

Transcript of 'Do No Significant Harm: Taxonomies and Sustainability'

Season 2, Episode 22, Transforming Tomorrow

[Theme music]

Paul: Hello and welcome to Transforming Tomorrow from the Pentland Centre for Sustainability in Business. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

We're about to head to Southeast Asia to find out what Bangkok banks and badgers have in common.

[Theme music]

Paul: Have you ever stuffed a badger, Jan?

Jan: [laughing] No.

Jan: Have you? Why are you asking me this question?

Paul: Do you have some kind of fascination with birds and other wildlife in museum collections?

Jan: Oh yeah, kind of. I mean, it's interesting to look at, even if it, it's a bit gruesome and a bit 18th century.

Paul: Do you know what it has to do with sustainability?

Jan: No, clearly not. But I do hope you're going to tell me, 'cause stuffing badgers was not something I had on my list of things to think about today.

Paul: Well, I I'm completely baffled myself then. 'Cause I've got down here we've got a whole episode on taxidermy.

Jan: [laughing] Sorry. Oh, I'm sorry. I'm sorry. Yeah, no. Okay. I now see where this got... Taxonomies, Paul. Taxonomies. [continues laughing]

Paul: Oh, right. I, I need to change my glasses. Right. That makes a lot more sense. Okay. Right.

Jan: [laughing] Oh, sorry, sorry, I enjoyed that way too much. Right. Yeah. I can, yeah, okay.

Paul: You understand why my confusion arose?

Jan: I do, I do...

Paul: ...because I, I don't exactly use the word taxidermy in everyday life, but I've at least heard of it.

And now you've just thrown this word taxonomy at me.

Jan: Well, this is then gonna be an absolutely brilliant podcast for you, uh, Paul, as well as our listeners, because it's, taxonomy's really important, but it's kind of like in the background. Um, so actually finding out what it is will tell you something about how the markets work.

Paul: Ah, I was about to ask in the background of what, and then you've said markets, so...

Jan: ...operation of capital markets.

Paul: Operation of capital markets. Are we talking about stock exchanges and such?

Jan: Yes, indeed. But also anything that allocates, um, funds. So it could be banks as well.

Paul: Is it a system? Is it something...

Jan: ...yes...

Paul: ...so we're talk, we're talking systems. I feel like it's like, this is now 30 questions for you of trying to figure out what we're actually talking about today. [Jan laughs] I'm really just, I had five questions about how you stuff a badger [Jan laughs] and now I can't ask them.

Jan: Well, yeah, hang on to them for a different podcast, I think.

Paul: Can you bring on someone from museums for a future episode so I can do that...

Jan: ...I'll, I will do my best.

Paul: I'll cross these out then. [scribbling noise] Right, so, that's it. Right, no more questions about those silly animals.

Okay. So we're gonna be talking about taxonomies. We're gonna be talking about business markets, capital markets, and we're gonna be talking about them with...

Jan: A very nice colleague of mine who I worked with in, um, uh, Birmingham, but who also, I had the pleasure of examining her PhD, um, when she was at the University of Manchester.

Paul: Yes. We're gonna be joined by someone who is a researcher and social scientist based in Bangkok, Thailand. Someone who previously was with the University of Manchester and Birmingham, and someone who very soon will be starting a new role with the Thai Stock Exchange.

So we're gonna say hello to Charika Channuntapipat. Hello, Charika.

Charika: Hello, hello everyone. Hello, Paul and Jan. Thanks for the kind introductions.

Paul: I, I apologise, Charika, if the start of this episode made you think you were on here to discuss how to stuff various wild animals and, uh, you know, things like that.

I, I've now understand where my mistake was. It's definitely nothing to do with that. We're gonna be talking about tox, taxonomies, not toxonomies or taxidermy, [everyone laughs] but we're gonna be talking about taxonomies and the sustainability aspect of them.

Jan: And the other great advantage of talking to Charika is that we'll get a chance to think a little bit more about what's happening in Thailand as well.

Paul: Yes, yes. Because while we say you've been at the University of Manchester, the University of Birmingham, you are now in Bangkok.

Can you tell us then a little bit, as our first guest from Thailand on these shows, the key issues that there are in Thailand with respect to sustainability and sustainability in business?

Charika: Yeah. So, um, as, Jan mentioned, so I used to be in the UK and then I moved back after the COVID, uh, hits the world. And then I came back to work in, uh, research policies and working on the, uh, sustainability and also the intersection with that, with the business practices.

Uh, so for all the listener who may not be familiar with Thailand. It's, uh, I can call it like upper middle income economy in Southeast Asia, and also a major, like, global exporter as well.

Particularly if you imagine like food, agriculture, automobiles, electronics, and also tourism. Because of this, um, when we talk about sustainability in Thailand, it's not just, uh, environmental issues, it's about also increasingly economic competitiveness of the country, supply chain access to the world, and also investment credibility as well.

So if you think about this on the, uh, policy side of things, Thailand has strengthened its climate governance in recent years. So that's why we are gonna talk about taxonomy, uh, today.

So we have a key institutional development that involved the establishment of the Department of Climate Change and Environment, which now plays a central role coordinating roles across mitigation, adaptation and climate planning.

So this has helped a lot in consolidate responsibility that were previously quite fragmented, I would say. And also like Thailand has updated it, uh, climate commitment, uh, just recently. So, we used to have the, uh, net zero, goes by 2065, which is quite, actually, further away from the global commitment. But now it's accelerated into net zero by 2050.

So these targets are ambitious for economy like Thailand that still relies heavily on manufacturing, agriculture and also fossil fuel-based economy. So that's why in this perspective, sustainability and also, like, climate mitigation, adaptation is quite important to Thailand.

With that, financing, uh, the money that we actually need to kind of expedite that goals is actually also come into play as well.

Jan: So within that background of a, of a country that's, pursuing ambitious climate change goals and will need finance for doing that, what is a taxonomy and why would that be relevant in this context?

Charika: Okay, so when you were, um, make, making like kind of, uh, jokes and teasing about what is actually taxonomy, so...

Paul: ...it wasn't a joke. I have no idea what a taxonomy is. [Jan and Charika laugh] Absolutely none. Carry on. I, I'm taking real notes now to find out what it is.

Charika: Okay. Okay. Yeah, but I need to make a note, not a joke as well. That taxonomy that we are talking about right now is not the tax system. It has nothing to do with tax. Because like all the time when I was like speaking about the development of Thailand taxonomies and then people start getting panicked that, okay, uh, this person will gonna talk about, like, tax, like how the money gonna be taxed.

But that's nothing about taxonomy. But if you are in the kind of, life science and you're familiar with, like, birds, maybe, like, plants, you might be familiar with the taxonomy. But that's different as well. But the root effect is actually the taxonomy is about the classification system.

So in this, uh, sense, uh, we, we call it, like, 'green taxonomy'. So it's a shared, classification system, or we can call it, like, the central dictionary that define which economic activities can be considered environmentally sustainable. So which activities, can con be, can be considered as green. So why do we actually need this kind of central system or central dictionary?

Charika: Because if we talk about maybe one technologies, uh, in one country, it might be considered as green. But it's more in, in more developed economy, it's might not considered as green, because the technologies go further than that.

So firstly, when we talk about like, uh, taxonomy, uh, in this context, or we call it green taxonomy. It's followed a common structure that, uh, with the three key elements.

So the first one is need to have an activities that must make substantial contribution to at least one environmental objectives. When we talk about like, uh, green in terms of the objectives, right? They might have different objective. For example, climate change mitigation, reducing greenhouse gas emissions. So that's one kind of the green objective that we talk about. But on the other hand, when a disaster that, uh, stemming from the climate change hits the countries, um, we need to adapt to that. So that's another objective that can be incorporated in the taxonomy as well, so that's the climate change adaptation objectives.

So at first, uh, in Thailand taxonomy, we mainly focus on the climate change mitigation, so reducing the impact, but then gradually we think about other objective as well.

So I, as I am aware, that EU also have the taxonomy, and in the EU taxonomy there are six, uh, different environmental objectives. Those include climate change mitigation, adaptation and also like, uh, pollution reductions, biodiversity protection as well.

So first when we have taxonomy, we need to know what, uh, objective that is kind of respond to. And second, when we identify the activities, uh, we need to also have the concept that is called 'do no significant harm'. And it have the nickname that we also call it short DNSH. So, Do No Significant Harm.

So, um, for example, if you think about one environmental objectives, right? It, that activities have to, have to do no harm to others. So just give you kind of easy example. For example, if you would like to reduce greenhouse gas emissions and we use the solar panels, uh, energy from solar panels, but then we need a lot of spaces to actually implemented solar panels, so we deforest. And also try to use that area to implement our solar panels, so that cannot be considered as green because even though it's respond to the climate change mitigations, but then it's harmed the biodiversity protections and also other green objective as well. So not just as the contribution to one single objective, but it need not to have no significant harm to others also.

So with that, we have come to the third elements of the taxonomy, which is the minimum social safeguard, or MSS. So these typically relate to labour standards, human rights, community impacts, and also compliance with basic laws and international norms.

So, with this you can see that, uh, green taxonomy is not just about green, but it's also involved like, uh, people and also the environment around the activity as well. So I think that's why it, uh, what make taxonomies powerful is that we move sustainability away from weak levels, towards, like, testable decision-relevant criteria that help investor, banks, maybe companies and regulators to talk about sustainability using common reference point.

Jan: So it's pretty, um, I'm looking at Paul now. It's pretty nifty, isn't it?

Paul: It is, it is. [Jan laughs] Yeah, yeah. I I do see how stuffed badgers could come into it, because if you were to build all those solar plants, get rid of the forests, and there's lots of dead badgers as a result, then you'd have to stuff them.

Jan: Yes, and it wouldn't meet the minimum social safeguard...

Paul: ...it wouldn't, there'd be no, of not harming badgers. Yes, no. It would, it would be harming the, uh, nature and biodiversity aspect whilst improving the, the solar power and the lack of, uh, yeah, gases going into the system, et cetera.

Yes. No, it does, it makes a lot of sense. It's, it's tying everything together in the whole of the world, the sustainability world.

Jan: Yes, that is, that's pretty, uh, I think they're just like a really fascinating design. Um, and of course when you get on, you know, if your substantial objective is to enhance biodiversity, you, you can't do any significant harm to your climate change objectives.

Paul: Mm-hmm. Yeah, yeah...

Jan: ...it just, it all comes and goes...

Paul: ...yeah. And you've also, then there's the social safeguards...

Jan: ...exactly...

Paul: ...for the people as well. You're saving all the environment, but if you're saving the environment at the cost of all the human population dying, then we need to find another way to save the environment. So it all works.

Yes, no, it's, it's bringing it all together under one umbrella. I think we should now be called Taxonomies Tomorrow...

Jan: [laughing] ...Taxonomies Tomorrow...

Paul: ...that's it, yeah.

Jan: [laughing] ...rather than Transforming tomorrow. Yes...

Paul: ...yes, rather than Transforming Tomorrow. Transforming Taxonomies? Is that, is that? [Jan laughs] I feel, now that I've used the word, I think we should just use it all the time.

Jan: I, I can understand where that comes from. We'll, we'll take that under advice.

Paul: I don't know that many people would understand the title of our podcast anymore. But those that did, they'd really understand.

Jan: They'd really appreciate it. So, so Charika, tell me how you became interested in taxonomies, and, and what is your experience of trying to develop them within the context of Thailand?

Charika: Okay. Um, just before I move on to that, I would like to highlight also that, um, when we talk about taxonomy in some jurisdictions is actually like, mandated and it is required.

So, for example, in the EU, uh, you have the, uh, taxonomy, uh, regulations. So it means that that's required by the, uh, institutions of firms in the scope of that regulations to comply.

But now, uh, as for Thailand, uh, Thailand taxonomy is now used as a kind of informational tools only, or referencing tools. Uh, there's no, um, hard laws, requirements, uh, for companies, um, financial institutions to use that. But then it's kind of the market expectations, and also maybe like expectation from regulators that, uh, company, financial institutions, starting to internalise how this categorisation works.

And also maybe use this as a reference point to adjust their internal decision makings, uh, also. So it's not required, uh, yet. It's still voluntary, but there's expectation, uh, to the, uh, from the market.

So I think it's a little bit like contrasting to, like, EU taxonomy a little bit, that it's more kind of the requirement and mandatory model is. And, um, the reason that I'm interested in taxonomies.

I think my interest, uh, in taxonomies like came through like policy work. Rather than just like financing and the money alone. Um, my previous, um, workplace or institution is called Thailand Development Research Institute [TDRI]. So we work on policy research. And also, in my area, I am interested in any policy ecosystem or mechanisms that promote, um, private sectors to act in a more sustainable way, or less unsustainable way.

So I think, um, taxonomy is one of the tools that kind of nudging, uh, companies or financial institutions or any institutions to do that. And, uh, as I mentioned, I worked on business and sustainable development policy, initially focusing on disclosure framework and standards. So that's another kind of more or less mechanism, uh, regulations or framework that company to, uh, behave in a certain way as well.

So over time I become more interested in sustainable finance too, and that's why it's bring me to a projects, uh, that, uh, on the development of, uh, Thailand taxonomy.

But I needed to say that I kind of got involved in the phase two of Thailand taxonomy. In the phase one, um, the Thailand taxonomy actually involved only two, uh, sectors: energy and transportations. I think the reason, like, beyond the resource constraint is that because these two sectors are the most kind of, uh, greenhouse gas emitting sector, so that's why they kind of tackle these two, uh, sector first.

But then when the phase two was developed, it's just launched, uh, last year in May. So we expanded from two sectors into, like, six sectors. Four additional sectors, uh, include agriculture, construction and real estate, manufacturing and waste management. So these are our six sector together that Thailand have.

And um, one of the interesting question that I also got asked by many, many people, like in, uh, in Thailand or our outside Thailand. So why do Thailand need Thailand taxonomy? Because EU have [inaudible] and we not just kind of use EU taxonomy.

So I think, um, the, the answer would be that, uh, we set, uh, standard and expectations aligned with the global standard, but sometime we need to kind of realign that with the local context as well.

So you would see that if you're interested, you can look at our, especially on the agriculture sector, um, so all the sector, they have the traffic light system. So what's, uh, green, what consider like, uh, amber, what considered re.

But in agricultural sectors, so sustainable agricultural practices in the Western world compare, like to the context in Thailand might be different. So that's why it need to be localised. So I think that's why different countries might develop their own, uh, taxonomy in such a sense. So I think that's, that's why Thailand kind of started to do so also.

Paul: It doesn't sound easy. Um, it sounds very complicated. You're talking about the fact that Thailand's already on phase two, that it started off with its phase one with its focus around energy and transportation only, and then expanded out. I know how hard it can be in any country foe laws to get passed and for regulations to be put in place.

So for them to have a taxonomy which is enveloping so many different areas, it must be really difficult. So how does a taxonomy get developed, Charika, and what problems have you got to overcome if you're going to create one?

Charika: Yeah. I, I think you, like, hits on the right points like Paul, it's kind of, um, kind of a messy, uh, process, I would say. So, um, as I mentioned, I involved in second phase of the development of Thailand taxonomy, right?

So we, like the steering committee actually learned from the development of this in the first phase as well. So because it's complicated and we also needed to rely on the international consultant. Um, other CBI, uh, climate bond initiatives, actually helped with the Thailand taxonomy phase one development as well. And when you imagine like the complexity of the concept and also is kind of, uh, spoken and described in English, which is not like kind of the native tongues in Thailand. So everything's complicated, plus the language barriers.

And also like maybe when we got the draft on the first phase, the times for the public consultations, time for people to think whether they can have the input, so what they could input in that. Um, so that's kind of one of the challenging thing that we found in phase one.

So in phase two that I've got involved, uh, TDRI as a kind of policy research think bank act as the secretariat of the steering committees. So we have the steering committees on one layers. So these are the four parties that make the decisions. But then on the outer layers, so we have the expert groups. And also working group in another two layer as well.

So with that, we uh, knows that we have, like, everyone on board, we have the expert, we have the stakeholders on every sectors involved. So in practice, like, um, taxonomy are not retained by just, like, by the expert and not just by the, um, academics in isolation. So they emerged through the combinations of technical drafting, stakeholder engagement, and also institutional governance that coming, uh, together.

So typically when you see this process involved deciding which environmental objectives and sector to prioritise, because we cannot do all the six environmental objective all together, with all the sectors that I mentioned, develop technical screening criteria, what's considered green, amber, and also red. So that's all, that's, that's a lot of negotiation already.

So we can say that green is cut of benchmark to net zero at 2050s, but how the amber and the red, and also like the, DNSH, MSS like put into place. So that's a lot of negotiations. And then the, um, stress testing this criteria through the consultation with financial institution, corporates and also SME sector expert and civil societies.

Um, I remember like, there was one kind of, um, discussion, a circle that's organised by an NGOs. So these are the group that there's a lot of, uh, kind of misunderstanding and if we actually as a working team miscommunicate, it might kind of go into different directions.

So we need to know, like, what are their concerns and how are we gonna address that concern with the existing taxonomy and also the future development of this taxonomy.

Another challenge, as I mentioned, is stakeholder diversities. So I mentioned to Jan when she visited Bangkok that some, uh, people think taxonomy is like the kind of, uh, mission to the moon. So you aim high first, and it's voluntary. So if that thing is voluntary and it's kind of the improvement tool. So they said, okay, we need to kind of keep it very high standard, so we go into that directions.

But if the perceptions of a particular stakeholder actually thinks that it's gonna be the laws, it's gonna be the regulations, when they're gonna lobby and talk about things in the process, they try to kind of, OK, maybe we need to kind of lower the standard a little bit. So with just this kind of understanding, on the same document, we will make this kind of challenging in the development process.

And I think another important challenges is also the governance. So as I mentioned, the second phase, we have the steering committees, we have the working group, we have the expert group, we have everyone. And then we also mentioned that, come down. So this not just kind of the final goals that Thailand taxonomy will be developed. So you might have phase three, phase four, and going on.

Because taxonomy, one of the gist of taxonomy is, is actually a living document. So what is actually described as green now, maybe in the future it's not green anymore. It doesn't mean that it's not good, but maybe the technological development makes something greener and we should go

towards that. So it's a living document that we can revise, um, in a continuous process.

So I think how we can make this, uh, living documents and have the proper governance system to make this kind of can be revisions. So that's, I think, still another challenge because we cannot just kind of wake up tomorrow and, okay, let's revise, uh, Thailand taxonomies. It's not working that way. So I think that's also another challenge that we, uh, can also need to address.

And operationally, lastly, I think the challenges lies in the operationalisation of DNSH and the MSS that we mentioned. So it's a good concept, but how it's act upon in, in, in reality is difficult because like how you're gonna check that is do no harm to other environmental objectives? It do no harm to the communities? So it need proof. Does it need verification? Who gonna check it? So these are all the questions that Thai stakeholders always ask the steering committee.

Jan: So given all of that, and I think you've given our listeners a really good sense of how difficult it is to build one of these, for phase two, how long was that? How long did it take to put together that phase two of it?

Charika: So it took about, like, the whole process, maybe like, one, one year and a little bit, roughly. So because the process started with the kind of political view of, okay, we are gonna do the taxonomy phase two, right? And then we have the financial aid for, um, international organisations.

On phase two, uh, at least like three parties that actually put the financial aids on the table. Uh, those include like, uh, the GIZ, the aid agency of the German, and also the IFC as well. And then ADB, Asian Development Banks, also like put the resources all together. Because we developed four sector, which is quite a, a lot of work.

So these three parties are actually, like, put the, uh, financial aid on the table. And then we need to kind of send, um, all the invitations to working groups, expert groups. So that we, we tell them, uh, that, uh, please be on board on this development. And also like many, many rounds of revisions and also like many, many rounds of, uh, focus group with the working team, with the steering and also with the expert.

And also like after that we have the kind of last round of the public hearing. And we need to also, like, leave that, um, plenty of time for people to actually

like, comment on. We incorporated comments. So that's the TDRI's, um, kind of, main duties. Also, like kind, of incorporating and analysing all the comments as well. So we got a lots of comments coming in. Um, and then we revised based on the comments, and do the launching. So that's happened in May, 2025. Yeah.

Jan: I, I think you'd be eating, sleeping, and dreaming it by the end of all that.
[laughs]

Charika: [laughing] Yes, yes, yes, yes.

Paul: How common are taxonomies then, Charika? You've talked about Thailand, you've talked about the EU. Are there other countries that have them in place? Are there other countries that are currently developing them?

Charika: Yeah, so I think taxonomy has become, like, quite, um, common, I would say globally. So if you are interested, which, uh, countries actually have their own taxonomy, you can, like, put into Google like, taxonomy, countries updates. So there are updates all the times in terms of the status of different countries who have their own, uh, taxonomy.

Uh, for example, like, we have, uh, EU, definitely the region, like, taxonomy. ASEAN also, like, have their own taxonomy as well. Uh, I think Australian is, uh, taxonomy, is under development. And also, like, I think Brazil is under development, I'm not really sure how far it will go in terms of the finishing.

But if you look at the world map in terms of how taxonomy are developed, either is kind of developed and implemented already, or is under development. But interestingly, so I think, um, this rapid growth in, development of taxonomy reflects the real demands and the markets actually wants, uh, consistent definitions to guide capital allocations and reduce, uh, what's called greenwashing. At the same time, it's create challenges around fragmentation and comparability.

So you might worry that, oh, whether Thailand taxonomies can be interoperable with like ASEAN, for example, or the EU. And uh, that's why the global conversation has shifted from asking should we have taxonomy, to how do we make them interoperable, and comparable?

So with this interoperability does not mean identical rules everywhere. Because it's still kind of like coming to the local context, as I mentioned. But it

means that having enough shared, structured and transparency that different system can be compared and understood.

So you'll see the development of the Common Ground Taxonomy that, if I recall correctly, like, EU and China's kind of come together to develop this Common Ground Taxonomy, um, to look at what's, uh, in common that we can call green. So that the investment flows go into that activities that we understand it commonly as green.

Paul: Do you see a future then where, you're talking about the EU working with China, that maybe the more countries that have developed their own taxonomies start working more with the other taxonomies and getting them to, I don't want to necessarily say be exactly the same, because no country has the same needs exactly, but that they fit together nicely so that they complement each other maybe?

Charika: Yeah, but um, I think I, I've take an example of, for example, like, ASEAN taxonomy, right? So if you are looking at different country in ASEAN, um, each country might have their own, like, local context. And at the same times, they might have their own, kind of, stage of economic development.

So for example, if we set the criteria very, very strict, it might be challenging to a certain countries that's still kind of on development of the economies, and still need to have like, kind of, greenhouse gas emissions for that development.

Charika: So I think when comparing, like, ASEAN to Thailand, maybe like the kind of, uh, stringent or maybe like the strict of the criteria, this might be different. But then when we talk about green activities or environmental objectives, so that's kind of common language. Because when EU have the sixth environmental objective, I think the structure of Thailand taxonomy is fine in such a way as well.

Jan: So given that the phase two is, is completed, what, what work do you anticipate the taxonomy will do now? Like, will it reallocate capital flows or, or lead to other outcomes?

Charika: I, I can see that Thailand taxonomy doing, uh, several kinds of works. And, uh, we started to see how it used, uh, already also. So, as I mentioned, is act as an information tools for capital raising and project development.

So you see, uh, for example, um, certain companies like issue green bonds. And then like when you issue green bonds, right, and you're investor, uh, you might

kind of, get a little bit lower, uh, interest in returns, because you would like to kind of channel that money to more environmentally friendly activities.

But then as an investor you might ask, how can I make sure that my monies go into like green activities? So you cannot really go there and check whether like house company do, so, where the monies goes. But then those companies who issue like, uh, green bonds or these types of, um, bonds, so they will have the frameworks that, describes, so what's actually green in, in their activities and how they use the proceeds.

So with that, you can see the referencing to maybe EU taxonomy or Thailand taxonomies, so you know that, okay, if you would like the central definition of greens and how your money will be invested and used. So you referencing back to this kind of framework.

Not just like issuance of a green bond. So that's actually used for the loans as well. So if you are, um, financial institutions, you would like to grant or lend the monies to companies. So you would like to lend the green money to green activities. So how would you know that that activity is actually green?

Again, it's come back to the sustainable finance framework, which will be linked to the taxonomies. Maybe EU, maybe Thailand. So that's also kind of the use of taxonomy, which is quite common in Thailand.

And, um, there is, uh, there was one case as well when we launched, uh, Thailand taxonomy phase two. And the usage is linked to the agricultural, uh, sectors. Because with the agricultural sectors, you might think about like plants and animals. Uh, we also have the, uh, aquacultures as a subset of that agricultural sector as well.

So you see, uh, one of the senior company actually kind of raised the funds, uh, blue loans, uh, to fund that sustainable procurement of, for example. So that how we know that this sustainable, uh, procurements. So it's linked back to the, um, criteria in Thailand taxonomy, in that agriculture sector taxonomy also. So that's the use of, kind of, loans and also green bond issuance.

Another example that, uh, we see is on the disclosure and internal management. So when, uh, Thailand taxonomy phase two, uh, was launched, there was a, kind of, one energy companies, uh, telling us the story about like how taxonomy is used, uh, to align the disclosure on capital expenditure, operating expenditures, and also revenues.

And I also asked the management who presented this information, is it just for the kind of external disclosure to show us like how green your revenues, how green your capital expenditure is? And she's told me that it's not just about kind of external portrayal of how green they are, but actually when she presented this information classification to the board of directors, the board of director actually interested to see if we use this classification system and work backwards to many years of our operations, and also looking forward into the forecasted informations, how the transitions and how the information categorisation look like.

Jan: That transition element is really interesting, isn't it? Because it actually gives a planning horizon.

Charika: I, I think that, uh, one thing is, that's quite interesting as well, that when a lot of energy companies are promising the public that they will go green, they will go green, right? But when you look at the revenue elements, maybe a lot of revenue elements coming from fossil-based economy, and then the, the question would be asked to them, like, how, how you saying that you are going green? And they say, hey, if you look at our revenues, it might be kind of red, not green yet, if looking at our capital expenditures, currently you'll see that the new investment can be classified as green. So you'll use that information to kind of, this is a time that we invest in in green technologies and green capital expenditures that will lead to the green revenue in the future.

Paul: So Charika, we're coming towards the end then. I'm, I'm wondering what do you think is likely to emerge next when it comes to taxonomies, and also what's coming next for you with your research on all of this, and your work in all of this area?

Charika: Um, I think looking ahead I see like maybe, um, two, three main directions on this. So first, uh, broader environmental coverage, uh, could be enhanced. While I mentioned climate mitigation often come first because it might be easier to measure, is might be more visible, there is a growing attention to biodiversity conservations, water pollutions, uh, management, circular economy, and also climate change adaptations.

So I think maybe the next attentions, um, might be on the climate change adaptations and other environmental objective that Thailand taxonomy need to go forward, and also many other taxonomy around the world need to also things and enhance as well.

Second, maybe expanded use beyond green bonds and loans, because I think this quite common and more visible in terms of the use, into like disclosure. Uh, I think EU might, kind of, use these, uh, as a disclosure, um, tools already. But I think in Thailand, uh, we need to, kind of, maybe use that more to think about disclosure. That will then link to the use as a risk management tools, as I mentioned about the energy company earlier. Transition planning and also supply chain, uh, anchoring. Our large firms support smaller suppliers through their procurement process.

And third maybe, and perhaps most importantly, uh, focus on implementation and ecosystem building guidance, capacity building, data infrastructure and governance arrangement that I mentioned earlier also, that allows taxonomy to be used consistently and credibly, need to be developed.

And I think that reflect to my own work going forward as well. I'm increasingly focused on how taxonomy interact with other types of regulations and also, kind of, uh, framework. For example, now we talk a lot about, international standard, like the ISSB. Now Thailand, um, will, uh, implement uh, ISSB as well.

So the question is, we have Thailand taxonomy, we have the ISSB standards, and how it kind of speaks together. What are the data infrastructure that we need so that companies, also institution, can use these type of tools, um, to enhance their value and transition towards, like, more environmentally friendly activity?

Not just like I have taxonomy, I need to comply, I have these disclosures that I need to comply, without thinking about the risks and also values that will come in with it.

So I think that's kind of the part that I think I'll play the role, yeah, in the following years.

Paul: Charika, it's been a great conversation. Thank you so much for informing me and filling the gap in my brain that was around taxonomies. I now feel I understand so, so much more. Thank you.

Charika: Thank you. Thank you, Jan. Thank you, Paul.

Jan: Thank you.

[Theme music]

Paul: I can certainly say Jan, I understand taxonomy an awful lot more than I did an hour ago.

Jan: [laughs] That is very good and I hope our listeners will have that same uh, um, experience as well. Because it's one of those things, it's like, it's behind the scenes, and it's tucked away in sort of quite technical places, but its impact on what's happening in terms of, you know, capital allocation, but then what's happening for, you know, changing corporate behaviour, changing corporate impacts, is really important.

But I suspect that 99% of our listeners never heard of it before, but there it is.

Paul: And it's a concept that is certainly very important. I, I wonder sometimes if words like this are important to people. They see the effects, they see how it's going on, therefore, but the word taxonomy wasn't important to them, so they haven't needed to know what it meant.

But they can see how it applies now, and what it actually means, even if they never need to use it in their day-to-day lives. The chance of me ever using the word taxonomy [Jan laughs] again after this podcast seems slim.

Jan: Well, I think, um, you should put it in every social conversation you have for the next, [laughs] the next month and see how you get on.

Paul: Do I need to start drawing up social taxonomies of my interactions [Jan laughs] with people? Is that what you're saying?

Jan: Yes. Saying I'm, I'm doing the, the objective to be kind, do no significant harm...

Paul: ...yes...

Jan: ...not being sarcastic at the same time...

Paul: ...yes...

Jan: ...so, you know, so there we are. You can do it...

Paul: ...I'm going to maintain my friendship with Stewart without negatively affecting my friendship with Bob.

Jan: Exactly that. You've got it. So who do you think made the first taxonomy globally?

Paul: Who do I think made the first taxonomy? Well, it seems too obvious to see, say the EU, but the EU do seem to just lead on anything like this. I'm just gonna say the EU.

Jan: You are, you're almost right. So theirs is maybe the most well developed and, and the most well-known. But China was the first country to, to...

Paul: ...aaah...

Jan: ...do it about, um, about five years or so before, um, the EU, and they did it in order to be able to, um, again categorise investment, um, so to drive some of their development processes.

Paul: So when was that?

Jan: Uh, 2015.

Paul: So they're all very recent things then...

Jan: ...yeah, it's quite, yeah, quite recent...

Paul: ...it, it's not as if it's been going on for decades and we've just not noticed it. It's that it's been going on for 10 years, 11 years now...

Jan: ...but that's also why the Common Ground Taxonomy is an EU-China collaboration. Partly 'cause of the leading role of both of those countries, but also, like when it comes to, you know, these kind of things, if, if China and the EU decide they're doing something, that you've got really big coverage across the globe at that stage.

Paul: Yeah. The, the rest of the world's essentially gonna realise that they're gonna have to fit in somewhere because so much of their trade, so much of their international relations is gonna be going through either the EU or through China...

Jan: ...yeah, yeah...

Paul: ...'cause they're just such powerful bodies.

Jan: Yes. And even if you're not fitting in, you can perhaps be reassured that, um, what's coming from ASEAN countries...

Paul: ...mm-hmm...

Jan: ...what's coming from China, what's coming from the EU has, if it's described as green, either green finance or green products, you've got this proofing behind it.

Jan: Mm-hmm.

Jan: No, so, so it doesn't eliminate greenwash, there's still plenty of that around, but it's a way of trying to sharpen that up a wee bit.

Paul: And considering it's been 10 years, and you can see that Thailand, Thailand wasn't one of the first either, from what you're saying, so therefore, Thailand's not been 10 years. Thailand has been in the period of time, and it's already on phase two, which is complete, it's coming towards phase three, phase four.

It's recognising the need to adapt, to evolve, to look to the future and change, to recognise what actually needs to be done. Going from transportation and energy is the key focus to including agriculture, manufacturing, real estate, all those other areas, and then the areas that are almost certainly gonna come into it in the future.

Jan: Yeah, and there's something, uh, a phrase that was used that I, I just loved, it's a living document. So it's quite nice as well that it's not something that's sort of set in stone and there it is, but rather there's this ongoing evolution.

Paul: And it was good to hear mention of your favourite Thai industry of aquaculture...

Jan: ...yes, indeed...

Paul: ...yes. Thai shrimp. We've spoken about those in in the past on this show. So they're gonna come under the banner of this Thai taxonomy. So it might mean that the Thai shrimp you've so worried about eating in the past, become your favourite delicacy.

Jan: Absolutely. Because the do no significant harm might include not using excess antibiotics.

Paul: Yes...

Jan: ...so, yeah, no, it's all good all good stuff, all good stuff...

Paul: ...it all comes in. So we've been talking taxidermy today and next time we're gonna be getting on the bus, is that right?

Jan: Yes, indeed. It's, it's the malproposition. [laughs] Two, two episodes with mal, malaprops?

Paul: [confused] What?

Jan: You know, malaprops. When somebody uses the wrong word. Is it?

Paul: Is a malaprop word? I've never heard malaprop. I, I vaguely know the concept, but, yeah.

Jan: Uh, perhaps we, we should go past that. Yes. From, from stuffed badgers to buses. That's where we're going. So we're going from, [laughing] from taxonomies to omnibuses.

Paul: Ah, omnibuses. That make, that makes a little more sense. No, that's just an old word for a bus though.

Jan: Uh, you'll find out it's a different word again.

Paul: I gather it's to do with more regulations...

Jan: ...it is, it is...

Paul: ...and such. Yes. Yeah, yeah. No buses are involved in the making of this podcast...

Jan: ...no, no.

Paul: Well, I look forward to that. Until then, thank you very much for listening. We're gonna go and stuff a badger. Goodbye from me, Paul Turner.

Jan: Goodbye from me, Jan Bebbington, and I am definitely not going to stuff a badger.

[Theme music]