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Thought Leadership | ESG Sustainability

Driving Sustainable Success in Thailand: Mastering the 'E' in ESG

The 'E' in ESG (Environmental, Social, and Governance) has become a critical driver of business success worldwide. In Thailand, as environmental challenges rise on the agendas of regulators, investors, and consumers alike, embracing environmental responsibility is both a legal necessity and a strategic advantage. With the Thai government strengthening environmental regulations, businesses that integrate sustainability into their operations are positioning themselves as market leaders. This article explores how companies can navigate Thailand's evolving environmental regulatory landscape, transforming compliance into a competitive advantage while contributing to long-term sustainable growth.

Why Environmental Responsibility matters in Thailand

Environmental responsibility is becoming essential for businesses operating in Thailand, as regulatory shifts, investor expectations, and consumer behavior converge. Companies that adapt to these trends will be well-positioned for success.

- **Consumer Demand:** According to a 2022 Nielsen report, 81% of global consumers, including those in Thailand, believe companies should actively contribute to the improvement of the environment, and 66% are willing to pay a premium for sustainable products. Companies that meet these expectations can gain significant market share.
- **Investor Confidence:** ESG assets reached USD 35 trillion globally in 2020 and are projected to skyrocket to USD 50 trillion by 2025, according to Bloomberg. In Thailand, companies listed on the SETTHSI index, which tracks businesses with strong sustainability practices, have attracted higher levels of investment.
- **Regulatory Pressure:** The Thai government has ramped up environmental regulations, including stricter Environmental Impact Assessments (EIAs) and pollution control measures.

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Companies that stay ahead and respond to these regulatory shifts can avoid penalties and protect their reputations.

Turning Compliance into Competitive Advantage

Thailand's environmental regulatory framework is constantly evolving, and businesses that lead in compliance can transform this into a competitive edge.

2020-2021: Laying the Foundation for Sustainable Growth

- **EIAs:** The scope of EIA requirements is revised annually to stay up-to-date, resulting in more projects falling under environmental scrutiny. Companies that integrate sustainability into project designs from the outset can avoid development delays and costly adjustments when the EIA compliance is required by the authorities.
- **Pollution Control:** Stricter emissions standards, particularly in cities like Bangkok, where air pollution has ranked among the highest globally, are encouraging businesses to adopt cleaner technologies.

2022: Accelerating Climate Action

- **Nationally Determined Contributions (NDCs):** Thailand's updated NDC targets a 30-40% reduction in greenhouse gas emissions by 2030. The long-term strategies also include achieving carbon neutrality by 2050 and net-zero emissions by 2065. This indicates that the renewable energy and energy efficiency projects are key drivers of this ambitious goal.
- **Sustainable Finance:** Green bonds and sustainability-linked bonds are gaining traction in Thailand. In 2022, Thai companies issued USD 1.2 billion in green bonds, allowing them to finance environmentally focused projects while attracting a broader pool of investors. Notably, in August 2024, the Provincial Electricity Authority (PEA) successfully issued its first sustainability bond to fund environmentally friendly infrastructure projects, marking a milestone in Thailand's green finance journey.

2023-2024: Expanding ESG Footprints

- **Corporate Governance and ESG Integration:** The SEC now requires Thai companies to disclose their environmental performance. Companies that excel in ESG disclosures often enjoy better stock performance and increased investor trust.
- **Enhanced Enforcement:** The Ministry of Natural Resources and Environment (MNRE) and the Department of Industrial Works

About Us

Our Environmental, Social, and Governance (ESG) Initiatives

The team at Kudun and Partners believe that our impact extends beyond offering top-notch legal services; we also have a responsibility to contribute positively to the environment, our communities, and the broader society. **Our ESG strategy focuses on three main areas: environmental care, social responsibility, and ethical governance.** We are committed to reducing our environmental footprint by implementing energy-efficient practices, cutting down waste, and choosing eco-friendly suppliers. We understand that our duty goes beyond just advising clients; we also strive to make a positive impact on the communities we belong to. We want to inspire not just our colleagues, but also our clients and friends, to make a difference.

As a law firm, we hold ourselves to the highest standards of ethical governance, maintaining strict compliance and transparency in everything we do. In a constantly changing world, we keep refining our ESG practices to meet and exceed the highest standards of corporate responsibility. We know that what we do today will shape the future, and we're committed to being a force for good. Together, we can build a more sustainable and just world.

Our CSR is focused on the top **UN Sustainable Development Goals**, which are (1) No Poverty; (2) Zero Hunger; (3) Good Health and Well Being; and (4) Quality Education.

(DIW) have intensified their inspection and enforcement actions. Penalties for environmental violations have increased, underscoring the need for strong compliance frameworks.

Looking Ahead: The Future (2024-2029)

As Thailand moves forward, the regulatory landscape will continue to evolve, presenting opportunities for businesses that lead in sustainability.

- **National Cap-and-Trade System:** Thailand's potential carbon trading market could provide businesses with opportunities to profit from carbon credits, making early adoption of emissions reduction strategies a sound investment. The Thailand Greenhouse Gas Management Organization (TGO) plays a pivotal role in developing the carbon credit market through its Thailand Voluntary Emission Reduction (T-VER) program, a platform that allows participants to earn and trade carbon credits by reducing their emissions.
- **Circular Economy and Waste Management:** New regulations promoting the circular economy will focus on reducing waste and enhancing resource efficiency. Companies that shift towards sustainable packaging and recycling practices will be well-positioned to capitalize on these developments.

The Clean Air Management Act: A Landmark Development

Among the most critical legislative developments to watch is the Clean Air Management Act, which is set to become a landmark law in Thailand's environmental governance. The draft Act, currently under parliamentary review, is expected to introduce a comprehensive framework for regulating air quality, with stringent limits on pollutants like PM2.5, which has been a persistent issue in major cities such as Bangkok and Chiang Mai. If passed, the Act will impose tighter controls on emissions from both industrial and transportation sectors, placing greater accountability on businesses to manage their environmental impact.

The objectives of the Act include mandatory reporting requirements, emissions caps, and penalties for non-compliance, which could lead to operational disruptions for companies that are not prepared. A key element is the introduction of a clean air tax, designed to create financial incentives for companies to reduce their emissions. As this Act progresses, businesses must closely monitor its development and take proactive steps to adopt cleaner technologies, improve air quality management, and ensure compliance with the forthcoming regulations.

Legal advisors will be essential in guiding companies through the implications of this Act, ensuring that businesses are not only compliant

but also positioned to mitigate risks and capitalize on new opportunities arising from stricter air quality standards.

The Role of Legal Advisors: Navigating Compliance and Opportunities

Legal advisors are crucial in helping businesses turn regulatory compliance into strategic advantage. They ensure that companies remain compliant with evolving regulations, identify opportunities for sustainable financing through green bonds, and help businesses communicate their environmental strategies to stakeholders. By providing expert guidance, legal advisors help businesses avoid penalties, improve their ESG performance, and gain a competitive edge in an increasingly eco-conscious market.

Conclusion: Leading in Thailand's ESG Evolution

Thailand's advancing the environmental regulatory framework presents a unique opportunity for businesses to lead in sustainability. By staying ahead of regulatory changes, investing in innovation, and adopting comprehensive ESG strategies, companies can not only ensure compliance but also secure a competitive advantage in the market. With the support of legal advisors as trusted partners, businesses can navigate complex regulations, unlock new opportunities, and drive long-term success in a market that increasingly values environmental responsibility.

Now is the time to turn environmental challenges into business opportunities. Lead the way in Thailand's ESG revolution—and watch your business thrive.

For more information, please get in touch with our author at chai.l@kap.co.th or visit www.kap.co.th

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