



Accelerating Sustainable Investing in Thai Capital Market

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Accelerated trend of sustainability in post Covid19

- Sustainability investment theme is a global trend, and many Thai listed companies are outstanding in terms of sustainability and recognized internationally with performance record seen in Dow Jones Sustainability Index (DJSI) and other recognitions.
- Sustainability concept and ESG investing have increasingly become practical in investment decision making, as growing demand from investors and support from private and public institutions.

ESG-investing in practice

- Government Pension Fund (GPF) has been making investment decisions based on risk and return. ESG factor of one company could generate good alpha. But if the company encounters negative news about ESG, then that could become a risk factor. As a result, there is an argument for ESG investing and generating alpha but the relationship between them has to be ensured.
- GPF is a large institutional investor, and will not make money by ignoring the pricing of externalities. To become a universal owner, GPF has to address those externalities by active ownership
- ESG is only the beginning, in Thailand Focus next year, we may talk more about impact investing that consider both investment return and positive impact.
- One way to incorporate ESG data to investment decision is to integrate ESG all along the investment process from the due diligence of investee companies, evaluating ESG practice of the companies, to tracking the companies if they are not only ESG window dressing while the tone from the top is the key to success.

Sustainability cases from listed companies

- PTT Global Chemical (PTTGC) management tries to have everyone in the organization to buy into the sustainability concept. Creating of that belief could convince employees to follow the firm strategies, including growth, resilience, and sustainability.
 - PTTGC integrates the sustainability concept to every part of the strategy formulation. To make everyone commit to it, the management team has to ensure that the goal must be clear and measurable, also set the tone from top.
 - PTTGC has quantified its goal by setting a path to net zero emission by 2050, and the circular economy and decarbonization concept have been applied. The important aspect is balancing between business growth that committed to the shareholders and the ESG goals for all stakeholders. To achieve both of these goals the company's road map is to increase efficiency by using new technology; to adjust the business portfolio towards sustainability; and to compensate for carbon capture and alike.

- TMBThanachart Bank (TTB) has been thriving in sustainable banking. TTB has issued the green bond a few years ago.
 - Previously, shareholder profit maximization is everything, but the lesson learned from the sub-prime crisis indicated otherwise. Currently, the concept has changed to make the company more relevant to all stakeholders.
 - For sustainable banking products, the company should be clear about its corporate value. TTB has to be more relevant and create values to all stakeholders. TTB comes up with its own framework of ESG that TTB shall improve customer financial well-being by caring about how customer spending and borrowing properly, saving and investing adequately for retirement.
 - The ESG standard will become a minimum requirement. The management team has put ESG in-process, rather than a burden beside the busy work, making sure that ESG is built into the core of business, rather than some add-ons.

Roles of supportive institutions in ESG ecosystem

- The importance of sustainability has been reinforced by the pandemic. ESG/sustainable investing trend has been accelerated with key developments (such as ESG information disclosure and data platform) in the ecosystem of ESG investing in Thailand.
- Dr. Piti (TTB) believes that ESG disclosure reporting and monitoring system could benefit company to improve itself. Therefore, ESG disclosure is not for showing off, but for showing a clearer vision and mission that the company thinks about sustainability, and then investors will give values on this information.

- Dr. Kongkrapan (PTTGC) wants to ensure that sustainability goal of each company has to be measurable and achievable to lessen the burden of later generations. SET is doing a good job in encouraging the visibility of ESG practices among listed companies, and the younger generations will focus on this issue. ESG is an opportunity, rather than threat, good for customers and employees, and accelerating quality growth.
- Dr. Srikanya (GPF) suggests that ESG data quality is very crucial, and the disclosure should be transparent and comparable across companies for making investment decisions. All data and disclosure should be comprehensive and comparable, and "One Report" is a good initiative. Currently, consistency of ESG scores among data providers are not very high. "E" is easier to quantify, but "S" and "G" are more qualitative and challenging but not impossible.