

Thai Stocks Are Outstanding in Global Sustainability Index

Executive Summary

- Thai listed companies are outstanding in terms of sustainability and are recognized internationally with performance record seen in the Dow Jones Sustainability Index (DJSI). In 2020, a total of 11 Thai listed companies were selected as constituents in the DJSI World Global Sustainability Index and 21 Thai listed companies were listed in the DJSI Emerging Market or DJSI EM, which is considered the largest number in ASEAN countries, for seven consecutive years. Most recently in the Sustainability Yearbook 2021 conducted by S&P Global, 11 Thai companies have received the Gold Class award, which is also the highest number of all countries.
- The sustainability concept has increasingly become important. Regarding investment decision making, in 2020, more than 3,000 institutional investors have signed a formal commitment to support the Principles for Responsible Investment (PRI) initiated by the United Nations that having a total assets under management (AUM) of over USD 100 trillion.
- Sustainable investments may also bring more returns. The results of the simulated portfolios investing in Thai listed companies included in the DJSI EM Index over the past 5 years with equal weighted distribution showed cumulative total return of 51% which is 13% more than the SET100 TRI Index benchmark.
- Thai listed companies with outstanding sustainability aspects, may also be more attractive to investors. After being classified under the DJSI EM. The liquidity or average trading value of the Thai securities in that Index has continuously been increased.

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DJSI Sustainability Index and Thai Listed Companies

The Dow Jones Sustainability Index (DJSI) was developed in 1999. RobecoSAM jointly with S&P Dow Jones have established the selection criteria for the securities of over 2,500 of the world's leading companies in the S&P Global BMI Index, based on the value of the securities after adjusting the free-float ratio and scores from the Corporate Sustainability Assessment (CSA) covering economic, social and environmental indicators. Then select the top-rated companies in each industry group according to the selection criteria of each sub index, in order to obtain securities that are outstanding in business operations performance considering sustainability aspect a priority.

The number of companies participating in the DJSI assessment each year has grown from 280 companies in 1999 to 1,386 companies in 2020, of which a total of 320 companies having been selected to the Dow Jones Sustainability World Index (DJSI World) and 100 listed companies having been selected to Dow Jones Sustainability Emerging Markets Index (DJSI EM). Significantly, the sustainability investment trend has become more and more in the investment radar. Enabling leading asset management companies to launch sustainability funds that choose to invest in securities of sustainable companies based on references from various sources of information including DJSI as a choice for responsible investment.

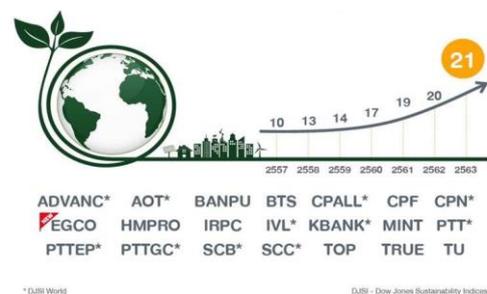
According to the data from Dow Jones Sustainability World Index (DJSI World) in 2020, a total of 11 Thai listed companies were included in the Index. And according to the data from Dow Jones Sustainability Emerging Markets Index (DJSI EM), 21 Thai listed companies were included in the Index. This has made Thailand being the country with the highest number of listed companies selected in the DJSI EM Index for the seventh consecutive year.

FIGURE 1 : NO. OF COMPANIES PARTICIPATING IN DJSI



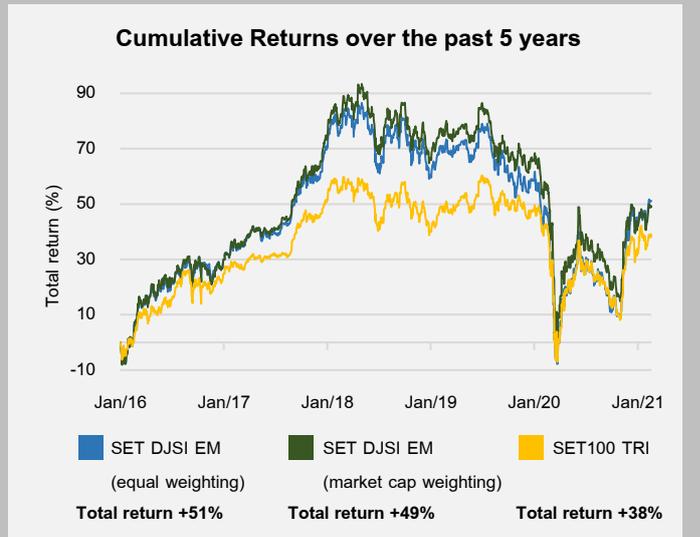
FIGURE 2: SUMMARY OF THE NUMBER OF THAI LISTED COMPANIES SELECTED TO BE IN THE DJSI

In 2020, Thai listed companies had outstanding performance in terms of sustainability globally, being included the DJSI Index, considered the highest in ASEAN for the 7th consecutive year



Return on investment in outstanding Thai sustainable securities in DJSI

From a portfolio simulation of investment in Thai listed companies that are in the DJSI EM Index, and then adjusting the portfolio according to annual rebalancing of the Index to study the total cumulative return over the past 5 years (Jan 4, 2016 to Feb 17, 2021), it was found that the cumulative total return was 51% for portfolio using equal weighting, and a return of 49% for a portfolio using a market cap weighting, which is 38% higher than the SET100 TRI's return.



Thai Listed Companies and Sustainability Award

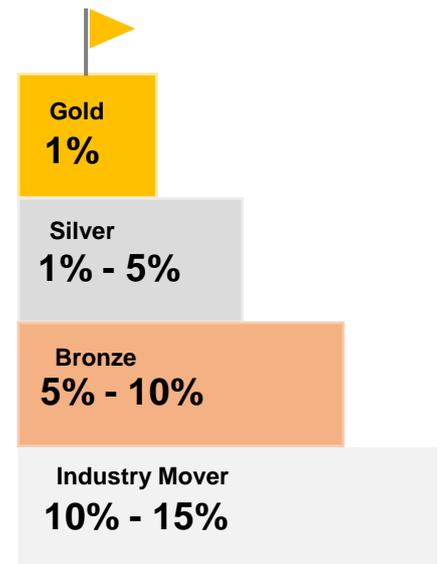
The Sustainability Award is an annual award that RobecoSAM, jointly with S&P Global, selects the companies with outstanding sustainability practices and announces via The Sustainability Yearbook, using the same criteria based on the score from Corporate Sustainability Assessment (CSA) as in the DJSI selection, with different details and conditions according to the categorized levels, as follows:

Gold Class – To be awarded to companies that have scored no less than 60 points, and was rated as the top 1% of each industry group

Silver Class –To be awarded to companies that have scored no less than 57 points, and was rated from 1% - 5% of each industry group

Bronze Class –To be awarded to companies that have scored no less than 54 points, and was rated from 5% - 10% of each industry group

Industry Mover - To be awarded to companies that was rated from 10% - 15% of each industry group



According to Sustainability Yearbook 2021 (S&P Global), 29 Thai listed companies were mentioned and received the awards: 11 companies receiving Gold Class, 8 companies receiving Silver Class, and 4 companies receiving Bronze Class. Thailand is the country with the highest number of companies receiving Gold Class awards compared to all countries.

Figure 3: Summary of the number of listed companies in Sustainability Yearbook 2021 (S&P Global)



Sustainable Investment and ESG

The rapid changes in the world today such as advanced technology that has drastically changed the way we live our daily life, consumer behavior in new digital era, the world economic power shift, including the challenges of resource and energy shortages, among others, may have direct and indirect impact on business operations. Therefore, the concept of sustainability that promotes businesses to cope with the effects of changes for long-term growth has become one of the key principles for the foundation of business development today.

One of the key success factors of the application of sustainability concept in the business sector is the United Nations (UN)'s 17 Sustainable Development Goals (SDGs) based on the environmental, social and governance (ESG) aspects, to be used as guidelines for both the government and entrepreneurs of businesses worldwide to apply to enhance the overall sustainability level in their business operations.

FIGURE 4: SUSTAINABLE DEVELOPMENT GOALS



In addition, the UN has also developed a Principles for Responsible Investment (PRI) by taking ESG into consideration in investment analysis and decision-making. In 2020, over 3,000 institutional investors signed an intent to support the PRI principles, with an estimated value of USD103.4 trillion in assets under management (AUM). This reflects a growing interest in sustainability on the investor's side and the potential investment value on securities towards sustainability in the future.

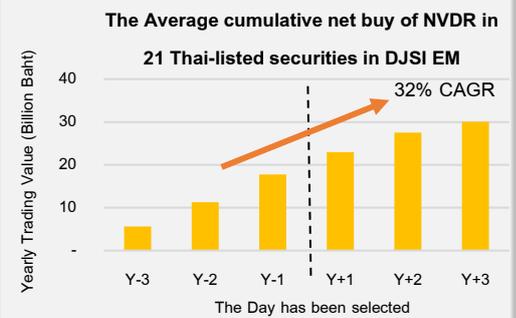
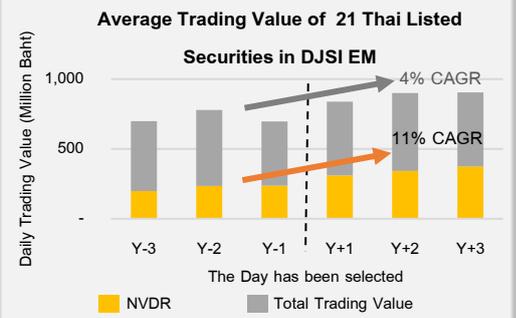
Figure 5: Value of assets under management (AUM) of institutional investors supporting PRI principles



¹ UN Principles for Responsible Investment (PRI): An investor initiative in partnership with UNEP finance initiative and the UN global compact

Trading volume after included in the DJSI Index

From the portfolio simulation, it was found that Thai stocks in DJSI Index not only have higher returns but also have higher liquidity. Notably, regarding the trading value of Non-Voting Depository Receipt (NVDR), an alternative investment instrument for foreign investors, the record from the 3 years before and the 3 years after the securities inclusion in the DJSI Index, showed that the average trading value of 21 Thai listed companies in the DJSI EM Index increased approximately 11% annually (overall trading value increased approximately 4% annually). Almost all of the securities of Thai listed companies in the portfolio recorded high trading volume of NVDR ranking top in each industry group. The average cumulative net buy of NVDR in 21 Thai-listed securities in DJSI EM has continuously been on the rise at approximately 32% comparing 3 years before and after DJSI inclusion.



Since 1994, The Stock Exchange of Thailand has been committed to and has focused on the development of corporate governance among listed companies, covering various aspects. SET aims to develop a sustainable capital market based on a resilient foundation inclusively in economic, social and environmental aspects listed companies. SET has initiated practical processes and implemented to drive across the board toward sustainability consisting of regulatory & supervision principles, development process guidelines, sustainability training courses, and many more, to enable listed companies to efficiently enhance quality toward sustainable business operations. Furthermore, SET has also continuously supported responsible investing, taking ESG into consideration. SET disseminates ESG data & information of listed firms related to the sustainability indices such as DJSI and other analysts, etc. for investment decision making via this website: www.settrade.com .



¹ 17 Sustainable Development Goals (SDGs), United Nations, <https://www.un.org/development/desa/disabilities/envision2030.html>

¹ Principle for Responsible Investment, United Nations, <https://www.unpri.org>