

THE STOCK EXCHANGE OF THAILAND COMMUNICATION WITH STAKEHOLDERS

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BUSINESS STRATEGY

1. How does your exchange define and view the rationale for corporate sustainability and the exchange's role in promoting it?

The Stock Exchange of Thailand (SET) recognizes the importance of corporate responsibility and has actually been aware of our significant role in developing sustainability for the Thai capital market. Our approach in sustainability development is based on our responsibilities to the economic, social and environment (ESG) aspects. We realize that we are not only the stock exchange of the country but also a significant mechanism and economic driver, and at the same time, what we do and drive can change and make a wide spread of impact to stakeholders.

SET aims to enhance the quality of our stakeholders, namely listed companies, investors, brokerage firms, asset management firms, suppliers as well as other peripheral stakeholders, together with the capabilities of our staff in order to boost market value and ensure sustainable growth for the Thai economy in the long run.

To manage this more positively, SET has a strong determination to lead the integration of sustainability concept into the core business practice of Thai listed companies across the board, in order to help them achieve sustainable development, as well as creating awareness and understanding of responsible investing among investors.

With the significant success in the Thai capital market development, SET continues to focus on incorporating social responsibility and sustainability aspects into our overall business strategy. In fact we comprehensively integrate social responsibility policies, strategic planning and implementation in each business unit planning process in line with our target of driving the capital market toward sustainable growth as well as transforming SET into a sustainable stock exchange.

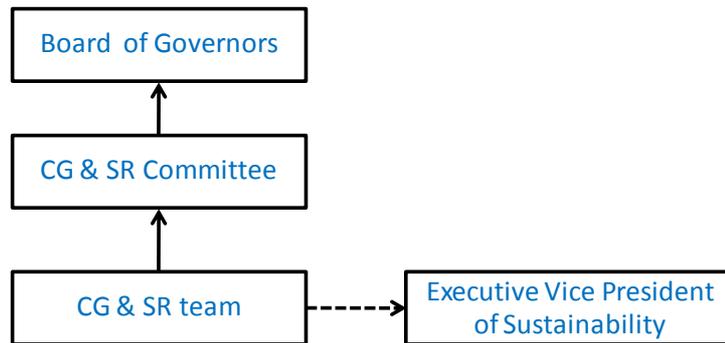
2. How does your exchange's senior leadership and organizational structure support the promotion of corporate sustainability in its market(s)?

SET's sustainability policy is applied to all [7 subsidiaries](#) that SET holds 100% shares. The Board of Governors (BoG) is responsible for approval of core and important sustainable aspects, such as sustainability framework, sustainability roadmap and sustainability strategies, etc. Some governors are appointed to a Corporate Governance & Social Responsibility Committee (CG & SR Committee) to represent the BoG in this regard.

CG & SR Committee conducts the development of SET's sustainability policy, mission, strategies and goals. Simultaneously, CG & SR Committee closely monitors sustainability progress achievements to ensure efficiency and effectiveness.

At operational level, SET has appointed sustainability development team to help create awareness and support sustainable practices of both internal and external stakeholders. The team regularly reports to Executive Vice President of sustainability development and reports monthly to the CG & SR committee, as well as occasionally reports to the BoG.

Sustainability reporting line structure



3. What goals/objectives does your exchange have in regards to advancing sustainability in your market?

Along our journey, SET has produced [tools](#) and conducted a variety of [activities](#) to involve all key stakeholders in the Thai capital market, ranging from our employees, listed companies, brokers and asset management companies, investors to the general public. The activities are organized monthly to create awareness, enhance performance on ESG issues and encourage responsible long-term approaches to investment among Thai listed companies and investors.

- **SET sustainability development framework and sustainability roadmap**

Into 2014, BoG approved sustainability development framework, aiming to enhance all dimensions of quality towards sustainability of the Thai capital market, economy, society and environment. The framework focuses on five key areas, namely market value, business operations, employees, society and environment.

SET Sustainability Development Framework



Following the sustainability development framework, SET will develop a sustainability roadmap in 2015 for these five key areas and start implementing related strategic plans followed by declaring strategic commitments and goals afterwards. Meanwhile, we will continue to promote sustainable core values, creating and instilling DNA of social responsibility among employees and advance the exchange to sustainability in all day-to-day operations.

- **Thailand sustainable investment list**

Recently, at the beginning of 2015, SET joined forces with its alliances: six key capital market organizations, consisting of the [Securities and Exchange Commission \(SEC\)](#), the [Association of Investment Management Companies \(AIMC\)](#), [Association of Thai Securities Companies \(ASCO\)](#), The [Thai Institute of Directors Association \(TIA\)](#), [Thai Listed Companies Association \(TLCA\)](#) and [Khon Thai Foundation](#), to enhance Thailand's sustainable investment. As such, this year SET will announce a list of Thai companies with prime performance on ESG aspects, making known to investors in the region and worldwide to use as investment decision-making tools.

This year, Thailand's sustainable investment development will be implemented via the selection of companies based on the evaluation of ESG (as part of economic) performances. The working committee is composed of executives from SET and the six alliances. The list will be reviewed on an annual basis and the evaluation has been designed in line with the corporate sustainability assessment of the Dow Jones Sustainability Indices ([DJSI](#)). Meanwhile, it will be adjusted to suit the Thai context of economic, culture and society. At this initial stage, all the companies will be evaluated in one group, not categorizing into each industry. Later on when the listed companies get familiarized with the mechanism and better prepared, it will be more advanced, matching the international standard. Thai listed firms will be encouraged, not forced, to follow the procedures step by step. We do not intend to burden listed companies. However, our long-term goal is to internationalize Thai listed companies to go global.

TRANSPARENCY AND ISSUER REPORTING

4. Describe your exchange's approach to promoting sustainability disclosure by companies.

In Thailand, the [SEC](#) is the agency which regulates and issues rules on sustainability reporting among listed companies. SET's role in this area is mainly to facilitate all companies in complying with the [SEC](#) rules and encourage efficient information disclosure to promote transparency to benefit both the companies themselves and investors who are main users of the information. In doing so, we have offered a full range of services to support Thai listed companies at all levels to achieve sustainability.

For those companies who are just beginning to implement ESG aspects, we have developed and distributed a series of publications to educate about CSR reporting, including a [Reporting Guidelines](#). We also provide the [Thai version](#) of GRI Sustainability Reporting Guidelines via SET website.

Moreover, we offer free-of-charge reporting workshops and training to support first-time reporters in disclosing their ESG performance to comply with the [SEC](#) regulations on sustainability reporting. Meanwhile, companies with a more sophisticated understanding are encouraged to participate in our training activities on [GRI](#) reporting. Currently, there are about 40 Thai listed companies whose reports are based on [GRI framework](#).

There has been consistent progress and development of Thai listed companies' sustainability over the recent years. We expect increasing numbers of companies with better understanding and practicing of sustainability. We have encouraged and expect to see the 100 largest market capitalization companies, so called "SET100" companies, to reach the level of transparency and comply with the GRI framework in their sustainability reporting within the next five years.

5. What is your exchange's process for reviewing listing standards in general? Are there opportunities for stakeholders to comment during this process?

Reviewing process of listing rules and regulations is organized by the Listing Expansion Committee that consists of the SET chairman, two SET governors, the SET president, as well as stakeholders from related organizations such as the Ministry of Foreign Affairs, Fiscal Policy Office, State Enterprise Policy Office, Thailand Board of Investment, [Federation of Thai Capital Market Organizations](#) (FETCO), The Federation of Thai Industries, the [SEC](#), The Thai Banker's Association, The Thai Chamber of Commerce & Board of Trade of Thailand, etc. to promote and support high potential companies to be listed on SET and Market for Alternative Investment (mai). New rules and regulations will also be placed for public hearing by listed companies.

6. How do you track sustainability reporting of your listed companies?

As previously mentioned, the [SEC](#) is the agency which regulates and issues rules on sustainability reporting among listed companies and SET's role is to facilitate all companies in complying with the [SEC](#) rules. To do this, we help listed companies to comply or explain with the [SEC](#) regulations on CSR reporting in the Form 56-1, an annual registration statement which is equivalent to the U.S. SEC Form S-1, and the Form 56-2, or an annual report. Meanwhile, companies with a more sophisticated know-how and expertise are encouraged to participate in SET's training activities on GRI reporting.

In submitting the Form 56-1 which includes CSR performance to the SEC, a listed firm is required to send a copy of the document in digital format to SET as well. SET will then have it available on the website: www.set.or.th, and the SET Market Analysis and Reporting Tool (SETSMART), a popular investment data warehouse. These sources help tracking listed companies' CSR reporting and distribute ESG information for investors.

7. What incentives (i.e., public recognition/awards) and sanctions do you have in place to encourage disclosure and discourage non-compliance/lower levels of transparency?

To promote sustainability role models, SET recognizes listed companies with outstanding ESG performance and honour them as exemplary models for consistently running their business with social responsibility at the annual [SET Awards](#) and [CSR Recognition](#) events. Awarded companies' experiences, practices and efficient outcome are published and shared through SET's public channels.

Many companies have shown exceptional progress and innovation in operating with social responsibility, considerably thinking and caring about the long-term impact on their stakeholders. Several companies have proved to incorporate social responsibility in their corporate visions, missions, strategies and business processes. Some companies have established units or departments to determine their corporate directions and strategic goals and monitor results to drive the business forward dynamically and sustainably. In addition, some companies have applied the "Creating Shared Value" concept to ensure that corporations and the society can co-exist in a sustainable manner.

8. What connections have you made between national sustainable development frameworks and goals, and your exchange's existing standards and norms?

In enhancing the strength and competitiveness of the Thai economy and capital markets, SET develops strategies that support and comply with the "**stable, prosperous and sustainable**" philosophy of the Thai government under the current government.

For the first aspect: "**stability**", SET gains confidence from all parties by:

- Supervision of securities to possess transparency and fairness
- Effective risk management to support market fluctuations
- Digital usage throughout the process of listing, securities trading and post trading
- Providing education and knowledge of investment to investors. This includes fundamentals of financial planning for the general public to help them reduce the household debt burden and build the foundation for a stronger economy, as well as minimizing inequality gap in the society.

For the second aspect: "**wealth**", SET acts like a bridge between savings and investment in the country. The capital market sector provides funding to business operations while public sector earns financial returns on investment and government earns revenues from taxation to develop the country.

- Investment in Thailand in the last 5 years showed an average return of about 20% per year and SET has become one of the top exchanges of Asian countries. This rate of return was considered highest when compared to other types of asset investment.
- In the future, we believe investors are likely to invest more with assets of various types (multi-asset class) and multiple currencies.
- In addition, the Thai capital market is has become "connector" among the Greater Mekong Sub-region (GMS) exchanges. GMS has high economic growth rate, attractive to investors globally as well as links with leading foreign exchange.

For the third aspect: "**sustainability**", SET is committed to overall capital market's sustainability.

- SET is the first ASEAN stock exchange that signed and joined as partner exchange of UN Sustainable Stock Exchanges Initiative.
- SET is committed to supporting the listed companies to run businesses along with social and environmental responsibilities under good governance, to disclose ESG performance publicly, meanwhile encouraging responsible investment among investors.

ISSUER CAPACITY BUILDING

9. If your exchange offers sustainability guidance for companies, please provide a description of the process for its creation.

SET realizes that the more we study, the more we learn that sustainability covers many important areas and becomes issue-oriented and relevant to several prominent, such as responsible supply chain management, sustainability risk and materiality analysis, effective CSR communications, as well as CSR evaluation and knowledge management, in line with international evaluation directions and standards. Sustainability knowledge has become more focused on performance measurement and evaluation, enabling companies to set and communicate tangible goals in terms of economic and social values. To support listed companies capacity building. SET has launched many publications and programs as follows:

- **Guidelines and knowledge resources**

We have produced and disseminated a series of publications to educate about sustainability practices, including the [CSR Practice Guidelines](#). We also published a [corporate risk management booklet](#) to promote and boost corporate performance not only along financial but environmental, social and governance dimensions as well.

Besides, we have produced and disseminated nine editions of [CSR Best Practices](#) (for listed companies in eight industrial sectors on SET and mai, showcasing role models on social responsibility. This enables other listed companies to study and apply the best practices applicable to their sectors. SET has also developed [SR for Corporate Sustainability](#) books to enhance listed companies' understanding and practices of ESG aspects, as well as a book on [Sustainability Terminology](#).

The quality of these books in terms of contents and accuracy has been made possible by cooperation among experts, partners and stakeholders in sharing ideas, knowledge, know-how and experiences. Many public hearings were conducted for significant guidelines that would be used by listed companies.

Moreover, SET has offered free-of-charge workshops and training activities ranging from basic to advanced courses to educate listed companies about sustainability development, as well as numerous seminars and forums to support both listed companies and investors.

In addition, SET's quarterly "SD Focus" newsletter and website have served as key communication channels between the exchange and listed companies, to keep Thai listed firms abreast of the upcoming sustainability-related trends in the global business world.

- **Corporate training on sustainable development program**

Throughout the 40 years of operations, SET has been paving the way for Thai listed companies towards sustainable growth in operating businesses on ESG aspects. In order to cater to the diversity and uniqueness of listed companies, SET has prepared various training programs for them.

Beginners are provided with fundamental sustainability knowledge training. For listed companies with intermediate-level knowledge on sustainability practices, we encourage them to create sustainable corporate strategies and process improvement, as well as producing sustainability reports. For those with outstanding sustainability performance, we have designed activities for CEO and operational staff to be equipped for the assessment of [Dow Jones Sustainability Indices \(DJSI\)](#). These are in line with the SET's commitment to become a sustainable stock exchange, while promoting sustainability for the Thai capital market.

Since 2012, SET has joined hands with [Sustainable Business Development Institute \(SBDi\)](#) and [Thaipat Institute](#) in providing intensive training on sustainable development to 1,350 participants from 427 Thai listed companies, accounted for 70 percent of the total. These help listed companies to enhance sustainable competitiveness by adhering to good corporate governance, enhancing strategic capabilities, so as to contribute to business and society. In 2015, SET plans to organize a series of nine intensive training programs on sustainable development for Thai listed companies.

- **Encourage listed companies to enter Dow Jones Sustainability Indices (DJSI)**

To enable Thai listed companies to be more competitive on the international stage, SET has encouraged the large listed companies in [SET50 index](#) that have been practicing sustainable issues to apply for consideration as a component of the [DJSI](#). Last September, [DJSI](#) announced 2014 indices review results having 4 Thai listed

companies passed rigorous screening and become components in the [DJSI World](#), while other 6 listed companies have become components in the [DJSI Emerging Market](#).

In March of 2014 and 2015, we invited experts from [RobecoSAM AG](#), a partner of [S&P Dow Jones](#) in developing the [DJSI](#), to educate Thai listed companies about responsible investing and corporate sustainability assessment.

- **Sustainability consulting services**

To provide both theory and practical experience in operating a business sustainably, SET has provided extensive consulting services for smaller companies that are listed on [Market for Alternative Investment](#) (mai). SET and the listed companies work closely in considering ESG-issue materiality assessment, conducting stakeholder engagement, articulating sustainability strategies, and disclosing ESG performance through sustainability reports.

- **Corporate governance development**

SET has educated, promoted and encouraged listed companies' good governance. To do this, we established SET Corporate Governance Center and established the [Thai Institute of Directors Association](#) (IOD) to educate directors of listed companies to understand their roles and responsibilities. Meanwhile, SET has issued "[The Principles of Good Corporate Governance for Listed Companies](#)" which corresponds with the revised 2015 OECD CG principles and revised [2014 ICGN CG Principles](#).

SET has made outstanding sustainable development in the region, with proven records in achieving the top corporate governance score ranked by ASEAN corporate governance scorecard for two years in a row ([2013-2014](#)), being Asia's top score of Corporate Governance – Report on the Observance of Standards and Codes (CG-ROSE) in [2013 assessed](#) by World Bank. In addition, as mentioned previously, there has been an increasing number of listed companies in the [DJSI](#) components.

10. Do you and/or your regulator provide guidance on externally assuring ESG disclosures? In your market, how common is external assurance of ESG disclosures?

External assuring for ESG disclosure of listed companies in the Thai capital market is on a voluntary basis and is at an early stage. Neither SET nor the SEC (regulator) has provided a guideline so far. However SET is supporting the reporting companies to have external assurance, as required.

COLLABORATION AND ENGAGEMENT

11. How do you engage and collaborate (or plan to do so) with: regulators, peer exchanges, investors, companies, global organizations and other stakeholders?

SET works closely with the SEC and stakeholders in the Thai capital market. In 2004, SET initiated the [FETCO](#) which consists of seven key organizations related to the Thai capital market, namely [AIMC](#), [ASCO](#), [\(TIA\)](#), [\(TLCA\)](#), [Investment Analysts Association](#) (IAA), [Thai Bond Market Association](#) (ThaiBMA), and SET. We support [FETCO](#)'s operations via various activities to promote Thai capital market development. There are several sustainability-related projects and events that SET, the SEC and [FETCO](#) have been working together.

SET has also engaged as a member of certain international organizations to learn and share experiences among members and partners, such as [World Federation of Exchange \(WFE\)](#), [International Organization of Securities Commissions \(IOSCO\)](#) and [Asian and Oceanian Stock Exchanges Federation \(AOSEF\)](#).

In September 2014, SET [announced](#) that it has partnered with the UN [Sustainable Stock Exchanges Initiative](#) (UN SSE Initiative), becoming the first ASEAN exchange to join other leading exchanges that have publicly committed to promoting sustainable practices. This underlines SET's aims to develop sustainability of the exchange and the Thai capital market in a concrete way.

SUSTAINABLE PRODUCTS

12. How has your exchange supported the development of financial products that address sustainability-related issues (e.g., ESG Indices, carbon markets, social/environmental bonds, sustainable development funds, etc)?

To equip the Thai capital market with sustainability investment benchmarking tools, SET is partnering with S&P Dow Jones in developing Thailand's first sustainability index, which is well-suited to the Thai market. We expect that the index will highlight a list of advanced listings in terms of sustainability, becoming attractive to local and global investors. Meanwhile, investors are able to easily spot the companies with outstanding ESG performance when they make investment decisions. Having such sustainability-themed index will clearly show market participants that we have been concentrating on Thai listed companies' sustainability development and that corporate sustainability has become a crucial issue for a Thai issuer.

SET will continue to enhance a number of listed companies to meet developing sustainability index. This year SET will announce a Thailand sustainable investment list that comprises listed companies with prime performance on ESG aspects.

Another area in focus is socially responsible investment (SRI) which is extremely important among international investors. SET plans to regularly organize a seminar on SRI to create awareness and understanding with stewardship among Thai investors.

EXCHANGE NEEDS

13. Are there specific resources (meetings, commissioned research, webinars etc) that you would like from the SSE or other relevant groups to help you in your sustainability work?

SET needs research studies and findings about both internal and external barriers of exchanges in the development and implementation of the sustainable stock exchange in term of specific aspects as well as their solution to achieve the set goals. The good practices and lesson learns will be very useful.

14. Are there any specific requests you have of investors, issuers and regulators in terms of their role in advancing sustainability in the market?

So far, requests come from issuers. They need SET to support and provide varieties of tools to help them develop sustainability strategic roadmap. They will also need consultation while implementing it.