

MINISTRY OF FINANCE

2020

Sustainability Bond Interim Report

A Year of Accomplishments



Public Debt Management Office




www.pdmo.go.th



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Minister of Finance's Foreword



The Royal Thai Government (RTG) is committed to meeting the United Nations (UN) Sustainable Development Goals (SDGs), in particular in addressing urgent issues regarding climate change and social issues. The objective of pursuing economic growth that is not only sustainable but also inclusive and environmentally friendly has become our principal agenda and has been stipulated in the National Strategy (2018 – 2037). Addressing these issues requires not only policy endeavours and an enabling background but also innovative financial investments. This calls for collaboration from all governmental institutions, international as well as other stakeholders in the financial market.

The Ministry of Finance has been one of the key catalysts in providing the financing tools to support the RTG in the implementation of projects that promote social and environmental advancement. The inaugural issuance of this sustainability bond has allowed the government to better chart the financing needs across sectors and thereby help ensure that the RTG can contribute to the global effort in overcoming climate and social issues.

The Ministry of Finance is committed to the continuation of the sustainability bond program and also the development of a green and social bond market in Thailand, particularly, as we work towards the revival of the economy and more importantly to prepare the country for the post-pandemic world.

Arkhom Termpittayapaisith
Minister of Finance





DIRECTOR GENERAL'S MESSAGE

The PDMO's primary objectives are to meet the Royal Thai Government's (RTG) financial obligations and to help ensure long term fiscal sustainability, however, in recent years we have also acknowledged that the PDMO can also play a critical role in providing the financing tools to support the RTG in addressing environmental and social issues. In this regard, the PDMO introduced our maiden sovereign sustainability bond, a first of its kind in the ASEAN region. The sustainability bond enables the RTG to meet its funding needs during times of the COVID-19 pandemic, adds to the diversity of our funding instruments while at the same time helps support the RTG in meeting the UNSDGs.

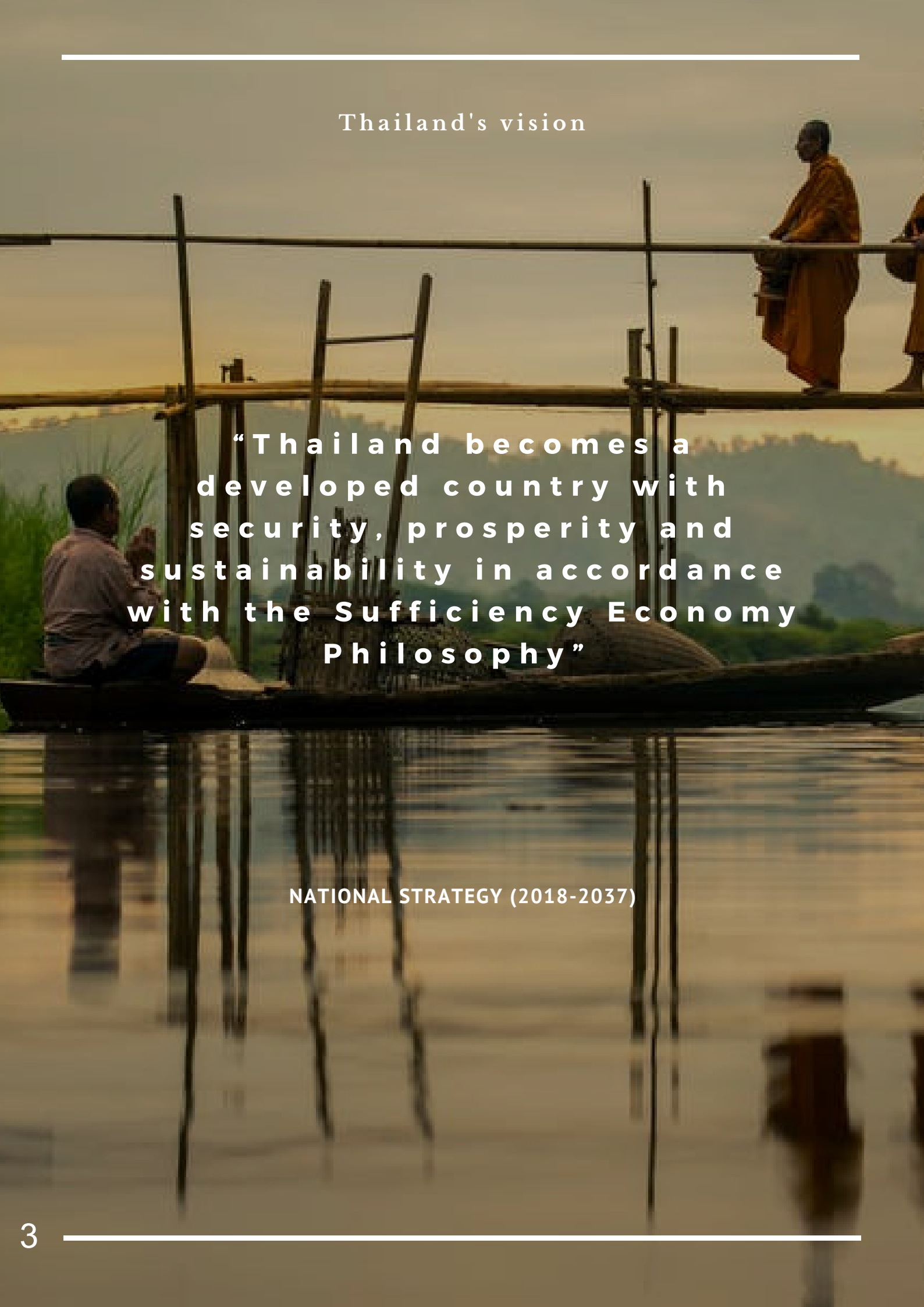
The issuance of the sustainability bond is also timely as investors worldwide have been progressively integrating Environmental, Social, and Governance (ESG) principles into their investment decisions. Our sustainability bond can be a powerful instrument as it provides an opportunity for all investors to play a part in addressing environmental and social problems. In addition, the sovereign sustainability bond has also raised awareness and we will continue to encourage our State-Owned Enterprises and the private sector to issue more ESG bonds.

As for this report, we intend to provide accountability and transparency of our sustainability bond issuance with respect to the Kingdom of Thailand's Sustainable Financing Framework. The use of proceeds raised in 2020 towards eligible projects and their initial impact report are also disclosed and verified by an independent reviewer, based on international best practices and standards.

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 green, social, and sustainability bond issuance.

Patricia Mongkhonvanit
Director General of PDMO

Thailand's vision



**“Thailand becomes a
developed country with
security, prosperity and
sustainability in accordance
with the Sufficiency Economy
Philosophy”**

NATIONAL STRATEGY (2018-2037)

THAILAND'S SUSTAINABILITY 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 with regard to 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.

Relevant international development frameworks such as the SDGs and the Paris Agreement 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

Green and sustainable development forms a core part of Thailand's strategic and national development goal. Following the completion of the Kingdom of Thailand's Sustainable Framework, we have been able to successfully issue the first sovereign sustainability bond in ASEAN in August 2020. By holding green and social considerations at the center of financial decisions, innovative instruments such as green bonds or sustainability bonds have transformed the way investors value sustainability in capital markets.

The Kingdom of Thailand's Sustainable Financing Framework

The Kingdom of Thailand (“KOT”) has established this Sustainable Financing Framework (“Framework”) to support its sustainability commitments and to set out how it intends to raise Green, Social, and Sustainability financing instruments. Thailand is committed to dealing with climate change following the Paris Agreement and support the United Nations Sustainable Development Goals to combat 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.

Note:

<https://www.pdmo.go.th/pdmmomedia/documents/2020/Jul/KOT%20Sustainable%20Financing%20Framework.pdf>

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

- Use of Proceeds
- Process for 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 in the Eligible Green and Social Categories. 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.



2020

SUMMARY OF THE SUSTAINABILITY BOND

Promoting economic growth that is environmentally friendly, sustainable, and inclusive has always been Thailand's top priority. We have made significant progress towards achieving the Sustainable Development Goals which aim to reduce poverty and inequality in our society, as well as mitigating climate change issues. In addition, we remain committed to support the Paris Agreement trying to keep the temperature rise to no more than 2°C.

To ensure that we continue on our path towards achieving these goals, the Thai government has issued our first sustainability bond to invest in both green and social projects for COVID relief, which is the first of its kind amongst ASEAN countries.

We are pleased that the inaugural issuance of the 15-year sustainability bond of around 1.67 billion USD was very well received by both local and offshore investors.

To reaffirm our commitment to the ESG issuance program, the PDMO will continue to reopen the bond series (ESGLB35DA) well into 2021. We also aim to solidify our sustainability bond success by regularly issuing and building the outstanding bonds to reach over 3.2 billion USD by the end of our fiscal year in September.



PROMOTING ESG BOND IN STATE-OWNED ENTERPRISES

In addition, the government has also helped facilitate our State-Owned Enterprise to issue their first green and social bonds in the areas of reforestation by Bank for Agriculture and Agricultural Cooperatives (BAAC) and affordable housing by the National Housing Authority (NHA). We anticipate that the concerted effort from the government and its agencies will help raise awareness and encourage even more ESG issuances in the near future.



SUSTAINABILITY BOND PROFILE

Issuer	The Kingdom of Thailand, acting through the Ministry of Finance of Thailand	
Joint Green Structuring Advisors and Joint Lead Managers	Bangkok Bank Public Company Limited Bank of Ayudhya Public Company Limited Standard Chartered Bank (Thai) Public Company Limited	
Bond Type	Fixed-rate government bonds in registered form	
Eligible Subscribers in the Primary Market	1) Domestic Investors: Institutional Investors and High Net Worth Investors (II&HNW) 2) Offshore Investors: (i) investors eligible pursuant to laws applicable in the jurisdiction in which they are located; and (ii) in accordance with the requirements of Reg S under the U.S. Securities Act.	
Bond Symbol	ESGLB35DA	
ISIN	TH062303FC01	
Tenor	15 Years 3 Months 28 Days from the 1 st Launch Date (19 August 2020)	
Use of Proceeds	MRT Orange Line	COVID-19 Financing
Target Issue Size	THB 30,000 million (~USD 1 billion)	THB 20,000 million (~USD 0.67 billion)
Maturity Date	17 December 2035	
Coupon Payment	Semi-Annually (payable on 17 June and 17 December of every year throughout the terms of the Bonds)	
Principal Payment	At Par Value, Bullet on the Maturity Date	
Registrar	Bank of Thailand	

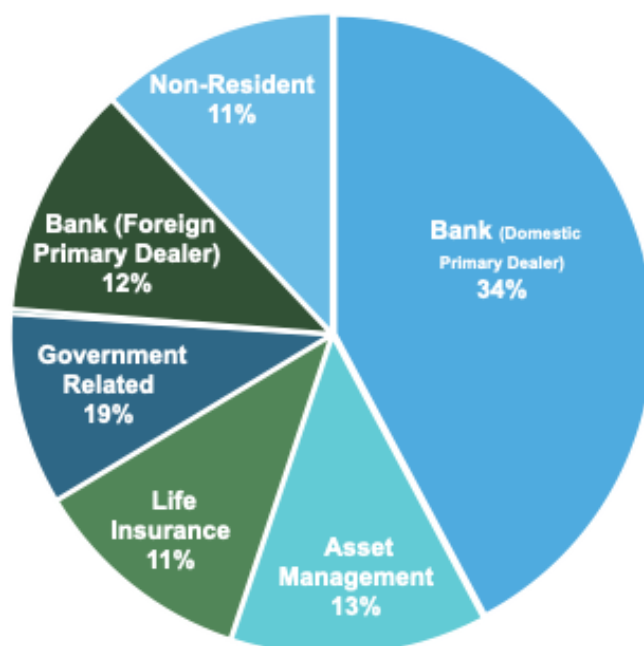
Note: exchange rate: USD/THB of 29.97


DEMAND AND ALLOCATION OF THE ISSUANCE

- Total THB 50,000 mn (USD 1.67 bn)
- Well diversified investor base
- Support for institutional investors

pressed by clients to become more
social and climate-conscious

Allocation of distribution
(based on type of investors)



A low-angle photograph of a tall coconut palm tree, looking up from the base towards the top. The trunk is thick and textured with visible leaf scars. The fronds are green and spread out at the top against a clear blue sky.

*"The reopening of
ESGLB35DA will
increase the
outstanding amount,
which will enhance
bond liquidity. PDMO
will continue to build
the size of the bond to
reach THB 100 billion."*

**- Patricia Mongkhonvanit
Director-General of PDMO**

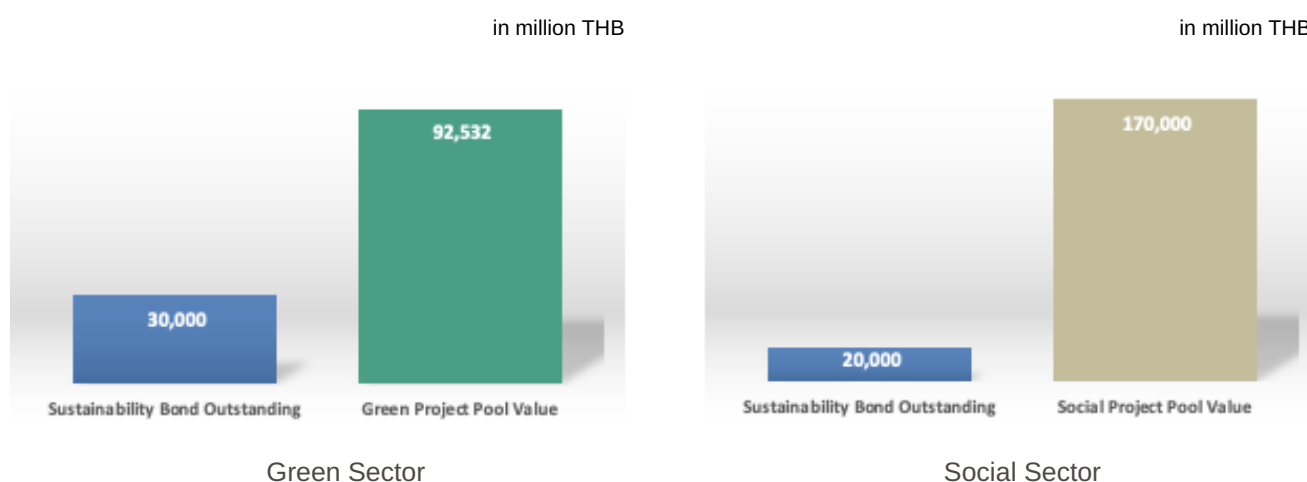
Allocation and Impact Report

OVERVIEW OF SUSTAINABILITY BOND REPORT

All proceeds from the sustainability bonds issued as at December 2020 have been fully allocated against a selection of eligible projects and assets as detailed below.

Categories	Categories of eligible projects/assets	Projects	Approved Amount in Millions THB	Allocated to Date in Millions THB	% allocated by Sustainability Bond	% Disbursed	Progress to Date
Green	Clean transportation	Mass Rail Transit Orange Line (East)	30,000	30,000	60%	100%	74.37% of civil work completed
Social	Employment generation (COVID-19 Financing)	COVID-19 Rehabilitation Package: Rao Mai Ting Kan	20,000	20,000	40%	100%	15,269,006 from 16 million people target or 95.43% have benefited
Total			50,000	50,000		100%	

Asset Pool Report



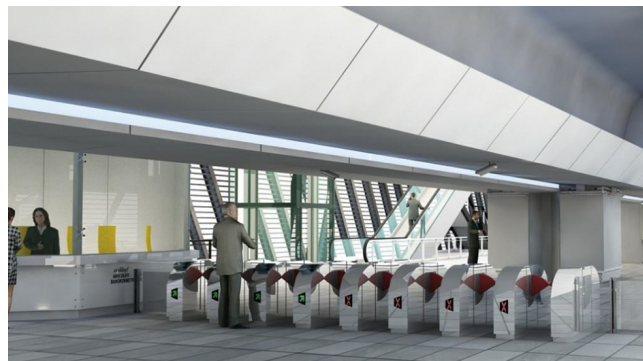
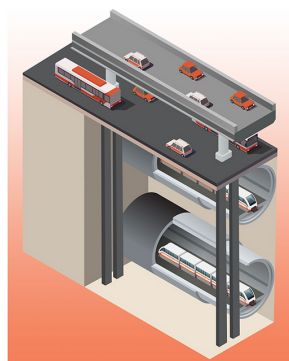
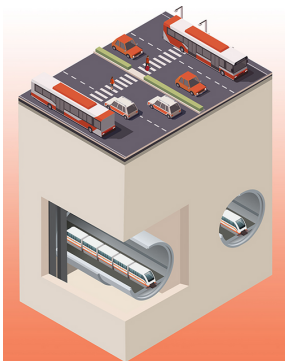
The assets financed by our sustainability bonds are divided into green and social pool categories. The green project pool value is the total expenditure of the MRT Orange East Line, while the social project pool value comes from the total budget for Rao Mai Ting Kan's financial aid package approved by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

As of 31 December 2020

"Part of the proceeds will be used to refinance the expenditures on the expansion of the Mass Rapid Transit Orange East Line, which is in line with the SDGs and climate change movement through the promotion of low carbon transportation."

ALLOCATION REPORTING

Name	Approved Amount in Millions THB	Allocated to Date in Millions THB	% Disbursed	Brief Description	Progress to Date
Sector: Transportation					
Mass Transit (Ministry of Transport)	30,000	30,000	100%	Refinancing the capital expenditures of the Mass Rail Transit (MRT) Orange Line (East) Project, a mass rapid transit line (for electric train) between Thailand Cultural Centre and Min Buri (Suwinthawong)	74.37% of civil work completed



https://mrta-orangelineeast.com/en/home_progress

Name	Approved Amount in Millions THB	Allocated to Date in Millions THB	% Disbursed	Brief Description	Progress to Date
Sector: Social and Healthcare					
COVID-19 (Ministry of Finance)	20,000	20,000	100%	Financing and/or refinancing the expenditures for COVID-19 Rehabilitation Package: the financial aid of 5,000 baht a month for three months are for those affected by the coronavirus outbreak (Rao Mai Ting Kan)	THB159,584 million or 93.87% of total allocated expenditures have been disbursed.



<https://www.เราไม่ทิ้งกัน.com>



IMPACT REPORTING

CLEAN TRANSPORTATION

MRT Orange East Line

Signed amount	THB 92,532 million
Allocated amount	THB 30,000 million
Eligibility for sustainability bonds (% to asset pools)	32%
Project lifetime	To be advised
Expected benefit	Ridership: Number people using public transport

EMPLOYMENT GENERATION: COVID-19 FINANCING

COVID-19 Rehabilitation Package: Rao Mai Ting Kan

Signed amount	THB 170,000 million
Allocated amount	THB 20,000 million
Eligibility for sustainability bonds (% to asset pools)	12%
Project lifetime	6 months (Apr – Sep 2020)
Expected benefit	15,269,006 from 16 million people target or 95.43%

MRT ORANGE EAST LINE:

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.

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.



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






FOR CLEANER AIR AND LOWER TRAFFIC CONGESTION

BETTER PUBLIC TRANSPORT

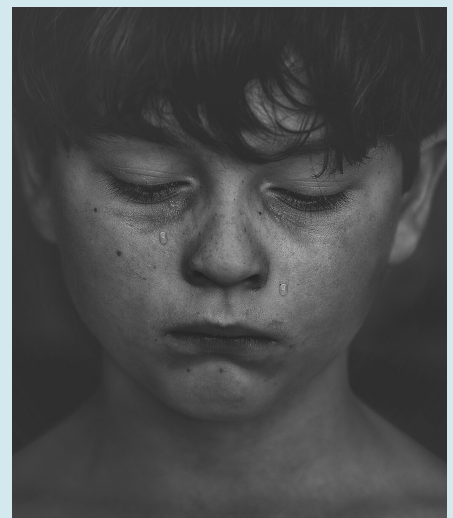
Upon completion, the MRT Orange Line (East) is expected to serve more than 120,000 commuters daily in 2023 and up to 500,000 in 2028.



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.



INDEPENDENT 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."



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”





“In issuing a Certified Sovereign Bond, the Government of Thailand provides an example to international investors, other governments and companies in the region looking to finance or refinance sustainability and climate projects with green debt instruments on a best practice basis.”
- The Climate Bonds Initiative

<https://www.climatebonds.net/2020/12/thai-govt-marks-2020-certified-sovereign-green-issuance-commitment-recovery-sustainability>

OUR ISSUANCE IS CERTIFIED BY CLIMATE BOND INITIATIVES

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

POST ISSUANCE RECOGNITION

FOLLOWING OUR ISSUANCE, WE RECEIVED THREE AWARDS FROM THE ASSET.

1) THAILAND'S BEST SUSTAINABILITY BOND



The Asset
Country Awards 2020

Best Deals by country

Best sustainability
bond

Kingdom of Thailand 30 billion baht sustainability bond

Sustainability structuring advisers, bookrunners and lead managers:

Bangkok Bank, Bank of Ayudhya, Standard Chartered

Second party opinion provider:

Sustainalytics

This is Thailand's inaugural issuance of government sustainability bond with the proceeds allocated for the MRT mass transit orange line project and for Covid-19 relief package.

2) THAILAND'S BEST ISSUER FOR SUSTAINABLE FINANCE



The Asset
Country Awards 2020

Best Advisers by country

Best issuer for sustainable
finance



Kingdom of Thailand

3) BEST SUSTAINABILITY BOND



**BEST SUSTAINABILITY
BOND**

The Asset
Triple A Sustainable Capital Markets Regional Awards 2020
DEALS OF THE YEAR

Kingdom of Thailand 50 billion baht sustainability bond

The original 30 billion baht green and social bond offering in August 2020 was re-opened in November to raise an additional 20 billion baht worth of green bond, which was certified as climate bond standard by Climate Bonds Initiative.

Green structuring advisers, bookrunners and lead managers:

Bank of Ayudhya, Bangkok Bank, Standard Chartered (Thai)

Second party opinion provider:

Sustainalytics

“The Asset's annual Triple A recognition represents the industry's most prestigious awards for banking, finance, treasury and the capital markets.”

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IMPORTANCE NOTICE

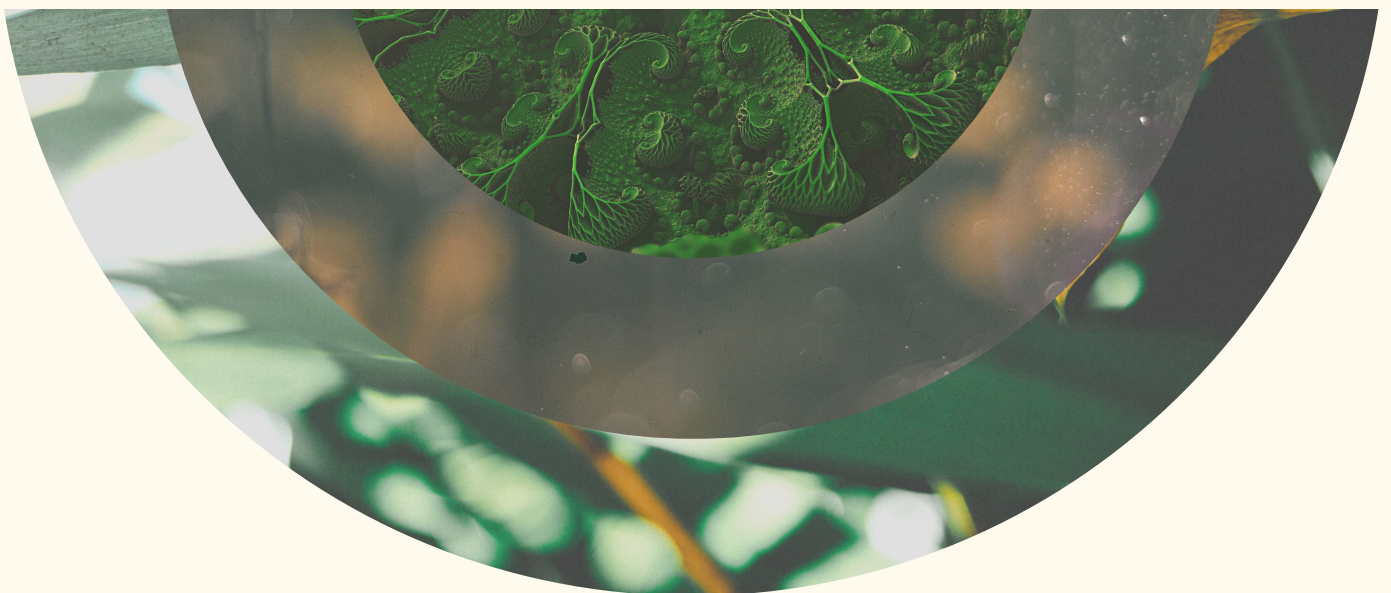
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