. The code should also strengthen the confidence of the shareholders, investors and other related parties in the management of the company.

Listing Department
The Stock Exchange of Thailand
**September 1999**

## 1. Board Composition

1.1 The board of directors should consist of :

1.1.1 Executive Directors who are involved in day-to-day operations or are authorized directors.

1.1.2 Non-Executive Directors who are :

- *Independent Directors* are defined as directors who do not hold any position in the management and are not employees of the company. They must not be an executive director or an authorized director. They must be independent of any major shareholders, management, and any other related persons and they must have the responsibility to determine if there is anything that may effect the equitable treatment of shareholders. They are also responsible for considering any transactions that may lead to a conflict of interest between a listed company and related persons.
- *Outside Directors* are defined as directors who do not hold any position in the management or and are not employees of the company. They must not represent any major shareholders but they may represent stakeholders, such as customers, suppliers, or creditors, etc.

1.2 The board of directors of a listed company should include independent directors and outside directors of sufficient calibre and number for their views to carry significant weight in the board's decisions. No one director should have unfettered powers regarding decisions made by the board of directors. In this way, everyone can reach an independent judgement.

1.3 The chairman should be an independent director and should not be the same person as the managing director. The reason for this is that there should be a seperation of duties in directing the company's policies and management.

## 2. Roles and Responsibilities of Directors

2.1 Directors must ensure that company has management with enough competency, knowledge and experience to run the business. They are interested in the business, in which they hold a directorship. In addition, the management must have the intention to run the business continuously and conduct themselves with honesty and integrity.

2.2 Directors must comply with all laws and regulations, all objects and articles of association of the company, and they must carry out their duties in line with the resolutions of shareholders' meetings in good faith and with care to preserve the interests of the company. They must ensure the management's accountability to shareholders.

2.3 Directors must implement and direct the company's policies, as well as monitor and supervise its operations to maximize economic value and shareholders' wealth.

2.4 Directors should continuously follow and monitor the business's performance and the operations of the company, according to its bye-laws and regulations. The board of directors should be notified by the management of any significant matters regarding the company's business.

2.5 Directors should maintain the effectiveness of the company's internal control and internal audit.

2.6 Independent directors and outside directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct. They should oppose any proposal brought by other directors or management, that they consider may lead to effect the equitable treatment of shareholders.

2.7 Directors can seek independent professional advice concerning the company's business, when considered necessary, with the company's expenditure.

2.8 Directors should appoint a company secretary to take care of all the director's acctivities and to help the director and the company conduct business in full compliance with all the relevant bye-laws and regulations.

2.9 Directors should implement a Code of Corporate Conduct and a Code of Ethics to be guidelines for the company.

## 3. Appointments to the Board

3.1 The company should have a written and transparent policy concerning the selection and the appointment of a director.

3.2 The board should precisely regulate the term of the directorship. Re-appointments should not be automatic.

3.3 The board should establish committees which can assist the board in regard to the entity's financial reports, internal control system, and in fulfilling its corporate governance. Examples of such committees are an audit dommittee, a nominating committee, and a remuneration committee, etc.

## 4. Holding a Director's Position

4.1 Director should accept the appropriate number of company directorship to hold, in order to ensure that he/she has time to attend meetings and keep up with the business performance and the operations of the company.

4.2 Director must ensure that the managing director of the listed company holds this position in only one company, in order to have time to run the business in accordance with the company's objectives.

4.3 Director should avoid any other positions or jobs that may lead to any conflicts of interest.

## 5. Directors' Remuneration

5.1 The company should have a written and transparent policy concerning the remuneration of directors and management. Remuneration must be approved by a shareholders' meeting.

5.2 The remuneration of directors, who are appointed to committees and/or are assigned any additional duties or responsibilities, should reflect the duties and responsibilities assigned by the board.

5.3 The remuneration of directors should be disclosed fully in the company's annual report.

## 6. Board & Shareholders' Meetings

6.1 The company should strive for consistent attendance at all board meetings. When the board is making decisions on any significant activities, the meeting must maintain a quorum. Examples of significant activities are: acquisitions and dispositions of assets, investment project expansions, the identification of power and management levels, financial managment policies, and risk management, etc.

6.2 A written notice of all board meetings, which includes the date, the agenda, and any documents relating to matters about to be ratified or approved at the meeting, must be sent to every director in advance. The notice must be sent within the period specified in the company's articles of association except in case of an emergency in order to maintain company benefits. This will allow the directors to arrange their schedules to attend all board meetings and also allow them to carefully consider all information in order to make decisions.

6.3 Every director has the right to examine all documents relating to all matters that concern the board of directors. If suspicions arise, other directors or management must be asked to explain these suspicions.

6.4 The company should follow the best practice for shareholders' meetings of a listed company to ensure that the meeting is held in a transparent and legitimate manner and that it leads to the benefit of every shareholder.

6.5 The company secretary, or another person assigned by the board, should complete the minutes for each board of directors' and shareholders' meeting within the period specified by the relevant bye-laws. The directors have the right to examine the minutes if they inform the company in advance.

## 7. Reports

7.1 The board of directors is responsible for the accuracy, the completeness, and the transparency of the company's financial reports and non-financial reports which are disclosed to shareholders and investors. The reports should include reasonable explanations and calculations to support the results of its operations, policies, future trends as well as any opportunities or any threats.

7.2 Financial Reports

7.2.1 The board should not unnecessarily intervene and should maintain full understanding regarding the objectives and professional standards of audits conducted by external auditors.

7.2.2 If any external auditor resigns or is dismissed, the company should explain the reasons for said resignation or dismissal to the Office of the Securities and Exchange Commission (SEC) and to the SET.

7.2.3 The board should present a statement of the directors' responsibilities concerning the disclosure of its financial reports. This statement should be presented in the annual report together with the audited financial statements. This statement should cover the following points :

- The law and the requirements for directors to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the entity.
- The responsibilities of the board in presenting accurate and complete financial information to maintain and safeguard the company's assets. It should include full details in a way as to prevent any fraud or mismanagement of the company's assets.
- The statement must show that the company has conformed with accepted accounting standards and other reporting requirements. It must use appropriate accounting policies, and that it applies them consistently. The report should be supported by reasonable and prudent judgement and estimates.

7.3 The board of directors should disclose their compliance or non-compliance with the Code of Best Practice. Any areas of non-compliance should be explained and justified.