

# How financial businesses and institutional investors have driven ESG agenda in Thailand

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## Regulators

- ESG Policy
- ESG Eco-system
- ESG Principles & Guideline
- ESG Transformation
- ESG Community and Networking
- ESG Knowledge share
- ESG Taxonomy
- ESG Human Capital
- ESG Awards
- ESG Reporting

ESG = Mandatory not Voluntary



## Investors & Companies

- ESG-Embedded Process
- ESG Weights and Scores
- ESG Engagements
- ESG Due diligence
- ESG Heat Map & Gap analysis
- ESG Taxonomy
- ESG Human Capital
- ESG Reporting
- ESG Targets

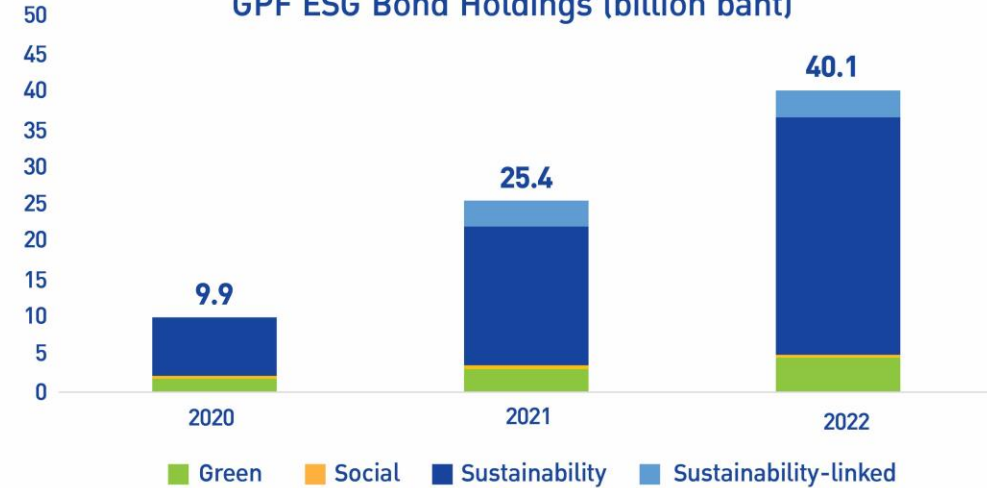
ESG Risk = Investment Risks

# GPF's ESG Investment styles & Size

	Exclusion or Norms	ESG rebalancing	Thematic Focus	Impact
<b>Objectives</b>	Not to invest in sectors or companies that are linked to unacceptable standards	Invest based on ESG and rating systems, considering ESG data sources and desired risk taken	Invest with focus on particular E, S or E issues.	Target specific non-financial outcomes along with financial returns. Focus on progress of impact outcomes.
<b>Examples</b>	Weapons, porn, terrorist	ESG-focused portfolio, Best in Class ESG companies.	Environmental focus such as on low emission, on renewable energy, on respecting human rights etc.	Greenbonds, ESG bonds, Sustainability-linked bonds, Social bonds

## ESG Bond

GPF ESG Bond Holdings (billion baht)



## Carbon footprints of equity portfolio (as measured by WACI)

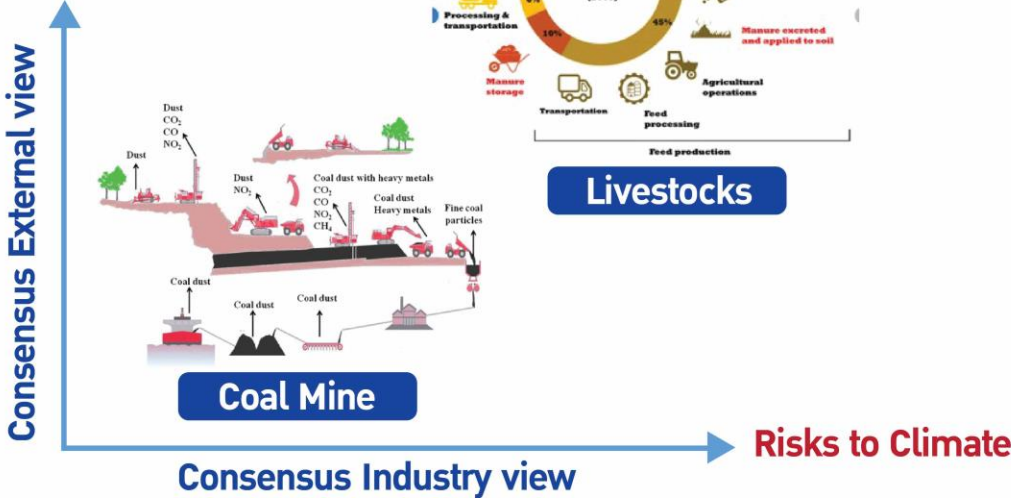


**Weighted Average Carbon Intensity (WACI)** is the exposure to carbon of the investment portfolio, considering percentages invested in each individual company.

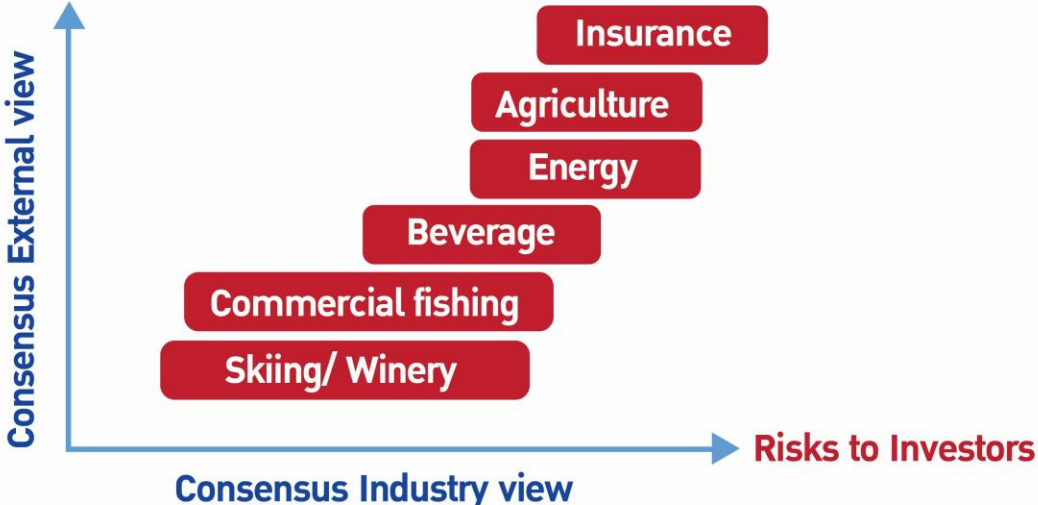
\*Higher figures indicate larger exposure to carbon.

# Challenges Ahead #1

## Risks to Climate



## Risks to Investors



ENVIRONMENT			SOCIAL			GOVERNANCE		
6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	8 STEADY WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION
14 LIFE BELOW WATER	15 LIFE ON LAND		8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
			12 RESPONSIBLE CONSUMPTION AND PRODUCTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS				

# Challenges Ahead #2

## What

## How

### Taxonomy

Imposed on the data  
(could be subjective)



### Weight

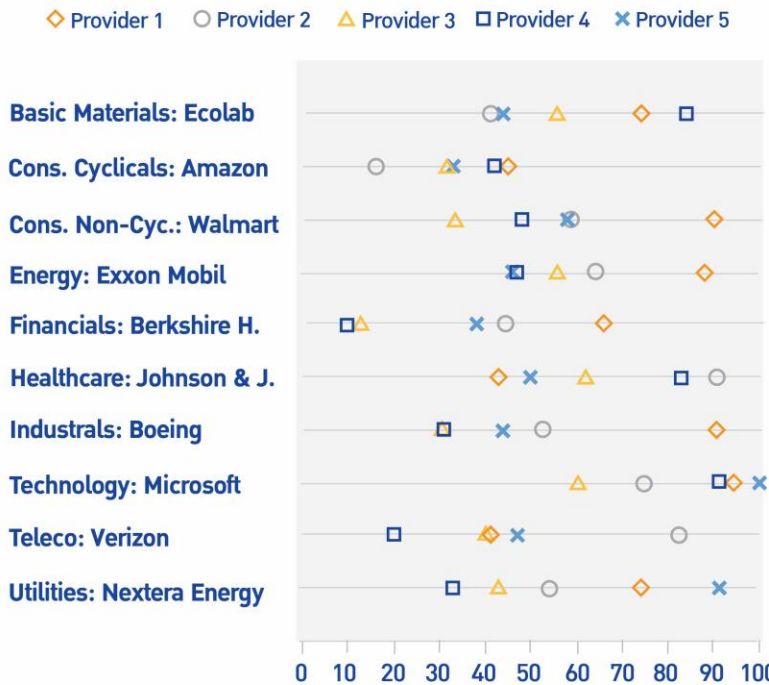
Imposed on the data  
(could be subjective)

### Scope of measurement (Underlying data)

### Measurement

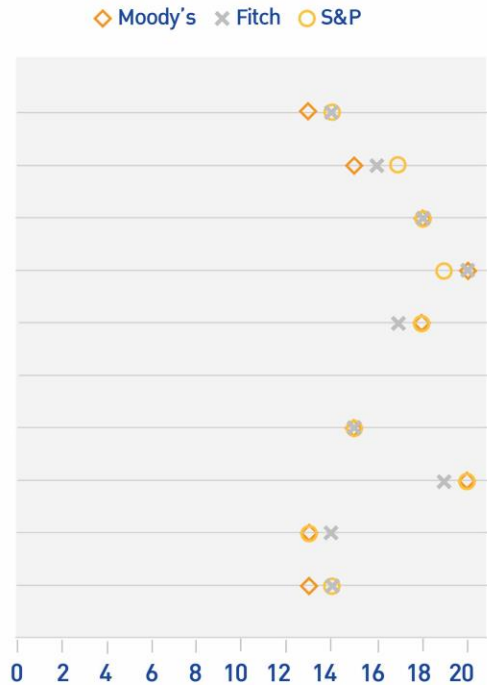
Source: Aggregate Confusion: The Divergence of ESG Ratings\*/ MIT Sloan, University of Zurich

## ESG Rating



Source: OECD

## Issuer Credit Rating



## Consequences

- 1 Difficult to evaluate the ESG performance of companies, funds and portfolios, which is the primary purpose of ESG ratings
- 2 ESG rating divergence decreases companies incentives to improve their ESG performances.
- 3 Difficult to link Compensation to ESG performance

# The complete picture: ESG Financial Ecosystem



All issuers that receive an ESG rating

## Financial Intermediation Chain



Firms that rate ESG issuers



Firms that Construct ESG indices.



Firms that Construct and market ESG funds, ETFs, etc.



Entities with fiduciary responsibilities to manage assets.



Owners who bear the ultimate reward and risks

## Disclosure organisations

Orgs. That determine information to disclose relevant to ESG and materiality. Includes climate-specific disclosure

## Rules & Requirements

Includes exchanges, self-monitoring entities, regulators and supervisors

## Ethical Standard Setters

Includes international bodies, e.g. the OECD and UN, that provide guidelines related to responsible conduct and societal values.

Source: OECD



Thank you \_\_\_\_\_