



# INVESTMENT GOVERNANCE CODE

2019 Annual Review



## **Kasikorn Asset Management' s Approach to Investment Governance Code**

Kasikorn Asset Management (“KAsset”), as an Asset Management Company, which is responsible for managing funds on behalf of clients and asset owners, is fully aware on our investment duties and stewardship responsibilities. We truly believe that responsible investment will help sustain and enhance long-term superior and sustainable return to clients while gaining their confidence and trust.

On 23 February 2017, KAsset, together with other Thai institutional investors and their representative industry organizations, have signed the declaration of mutual collaboration to encourage the implementation of the Investment Governance Code for Institutional Investors (“I Code”) and later became a Signatory to the I Code in June 2017. Since responsible investment has always been our core beliefs and investment principles, we have consistently improved and enhanced our internal practices over the time along with the development of capital market to achieve our ultimate goal.

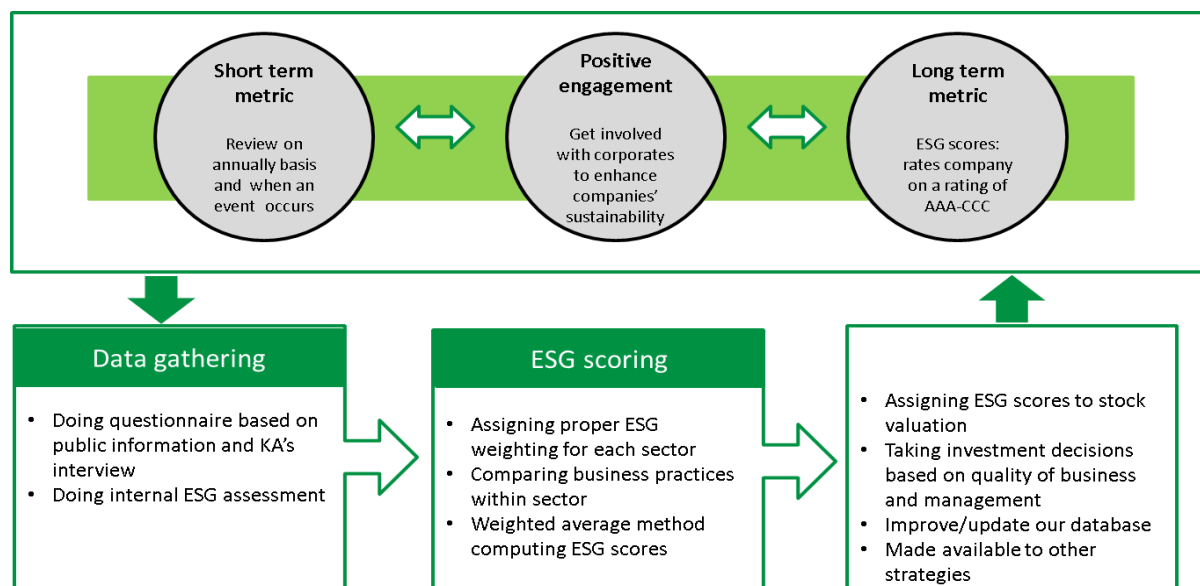
While we are committed to fully comply with I Code, in 2019 there are many achievements we have made to strive the stewardship practices, key activities are summarized as follows:

### **Principle 1: Adopt a Clear Written Investment Governance Code Policy**

In order to ensure effective implementation and practice of I Code, KAsset Board of Directors has approved our first [Investment Governance Code Policy](#) in August 2018 as an internal guidance. KAsset also integrates Environment, Social and Governance (ESG) factors into our investment process from research, stock selection and portfolio construction. We have an internal [ESG policy](#) which has been applied since 2013 and consistently reviewed to ensure it reflects the evolvement of investment environment. Our ESG analysis are done through an internal ESG evaluation template which using data collected from 1) open-ended questionnaires to the investee companies 2) on-going dialogues with the investee company managements and site visits at the Company’s premises and 3) other available public information sources. These enable us to achieve our goal of sustainable investment. Our latest I Code and ESG policies review were approved by the Board of Director in January 2020.

Last year we have improved the methodology of our ESG scoring and rating for all stocks in our universe by assigning different combination of weightings in each factor (E/S/G) for different sectors since we believe that the importance and impact from each factor are different among industries.

**Diagram 1: KAsset ESG Assessment based on proprietary data**



**Principle 2: Properly Prevent and Manage Conflicts of Interest and Prioritize Advancing the Best Interest of Clients**

KAsset is committed to operate our business with transparency and compliance with laws and corporate governance principles, focusing on clients' best interest. Several policies and statements have been put in place such as [Statements of Corporate Governance Principles](#), [Anti-Corruption Policy](#), other operational policies and procedures as well as management oversight in case of conflicts of interest which include conflicts arising between KAsset and its related parties & employees and its clients or among clients themselves. The operational procedures include, for example, [proxy voting policy](#) at the shareholders meeting that places emphasis on the clients' benefit and disclosure of voting results. In the past years, we have revised our proxy voting policy to make it clearer, more specific and comparable between countries since KAsset has expanded our direct equity investment to other countries as well. Last year, we have also amended the voting criteria on Auditor's qualification to be in accordance with the Securities and Exchange Commission ("SEC")

As being a wholly owned subsidiary of Kasikorn Bank which has a strong commitment towards anti-corruption of all forms in conformity with the Code of conduct and being a member of Collective Action Against Corruption Organization ("CAC"), as well as ensuring transparency in all business operations and good governance practices, in January 2019, KAsset also strictly followed our Group wide policy to adopt [No Gift Policy](#) which employees are prohibited from accepting gifts in the discharge of their duties regardless of value.

### Principle 3: Make Informed Investment Decisions and Engage in Active Ongoing Monitoring of Investee Companies

#### Equity

KAsset equity team has regular and ongoing discussions with investee companies as we believe that effective engagement with companies are through interactive dialogues.

In addition to ongoing monitoring purpose, engagement with the investee companies allows us to explain and share our perspectives and thoughts towards their business operation with them. We believe that good corporate governance will enable investee companies to achieve its long term goal and sustainable success. As Thailand is considered a developing market, we hope that the stricted industry adoption of I code will help developing our capital market into the next stage.

**Table1: A summary of equity team meetings with listed companies in 2019**

Country	Equity	
	No. of meetings	No. of listed companies
Thailand	935	226
Vietnam	93	43
Malaysia	69	37
Singapore	72	41
Indonesia	80	43
Philippines	64	32
Others	36	31
<b>Total</b>	<b>1349</b>	<b>453</b>

In 2019, the equity team at KAsset held a total 1,349 meetings with 453 listed companies as detailed in the table above. The meetings were held with all levels of Company's representatives as deem appropriate which we see benefit as a cross reference. However, the need to access to senior managements and board members, particularly for those companies we actively invest in, is considered important in order to have a more effective dialogues and communication, particularly to raise our both positive feedbacks as well as concerns and a better understanding of companies' strategic direction. We also have written summaries of all meetings for our records, investment decisions and following up on the Company's development. In case there is an incident that causes arising concerns or negative impact towards the investee companies, we will contact the investee companies immediately for clarifications.

## **Fixed Income**

As for the fixed income side, we do monitor the companies that we have invested regularly. In addition to Thailand, we have recently expanded our coverage to 18 foreign countries to diversify various risks ranging from country, industry and company specific. To ensure that investees' credit quality is maintained, we regularly review and monitor both qualitative and quantitative prospects. Alternative sources of information might be acquired to help identify investees' credit worthiness if there is any doubt on their credit quality.

When the concerned issues of the investee are escalated, a due-diligence process is necessary to seek more information to measure the solvency of investee in a timely manner. In case credit quality is worsened, KASSET will explore all possible alternatives to solve the credit issue. In many cases, we work closely with investees to get the alternatives that will help protect the default or mitigate any issue that may seriously affect the issuer's credit quality. When the concerned issues of the investee are escalated, a due-diligence process is necessary to seek more information to measure the solvency of investee in a timely manner. Finally, if the credit event is unavoidable, KASSET will put all of the effort to generate best possible solution to get the best possible results under the given constraints.

In 2019, KASSET reckoned the effect of Thai Financial Reporting Standard 16 (TFRS16) to be implemented in 2020 upon our method of financial statement analysis. Federation of Accounting Profession indicated that the old leasing accounting standard was not able to capture all lease transactions, especially financial lease. In financial lease accounting, a lessee did not record the rights to use assets and liabilities, occurring from financial lease, into its financial statement. Thus, a financial lease contract was not recognized both assets and liabilities in the financial accounting so a lessee's financial ratio was distorted. TFRS16 enforces a lessee to recognize the financial lease transaction into its assets and liabilities; at the same time, information must also be recorded in the notes to financial statement. This shall truly reflect lessee's risk.

Once TFRS16 is implemented, any financial ratio relating to the liabilities shall be affected. However, an issuer of debt instruments has many different schemes to modify its condition on prior covenants. Thus, KASSET must carefully consider newly proposed covenants of each issuer as any risks associated the requested covenants with, if any, the proposed compensations. A thorough analysis on its financial ratio regarding TFRS16 standard must be done to understand the effect on the covenants that an issuer asks for modification. In some cases, KASSET negotiated with an issuer to adjust the covenants according to our request. In other cases, KASSET denied the proposed covenants if it is deemed non-appropriated.

Our internal guidelines to modify covenants are the following:

1. Analyze and evaluate the impact on covenants whether the risks associated are acceptable.
2. If the risks are acceptable, is there any additional compensation for an additional risk increase (most of the modification associate with risk increase)?
3. Compensation may be differed for each issuer due to the nature of business, credit rating and to-be-modified covenants.
4. The discussion of new proposed covenants is firstly considered by a sub IC, namely Fixed Income Investment Committee. Then, the proposal will later be considered by Investment Committee and Investment Risk Committee.

#### **Foreign Feeder Fund**

Product strategy department added criteria for partner selection, outsourced fund manager and master fund manager, to include policy regarding Stewardship Code and ESG practice. We conducted survey on all our partners such as Lombard Odier, Amundi, Alliance Bernstein, Natixis and concluded that all partners have satisfactory policy and standard practice on these issues. For example, Lombard Odier has implemented its policy to comply specifically to each region/country regulations that its operates in (Europe Switzerland Japan UK). In addition to the direct survey, we also conducted cross check our partners through available public data sources such as company website.

#### **Trustee**

In 2019, trustee team have monitored operations of REIT Manager whether they followed rules and regulations stipulated by law, SEC and SET or not. Trustee team worked closely with REIT Manager team regularly. Moreover, we also have conducted an annual REIT Manager performance review. The review topics include their operational system, workflows, the readiness of personnel per regulation, disclosure process, complaint management, insurance preparation, property management monitoring, conflict of interest prevention, net asset value and distribution correctness, annual general meeting arranged per guidelines, qualified outsourcing work, document properly secured, and business continuity plan.

In addition to the operation of the REITs, trustee has jointly acted to establish new REIT. The trustee team has considered the possibility of investing in various aspects to ensure that the assets that the new REIT will invest in is comply with various relevant laws and regulations, including local laws in the area where the properties are located. We also considered policies and management strategies of property managers, whether they are consistent and not against related laws as well.

[Example of Key Engagements with Investee Companies are in appendix I](#)

#### **Principle 4: Apply Enhanced Monitoring of and Engagement with the Investee Companies if Motoring pursuant to Principle 3 is Considered Insufficient**

In case the concerned issue is considered serious and might incur negative consequences, we might escalate the issue to the Board level of the investee companies. For example, in 2019, KAsset, together with other institutional investors, has written a letter on behalf of the Association of Investment Management Companies ("AIMC"), requesting clarifications and guidelines on the use of internal/non-public information to Jasmine International Plc. ("JAS") 's Chairman of the Board and the Group. Later on, KAsset together with other Institutional investors and representatives from AIMC had a meeting with the Board's representative of JAS and JASIF to inquire and discuss about the case together with the impact and company's preventive measures (See details in Appendix 1 "Key engagement cases" for details of engagement with JAS)

#### **Principles 5: Have a Clear Policy on Exercising Voting Rights and Disclosure of Voting Results**

KAsset has an internal policy related to the exercise of voting rights in the shareholders meetings of investee companies which clearly specify the guidelines for voting direction for each type of resolutions. Our Proxy voting guideline was updated and approved by the Board of Directors in January 2020.

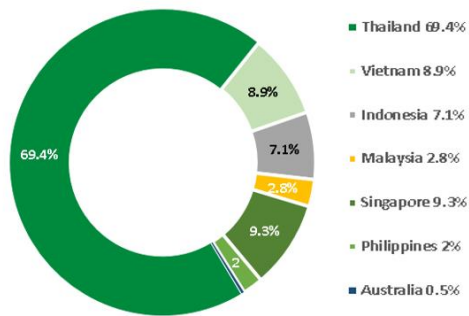
We have also subscribed third party proxy research service from Institutional Shareholder Services Inc. (ISS) since 2017 for comparison and reference of global practice. However, we retain full discretion when determining how to vote on behalf of our clients.

Last year KAsset voted for 235 listed companies in total, of which 173 are Thai listed companies (145 companies for active strategy and 28 companies for passive strategy only) and 62 are listed companies in foreign countries (all are for active strategy). Of the total 2,260 resolutions, we voted "For" 2,039 resolutions, "Against" 113 resolutions and "Abstain" 108 resolutions. Details are as follows:-

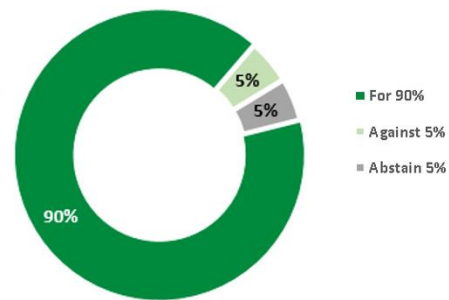
**Table 2: Breakdown of votes by Thai and other AEC countries and vote casts for each resolution**

	No. of listed companies	Notice of meetings	Total resolution	For	Against	Abstain
TH common stock	173	195	1675	1573	94	3
Foreign stock	62	36	585	461	19	105
<b>Total</b>	<b>235</b>	<b>281</b>	<b>2260</b>	<b>2039</b>	<b>113</b>	<b>108</b>

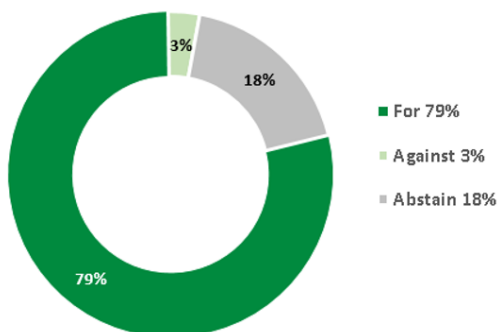
**Chart 1: Breakdown of overall votes by countries**



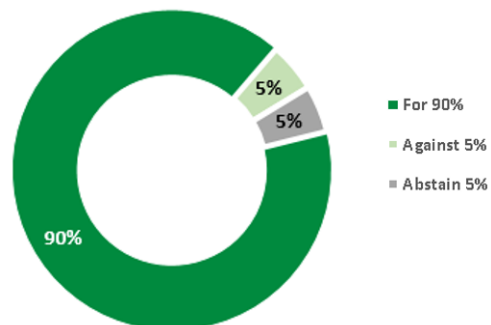
**Chart 2: Breakdown of overall vote casts**



**Chart 3: Breakdown of vote casts of foreign stocks**



**Chart 4: Breakdown of vote casts of Thai stocks**



The "Against" vote casts are mostly from resolutions related to 1) *board matters* due mainly to independent directors has held the directorship for more than 9 consecutive years (73%) and significantly absent from the meeting (21%) 2) *Auditors* due to the auditors have been audited for the Companies longer than 5 consecutive years. The "Abstain" Vote casts are mostly due to *insufficient information provided*. However, the insufficient information provided issue is more of an issue for other AEC stocks rather than Thai stocks. Details are illustrated as follows:



**Table 3: Breakdown of Vote Casts by Type of Resolutions**

Resolutions	Against		Abstain	
	TH	Foreign	TH	Foreign
Board Matters	82	3	1	35
Dilution and Control	3	12	0	27
Auditors	8	0	0	15
Remuneration	1	4	2	28
<b>Total</b>	<b>94</b>	<b>19</b>	<b>3</b>	<b>105</b>

Holds a directorship in more than 5 listed companies		An independent director has held the directorship for more than 9 consecutive years		Significant absence the meeting		Others	
TH	Foreign	TH	Foreign	TH	Foreign	TH	Foreign
5%	33%	73%	0%	21%	33%	1%	33%

Resolutions	Against	
	TH	Foreign
Board Matters	82	3
Dilution and Control	3	12
Auditors	8	0
Remuneration	1	4
<b>Total</b>	<b>94</b>	<b>19</b>



Capital structure		Business Operation		Others	
TH	Foreign	TH	Foreign	TH	Foreign
33%	42%	67%	25%	0%	33%

Auditor who has been investee company's auditor of more than 5 consecutive years	
TH	Foreign
100%	0%

Remuneration of directors		Remuneration of auditors	
TH	Foreign	TH	Foreign
0%	75%	100%	25%

Resolutions	Abstain	
	TH	Foreign
Board Matters	1	35
Dilution and Control	0	27
Auditors	0	15
Remuneration	2	28
<b>Total</b>	<b>3</b>	<b>105</b>



Not enough information	
TH	Foreign
67%	100%

### **Principles 6: Act Collectively with Other Investors and Stakeholders as Appropriate**

Although in general and most cases of our approach, we prefer to communicate with investee companies privately on our stewardship activities since we believe in positive relation and trust and also avoid public misleading that could cause an unintended outcome. To conduct any action towards an investee company that is involved with KAsset's concerns and is unable to solve the problem even after the degree of monitoring has been raised, KAsset may collaborate with other investors (both domestic and foreign investors) or other stakeholders in a collective engagement as deemed necessary to bring about an improved situation.

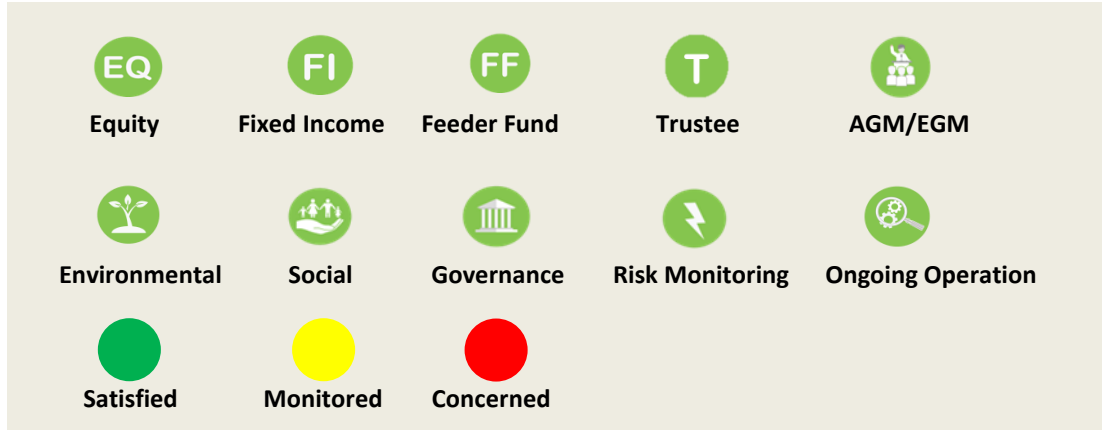
KAsset also acts collectively with other domestic institutional investors through industry organization such as Association of Investment Management Companies (AIMC), Thai Listed Companies Association (TLCA), Thai Institute of Directors (IOD) and regulators such as the Stock Exchange of Thailand (SET), the Securities and Exchange Commission (SEC) and the Bank of Thailand (BoT). We actively participate in public hearings, focused groups and give feedbacks for any new or reviews of the existing regulations or notifications by related regulators. We are also a member in ESG Collective Action Committee arranged by the AIMC.

### **Principle 7: Regularly Disclose the Investment Governance Policy and Compliance with the Policy**

KAsset discloses the I Code Policy and other related policies on our website to enhance transparency, public understanding and confidence towards our operations. Compliance reports together with details are also disseminated through our website and applicable reports.

# Appendix I

## Example of Key Engagements of KASSET with Listed Companies



1. Bangkok Commercial Asset Management Public Company Limited (“BAM”)
2. Bangkok Dusit Medical Services Public Company Limited (“BDMS”)
3. CK Power Public Company Limited (“CKP”)
4. CP All Public Company Limited (“CPALL”)
5. Central Public Company Limited (“CPN”)
6. Global Green Chemicals Public Company Limited (“GGC”)
7. IHH Healthcare Berhad (“IHH”)
8. Indorama Ventures Public Company Limited (“IVL”)
9. Jasmine International Plc (“JAS”) and Jasmine Broadband Internet Infrastructure Fund (“JASIF”)
10. Jwd Infologistics Public Company Limited (“JWD”)
11. Khon Kaen Sugar Industry Public Company Limited (“KSL”)
12. Mega Lifesciences Public Company Limited (“MEGA”)
13. Osotspa Plc. (“OSP”)
14. Plan B Media Plc. (“PLANB”)
15. REIT Sector
16. Srisawad Corporation Public Company Limited (“SAWAD”)
17. Sino-Thai Engineering and Construction Public Company Limited. (“STEC”)
18. Tisco Financial Group (“TISCO”)
19. TMB Bank Public Company Limited (“TMB”)
20. Thai Union Group Public Company Limited (“TU”)

## 1. Bangkok Commercial Asset Management Public Company Limited (“BAM”)



### Context:

BAM, an asset management company (AMC) originally 100% owned by the Financial Institution Development Fund (FIDF), was established in 1997 as a bad bank to manage NPLs of the Bangkok Bank of Commerce (BBC) after the Bank of Thailand ordered the bank to close. Thereafter, BAM bought NPLs from commercial banks to enable those banks to focus on their role of financing vehicles for the economy. AMC is a vehicle designed to save banks to response to financial crises. However, as NPLs were normally bought at discount price of the collaterals value while claims on principal and interest were much higher than the prices bought, how an AMC managed to make sure that not only to achieve its profitability targets but also to protect tax payers’ benefits by discouraging irresponsible debtors to seek benefits by being NPLs.

### Action:

We asked managements during a meeting, and they understood their role of seeking for the debtors’ assets and squeeze as much as possible to settle claims against them. This would help people to be disciplined when become indebtedness.

### Outcome:

AMCs would play an important role when there were abnormally high NPLs in the banking system. AMCs would help banks to resume their functions of financial vehicle to drive the economy. On the other hand, an AMC has a role to avoid inducing moral hazard in a banking system.

## 2. Bangkok Dusit Medical Services Public Company Limited (“BDMS”)



### Context:

In January 2019, the SEC received information from the SET, and further findings indicated that Dr. Prasert Prasarttong-Osoth, Ms. Poramaporn Prasarttong-Osoth and Mrs. Naruemon Chainaknan jointly traded Bangkok Airways (“BA”) shares continuously and conducted matching trading of BA shares among themselves, this resulted in the price of BA shares behaving abnormally in the market in terms of price and volume. The SEC ordered the trio to pay a combined civil fine of THB499.45m and barred them from becoming executive or directors of listed companies and securities - issuing companies.

### Action:

We arranged a meeting with the Company’s management right after the incident to clarify this issue and the Company’s overall potential impact to the Company on the resignation of Dr. Prasert and Ms. Poramaporn Prasarttong-Osoth.

### Outcome:



The three of them have agreed to pay fine in full amount. Moreover, Mr. Prasert has immediately resigned from the position of Director, Group Chief Executive Officer and President, and Chairman of Executive Committee. While Ms. Poramaporn has resigned from the position of Director, Member of Executive Committee, Member of Risk Management Committee, and Chief Operating Officer.

After having discussed with the management, they believed this issue should not affect BDMS’ s operation and business direction significantly since the newly appointed directors had a good understanding of the Company and affiliates. The Company appointed Mrs. Narumol Noi-am as a substituting director for Mr. Prasert Prasarttong-Osoth, M.D., and Mr. Puttipong Prasarttong-Osoth as a substituting director for Ms. Poramaporn Prasarttong-Osoth, M.D, effective from 23 January 2019. KAsset acknowledged and will continue monitoring further development for this issue. In addition, the prohibition on Ms. Poramaporn Prasarttong-Osoth from becoming executive or directors of listed companies and securities-issuing companies terminated on 8 Feb 2020.

### 3. CK Power Public Company Limited (“CKP”)



#### **Context:**

In December 2019, environmental advocates voiced concerns over the Mekong River's deteriorating ecosystem, especially with more projects set to affect the waterway in the pipeline. There are now 11 out of 28 Mekong dam projects that have now been completed, the latest being Xayaburi dam (“XPCL”) in Laos which CKP hold 38% stakes. The phenomenon is described by environmental experts as the "hungry water effect" where a river flow with excess capacity to transport sediment erodes the bed and banks. Upstream dams trap the sediment eroded from rocks and soils, leaving the river starved of its sediment load.

#### **Action:**

We contacted the company to clarify this issue and asked how the XPCL power plant exactly operates and manages in terms of sediment when it passed it. Also, how it has affected the environment since the power plant has COD since October 2019.

#### **Outcome:**



The management described that the XPCL dam system has 11 spillways which is responsible for draining water and sediment flowing from above to bottom of the dam, in which 4 out of these 11 are specifically the sediment drainage to prevent sediment above the dam. At the same time, the XPCL Dam is especially designed to protect the environment and nature such as fish passage by using the most modern system and technology. CKP is fully aware of the concerns and confident that the dam system is not related to that problem. KAsset acknowledged and will continue monitoring further development for this issue. As of March 2020, we were informed that the situation has improved and the Mekong River now has a brick color as it should be.

#### 4. CP All Public Company Limited (“CPALL”)



##### Context

CPALL has established the green packaging strategy which aims to minimize negative impacts to the environment and takes into consideration sustainable development and all stages of the product life cycle. One of the key initiatives is “Reducing a Bag a Day, You Can Do It” project, which began on 7 November 2018. The project intended to encourage people in society to change their behavior in using plastic bags. In 2018, reduction an average 153.72 million plastic bags per year from every project aimed at changing social behavior and they set the target to reduce 1,000 m plastic bags for year 2019 or 2,900 tons.

##### Action:

We contacted the Company regarding the issue to ask for detailed strategies and implementation plans that the Company use for changing customer behaviors and keep following up the outcome.

##### Outcome:



CPALL had developed many projects in the campaign to change the behavior of using plastic bags in society. For example, when customers purchase products without receiving plastic bags and pay through all member card, will receive extra points. When customers purchase products at participating stores without accepting plastic bags, it becomes a donation of THB 0.20 to various foundations. Therefore, they can achieve its milestone by reducing 998 million plastic bags for year 2019. KAsset acknowledged the positive development.

## 5. Central Public Company Limited (“CPN”)



### **Context:**

The year 2019 was the second hottest year on record after 2016, confirmed by the World Meteorological Organization. Global warming is an unavoidable crisis of the 21st century. Though, many may be reluctant to take actions because it is difficult to measure actual impacts on our planet. But, in reality, we all cannot deny that humanity’s ignorance is starting to take a toll on our daily life. Warmer summers and winters are clear instances of such. According to Climate Central, a science organization based in New Jersey, some 150 million people are now living below the high-tide level. Coastal cities such as Jakarta, Ho Chi Minh City, and Bangkok are facing a growing threat on both physical and economic damages. As a member of the Dow Jones Sustainability Indices, CPN actively takes actions on battling the climate change through effective resource and utility management.

### **Action:**

We communicated with the Company to get updates on its initiatives and try to empower them to stay on course of sustainability management. The Company is committed on target to reduce electricity consumption per specific area by 20% by 2025 compared to the base year of 2015.

### **Outcome:**



CPN has established the environment management to conduct guidelines and policies to cover operation and management of natural resources, energy, utility, climate, environment, biodiversity, and waste management. For instance, the Company successfully implemented solar cell system at 4 new locations in 2019, bringing the total to 8 locations that generates total electricity from solar energy at 9,045 megawatts per hour (MwH), an increase of 46% from the previous year. Moreover, Specific Electricity Consumption per unit area showed 2.8% lower in 2019 than that of 2018. However, when compared to base year (2015), the efficiency is better by 11.4%.



## 6. Global Green Chemicals Public Company Limited (“GGC”)



### Context:

In June 2018, Global Green Chemical Public Company Limited (“GGC”) has informed SET of an issue concerning the raw material that GGC has procured and stored in the information system, is significantly different from the actual quantity at the storage facilities of the suppliers.

### Action:

On August 28, 2018 KASSET had submitted the official letter to the chairman of GGC and PTTGC, the parent company, expressing the concern on the incident and asked for clarification and additional information regarding the procedure of raw materials, the inventory management process thoroughly, the GGC’s internal operation control process for relevant person in order to prevent any re-occurrence of such event, including follow up offenders and penalties for committing an offense and claiming damages. During the year 2019, KASSET had continuously followed up about the progress of internal operation control process, the procedure of raw materials of GGC, and additional claims for such incident.

### Outcome:



In August 2018, GGC informed us that they tightened control on process of checking the amount of raw materials in GGC’s and partner’s warehouses, internal audit including consideration to increase the tightness in the operation, the frequency of raw material quantity checking on a quarterly basis. Furthermore, GGC engaged the third party expert to review, verify, and give opinions on the improvement of the internal control system with regard to end to end process of the raw material procurement. Concerning the employee’s misconduct, the investigation committee has submitted the evidence to the Disciplinary Action Inquiry Committee and discovered that certain executives and employees committed breach of discipline. Therefore, GGC had already undertaken disciplinary action against each of the relevant executive and employee in accordance with the Company’s Discipline Regulation. In addition, GGC has already disclosed details of the incident in the 2018 Annual Report (published in April 2019)

On December 27, 2019 GGC has informed SET on the progress of the inventory shortfall situation and GGC’s actions in the following aspects:

- 1) *The progress of the cases and legal actions taken:* As for the criminal cases, GGC will coordinate with the inquiry official to conclude the case without delay. Once the public prosecutor initiates the criminal action, GGC will be the co-plaintiff with the public prosecutor and also file a petition to demand that defendant pay civil damages to GGC. If the Court renders a decision that any supplier or any relevant person committed a criminal offense, the Court will also render that person pay civil damages without having to initiate a new civil case.
- 2) *The progress on the dispute resolution/negotiation on damages:* As for the suppliers who entered into the settlement agreements, GGC will undertake to follow up with those suppliers to deliver the outstanding raw materials to GGC in accordance with the delivery plan in the settlement agreements. If any supplier breaches the relevant settlement agreement, GGC will consider initiating an action and enforce the collateral.
- 3) *The progress on the improvement of the internal control system:* GGC engaged an independent expert to conduct an assessment and its recommendation on the improvement of the internal control system of GGC regarding the raw material procurement process. The board of directors, resolved for the management to improve the internal control system in accordance with the recommendations of the independent expert and the improvement has been completed.

## 7. IHH Healthcare Berhad (“IHH”)



### **Context:**

In 2019, we have found out during our proxy voting process (not-relevant to this matter) that KPMG PLT (India) issued a qualified opinion in respect of IHH’s affiliates, Fortis’s financial statements for the year ended December 31, 2018. The auditor raised concerns regarding the acquisition of Fortis that was completed on November 13, 2018. Prior to IHH’s acquisition, an investigation report by an independent external legal firm was submitted to the former Fortis board relating to systematic lapses/override of internal controls. The findings of the report highlighted the placement of inter-corporate deposits and existence of possible related parties connected with former controlling shareholders of Fortis which may require appropriate reassessment by Fortis Group on the claims from, or transactions with, such parties. Due to the ongoing process of the various inquiries/investigations, the auditor of Fortis was unable to determine if there are any regulatory non-compliance and additional adjustments/disclosures which may be necessary as a result of further findings of the ongoing or future regulatory/internal investigations and the consequential impact on the consolidated financial statements of Fortis.

### **Action:**

We contacted with the Company and also double checked with sale side analyst who has good track recording covering IHH, we have learned that IHH did two separated due diligences prior to the acquisition of Fortis and the Company was satisfied with the result of the due diligence so as to acquisition valuation. Moreover, after becoming major shareholder of Fortis, the IHH’s BoD has engaged the auditor to do forensic audit on Fortis.

**Outcome:**

The Company reiterated that such concerns were known prior to the acquisition and is positive on its long term growth prospects and will continue its strategy in India via Fortis and is now engaging in forensic audit of IHH. However, there are negative impressions towards IHH after the release of a qualified opinion by KPMG PLT, including Fortis has the high risk of impairment moving forward among IHH's core assets, and the impact of such impairment in the provisional goodwill for Fortis in FY 2018 is estimated at MYR 1.5 bn.

**8. Indorama Ventures Public Company Limited (“IVL”)****Context:**

As plastic waste is one of the major portion in the world's oceans, major countries raised consumer's awareness about plastic usage. In October, 2019 India imposed a nationwide ban on single-used plastics, including small plastic bottles (200 ml size or smaller). In January 2020, China's National Development & Reform Commission (NDRC) and the ministry of Ecology and Environment also issued the new policy to gradually ban single-use plastics between 2020 and 2025. By end of 2020, the restaurant industry will be banned from using single-use straws and plastic bags in all of China's major cities. By 2025, towns and cities across China must reduce the consumption of single-use plastic items in the restaurant industry by 30%. Markets selling fresh product will be exempted from the ban until 2025. China also banned the import of all plastic waste and showed signals in stepping up restrictions on the production, sale and use of single-use plastic products.

**Action:**

We contacted the Company and asked for Company about the impact on their products demand by increasing public awareness and changes in consumer behavior. We also discussed about the Company's future strategy to cope with the issue and the changing trend.

**Outcome:**

IVL has set their new corporate strategy, to have new investment in recycling business and put more R&D budget on PET recycling. Moreover, IVL is confident that PET are 100% recyclable products and may benefit as industries adjust. KAsset acknowledged and will keep monitoring the company's future strategy and performance related to this issue.

## 9. Jasmine International Plc (“JAS”) and Jasmine Broadband Internet Infrastructure Fund (“JASIF”)



### Context:

On September 16, 2019, the SEC imposed civil sanction against Mr. Pete Bodharamik (served as Chief Executive Officer and director of JAS at that time) and Mr. Krikrai Tribunyatkul for insider trading of Jasmine Telecom Systems Plc. (“JTS”).

### Action:

On September 25, 2019, KAsset, together with other institutional investors, has written a letter on behalf of the Association of Investment Management Companies (“AIMC”), requesting clarifications and guidelines on the use of internal/non-public information to JAS’s Chairman of the Board and the Group. On Nov 1, 2019, KAsset together with other Institutional investors and representatives from AIMC had a meeting with JAS and JASIF executives to inquire and discuss about the case together with the impact and company’s preventive measures.

### Outcome:



Mr. Pete has resigned from all positions in JAS Group on September 16, 2019. The Company provided additional information on preventive measures to resolve this case, including 1) Preventive measures for the use of inside information, which are already under CG code and have updated all regulations immediately by hiring an external advisor to create a new policy that complies with the SEC’s internal data protection guidelines. The new measures will expand the scope of enforcement to executives, finance officers and employees who involved in the event of material transactions 2) Measures for conflict of interest transaction, require that the relevant directors not to attend the meeting and to vote. KAsset and institutional investors will monitor the progress including additional measures that the Company may increase as well as its practices in order to ensure the company’s code of conduct and good governance.

## 10. Jwd Infologistics Public Company Limited (“JWD”)



### **Context:**

JWD’s loans to related parties of which the executive management of the related parties is JWD’s CEO and shareholder. In 2018, JWD lent a sizable amount of money of THB395m to SBANG Sustainable Energies Co., Ltd. and Community Green Energy Co., Ltd., which are owned by the CEO of JWD. This was due to the CEO wanted to extend JWD’s investment scope to alternative energy, but other JWD executives did not agree with this because it is not the core business of JWD. Therefore, JWD managements agreed to lend money to these two companies and the repayment was set within one year with an option for JWD to enable to convert loan into the borrower’s shares.

### **Action:**

Following this issue, we have followed up the Company on the progress of the transaction. JWD told us that the loan is expired and these two companies are unable to repay for the loan as committed due to the delayed cash inflow of the projects. According to this, JWD has decided not to exercise its option to convert the loan to equity of these two companies. JWD then agreed to reschedule the repayment time frame for these two companies.

### **Outcome:**



At the end of 2019, this loan amount is almost fully repaid with the remaining outstanding amounting to THB63m. JWD expects to get full repayment within 2020.

## 11. Khon Kaen Sugar Industry Public Company Limited (“KSL”)



### Context:

During winters each year, it is also the sugarcane harvesting and annual grinding seasons for sugar mills, the dust level including PM2.5 is found to be elevated to the level that considered harmful to health of the people in the North, Northeastern and the Central region of Thailand.

### Action:

KASSET discussed with the Company about the matter above which covered in 3 main areas:

1. Does the Company acknowledge the alleged claims that the higher level of dust is a result of the burning of sugarcane fields?
2. If the Company views that the above claims have some grounds, does it have any measure to alleviate the effects caused by the burning, either in part of the sugar cane fields, the sugar cane mills, ethanol factory and power factory (waste water treatment, dust and gas control including keeping the manufacturing equipment in good shape etc.) or as an assistance to the sugarcane farmers to help reducing the burning activities (may involve creating understandings of the issue or providing help in the form of subsidies etc.)?
3. Does the Company have an evaluation method to determine the effectiveness of selected measures implemented by the Company?

### Outcome:

KSL has admitted that the burning of sugarcane, as well as other plants/weeds all contributed to the higher level of dust. The Company is well aware of such effect and has employed appropriate measures to prevent environmental problems, including the policy to buy fresh sugarcane and provide materials for sugarcane planting and harvesting.

In addition, the Company also has a campaign to promote reducing the burning of sugarcane fields such as:-

- 1) In case of fresh sugarcane, the Company provide special queue for farmers to deliver fresh sugarcane to the factory and also include fast-track payment. In addition, for fresh & clean sugarcane, the farmers will receive a special price, according to the government campaign to encourage farmers to cut fresh cane, and can receive payment via government channel for fresh & clean sugarcane cutting.
- 2) The Company encourages the farmers to improve the sugarcane cutting method, including the use of Sugarcane Leaf Pruning Machine, and the support for purchasing the Sugarcane Harvester. The Company, together with financial institutions, provides loan with low interest rate for farmers to buy machine for sugarcane harvesting as well as other equipment with the Company as guarantor, or in some case the Company also provides direct loan to farmers with special interest rate.

- 3) The Company has public relation activities to encourage fresh sugarcane harvesting, educate/remind farmers on regulations to reduce environmental pollution, including organizing field trips to study how to use Sugarcane Planting Machine in order to reduce soil preparation time, to study how to use the Sugarcane Leaf Pruning Machine and how to operate the Sugarcane Harvester.
- 4) In case of the sugar factory and power factory, the Company uses natural resources and energy as necessary and supports the reuse and recycling of raw materials and waste in production process. The factory uses modern dust collector to prevent emission, also controls the dampness of the fuel, and check the air pollution level with appropriate device.

The Company expects that when the sugarcane harvest is over, the sugarcane that is burned should amount to around 3m tons vs 7m tons last year. Other measures can be in a form of providing education, providing loans for planting sugarcane, materials for sugarcane planting, and technology to increase yields and efficiency in cultivation. The Company hopes that these measures, if consistently applied, will help gradually solving the problem in every year thereafter. However, since solving this problem requires a long-term plan, it requires the government policy involvement as well.

KAsset is of the opinion that this dust problem is the one that needs long-term solution and also requires the cooperation of every parties involved. However, we agreed that the Company's measures taken should help alleviating problem and we should continue to monitor the situation going forward.

## 12. Mega Lifesciences Public Company Limited ("MEGA")



### Context:

MEGA LIFESCIENCES PUBLIC COMPANY LIMITED "MEGA" has announced save energy plan. The Company has set up energy saving team to implement project and monitor energy consumption per unit of product in Green Mega project.

### Action:

Kasset contacted to IR about the progress of the project and the expected goal will be.

### Outcome:



The Company has started using LED lamps (20 Watt) to save energy and protect environment. The Company continues to use chilled water for air conditioning system (non CFC) to reduce the greenhouse gas emission. The insulation material of ducts has been hanged from fiber glass to polyethylene foam to help reduce the reinstallation and also prevent spread of small glass particles in the environment. Company has installed a 420 KW roof top solar project in its Yangon Distribution Center in Myanmar. The project comprises of 1,206 Solar panels avoiding 260Kg. of CO2 per day and saving almost 50 liters of diesel per hour. In 2019, Company completed Installation of 957 KWp Solar Power plant at New Warehouse which is designed to avoid 1000 tons of Carbon foot print Annually.

### 13. Osotspa Plc. (“OSP”)



#### **Context:**

On August 1, 2019, the Office of Trade Competition Commission (OTCC) has delivered a milestone ruling, fining M-150 (“M-150”), the manufacturer of M-150 energy drinks and a part of Osotspa Plc, THB 12m for using marketing dominance to restrict fair competition. The ruling came after a group of distributors filed a complaint to the Commission in 2012 against “M-150”, alleging the Company violated the Trade Competition Act 1999 (since repealed by the new Trade Competition Act). Distributors complained “M-150” had prohibited them from selling other energy drink brands and threatened not to supply M-150 to them if they failed to comply with the requirement. The unfair compulsory conditions violate sections 25 and 29 of the new Trade Competition Act.

#### **Action:**

We contacted the Company’s management to clarify the issue. The Company informed that it has paid THB12m fine and the case has already been settled. Afterward, the Company has included a fair competition into the code of conduct of the Company to ensure the compliance with rules and regulations.

#### **Outcome:**



The Company arranged the press release to clarify the issue. They disclosed that this issue is not related to Osotspa’s existing operation of all products including M-150 energy drink product since the “M-150” Company was discontinued since 2015 before entering into the reorganization process for IPO purpose. This case has also been disclosed in company’s prospectus documents. The Company said in a statement that “M-150” had been fully cooperative with the committee in its investigation. The settlement is in line with the new act, which empowers the committee to impose a fine to settle and resolve cases. After the judgment was finalized, the fine was paid by the company. KASSET acknowledged the clarification.



#### 14. Plan B Media Plc. (“PLANB”)



##### **Context:**

On January 30, 2020, there was on the news that Pol. Gen. Somyot Poompanmoung, President of the Football Association of Thailand (“FA”), might have a lawsuit. One of the claims referred to the contract between “Football Association”, “Thai Premier League” and PLANB that was fraud and caused damage to FA Thailand. The contract was initiated in 2016, which PLANB won the bidding for the right to act as official agency to administrate the benefit of FA Thailand and Premier League (Thailand) for the period during 2017-2020.

##### **Action:**

We contacted the Company regarding the issue on the same day that the news was out. The Company insisted that the contract was done correctly and properly and arranged the conference call with analysts and investors to clarify the issue thereafter.

##### **Outcome:**



The Company arranged the conference call with analysts and investors in that evening to clarify the issue. They had also sent the letter to SET on February 3, regarding the issue, stating that 1) the bidding process was in accordance with the invitation bid and they had tendered a bank guarantee 2) they performed their duties in managing rights for FA Thailand and Thai Premier League according to the contract by consistently generating and delivering revenue of more than the minimum requirement, no damage done to FA Thailand and Thai Premier League 3) the accusation that the Company had receive the right management compensation from backdating the contract through the contract of Siam Sport is false. KAsset acknowledged and satisfied with the clarification. In February 2020, the court already acquitted the case.

## 15. REIT Sector



### Context:

REITs, Property funds, and Infrastructure funds have low scores based on our ESG assessment in general among all sectors. This is due to the lack of view among the sponsors that REITs should also be considered as a separate entity with its own initiatives and independent from the group. This is particularly true in Thailand where REITs are usually much smaller entities in the groups and play passive roles to support the group's financing activities. As a result, REITs are less focused on ESG efforts and initiatives.

In terms of governance, REITs were influenced somewhat by the direction of the sponsors. Most major transactions are related-party transactions like acquiring assets from sponsors. The sponsors do not usually have substantial financial interest in the small REITs comparing to their total wealth which could create a potential for conflicts of interest. Moreover, property funds are not required to disclose information like REITs, so they usually maintain the disclosure at the minimum required by the law.

REITs are typically less focused on solving social and environmental issues since they are usually done at the sponsors level. The initiatives to actively promote social and environmental responsibilities are usually done at the sponsor level. CG rating by IOD, CAC certification, and efforts to answering our questionnaires are not caught their attention leading to no extra ESG scores for REIT sector. These are the reasons why REITs, Property funds, and Infrastructure funds have low ESG assessment across the sector.

### Action & Outcome



KAsset has tried to communicate with REIT manager and sponsors on the above issues but most REIT managers mentioned that the actions on ESG are more explicit on the sponsors' action. KAsset is aware on the issue and will continue to encourage REIT managers on the ESG awareness.

## 16. Srisawad Corporation Public Company Limited (“SAWAD”)



### Context:

In the past decade, Thailand’s household debt has risen from 53.2% of the country’s gross domestic product (GDP) in early 2009 to 78.7% by the end of Q1 2019. The Bank of Thailand (“BOT”) opined that, as Thais get into debt early and continue to be indebted until their retirement, the pattern indicates an over-indebtedness problem, which can pose a risk to Thailand’s macro-economic stability. As a result, the BOT had then called for financial institutions to consider small lenders’ ability to repay their debts instead of the value of their collateral alone. Moreover, the BOT also urged the financial institutions to instill “Responsible Lending” awareness in their corporate culture for top to bottom.

### Action:

We raised with SAWAD management regarding the “Responsible Lending” issue and whether the Company appropriately respond and treat its clients particularly on collection.

### Outcome:

Regarding collateral based lending, SAWAD has been in continuous discussion with BOT on how to consider its clients ability to pay since most of SAWAD’s clients do not have proof of income, and SAWAD has reiterated that it is willing to cooperate with any new requirement in order to maintain the stability of financial system and reducing financial stress on households. Although SAWAD was not among the 15 financial institutions that jointly formulate the guidelines for responsible lending with the BOT, the management ensures that the company has always been sensible in its lending practice. The prime example is when there is a flooding issue (which usually happens every year, though unlike the major one was in 2011), SAWAD does not blindly push for collection but has always helped out its clients in restructuring loan terms and repairing clients’ collateralized assets if they were damaged from flooding.

## 17. Sino-Thai Engineering and Construction Public Company Limited. ("STEC")



### Context:

According to the news on November 13, 2019, which the National Anti-Corruption Commission accused STEC and some senior managements as the abettor on a criminal offence of bribing the government officials in exchange for allowing the ship to transport the construction equipment parts from abroad into a harbor. The charges was related to a bribe of THB20m paid by Mitsubishi Hitachi Power Systems Ltd to four government officials, in order to allow three ships to port although the vessels were too big, during the construction of a gas-fired power plant in Nakhon Si Thammarat province.

### Action:

We contacted the company to clarify this issue immediately on the same day and the Company has sent the letter to SET in order to get explanation regarding the case of being accused as the abettor on a criminal offense in the evening.

### Outcome:



STEC affirmed that the Company conducts its business in accordance with the principles of good governance and will never involve or support any forms of corruption. The Company has very strict measures to prevent the corruption within organization and firmly believes that the Company can provide explanations and evidences to defense against the allegation. As the accusation from the National Anti-Corruption Commission only marks the kick-off of an investigation, the lengthy period of time before the Supreme Court makes a final verdict. STEC can do business as usual and be able to bid for new projects. KAsset acknowledged and will continue monitoring further development for this issue.

## 18. Tisco Financial Group (“TISCO”)



### Context:

Thailand’s household debt has risen from 53.2% of the country’s gross domestic product (GDP) in early 2009 to 78.7%, totaling Bt13 trillion by the end of the first quarter of 2019. The central bank said that, as Thais get into debt early and continue to be indebted until their retirement, the pattern indicates an over-indebtedness problem, which can pose a risk to Thailand’s macro-economic stability, because the family is an important economic unit for the country’s fundamentals. Also, if household has high debt, family members will be under financial stress and they are unlikely to be able to perform well at work. This will negatively impact productivity at both the corporate and national levels, said the central bank. As a result, the regulatory body had then called for financial institutions to consider small lenders’ ability to repay their debts instead of the value of their collateral alone. Moreover, the central bank also urged the financial institutions to instill “Responsible Lending” awareness in their corporate culture for top to bottom.

### Action:

We contacted the company regarding the “Responsible Lending” issue and inquired the company on how it would appropriately response and treat its clients going forward.

### Outcome:



TISCO was among the 15 financial institutions that will jointly formulate the guidelines for responsibility lending with the Bank of Thailand. The guidelines will be formulated as part of commercial banks sustainable business operations. As a result, four policies for responsible lending will be put in place within the end of 2020, accounting for stakeholder engagement, internal implementation mechanisms as well as transparency.

## 19. TMB Bank Public Company Limited (“TMB”)



### Context:

Since the beginning of the year 2019, there had been some rumors of the M&A deal between TMB and Thanachart Bank (“TBANK”) published in several newspapers and websites such as Thaipost.net on 4 February 4th, 2019, Kaohoon on February 7th, 2019 and Brandinside.com on February 17th, 2019, etc. Due to unconfirmed information, TMB’s share price had been much volatile during that period with no fundamental change. However, there was no official announcement from the Bank related that news.

### Action:

As for this issue, we contacted the Investor Relations (“IR”) of TMB Bank in order to ask for more clarification about the M&A news shown in newspaper and other medias. However, the IR had no information providing for investors at that time. KAsset, as an institutional investor, we had emphasized that the Bank should prompt to provide basic information related to news published in several medias and improve the process of communication with investors in case of sensitive issue spreading out in the market. Specifically, in case of a confidential deal under negotiation such as the M&A with counterparties, the Bank should have a process to prevent data leakage prior to official announcement to the public to ensure that there is no opportunity for insider trading.

### Outcome:



On February 15th, 2019, TMB bank had clarified that it was under the discussion with all related parties including the Board, regarding the possibility for M&A but there was no conclusion yet. After that, on 26 February 2019, TMB bank had informed the SET that it entered into a non-binding MOU with TBANK and related parties with the objective of merging TMB and TBANK.

## 20. Thai Union Group Public Company Limited (“TU”)



### **Context:**

On March 14, 2019, Thai Union’s UK tuna subsidiary, John West Foods, was indicted on eight counts of alleged past connections to illegal, unreported and unregulated fishing (“IUU”) by the UK’s Crown Prosecution Service (“CPS”). The indictment relates to events alleged to have occurred between March 1, 2012, and February 28, 2014, at the major UK trading port of Felixstowe in Suffolk. The UK’s Marine Management Organization (“MMO”) had submitted a file of evidence to the CPS in relation to allegations of unregulated fishing in the Atlantic Ocean, which led the CPS to take action against John West.

### **Action:**

We contacted the Company to understand the issue in details and asked for the next step of the allegation. Also, we discussed on the impact towards overall operation of John West in UK during the pending verdict. The preliminary response from the Company was that the Company believed its subsidiary complied with the regulation. The Company has cooperated completely with the MMO and its investigators and has been fully transparent with them.

### **Outcome:**



On October 30, 2019, Thai Union announced not guilty verdicts on all counts of doing business directly connected to illegal, unreported and unregulated (IUU) fishing with which it had been charged. The result concluded the lengthy legal proceedings brought at the investigation of the UK Marine Management Organisation (MMO). The Company takes the issue of IUU fishing extremely seriously and ensures its traceability of sources for fish supply. KAsset acknowledged the positive conclusion.