



# INVESTMENT GOVERNANCE CODE

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## 2020 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.

It has been over 4 years since the introduction of the Investment Governance Code for Institutional Investors (“I-Code”) in 2017 when KAsset, together with other Thai institutional investors and their representative industry organizations, have signed the declaration of mutual collaboration to encourage the implementation and later became a Signatory to the I-Code. 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.

Nowadays, it’s an internet of things (IoT) era which technology has been playing an important part to many businesses especially in customer-related services so that the services are more comfortable, faster, flexible with maximized efficiency and productivity. On the other hand, this could jeopardize the business continuity from cyber security risk, which has highly impact as well. KAsset, has raised cyber security risk issue to the top priority to ensure the protection of confidential information under three principles including Confidentiality, Integrity and Availability.

KAsset has global standard of risk management system to ensure the cyber security oversight by implementing IT governance framework, established Three-Line-of-Defence, and IT security policy, personal data protection policy and risk management policy. This creates enterprise wide governance and enhanced participation, transparency, accountabilities, with ensured security control in place.

Moreover, KAsset has established strong risk management process including risk identification & risk assessment for cyber security control, business continuity plan (BCP) and response & recovery plan to tackle with the crisis and create a prevention and recovery system from any potential threat, and third party risk management framework to take care of cyber security risk from vendors and outsources.

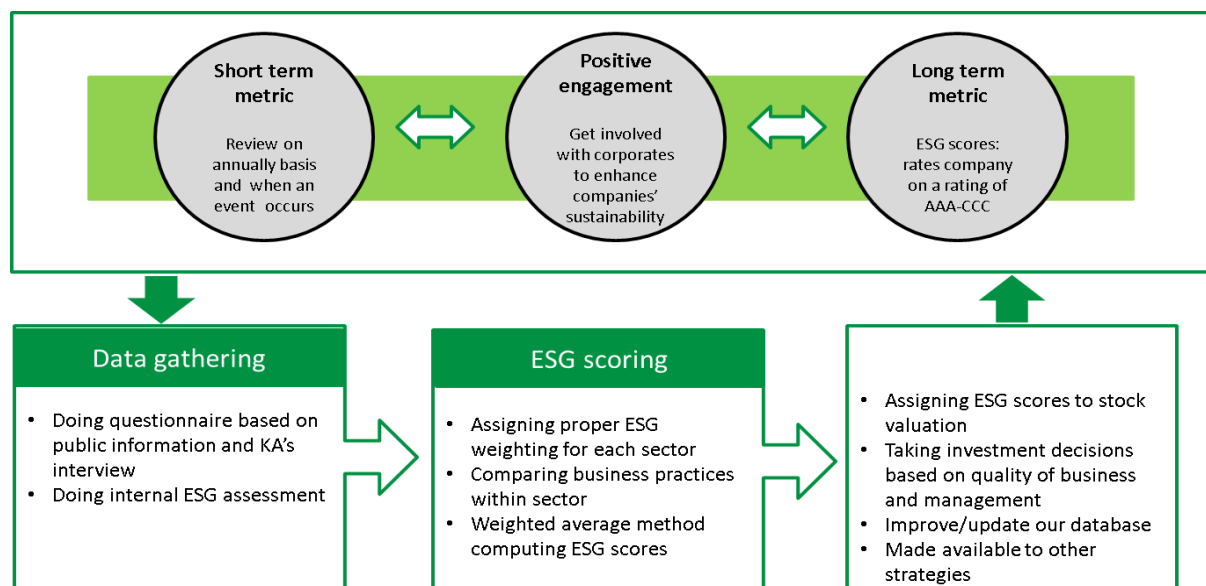
2020 has been a very difficult year both economically and well-being for everyone due to the Covid-19 Pandemic. Sustainable investment was considered even more important during the crisis. We have engaged with Investee Companies to understand their strategies to overcome business operational challenges as well as responsibility for all stakeholders and the society amid the pandemic. While we are committed to fully comply with I-Code, in 2020 there were many achievements we have made to strive the stewardship practices, our 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 evolution of investment environment. Our ESG analysis are done through an internal ESG evaluation template which using data collected from 1) Open-ended questionnaire sent to investee companies by their respective industries 2) on-going dialogues with the investee company managements and site visits at the Company's premises 3) company's data and other available public information sources 4) proprietary data from third party service providers. These enable us to achieve our goal of sustainable investment. Our latest I-Code and ESG policies review were approved by the Board of Directors in March 2021.

In 2020, 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 industry sub-groups.

**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. In addition, KAsset also regularly reviews our proxy voting policy to reflect changes of the regulations which may have been updated over the time.

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 2019, KAsset 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.

In 2020, after the Securities and Exchange Act (No. 6) B.E. 2562 (2019) introduced the new section 124/1 which imposes new requirement on asset management companies ("AMCs") who managing mutual funds to have a new compliance oversight requirement. The Office of Securities and Exchange omission ("SEC") issued a Notification of Capital Market Supervisory Board Tor Thor 49/2562 re: Standard Conduct of Business, Management Arrangement, Operating Systems, and Providing Services to Clients of Securities Companies and Derivatives Intermediaries (No. 11) which has been effective from July 1, 2020 to require AMCs to put in place a policy on the prevention of conflicts of interest in managing mutual funds and mechanisms for monitoring conflicts of interest and unfair to the unitholders. AMCs will be required to have a new monitoring mechanism is the form of an independent oversight entity ("IOE")

Therefore, the Board of Director of KAsset has appointed the IOE committee which is independent from the operation and reports directly to the Board to perform the oversight as required by the SEC.

The IOE committee will be in charge with the following responsibilities:

- 1) Monitor activities or acts that have the conflict of interest to the fund's unitholders.
- 2) Monitor activities or acts that are unfair to the fund's unitholders.
- 3) Monitor activities or acts that are prejudicial to the fund's unitholders.

### 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.

**Table 1: A summary of equity team meetings with listed companies in 2020**

Country	Equity	
	No. of meetings	No. of listed companies
Thailand	1194	234
Vietnam	80	28
Malaysia	41	21
Singapore	106	53
Indonesia	61	33
Philippines	35	21
Others	24	21
<b>Total</b>	<b>1541</b>	<b>411</b>

In 2020, the equity team at KAsset held a total 1,541 meetings with 411 listed companies mostly via the virtual conference due to the outbreak of Covid-19 Pandemic since the beginning of the year. The meeting details are as shown 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.

2020 was an unprecedented year due to Covid-19 pandemic, in addition to the regular investment discussions, we also engaged with Investee Companies to understand their strategies to overcome business operational challenges as well as responsibility for all stakeholders and society amid the pandemic.

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

## **Fixed Income**

Covid-19 Pandemic led to the first Thailand lockdown in March 2020 and raised concerns among investors about credit worthiness of investments in fixed income funds. This resulted in heavy redemption of fixed income funds under management by various asset managers. The liquidity issue shall be discussed later in Principal 6.

After the lockdown, KA's fixed income team evaluated credit quality of invested corporates in KAsset's investment universe. The analysis explored on both industries and individual corporates that prone to have adverse impact from Covid-19 Pandemic. Details are as follows:

1. Probable negatively affected industries which are non-bank financials, tourism related, and real estate.
2. Those industries that were not directly affected, focus was on corporates that had weak financial.

Following the above analysis, KA's team was able to identify 9 companies that required further attention and possibly being downgraded on credit ratings of which 2-3 companies had a chance of getting defaulted.

KAsset's fixed income team did interview and discuss with management of those companies regarding liquidity management plans and possible emergency back-up solutions. However, in 2020, none of company in our universe was defaulted.

## **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, JP Morgan, UBS, Baillie Gifford etc. 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.

We launched K-CHANGE, our first ESG complied (UN Sustainable Development Goals or UNSDG) foreign feeder fund, in 2019. The Fund has dual objectives which are 1) to deliver attractive long-term returns and 2) to deliver positive change by contributing towards a more sustainable and inclusive world. The Fund has its investment policy to invest in high quality growth companies which can deliver positive social change in one of the four areas: Social Inclusion and Education, Environment and Resource Needs, Healthcare and Quality of Life, and Base of the Pyramid (addressing the needs of the world's poorest populations). As of April 21, 2021, K-CHANGE is the sixth largest foreign investment fund in Thailand with the total net assets of THB 16,303 million.

To continue our belief in ESG investment after a successful launch of K-CHANGE, in 2020 KAsset launched another ESG foreign feeder fund, K-CLIMATE that aims to help addressing the climate change problem. The Fund has its investment philosophy and objective to invest in companies that are leading the transition to a net-zero emissions and climate-resilient economy, companies that help solving the climate change problem, to be specific

carbon reduction and avoidance. Those companies could be solution providers, transition candidates to renewable and clean energy, and adaptation opportunities who help making a positive impact in protecting green environment. As of April 21, 2021, K-CLIMATE has the total net assets of THB 2,200 million.

### **Trustee**

In 2020, Property Business and Infrastructure team have monitored operations of REIT Manager and Property 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 and Property 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 and the Property Funds, Trustee team for Real Estate Investment Trust 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.

### **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. In 2020, KAsset, together with other institutional investors, has written a letter on behalf of the Association of Investment Management Companies (“AIMC”), requesting for a meeting with Chairman of the Board of Airports of Thailand for clarifications and raised our concerns on the Board’s approval of Covid-19 relief measures for tenants and concessionaires by adjusting contract terms and condition which considered material. KAsset together with other Institutional investors and representative from AIMC had a meeting with the CEO of AOT as the Board’s representative to discuss the case (See details in Appendix 1 “Key engagement cases” for details of engagement with AOT).

### **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 shareholder meetings of investee companies which clearly specify the guidelines for voting direction for each type of resolutions. Our latest Proxy voting guideline was updated and approved by the Board of Directors in January 2020.

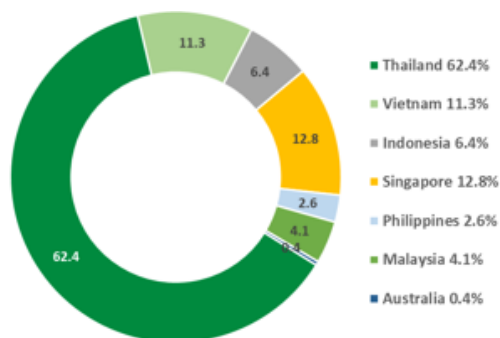
We have also subscribed third party proxy research service from Institutional Shareholder Services Inc. (“ISS”) since 2017 for comparison and reference of global practice. However, we retain full discretion when determining how to vote on behalf of our clients.

Last year KAsset voted for 225 listed companies in total, of which 152 are Thai listed companies and 73 are listed companies in foreign countries. Of the total 2,233 resolutions, we voted "For" 2,017 resolutions, "Against" 104 resolutions and "Abstain" 112 resolutions. Details are as follows:

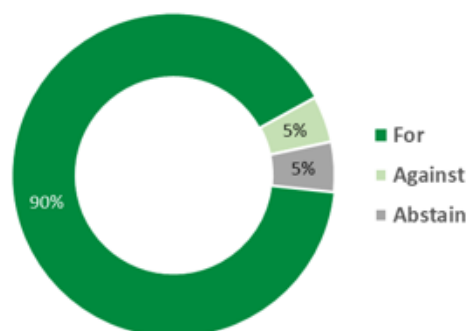
**Table 2: Breakdown of votes by Thai and other AEC countries and vote casts for each resolution**

	No. of companies	Notice of meetings	For	Against	Abstain
TH common stock	152	166	1,429	90	1
Foreign stock	73	100	588	14	111
Total	225	266	2,017	104	112

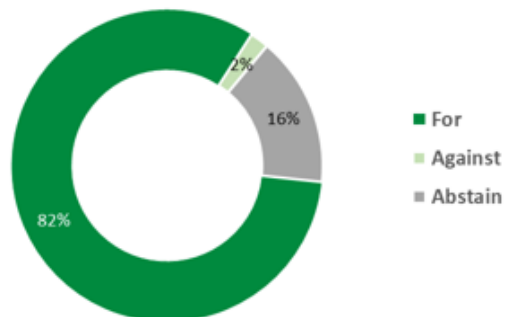
**Chart 1: Breakdown of overall votes by countries**



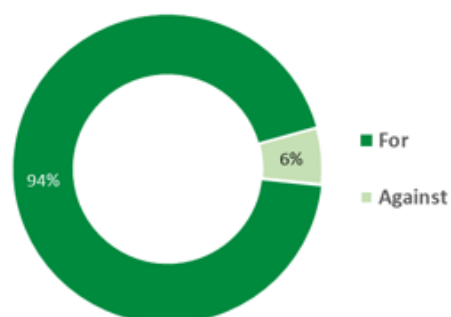
**Chart 2: Breakdown of overall vote casts**



**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 and significantly absent from the meeting. 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**

	Against		Abstain	
	TH	AEC	TH	AEC
Board Matters	85	4	0	34
Dilution and Control	3	9	1	12
Auditors	1	0	0	38
Remuneration	1	1	0	13
Others	0	0	0	14
<b>Total</b>	<b>90</b>	<b>14</b>	<b>1</b>	<b>111</b>

	Against	
	TH	AEC
Board Matters	85	4
Dilution and Control	3	9
Auditors	1	0
Remuneration	1	1
<b>Total</b>	<b>90</b>	<b>14</b>



Held the directorship for more than 9 consecutive years		Held a directorship in more Than 5 listed companies		Significant absence the meeting	
TH	AEC	TH	AEC	TH	AEC
65	3	4	1	16	0

Capital structure		Business operation	
TH	AEC	TH	AEC
2	6	1	3

Remuneration of auditors	
TH	AEC
1	0

Remuneration of directors	
TH	AEC
1	1

	Abstain	
	TH	AEC
Board Matters	0	34
Dilution and Control	1	12
Auditors	0	38
Remuneration	0	13
Others	0	14
<b>Total</b>	<b>1</b>	<b>111</b>



Abstain due to lacking of information	
TH	AEC
1	110

Business Operation	
TH	AEC
0	1

**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.

In August 2020, KAsset Equity team, together with other institutional investors, has written a letter on behalf of the Association of Investment Management Companies (“AIMC”), requesting for a meeting with Chairman of the Board of Airports of Thailand for clarifications and raised our concerns on the Board’s approval of Covid-19 relief measures for tenants and concessionaires by adjusting contract terms and condition which considered material. KAsset together with other Institutional investors and representatives from AIMC had a meeting with the CEO of AOT as the Board’s representative to discuss the case (See details in Appendix 1 “Key engagement cases” for details of engagement with AOT).

As for the fixed income side, credit concern resulted in continuous massive redemptions since March 2020, crunching liquidity on fixed income funds and eventually caused the closure of few large fixed income funds at other asset manager.

Waves of massive redemption also struck our fund’s liquidity, mostly on daily fixed income fund. We prepared three measures for the liquidity management as follows:

1. Normal measure: In addition to traditional liquidity preparation by fund managers, i.e. selling bond and debenture out from portfolios, the Bank of Thailand played its role by directly injecting liquidity through Open Market Operations that channeled liquidity to mutual fund through commercial bank operations. In addition, our risk department regularly monitored liquidity of funds by defining minimum liquidity for each type of fund to ensure sufficient liquidity for a certain period of time using a set of data collected from the past redemption patterns. The compatible guidelines of our risk department supported liquidity management of our funds at the early stage.

2. Private Repo with KBank, our major shareholder: KAsset, in coordination with KBANK signed Repurchase Agreement with KBank as another source of short-term liquidity. However, private repo was considered costly if done in a large amount and thus might have negative impact of the Funds’ Net Asset Value.

3. Mutual Fund Liquidity Facility: BoT announced Sor. Kor. Ngor 3/2563, Mutual Fund Liquidity Facility (MFLF), to support mutual fund liquidity during COVID-19 pandemic. The facility provided liquidity to any commercial banks that supported liquidity of money market or daily fixed income mutual fund by allowing mutual fund units subscribed by commercial banks to be used as a collateral for bilateral repo with BoT, injecting cash for any collectively massive redemption. Money market funds and daily fixed redemption funds that fit to the announcement could be used to pledge as a collateral with very low cost. KBank subscribed mutual fund

units to support liquidity of KAsset funds during Covid-19 pandemic in March 2020 and already liquidated since last year.

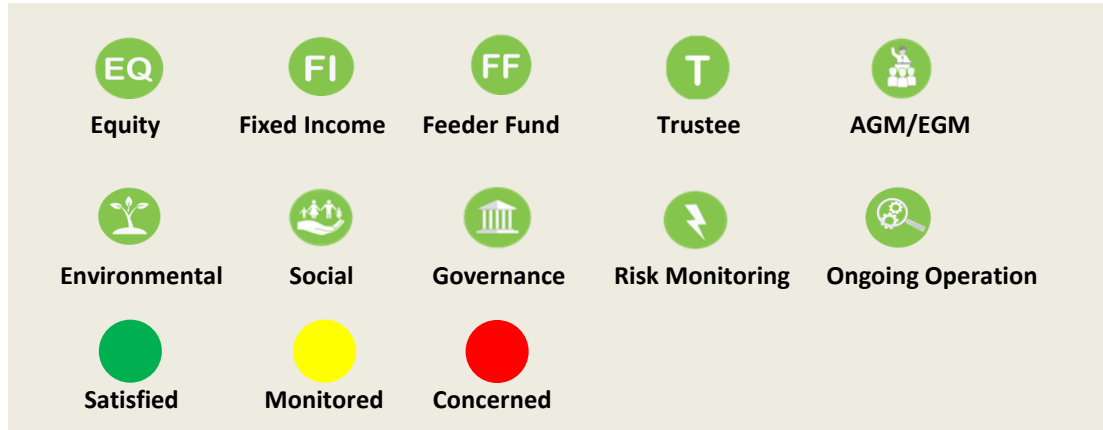
Among the three measures mentioned above, measure #1 by KAsset and measure #3 by KBank were utilized the most during Covid-19 pandemic in 2020 to support liquidity for money market and daily fixed income fund.

**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. Investment Compliance annual review 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. Airports of Thailand Public Company Limited (AOT)
2. AP Thailand (AP)
3. Bangkok Chain Hospital Public Company Limited (BCH)
4. BG Container Glass Public Company Limited (BGC)
5. Total Access Communication Public Company Limited (DTAC)
6. Global Green Chemicals Public Company Limited (GGC)
7. GULF Energy Development Public Company Limited (GULF)
8. Kasikornbank Public Company Limited (KBANK)
9. MK Restaurant Group Public Company Limited (M)
10. Siam Makro Public Company Limited (MAKRO)
11. MC Group Public Company Limited (MC)
12. Muangthai Capital Public Company Limited (MTC)
13. PTT Public Company Limited (PTT)
14. PTT Global Chemical Public Company Limited (PTTGC)
15. Quality Houses Leasehold Property Fund (QHPPF)
16. RS Public Company Limited (RS)
17. Sri Trang Agro-Industry Public Company Limited (STA)
18. Tipco Asphalt Public Company Limited (TASCO)
19. Thai Union Group Public Company Limited (TU)

## 1. Airports of Thailand Public Company Limited (AOT)



### **Context:**

The travel restrictions to control the COVID-19 outbreak have brought travel to a standstill, and continuously caused a drop in overall passenger numbers at AOT's airports. The concessionaires and airlines with over 1,000 contracts also have faced with a drop in revenue. AOT has therefore established the assistance measures for the concessionaires and airlines until March 2022. The King Power Group submitted a letter requesting AOT to consider the assistance measures from previously based on minimum guarantee. On July 29, 2020, the Board of Directors of AOT approved to postpone another one year for area improvement and decoration by extending the contract term for another one year from on March 31, 2031 to March 31, 2032 as well as adjusting the collection of minimum guarantee since April 1, 2022 by applying sharing per head based on actual passenger volume of such given year until the year the actual passenger volume of AOT is equal or higher than the passenger volume forecast in 2021 based on bidding documents.

### **Action:**

We contacted the Company to clarify this issue immediately on the same day that the Company sent the letter to SET to clarify the issue. Our concerns were that 1) whether the announced measures have been carefully considered all the factors involved 2) whether AOT's offered relief period was considered longer than necessary 3) the offered contract structure had very significant impact to AOT's operation thus AOT should have given more details on the calculation rationale and preferably proposed for approval from EGM. KAsset also collaborated with other institutional investors via Association of Investment Management (AIMC) to request for a meeting with AOT's Board of Directors to discuss on the matter.

### **Outcome:**



AOT President clarified that the assistance measures for the concessionaires and airlines affected by the COVID-19 outbreak as mentioned above were prudently considered based on various factors including fairness as well as shareholders' interests. As soon as the situations return to normal, AOT is ready to change the condition to be back to pre Covid-19. AOT acknowledged that in the future for measures that have high impact on its operation, they will give more details and rationale to public in a timely manner. KAsset acknowledged and will continue monitoring the development.

## 2. AP Thailand (AP)



### **Context:**

Global warming is an unavoidable crisis of the 21st century. Many may be reluctant to take actions because it is difficult to measure actual impacts on our planet. 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. Melting polar ice caps may not resonate with any of us at this moment in time as Thailand is situated on the equator. According to Climate Central, a science organisation 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. A CSR award-winning company in Human Resource Enhancement from Asia Responsible Entrepreneurship Awards 2019, AP is at the forefront on battling the climate change through effective resource and utility management.

### **Action:**

We communicated with the Company to get updates on their initiatives and tried to empower them to stay on course of social sustainability management. The company has the knowledge transfer program for internal personnel and third parties to develop their own skills or extend knowledge to benefit society and environment.

### **Outcome:**

AP Academy project is an integrated learning institute for real estate and other activities. Both internally and externally for the past years, the Company has engaged with different parties to share new ideas and innovations in managing the construction of real estate. This includes innovation of area management. Besides AP's employees, the Company also focuses on people outside the organization such as students and the general public who are interested to be informed continuously. The course for Construction management courses and environment was well received by more than 829 people both through in-person and online workshops. AP also has a collaboration with Stanford University to incorporate principles of Design Thinking for sustainable resource management.

### 3. Bangkok Chain Hospital Public Company Limited (BCH)



#### **Context:**

NHSO announced contract cancellation with the hospitals in Bangkok area that breached the disbursement agreement of the National Health Security Fund or UHC during the 2019 budget year (1 Oct. 2018 - 30 Sep. 2019), effective from 1 October 2020 onwards. Kasemrat Ramkhamhaeng, one of hospitals under BCH group, was included.

#### **Action:**

On 30 September 2020, KASSET has contacted the Company for inquiry to the cause of the incident and steps or measures to inspect after this.

#### **Outcome:**

The Company informed that the cancellation was on Health Promotion and Disease Prevention Program (P&P). The incident was due to an individual human error. This cancellation applied for only Kasemrat Ramkhamhaeng, while status with NHSO of other affiliates are maintained. However, no hospital under BCH group treats NHSO patients besides P&P. Therefore, the cancellation should not affect the Company's operating profit significantly. The Company laid down defensive measures and provided additional information as follows:

1. The Company has emphasized all related staffs to be more careful preventing this kind of incident.
2. The Company has set up a committee, imposed penalties on accomplice and investigated to assure that this event will not arise with other affiliated hospitals.
3. The Company expects no further litigation in the pre-fiscal year of 2019.
4. The Company ensures that this kind of incident will not arise with Social security income.

This case isn't considered illegal and no additional fine needed to pay. The Company only returned the related income to NHSO approximately one hundred thousand baht.

#### 4. BG Container Glass Public Company Limited (BGC)



##### **Context:**

In October 2020, BGC announced the capital increase in order to acquire three companies from its parent company, the management said that not only they will have a place to open a new furnace as they desired, but also they will have a strategic location in terms of logistics, Laem Chabang Port, which is a good location for the Company. In addition, by acquiring these three companies, BGC will move towards total packaging solution mission earlier than expected. The total acquisition value is approx. THB3,978 million. Concerns among investors were that one of three companies, Kabinburi Glass Industry Co., Ltd., (KBI) which accounts for 60% of the total deal size is still a loss-making company. The proposed capital increase for these M&A thus was not value-accretive.

##### **Action:**

We followed up on the issue with the Management and raised our concerns. The Company later cancelled the proposed M&A deals. The management said that though the cancellation of the deals, the Company still aims to be total packaging solution company. There are plenty of opportunity both organic and inorganic in the market. As for the case of KBI deal which was the main concern of investors, it will not be proposed for consideration anymore. The Company will construct the new furnace in Ratchaburi province instead with the estimated investment cost approximately THB2,000 million and the construction will start in 2023.

##### **Outcome:**

KAsset acknowledged and satisfied with the deal cancellation since it is not value accretive for minority shareholders and also raised concern on potential conflict of interest arisen from related party transactions.



## 5. Total Access Communication Public Company Limited (DTAC)



### **Context:**

On December 16, 2020, the Government second phase Khon La Krueng was opened for registration, available for 5 million people. The program was very popular, with 5 million quota was filled by less than 2 hours starting from 6am. However, DTAC customers were unable to register as DTAC's network was collapsed since 4pm-8pm resulting to the failure in sending the OTP to customers.

### **Action:**

On December 16, customers have complained to DTAC both directly and through social media causing social pressured to DTAC. KAsset has contacted the Company for inquiry to the cause of the incident and the relief measures from the Company.

### **Outcome:**

DTAC compensated to customers by offering up to THB3,500 in value to subscribers who were unable to sign up for the government's scheme. The remedies included a top-up bonus, free call and data usage and discounts for mobile phone purchases. There won't be any cash rebate paid from DTAC to those affected customers. Those who received SMS must contact DTAC to receive such compensation during Dec 17-23. KAsset satisfied by the quick response from the Company to compensate the customers.

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



### **Context:**

GGC informed SET of the Civil Court's judgement on Black Case No. Por 4702/2561 on June 10, 2020, under Relevant lawsuit arising from raw materials derogation that the GGC had received notification from another company that had been assigned the right of claim for the inventory, whereby a supplier had borrowed money from the aforementioned company in order to purchase materials to sell to GGC. Such company filed a civil case to the Civil Court against the supplier and GGC as co-Defendants for breach of the loan agreement and assignment agreement. Subsequently, on June 10, 2020, the Civil Court issued its judgement, and stipulated that GGC shall pay damages of THB 289.46 million, plus interest at the rate of 15 percent per annum to such company, and that GGC and the supplier shall jointly pay the legal fees of THB 1 million.

### **Action:**

KAsset contacted GGC regarding the issue, and asked for the progress on this case in the next stage. GGC responded that they would arrange the conference call with analysts to inform this issue as soon as possible.

### **Outcome:** ●

On June 11 2020, GGC held the conference call with analysts to inform the Civil Court's judgement. Due to the case is not yet settled, and the legal advisor of GGC has considered the relevant facts and evidences and is still confident on the GGC's ground of defenses for this case, as such GGC will exercise its right to appeal under the relevant legal procedures. GGC will keep the investment community informed of any update.

## 7. GULF Energy Development Public Company Limited (GULF)



### **Context:**

GULF has expanded their investment in power plants to neighboring countries including Vietnam which the government is the Communist Party. Thus, we raised questions about the social and environmental issue for the communities surrounding the power plant, together with the process of approval for power plant construction permit if they have similar measures and practices as in Thailand.

### **Action:**

On 18 November 2020, KAsset met with GULF's Senior Management and their ESG specialist during our company visit and discussed about Vietnam's energy policy and power plant development plans that the Gulf is interested in investing in. We also raised our concern on how they handle social and environment issues.

### **Outcome:**

The Company explained that the Vietnam PDP plan supports the development of electricity generation with more renewable energy such as solar energy, wind power or LNG power plants. They intend to reduce the proportion of coal-fired power plants which it have a higher impact on the environment. With further clarification that although they are a Communist governing country and have absolute power, their policy takes into account the country's social and environment issues.

## 8. Kasikornbank Public Company Limited (KBANK)



### **Context:**

The COVID-19 pandemic has sent shockwaves through the entire Thai economy. Amid the deteriorating liquidity of both Thai businesses and households, KBank has launched a number of assistance measures under the “Stronger Together” program to ease its customers’ financial burdens. On 16 April 2020, KBank has launched two special programs to help small businesses retain their low-level staffs and keep their businesses afloat through the crisis. They include 1) the “Generous (Business) Owners – Empathetic Creditor” initiative wherein KBank cuts interest rates for business owners to allow them to pay their employees’ salaries and 2) the “Zero Interest-rate Loan to Retain SME Customers” initiative which helps small SMEs keep employees on their payroll, through a zero interest-rate loan with a 10-year loan term, no fees and a 1-year grace period of principal repayment.

### **Action:**

We contacted KBank to understand the supporting measures, which the bank will offer to their needed customers, the preliminary budget for these 2 programs and the estimated outcomes. As a result, KBank will initially use THB1000-1500 million under these programs and expects to help businesses to retain their staffs up to 56,000 jobs.

### **Outcome:**

KBank updated the progress of these 2 supporting programs. As of 31 December 2020, the programs have ended with the new loans of THB 1,100 million have been offered to affected SMEs, saving up to 47,000 jobs. Apart from this, KBank also reported that as of 31 March 2021, loans under relief programs amounted to THB 319 billion (or 14% of total loans) declined from THB 428 billion in 4Q20 (or 19% of total loans), and more than 90% of loans under relief programs are able to pay at their original schedules and terms. KAsset acknowledged the positive conclusion.

## 9. MK Restaurant Group Public Company Limited (M)



### **Context:**

According to the situation of COVID-19 that widely spreaded in Thailand since the beginning of 2020. This makes the living of many people becoming more struggle. However, under the difficult circumstance we still can see many generous helps from Thai people and organizations. M is also one of those names. The Company gives support by providing fresh and clean ingredients for cooking to the community, welfare, and several foundations. In addition, the Company also provides more than 7,400 of clean and freshly-cook lunch boxes every day to medical staffs in 34 hospitals, nursing homes, and public health agencies in 22 provinces nationwide starting from March 2020 until 30 April 2020.

### **Action:**

KAsset contacted the Company to discuss about the initiative concept of this project.

### **Outcome:**

The Company clarified that under the difficult situations, the Company wishes to be part of helping hands to the society. In addition, there are also other projects that the Company regularly runs to give support to the medical organizations. For example, M regularly donates the profit from their operating four restaurants at Piyamaharajkarun Hospital back to the Hospital.

## 10. Siam Makro Public Company Limited (MAKRO)



### **Context:**

The Company continues to move forward in pursuit of its mission, Makro 4.0 Enhancing People's Lives. It is achieving this under the guidance of a strategic framework that is intertwined with sustainable business practices in all dimensions, including environmental and social performance indicators, and is further guided by the concept of Together for Sustainability. By doing research and develop digital technologies as new business channels that can enable customers to operate with greater ease and convenience, generate higher profits, and achieve sustainable growth in the new competitive landscape. The Company set 2020 target to increase in the number of business owners and Makro retailer alliance plus.

### **Action:**

We contacted the Company regarding the issue and asked for detailed strategies and implementation plans that the Company uses for support business owners and keeps following up the outcome.

### **Outcome:**

The Company promotes the capacity of Sho Huay business owner and promotes the capacity of HoReCa business owners. Makro achieved this by providing training on retail management using the 8 Steps to Success course. These steps consist of finding a store location, product selection, price setting to ensure highest profits, store layout and product arrangements, store design and decoration, sales promotions, inventory management, and retail store differentiation. In 2020, the number of Sho Huay stores participating in the project increased from last year, moreover, the revenue of participating Sho Huay stores increased after participation. KASSET acknowledged the positive development.

## 11. MC Group Public Company Limited (MC)



### **Context:**

The Company manufactures and distributes apparels and lifestyle products. Their process might prone to environmental concerns such as waste & toxic management.

### **Action:**

KAsset discussed with the Company and asked how they handle the environmental and social issues arising from the production process.

### **Outcome:**



The Company clarified the process of handling wastes from production as follows:

- The Company has put emphasis on its care for the environment in every step of its activities starting from procuring environmentally-friendly raw materials, reducing and managing wastes from its manufacturing, cutting energy consumption, managing wastes to recycling and reusing of used materials/residues.
- The Company has set up an EHS committee for social and environmental responsibilities that are considered as an important mission in conducting business and included in its good corporate governance policies. EHS working unit participates since the inceptions of those projects to give advices and voice concerns relating to environmental preservation and safety.
- Subsidiaries, the procedures and processes that the Company strictly follows and to control and manage environmental impacts of its business activities:
  - The Company has measures on environmental quality monitoring before releasing outside of factories as well as workplace environment monitoring such as air quality in the workplace (including total suspended particulate and dust particles less than 10 micron), noise pollution, brightness and temperatures in workplace. All need to pass the standard regulations according to the laws.
  - The Company has wastewater treatment system and monitor for drinking water to meet the standards as regulated by the law.

## 12. Muangthai Capital Public Company Limited (MTC)



### **Context:**

According to study conducted by the Bank of Thailand (BoT) and The Nielsen Company (Thailand) on households across Thailand (BoT-Nielsen Household Financial Survey), household debt problem in the country was mostly a result of lack of financial discipline. Despite BoT issuing various policies and measures such as debt clinic project, or zero informal debt project, household debt problem still persists due to borrowers' lack of discipline. In addition, companies engaging in auto-title loan services were attributed as one of the reason in exacerbating household debt problem due to their high interest rate nature.

### **Action:**

We contacted MTC regarding BoT's concern and inquired the company on how it would appropriately response.

### **Outcome:**

MTC understands BoT concern and has always been ready to cooperate with BoT. As a retail loan provider with highest number of customers and branches, the Company has the ability to reach out to millions of people and its customers through Company's various communication channels. Therefore, even prior to our inquiry, MTC has created a CSR project KYI-KYE (Know-Your-Income, Know-Your-Expense), which is an accounting program for users to record income and expenses in accordance to BoT's practical guidelines. MTC allows the public and customers to download this accounting program KYI-KYE without any fee and condition.



### 13. PTT Public Company Limited (PTT)



#### **Context:**

PTT has informed SET of Clarification of the accident from the natural gas leakage at Bang Bo District, Samut Prakarn Province on 22 October 2020 at approximately 1:00 p.m., there was an accident of natural gas leakage and a fire at Theparat-Ladkrabang Road, Bang Bo District, Samut Prakarn Province. Consequently, PTT has isolated the natural gas pipeline system for damage control according to safety standards and was able to successfully get the situation under control. The initial damage assessment shows that the accident did not affect PTT's operations in any way. Although there was a minimal impact on the natural gas users, PTT was able to manage the natural gas procurement and distribution through alternative channels for the natural gas users in that area. Moreover, PTT has a comprehensive insurance policy covering all aspects of business and all main properties in line with the industry standards.

#### **Action:**

On 27 October 2020, KAsset contacted PTT regarding this issue, and asked for the cause of the incident and procedures for conducting the natural gas transmission system inspection in normal circumstances.

#### **Outcome:**

PTT clarified the procedures for conducting the inspection of the natural gas pipeline system, which is the international standard as follows.

1. Pipeline Patrolling once a week.
2. Power supply sources and electrical connection with surrounding structure inspection to examine the efficiency of the cut-off electricity of the gas pipeline protection system from external corrosion (Cathodic Protection: CP) once a month.
3. Electrical isolation inspection applied to protect natural gas pipeline from external corrosion once a year.
4. Coating material malfunction inspection by Direct Current Voltage Gradient Method (DCVG) and inspection of gas pipeline protection system from external corrosion by Close Interval Potential Survey Method (CIPS) in every 5 years.
5. Intelligent Pipeline Inspection Gauge (ILI PIG) by sending ILI PIG into gas pipeline during operating to collect gas pipeline condition and analyze gas pipeline completeness in every 5 years.

After the incident, PTT set up an Audit Committee and appointed Mr. Terdkiat Prommool, Senior Executive Vice President, Organisation Management and Sustainability as a Chairman to follow up the cause of the incident which now still is being investigated. Moreover, PTT has improved the procedures by increase the frequency of pipeline patrolling to be twice a week.

#### 14. PTT Global Chemical Public Company Limited (PTTGC)



**Context:**

PTTGC is in the industry related to plastic products. There may have several environmental issues or concerns about decomposable process in order not to be residue or damage to the environment.

**Action:**

We contacted the Company and asked about these environmental issues if they have guidelines for preventing or encouraging plastic products to be handled in the right way that not be toxic in the environment.

**Outcome:** 

PTTGC responded to the question, saying that the Company takes into account these concerns into their long-term sustainability policy. The Company is Thailand's first private company that pledged to come up with solutions through discussions with the Ministry of Natural Resources and Environment, the Thailand Responsible Business Network (TRBN), and partners, to initiate the 'Send Plastic Home' pilot project, which aims to effectively retrieve waste from food deliveries. The project chose Sukhumvit Road as Thailand's first Circular Hotspot to demonstrate how to properly sorting plastics into each categories. Together with their partners, they create a drop point to get plastic waste that consumers have already categorized at home and deposited at this garbage disposal point. Then there will be a garbage truck to bring recyclable plastic waste (stretch and hard plastic) into the recycling plant. The recycling process is to convert to various plastic fibers and plastic resin into value-added recycling products for sell to customers. The benefits of this project will be the development of a highly efficient recycling business that will have a positive impact on the overall environment.

## 15. Quality Houses Leasehold Property Fund (QHPF)



### **Context:**

QHPF has a portfolio of office Grade A buildings in CBD area that are affected by COVID-19 both economically and socially. The pandemic has affected tenants, employees, and surrounding community. We raised questions around the management of these buildings to handle the impact from pandemic.

### **Action:**

On August 24, 2020, we raised questions around the management of these buildings to handle the impact from pandemic and livelihood of tenants, employees, and surrounding community.

### **Outcome:**

QHPF has allowed small tenants that has asked for rent relief to delay payments. It has organized the movement of population in the buildings like common areas and elevators to ensure social distancing to prevent the spread of COVID-19. It also increased cleaning activities to ensure good hygiene of tenants, employees, and surrounding community.

## 16. RS Public Company Limited (RS)



### **Context:**

On July 7, 2020, a Thai program named “The Real Ghosts” in Channel 8 was criticized by the public on the contents that distorted Thai history and culture. Contents also destroyed reputation of several respected persons in Nakhonsrithammarat province. There are controversial issues on ethics as they are using media for public donation but the purpose of raising funds for donation is unclear. NBTC called related parties to clarify the issue accordingly.

### **Action:**

On July 9, 2020, KAsset contacted the Company for inquiry to the cause of the incident and steps or measures to inspect after this.

### **Outcome:** ●

On July 9, 2020, the Company announced to stop broadcasting this criticized program in Channel 8 since July 10, 2020 for complying with NBTC rule and guideline. A new program without ethical issue would replace this program. As one of TV leading operators, company did response in timely manner for social responsibility.

## 17. Sri Trang Agro-Industry Public Company Limited (STA)



### Context:

The Company is one of the major suppliers of natural latex for the manufacturing of latex gloves, which are currently in high demand due to the Covid-19 situation.

### Action:

On 30 November 2020, KAsset contacted the Company regarding the process of raw material procurement and how to maintain gloves quality during the period of high demand.

### Outcome:

The Company clarified the process of raw material procurement & customer feedback as follows:

- In the procurement raw materials, the Company has developed a mobile application, launched under the name STA Friends, to facilitate the buying and selling of raw materials through easy registration and placement of orders, ensuring fairness to all raw material suppliers.
- To facilitate the delivery of raw materials, the Company has developed a QR Code system to confirm identity, enable traceability as well as to accommodate other stages of the procurement process. In addition, the Company has published questionnaires to evaluate satisfaction and solicit suggestions for improvement from users of the mobile application in order to maintain good relations with suppliers. The Company has also increased communication channels via Line@sritrang, Facebook, Call-center 02-207-4545 so that raw material suppliers are able to conveniently and promptly contact the Company. As for the purchasing prices of raw materials, the Company has always referred to the market prices quoted on SICOM, which is a global market for the buying and selling of RSS and TSR.
- The sales and marketing department of the Company has been abiding by the Company's business ethics concerning customer relations, with an aim to create the best satisfaction and confidence with the customers in receiving the best quality products and services, with the right prices. The department also provides complete and correct information about every product, on-time delivery, product guarantees as well as sufficient communications channels for customers to make complaints about the Company's products and services. Moreover, The Company is responsible for keeping customers' confidential information private and secured, organized visiting trips to the Company's factories for customers to create better understandings about the Company's operations and products. The Company establishing an evaluation system for customers to obtain feedbacks of their satisfaction towards the Company. In 2019, customer satisfaction result for gloves business was 83%.

## 18. Tipco Asphalt Public Company Limited (TASCO)



### Context:

TASCO has informed SET of winding down of crude oil procurement from Venezuela on September 11, 2020. TASCO was contacted by the US Embassy in Thailand in December 2019 and shared with them in writing details of TASCO's procurement of Venezuela crude oil in January 2020. Late August 2020, the US State Department contacted TASCO and asked to stop its procurement of Venezuela crude oil by the end of November 2020, warning TASCO that, in the event of non-compliance, TASCO could be subject to US sanction. TASCO held the conference call with analyst and investors to explain the detail of this issue on Sep 14, 2020. Later on Oct 8, 2020, The Washington Post website published news, source from AP (The Associated Press), stating that TASCO paid 3<sup>rd</sup> Party or other vendors instead of the Venezuela National Oil Company (PDVSA) for transactions with TASCO purchased crude oil from PDVSA.

### Action:

KAsset contacted TASCO regarding this issue, and requested 1 on 1 conference call on September 16, 2020 and asked for transparency of disclose major and market-sensitive information punctually, impact of stopping procure Venezuela crude oil, and mitigation plan to manage risk in the future. On October 9, 2020 KAsset asked for more information about news that appeared on The Washington Post website in order for TASCO to explain more information.

### Outcome:

After a conference call with TASCO on September 16, 2020, the sequence of events was summarized as follows:

1. Since the beginning of 2019, the United States has announced sanctions against the government of Venezuela by not allowing US persons to do any transaction with Venezuela government.
2. After the sanctions were announced, TASCO consulted Third Party lawyer firm and was confirmed that TASCO can have business with PDVSA. In addition, TASCO also asked the US whether to purchase crude oil with PDVSA, and the response was TASCO is not an American company, TASCO was allowed to be able to do any transactions.
3. In December 2019, TASCO was contacted by the US Embassy in Thailand.
4. In January 2020, TASCO responded to inquiries and provided details about the purchase of Venezuela crude oil to the US Embassy in Thailand and did not receive any orders or notifications in return.
5. Around August 31, 2020, TASCO was contacted by the US State Department, and asked to wind down crude oil procurement from Venezuela by the end of November 2020.

The impact of the stopping of purchasing crude oil from Venezuela are as follows:

1. TASCOS has to close temporarily its refinery plant in Kemaman, Malaysia starting from 2nd quarter of 2021 until the sanctions were lifted or TASCOS can find alternative crude oil.
2. Asphalt from TASCOS's refinery, is 50% of total asphalt sales volume in each year.
3. Closing refinery will affect to wholesale trading business. Management forecast sales volume in 2021 at 1.2 million tons compare with 5-year average at 2 million tons per year.

The mitigation plan for risk management are as follows:

1. TASCOS plan to purchase crude oil from Venezuela and keep in crude oil terminal from now on until November 2021.
2. TASCOS will study to purchase alternative crude oil to replace Venezuela crude oil, moreover they will try to blend alternative crude oil with Venezuela crude to extend closing its refinery in 1st quarter of 2021.
3. TASCOS confidently is confident that they can find alternative crude oil. Currently, they are studying and it is expected to know the progress in October 2020.
4. TASCOS will try to increase more sales volume from retail business which have higher margin compare with wholesale business. Some asphalt product from refinery will switch from wholesale to retail business.
5. TASCOS will study more about high value added product.
6. TASCOS will expand to contractors or specialists in pavement business, so that they will get more order for asphalt sales volume.

KASSET acknowledged the clarifications and TASCOS will disclose to SET for any progress of risk management more or any change to the operation significantly thereafter. On 23 November, 2020 TASCOS inform the SET that they already ended the purchase of crude from Venezuela within the wind down period requested by US State Department.

## 19. Thai Union Group Public Company Limited (TU)



### **Context:**

On May 11, 2020, Reuters reported that a worker at a fish-processing factory in Ghana's Atlantic seafront city of Tema infected 533 other workers at the facility with the coronavirus, Ghana's President Nana Akufo-Addo said in a broadcast late on May 10, 2020. According to the news, there are two large fish-processing plants in Tema, one owned by Thai Union Group PCL and another owned by a local company called Cosmo Seafoods Company Ltd. Abraham Koomson, the head of the Ghana Federation of Labour, said the 533 cases were at Thai Union's Pioneer Food Cannery Limited plant (PFC) and that the facility had closed down.

### **Action:**

We contacted the Company to understand the issue in details and asked for the next step of the situation. TU confirmed an employee that tested positive for COVID-19 on April 17, 2020 and immediately closed PFC on a temporary basis for disinfection and cleaning, as well as any necessary self-quarantining of staff and tracing of contacts to identify any potential risks. These efforts were carried out in collaboration with the local health and government authorities. In addition, TU facilitated COVID-19 testing of its employees, working alongside the Ghanaian government and The Tema Metro Health Directorate.

### **Outcome:**

The factory in Ghana was closed for a few weeks under the request of the Ghanaian government. The production impact was less than 1% of annual ambient seafood production tonnage across TU's global capacity. TU looked to increase production across its global supply chain to compensate. Also, the testing later showed that TU has significantly lower numbers of positive cases than initially indicated and reported. This means that a large number of its employees are clear of COVID-19 and eligible to be in work. On May 18, 2020, TU can resume operations with limited production capacity. Now the operation resumes fully according to TU's latest update. KAsset acknowledged the positive conclusion