

**Knowledge Sharing 1/2018**

# Enhancing Long-Term Investment Outcome For All with Investment Policy



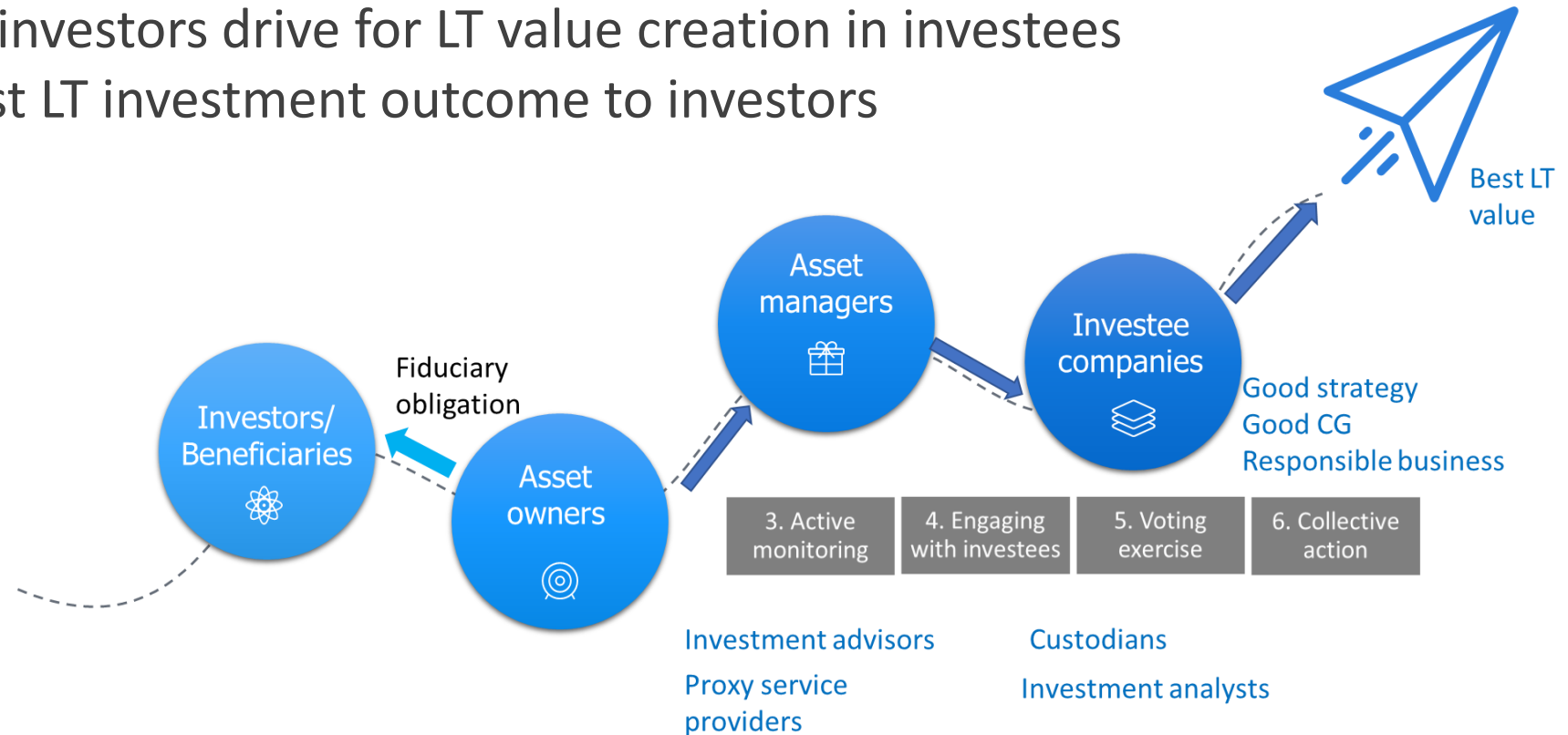
**วรัชญา ศรีมาจันทร์**  
**ผู้ช่วยเลขาธิการอาวุโส**  
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**28 กุมภาพันธ์ 2561**

# Why sustainable / responsible investing?

# Investment Governance Code

## Intended outcome:

Institutional investors drive for LT value creation in investees & deliver best LT investment outcome to investors



As of 28 Feb 2018, 44 no. of signatories

I Code:  
Practice for  
driving LT value  
creation to  
clients

Best LT investment  
outcome for beneficiaries



- Active monitoring
- **Escalating engagement**
- Voting
- Collective action

**NEW**

- **Investment policy**
- Handling conflict of interest
- Reporting compliance

**Today**

**How do you know that your investees are creating LT value?**



What are the most important risks that your investee company is facing?

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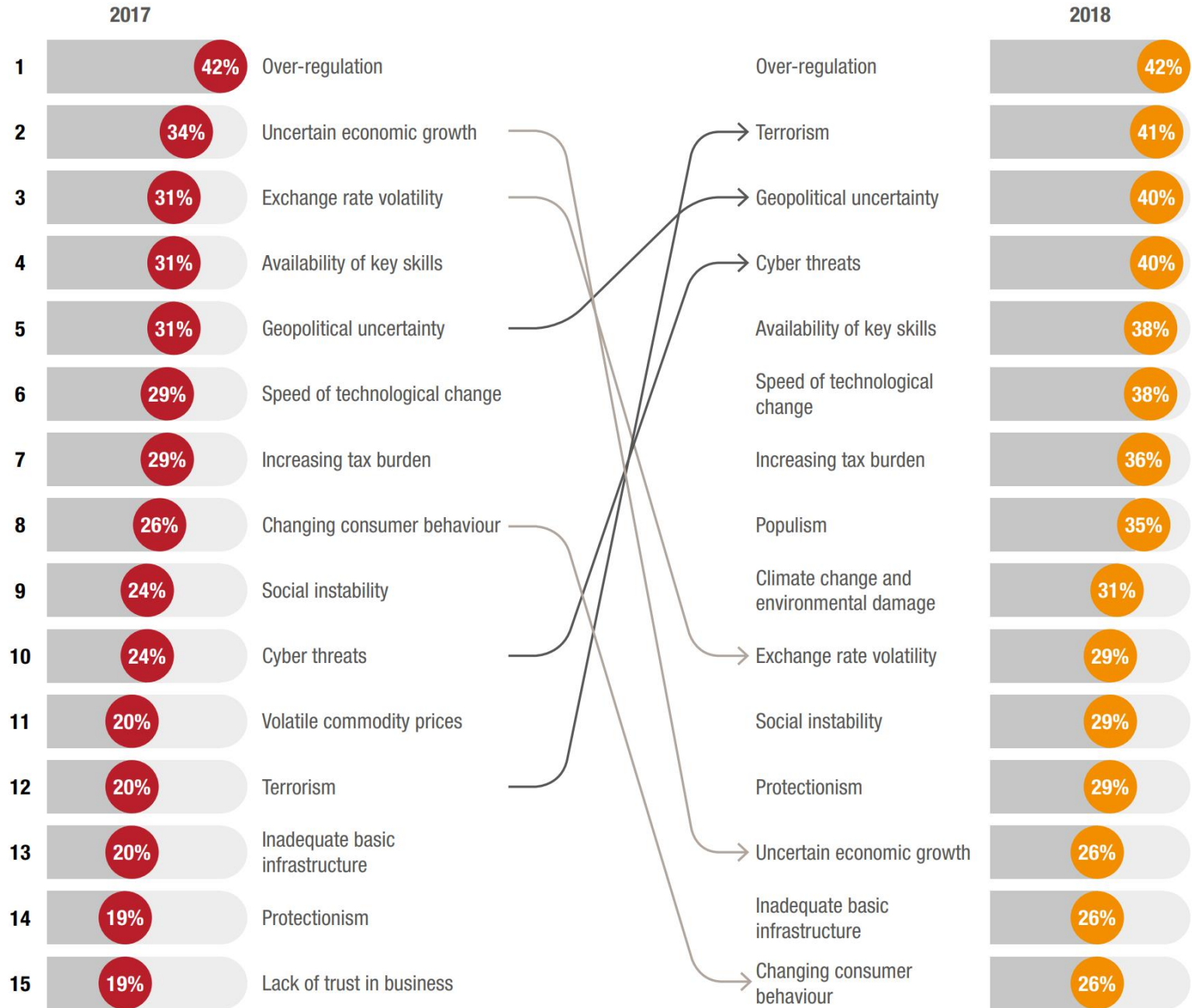


Exhibit 7

# Terrorism and cyber threats moved up; uncertain economic growth and exchange rate volatility moved down

**Q** Considering the following threats to your organisation's growth prospects, how concerned are you about the following?

**i** Chart shows percentage of respondents answering 'extremely concerned'.





# Recurring Risks

Extreme weather is the biggest global risk, according to this year's WEF survey

World Economic Forum Global Risks Report 2018



Source: World Economic Forum Global Risks Report 2018

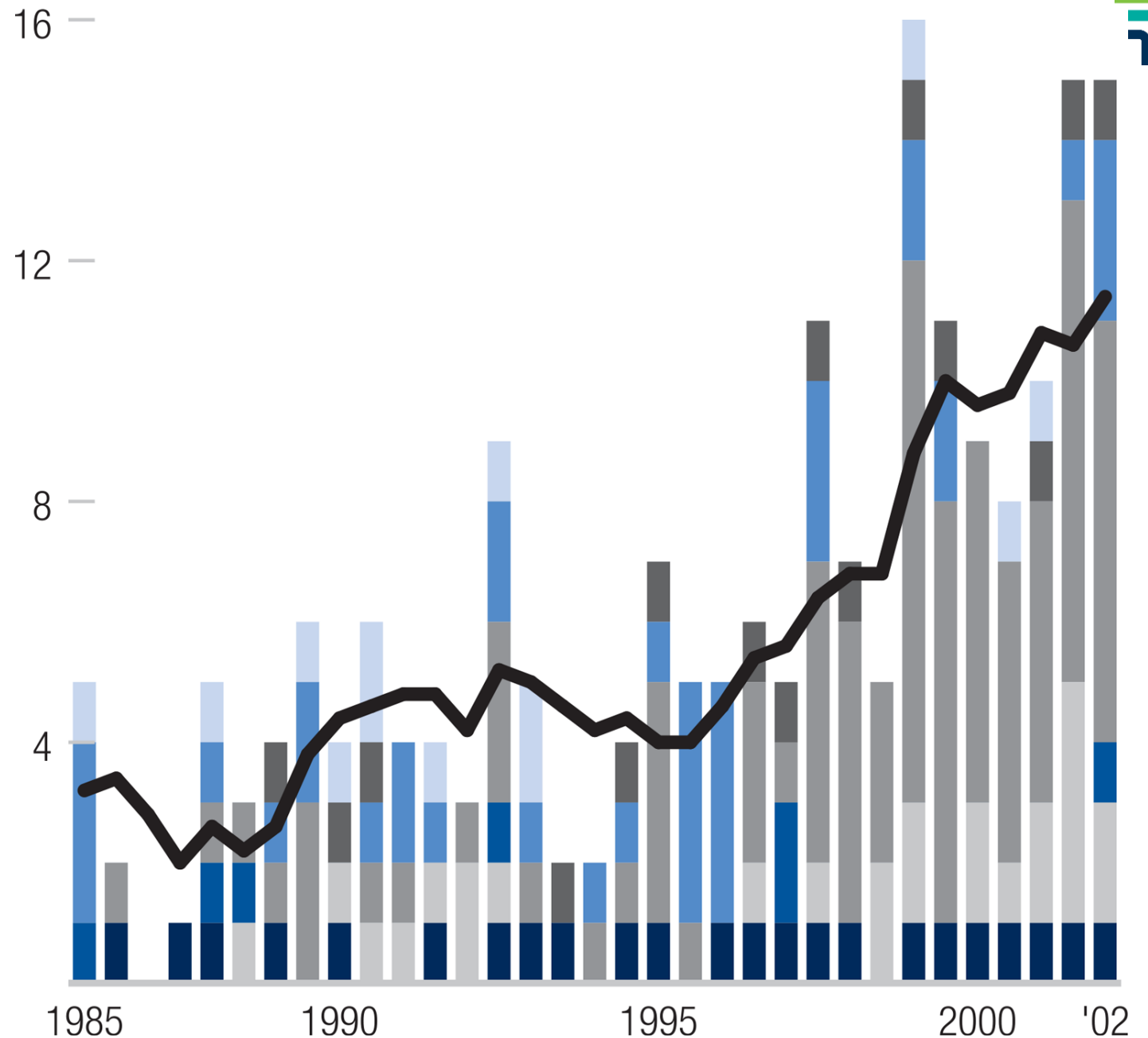
Bloomberg



## Figure 1.2: Billion-Dollar Disasters

Number of US weather-related disasters

**Source:** NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2017). <https://www.ncdc.noaa.gov/billions/>  
**Note:** Data are inflation-adjusted and valid as of October 2017.



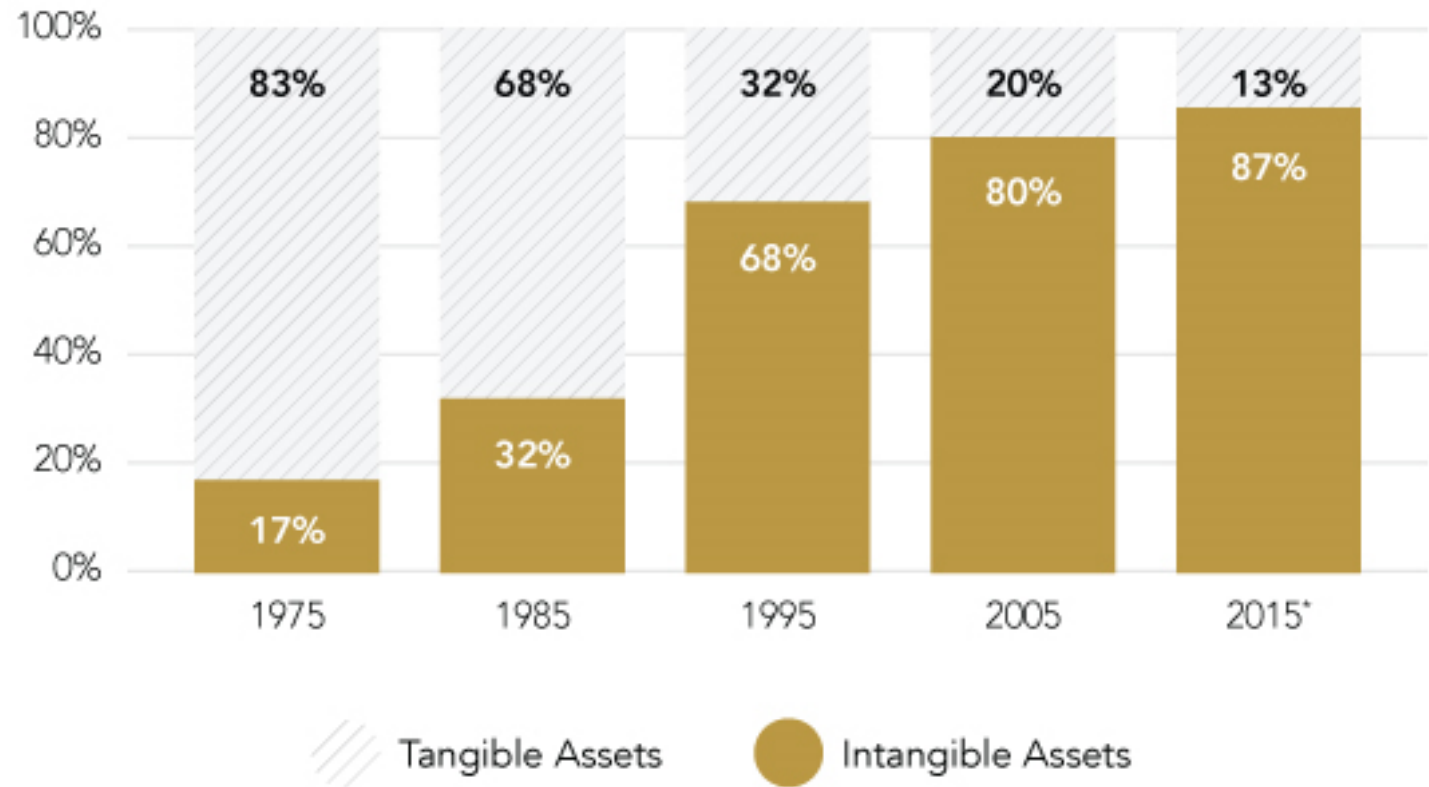


What factors drive valuation of your investee company?

# Market Value:

## Tangible vs. Intangible assets

### COMPONENTS of S&P 500 MARKET VALUE



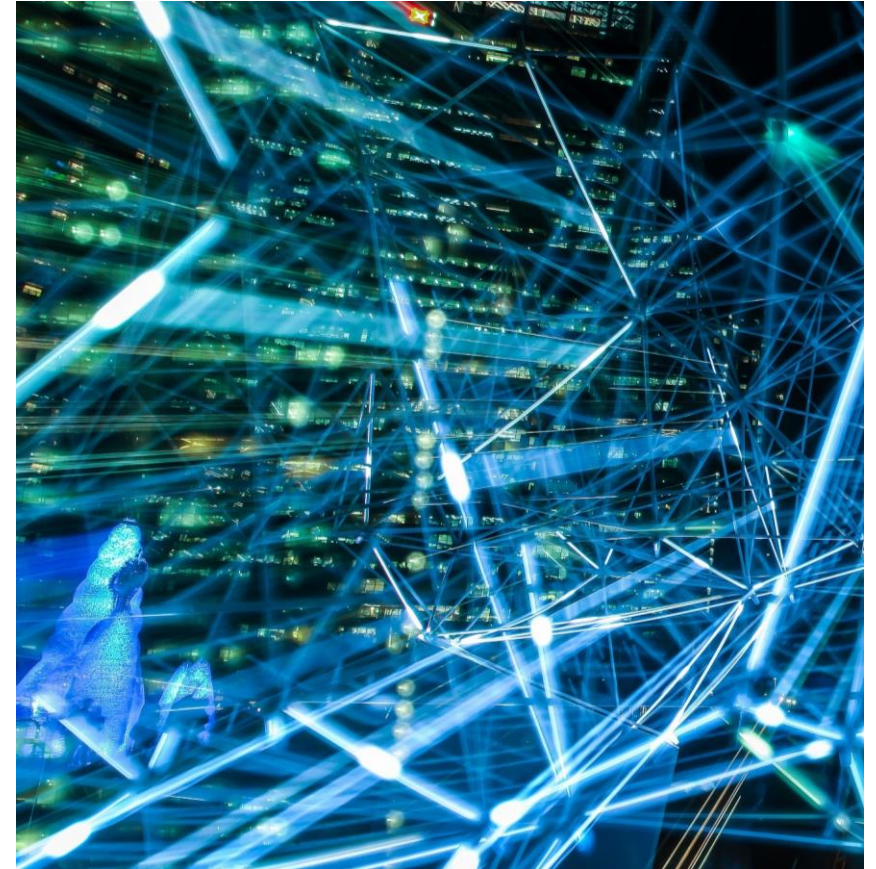
### Some Prediction

40% of Fortune 500  
Companies gone by 2020

SOURCE: OCEAN TOMO, LLC

# Sources of Intangible Value

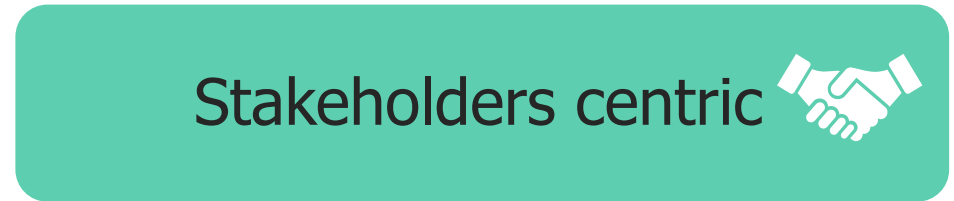
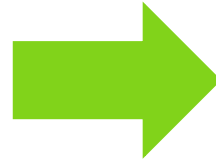
- Strategy – long term value creation
- Reputation – perceptions of stakeholders
- Supply chain – legitimacy of operations
- Human rights – child labour
- Stakeholder relationships – civil society
- Positive and negative impacts on triple context
- The quality of governance of the organization
- How does the company make its money?



# Paradigm Shift



- Max shareholders' wealth
- Short-term financial focus, corporate success = share price



- ✓ Sustainable company's health
- ✓ Long term sustainable value creation

Corporate governance with shareholders centric is not enough.



# Summary CG Principle 2012 vs. CG Code 2017

## WHY

Building Confidence

Creating sustainable value

## WHAT

**CG:** CG principles focusing on board's structure & functioning

**CSR:** Responsible on ESG issues

**Anti-corruption:** CAC certified

## CG Code

- focusing on board's roles
- integrating CG & ESG into business for sustainable value creation

## HOW

**Application:** Comply or explain

**Reports:** Annual report, voluntary SD reports

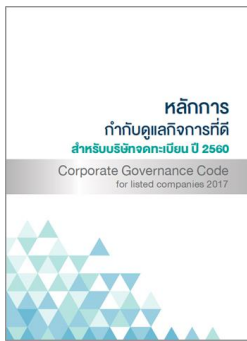
**Assessments:** CGR, THSI, CAC and other awards, disclosed in company profile, analyst reports

**Application:** Apply or explain

**Reports:** same or Integrated Report

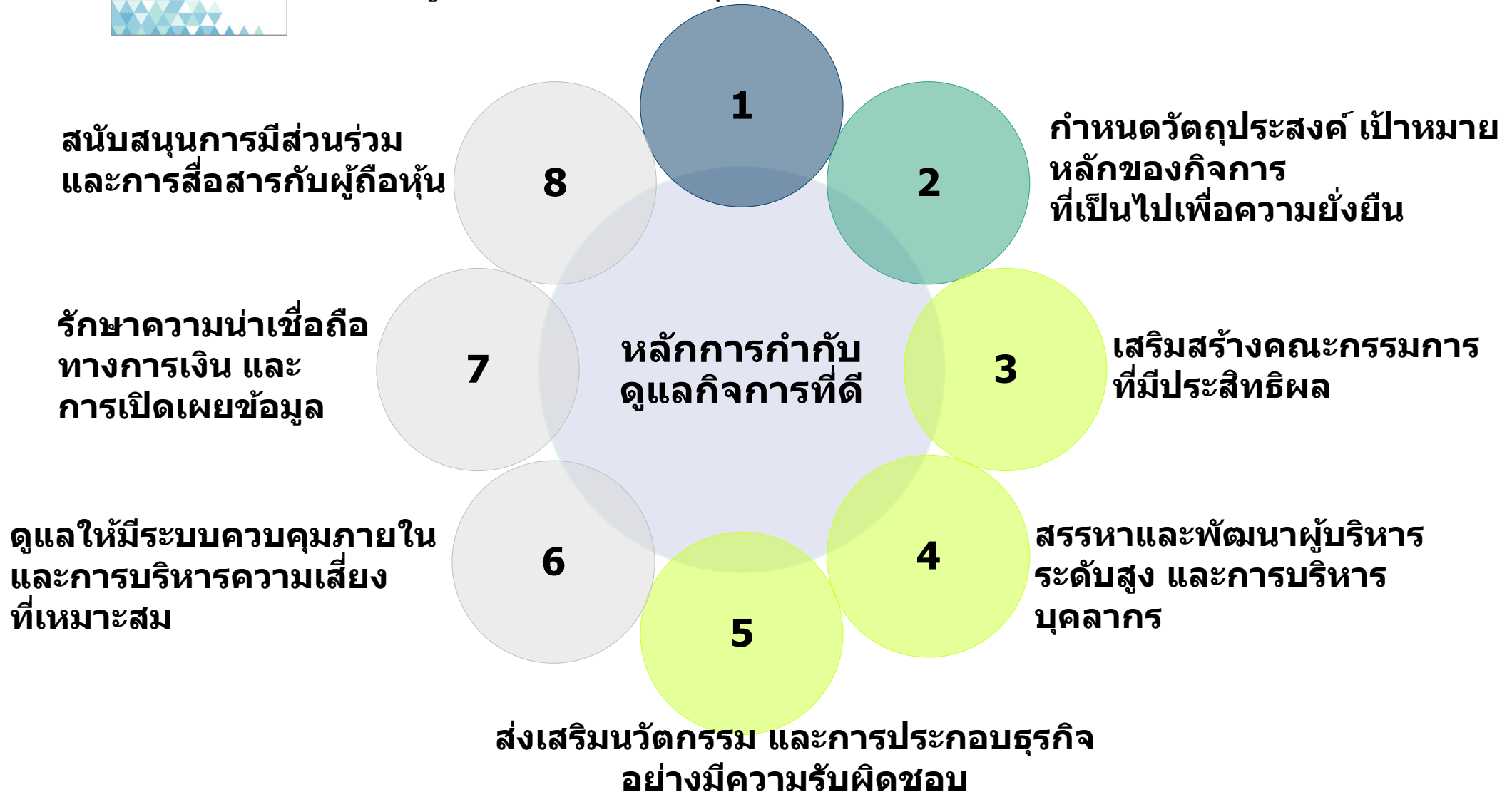
**Assessments:** same + board's self evaluation for appropriate application



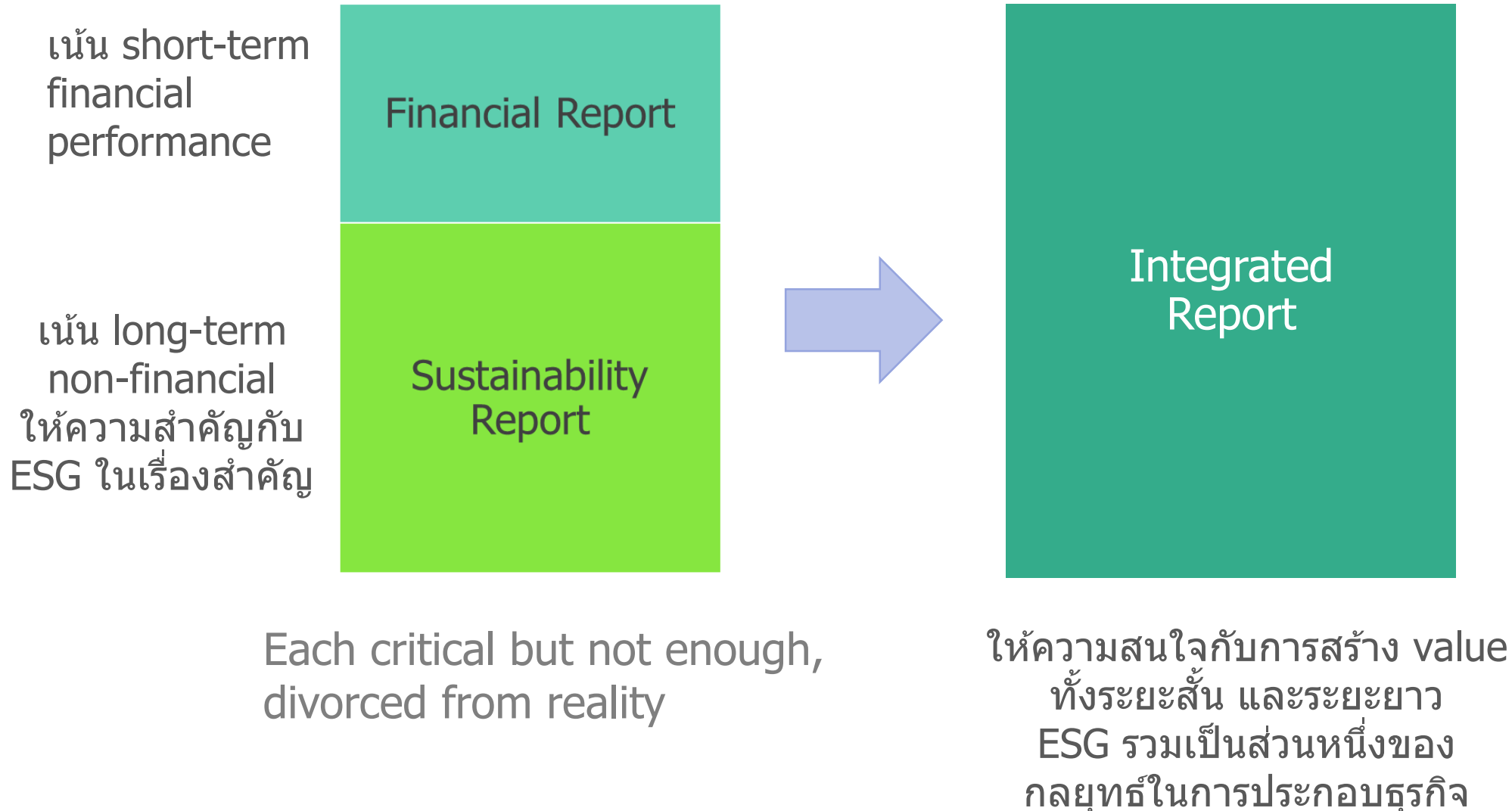


# หลักการกำกับดูแลกิจการที่ดี สำหรับบริษัทจดทะเบียน ปี 2560

ตระหนักถึงบทบาทและความรับผิดชอบในฐานะ  
ผู้นำองค์กร ที่สร้างคุณค่าให้แก่กิจการอย่างยั่งยืน



# แนวโน้มการเปิดเผยข้อมูล: Beyond Financial & Sustainability Report



# Strengthen Drive from Investors

## CG Code for listed co.

## Investment Governance Code (Stewardship Code for II)

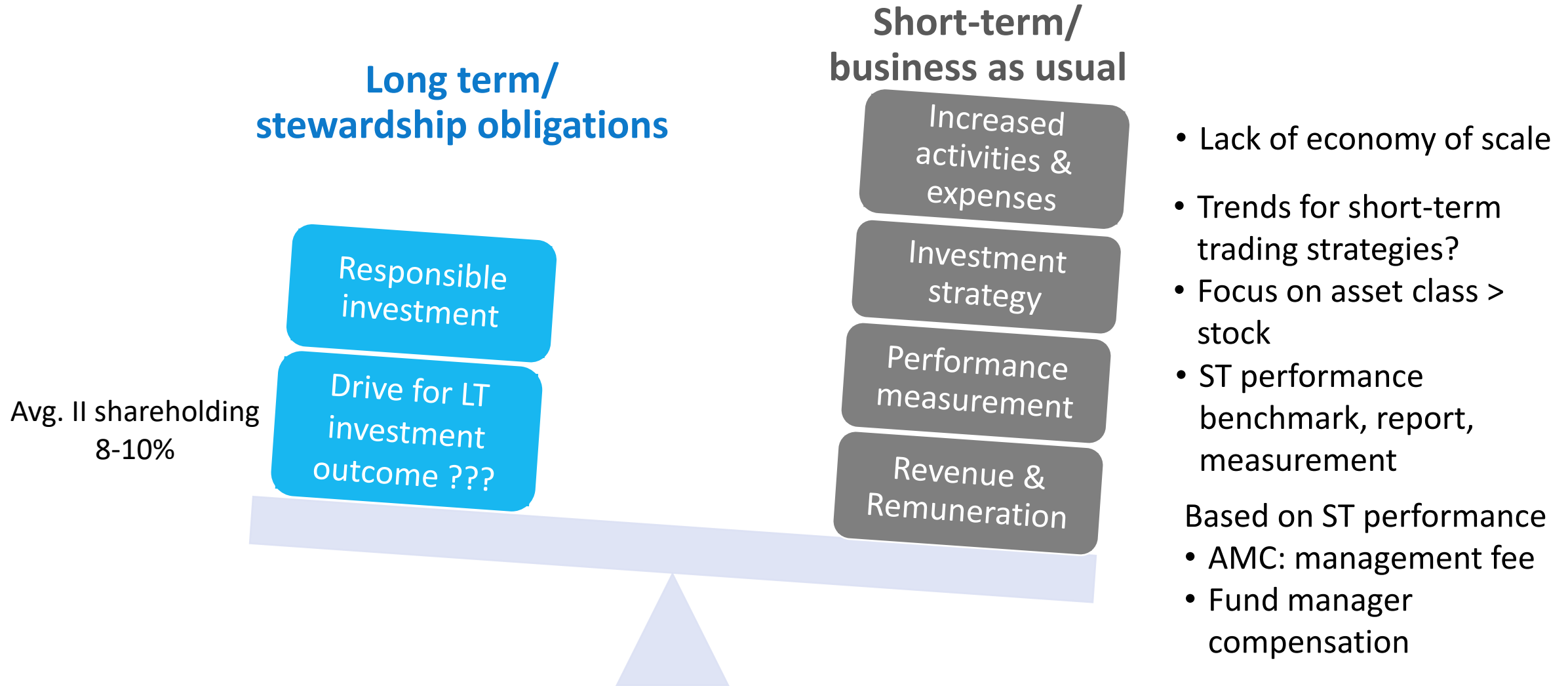


1. Respect SH Rights
2. Equitable treatment
3. Role of stakeholders
4. Disclosure
5. Board responsibilities

1. Performance w/ LT perspective
2. Responsible business
3. Good corporate citizen
4. Corporate resilience

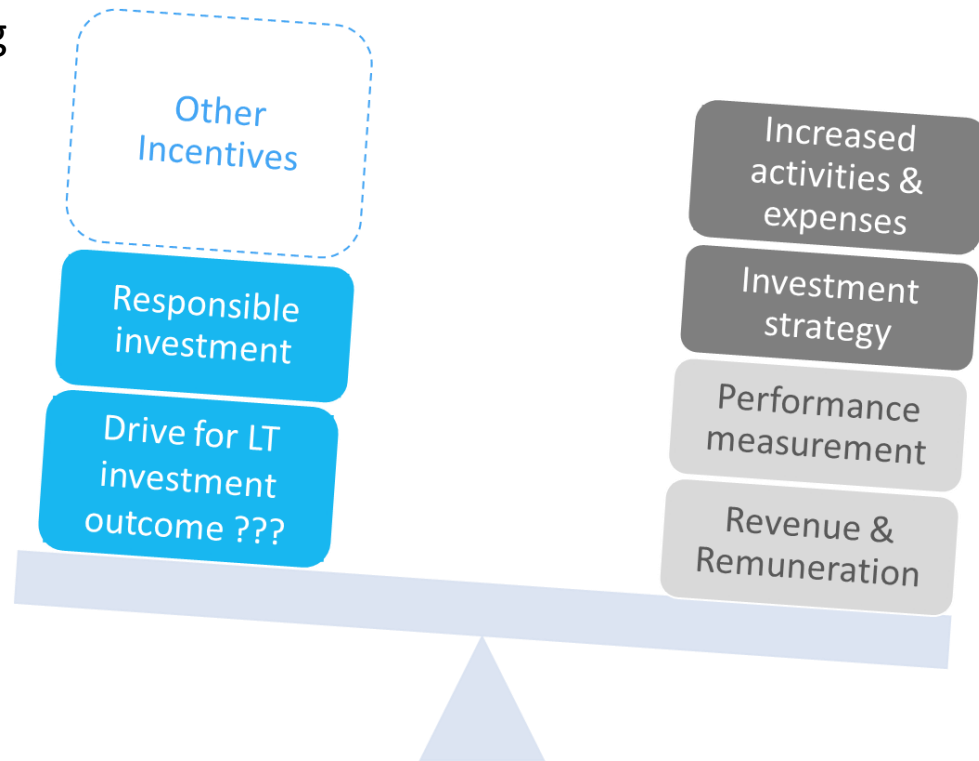
Drive for LT value creation in investees for the best LT interest of their own beneficiaries

# Key Challenges: Need for aligned incentives



# Some practices & recommendations

- Incentives for using benchmark with LT element ???
- Some “ESOP” style remuneration???



- Supported proxy services ??
- Supported collective action ??
- Incentives for SD funds
- Removal of quarterly report ?
- Separation of fund manager & stewardship team
- Remuneration of stewardship team has no commercial linkage