

GPF-ESG STANDARD CRITERIA

A. RATIONALE

As a leading institutional investor with approximately USD 24.5 billion of asset under management, the Government Pension Fund of Thailand (GPF) aims to enhance the long-term returns for members' retirement saving, as well as the stability of the government reserve for retirement pension. The GPF also recognizes its commitment as a responsible investor to promote economic, social, and environmental sustainable development to achieve the proclaimed strategic objective as the 'Leader in ESG Investment & Initiative in Thailand'.

GPF adopts our 'ESG STANDARD CRITERIA' to assess the companies we plan to include in our premier responsible investment 'ESG-Focused Portfolio' in four main areas.

B. ESG STANDARD CRITERIA

Criteria 1: Basic Intention for Responsible Business Practices

1. Establish and disclose its intention to promote responsible business conduct, and commit to strengthen the sustainable economy, society, environment, and good governance.
2. Maintain a proactive strategy for promoting sustainable business practice and preventing any obstructions.
3. Establish a reactive strategy for dealing with any incidents, such as, environmental-related or social-related incidents that might cause any adverse condition to business sustainability. The reactive strategy includes, but not limited to, informing sufficient information in a timely manner to any related parties and stakeholders, launching corrective actions immediately, and remedying the affected parties appropriately. Preventive strategy against any problem recurrence shall be in place.
4. Be evaluated from a trustworthy external appraisal party as a good ESG-integrated business, such as, enlisting in the SET's Thailand Sustainability Investment (THSI).

Criteria 2: Business Criteria

1. Conduct the business in ethical manner, respect human rights, treat major stakeholders, such as, employees, customers, suppliers, and the public equitably and fairly without any discrimination in race, religion, gender, social status, or any physical handicap.
2. Refrain from conducting any business considered sinful or explicitly harmful to the economy, society, and environment, such as, arms trade (Controversial weapons), gambling, sex trade, pornography, human abuse or trafficking, animal cruelty, including deriving primary revenue from alcoholic beverage or tobacco.
3. Ensure that measures and business practices are conducted without any conflicts of interest. The appropriate responsive countermeasure is in place when conflicts of interest occur.
4. Treat all the investors and shareholders equitably and fairly. Refrain from taking advantage of minority shareholders.
5. Use resources efficiently, conduct risk assessment, establish controlling and preventing measures of environmental impact, or using innovations or having activities that promote environmental protection.

Criteria 3: Transparency Criteria

1. Disclose to public and investors in a sufficiently and timely manner the information relating to responsible business practices which includes, but not limited to, business performance and outlook.
2. Provide an opportunity to investors, shareholders, and stakeholders for accessing the information and reaching responsible persons to express their ideas and suggestions as appropriate.

Criteria 4: Good Governance

1. Have the suitable board structure in terms of size and composition. The board consists of directors who are knowledgeable and capable so that the board can implement the responsible business practices.
2. The proportion of independent directors is appropriate as defined by the standard set by the Thai Institute of Directors (Thai-IOD) or other trustworthy institutions.
3. The board acts immediately and properly when occur any conflicts of interest.
4. Join an anti-corruption network or coalition against corruption, such as Thailand's private sector collective action coalition against corruption or CAC.
5. Directors, executives, or shareholders who also have an executive position shall not be convicted of fraud, corruption, bribery, or any other actions that cause the business deterioration.

C. CLASSIFICATION FOR INVESTMENT

Following the assessment according to our ESG Standard Criteria, the companies are divided in to 3 tiers, as follows:

Tier 1: Positive List

Tier 1 comprises security of the company which conducts its business completely in line with, or better than, our criteria, with a positive outlook, as well. There is a high possibility that the security assessed as Tier 1: Positive List will be included into our ESG-Focused portfolio.

Tier 2

Tier 2 comprises security of the company which relatively passes our assessment but with some minor points to improve, and with potential to improve. The security falls into this tier has a low to medium possibility to be included into our ESG-Focused Portfolio.

Tier 3: Negative List

Tier 3 comprises security of the company which has major non-conformance issues and prone to have no commitment to be a responsible business owner. The security falls into this tier is by no means included in our ESG-Focused portfolio.
