

Responsible investment operations of the GPF

1. Background

GPF sets goals for being a Leader in Responsible Investment (Leader in ESG Investing & Initiatives). To achieve the goals, GPF has determined that GPF's investment is ESG Investment by generating long-term financial returns according to the investment goals for members each year. It also concerns Social Returns and promotes investment in enterprises adhering to Corporate Governance Principles.

2. Office operations

The office operates on responsible investments as follows:

2.1 Policy level

2.1.1 GPF shall determine investment governance policies as a framework and guideline for fund management in line with investment objectives and philosophy concerning ESG, environmental, social, and governance factors. GPF has become a member supporting the UN Principles for Responsible Investment (PRI) to implement these principles in their investment operations.

2.1.2 GPF shall comply with the International Investment Governance Code (I Code) issued by the Securities and Exchange Commission (SEC) to ensure that the working principles and policies are following international standards.

2.1.3 GPF shall determine the ESG Standard Criteria and use them to assess the ESG-Focused Portfolio fund established by the GPF. This fund uses the Thailand Sustainability Index (THSI) of the Stock Exchange of Thailand as a benchmark for invested businesses because they are responsible business owners (RBO).

2.1.4 GPF encouraged groups of 32 large institutional investors in Thailand to sign the Negative List Guideline. The essence of this guideline is that if a listed company commits a breach or operates contrary to the ESG principles and causes a significant negative impact, the group of institutional investors who have signed the agreement will coordinate with the company to find a solution or find a positive engagement. Ultimately, if there is no drastic change to the problem, each investor has agreed not to make additional investments in the company in question for three months or until the resolution is achieved. It aims to drive the company back to doing sustainable and consistent business with ESG principles.

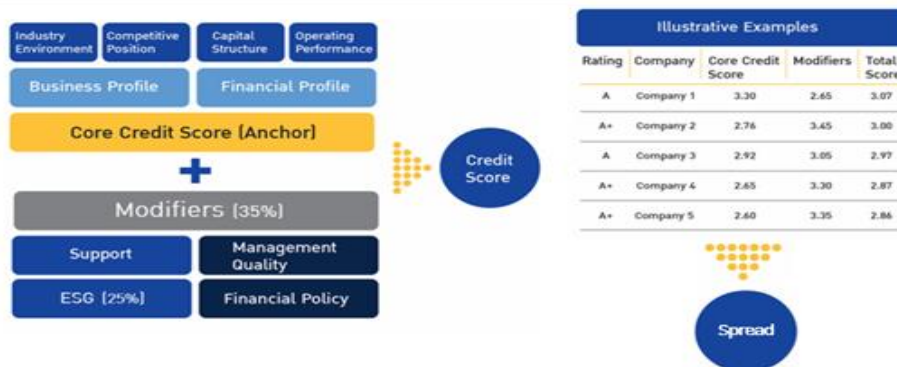
2.1.5 GPF co-founded the Thailand Responsible Business Network (TRBN) to drive business and economic growth in Thailand with stability and sustainability. It signed a declaration to drive the project to strengthen the capital market's good governance in honor of His Majesty the King with 12 capital market organizations. It also continuously participated in international forums on ESG operations such as World Bank, PRI, and OECD forums.

2.2 Execution level

2.2.1 GPF uses ESG factors to analyze and make investment decisions: by evaluating all companies that GPF has invested in, at what level are they managing their businesses concerning ESG. It also includes assessing equity instruments and domestic debt securities GPF manages all by itself. The GPF has developed the GPF ESG Weight and Score: Asset Valuation Methodology© together with the world bank. It begins with the selection process of securities by using a weighting and rating method of investment assets concerning the ESG factor. This process-based valuation method can demonstrate the financial value of an investment asset. It includes the value associated with ESG can be concrete by integrating data from the MSCI ESG Database and weight adjustment according to criteria from internal analysis of GPF. It aims to suit the investment environment of Thailand. Also, in hiring an external fund manager, the GPF determines the ESG factor as one of the selection criteria. The details are as follows:

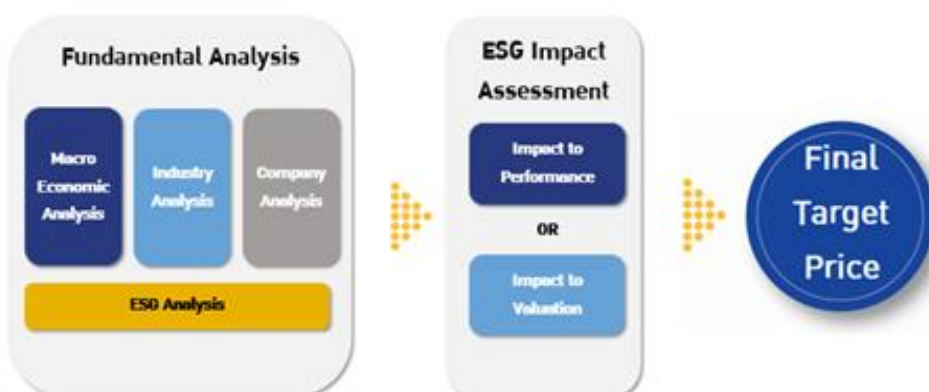
(1) Analysis of Bond Investments: In the analysis of bond investments, there are two main components: Core Credit Score weighing 65% and Modifiers weighing 35%. The office added an ESG factor analysis for Modifiers, requiring 25 percent of the weight in the Modifiers section, or 8.75 percent of the total score. Summary of investment analysis in Bond Investments as shown in Figure 1.

Figure 1: Summary of investment analysis in Bond Investments



(2) Equity Investment Analysis: The ESG factor analysis has been added to the Fundamental Analysis and will assess the impact of ESG factors on companies in determining their equity price targets. It can be summarized as shown in Figure 2.

Figure 2: Equity Investment Analysis



(3) Using ESG in selecting fund managers: GPF uses ESG as one of the factors used to determine external fund managers that GPF hires to manage investments. The criteria for selecting external fund managers (Manager Selection) are specified. The ESG factor is one of the scoring criteria for both domestic and international fund managers.

Table 1: Scoring Criteria for Domestic and International Fund Manager Selection

Factor	Weight (%)	
	original	revision
Business Profile	10	10
People	25	30
Process	40	25
Performance	20	20
Service	5	5
ESG	-	10
	100	100

*Qualified fund managers must score at least 80 points.

2.2.2 GPF closely monitors the operations of companies that invest in as Active Ownership to comply with the objectives, investment policies, and investment strategies. It also supervises the company to operate as follows appropriately:

Domestic Investment: GPF sends representatives to attend the shareholders' meeting of all investment companies and cast their votes under the Proxy Voting Guidelines established by the GPF, following the principles of good corporate governance.

Overseas Investment: GPF has assigned a proxy to an external fund manager hired by GPF to manage its capital funds. The fund manager shall exercise the right to vote on GPF's behalf, following the guidelines prescribed by the GPF.

2.2.3 GPF engages with companies where GPF has continued to invest in monitoring ESG operations and exchange views annually. It also helps prevent the potential effects of ESG factors.

2.3 Work under the Government Pension Fund Strategic Plan (2021 - 2023)

It is in line with the investment vision of “Leader in ESG Investing & Initiatives in Thailand” as a Sustainable Investor; the Office operates following the Government Pension Fund Strategic Plan 2021 – 2023. In 2021 and 2022, there are three related work plans. It is Strategic Plan INV1: Review of Long-Term Strategic Asset Allocation (SAA) and Medium-Term Asset Allocation (MTAA), Strategic Plan INV 1.2: Sustainable Pension, and Strategic Plan ORG3: Global Platform.

2.3.1 Performance according to the Strategic Plan 2021

2.3.1.1 Strategic Plan INV1: Review of Long-Term Strategic Asset Allocation (SAA) and Medium-Term Asset Allocation (MTAA); in this regard, the Office operates by using ESG factors as a key element in aligning long-term strategic investments to create sustainable returns for members.

2.3.1.2 Strategic Plan ORG3: Global Platform; in this regard, the office operates as follows:

(1) GPF was evaluated from Rights and Liberties Protection Department and received the Outstanding Award for Human Rights Model Organization of the Year 2021 (Government Organization);

(2) GPF studied the investment process of GPF and compared the PRI framework in integrating human rights issues and improving the investment process;

(3) GPF operated the Financial Literacy Program with the Bank of Thailand;

(4) GPF organized the Human Rights Due Diligence and Human Rights Risks webinar in collaboration with the United Nation Environment Program Finance Initiative (UNEP-FI) and the Stock Exchange of Thailand;

(5) GPF collaborate with UN and government agencies such as MOF, SET, SEC to organize the "Sustainable Thailand 2021" event, which institutional investors and banks announce their intention to operate their businesses in line with and achieve the Sustainable Development Goals (SDGs);

(6) GPF joined the global forum.

2.3.2 Strategic Action Plan in 2022

2.3.2.1 Strategic Plan INV 1.2: Sustainable Pension: It is to study and apply tools that meet international standards to analyze the GPF investment portfolio in a Holistic Impact Analysis manner.

(1) GPF will conduct a study and applied tools that meet international standards to analyze the GPF investment portfolio in the manner of Holistic Impact Analysis for impact mapping in 3 dimensions, namely 1. Social (people), 2. Environmental (planet), and 3. Economic (prosperity). The target SDGs are defined according to the taxonomy of the GPF.

(2) GPF will formulate a roadmap and works with specialized agencies and organizations to target the SDGs.

(3) GPF will issue an ESG Attribution Report base on Thai stocks.

2.3.2.2 Strategic Plan ORG3: Global Platform: It is to elevate the fund's investment process in line with global standards according to the Sustainable Pension Fund Model and create the image of GPF on the global stage with Standard Setter. It also creates an image of Thailand by upgrading government officials' knowledge and investment management skills and Thai pension funds that drive the country towards the Sustainable Development Goals (SDGs).

(1) GPF created the Pension Fund Network to share knowledge and perspectives on change. It also manages current issues and cooperation to support operations between funds.

(2) GPF integrates with the World Standard Setter Network to network and jointly implement projects and activities at policy and operational levels that are standard and best practices for the investment market and industry.

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