

**Opening Remarks**  
**Bangkok Sustainable Banking Forum 2018**  
**Veerathai Santiprabhob, Governor of the Bank of Thailand**  
**Monday, 23 July 2018**  
**Bank of Thailand**

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Distinguished guests,  
Ladies and gentlemen,  
A very good morning to you all.

I am delighted to welcome all of you to the Bank of Thailand for our very first Bangkok Sustainable Banking Forum. This forum aims to enhance greater awareness of sustainability practice in finance by bringing together leaders in the area of sustainability, showcasing best practices and efforts taken by participants from the financial sector, and identifying areas we can improve. This event is a part of a series of conferences organized throughout this year to commemorate the 75<sup>th</sup> Anniversary of the Bank of Thailand.

Ladies and gentlemen,

In 1987 the United Nations first defined sustainability or sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs<sup>1</sup>.” Since then, this concept has served as a guiding principle for various long-term global development agendas. Yet, the principal ideas of sustainability, especially of moderation, responsibility and maintaining long-term focus, hardly takes the center stage in popular media, most notably in the economic and financial headlines—where we often focus our narratives on short-term indicators, like GDP growth, shareholders’ earnings, stock prices, or bonus paychecks. Whatever it takes today to maximize these short-term indicators is believed to be the best course of action. We often forget that our short-sighted actions also dictate and impact the path for our long-term development and well-being.

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<sup>1</sup> United Nations. “Our Common Future: World Commission on Environment and Development.” 1987.

We at the Bank of Thailand believe in the pursuit of sustainability, that it can be achieved if we maintain our focus on long-term goals. The past year we have seen many welcoming developments in our financial sector. These include,

First, a number of measures were introduced to improve financial institutions' responsibility, such as regulations on credit cards and personal loans to address the issue of household debt, new regulatory framework on market conduct, regulations to enhance financial institution's corporate governance, and a new code of conduct for banks developed by the banking community;

Second, the debt clinic was set up to facilitate multi-creditor debt settlement for indebted individuals so that they can exit from the state of perpetual debt distress; and

Third, a number of key financial infrastructures were established to help promote financial inclusion and transition the Thai economy towards the digital era. One in particular is the introduction of PromptPay, which provides efficient access to electronic payment at no cost and has served as a catalyst leading to complete elimination of electronic fund transfer fee by banks.

These developments have contributed to efficiency improvement in the financial system; wider access and affordability of financial services, especially to those underserved; and mitigation of the impacts of several long-term issues. Essentially, they help ensure that our financial system can sustainably serve the well-being of the Thai people.

Ladies and gentlemen,

Despite our progress, we should not settle for what we have achieved thus far. Much more can be done and need to be done to improve the sustainability of the Thai society as a number of challenges remain. Some of which leave us to question our collective actions as a society *on how we allow these challenges to get out of hand.*

Allow me to highlight four challenges in particular:

First, despite a more broad-based economic growth and a number of government policies targeting low income households, Thailand remains among the world's most unequal countries in terms of wealth, with the richest one percent owning more than half of total household wealth<sup>2</sup>. Meanwhile, low financial literacy and high household debt level continue to hamper the ability of individuals to pursue new opportunities and secure long-term financial security. These have curbed individual's chance to improve her socio-economic status in the long-run. Essentially, widening wealth and income inequality is a major contributor to the fragility of the Thai society and is frequently used as an excuse to draw public support for a number of costly and unsustainable populist policies.

Second, our labor productivity growth is moderating and should be emphasized. As an aging society with declining labor force, enhancing productivity is critical for the Thai economy to maintain growth. And yet a number of public policies have focused on creating short-term stimulus rather than on encouraging the necessary adjustments to address long-term productivity issue. Moreover, our educational standards have not been able to prop up our low productivity level and lag behind in many important areas. Without the necessary adjustment now raises the question of how Thailand could maintain our competitiveness going forward.

Third, we have been too negligent on environmental and ecological issues. As a large portion of the Thai population remains in the agricultural sector and all of whom rely on quality natural resources for food and income, preservation of environment and natural resources should be our top priority. Our irresponsible actions—from massive burning of fossil fuels to excessive use of plastic containers—contributed to the overall deterioration of the global environment. And, as we have observed, climate change has resulted in increasing frequency as well as severity of natural disasters. The painful experience of the great floods of 2011 should be a case in point, as these floods were the result of rampant

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<sup>2</sup> Credit Suisse. "Global Wealth Report." 2017.

deforestation, new developments blocking natural water ways, and clogged drainage system from careless waste disposal.

Many other environmental issues continue to highlight our negligence. These include a recent report detailing Thailand as the new dumping ground for global electronic wastes; or the fact that paraquat, a toxic herbicide (plant killer) banned in 48 countries around the world, including our neighbors Cambodia, Laos and Vietnam, is still widely distributed and used in Thailand<sup>3</sup>.

Fourth, entrenched corruption remains a major obstacle to achieving long-term focus. Paying bribes and granting favors are harmful practices that incur unnecessary costs and create distortions in resource allocation. Distorted policies and actions aimed at political or personal monetary gains can limit the ability of future generations to meet their own needs. Despite years of anti-corruption campaigns, Thailand's level of corruption has been largely unchanged<sup>4</sup>. In addition, practices in the financial sector have also been the culprits of corruption. Insider trading, market manipulation, money laundering, favoritism in credit decision, and misselling of products are just some of the corruptive practices that have led regulators, including the Bank of Thailand, to tighten our code of conduct and market conduct supervision.

Ultimately, these challenges are byproducts of actions taken without regard for moderation, responsibility, and long-term consequences, and they should serve as a wake-up call for all of us. For without a proper remedy, we would be transferring unfair burden to future generations, thus impairing long-term sustainability and prosperity.

*How did we allow these challenges to get out of hand? That is because we take for granted that someone else will step up to resolve them when in fact they are *our collective problems* and *our collective responsibilities* to take action.*

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<sup>3</sup> Fredrickson, Terry. "Activist anger grows over pesticide ban delay." *Bangkok Post*. September 20, 2017.

<sup>4</sup> Thailand's Corruption Perception Index has a narrow score range of 35 to 38 between 2012 and 2017. Transparency International, 2018.

Ladies and gentlemen,

Our financial sector can take the lead in making impactful changes with regard to sustainability as all of us play key roles in allocating one of the most important resources—that is the financial resources. As stated earlier, a number of welcoming developments are taking place in our financial sector. But, much more can be done and need to be done to foster an ecosystem that promotes the overall sustainability—that will discourage misallocation of resources, limit corruptive practices, and help preserve our environment.

Adoption of best practices in sustainability is not just about making positive impacts to our society, but it can also be beneficial to financial institutions in a number of ways.

First, it can help ensure long-term sustainability of financial institutions themselves. Growing acceptance of sustainability practices globally has encouraged new standards and practices and raised the expectation of our society. Early adopters of sustainability practices can meet society's ever-increasing expectation; take lead in setting new industry standards; and make timely and necessary adjustment to their business models. These sustainability practices will help financial institutions mitigate strategic, operational, and reputational risks.

Second, financial institutions can better attract and retain a new generation of talents, especially the millennials, who are increasingly more attracted to firms with sustainability and philanthropic practices<sup>5</sup>. This is no surprise because these young individuals are becoming more concerned of sustainability issues and want to take part in making positive impacts. Therefore, firms with strong sustainability values and practices can attract these talents by offering the additional satisfaction beyond remuneration benefits.

Third, adoption of sustainability can help financial institutions gain access to increasing pool of capitals, given the increasing

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<sup>5</sup> The 2017 Millennial Impact Report. The Millennial Impact Project, 2017.

volume of funds and investment products based on sustainability criteria. It is estimated that more than a quarter of assets under management globally are now invested using the Environment, Social, and Governance or ESG principles<sup>6</sup>.

Ladies and gentlemen,

It is now up to all of us—financial institutions, policymakers, and leaders—to embrace sustainability and incorporate its guiding principles in our daily lives and business practices.

The objective of the Bangkok Sustainable Banking Forum is to raise awareness of the various issues of sustainability and identify gaps within our financial sector. Seeing much enthusiasm from our high-level participants this morning, I am certain we can make positive changes for our future generations.

I would like to take this opportunity to thank all of you for taking the time out of your busy schedules to be here with us. I would also like to thank the speakers, some of whom have traveled from different parts of the globe, for being here to share to with us their insights and best practices.

Let me, once again, urge all of us to think wisely, maintain long-term focus, and take responsible actions now so that in the next decade we would not be standing here asking ourselves again *how we have allowed these challenges to get out of hand*.

Ladies and gentlemen,

The Bank of Thailand looks forward to collaborating with all of you on our sustainability journey.

Thank you very much for your participation.

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<sup>6</sup> Bernow, Sara, Klempner, Bryce, Magnin, Clarisse. "From 'why' to 'why not': Sustainable investing as the new normal." McKinsey and Company, October 2017.