

## Sustainable investing going mainstream in Thailand

Sustainable investing has gone mainstream across the globe, particularly in the United States and Europe. Similarly, Thai investors are paying more attention on listed companies' actions towards sustainability, believing that these practices would translate into sustained performances in the long run.

Globally, more and more investors are looking beyond returns, with realization that business prosperity and sustainability of society and environment are interdependence. That explains why “sustainable investing” has become a buzzword as assets under fund companies’ management exceed a trillion US dollars and their funds have recently witnessed a jump in net inflows.

Amid the novel coronavirus (COVID-19) outbreak that has pressured purchasing power and economic outlook, global assets in sustainable funds hit a fresh record of nearly USD 2 trillion in the first quarter of 2021, up 17.8 percent from the previous quarter. Europe accounts for 83 percent of global assets, followed by the United States with 12 percent share.

In Europe, sustainability funds saw their assets increasing by about 17.5 percent from December 2020 to USD 1.63 billion in the first three months of 2021, data from Morningstar report titled “Global Sustainable Fund Flows: Q1 2021 in Review” showed.

In the United States, sustainable funds there in the first quarter of 2021 attracted an all-time record level of fund flows: net inflows were nearly USD 21.5 billion, compared with the previous record of USD 20.5 billion set in the fourth quarter of 2020 and more than double the USD 10.4 billion seen one year ago in the first quarter of 2020. It was also about 5 times greater than first-quarter flows in 2019. As of March 2021, assets totaled nearly USD 266 billion. That’s a 123 percent increase year-on-year.

In the rest of the world—chiefly Australia, Canada, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Singapore, South Korea, Taiwan and Thailand—the value remains low but the outlook is promising. Investors no longer want to invest in companies of which main goal is solely profits. Profitability is great, but it could not be sustained in a long term without supporting factors, including good governance, environment policy, and 'social license to operate' from stakeholders.

More and more investors are now screening potential investments with new criteria that credit companies that care for the environment, employees, suppliers, customers and the communities where they operate. Records show these criteria have steered these companies through complexity of sustainability challenges such as outbreaks, flood risk, data security, demographic shifts and regulatory pressures.

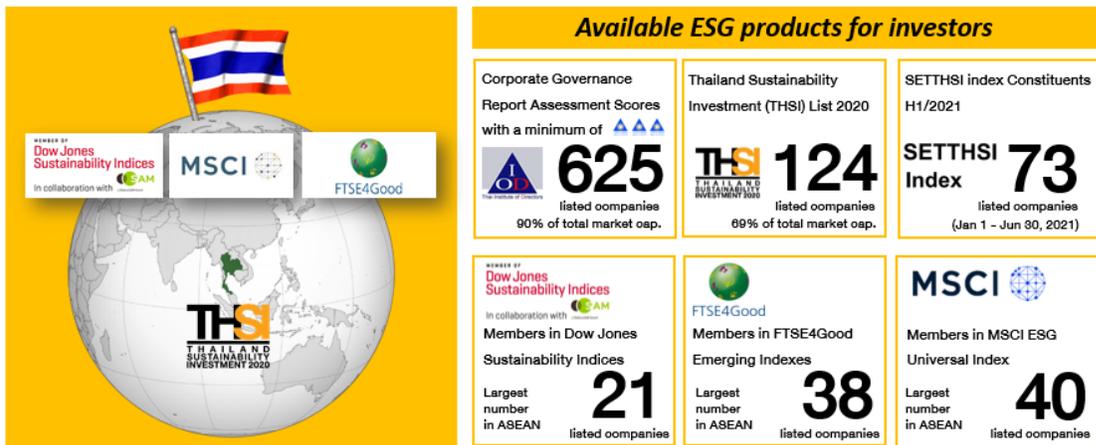
Thailand has been riding on this trend. During the past decade, Thailand’s securities authorities have worked hard in promoting ESG (environment, social, and governance). For example, The Stock Exchange of Thailand (SET) launched Thailand Sustainability Investment (THSI) in 2015 as the list of listed companies passing ESG criteria. Among the criteria are actions launched to address climate change, energy and water conservation, human rights protection, workplace safety, supply chain management, board independence, executive compensation, anti-corruption, ESG risk management and innovation.

These actions have been quite rewarding as more and more listed companies have integrated ESG into business strategies and practices. To date, 124 out of 757 listed companies which constitute 69 percent of total market cap are enlisted to THSI and 73 companies are included in SETTHSI Index.

These efforts have been rewarding with 21 Thai listed companies being selected to be included in Dow Jones Sustainability Emerging Markets Index, the highest number in ASEAN for seven consecutive years. Moreover, 11 of these listed companies are qualified for DJSI World Index, 7 of which are designated "industry leaders", the best in their categories. By country, Thailand has the second highest number of industry leaders in the world after the United States.

Aside, 38 listed companies are members in FTSE4Good Emerging Indexes (2020) and 40 are members in MSCI ESG Universal Index (2020), the largest number in ASEAN for both indices.

## ESG Journey of the Thai Capital Market



Notably, 11 Thai companies, 10 of which are listed ones, have been awarded in Gold Class, the world's highest ranking by number in sustainability aspect in "The Sustainability Yearbook 2021" conducted by S&P Global, which was based on annual sustainability assessment of over 7,000 companies across 40 countries. Together with 19 more Thai companies included in the Yearbook,

they allow Thailand to reach the 7<sup>th</sup> spot in the world behind the US, Japan, South Korea, the UK, France and Taiwan.

For investors, sustainable investing is not only about doing good but also can offer them handsome returns. According to SET Note Volume 3/2021, investing in sustainable stocks has offered more than 10 percentage points above total return of SET100 Index. An investment simulation to calculate the 5-year retrospective accumulated return of the stocks enlisted for DJSI EM indicated the return of 51 percent during January 4, 2016 through February 17, 2021 through equal weighting and 49 percent through market weighting compared with the 38 percent total return index of top 100 companies.

### Sustainable investing generates additional long-term returns

Business operation firmly adhered to sustainability principles not only delivers positive impacts to society and environment but also enhances potentials, and boosts attractiveness and trust in the eyes of both local and foreign investors.



Currently, number of investors interested in sustainable investing for long-term returns is on the rise, with over 3,000 institutional investors taking into account environmental, social and governance (ESG) aspects in the investment decision making.

Source: SET Note Volume 3/2021 "SET-listed companies outstanding in sustainability indices"  
For more information: [www.set.or.th/research](http://www.set.or.th/research)

Another evidence that proves sustainable investing is gathering pace in Thailand is that the country was home to 50 corporate governance (CG), and environmental, social and governance (ESG) funds as of May 2021, more than doubling from 23 in 2019. Their combined asset under management amounted to USD 1.8 billion at end-May 2021.

The strong inflows speak a volume on the growing investor interest in environmental and social issues, especially in the wake of the COVID-19 pandemic. The disruption caused by the virus has highlighted the importance of building sustainable and resilient business models for all stakeholders. With sustainable investing being a trend, sustainability looks sustainable in the foreseeable future.