Corporate Governance in Thailand

Since the 1997 Financial Crisis, often nicknamed “the Tom Yum Kung Crisis”, the concept of good Corporate Governance (CG) has gained popularity in Thailand. Good CG means that a company has efficient, transparent and auditable management structures and processes in place that promote trust and confidence between shareholders, investors and all other company stakeholders. These structures and processes also stimulate competitiveness, boost long-term shareholder value, and present excellent opportunities for sustainable growth. Good CG therefore contributes significantly to a firm’s value, investor confidence and overall sustainable growth.

The Thai Government continues to give high priority to good CG in its continued efforts to strengthen the Thai economy, retain investor confidence and make Thailand more competitive. In 2002, the Government included CG as part of the National Agenda, known as the 2002 Capital Market Master Plan. It also declared 2002 as the “Year of Good Corporate Governance” to emphasize the need for good CG.

To support and strengthen the Government’s CG National Agenda, the Stock Exchange of Thailand (SET) introduced the 15 Principles of Good Corporate Governance in 2002 as preliminary implementation guidelines for listed companies in Thailand. The SET worked closely with state and private parties to introduce these principles. The key principles include transparency and information disclosure, internal control and risk management, shareholder rights and equitable treatment, stakeholder rights, roles and responsibilities of the board of directors and business ethics.

The SET required all listed companies to disclose implementation of these principles in their 2002 annual reports, using the “if not, why not” approach as a way of following up on the introduction of the principles.

In 2006, the Principles were revised to become comprehensive and comparable to the Principles of Corporate Governance of the Organization for Economic Co-operation and Development (OECD). It also included recommendations made by the World Bank in its Report on the Observance of Standards and Codes related to Thai CG (CG-ROSC). In 2012 the Principles were made to be compatible with the ASEAN CG Scorecard criterion, which assesses and ranks listed companies’ CG practices in ASEAN.

To promote good CG, the SET also established the “Corporate Governance Center” (CG Center) as an advisory body for directors and executives of listed companies. The role of CG Center is to:

- Develop CG Principles and best practices that are compatible with international standards,
- Provide consulting services and exchange ideas about CG practices with directors and executives of listed companies,
- Educate directors and executives of listed companies,
- Promote CG Best Practices to listed companies,
- Produce and disseminate a wide range of information and materials such as guidelines,
- Ensure that the Corporate Governance Report (CGR Survey) is evaluated by a third party,
- Recognise listed companies with good CG practices by Top CG Report Awards, CSR Awards and IR Awards.

Efforts to improve governance within listed companies have had a positive impact on the Thai capital market’s stance towards good governance. This is evidenced by the international assessment:

- CG-Watch 2012 by ACGA: Thailand moved up to third position in the appraised Asian Countries ranking (Thailand, Japan, Hong Kong, Singapore, India, Taiwan, China, Korea, Indonesia, Philippines, and Malaysia)
- CG-ROSC 2012 by World Bank: Thailand got the highest average score of 83 per cent in the CG assessment. This score was highest of all 11 voluntarily appraised Asian Countries (Thailand, Bhutan, Bangladesh, Hong Kong, India, Indonesia, Philippines, Nepal, Vietnam, Pakistan, and Malaysia)
- ASEAN CG Scorecard 2012-2013 by IOD: Thailand got the highest average score of 67 per cent in CG assessment. This score was highest of all 6 voluntarily appraised ASEAN Countries (Thailand, Singapore, Indonesia, Philippines, Vietnam, and Malaysia)

Good CG contributes to company value and growth, benefits capital markets, and helps ensure sustainable development of the Thai economy. The Thai Government and the SET therefore urge boards and management teams of all listed companies in Thailand to develop efficient, transparent and audible management systems that are comparable and compatible with international governance standards.

For more details on the principles and recommended best practices for good corporate governance, please refer to the SET’s The Principles of Good Corporate Governance for Listed Companies 2012 document at www.set.or.th. The document is available in Thai and English language.