The State of Play in Sustainability Assurance

ASEAN Federation of Accountants
Indonesian Institute of Certified Public Accountants
Japanese Institute of Certified Public Accountants
• Significant global attention is being devoted to issues around sustainability-related reporting and a movement towards global standards.

• Attention is turning towards bringing trust and confidence in this information through assurance.

• IFAC’s objective was to examine assurance practices related to sustainability/ESG disclosure and answer the following questions:
  • How many companies are obtaining assurance over their ESG disclosures?
  • What type of practitioner (audit firm or other service provider) is conducting the assurance engagement?
  • What type of assurance (limited, reasonable, or “other”) is being provided?
  • What standards are being used to perform the assurance engagements?
Reviewed 1400 companies across 22 jurisdictions.

Frequency of reporting ESG information is high.

Incidence of assurance is not; Only 44% when exclude the EU.

The accountancy profession currently conducts just over 60% of assurance engagements.

Limited assurance is by far the most common—83%

We also found “moderate” or “other” types of opinions, especially in Asia.

Significant differences in reporting and assurance practices exist between jurisdictions.

**KEY FINDINGS**

- **91%** of companies reviewed report some level of sustainability information.
- **51%** of companies that report sustainability information provide some level of assurance on it.
- **63%** of these assurance engagements were conducted by Audit or Audit-Affiliated Firms.

- **88%** of assurance engagements employing an Audit Firm made use of the International Standard on Assurance Engagements 3000 (Revised).
- **83%** of all assurance engagements result in limited assurance reports.

There are significant differences across jurisdictions.
REPORTING

91% Disclose ESG Data

57%
• France is unique in that all ESG reporters disclose that information directly in the Annual Report.

• South Africa has the largest portion of Integrated Reports; notable mention to Brazil, Spain, Japan and South Korea.

• American and Canadian companies overwhelmingly disclose ESG information in stand-alone Sustainability Reports.
• Reporting against GRI and the UN SDGs were the most common.
• But two-thirds of companies reported using multiple frameworks/standards.
• Very few companies use a single framework/standard.
• Data highlights the lack of consistency and comparability that persists without harmonized global standards.
ASSURANCE
Only half of companies obtained assurance. Most assurance reports do not cover all disclosed ESG information.

France and South Korea had the highest rates of assurance, but the nature of that assurance differs significantly between the two.

Of the 1,269 companies that disclosed ESG data, 51% obtained assurance (44% excluding EU).
• Global market share:
  – 58% audit firm
  – 5% affiliated firm
  – 37% other service providers

• Jurisdictional differences:
  – Other service providers common in the USA, UK, and in many Asia-Pacific jurisdictions.
  – Profession’s market share highest in EU and Australia.

• Many companies had multiple separate assurance reports covering portions of their ESG reporting.
Limited assurance is by far the most common. 83% of sustainability assurance engagements result in limited assurance opinions.

Both limited and reasonable engagements performed by audit firms and other service providers.

“Moderate” assurance only provided by other service providers pursuant to non IAASB-based standards.

Open global policy question as to whether limited is a path to reasonable assurance.
ASSURANCE STANDARDS CITED IN ESG REPORTS

• Profession uses ISAE 3000 (Revised).

• Other service providers use ISAE 3000, AA1000AS and ISO 14064-3.

• 87 instances of other service providers using ISAE 3000:
  – 47% “in accordance with”
  – 36% “based on”
  – 17% other

• Anything other than “in accordance with” is not in accordance with ISAE 3000.
Emerging best practices

- Regulatory frameworks should require robust, decision-useful information (with assurance)—not compliance-based behavior.
- Alignment between sustainability disclosure and financial reporting (i.e., timing, location, integrated mindset) will break down information silos.
- Interconnecting sustainability assurance with the financial audit maximizes value for companies and their stakeholders.

Built on a foundation of high-quality global standards

- Regulatory fragmentation creates unnecessary cost/complexity and reduces comparability/consistency—for reporting and assurance.
- A harmonized, global baseline of sustainability disclosure—based on a Building Blocks Approach—provides the best basis for high-quality assurance.
- ISAE 3000 (Revised) is the most globally-accepted standard and the logical foundation for driving evolution/consistency in sustainability assurance.
- Regulation and enforcement must deliver uniform application of global standards by providers of sustainability assurance engagements. Otherwise, trust and confidence is compromised.
Time for Action: Next steps for the profession

- Public interest responsibility: ENABLERS of high-quality, decision-useful ESG information
  - Support, promote and position the ISSB for success
  - Demonstrate our value at the center of information flows and decision making—using our skills / competencies to connect financial and non-financial information
How we lead

WHAT NEXT?

1. Be proactive in reporting the effects of climate change—in the financial statements
2. Break down “ESG” vs. “Financial” information silos
3. Integrate ESG subject matter into our foundational skills and competencies, professional judgement, and integrity
4. Advocate for smart policymaking

WHAT NEXT?

• IFAC collaborating with MBs on B20 Indonesia advocacy / events.
• IFAC thought leadership on “Integrated Mindset.”
• Update to The State of Play.
• Benchmarking what companies report on emission reduction targets and transition plans.
• IFAC resources to facilitate access and collaboration on ESG subject matter education.
• Collaboration with CPA Canada on the Green Bond/Sustainable Finance market.
• Engaging with and listening to our Member Body network.

1. Advocate for smart policy & regulation
   - Enhance corporate reporting through regulatory frameworks that promote rigour and define the scope of what companies report and how assured, disclosing compliance-based behaviors.
   - Foster trust and confidence in the sustainability assurance framework companies report by requiring high-quality assurance, conducted in accordance with standards set by the IIAASB and performed by professional accountants.
   - Implement sustainability disclosure requirements taking a proportional, phased approach that is right-sized for smaller enterprises.
   - Update liability regimes to better support expanded, value-added professional services and assurance.

2. Demonstrate sustainability-related skills & competencies
   - Position professional accountants as best placed to meet the sustainability-related needs of reporting entities, including assurance services.
   - Integrate new ESG subject matter with the foundational skills and competencies, professional judgement, and integrity of professional accountants.
   - Provide support, education, and technical guidance that promotes high-quality reporting and assurance of sustainability information, enhancing the role of professional accountants as valued partners and advisors.

3. Be proactive on climate reporting
   - Comply with financial statement reporting requirements (e.g., IFRS Accounting Standards) and local GAAP and best practices, without material omissions or misstatements to reflect climate-related material to financial performance.
   - Align and integrate climate-related information and financial disclosures with a reporting entity’s stated climate commitments/budgets and strategic decisions.
   - Quantify climate-related risks and build robust data capture and reporting systems for sustainability information.

4. Champion an integrated mindset
   - Enhance corporate governance, including audit committees, to provide effective oversight of all reporting, including sustainability-related disclosure.
   - Eliminate information silos within companies to better integrate sustainability disclosures with the work of CFOs, and to facilitate holistic decision-making and communication with stakeholders.
   - Consider climate and other ESG factors carefully—integrating them into strategy and business model development, decision-making, and risk/opportunity assessments.
IAASB: Building Confidence in Sustainability Information Reported

Lyn Provost
IAASB member and Chair of the IAASB’s Sustainability Assurance Working Group

The State of Play in Sustainability Assurance

ASEAN Federation of Accountants Regional Webinar

April 26, 2022
A Global Movement in Sustainability Reporting

Demand for sustainability / ESG reporting
- Investors
- Funding providers
- Regulators
- NGOs

Voluntary reporting

Mandatory reporting

Reliable reporting needed

Demand for assurance
What is Driving the Need for IAASB Actions?

- **Multiple assurance standards**
- **Risk of fragmentation**
- **Consistency in quality of assurance**
- **Urgent need for globally accepted standards**
A need for International Standards for Assurance on Sustainability

Develop the architecture of the standards

Complete assurance solution

Start with what we have:
- ISAE 3000 (Revised)
- ISAE 3400, ISAE 3402
- ISAE 3410
- Sustainability / EER Guidance
- ISAs

Phased approach for providing specificity on challenges
Focusing on Priority Challenges

- Limited versus reasonable assurance
- Suitable reporting criteria
- Scope of engagement
- Evidence
- Materiality
Way Forward

Continue to develop an outline of actions

Feedback to the IAASB

Progress actions as agreed with IAASB

Ongoing outreach
An Overview of The State of Sustainability Assurance In Indonesia

Presented by: Kusumaningsih Angkawidjaja
Chair - IAPI
EER Task Force - IAPI
Disclaimer

• The Indonesian Institute of Certified Public Accountants (IAPI) provided this presentation to support the AFA, IAPI, and JICPA joint webinar “The State of Play in Sustainability Assurance”.

• IAPI is not liable for any loss incurred by the party who directly or indirectly commits or refrains from taking any action based on this content, whether caused by negligence or otherwise.
Objectives:
• To develop technical and practical guidance to support the practitioners in providing assurance services related to Extended External Reporting using ISAE 3000 (Revised) or ISAE 3410.
• To create awareness on the Sustainability Assurance on EER through collaboration with key stakeholders in sustainability ecosystem.

MEET OUR TEAM

Practitioner

Hendang Tanusdjaja
Task Force Leader

Djohan Pinarwan
Kusumaningsih A
Handoko Tomo
Steven Tanggara
Esika Wahasri

Aria Farah Mita
Academician
Fernando U. Reyes
Subject Matters Expert
Palti F.T.H Siahaan
Corporate Officer
Benefits of Seeking Sustainability Assurance Services

- Ensure credibility, reliability, and accuracy of non-financial disclosures in annual and integrated reports.
- Strengthen Internal Awareness of material sustainability risks and opportunities.
- Driving organizations to enhance Systems, processes, and internal controls around the collation and reporting ESG data.
- Allow the organizations to prepare for the mandatory ESG assurance coming into effect in the near future.
- Allow the organizations to benchmark their disclosures to best practice and enhance the overall quality of their sustainability disclosures.

Regulatory for Indonesian Companies

- Law No.32 year 2009 regarding Environmental Protection and Management.
- POJK No.51/POJK.03/2017 2017 ("OJK Rule 51") requires the entity to submit their first Sustainability Report starting from April 30, 2020.
- Surat Edaran Otoritas Jasa Keuangan No. 16 /SEOJK.04/2021 requires preparers to apply OJK Rule 51 on their annual report.

Demand for Sustainability Reporting & Assurance in Indonesia

Increasing pressure on certain corporates by investors and regulators to disclose and report on sustainability initiatives.
Definition of Assurance (IFAC): See Reasonable assurance (in the context of audit engagements, and in quality control)–A high, but not absolute, level of assurance

We sorted the fifty (50) largest listed companies by market capitalization from IDX’s market data as of March 31, 2022 and use the latest sustainability report (the term “2020 or 2021 sustainability report”).

Remarks: “multiple” may comprise more than 2 standards as follow: (GRI, SUSBA, SASB, UNGC, and SDGs)

Currently Reporting Framework on Sustainability Report

Currently Assurance Standard

Type of Firm Who Provides Assurance Services

Non Audit Firm: 92%
Audit Firm: 8%
Current Development by IAPI

ISAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” as adopted by Indonesian Auditing and Assurance Standard Board, (SPA 3000)

ISAE 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"

- Non-Authoritative Guidance on Applying ISAE 3000 (Revised) - EER Guidance
- Non-Authoritative Support Materials

ISAE 3410 "Assurance Engagements on Greenhouse Gas Statements"

Status

Adopted

In process of adoption to be SPA 3000 (Revisi) along with its guidance

In process of adoption to be SPA 3410
An overview of all the aspects of the performance of an EER assurance engagement under ISAE 3000 (Revised)

Diagram 1 – Relationships Between Stages of Engagement, Standard Requirements, and this Guidance

Source: Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability ..... page 8

Core requirements for Public Practice or Auditors

When providing assurance services in Sustainability report, practitioners need to collaborate with Subject Matter Expert.
What is competence needed?

Assurance competence includes skills and techniques of the Standard; accordingly, assurance competence is distinct from and calls for more than an application of subject matter competence → Auditors Skillset.

What is professional skepticism?

An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.

(in the context of ISAE 3000 (Revised)

What is professional judgment?

The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.

(in the context of ISAE 3000 (Revised)

Supports the exercise of professional skepticism, as shown in the following examples:

1. Integrity
2. Objectivity
3. Professional Competence and Due Care

Source:
International Code of Ethics for Professional Accountants - IFAC
An example of possible factors or impediments that may influence the practitioner’s exercise of professional skepticism.
The diagram below indicates both behaviors or skills that may support the exercise of professional skepticism.

Source: Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability
ISAE 3000 (Revised) contemplates two levels of assurance:

<table>
<thead>
<tr>
<th>Limited Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Practitioner reduces engagement risk to a level that is acceptable to form a negative form of expression of the practitioner’s conclusion</td>
</tr>
<tr>
<td>- Practitioner is required to consider the process used to prepare the subject matter information.</td>
</tr>
<tr>
<td>- Practitioner collects less evidence than for a reasonable assurance but sufficient to express such conclusion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reasonable Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Practitioner needs to reduce the engagement risk to an acceptably low level as the basis for a positive form of expression of the practitioner’s conclusion.</td>
</tr>
<tr>
<td>- Practitioner is required to evaluate the design of the relevant controls and whether they have been implemented</td>
</tr>
<tr>
<td>- Practitioner collects more evidence than for a limited assurance engagements</td>
</tr>
</tbody>
</table>
Non-Authoritative Support Material:

a) Illustrative Examples of Selected Aspects of Sustainability and other EER
b) Credibility and Trust Model Relating to Sustainability and other EER

Remarks:
- Estimation of Public or Limited Hearing
- Estimation to Finalization

Timing:
- September 2022
- December 2022
- March 2023
THANK YOU
An overview of the state of sustainability assurance in Japan and JICPA’s initiatives on sustainability assurance

26th April 2022

ShinTakenaka
(Head of Climate Change & ESG Assurance Office, Deloitte Touche Tohmatsu LLC)
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Shin is a leader of Climate/ESG Assurance Office in Audit Advisory Division of Deloitte Japan.

He is a Certified Public Accountant in Japan and also United States with over 21 year experiences in Japan, Australia and the United Kingdom providing assurance, advisory and accounting services to various organisations including retail and distribution businesses, trading houses, infrastructure and energy and resources.

In 2004, he was seconded in the United Kingdom and involved in a number of IFRS implementation work and complicated US GAAP implementation projects. He gained in-depth understanding of the operation of Global Multinational subsidiaries and skills to manage complicated processes and changes at clients by coordinating relevant service lines within the firm and counterparts in HQs.

In 2008, he moved to Australia and got a promotion to partner to support Japanese energy and resources companies for complicated compliance obligations and transformation of the accounting functions including environmental matters.

In 2020, he returned to Deloitte Japan and has been leading the climate team to support Japanese companies’ climate reporting and transformation such as TCFD and coming ISSB disclosures and governance building.

He is leading a newly set Deloitte Japan’s initiative to support foreign owned companies based in Japan as Global Inbound Group.
Overview of the state of sustainability assurance in Japan
Current plan of regulatory sustainability reporting in Japan

Sustainability reporting development in Japan

- Mandatory disclosure of sustainability information in annual securities report (under discussion)
- SSBJ [Sustainability Standards Board of Japan] (2022)

- Expectations for the assurance of regulatory sustainability disclosures
An overview of the state of sustainability assurance in Japan

Voluntary sustainability report and integrated report are the main media for disclosing sustainability information in Japan.

- Results of a survey on disclosure media conducted by the International Federation of Accountants (IFAC)

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice The State of Play in Sustainability Assurance (June 2016) published by the IFAC.
An overview of the state of sustainability assurance in Japan

The percentage of assured sustainability disclosures in Japan is much lower than those in major western countries, and the level of assurance provided for such disclosures is mostly limited.

- Results of a survey on assured sustainability disclosures and assurance level conducted by the International Federation of Accountants (IFAC)

<table>
<thead>
<tr>
<th>Country</th>
<th>Assured</th>
<th>Not Assured</th>
</tr>
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<tbody>
<tr>
<td>Japan</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>U.S</td>
<td>29</td>
<td>71</td>
</tr>
<tr>
<td>U.K</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>Germany</td>
<td>37</td>
<td>63</td>
</tr>
</tbody>
</table>

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice The State of Play in Sustainability Assurance (June 2016) published by the IFAC.
An overview of the state of sustainability assurance in Japan

In Japan, most of the assurance providers are audit firms and their affiliates, and ISAE 3000 and ISAE 3410 are mainly used as assurance standards.

- **Results of survey on assurance providers and assurance standards conducted by the International Federation of Accountants (IFAC)**

![Assurance Provider](chart1)

![Assurance Standard](chart2)

**Note:** If the respondents mentioned more than one standard, they were counted separately.

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice *The State of Play in Sustainability Assurance (June 2016)* published by the IFAC.
An overview of the state of sustainability assurance in Japan

Summary of ESG disclosure and third-party assurance in Japan

In Japan, Annual Securities Report (annual report) is scarcely used as a medium for disclosing ESG information.

Audit firms and their subsidiaries provide third-party assurance in accordance with ISAE 3000 and/or ISAE 3410.

In Japan, assurance services are mostly provided by audit firms and their subsidiaries, no matter if those services are supposed to be provided in accordance with ISAE 3000 developed by IAASB.

90% of the assurance provided is limited assurance.

Source: Prepared by Deloitte Touche Tohmatsu based on Benchmarking Global Practice The State of Play in Sustainability Assurance (June 2016) published by the IFAC.
An overview of the state of sustainability assurance in Japan

While the forms of reporting media vary, assurance services specifically for GHG emissions reporting are all provided by ISO accreditation bodies.

<table>
<thead>
<tr>
<th>Percentages of different reporting media to be assured</th>
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<tbody>
<tr>
<td>IR</td>
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<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Audit, Accounting Firms and Affiliates</td>
</tr>
<tr>
<td>ISO Accreditation Bodies</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

*1 "Other" of audit firms and other relevant institutions represents services related to the Equator Principles.

*2 The total number of assured reporting media is 139, which exceeds the total number of companies that received assurance. This is because some companies received assurance for more than one reporting medium.

Source: Fact-finding Survey on Assurance for Non-financial Reporting, November 2021 issue of the Accounting and Auditing Journal
An overview of the state of sustainability assurance in Japan

It is essential to proceed with preparation and responses in anticipation of domestic and global discussions on assurance engagements as well as their future progress.

- Directions to be taken and themes to be considered in regard to sustainability reporting

- Enhancement of the disclosure of sustainability information

- Ensuring of reliability of sustainability information

- Assurance on sustainability information

- Connectivity between financial and sustainability information

- Further enhancement of disclosed information and consolidation of disclosure media
JICPA’s Initiatives on Sustainability Assurance
### Discussion Paper

### Key Issues in Enhancing Usefulness and Trust in Corporate Disclosure

- **Establishing Sustainable Value Creation Cycle through Interaction between Disclosure and Governance**

<table>
<thead>
<tr>
<th>Topics discussed in the final report</th>
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<tbody>
<tr>
<td><strong>Topic1</strong></td>
</tr>
<tr>
<td>Structure of report and the content elements</td>
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<td><strong>Topic2</strong></td>
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<tr>
<td>Reporting frameworks and standards</td>
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<tr>
<td><strong>Topic3</strong></td>
</tr>
<tr>
<td>Interaction between corporate disclosure and corporate governance</td>
</tr>
<tr>
<td><strong>Topic4</strong></td>
</tr>
<tr>
<td><strong>Audit and assurance for enhancing trust in corporate disclosure</strong></td>
</tr>
</tbody>
</table>
Enhancing quality of corporate disclosure: audit and assurance

Current state and issues

- The role of external auditors is questioned for the quality of corporate disclosure.

Possible solutions

- External auditors understand more about an entity’s sustainable value-creation to assess whether disclosure as a whole represents corporate value.
Audit and assurance for enhancing trust in corporate disclosure

4-2 Strengthening communication and cooperation between external auditors and those charged with governance

Current state and issues

- The growing importance of the board of directors, the roles of external auditors, and their communication with the board of directors

Possible solutions

- Deepen external auditors’ communication with the board of directors, especially with independent directors
- Promote tripartite cooperation involving the board of corporate auditors, etc.
4-3 Reliability of non-financial information

Current state and issues

- Only some of the information disclosed in Integrated Reports and/or other voluntary reports are subject to assurance.
- Presenting a sharp contrast with Annual Securities Report, which is the current scope of financial statement audit.
- Issues to be addressed include the scope of assurance; feasibility of assurance, which should be ensured by preparation standards; bodies providing assurance; and interaction with financial statement audit.

Possible solutions

- Undertake assurance for both financial and non-financial information in the same annual report for comprehensive use of information by investors.
Audit and assurance for enhancing trust in corporate disclosure

4-4 Enlightenment and capacity building of professional accountants

Current state and issues

- Re-identification of the expertise required for professional accountants with a recent environmental change taken into account

Possible solutions

- Enhance capabilities of professional accountants
- Review the existing education system and develop a policy from a medium- to long-term perspective

Establish the JICPA Sustainability Education Study Project Team
JICPA’s initiatives on sustainability assurance

● Establish the Sustainability Education Study Project Team, which:
  ▶ Looks into the development of a syllabus for sustainability education for CPAs; and
  ▶ Holds webinars on the disclosure of climate change information and how to ensure the reliability of such information.
JICPA’s initiatives on sustainability assurance

- JICPA looks into the development of practical guidance on assurance engagements for green bonds.
  - Green bond issuers are recommended to receive pre- and post-issuance reviews by an outside party.
  - CPAs should be in charge to provide assurance services in accordance with the International Standard on Assurance Engagements (ISAE) 3000.
JICPA’s initiatives on sustainability assurance

Industry’s needs

• Expectations for the extensive rollout and promotion of sustainability education in the accountant profession

• Need for initiatives that are globally consistent

• Initiatives undertaken by audit firms (international accounting firms) on their own

• Shortage of resources in SMPs

Approach

Develop JICPA’s syllabus for sustainability education so that it is positioned as a “hub” for promoting the extensive rollout in the industry.

• The syllabus is developed by JICPA.

• The education programs are aligned with other training programs provided by audit firms and JAFEL.

• Publicize about our initiatives to provide CPAs with sustainability education programs to get them equipped with knowledge and insight on sustainability.
Reference

- Revision to the Corporate Governance Code
- Sustainability Standards Board of Japan (SSBJ)
- TCFD Consortium
- Study Group on Disclosure Policies for Non-financial Information (Stance Paper)
Regional Webinar on Sustainability Assurance
Mission

To assure a conducive environment for a fair, efficient, dynamic and inclusive capital market

Vision

SEC strives to enhance the benefits and well-being of people through being a trustworthy and proactive organization, collaborating with all stakeholders to build a sustainable capital market

SEC develops a sustainable ecosystem for Thai capital market
Global Trends 2022

Top 10 Global Risks by Severity
Over the next 10 years

1st: Climate action failure
2nd: Extreme weather
3rd: Biodiversity loss
4th: Social cohesion erosion
5th: Livelihood crises
6th: Infectious diseases
7th: Human environmental damage
8th: Natural resource crises
9th: Debt crises
10th: Geoeconomic confrontation

Companies that are responsible for sustainability have received increased interest from global investment.

More than 3,800 signatories applying responsible investment principles in investment decisions.

Over 120 Trillion USD

Increasing an opportunity of global investment

Cost of fund

Companies have received increased interest from both domestic and international investment, which help reducing companies’ financial costs.

Improved performance

Companies have improved performance from considering and integrating ESG into business operations.

Source: PRI Principles of Responsible Investment (2021)
ESG Development in the Thai Capital Market

**Corporate Governance Report Assessment Scores**
- With a minimum of 661 listed companies

**Thailand Sustainability Investment (THSI) list 2021**
- 146 listed companies

**SETTHSI Index Constituents H1/2022**
- SETTHSI Index 99 listed companies
  - Jan 1 – June 30, 2022

**Members in Dow Jones Sustainability Indices**
- 24 listed companies

**Members in FTSE4Good Emerging Indexes**
- FTSE4Good 39 listed companies

**Members MSCI ESG Universal Index**
- MSCI 42 listed companies
The SEC issues best practices / disclosure rules / and manuals, to support ESG Thai capital market.
Driving business towards sustainability

Supply

1. Encourage fundraisers to integrate sustainability factors
2. Encourage sustainable products
3. Promote platforms for sustainable development
4. Support the roles of analysts and service providers

Demand

5. Encourage responsible investment

Enablers: collaboration / capacity building / awareness raising / regulation / guidelines / enforcement / incentive
SEC is enhancing ESG Disclosure in the Form 56-1 One Report (Effective in 2022)

- Overall of 56-1 & Annual report
- Summary of the 4 main topics

Policy and objectives of sustainable management
Management of impacts on stakeholders in the business value chain
Social sustainability management
Management of environmental sustainability (Verification on GHGs Emission)

- Objectives and business operations regarding ESG
- Risk management including ESG risks
- MD&A connecting with ESG issues

There are 169 listed companies that disclosed this information in 2021 (early adopted). 125 companies are in SET and 44 companies are in mai.
SEC is enhancing ESG Disclosure in the Form 56-1 One Report

**Mechanism for promoting One Report**

- Cooperate with other related organizations (e.g. capacity building, manuals, and guidance)
- Exempt annual fee for listed companies
- Enhance boards' roles to incorporate ESG-issues into the corporate strategy, as well as support accurate and reliable disclosure.
- Encourage investment analysts and fund managers to integrate ESG factors into their investment process.
launched sustainable financial products in 2021 with a total value of 174,696 million baht
(increased 102% from 2020 (year-end data of 2021))

- Green Bond
- Social Bond
- Sustainability Bond
- Sustainability-linked bond
- carbon fund
- Sustainable & Responsible Investing Fund
Role of the assurances: create trust & confidence of the sustainable products

Requirement for the external reviewer

- Green Bond
- Social Bond
- Sustainability Bond
- Sustainability-linked bond

• No requirement
• So far, every deals have appointed the external reviewer (market mechanism)
• Assurances: EY, Singapore, KPMG

• Mandate for pre & post issuances
• Potential for the assurances of the performance (KPI)
• Assurances: DNV assurance