

Thailand



GLASS LEWIS

2022 Policy Guidelines

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About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make sustainable decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' [Viewpoint](#) platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading [Proxy Paper](#) product provides comprehensive environmental, social, and governance research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative [Report Feedback Statement](#) to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

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Guidelines Introduction

Corporate Governance Regulatory Framework

Corporate governance in Thailand is primarily based on: (i) the Public Limited Companies Act (“PLCA”); (ii) the Securities and Exchange Commission (“SEC”); (iii) the Stock Exchange of Thailand (“SET”); (iv) the 2017 Corporate Governance Code for Listed Companies (the “Code”); (v) the Principles of Good Corporate Governance (“Principles”),¹ and (vi) the SET’s Code of Best Practice for Directors of Listed Companies.

Thai companies are governed by a board of directors, with at least one-third of the directors, or three (whichever is higher), classified as independent. In general, shareholders can appoint or remove directors while directors are elected by cumulative voting unless another method is specified in the company’s articles or memorandum of association.²

We note that in 2017, the SEC published a Code, effective January 1, 2018, which integrated best practices from the G20/OECD Principles of Corporate Governance, SET’s Principles, and other sustainable practices in an effort to produce long-term value for the company, stakeholders, shareholders and the capital market. The Code is on an “apply or explain” basis, where boards are encouraged to apply each of the Code’s principles or explain non-compliance. The Code aligned Thailand with international and regional corporate governance trends and further defines the roles and responsibilities of the board of directors.

Glass Lewis uses local laws, regulations, listing rules, as well as best corporate governance practices for developing our policy guidelines, while our guidelines may go beyond legal minimum requirements. Specifically, our guidelines may include global corporate governance best practices and are reviewed annually to ensure they remain current with market practice, regulations, governance codes, and the evolving standards of best practices for corporate governance. Accordingly, unless specifically noted otherwise, a failure to meet these guidelines should not be understood to mean that the company or individual involved has failed to meet applicable legal requirements.

Summary of Changes for 2022

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we’ve made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant sections of this document:

Disclosure of Annual Report or One Report

In late 2020, the SEC amended the rules and procedures regarding financial and non-financial information disclosure in order to reduce the burden on listed companies in preparation of two types of annual performance reports which are not significantly different. With effect from the financial year ended December 31, 2021, listed

¹ The Principles are comply-or-explain guidelines issued by the Stock Exchange of Thailand (SET) for SET listed companies.

² Section 70, Public Limited Companies Act.

companies are required to submit Form 56-1 One Report, instead of the annual registration statement (Form 56-1) and the annual report (Form 56-2).

Local Environmental and Social Disclosure Practices

Starting from the financial year ended December 31, 2021, listed companies are required by the SEC to submit Form 56-1 One Report, in which ESG information needs to be disclosed, including environmental and social policy, guidelines and operating results, in order to raise the level of sustainability information disclosure of listed companies to reflect business operations under good corporate governance.

A Board of Directors that Serves the Interests of Shareholders

Cumulative Voting

Pursuant to the PLCA, directors are elected by cumulative voting unless another method is specified in the company's articles of association or memorandum.³

Bundled and De-Bundled Proposals

While Thai companies usually allow shareholders to elect directors on an individual basis, shareholders are at times limited to voting only on the entire slate of directors due to market practice in Thailand. We therefore provide both slate and individual recommendations for the election of directors. As such, we may recommend voting against an entire slate based on the board's independence threshold or if more than 74% of nominees have concerning issues.

Board of Directors

Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are independent, have a record of positive performance, and have members with a breadth and depth of experience.

In an effort to facilitate shareholder voting in favor of governance structures that will create shareholder value and maintain highly functioning independent board, Glass Lewis looks into various aspects of the board and its committee structure and the qualification of the respective members.

³ The directors shall be elected in accordance with the following rules and procedures: (1) each shareholder shall have a number of votes equal to the number of shares held multiplied by the number of the directors to be elected; (2) each shareholder may exercise all the votes he or she has under (1) to elect one or several persons as director or directors. If several persons are to be elected as directors, the shareholder may allot his or her votes to any person in any number; (3) after the vote, the candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order, until all of the director positions are filled. Where there is an equality of votes cast for candidates in descending order causing the number of directors to be exceeded, the remaining appointments shall be made by drawing lots. In the case where the articles of association of the company stipulates other procedures for election of directors, such articles of association shall not impair the shareholders' rights in voting for election of directors.

Director Independence

The independence of directors, or lack thereof, is ultimately demonstrated through the decisions they make. In assessing the independence of directors, we will take into consideration, when appropriate, whether a director has a track record indicative of making objective decisions. Likewise, when a director sits on multiple boards and has a track record that indicates a lack of objective decision making, we will consider such track record when assessing the independence of directors.

Moreover, we look at each director nominee to examine the director's relationships with the company, the company's executives, and other directors. We do this to find personal, familial, or financial relationships (not including director compensation) that may impact the director's decisions. We believe that such relationships make it difficult for a director to put shareholders' interests above the director's or the related party's interests. In line with regulations set by the SET and SEC, we hold the view that a director who directly or indirectly holds more than 1% of a company's voting stock can exert disproportionate influence on the board and, in particular, the audit committee.

Thus, we put directors into three categories based on an examination of the type of relationship they have with the company:

Independent Director — A director is independent if he or she has had within the past three years no material,⁴ financial, familial⁵ or other current relationships with the company,⁶ its executives or other board members except for service on the board and standard fees paid for that service. An individual who has been employed by the company or its subsidiaries within the past five years is not considered to be independent.

However, we will not consider a director to be independent if they have progressively been redesignated from an executive director to an independent director despite never leaving the board. We believe that where a director transitions from an executive director to an independent director, they must leave a board for a period of time before rejoining the board with a designation as nonexecutive or independent director.

Furthermore, according to SEC regulations,⁷ independent directors who previously served as a government official or advisor of the government are excluded from the two-year look-book period when the Government of Thailand is the major shareholder or controlling person of the company.

⁴ A "material relationship" is one in which the value exceeds: (i) THB 1,000,000 or no disclosure for personal direct transactions; (ii) THB 2,000,000 for indirect transactions with an entity in which a director holds more than 50% interest; or (iii) THB 1,000,000 for indirect professional services transactions with a professional services firm in which a director works for.

⁵ "Familial" as used herein includes a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces and nephews, including in-laws, and anyone (other than domestic employees) who share such person's home.

⁶ "Company" includes any parent or subsidiary in a consolidated group with the company or any entity that merged with, was acquired by, or acquired the company.

⁷ Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares, Clause 17, Section 2(b).

Despite the exemption, we believe that absent a cogent explanation of how such director can be considered independent in spite of their prior service with the Government within the past two years, that these directors will be considered affiliated, until a three-year look back period has elapsed.

Affiliated Director⁸ — A director is affiliated if he or she has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. This includes directors whose employers have a material financial relationship with the company and any director who owns or controls 1% or more of the company's share capital or that of an affiliated company, a related company or an associate company. In addition, where we find independent non-executive directors receiving additional compensation in the form of salaries, allowances and/or emoluments that exceed 50% of a director's normal fee-based compensation, we will consider such independent directors as being affiliated.

Similarly, where a company indicates that a director is serving in an advisory role, in addition to their role as a director, we will not consider that director to be independent. In this case, we believe advisory roles may impact the independent thoughts and actions of a director.

Inside Director — An inside director is one who simultaneously serves as a director and as an employee of the company. This category may include a chair of the board who acts as an employee of the company or is paid as an employee of the company.

Voting Recommendations on the Basis of Independence

While the SEC Regulation requires that at least one-third of the board, or three (whichever is higher), should be independent directors, we will evaluate board independence based on the classification of the board chair as recommended in the Principles.⁹ Where the board is chaired by an independent director, we recommend that at least one-third of the board be independent. However, if the board chair is not independent, we believe that at least one-half of the board should be independent. Nevertheless, when the board chair is classified as independent by a company but has served for more than nine years, we will continue to evaluate board independence at the one-third threshold. In the event that a board is not sufficiently independent, we typically recommend voting against some insider and/or affiliated directors in order to satisfy the independent number we believe is appropriate. In addition, where a board does not meet the aforementioned independence thresholds, we will recommend voting against the nomination committee chair for the lack of an independent board.¹⁰

In determining our recommendation as to who we may recommend shareholders vote against for board independence, we will reserve discretion to not recommend against a company's CEO or managing director or president. In particular, given the importance of the executive's role, if the executive has no other issues that would warrant a negative recommendation, we will exempt such directors from receiving an against

⁸ In every instance in which a company classifies one of its non-executive directors as non-independent, that director will be classified as an affiliate by Glass Lewis.

⁹ The Principles recommends that the independent directors should make up more than 50% of the board where: (i) the board chair and the CEO is the same person; (ii) the board chair and the CEO are immediate family members; (iii) the board chair is part of the management team; or (iv) the board chair is not an independent director.

¹⁰ When the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board.

recommendation. However, should the executive have additional issues that would warrant an against recommendation, we will generally oppose the reelection of such executives on the basis of the board being insufficiently independent.

Performance

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its members. We look at the performance of these individuals as directors and executives of the company and of other companies where they have served. We also look at how directors voted while on the board where such information is available.

Voting Recommendations on the Basis of Performance

We disfavor directors who have a track record of poor performance in fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

- **Poor Attendance** — A director who fails to attend a minimum of 75% of the board meetings or 75% of total applicable committee meetings and board meetings. While we generally recommend directors to attend board meetings in person, we understand it is not always feasible to do so. Therefore, when evaluating a director's attendance, we will consider a director's participation via electronic communication means, such as audio, video or web conferencing "devices."¹¹ Where companies fail to disclose the complete attendance records of the board and its required committees,¹² we will recommend shareholders vote against the board chair. Further, when the attendance record is not disclosed, we will not exempt executives from serving on more than two public company boards.
- **Serious and Material Restatement** — A director who is also the chief executive of a company where a serious restatement has occurred after the chief executive certified the pre-restatement financial statements.
- **Company Performance** — In the event a company's performance has been consistently lower than its peers and the board has not taken reasonable steps to address the poor performance, we will consider voting against all members of the board.

Experience

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overcompensating executives or with a history of serving on boards where significant and avoidable disasters have occurred, reappearing at companies that follow these same patterns.

¹¹ However, where a board member has served for less than a full year, we will not typically recommend voting against such a member for failure to attend 75%. Rather we will note the failure with a recommendation to track this going forward. We will also refrain from voting against directors when the proxy discloses that the director missed the meetings due to serious illness or other extenuating circumstances.

¹² The required committees will primarily be the audit, nomination, and remuneration committees.

Voting Recommendations on the Basis of Experience

We believe that boards should have diverse backgrounds and members with a breadth and depth of relevant experience. We believe that the nomination committee should consider diversity when making director nominations within the context of each specific company and its industry. In our view, shareholders are best served when boards make an effort to ensure a constituency that is not only reasonably diverse on the basis of age, race, gender and ethnicity, but also on the basis of geographic knowledge, industry experience, board tenure and culture.

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with a track record of poor performance, over-compensation, audit or accounting related issues and/or other indicators of mismanagement or actions against the interests of shareholders.

Likewise, we look carefully at the backgrounds of those who serve on the key committees of the board to ensure that they have the required skills and diverse backgrounds to make informed and well-reasoned judgments about the subject matter for which the committee is responsible.

Director Commitments

We believe that directors should have the necessary time to fulfill their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In addition, recent research indicates that the time commitment associated with being a director has been on a significant upward trend in the past decade. As a result, we generally recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards. We will count directors who serve as board chairs in select other non-Asian markets, per our global policies, as two board seats given the time commitment of directorship in those markets.

Because we believe that executives will primarily devote their attention to executive duties, we generally will not recommend that shareholders vote against overcommitted directors at the companies where they serve as an executive.

When determining whether a director's service on an excessive number of boards may limit the ability of the director to devote sufficient time to board duties, we may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately-held companies, the director's tenure on the boards in question, and the director's attendance record at all companies.

We may also refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service. The rationale should allow shareholders to evaluate the scope of the directors' other commitments as well as their contributions to the board, including specialized knowledge of the company's industry, strategy or key markets, the diversity of skills, perspective and background they provide, and other relevant factors.

Conflict of Interest

In addition to the three key characteristics — performance, director commitments and experience — that we use to evaluate board members, we consider the following issues in making voting recommendations.

Irrespective of the overall presence of independent directors on the board, we believe that a board should be wholly free of people who have an identifiable and substantial conflict of interest. Accordingly, we recommend shareholders vote against the following types of directors under nearly all circumstances.

Voting Recommendations on the Conflict of Interest

- **Professional Services and Business Transactions** — A director or a director who has an immediate family member, providing material professional services during the last fiscal year or on an ongoing basis. Material professional services may include legal, consulting or financial services to the company. Also a director who engages – or has a family member of whom engages – in business contracts with the company such as purchase or sales agreement will have to make unnecessarily complicated decisions that may pit their interests against those of the shareholders they serve. With a limited exception, we will recommend voting against a director if his/her direct/indirect related party transactions exceed any of the following thresholds: (i) THB 1,000,000 or no disclosure for personal direct transactions; (ii) THB 2,000,000 for indirect transactions with an entity in which a director holds more than 50% interest; or (iii) THB 2,000,000 for indirect professional services transactions with a professional services firm in which a director works for.¹³ In light of the nature of intra group transactions of a controlled entity, in which the parent entity controls more than 50% of the shares, we will refrain from recommending shareholders vote against such transactions.
- **Interlocking Directorship** — A director who is involved in interlocking directorships: CEOs or other top executives who serve on each other’s boards create an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else¹⁴.

Board Size

While we do not believe that there is a universally applicable optimum board size, we do believe that boards should have a minimum of five directors in order to ensure that there is a sufficient diversity of views and breadth of experience in every decision the board makes. At the other end of the spectrum, we believe that boards whose size exceeds 20 will typically suffer under the weight of “too many cooks in the kitchen” and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices makes it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

In this case, we note that in Thailand, the minimum and maximum board size is five and twelve directors, respectively.¹⁵ Glass Lewis believes that optimal board sizes are between five and 20 and we typically

¹³ Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares, Clause 17, Section 2(f).

¹⁴ There is no look-back period for this situation.

¹⁵ Principle 3.1, 2017 Corporate Governance Code. This principle applies on a comply or explain basis, and we note that many Thai company boards include more than 12 directors.

recommend voting against the nomination committee chair if a board has more than 20 directors. However, while we prefer a minimum board size of five directors, we will not recommend against the chair of the nomination committee, but instead will note our preference for a larger board size.

Separation of the Roles of Chair and CEO¹⁶

Glass Lewis believes that separating the roles of corporate officers and the chair of the board is typically a better governance structure than a combined executive/chair position. The role of executives is to manage the business on the basis of the course charted by the board. Executives should be in the position of reporting to and answering to the board for their performance in achieving the goals set out by the board. This becomes much more complicated when a member of management chairs the board.

It can become difficult for the board to fulfill its role of overseer and policy setter when the CEO/chair controls the agenda and the discussion in the boardroom. Such control can allow a CEO to have an entrenched position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the operation of the business and limitations on independent, shareholder focused goal-setting by the board.

A CEO should set the strategic course for the company, with the board's approval, and the board should enable the CEO to carry out his/her vision for accomplishing the board's objectives. Failure to achieve the board's objectives should lead the directors to replace their top executive with someone in whom the board has confidence.

Similarly, an independent chair can better oversee executives and set a pro-shareholder agenda without the management conflicts that a CEO or other executive would often face. Such oversight and concern for shareholders allows for a more proactive and effective board of directors that is better able to look out for the interests of shareholders.

Thus, where the chair holds an executive position in the company, we believe that the board should instead appoint one or more independent vice chairs or a leading/senior independent director to carry out the role of overseer and policy setter. In the absence of at least one independent vice chair or leading/senior independent director, Glass Lewis will recommend shareholders to vote against the nomination committee chair.¹⁷

Disclosure of Annual Report or One Report

With effect from the financial year ended December 31, 2021, listed companies are required to submit Form 56-1 One Report, a new annual performance report combining the annual registration statement (Form 56-1) and the annual report (Form 56-2), within 3 months from the end of the financial year.

We believe that public companies have a responsibility to disclose information to shareholders in a timely and transparent manner. We are concerned that a short timeframe to review proxy materials prevents shareholders from making informed decisions. Therefore, we strongly encourage companies to disclose annual reports or one

¹⁶ The Principles recommends that there should be a clear separation of the roles and responsibilities of both positions in order to achieve a balance of power and that the chair of the board should be independent.

¹⁷ When the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board.

reports well in advance of annual meetings to allow for meaningful review. To this end, when a company fails to release an annual report or one report 14 days prior to a meeting,¹⁸ we will recommend voting against the board chair for failing to disclose relevant information. When the annual report or one report for the most recently completed fiscal year is unavailable, we will base our analysis on secondary company filings as well as information disclosed on the Stock Exchange of Thailand.

Declassified Boards

Glass Lewis favors the repeal of staggered boards and the annual election of directors. We believe staggered boards are less accountable to shareholders than boards that are elected annually. Furthermore, we feel the annual election of directors encourages board members to focus on shareholder interests. Moreover, empirical studies have shown that: (i) companies with staggered boards reduce a firm's value; and (ii) in the context of hostile takeovers, staggered boards operate as a takeover defense, which entrenches management, discourages potential acquirers and delivers a lower return to target shareholders.

Given the empirical evidence suggesting staggered boards reduce a company's value and the increasing shareholder opposition to such a structure, Glass Lewis supports the declassification of boards and the annual election of directors.

Board Evaluation and Refreshment

Glass Lewis strongly supports routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

¹⁸ We will apply local time.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

Independent Director Board Tenure

Under the Code, the SEC recommends that the tenure of an independent director be limited to a total of nine years. Once an independent director reaches nine years of service, then boards are to undertake a rigorous review of that director's independence.¹⁹

As the markets within Southeast Asia are generally setting independent director tenure at nine years, Glass Lewis will follow the 2017 Code's recommendation that independent directors serving in excess of nine years should not continue to be considered as independent directors. In such instances, we will re-classify that independent director as a non-independent non-executive director.

Board Gender Diversity

Glass Lewis recognizes the importance of ensuring that the board is comprised of directors who have a diversity of skills, thought and experience, as such diversity benefits companies by providing a broad range of perspectives and insights.²⁰

Glass Lewis will generally recommend voting against the nominating committee chair of a board that has no gender diverse members.²¹ Depending on other factors, including the size of the company, the industry in which the company operates and the governance profile of the company, we may extend this recommendation to vote against other nominating committee members. Also, when making these voting recommendations, we will carefully review a company's disclosure of its diversity considerations and may refrain from recommending shareholders vote against directors of companies when boards have provided a sufficient rationale for not having any gender diverse board members, or have disclosed a plan to address the lack of diversity on the board.

Initial Public Offering

Where a company recently completed its initial public offering ("IPO") and became listed on the stock exchange, we will exempt the company from our guidelines for a period of the first financial year or 12 months from the IPO date, whichever is longer.

However, we will review our exemption on a case-by-case basis if: (i) a company and/or its board members are the subject of serious regulatory investigations or actions; and/or (ii) there are significant concerns about overall corporate governance practices.

¹⁹ Principle 3.2.5, 2017 Corporate Governance Code.

²⁰ <http://www.glasslewis.com/wp-content/uploads/2017/03/2017-In-Depth-Report-Gender-Diversity.pdf>.

²¹ Women and directors that identify with a gender other than male or female.

Board Committees

Committee Independence

In accordance with the relevant laws and regulations, every listed company must have an audit committee. The SEC Regulation requires that all members of the audit committee should be independent directors and the audit committee should comprise not less than three members.²² We typically recommend that shareholders vote against any affiliated or insider director seeking appointment to an audit committee. In addition, at least one member of the audit committee should have sufficient knowledge and experience to review the reliability of financial statements. Moreover, we will recommend voting against any member of the audit committee who owns or represents an entity that owns 20% or more of the company's stock.

In accordance with the Principles, we are firmly committed to the belief that a majority of members of remuneration and nomination committees should be independent non-executive directors, including the committee chairs, and the board chair should not sit on either of these committees.²³ In addition, we believe that remuneration and nomination committees should be comprised of at least three members, and the remuneration committee should have no insiders.

We typically recommend that shareholders vote against any affiliated or inside director seeking appointment to the committees when the committees do not meet the independence standards that we believe are appropriate.

Audit Committee Independence

Audit committees play an integral role in overseeing the financial reporting process because “vibrant and stable capital markets depend on, among other things, reliable, transparent and objective financial information to support an efficient and effective capital market process. The vital oversight role audit committees play in the process of producing financial information has never been more important.”²⁴

When assessing an audit committee's performance, we are aware that the committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements, and does not audit the numbers or the disclosures provided to investors. Rather, an audit committee member monitors and oversees the process and procedures that management and auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors — form a “three legged stool” that supports responsible financial disclosure and active

²² Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Approval of Offer for Sale of Newly Issued Shares, Clause 16, Section 3.

²³ Principles, Section 5, Article 2.3.

²⁴ “Audit Committee Effectiveness – What Works Best.” PricewaterhouseCoopers. The Institute of Internal Auditors Research Foundation. 2005.

participatory oversight. However, in the view of this committee, the audit committee must be “first among equals” in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process.

For an audit committee to function effectively on investors’ behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said, “members of the audit committee must be independent and have both knowledge and experience in auditing financial matters.”²⁵

We are skeptical of audit committees with members who lack expertise in finance, accounting or any other equivalent area of expertise. While we will not necessarily recommend voting against members of an audit committee when such expertise is lacking, we are more likely to vote against committee members when a problem such as a restatement occurs and such expertise is lacking.

Glass Lewis generally assesses audit committees against the decisions they make with respect to their oversight and monitoring role. Shareholders should be provided with reasonable assurance as to the accuracy of the financial statements through the quality and integrity of the statements and earnings reports, the completeness of disclosures necessary for investors to make informed decisions and the effectiveness of the internal controls. The independence of the external auditors and the results of their work all provide useful information for assessing the audit committee.

When assessing the decisions and actions of the audit committee, we typically defer to its judgment and vote in favor of its members, but we would recommend voting against the following members under the following circumstances:²⁶

- The audit committee chair if the committee is chaired by a non-independent director.
- Any member of the audit committee who is not considered independent based on our research.
- Any member of the audit committee who owns or represents an entity that owns 20% or more of the company’s stock.
- The audit committee chair when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for one financial year.
- All serving members of an audit committee when fees for non-audit services are greater than audit and audit-related fees paid to the auditor for two or more consecutive financial years.
- All members of an audit committee where non-audit fees include fees for tax services for senior executives of the company or involve services related to tax avoidance or tax shelter schemes.
- All members of an audit committee that re-appointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.
- All members of an audit committee at a time when accounting fraud occurred in the company.
- All members of an audit committee at a time when financial statements had to be restated due to negligence or fraud.

²⁵ Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

²⁶ If our recommendation would be to vote against the committee chair and the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will express our concern regarding the committee chair.

- All members of an audit committee if the company repeatedly fails to file its financial reports in a timely fashion.
- All members of an audit committee at a time when the company fails to report or to have its auditors report material weaknesses in internal controls.
- The audit committee chair if the committee does not have at least one member with “appropriate accounting or related financial management expertise.”
- The audit committee chair if the company failed to disclose either the fees or the breakdown of fees paid to the auditor.
- The audit committee chair when the audit committee failed to meet at least four times during the previous fiscal year.
- The audit committee chair if the committee failed to hold a meeting at which no executive was present.
- The board chair if the chair serves as a member of the audit committee.
- The board chair if the company has not established an audit committee.

We also take a dim view of audit committee reports that are boilerplate and provide little or no information or transparency to investors. When a problem such as a material weakness, restatement or late filing occurs, our evaluation of the audit committee takes into consideration the transparency of the audit committee report.

Remuneration Committee Performance

Remuneration committees have the final say in determining the compensation of executives. This oversight includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the initial establishment of employment agreements, including the terms for such items as base pay, pensions and severance arrangements. It is important that compensation be consistent with, and based on, the long-term economic performance of a business’ long-term shareholder returns.

Remuneration committees are also responsible for overseeing the transparency of compensation. This oversight includes the disclosure of compensation arrangements, the matrices used in assessing pay-for-performance and the use of compensation consultants. It is important for investors to be provided with clear and complete disclosure of all the significant terms of compensation arrangements in order to evaluate the remuneration committee.

In addition, remuneration committees are responsible for overseeing internal controls in the executive compensation process. This includes gathering information used to determine compensation methods and levels, establishing equity award plans and granting equity awards. Lax controls can contribute to conflicting information, through the use of nonobjective consultants, for example. Lax controls can also contribute to the granting of improper awards, such as backdated or spring-loaded options, or the granting of bonuses when triggers for such payments have not been met.

We evaluate remuneration committee members on the basis of their performance while serving on the remuneration committee in question, and not for actions taken solely by prior committee members who are not currently serving on the committee.

When assessing the performance of remuneration committees, we will recommend voting against members under the following circumstances:²⁷

- The remuneration committee chair if the committee is chaired by a non-independent director.
- Any remuneration committee member who is considered an executive or employee of the company based on our research.
- Any remuneration committee member who is not considered independent, when the committee is not majority independent.
- All members of the remuneration committee (from the relevant time period) if excessive employment agreements and/or severance agreements were entered into.
- All members of the remuneration committee if performance goals were changed (i.e., lowered) when employees failed or were unlikely to meet original goals or performance-based remuneration was paid despite goals not being attained.
- All members of the remuneration committee if excessive employee perquisites and benefits were allowed.
- The remuneration committee chair if non-executive directors received excessive compensation, i.e., payments other than directors' fees and stock options.
- The remuneration committee chair if the committee has fewer than three members.
- The board chair if the chair serves as a member of the remuneration committee.
- The board chair if the company has not established a remuneration committee.

Nomination Committee Performance

The nomination committee is responsible and accountable for the selection of objective and competent board members.

Regarding the nomination committee, we will recommend voting against the following members under the following circumstances:²⁸

- The nomination committee chair if the committee is chaired by a non-independent director.
- Any nomination committee member who is not considered independent, when the committee is not majority independent.
- Any committee member who is considered an executive or employee of the company based on our research, when the committee is combined with a remuneration committee.
- All members of the nomination committee when the committee nominated or re-nominated an individual who had a significant conflict of interest or who's past actions demonstrated a lack of integrity or inability to represent shareholder interests.

²⁷ If our recommendation would be to vote against the committee chair and the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will express our concern regarding the committee chair.

²⁸ If our recommendation would be to vote against the committee chair and the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will express our concern regarding the committee chair. If the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board.

- The nomination committee chair if the committee failed to meet at least once during the previous fiscal year.
- The nomination committee chair if the committee re-nominates a director who did not attend any board meetings in the previous fiscal year.
- The nomination committee chair if the committee re-nominates a director who attended less than 75% of the meetings held by the board and/or the committees for two or more consecutive years.
- The nomination committee chair if the board is not sufficiently independent.
- The nomination committee chair if there are more than 20 members on the board.
- The nomination committee chair if the chair of the board is a part of the management team and there is no independent vice chair or leading/senior independent director on the board.²⁹
- The nomination committee chair if the committee has fewer than three members.
- The board chair if the chair serves as a member of the nomination committee.
- The board chair if the company has not established a nomination committee.
- The nomination committee chair where the board does not have at least one gender diverse director.

Risk Management Committee Performance

The Code recommends that, depending on their nature and size,³⁰ companies establish a risk management committee. Although it is not formally required for Thai companies, we view this committee, if separate from the audit committee, as being responsible for ensuring robust internal control systems to oversee and manage a company's risk profile. Where companies establish a risk management committee, we will count the attendance of directors serving on this committee, along with attendance for board and other committee meetings.

Where a company establishes a risk management committee, we will recommend against members of this committee in instances or events where there has been a failure of risk management.

Environmental and Social Risk Oversight

Glass Lewis understands the importance of ensuring the sustainability of companies' operations and believes that an inattention to material environmental and social issues can present direct legal, financial, regulatory and reputational risks for companies that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalizing on related opportunities to the best extent possible.

Glass Lewis believes that companies should ensure appropriate, board-level oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify

²⁹ When the information regarding committee chair is not disclosed, we recommend voting against the committee member with the longest tenure on the board.

³⁰ Recommendation 6.1.5, Corporate Governance Code.

which directors or board-level committees have been charged with oversight of environmental and/ or social issues.

Where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for the oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee, risk committee or other applicable committees. In making these determinations, Glass Lewis will carefully review the situation at hand, its effect on shareholder value, as well as any corrective action or other response made by the company.

Local Environmental and Social Disclosure Practices

In 2020-21, the SEC announced its participation as an official supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) to raise awareness and encourage companies to integrate climate risk factors into their business strategy and risk management, and published guidelines regarding minimum information required to be disclosed by listed companies in Form 56-1 One Report by virtue of Notification of the Capital Market Supervisory Board No 44/2556 on Rules, Conditions and Procedures for Disclosure regarding Financial and Non-financial Information of Securities Issuers as amended by Notification of the Capital Market Supervisory Board No 55/2563.

In order to enhance the environmental, social and governance (ESG) disclosure of listed companies to reflect business operations under good corporate governance and take into account the impact on society and the environment, starting from the financial year ended December 31, 2021, listed companies are required to disclose their ESG information in Form 56-1 One Report, including their environmental and social policy, guidelines and operating results. In this regard, companies may clarify only the information on the overall policy and guidelines which are important and relevant to their business context and disclose their environmental and social sustainability management policy and guidelines in full on their websites. Further, the information on greenhouse gas emission needs to be disclosed in accordance with international standards. Otherwise, they have to specify “no data” and provide the reasons thereof.

Transparency and Integrity in Financial Reporting

Accounts and Reports

In Thailand, companies routinely submit their annual financial statements for shareholder approval. In addition, Thai companies also routinely submit the company's results of operations for shareholder approval in a separate proposal. Unless there are concerns about the integrity of the statements/reports, we will recommend voting for these proposals. Should an auditor be unable to ensure a clean bill of health, depending on the circumstance, we may recommend that shareholders abstain from voting or vote against the auditor in addition to recommending voting against members of the audit committee.

In the event that the company has not disclosed the audited financial statements, auditor's report and/or annual report, we do not believe shareholders have sufficient information to make an informed judgment regarding this matter. As such, we will recommend that shareholders abstain from voting on this agenda item.

Allocation of Profits/Dividends

Glass Lewis generally supports a company's policy when it comes to the payment of dividends including decisions not to pay them. In most cases, we believe the board is in the best position to determine whether a company has sufficient resources to distribute a dividend or if shareholders would be better served by forgoing a dividend to conserve resources for future opportunities or needs. As such, we will only recommend that shareholders refrain from supporting dividend proposals in exceptional cases.

Appointment of Auditors and Authority to Set Fees

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and to do a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and that it is a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. Like directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the auditor's interests and the public's interests. Almost without exception, shareholders should be able to annually review an auditor's performance and to annually ratify a board's auditor selection.

We generally support management's choice of auditor except when we believe the auditor's independence or audit integrity has been compromised. When there have been material restatements of annual financial

statements or material weakness in internal controls, we usually recommend voting against the auditor. We do not hold a company's auditor responsible for, what we believe, may be the company's failure to comply with reporting obligations or a lack thereof, depending on the jurisdiction.

Reasons why we may not recommend ratification of an auditor include:

- Where the company failed to disclose the auditor fees paid for the previous fiscal year or a breakdown thereof in either the standalone or consolidated financial statements.
- When audit and audit-related fees total 50% or less of the total fees billed by the auditor.
- Recent material restatements of annual financial statements, including those resulting in the reporting of material weaknesses in internal controls and including late filings by the company where the auditor bears some responsibility for the restatement or late filing.
- When the company has aggressive accounting policies evidenced by restatements or other financial reporting problems.
- When the company has poor disclosure or lacks transparency in its financial statements.
- Where the auditor limited its liability through its contract with the company.
- When other relationships or concerns with the auditor suggest a conflict between the auditor's interests and shareholder interests.

If the company has not disclosed sufficient information regarding the appointment of auditor (e.g., the name of auditor), we will recommend shareholders abstain from voting.

The Link Between Compensation and Performance

Director Remuneration

As part of the proposals voted on at AGMs, shareholders may be asked to vote on the payment of fees as well as bonuses to a company's directors. Glass Lewis believes that non-employee directors should receive compensation for the time and effort they spend serving on the board and its committees. Director fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee directors. Therefore, a balance is required.

In assessing directors' fees, we will generally expect companies to disclose the fees to be paid for the coming financial year, or the fees paid in the year under review. We may recommend shareholders vote against directors' fees proposals where: (i) companies fail to disclose the quantum of fees payable to directors, or (ii) directors' receive other emoluments that exceed paid or proposed fees.

The payment of bonuses to directors may be appropriate, when the bonuses are paid to executive directors, there is a track record of strong performance, the proposed bonus is reasonable and takes into consideration a company's size and performance. In general, we are concerned about the payment of bonuses or other types of performance-based compensation payable to non-executive directors as such payouts may align the interests of non-executives with those of management, rather than shareholders, while bonuses may also be strong disincentives for non-executives to exercise careful oversight of the performance of management.

Where companies seek approval to pay bonuses to directors, we will generally evaluate the payment of bonuses on a case-by-case basis. However, we may recommend shareholders vote against the payment of bonuses when:

- The bonuses payable to the non-executive directors exceed their paid or proposed fees.
- Bonuses paid to non-executive directors are contingent upon meeting performance conditions.
- Bonuses also include the payment of fees for professional services.
- The bonus amount is not disclosed.
- Company performance does not justify the payment of a bonus.
- Bonuses are being paid to directors who have acted in contrary to the interests of shareholders within the previous 12 months.

Retirement Benefits for Directors

We will typically recommend voting against proposals to grant retirement benefits to non-employee directors. Such extended payments can impair the objectivity and independence of these board members. Directors should receive adequate compensation for their board service through initial and annual fees.

Equity-Based Compensation Plans

We believe that equity compensation awards are useful, when not abused, for retaining employees and providing them with an incentive to act in a way that will improve company performance.

Equity-based compensation programs have important differences from cash compensation plans and bonus programs. Accordingly, our analysis takes into account factors such as plan administration, the method and terms of exercise, and express or implied rights to re-price.

Our analysis is both quantitative and qualitative. In particular, we examine the potential dilution to shareholders, the company's grant history and compliance with best practice recommendations.

We evaluate equity-based compensation plans based on the following overarching principles:

- Companies should seek more shares only when they need them.
- Plans should be small enough that companies need approval every three to four years (or less) from shareholders.
- Plans should not permit re-pricing of stock options.
- Plans should not contain excessively liberal administrative or payment terms.

In addition, as a general rule, we do not support granting performance-linked compensation to those who carry out supervisory duties because we believe that a non-executive director should hold the same type of securities as ordinary shareholders. Thus, we recommend shareholders vote against when non-executive directors are eligible to participate in performance-linked plan.

When evaluating equity-based compensation proposals, we will look for companies to provide complete disclosure surrounding the proposed equity grants. In the absence of complete disclosure, we may recommend shareholders oppose either the adoption of an equity-based compensation plan or the granting of equity awards. However, in recognition of equity compensation practices for Thai companies, we will generally evaluate the general authority to grant awards under equity compensation plans in the following manner:

- For proposals seeking to grant awards within the general limits of an existing plan or plans and the proposed grant size is not disclosed, we will look at the previous year's grants to infer a potential grant size in the current financial year. We will generally recommend shareholders oppose proposals to grant additional equity awards if grants exceeded 2% of a company's issued share capital as at the holding of the general meeting.
- Where companies had existing plans, and are looking to adopt a new plan, we will examine whether companies in the preceding two years had plans which granted more than 2% of a company's issued share capital on an annual basis. Where such grant histories are found, we will oppose the adoption of a new equity compensation plan, unless the proposed new plan commits to granting less than 2% of issued share capital on an annual basis.
- Where companies previously did not have equity-compensation plans but are adopting a plan for the first time, we will generally based our recommendation on the qualitative elements of the proposed plan to guide our recommendation, unless the annual grants exceed 2% of a company's issued share capital.

We will oppose the granting of equity-based compensation awards where:

- The exercise price or discount rate of stock options is determined at the discretion of the plan administrator.
- The exercise price discount for stock options exceeds 20% of the market price.
- The maximum vesting period is less than two years unless vesting occurs immediately after a minimum two-year performance period.
- The equity-based compensation plans include the acceleration of vesting of awards upon an offer being made on a company's shares without the transaction needing to be completed, along with a further event such as termination of employment of the grantee. However, we may take into consideration the acceleration of vesting of awards, provided the vesting is in conjunction with the achievement of performance targets as at the time of the transaction leading to a change in control.

We will oppose proposals to grant individual equity awards where:

- The number of share options or shares to be granted has not been disclosed by the Company.
- We oppose the plan or plans the awards are being granted under.
- If an individual's grant or the combined grant size for several individuals exceed 2% of a company's issued share capital.

Performance-Based Options

Shareholders commonly ask boards to adopt policies requiring that a significant portion of future stock option grants to senior executives be based on performance metrics such as performance-based options that have an exercise price linked to an industry peer group's stock-performance index.

Glass Lewis believes in performance-based equity remuneration plans for senior executives. We feel that executives should be compensated with equity when their performance and that of the Company warrants such rewards.

While we do not believe that equity-based pay plans for all employees should be based on overall company performance, we do support such limitations for equity grants to senior executives. However, some level of equity-based compensation for senior executives without performance criteria is acceptable, such as in the case of moderate incentive grants made in an initial offer of employment or in emerging industries.

Boards often maintain that basing option grants on performance would hinder their ability to attract talent. We believe that boards can develop a consistent, reliable approach to attract executives who are able to guide the company toward its targets. If the board believes in performance-based pay for executives, then these proposals requiring the same should not hamper the board's ability to create equity-based compensation plans.

We generally recommend that shareholders vote in favor of performance-based option requirements for senior executives.

Option Exchanges

Glass Lewis views option re-pricing plans and option exchange programs with great skepticism. Shareholders have substantial, real downside risk in owning stock, and we believe that the employees, officers and directors

who receive options should be similarly situated to align interests optimally. We are concerned that option grantees who believe they will be “rescued” from underwater options will be more inclined to take on unjustifiable risks. Moreover, a predictable pattern of re-pricing or exchanges substantially alters the value of the stock option, as options that will practically never expire deeply out of the money are worth far more than options that carry such a risk. In short, repricings and option ex-change programs change the bargain between shareholders and employees after the bargain has been struck. Re-pricing is tantamount to a re-trade.

There is one circumstance in which a repricing or option exchange program is acceptable: if the value of a stock has declined dramatically because of macroeconomic or industry trends (rather than specific company issues) and a re-pricing is necessary to motivate and retain employees. In this circumstance, we think it fair to conclude that option grantees may be suffering from a risk that was not foreseeable when the original equity-based compensation “bargain” was struck. In such a circumstance, we will support a re-pricing only if the following conditions are true:

- Officers and board members do not participate in the program.
- The stock decline mirrors the market or industry price decline in terms of timing and approximates the decline in magnitude.
- The exchange is value-neutral or value-creative to shareholders with very conservative assumptions and a recognition of the adverse selection problems inherent in voluntary programs.
- Management and the board make a cogent case for needing to incentivize and retain existing employees, such as the company’s position in a competitive employment market.

Executive Compensation

As a general rule, Glass Lewis believes that shareholders should not be involved in setting executive compensation. Such matters should be left to the board’s remuneration committee. We view the election of directors — specifically, the election of those who sit on the remuneration committee — as the appropriate mechanism for shareholders to express their disapproval or support of board policy on this issue. Further, we believe that companies whose pay-for-performance policies are in line with their peers should be granted the flexibility to compensate their executives in a manner that drives growth and profit.

However, Glass Lewis favors performance-based compensation as an effective means of motivating executives to act in the best interests of shareholders. Performance-based compensation may be limited if a chief executive’s pay is capped at a low level rather than flexibly tied to the performance of the company.

Governance Structure, Capital Management, and the Shareholder Franchise

Amendments to the Articles of Association

We will evaluate proposed amendments to a company's articles of association on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it might force shareholders to vote in favor of amendments that they might otherwise reject had they been submitted as separate proposals. In such cases, we will analyze each change on their own. We will recommend voting for the proposal only when, on balance, we believe that all of the amendments are in the best interests of shareholders.

Dividend Reinvestment (or Scrip Dividend) Plans

We support plans that provide shareholders with the choice of receiving dividends in stock instead of cash. For the company, a stock dividend typically offers a tax benefit. In addition, the company can keep more of its earnings rather than distributing them. For shareholders, a dividend reinvestment plan offers a less expensive way to acquire additional shares. They avoid paying brokers' commissions or the taxes on normal stock transactions.

Increases and Reductions of Registered Capital

Glass Lewis believes that having adequate capital stock is important to a company's operation. Under the PLCA, a corporation can increase its registered capital, provided that all present shares of the company have been sold and payment received in full. Therefore, if a company wishes to increase its capital through an issuance of shares or convertible securities and there remain outstanding unsold shares, it must first decrease its registered capital through the cancellation of the unsold shares prior to any increase. Such proposals are frequently accompanied by amendments to the articles of association reflecting the changes in share capital.

Issuance of Shares and/or Convertible Securities

In general, issuing an excessive amount of additional shares and/or convertible securities can dilute existing holders. Accordingly, where we find that the company has not detailed a plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend against the authorization of additional shares.

While we think that having adequate shares to allow management to take advantage of developing business opportunities and effectively operate the business is critical, we prefer that, for significant transactions,

management come to shareholders to justify their use of additional shares rather than providing a blank check in the form of a large pool of unallocated shares available for any purpose.

Under the SET Regulation,³¹ the board may, if so authorized by shareholders, issue shares and convertible securities at their discretion, provided that:

- The aggregate number of shares to be issued by way of rights offering on a pro rata basis to shareholders does not exceed 30% of the total paid-up capital of the company.
- The aggregate number of shares to be issued other than by way of rights offering does not exceed 20% of the total paid-up capital of the company.
- Of the 20% limit, the number of shares to be issued by way of a private placement does not exceed 10% of the issued shares in the capital of the company.

In our view, unless a board provides any compelling reason, in general any authorization to issue shares and/or convertible securities without preemptive rights should not exceed 20% of the company's total share capital. Likewise, we believe the discount rate for the new issuance should not exceed 15% of the average market price, unless there is a unique situation, such as an acquisition.

Issuance of Debt Instruments

In Thailand, shareholders may vote on an agenda to grant the board authorization to issue and/or trade in non-convertible, convertible and/or exchangeable debt obligations in accordance with the country's legal standards.

Generally, the board is granted the authority to establish a fixed or variable interest rate, and more globally, to establish all other aspects of the debt instruments.

We believe it is customary for a company to increase its leverage by using debt to finance its expansion plans. A majority of companies issue debt to avoid short-term equity dilution and to signal the firm's future growth opportunities. If the requested authority to issue debt is reasonable, we see no reason to vote against such a proposal.

Corporate Guarantees

Companies may seek shareholder approval to provide corporate guarantees to subsidiaries and associate companies. Where shareholders are asked to approve corporate guarantees, our assessment will take the following into consideration:

- The overall disclosure relating to the corporate guarantees;
- The relationship between the company providing the corporate guarantees and those entities receiving the corporate guarantees;
- The benefits for provision of guarantees to the company itself and its shareholders as a whole, ensuring that the provision of guarantees will not only benefit select major shareholders;

³¹ Rules, Conditions and Procedures Governing the Disclosure of Information in Respect of Capital Increase of Listed Companies, 2011, Clause 5 Section 1.

- The size of the corporate guarantees compared to a company's net assets; and/or
- The rationale for the provision of guarantees.

We will oppose proposals to provide corporate guarantees if companies do not disclose the amount of corporate guarantees it intends to grant. The same may be applied where a company and guaranteed entity only share common directors or common shareholders, but there is no equity relationship between the company and guaranteed entity.

For entities controlled by a company and the amount of corporate guarantees are disclosed, we will evaluate the size of corporate guarantees as a percent of a company's audited net assets, as based on the most recent audited financial statements. Where the proposed corporate guarantees and existing guarantees (if any) are less than 100% of audited net assets, we will support the provision of corporate guarantees. In contrast, where the proposed guarantees and existing corporate guarantees (if any) exceed 100% of audited net assets, we will oppose the provision of corporate guarantees.

Repurchase of Shares

A company may want to repurchase its own shares for a variety of reasons. A repurchase plan is often used to increase the company's stock price, to distribute excess cash to shareholders or to provide shares for equity-based compensation plans for employees. In addition, a company might repurchase shares in order to offset dilution of earnings caused by the exercise of stock options.

We will recommend voting in favor of a proposal to repurchase shares when the plan includes the following three provisions: (i) a maximum number of shares which may be purchased; (ii) a reasonable maximum price which may be paid for each share (as a percentage of the market price); and (iii) an expiration date of one year.

Stock Split

We typically consider three metrics when evaluating whether we think a stock split is likely or necessary: (i) the historical stock pre-split price, if any; (ii) the current price relative to the company's most common trading price over the past 52 weeks; and (iii) some absolute limits on stock price that, in our view, either always make a stock split appropriate if desired by management, or would almost never be a reasonable price at which to split a stock.

Multi-Class Share Structures

Glass Lewis believes multi-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power

to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

We generally consider a multi-class share structure to reflect negatively on a company's overall corporate governance. Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders vote in favor of recapitalization proposals to eliminate multi-class share structures. Similarly, we will generally recommend against proposals to adopt a new class of common stock.

With regards to our evaluation of corporate governance following an IPO or spin-off within the past year, we will now include the presence of multi-class share structures as an additional factor in determining whether shareholder rights are being severely restricted indefinitely.

When analyzing voting results from meetings of shareholders at companies controlled through dual-class structures, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

Supermajority Vote Requirements

Glass Lewis believes that supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to shareholder interests. One key example is in the takeover context where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business.

Right of Shareholders to Call a Meeting

Glass Lewis strongly supports the right of shareholders to call special meetings. We note that under the PLCA³², a shareholder holding 20% or more of the company's outstanding ordinary shares or at least 25 shareholders holding not less than a total of 10% of the company's outstanding ordinary shares may call a general meeting.

Transaction of Other Business

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

³² PLCA, Chapter 7, Section 100.

Authority to Carry Out Formalities

In Thailand, as a routine matter, shareholders are usually asked to grant management the authority to complete any and all formalities, such as required filings and registrations, needed to carry out decisions made at the meeting. Often times, shareholders are also asked to approve the minutes. In general, we recommend voting for this proposal in order to help management complete the formalities necessary to validate the decisions made at the general meeting of shareholders.

Virtual Shareholder Meetings

A growing contingent of companies have elected to hold shareholder meetings by virtual means only. Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a “hybrid meeting”). However, we also believe that virtual-only meetings have the potential to curb the ability of a company’s shareholders to meaningfully communicate with the company’s management.

Prominent shareholder rights advocates, including the Council of Institutional Investors, have expressed concerns that such virtual-only meetings do not approximate an in-person experience and may serve to reduce the board’s accountability to shareholders. When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company’s proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Examples of effective disclosure include: (i) addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; (ii) procedures, if any, for posting appropriate questions received during the meeting and the company’s answers, on the investor page of their website as soon as is practical after the meeting; (iii) addressing technical and logistical issues related to accessing the virtual meeting platform; and (iv) procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

COVID-19 Impact on Virtual-Only Shareholder Meetings Policy

Prior to the outbreak of the COVID-19 Pandemic, virtual meetings were only permitted for companies listed on the Stock Exchange of Thailand under two conditions from the National Council for Peace and Order Announcement No. 74/2014 regarding the Electronic Conference, dated June 27, 2014, as follows:

- At least one third of the attendees of the quorum must be present in the same meeting place.
- Attendees must reside in Thailand.

However, due to the outbreak of the pandemic, the Emergency Decree on Electronic Meetings, 2020 was passed, which permitted virtual meetings for participants to attend from anywhere via electronic media according to the Decree and they no longer need to be in the same meeting place. In addition, Notification of

the Ministry of Digital Economy and Society on Security Standards of the Electronic Conference 2020 was issued in accordance with Article 7 of the Decree to provide guidelines of virtual meetings.

Virtual meetings can be held by issuers without the necessity of amending their articles of association to allow electronic conferencing, except in the event that their articles of association specifically prohibit electronic conferencing methods. However, if the issuer's articles of association specify that meetings can be held via electronic media with the present of at least one third of the quorum in the same meeting place, its articles of association needs to be amended in order to hold an electronic meeting in accordance with the Decree.

The arrangements for virtual meetings enable the ability for investors to ask questions and for voting whether by proxy or electronic voting. In 2021, the SEC issued a circular letter to all listed companies requesting them to hold their 2021 AGMs through electronic media in order to reduce the spread the COVID-19. As such, for 2022, we will continue to support an issuer's decision to pursue a virtual meeting given the need to protect public health. Should virtual meetings be permitted beyond 2022, we will revise our guidelines accordingly.

Overall Approach to Environmental, Social & Governance

Glass Lewis evaluates all environmental and social issues through the lens of long-term shareholder value. We believe that companies should be considering material environmental and social factors in all aspects of their operations and that companies should provide shareholders with disclosures that allow them to understand how these factors are being considered and how attendant risks are being mitigated. We also are of the view that governance is a critical factor in how companies manage environmental and social risks and opportunities and that a well-governed company will be generally managing these issues better than one without a governance structure that promotes board independence and accountability.

We believe part of the board's role is to ensure that management conducts a complete risk analysis of company operations, including those that have material environmental and social implications. We believe that directors should monitor management's performance in both capitalizing on environmental and social opportunities and mitigating environmental and social risks related to operations in order to best serve the interests of shareholders. Companies face significant financial, legal and reputational risks resulting from poor environmental and social practices, or negligent oversight thereof. Therefore, in cases where the board or management has neglected to take action on a pressing issue that could negatively impact shareholder value, we believe that shareholders should take necessary action in order to effect changes that will safeguard their financial interests.

Given the importance of the role of the board in executing a sustainable business strategy that allows for the realization of environmental and social opportunities and the mitigation of related risks, relating to environmental risks and opportunities, we believe shareholders should seek to promote governance structures that protect shareholders and promote director accountability. When management and the board have displayed disregard for environmental or social risks, have engaged in egregious or illegal conduct, or have failed to adequately respond to current or imminent environmental and social risks that threaten shareholder value, we believe shareholders should consider holding directors accountable. In such instances, we will generally recommend against responsible members of the board that are specifically charged with oversight of the issue in question.

When evaluating environmental and social factors that may be relevant to a given company, Glass Lewis does so in the context of the financial materiality of the issue to the company's operations. We believe that all companies face risks associated with environmental and social issues. However, we recognize that these risks manifest themselves differently at each company as a result of a company's operations, workforce, structure, and geography, among other factors. Accordingly, we place a significant emphasis on the financial implications of a company's actions with regard to impacts on its stakeholders and the environment.

When evaluating environmental and social issues, Glass Lewis examines companies':

Direct environmental and social risk — Companies should evaluate financial exposure to direct environmental risks associated with their operations. Examples of direct environmental risks include those associated with oil or gas spills, contamination, hazardous leakages, explosions, or reduced water or air quality, among others. Social risks may include non-inclusive employment policies, inadequate human rights policies, or issues that

adversely affect the company's stakeholders. Further, we believe that firms should consider their exposure to risks emanating from a broad range of issues, over which they may have no or only limited control, such as insurance companies being affected by increased storm severity and frequency resulting from climate change or membership in trade associations with controversial political ties.

Risk due to legislation and regulation — Companies should evaluate their exposure to changes or potential changes in regulation that affect current and planned operations. Regulation should be carefully monitored in all jurisdictions in which the company operates. We look closely at relevant and proposed legislation and evaluate whether the company has responded proactively.

Legal and reputational risk — Failure to take action on important environmental or social issues may carry the risk of inciting negative publicity and potentially costly litigation. While the effect of high-profile campaigns on shareholder value may not be directly measurable, we believe it is prudent for companies to carefully evaluate the potential impacts of the public perception of their impacts on stakeholders and the environment. When considering investigations and lawsuits, Glass Lewis is mindful that such matters may involve unadjudicated allegations or other charges that have not been resolved. Glass Lewis does not assume the truth of such allegations or charges or that the law has been violated. Instead, Glass Lewis focuses more broadly on whether, under the particular facts and circumstances presented, the nature and number of such concerns, lawsuits or investigations reflects on the risk profile of the company or suggests that appropriate risk mitigation measures may be warranted.

Governance risk — Inadequate oversight of environmental and social issues carries significant risks to companies. When leadership is ineffective or fails to thoroughly consider potential risks, such risks are likely unmitigated and could thus present substantial risks to the company, ultimately leading to loss of shareholder value.

Glass Lewis believes that one of the most crucial factors in analyzing the risks presented to companies in the form of environmental and social issues is the level and quality of oversight over such issues. When management and the board have displayed disregard for environmental risks, have engaged in egregious or illegal conduct, or have failed to adequately respond to current or imminent environmental risks that threaten shareholder value, we believe shareholders should consider holding directors accountable. When companies have not provided for explicit, board-level oversight of environmental and social matters and/or when a substantial environmental or social risk has been ignored or inadequately addressed, we may recommend voting against members of the board. In addition, or alternatively, depending on the proposals presented, we may also consider recommending voting in favor of relevant shareholder proposals or against other relevant management-proposed items, such as the ratification of auditor, a company's accounts and reports, or ratification of management and board acts.

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