

THAILAND

LEADING THE WAY IN SUSTAINABILITY

The Thai economy could surge by 5-6% in 2022, according to official estimates, as the Asian tiger economy puts the worst of the covid-19 pandemic behind it and benefits from strong long-term policymaking that emphasises sustainability and circularity. The economy will be supported by \$18bn of investment pledges made by the government, as well as the global recovery, which will favour open, pro-business countries such as Thailand.

Thailand ranks in the top three countries in South East Asia, and the top 25 globally, in the World Bank's Doing Business 2020 rankings, reflecting successive administrations' work to strengthen the business environment and encourage investment from both domestic and international players. Thailand ranks particularly strongly for its protection of minority investors and access to electric power.

The country's strengths were recognised by ratings agency Fitch in November 2021, when it reaffirmed the country's rating, with stable outlook - at a time of considerable global uncertainty. Fitch noted Thailand's "robust external finances, well-managed public finances, and a strong macroeconomic policy framework". The soundness of the country's banking sector was also singled out for praise.

The pandemic and the growing challenge of climate change have brought the issue of sustainability ever more sharply into focus globally, and Thailand, as one of the most biodiverse countries in the world, is taking a lead in the drive for a more sustainable global economy. The government is implementing a new economic model called "Bio-Circular-Green Economy" or "BCG". It is guided by the need for a sufficiency economy toward sustainability, strength from within that connects Thailand to the world, and inclusive growth that moves forward without leaving anyone behind.

"This crisis is an opportunity for the country to change and to plan for a sustainable recovery in order to prepare for the New Normal, especially in the areas of human security, economic foundation, environmental protection, and efficient resource management," Thai Prime Minister H.E. General Prayut Chan-o-cha told the opening session of 13th Asia-Europe Meeting (ASEM) in November 2021. "To move the country forward, the following steps in the development of Thailand will focus on 'sustainability' and 'participation from all sectors.'"

The Prime Minister went on to praise the role that multinational companies have played in creating the benefits of sustainable development in Thailand, with these benefits now spreading to other countries. He called for greater engagement between larger private sector companies and the



Prayut Chan-o-cha
Prime Minister of Thailand

thriving small and medium enterprise (SME) segment, which accounts for 96% of GDP.

Prayut has emphasised Thailand's leadership in the region in promoting trade and investment in human capital - in keeping with the country's long-standing emphasis on education and training, that has led it to its global prominence as an investment destination.

"In order for ASEM to prosper together, we must adhere to the rules-based multilateral trading system with the WTO at its core," Prayut said. "ASEM also needs to give importance to ensuring that people can not only adapt, but also thrive in the Fourth Industrial Revolution era. Therefore, upskilling and reskilling of the labour force, enhancing the capacity of SMEs as well as strengthening the global supply chain should be priorities."

These investments in education, innovation, and entrepreneurship should further enhance Thailand's competitive advantages for international investors.

In a November 2021 meeting with Thailand's American Chamber of Commerce, Prayut highlighted a number of reforms which the government has made to strengthen the business environment. These include

reviewing and amending laws and regulations, better to facilitate private sector growth; the use of digital technology to improv public services; and he promotion of access to digital technology to improve entrepreneurs' access to marketing channels within and outside the country. The government has also amended regulations in order to stimulate the economy and investment, and attract high-potential foreigners to Thailand as long-term residents.

As the second-biggest economy in ASEAN, and a market of 70m people, Thailand has long stood out as one of the world's most attractive emerging markets. Coupling strong growth with excellent infrastructure, political stability, a strong business environment, and a culture of ambition and entrepreneurship, the country retains its competitive edge while seeking new opportunities in the global green economy.

"National development after this crisis will depend on a strong foundation of the country and the ability to build upon, develop and improve from it," says Prayut. "The government has been working on the investing and laying a solid foundation for the BCG economic model for a while. We hope it will provide a guideline for business."

TPI Polene Group - Thailand's ESG leader

Ranking among the top ten countries in Asia, and the top twenty-five in the world, on the World Bank's Doing Business index, Thailand boasts a world-class business environment, attracting investors from around the globe. The bank ranks the South East Asian tiger as the third best in the world for protecting minority investors, and sixth for ease of access to electricity, reflecting Thailand's excellent legal system and infrastructure. The high ranking also demonstrates the country's success in economic reform in recent years - as recently as 2017, it only ranked 46th worldwide overall.

This dynamic business environment has powered the Thai manufacturing sector, which contributed 26% of GDP on a value-added basis on the eve of the covid-19 pandemic, according to World Bank figures. The sector has been rebounding strongly this year, with industrial production surging 26% year-on-year in May, according to official figures. Manufacturing output rose at a record rate in October, IHS Markit reported, noting positive business sentiment; business confidence hit a two-year high in September.

At the forefront of this growth story is Thai industrial giant TPI Polene, which has activities ranging from Cement manufacturing, Construction materials, Paints, Fibre cement products, Concrete roof tiles, Bio-organic fertilizer for bio farming without using insecticides, Synbiotic for animal husbandry without using antibiotics to immune and to cure diseases caused by pathogenic bacteria and virus, Healthcare products including BioKnox, anti corona virus mouthwash and drinks, Provita probiotics drinks through petrochemicals including EVA Pellets for Solar films, Sport shoes, Glues, and Paints to clean and green energy. Not only is the publicly listed company an industrial champion, it is also a global leader in environmental, social, and corporate governance standards.

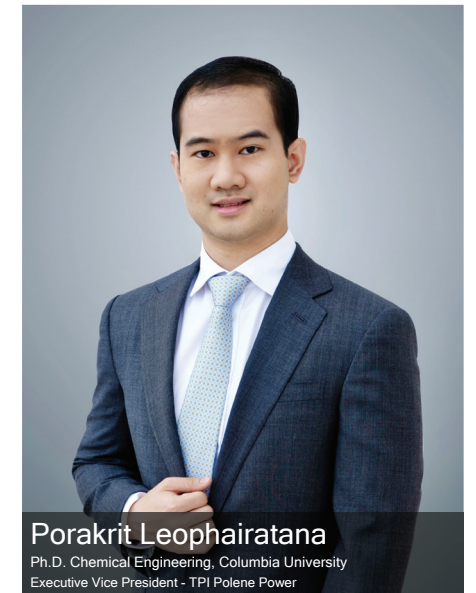
"The TPI Polene Group has a strong commitment for ESG to achieve sustainable development growth," says TPI Polene's CEO Prachai Leophairatana. "ESG responsibilities are the central focus of all our activities, ranging from how we strive to reduce pollution and carbon footprint to how we conduct businesses with business partners and treat our employees with trust, integrity, and fairness."

TPIPL will become one of the world's first cement producers to reach net zero carbon emission by 2022, achieving partly by the use of municipal solid waste (MSW) to replace coal to fuel cement production and for power generation at cement plantsite. The TPI Polene Group is now the world's biggest user of MSW in a single location, processing more than 10,000 tonnes a day of MSW to fuel cement production and to produce electricity with zero waste.

The TPI Polene Group is also putting clean energy centre at the centre of its "Prototype City of Advanced Futuristic Industries" (PAFI) project. The PAFI project located in the Chana district in Songkhla Province in Southern Thailand will cover more than 6000 acres of land and have four core business areas: transportation and logistics, a clean energy centre, a new generation and high tech industrial park, and a smart city. The project will lie on the east coast one hundred kilometres from the west coast in



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the Southern part of Thailand serving strategically as centre of all the important trade routes : westwards to Myanmar, India, Bangladesh, Middle East, Africa, Europe ; Eastwards to Hong Kong, China, Taiwan, Japan, Korea and USA ; southwards to Malaysia, Singapore, Philippines, Indonesia, Australia, New Zealand.

"Firstly, we have to establish world standard infrastructure at the location including 5G communication, AI control and supervisory system," says Pakkapol. "The PAFI location is also important from a national security point of view. We have the potential to construct a land bridge that can connect to the west coast with a journey time of just one hour, and a port to accommodate ocean-going ships."

The project will also have an LNG terminal, which will support growing regional demand for gas and fuel a 1700MW power plant. TPI Polene is also planning to develop 2000MW of renewable capacity from wind and solar projects. These multifaceted investments will create a wide range of opportunities for international businesses. TPI Polene expects the PAFI to generate up to 100,000 jobs, bringing a new influx of people to the area; the new smart city will cater for this new population, and boast a digital hub, an educational hub, and a technology hub.

"We plan to develop an industrial estate to support the new green industries: batteries, electric vehicles, production of solar panels, as well as bio-technology, which we think will be a business opportunity," says Dr.Porakrit. "We are waiting

with open arms for those who are interested from around the world, and already have MOUs with partners from Japan, South Korea, and China.

Originally established in 1978 as Thai Petrochemical Industries Company (TPI) as the first fully integrated petrochemical complex in Southeast Asia, TPI Polene Group has a high tech and knowledge intensive background lead by Dr.Pramuan Leophairatana, President of TPIPL, Ph.D.in Chemical Engineering (MIT) , with 150 scientists in its R&D department. This has enabled her to develop a corona virus-fighting drug that has proven to have 100% efficacy in trials on more than 100,000 patients - a major breakthrough that could save many lives. The medicine is evidence of both TPI Polene's innovation and her commitment to wider society. That commitment will be further reinforced by the PAFI project, which can catalyse further growth and underpin stability in a hugely strategically significant region.

"This project won't only benefit southern Thailand, but the whole country, and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) region as a whole," says Dr.Porakrit. "And it will lift up the living standards and the wellbeing of people of Southern part of Thailand to be on the same level as people in Rayong on the Eastern Seaboard as TPI has done 40 years ago. This will stabilize the Southern Region and promote the National Security as well."

Krungthai Bank

Driving Thailand's financial inclusion



With consumption expected to soar from \$120bn to \$410bn in just a decade, Thailand is on the brink of a post-pandemic boom, according to research from McKinsey Global Institute (MGI), the business and economic research arm of the global consultancy titan. By 2030, MGI estimates that 90% of Thailand's population could be part of the "consuming class", spending more than \$11 a day (on purchasing power parity terms), and thus having greater discretionary spending. This would be an increase on 70% today, and just 35% at the beginning of the millennium. The proportion of the population spending more than \$30 a day is forecast to double to 40% by 2030, from \$20 today. The increase is testament to Thailand's inclusive economic growth path, supported by an excellent business environment and prudent policy-making that has lifted millions out of poverty into the middle-income category.

Thailand's economic vitality is reflected in and underpinned by the strength of its banking system. In June 2021, the Thai office of ratings agency Fitch Ratings, said that that banks' buffers, such as loan-loss reserves and common equity Tier 1 capital, remain a solid cushion against downside risks. The agency noted that banks' "profitability should still be able to absorb additional provisioning" occasioned by the stop-start global recovery from covid. Thai banks have been able to bolster these cushions through issuing subordinated and hybrid capital instruments, with a particular focus on Additional Tier 1 capital, due to the need for enhanced loss absorption during the pandemic. Banks' NPL coverage ratio reached 155% by the end of the third quarter of 2021, according to central bank figures. This solidity is the backdrop to lively growth, with loans growing 5.6% year-on-year in the third quarter.

Krungthai Bank is at the forefront of this picture. Thailand's second-largest bank by assets, it is leading the way in innovation not only in the banking sector, but across Thailand's financial system - and its broader society. The bank has played a central role in driving financial inclusion, establishing a nationwide payment network and system that has helped deliver government support to those who need it since before the pandemic; during the peak of covid-19 lockdowns, this became a particularly crucial lifeline.

"We have connected the government to the people in a way it has not done before," says Payong Srivanich, Krungthai Bank's CEO. "We have been able to extend our regional support beyond traditional banking, in terms of injecting government stimulus and even facilitating vaccination. Prior to covid we worked with the government to get money to citizens to stimulate domestic spending during an economic downturn. Now we have nearly half the Thai population on our platform. It's a new



Payong Srivanich
CEO - Krungthai Bank

phenomenon in government policy administration - a mobile app that ensures government support is delivered straight to people with transparency and accountability."

Krungthai Bank, which is part-owned by the Thai government, now has 33m unique users on its Pao Tang mobile application, which the government has used for financial aid measures from covid-19-related payouts to a welfare card campaign. The bank has distributed some 13.6m welfare cards to low-income families; the cards are loaded with government-provided funds and function as e-wallets to provide subsidised payment for mass transit services and transactions at thousands of shops throughout the country.

"We have been working with the Ministry of Finance to register millions of people that

were below the poverty line," says Payong. "We put in place a digital payment super highway in every subdistrict nationwide. We have installed EDC [electronic data capture, for payments] at mom and pop stores in every subdistrict. We developed technology that traditionally would be available only in shopping malls, and made it available in mom and pop stores, on mobile phones, and on cloud. We installed this network with the government as our partner, and have driven financial inclusion in a massive way."

Payong, a US-educated former senior banker at Citibank, was appointed in 2016 and brought in the vision for Krungthai Bank's transformation from a commercial bank focused on providing services public sector workers and lagging somewhat behind its private sector peers to the institution we see today, bridging the gap between traditional banking and the new era of multi-faceted digital financial services. The bank focuses on five "ecosystems", seeking partnerships for development in each one: payment, government, healthcare, transportation and education. Its achievements under this strategy include developing a blockchain-based system for government procurement, tax collection, and payments, that is helping the public administration drive towards its "Thailand 4.0" goals of unlocking higher growth and productivity. Krungthai's technology also allows health benefits to be paid through a mobile banking app, and it offers university apps integrating virtual passes, class calendars, and a feed of news and events. The bank's NEXT banking app has been migrated to the cloud, allowing the platform better to serve its 13m users, with both greater stability and a wider range of products including loans and health insurance that match the rapidly-evolving needs of consumers. NEXT, when used in conjunction with Krungthai Travel Debit Card, also allows travellers to make payments in 19 currencies, with no ex-

change rate risk, and providing greater security and ease of use than cash transactions.

Overall, the bank has an investment budget of more than \$600m to drive financial technology and develop digital banking, delivering greater scalability and security. It has founded a dedicated fintech and innovation unit, Infinitas by Krungthai, to help catalyse digital disruption and deliver ever better solutions for its customers.

In December 2021, Krungthai announced a joint venture with global consultancy giant Accenture through Infinitas to accelerate the bank's digital innovation strategy and talent development efforts. The new company, ARISE by Infinitas, is majority-owned by the Krungthai unit, and aims to have a firm value of \$600m in five years. It will drive rapid transformation and change management enhancements within the bank, with a focus on talent development and long-term growth in Thailand and across the region. Accenture brings to the venture its cutting-edge expertise and its talent and organisation capabilities that will help Krungthai Bank improve efficiency and profitability. ARISE by Infinitas will boost innovation and collaboration across the bank's business units, and will make a key contribution to improving sustain-



ability in line with Krungthai's broader vision.

"The past year was a great success, that revalidated the strategy that has been driving our organisation through the past five years, says Payong. "We recognised that the industrial revolution 4.0 is coming; we recognised the thunderstorm of technology that was coming."

Yet the bank also remains grounded in its 55-year history and the communities it serves across the country, and is bringing its customers into the new era of open banking and digital transactions without cutting tra-



ditional services on which many Thais rely.

"Today, we are at the junction of a transition," says Payong. "After 55 years, we have developed a unique understanding of many types of customers. You cannot abort

with an excellent reputation like Krungthai. He sees innovative, and fleet-footed fintechs as coexisting with established banks that have a firmer underpinning of public trust and brand recognition and provide the basis for the ecosystem in which fintechs can thrive. The digital transition creates both new opportunities and new competitive and organisational challenges for banks. Krungthai is embracing the change.

"You have to modernize," he says. "You have to reprocess the way you've been offering your services. You have to not only bring in technology, but also redesign your process internally. You have to retrain your people to understand the new process and make optimal use of the technology in the process."

For partners and investors, Krungthai Bank represents a business both grounded in its traditional strengths and a new market leader in digitalisation, with activities in some of the fastest-growing and most strategically important parts of the economy. Its work with the government in recent years has delivered huge social as well as economic benefits to Thailand and its citizens. This remains a bank with a uniquely Thai identity, serving the society in which it is grounded - and offering a forward-looking partner for those looking to tap into the next wave of sustainable and inclusive growth across the region.

"Thailand is defined by the attitude of our people; it is known as 'the Land of Smiles'," says Payong. "Our natural hospitality has driven the tourism and services industries, which has a unique offering. But it is not our only competitive advantage. Thailand's geographical location gives it a unique edge - we can be an excellent gateway for Vietnam, Laos, Cambodia, Myanmar, Singapore, Malaysia, and far beyond. If you choose a partnership in Thailand, you can pool resources from anywhere in the world."

YLG Group

Thailand's gold leader eyes international growth

Thailand emerging from the worst of the Covid-19 crisis in a good position to bounce back. GDP growth is forecast to jump by more than seven percentage points in 2021, and key sectors are booming as global demand for merchandise and service exports soars. The gold industry in particular is recovering from a volatile period and recording resurgent growth. Rising inflation in 2021 has driven an investor stampede into the commodity, and Thailand's gold reserves hit an all-time high of 244.2 tonnes in Q2 2021, after declining by 15.5% y-o-y in 2021. YLG Bullion, the country's leading gold trader, is ready for the next wave.

YLG Bullion International Company Limited, expanded from succeed of Yoo Lim Gold Factory Company Limited which established in 1993. YLG Bullion was originally active as a manufacturer and exporter of authentic gold, jewelry, and gems. Over the past three decades it has risen to become the top domestic player in Thailand's gold market, while significantly expanding its international footprint. According to CEO Pawan Nawawattanasub, agility and dynamism have always steered YLG's growth:

"The key to our success was learning international best practice and applying it to our own operations. We began trading well before other companies; we tried to meet the customer needs and adjust to them. Our business develops quickly and completely changes every two years because of external factors, so we have to renew ourselves and evolve, improve our ways, very often."

The group's adaptability, responsiveness, and straightforward approach to doing business helped its portfolio expand rapidly at the turn of the century. YLG Bullion International was established in 2003, shifting and diversifying operations towards trading in domestic and international markets. YLG was one of the first to establish an online trading platform for gold bullion and bars, simultaneously launching 24-hour gold delivery services to its clients.

Expansion accelerated from there: gold bar import and export services launched in 2004, and in 2009 the group began offering gold futures trading on the Thailand Futures Exchange Market, with the establishment of YLG Bullion and Futures Company Ltd. International expansion followed in 2012 when the Singaporean government agency International Enterprise invited YLG to establish its first overseas office in the city-state. By 2013, YLG has become Thailand's gold bullion trader and largest gold bar importer and exporter, as well as



Pawan Nawawattanasub
CEO - YLG Group

a major player in the Singaporean market.

A new retail-oriented subsidiary, YLG Precious, followed in 2015, and in 2019 the group further expanded its futures offerings on the Thai bourse. Today YLG is a domestic and regional leader in gold trading, recording \$12 billion of total transactions in Thailand last year, and \$23 billion in Singapore.

2020 was a moderately challenging year due to external volatility, Nawawattanasub recounted, but gold remains a popular investment option in times of trouble, which has helped the group remain resilient in the face of market shocks:

"Gold is used as investment and people still had opportunities to make profit in 2020. Thailand is a country that imports a lot of gold, and when the pandemic occurred, most of the gold was for investments.



There was a lot of export of course, but this year it's been much less because the gold has come down, so there's more movement between import and export. We are certainly seeing that 2021 has been better for Thailand than last year," she said.

YLG has remained resilient despite the ups and downs because of its core focus on the customer experience, including shifting consumer and trader preferences. Although around half of the gold activities undertaken at YLG are still done physically, the remainder is carried out using its trading services, which have been evolving along with the market to meet new demand.

From its earliest electronic trading platform launched nearly 20 years ago, YLG has been actively expanding its service offerings to include a white label service for dealers to use in direct client sales, forex gold trading, and a system allowing clients greater flexibility in when they buy and sell. YLG offers something for everyone in the gold value chain, from second-hand vendors to wholesalers. A team of award-winning analysts is also on hand to help clients formulate and implement savvy investment strategies.

As she looks to the future, Nawawattanasub is open to new partnerships, particularly in Southeast Asia. Thailand's gold industry is large and dynamic, and YLG will remain at the forefront of new growth, she said:

"If you talk about gold business, Thailand is the third-largest market in Southeast Asia, and that's the way we promote the country. We are helping to raise the profile of the industry, making gold synonymous with Thailand. The market may be smaller than India and China, but we are well-known in the business, and Thailand has a stellar reputation."