Proxy Voting Guidelines

Government Pension Fund of Thailand

Introduction

As a pension fund, GPF sets our investment objective as to achieve long-term secure and sustainable returns for our members. GPF believes that good corporate governance helps companies enhance competitiveness, sustainable growth, and long-term returns to shareholders. Therefore, GPF supports the listed companies to adopt "The Principles of Good Corporate Governance for Listed Companies" (the Principles) proposed by the Stock Exchange of Thailand (SET).

GPF places a premium on active ownership. Proxy voting is a means of shareholders advocacy by which shareholders can influence the investee companies. Therefore, we have drawn up "Proxy Voting Guidelines" (the Guidelines) to express our standpoint and elaborate issues we take into consideration when casting the vote. The Guidelines are mainly applicable with Thai listed companies, and to be adapted to other asset classes as appropriate.

Voting Principles

GPF supports the proposals that are fair, transparent and create long-term benefits to the company and its shareholders.

In case that the company does not comply with the Guidelines, we will justify the company's reason and ask for additional clarification before casting the vote. The independent opinion, such as auditor, financial advisor, or legal advisor, will be also taken into account so as to ensure that the proposal is fair, has no conflict of interests, and creates long-term benefits to all shareholders.

Voting Guidelines

Financial Reports

Explanation

All information in the company's financial reports must be correct and audited by an independent external auditor.

Voting Guidelines

- Vote **FOR** proposal if the auditor gives an unqualified report.
- Vote **AGAINST** proposal if the auditor either disclaims opinion or gives a qualified opinion on the limitation of scope in the auditor's work, or any inconsistencies.

Dividend

Explanation

Dividend is a distribution of profit the company paid to its shareholders. Dividend should be paid according to the dividend policy, and also in consistence with the company's performance. Should the dividend be paid differently, the company is bound to clarify the reason in writing.

Voting Guidelines

- Vote **FOR** proposal if dividend is paid according to the policy
- Vote on a **CASE-BY-CASE** basis if the company does not pay dividend according to the prescribed policy. GPF will justify the company's reason before casting the vote.

Directors

Explanation

Shareholders appoint directors to be their representatives in the company's board of directors. Therefore, directors should efficiently perform their duty and make decisions carefully and independently.

Nomination Process

The company should have a transparent process to nominate its directors to the shareholders meeting. The process should be free from any influences of major shareholders or management of the company. In this regard, the board may consider establishing a nominating committee.

Qualification of Directors

When evaluating board composition, GPF believes a diversify of relevant skills, knowledge, experience, and expertise is an important consideration. To ensure his or her effectiveness and devotion of time as well as effort to the duties, a director should not sit on more than five listed company boards. The Chairman should be an independent director. In addition, the position of Chairman and CEO should be held by different persons.

Independent Director

The board should comprise a suitable number of independent directors for ensuring the check and balance. It is recommended that at least one third of the board members be independent directors.

In the following cases, the majority or more than half of the board members should be independent directors;

1. The Chairman is the same person as the CEO.
2. The Chairman and the CEO are immediate family members.
3. The Chairman is not an independent director.
4. The Chairman takes any management role, or is appointed as executive board or management team.

Independent director should be truly independent and meet qualification criteria established by the SEC. Moreover, the company should limit the tenure to three consecutive 3-year term to ensure his/her independence.

Appointment of Director

It is recommended that the shareholder meeting appoint nominated directors one by one, and also give approval of any increase or decrease in number of board members. Besides, prior to the meeting date, the company should provide at least the following information to its shareholders,

1. The nomination process
2. Name and qualification of each nominated director
3. Definition of an independent director (In case of nominating independent director)
4. The board meeting attendance of nominated director
5. Years of service as the board members of the nominated director
6. Number of board seat of the nominated director

Voting Guidelines

- Vote **AGAINST** proposal if;
  1) In the past year, the nominated director attended less than 75% of total board meetings without a valid excuse, such as illness or important family business.
  2) The nominated independent director has been in the position over 9 consecutive years since his/her first term.
  3) The company does not provide any information of the nominated directors.
- Vote on a **CASE-BY-CASE** basis if there are any issues related to the appointment of director, such as proposing a new candidate promptly in the shareholder meeting, the GPF's representative will cast the vote as deemed appropriate for the best long-term benefits of shareholders and the company itself.

Compensation

Explanation

Board compensation, both financial and non-financial should align with long-term performance of the company. The type and amount of compensation should be appropriate as incentive to attract and retain high-performance directors, but not so high that motivate excessive risk taking for short-term plans, detrimental to the creation of long-term shareowner value.

Director compensation should be annually approved by shareholders in the general meeting. The compensation proposed should be comparable to the peer group and in accordance with the company performance, size, business, and contributions of the director.

The board should consider establishing compensation committee to set and propose the criteria of director compensation to the board for approval.

Prior to the meeting date, the company should provide the following information to its shareholders:

1. Criteria and process to set the proposed compensation package
2. Type and amount of compensation
3. Other compensation, such as advisor fee

Voting Guidelines

- Vote **FOR** proposal if the proposed compensation align with the company performance and size, comparable to the peer group.
- Vote **AGAINST** proposal if the proposed compensation does not align with the company performance; for example, increasing compensation or paying bonus while the company suffers net loss.

Appointment of External Auditors and Audit Fee

Explanation

External auditors are responsible for performing the audit and expressing their opinion on fairness with which the financial statements present financial position, result of operations, and cash flow in conformity with generally accepted accounting principles. The auditors shall maintain independence, integrity and objectivity. In addition, the auditors should not have any financial interest in or association with the company, and is therefore not independent. Non-audit fee should not be excessive as compared to audit fees; and the auditors should refrain from providing any other services potentially impairing their independence. However, the one-capital structure events, such as initial public offerings, will be excluded from the non-audit fees considered in determining the appropriate ratio of non-audit to audit for purpose of determining whether non-audit fees are excessive.

The company should disclose at least the following information before meeting date:

1. Criteria and process of ratifying the auditors
2. The tenure of the auditors
3. The reason of changing auditors (if any)
4. The amount of non-audit fees paid

Voting Guidelines

- Vote **FOR** proposal if the proposed auditors are capable.
- Vote **AGAINST** proposal if the proposed auditor has been continuously employed and expressed opinion on the company's financial statements for over five consecutive years.
- Vote on a **CASE-BY-CASE** basis if the former auditor has given any qualified opinion. In this case, GPF will seek for more information before casting the vote.

Increase/ Decrease in Authorized Common Shares

Explanation

The increase or reduction in number of shares of common stock authorized for issuance affects the controlling right of the shareholders. Therefore, the information, such as long-term benefits to the company and its shareholders and the specific reasons for the proposed increase/decrease, should be given to the shareholders. In addition, the information of pricing and the method of selling and distributing shares should also be included.

Voting Guidelines

- The vote will be cast on a **CASE-BYCASE** basis.

Employee Stock Option Program: ESOP

Explanation

The proposal of issuing Employees Stock Option Plan (ESOP) should be fair to shareholders. Therefore, the company should carefully consider about the exercise price, exercise period, allocation of ESOP, and dilution effect.

Voting Guidelines

- The vote will be cast on a **CASE-BY-CASE** basis.
- Vote **AGAINST** proposal if
    1) The purpose is not for encouraging its employees to maximize long-term benefits of the company.
    2) Options should not be awarded at below-market discounts.
    3) The allocation of ESOP is improper.
    4) The dilution effect is high.

Issuance of Debentures

Explanation

Issuance of debenture affects the company's capital structure which may impact the rights of shareholders. Therefore, the long-term benefits to shareholders and the company's financial position are important factors in evaluating a proposal requesting for debenture issuance.

The company should provide the information about financial risk and the company's ability to repay the debt to its shareholders, including:

1. The purpose and degree of need for capital by issuing debenture
2. The benefit of issuance
3. Term and condition of the debenture
4. Effect to shareholders, such financial risks from issuing debenture

Voting Guidelines

- The vote will be cast on a **CASE-BY-CASE** basis.

Significant Proposal

Explanation

The significant proposal is categorized in terms of effect to existing shareholders' right, such as merger and acquisition, expansion of business, asset purchases or sales, related-party transaction, etc.

Therefore, the company should disclose the following information to its shareholders:

1. The purpose and degree of needs
2. Benefits to the company
3. Third-party opinion/ the opinion of an independent financial advisor
4. Terms and conditions of the proposal

Voting Guidelines

- The vote will be cast on a **CASE-BY-CASE** basis.

Amendment of Company Bylaws and Article of Association

Explanation

Amendment of company bylaws and article of association, including those resulted from the previously approved agenda or any general business practices, may affect the rights of shareholders. Therefore, the company should clarify the purpose and reasons of amendment.

Voting Guidelines

- The vote will be cast on a **CASE-BY-CASE** basis.

Other Proposals

Explanation

The company should not add in any new agenda promptly in the shareholder meeting without advance notice, especially corporate actions of which details the shareholders need time to consider before casting the vote.

Voting Guidelines

- Vote **AGAINST** proposal if a new agenda is added without advance notice.

Notwithstanding, all other issues which are not covered in these Guidelines will be cast in favor of if they benefit the shareholders as a whole, and are also consistent with good corporate governance principles.

GPF strongly supports companies to adopt and enact anti-corruption policy which will enhance trustworthiness as well as sustainability.
