



**TFAC**



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# ASEAN Accountancy Conference on **Sustainability**



**8<sup>th</sup> October 2022**





# Why is Sustainability crucial for Sustainable Investing?

## Companies' view

### 2011 McKinsey survey

76% of global CEOs consider strong sustainability performance to contribute positively to their business in the long-term

### 2014 PWC survey

82% of global institutional investors consider sustainability information in their investment decisions

## Investors' view

### Sustainable Value Creation

Financial returns and value creation are sustained if companies are well governed and Environment & Social assets underlying those returns are not depleted

### Changing Business

In 1975, 17% of assets in the S&P500 were intangible (customer relationship, human capital), whereas, in 2015 the number was 84%. Accounting numbers can explain only most of tangible assets

### Risks & Opportunities are Key

ESG represents risks & opportunities of business, impacting corporate valuation & long-term investment

### Shift to ESG information

Conventional accounting does not treat non-financial resources. Investors look for Sustainability issues beyond financial statement

# Why is Sustainability crucial for Sustainable Investment?



Corporate Governance Report Assessment Scores with a minimum of

**663**

Listed companies  
90% of total market cap.

Thailand Sustainability Investment (THSI) List 2021

**THSI 145**

Listed companies  
66% of total market cap.

SETTHSI Index Constituents H2/2022

**SETTHSI Index 99**

Listed companies  
(Jul 1 - Dec 31, 2022)

MEMBER OF **Dow Jones Sustainability Indices**

In collaboration with

**24**

Listed companies

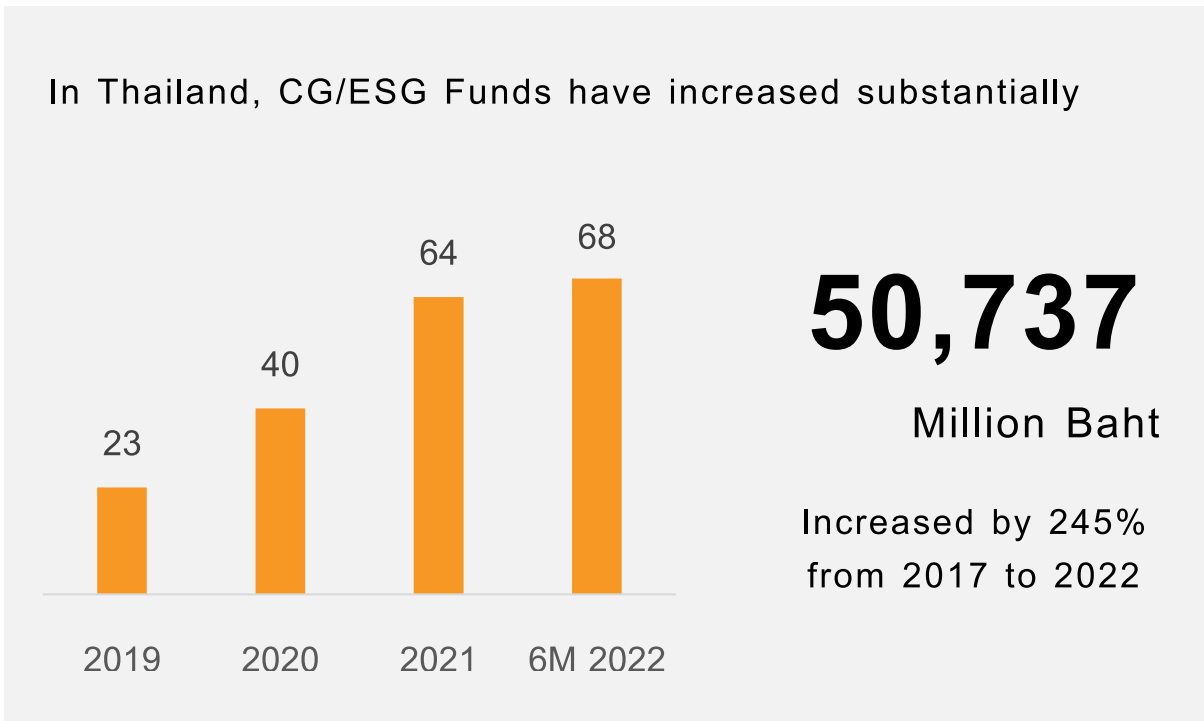
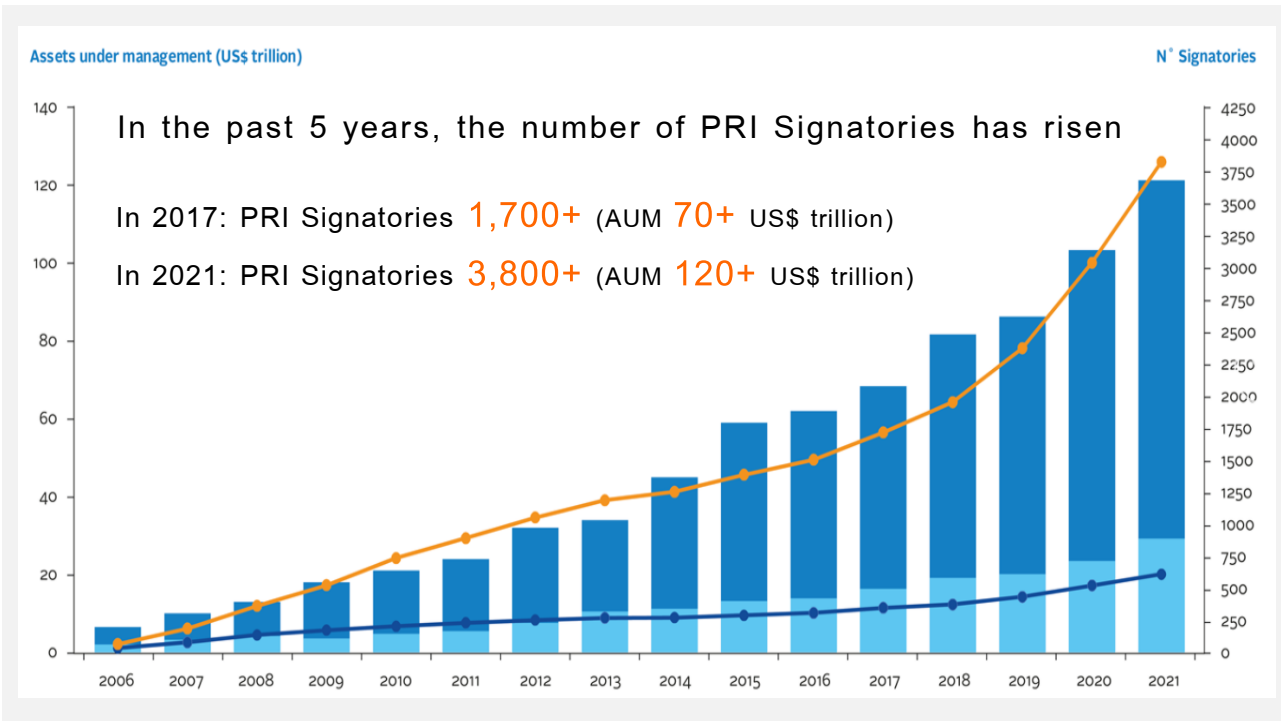
**40**

Listed companies

**MSCI**

**41**

Listed companies





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## TYPES OF DATA



### Financial Information



### Non-Financial Information

- Company profile
- Governance, Risk management and Internal control
- Products, Services, and Brands
- Innovation development
- Stakeholder satisfaction
- Environment and Social performance

## USERS



### Investors

Use ESG data to analyze corporates' risks and opportunities for investment decision making



### Intermediaries

Analysts, Raters, Data Providers use ESG data to evaluate business sustainability



### Stakeholders

Those who are suppliers, customers, government agency, & NGO use ESG data to consider corporates' commitment to them

## DATA QUALITY



### Material



### Timely



### Comparable



### Reliable











# Comparison on ESG disclosure requirement in ASEAN



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	Singapore	Malaysia	Thailand
 <b>Apply to</b>	All listed companies	All listed companies	All listed companies
 <b>Combined or Standalone</b>	Either	n/a	Either
 <b>Framework</b>	Not limited, TCFD recommended	Not limited, GRI Recommended	56-1 One report, SET reporting guide, International standard favorable
 <b>SD Policy</b>	Disclosed	Disclosed	Disclosed
 <b>Value Chain</b>	None	None	Disclosed
 <b>Materiality</b>	Disclosed	Disclosed	Optional
 <b>Stakeholders</b>	Disclosed	None	Disclosed
 <b>Action plan</b>	Target, Practices, Performance	Measures, Indicators	Target, Practices, Performance

# Thai & Global Reporting Framework



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## Global Reporting Framework

### GRI Standards

- Enable any organization, large or small, private or public, to understand corporate activities impacting ESG
- Increase transparency and comparable information among companies

### Integrated Reporting

- Improve the quality of information
- Promote efficient approach to corporate reporting
- Communicate the full range of factors that materiality affect corporate's value creation

### TCFD

- Recommend types of information that companies should disclose to support stakeholders in appropriately assessing risks related to climate change

### SASB Standards

- Guide the disclosure of financially material sustainability information by companies to investors
- Identify ESG issues which are relevant to financial performance

## Thai Reporting Framework



### 56-1 One Report

- ESG Disclosure Standard for Thai listed Companies
- Focus on Board's role in promoting ESG



### Sustainability Reporting Guide

- Reporting framework beyond 56-1 One Report for Thai listed companies
- Framework and Sustainability performance indicators that respond to the needs of investors and stakeholders in the Thai context (more details next slide)

# Thai & Global Reporting Framework



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## Sustainability Reporting Guide



The Sustainability Reporting Guide has been developed by the Stock Exchange of Thailand to:

1. Provide guidance to listed companies on sustainability reporting according to best practices in Thailand and globally.
2. Provide a standardized approach for listed companies to disclose their sustainability performance for different groups of information users, including investors, securities analysts, regulatory agencies, and sustainability assessors, among others.

## Recommendations for Use

- This Guide can be used as a reference for reporting on the sustainability requirements of the Annual Report/Form 56-1 One Report.
- Companies can disclose additional information beyond that which is specified in this Guide, as appropriate for their business context.
- Companies can use this Guide alongside industry-specific ESG metrics recommendations, as needed, to increase the quality of their reporting.

Sustainability Reporting Guide: ESG Metrics by industry



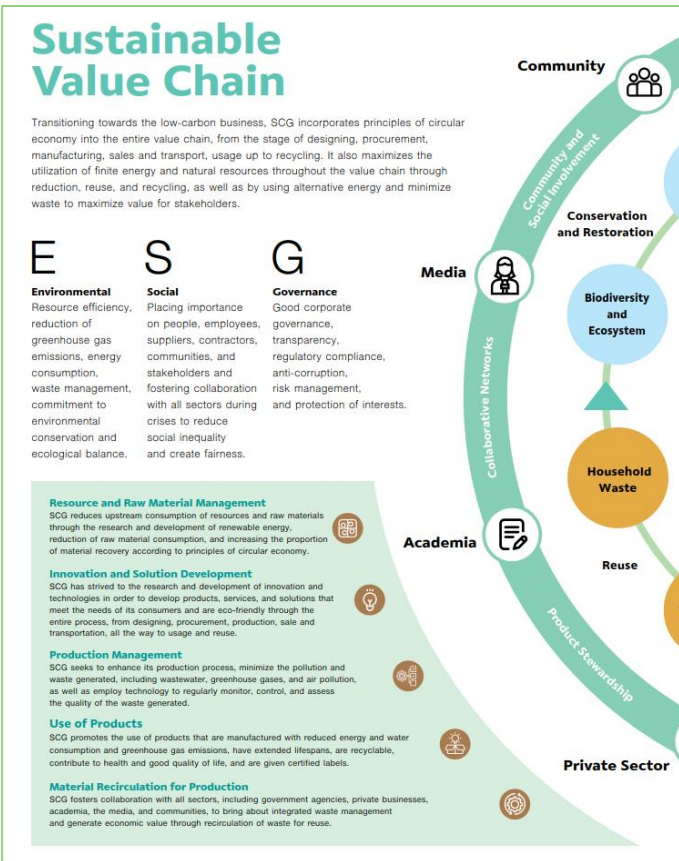
# What is Sustainability Report



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- A report which provides information relating to sustainability strategy, target and performance (both positive and negative) covering economics, environment, social and governance (ESG) to organization's stakeholders. Information in the report contains both financial and non-financial data.



**Environmental Performances (Thailand Operations)**

**Greenhouse Gas Emissions**

GRI Standards	Performance	Unit	2018	2019	2020	2021
-	Direct and indirect GHG emissions (Scope 1 + 2)	tons of CO <sub>2</sub> e	919,691	843,217	884,782	863,046
GRI 305-1	Direct GHG emissions (Scope 1)	tons of CO <sub>2</sub> e	253,350	249,036	238,282	221,960
GRI 305-2	Indirect GHG emissions (Scope 2)	tons of CO <sub>2</sub> e	666,341	594,181	646,501	641,085
GRI 305-2	Indirect GHG emissions (Scope 2) - Gross location-based Energy	tons of CO <sub>2</sub> e	ND	559,260	601,923	596,390
GRI 305-2	Indirect GHG emission (Scope 2) - Gross market-based Energy	tons of CO <sub>2</sub> e	ND	34,920	44,577	44,696
GRI 305-4	Direct and indirect GHG emissions per production unit (Scope 1 + 2)	kg of CO <sub>2</sub> e/ton of products	109	101	107	97
GRI 305-1	Biogenic GHG emissions	tons of CO <sub>2</sub> e	252,601	260,715	253,914	279,231

**People Performance During 2018-2021**

**Workforce**

GRI Standards	Performance	Unit	2018		2019		2020		2021	
			Male	Female	Male	Female	Male	Female	Male	Female
GRI 102-8	Total Workforce	Person	134,239		139,239		147,198		128,648	
		Percent	78.966	55.273	80.179	59.060	85.115	62.083	71.401	57.147
Thailand	Person	Person	72,319		73,738		71,318		66,350	
		Percent	34.481	37.838	35.281	38.457	34.141	37.177	32.074	34.276
Overseas	Person	Person	47.88	52.32	47.85	52.15	47.87	52.13	48.34	51.86
		Percent	61.920		65.601		76.880		62.198	
Overseas	Person	Person	44.485	17.435	44.898	20.603	50.974	24.906	39.327	22.871
		Percent	71.84	28.16	68.55	31.45	67.18	32.82	63.23	36.77

**Employee Diversity**

**Thailand Operations**

**GRI 405-1**

By level	Person	60	4	62	4	351	99	366	103
- Top management	Percent	0.08	0.01	0.08	0.01	0.49	0.14	0.64	0.16
- Middle management	Person	301	71	767	257	1,379	616	1,352	625
- Entry-level Management	Percent	0.42	0.10	1.04	0.35	1.93	0.86	2.04	0.94
- Staff	Person	3,596	1,818	3,233	1,761	2,337	1,417	2,292	1,357
- Worker	Percent	4.97	2.51	4.39	2.39	3.28	1.99	3.45	2.06
- Top management	Person	8,563	6,770	8,631	6,935	8,863	7,179	8,354	6,694
- Middle management	Percent	11.83	9.36	11.71	9.40	12.43	10.07	12.59	10.09
- Entry-level Management	Person	21,971	29,175	22,588	29,600	21,211	27,866	19,720	25,497
- Staff	Percent	30.38	40.34	30.63	40.00	29.74	39.07	29.72	38.43
<b>By age</b>									
- Under 30 years old	Person	12,729	13,209	13,057	13,700	12,097	12,727	10,426	10,757
- 30-50 years old	Percent	17.60	18.27	17.71	18.58	16.96	17.85	15.71	16.21
- Over 50 years old	Person	19,398	21,610	19,780	21,658	19,532	21,302	18,960	20,249
- Under 30 years old	Percent	26.82	29.88	26.83	29.37	27.39	29.87	28.58	30.52
- 30-50 years old	Person	2,354	3,019	2,444	3,099	2,512	3,148	2,688	3,270
- Over 50 years old	Percent	3.26	4.17	3.31	4.20	3.52	4.41	4.06	4.93
<b>Others</b>									
- Employees with disability	Person	757		774		755		725	
- Others	Percent	1.05		1.05		1.05		1.09	

Sources: 2021 Sustainability Report of SCG, CPF



# Basic principle for preparation of Sustainability Report



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- Value of a good sustainability report comes from a right process of information preparation, rather than a beautiful format of the report
- A company should apply a process of report preparation to create sustainable value to its organization. This includes active engagement with all stakeholders i.e., shareholders, investors, customers, communities as well as environment and social in overall

## Sustainability Report Framework



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



INTEGRATED REPORTING <IR>



# Accounting relevancy on sustainability reporting



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## Corporate Reporting

Fundamental qualitative characteristics

Enhancing qualitative characteristics

### Financial Reporting

Relevance

Materiality

Faithful representation

Applying the fundamental qualitative characteristics

Comparability

Verifiability

Timeliness

Understandability

Applying the enhancing qualitative characteristics

Source: Conceptual Framework for Financial Reporting

### Non-financial Reporting

Accuracy

Balance

Clarity

Comparability

Completeness

Sustainability context

Timeliness

Verifiability

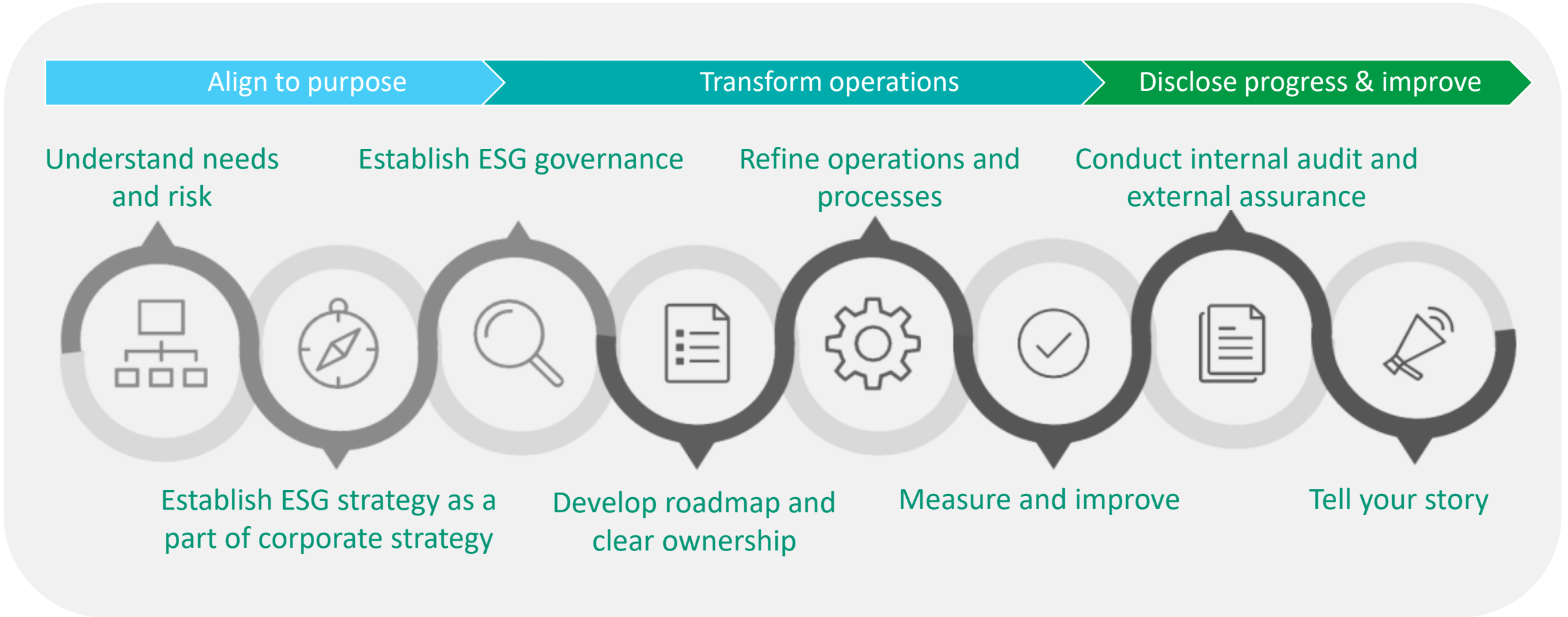
Source: Global Reporting Initiative

GRI reporting principles

# ESG Journey for good reporting



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# Sustainability Assurance framework



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### Comparison of limited vs. reasonable assurance

Level of assurance	Limited	Reasonable
Objective	<ul style="list-style-type: none"> <li>Risk was reduced to a level that is acceptable, but where that risk is greater than normal for a reasonable assurance engagement as the basis for expressing a negative assurance conclusion.</li> <li>This is in a form that the subject matter information is materially misstated.</li> </ul>	<ul style="list-style-type: none"> <li>Risk was reduced to an acceptably low level.</li> <li>This is in a form that the outcome of the measurement or evaluation of the underlying subject matter against criteria.</li> </ul>
Evidence-gathering procedures	<ul style="list-style-type: none"> <li>Combination of assurance procedures, which can include: inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry.</li> <li>Determining the assurance procedures to be performed is based on the result of specific risks identified through a risk assessment.</li> <li>The nature, timing, and extent of procedures performed in a limited assurance engagement are limited.</li> </ul>	<ul style="list-style-type: none"> <li>Combination of assurance procedures, which can include: inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry.</li> <li>Determining the assurance procedures to be performed is based on consideration given to procedures that are required by the standard followed.</li> <li>A risk assessment is performed to drive the level and depth of testing.</li> </ul>
Conclusion	<ul style="list-style-type: none"> <li>The conclusion is expressed in a form that conveys whether, based on the engagement performed, a matter(s) has come to their attention to cause them to believe the subject matter information is materially misstated.</li> </ul>	<ul style="list-style-type: none"> <li>The conclusion is expressed in the positive form that conveys their opinion on the outcome of the measurement or evaluation of the underlying subject matter.</li> </ul>

### Example of Assurance Standards

ISAE 3000 assurance engagements other than audits or reviews of historical financial information

ISAE 3410, assurance engagements on greenhouse gas statements

AA1000AS Accountability Assurance Standard of Sustainability

- Other regional or local standards
- Standard DR03422 (Australia /New Zealand)
  - Assurance Engagements of Sustainability Reports (Germany)
  - Environmental Report Assurance Services Guidelines by the JICPA (Japan)
  - FAR auditing standard RevR6 (Sweden)
  - Standard 3810 Assurance Engagements related to Sustainability Reports (the Netherlands)
  - AT-C Section 105 and 210 (United States/ Canada)



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# Thank You

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