



SUSTAINABILITY BOND
ANNUAL REPORT

2021



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FOREWORD BY MINISTER OF FINANCE

Addressing climate change and social issues have always been one of the key priorities of the Royal Thai Government (RTG). The RTG stipulated in the National Strategy (2018 – 2037) that “building security, prosperity and sustainability” is the vision of Thailand and “a secure nation, contented people, continued economic growth, an equal society, and sustainable natural resources” are the key goals of our nation. Thailand remains committed to achieve the United Nations (UN) Sustainable Development Goals (SDGs) and contribute to slow the rise of temperature as pledged under the Paris Agreement.

In this regard, the Bio-Circular-Green Economic (BCG) Model has been initiated to promote a growth model that is more inclusive and sustainable while at the same time ensures that Thailand does our part in mitigating climate change. The BCG Model was designed to transform Thailand to a value-based and innovation-driven economy with the aim to increase income of Thai people, especially for those in the agricultural sector, by focusing on four industries, namely agriculture and food; medical and wellness; bioenergy, biomaterial and biochemical; and tourism and creative economy. In addition, the mid-century, long-term low greenhouse gas emission development strategy with the pledge to achieve net-zero carbon emission by 2065 has been introduced, as recently presented by the Prime Minister General Prayut Chan-o-cha, at the UN Climate Change Conference (COP26) in Glasgow.

To support the RTG in achieving these goals, the Ministry of Finance is committed to facilitate and create a supportive policy environment for implementations of projects or measures that focus on green and social sectors. The sustainability bond program along with other sustainability-related fiscal policies have been launched and the Ministry of Finance stands ready to work with all stakeholders in order to continue to provide further support in the future.

The Ministry of Finance sustainability bond program will not only help expediting mobilization of capital from government but also accelerating capital allocation from the private sector into green and social developments. At the same time, it would assist in amplifying momentum of green, social and sustainability-related investments and encouraging the world to move forward towards security, prosperity and sustainability economy.



MESSAGE FROM DIRECTOR GENERAL OF PUBLIC DEBT MANAGEMENT

The Public Debt Management Office (PDMO) launched the Kingdom of Thailand's inaugural sustainability bond in 2020 to promote growth of environmental, social and governance (ESG) bond market in order to ensure that the Thai local bond market can become another driving force in tackling climate change and social issues.

We are pleased to see that the ESG bond market has been very active and has grown rapidly in recent years with issuances from both public and private sectors. The government's sustainability bond has been well received by both local and offshore investors. The State Own Enterprises (SOEs) have also had successful issuances of green and social bonds. As a result, the market currently consists of 218.65 billion baht (6.53 billion USD) of ESG bonds in the market and over 10 Thai issuers have expressed their interest by issuing ESG bonds in local currency or in foreign currency. The PDMO has also committed to the market that the issuance of our 15-year sustainability bond will continue every quarter of Fiscal year 2022. Therefore, we can expect that the market will continue its strong growth going into the future.

The issuance of our sustainability bond has not only helped addressing climate change and social issues but from a debt management perspective, it has also helped strengthening our debt portfolio and meeting government funding needs in times of COVID pandemic. Specifically, the 15-year tenor has helped lengthening the time-to-maturity (ATM), reducing refinancing risk, as well as capturing new segment of investors and thereby diversifying both the investor's base and instruments.

Despite recent successes in the areas of ESG financing, all relevant agencies must ensure that we continue to build on these successes. We must strengthen our collaboration and continue to work towards achieving the United Nations (UN) Sustainable Development Goals (SDGs) and building a resilient economy that sustainable, inclusive and environmentally-friendly as stipulated in our Thailand's National Strategy (2018 – 2037). The PDMO is committed to provide further support in nurturing a development of ESG bond market and will continue the sustainability bond issuance program to help advancing the green and social developments and investments.

The PDMO would like to thank all the parties involved including investors, financial institutions, relevant government agencies, and the Asian Development Bank (ADB) for their contribution to the development of Thailand's sustainability bond issuance.

THAILAND'S SUSTAINABLE PRINCIPLE

The National Strategy on Eco-Friendly Development and Growth aims to achieve all development aspects of the Sustainable Development Goals (SDGs), including society, economy, environment, good governance, and cooperation partnerships at both national and international levels. Strategic and operational plans formulation and implementation will be area-based, with the promotion of all related sectors' direct involvement to the extent possible.

Implementation will target the promotion of mutual growth in terms of the economy, environment, and quality of life. Also, the impacts of climate change have been anticipated to intensify regarding variability, frequency, and coverage. Such impacts will inevitably threaten lives, damage properties, and necessary infrastructure, and affect agricultural production and water security. At the same time, ecological systems are likely to deteriorate.

In accordance with the SDGs and the Paris Agreement, Thailand recently submitted to the UNFCCC long term development strategies to reduce greenhouse gas emissions with the goal of achieving carbon neutrality by 2065. Moreover, these relevant international development frameworks will be embraced more seriously. As such, Thailand must be prepared to enhance its standards and compliance with international protocols.

Note :

<http://nscr.nesdb.go.th/wp-content/uploads/2019/10/National-Strategy-Eng-Final-25-OCT-2019.pdf>

https://www.nesdc.go.th/ewt_dl_link.php?nid=9640 https://climate.onep.go.th/wp-content/uploads/2019/07/CCMP_english.pdf

OUR FINANCING FRAMEWORK

The Kingdom of Thailand's Sustainable Financing Framework

The Kingdom of Thailand ("KOT") has developed the Kingdom of Thailand Sustainable Financing Framework (the "Framework") under which it intends to issue Green, Social, and Sustainability financing instruments in order to support its sustainability commitments, including the Paris Agreement and the United Nations Sustainable Development Goals. According to these commitments, Thailand is committed to address climate change and combat with poverty, inequality, environmental degradation, health, and justice by 2030.

The projects financed under the Sustainable Financing Framework target climate change mitigation and adaptation, sustainable use and protection of water resources, protection and restoration of biodiversity and ecosystems, as well as fostering social development, socioeconomic advancement, and empowerment to ensure positive social contribution and to fight against inequality in Thailand.

The Framework covers the following core elements in line with the standards:

- Use of Proceeds
- Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

Use of Proceeds

An amount equal to the net proceeds of Green, Social or Sustainability financing instruments, issued by the KOT under this Framework, will be exclusively used to finance and/or refinance, in whole or in part, expenditures directly related to eligible Green and/or Social projects (“Eligible Green and Social Projects”) in the Eligible Green and Social Categories. Eligible Green and Social Projects can include government loans or expenditures in the form of direct investment expenditures, subsidies, fiscal measures and selected operational expenditures (including funding for state agencies, local authorities and companies instrumental to deploying the Thailand’s sustainability strategy). The Eligible Green and Social Projects are limited to Government Budget in the two budget years preceding the issuance, the budget year of issuance, and future budget years.

SUMMARY OF THE SUSTAINABILITY BOND

FY2021 Summary of the Sustainability Bond

Thai government has issued sustainability bond, the first of its kind amongst ASEAN country, to promote economic growth together with environmental and social sustainability. The proceed from the issuance has been used to invest in Covid-19 relief package and MRT orange east line project, which conform to the United Nation Sustainable Development Goals in alleviating inequality and poverty in the society as well as to the Paris Agreement in addressing the climate change, respectively.

The first issuance of KOT’s sustainability bond in August 2020 was well received by both local and offshore investors. In the fiscal year 2021, PDMO has continued a regular issuance program of the bond to solidify the success and to ensure that sufficient supply has been provided to create liquidity in the market. As a result, an additional 97 billion THB of sustainability bond was issued in the fiscal year 2021 and the bond has a total outstanding size of 127 billion THB at the end of the fiscal year.

Development of ESG Bond in Private Sector

All stakeholders in Thailand are interested in addressing the climate change and social issues. The first issuance of green bond in Thailand was issued by TMB Bank in June 2018. In the same year, the SEC has launched an issuance and offer for sale guidelines for green bond in December 2018 and later on issued the guidelines for social bond and sustainability bond in May 2019. Companies, such as BTS, EA, and BAY etc., has adopted such guidelines and participated in issuing ESG Bond. In 2021, the SEC launched the guidelines of sustainability-link bond (SLB) and in term of milestone, Thai Union Group has presented such product into the market in the same year.

The number of private companies issuing bond in the ESG market has increased from 3 companies in 2018 to 13 companies in 2021. A total amount of ESG bond issued (include both public and private sectors) has grown from 10.12 billion THB in 2018 to 86.4 billion THB in 2020. In the first three quarters of 2021, a total amount of ESG bond issued has already reached 116 billion baht.

Note :

<http://www.thaibma.or.th/EN/BondInfo/ESG.aspx>

<http://www.thaibma.or.th/EN/Investors/Individual/Blog/2021/151021.aspx>

ALLOCATION AND IMPACT REPORT

Overview of sustainability bond report

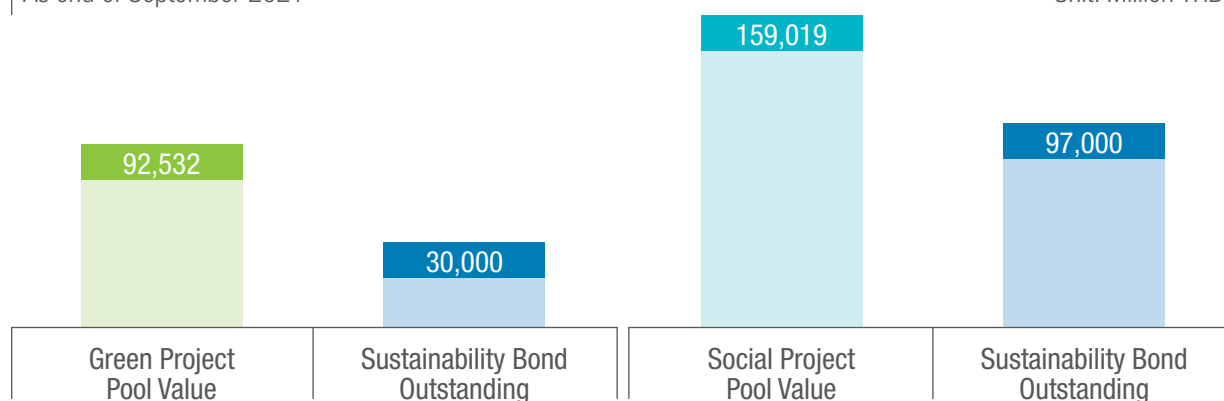
All proceeds from the sustainability bonds issued as at September 2021 have been fully allocated against a selection of eligible projects and assets as detailed below. The COVID-19 rehabilitation package has been implemented and completed. The Mass Rail Transit Orange Line (East) has finished its constructions at 86%, which is 0.5% ahead of the schedule, and expected to finish all constructions in 2022. The rolling stock will be arranged afterwards and the project is expected to start operating in 2025.

Categories	Categories of eligible projects/assets	Projects	Allocated Outstanding (THB Mil.)	Project Value (THB Mil.)	Percent allocated by Sustainability Bond	Percent Disbursement	Progress to Date
Green	Clean transportation	Mass Rail Transit Orange Line (East)	30,000	92,532	24%	100%	Overall Construction Progress of the as end of September 2021 about 86%
Social	Employment generation (COVID-19 Financing)	COVID-19 Rehabilitation Package: Rao Mai Ting Kan	97,000	159,019	76%	100%	A total of 15,268,597 people directly benefited from the project.
Total			127,000	251,551	100%	100%	

Asset Pool Report in Green and Social Project

As end of September 2021

Unit: Million THB



The assets financed by our sustainability bonds are divided into green and social pool categories. The green project pool value is the total expenditure of the MRT Orange East Line, while the social project pool value comes from the total budget for Rao Mai Ting Kan's financial aid package approved by the cabinet. Asset Pool Report Green Sector Social Sector

Allocation Report

- Green Project

Project	Ministry	Approved Amount (THB Mil.)	Allocated Outstanding (THB Mil.)	Percent Disbursement	Project Description	Progress to Date
Mass Rail Transit Orange Line (East)	Ministry of transportation	30,000	30,000	100%	Refinancing the capital expenditures of Mass Rail Transit (MRT) Orange Line (East) project, a mass rapid transit line (for electric train) between Thailand Cultural Centre and Min buri (Suwintawong)	In progress (Overall Construction Progress of the MRT Orange Line as of end of September 2021 about 86%)
Total		30,000	30,000	100%		

- Social Project

Project	Ministry	Approved Amount (THB Mil.)	Allocated Outstanding (THB Mil.)	Percent Disbursement	Project Description	Progress to Date
Rao Mai Ting Kan	Ministry of finance	97,000	97,000	100%	Financing and/ or refinancing the expenditures for COVID-19 Rehabilitation Package: the financial aid of 5,000 bath a month for 3 months are for those affected by the coronavirus outbreak	Complete
Total		97,000	97,000	100%		

Impact Report

- MRT Orange Line (East)

Project Value	92,532 THB Mil.
Allocated Outstanding	30,000 THB Mil.
Percent of Eligibility for sustainability bonds	32%
Project lifetime	To be advised
Expected benefit	Ridership: Number people using public transport

- Rao Mai Ting Kan

Project Value	159,019 THB Mil.
Allocated Outstanding	97,000 THB Mil.
Percent of Eligibility for sustainability bonds	61%
Project lifetime	6 months
Expected benefit	A total of 15,268,597 people directly benefited from 16,000,000 people or 95.54%

MRT orange line (East):

The proceeds from the offering of the Bonds will be used for the purpose of liability management in respect of its debts which have previously been incurred for on-lending to the Mass Rapid Transit Authority (MRTA) in connection with MRT Orange Line (East) Project, a mass rapid transit line (for electric trains) between Thailand Cultural Centre and Min Buri (Suwinthawong), and such project will help reduce air pollution and improve traffic.

The Bonds have eligibility features to qualify as “Green Bonds” which fall within the Kingdom of Thailand’s Sustainable Financing Framework.

We submitted the bonds, and proceeds of which will be used for the purposes of the MRT Orange Line (East) Project, for verification and certification by the Climate Bonds Initiative (CBI) under Climate Bonds Standard. The Project has met the criteria for certification by CBI as a green project under “Low Carbon Transport – Electrified Rail” category as per to the CBS version 3.0

COVID-19 related projects under the specially enacted COVID-19 act:

The proceeds from the offering of the Sustainability Bonds (COVID-19) will be used for the purposes of resolving, remedying, and restoring the Thai economic and social impacts resulting from the Coronavirus disease (“COVID-19”) pandemic, which contributes to an improvement of society and the standard of living of the people of Thailand.

The sustainability Bonds (COVID-19) have social features that also fall within the Kingdom of Thailand’s Sustainable Financing Framework under the employment generation eligibility.

The proceeds from the bonds are used to finance the COVID-19 relief package providing additional income or assisting in the cost of living for those who are affected by the pandemic. The financial aid was aiming at self-employed people, freelancers, farmers, individuals who are not covered by social security, and a socially vulnerable group. More than 15.2 million people from all over the country were benefited.

THIRD-PARTY ASSURANCE

The Kingdom of Thailand's sustainable financing framework has been verified and approved by an external reviewer.

"Sustainalytics is confident that KOT is well-positioned to issue sustainability bonds and that the Kingdom of Thailand Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018, Social Bond Principles 2020, Green Loan Principles 2020, and ASEAN Sustainability Bond Standards 2018." – Sustainalytics

Our pre and post-issuance of sustainability bonds also met the Climate Bond Standard as verified by an independent third-party.

"The Kingdom of Thailand Sustainability Bond is in accordance with the Pre and Post Issuance requirements of the Climate Bond Standard Version 3.0 and Associated Low Carbon Transport Sector Criteria" - DNV GL

CERTIFICATION AND AWARDS

Certification

Our sustainability bond (ESGLB35DA) was awarded the certification by the Climate Bonds Initiative (CBI), which will boost the confidence of all investors in the sustainability bond as well as support Thailand's own effort in achieving the UN Sustainable Development Goals (SDGs).

Awards

At the end of fiscal year 2021, The sustainability bond issued by Ministry of Finance has received a total of 6 awards from various organizations shown as below:

The ASSET

- Thailand's Best Issuer for Sustainable Finance 2020
- Thailand's Best Sustainability Bond 2020
- Regional's Best Sustainability Bond 2020

International Financing Review Asia (IFR) ASIA

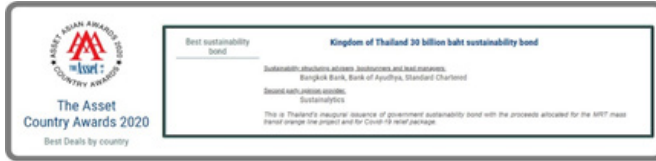
- Regional Awards : Domestic Bond 2020

Thai Bond Market Association (ThaiBMA)

- Best Bond Awards 2020: Environmental, Social and Governance Bond (ESG Bond)

Climate Bonds Initiative (CBI)

- 6th Climate Bonds Awards: Sovereign Green Market Pioneer (Thailand) in 2020



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