

Press Release : Capital Market Sector Establishes “Good Governance Thailand” Mutual Fund

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‘The capital market and social sector join forces to establish Good Governance Thailand Mutual Fund to promote the concept of Good Corporate Governance while raising money to combat corruption’

For the first time, Thailand's capital market led by the Federation of Thai Capital Market Organization (FETCO) and 14 asset management companies has joined with the following social organizations—Khon Thai Foundation, Thailand Development Research Institute, and the Change Venture Co. Ltd.—to announce their intention of establishing the Good Governance Thailand Mutual Fund. The goal of this fund is to invest in companies demonstrating good corporate governance (CG) by collecting their securities in the same basket of stocks for convenient investing. This CG-focused universe of securities should further serve to be an incentive for companies to jointly develop good corporate governance while some of the proceeds from the mutual fund will be used to fund anti-corruption efforts. This is a social investment innovation that is likely to be the world's first Good Corporate Governance mutual fund which is backed by a number of different social sectors.

Voravan Tarapoom, Chairman of FETCO and Chairman of Association of Investment Management Companies (AIMC), said that by establishing this mutual fund, the Thai capital market has made significant history. After having launched "Investment Governance Code: I Code" earlier in February, on February 27th the capital market and financial market sectors co-founded the Good Governance Thailand Fund. No fewer than 14 asset management companies (out of a total of 22 in the mutual fund industry) collaborated in setting the criteria for selecting companies listed on the Stock Exchange of Thailand which practice good corporate governance (CG) to be included in the basket of securities making up this mutual fund.

Each asset management company will operate with the same goal, namely, in addition to raising an awareness of good corporate governance through selecting securities from the same universe of CG companies, a specified amount of the proceeds from this mutual fund will go to support those

organizations seeking to enhance the concept of good corporate governance in the capital market and to combat corruption. The fund will have a committee to make stock selections and funding decisions with transparency.

"The Good Governance Thailand Mutual Fund will be a general equity fund, and the IPO will be later this year. It should draw a great deal of interest from those investors who are keen to invest in a mutual fund composed of company securities drawn from the same CG universe. When each individual manages his or her own portfolio, how will its constituent stocks perform? We are confident that best long-term rates of return are derived from the stocks of those businesses embracing the criteria of good corporate governance in all aspects of their operations. In addition to the monetary return of this fund, investors and society will also reap the important benefits of investing in businesses who adopt good CG," explained Voravan.

Vichien Phongsathorn, Chairman of Khon Thai Foundation, commented that the Good Governance Thailand Mutual Fund, in addition to being professionally managed, is also a mechanism for unprecedented collaboration by many key stakeholders from different sectors, whether they are from the capital market, financial market, or social organizations. The most important aspect of this fund is the fact that each asset management company is more important than merely being fund managers or contributors; in fact, each asset management company is an intermediary who connects resources from investors or fund unit holders and the beneficiaries, namely the Thai people and society, through projects that focus on improving Thai lives and communities. For example, the IP-Integrity Pact project of the Anti-Corruption Organization of Thailand (ACT) requires funding to develop academic research, create networks, and promote public policy. ACT stresses the importance of transparency in government spending by noting that in 2015, there were 13 state-funded projects worth THB 41.5 billion; in 2016, there were 7 projects valued at THB 14 billion; and in 2017, there are 9 projects planned, with three contracts already signed, worth THB 80 billion. Likewise, Thailand's Private Sector Collective Action against Corruption (CAC), led by the Thai Institute of Directors Association (IOD), plays an important role in fighting corruption in Thai society. At present, 807 companies have publically "Declared their Intention" against corruption, and 200 companies have been certified as private companies that are members of the Coalition against

Corruption. CAC also requires funding to develop academic content, to provide training to support the organization's policies and operations, as well as for certifications, disseminating information, and campaigning to expand collaborative networks.

There is also a program that cultivates the virtues of ethics and good governance among youth. For example, the “Growing Good” project instills in youth the importance of not cheating as they grow older; other social projects by media organizations produce relevant investigative journalism. And there are many other beneficial projects of many shapes and forms that need funding. “I think that with this concept of management, both retail and institutional investors have important roles to play in developing and enhancing good corporate governance in addition to being prepared to fight corruption. The Good Governance Thailand Mutual Fund can benefit society in many ways. So it is a social investment that is more than worthwhile when compared to the billions of baht damages the nation suffers from corruption,” commented Vichien, Chairman of Khon Thai Foundation.

Nuttanan Wichitaksorn, Ph.D., a Research Fellow at the Thailand Development Research Institute (TDRI) said that the Good Governance Thailand Mutual Fund can be considered a social innovation for Thailand and the world that may create new norms for the private sector, especially listed companies. Therefore, a good monitoring mechanism is needed that creates trust in order to build credibility and acceptance.

With regard to the meeting to announce the collaborative efforts of the capital market and financial market to establish the Good Governance Thailand Mutual Fund, participants included senior executives from over 10 organizations belonging to the capital market, financial market, and government regulatory agencies. Kesara Manthusree, President of the Stock Exchange of Thailand, and Rapee Sucharitakul, Secretary-General of the Securities and Exchange Commission, made the presentation “Improving Corporate Governance, Increasing Capital Sustainability.” In addition, senior executives participated from over 10 social sector organizations, including Thailand Development Research Institute (TDRI), various social enterprises, and Change Venture Co. Ltd., which had been involved in the development of the fund concept earlier. Former Prime Minister Anand Panyarachun served as meeting chairman and co-host.

