



BANK OF THAILAND

The Bank of Thailand's sustainability commitment in support of the NGFS Glasgow Declaration

Thailand is committed to achieving the United Nations' 2030 Agenda for Sustainable Development and has ratified the Paris Agreement to tackle the threat of climate change since 2016. On the occasion of the 2021 United Nations Climate Change Conference (COP26), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) has published the "[NGFS Glasgow Declaration: Committed to Action](#)", which sets out commitments of the NGFS in the coming years. In support of the Declaration, the Bank of Thailand (BOT), as a member of the NGFS, is committed to:

1. Setting common policy direction for the financial sector

The BOT and other members of the Working Group on Sustainable Finance¹ are committed to implementing the '[Sustainable Finance Initiatives for Thailand](#)' announced in August 2021. The Initiatives are (1) developing a practical taxonomy; (2) improving the data environment; (3) implementing effective incentives; (4) creating demand-led products and services; and (5) building human capital.

As part of the Initiatives, a **Green Taxonomy** is being developed to dovetail Thailand's environmental priorities and support the green transition of Thai industries. The Green Taxonomy is being designed in close consultations with key industries and stakeholders to ensure consistency with international classifications. The first phase of the Taxonomy will be launched next year. At the same time, the BOT has also collaborated with our regional counterparts to develop the **ASEAN Taxonomy** for Sustainable Finance. The ASEAN Taxonomy will provide a common building block for ASEAN members' green transition and adoption of sustainable finance that best reflects the region's economic and social structures.

¹ The Working Group on Sustainable Finance comprises the Fiscal Policy Office at the Ministry of Finance, the Securities and Exchange Commission, the Office of Insurance Commission, the Stock Exchange of Thailand, and the Bank of Thailand.

2. Incorporating environmental factors into our supervisory framework

The BOT will issue **good practices for sustainable banking** early next year to set a supervisory expectation on sustainability performances especially climate-related and environmental issues for the banking industry. The practices will be built on the current Thai banking industry's Sustainable Banking Guidelines to further ensure internalization of Environment, Social, and Governance (ESG) issues into banking operations, in particular on governance structure, internal process and disclosure practices.

3. Integrating environmental impacts into financial stability and macroeconomic assessment

The BOT has included ESG risks as part of **the revised Guideline on Application of the Supervisory Review Process under Pillar 2 of the Basel capital framework**, which will come into effect in 2022. Going forward, the BOT will enhance the evaluation of banks' exposure to climate-related risks through **scenario analysis and stress testing**. In addition, the BOT's **macroeconomic assessment** will also incorporate environmental factors into our models and analysis to assess the impact of such risks on the Thai economy and economic sectors.

4. Strengthening collaboration with international stakeholders

The BOT will continue to collaborate with the international community, including standard setters, policymakers as well as academia, to address climate-related risks especially in the financial sector. As such, the BOT will further leverage on **NGFS recommended best practices** to strengthen our role in promoting green financing as well as environment and climate risk management.
