

Stakeholder Mapping on Integrating ESG into Regulations for Cambodia's Capital Market

Final Report

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Abbreviations

ADB	Asia Development Bank
CG	Corporate Governance
CSR	Corporate Social Responsibilities
CSX	Cambodia Stock Exchange
ESG	Environmental, Social, and Governance
IPO	Initial Public Offering
MAS	Monetary Authority of Singapore
NBC	National Bank of Cambodia
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
SERC	Securities and Exchange Regulator of Cambodia
SDGs	Sustainable Development Goals

Executive Summary

To promote investments in the production sector and diversify funding sources for those projects, Cambodia launched its capital market in 2010, aiming to speed economic growth and meet the Sustainable Development Goals (SDGs). In the context of sustainable development, the capital market allows the Kingdom to consider incorporating Environmental, Social, and Governance (ESG) principles into its functioning.

Nevertheless, the notions of ESG principles are new to Cambodia, especially in the securities sector, requiring a study on a roadmap to ESG adoption in the capital market. This study's primary goal is to explore and evaluate the stakeholder roles and responsibilities and the most significant challenges to incorporating the ESG principles into Cambodia's capital market rules.

This study utilises a qualitative approach to suggest that, as per current regulations, the SERC and CSX have significant roles to play in promoting the adoption of ESG principles in the capital market by incorporating them into securities regulations. Moreover, securities issuers (especially for debt securities), securities intermediaries, including underwriters, financial and investment advisors, and particularly institutional investors, are the key stakeholders in applying ESG principles to the issuance/listing of ESG securities. ***Although the current regulation requires social and governance principles on corporate governance for listed companies and listing rules, the environmental principles are yet to be imposed by the regulations.***

The market's current objective is to encourage qualified companies to list in the market, develop their trading mechanisms, gain experience, reach more public ears and populate the boards. Because the capital market is still in its infancy, there are worries that ***legally*** mandating the key stakeholders to follow the ESG standards will be a barrier to entry. However, other stakeholders are prepared to put the principles into practice whenever the rules specify. Recently, the regulator and CSX publicly demonstrated their commitment to encouraging the adoption of ESG in Cambodia's capital market.

The study also reveals that different stakeholder perspectives on the current ESG implementation in the Cambodian market, high costs associated with applying the principles to ESG securities, and a lack of incentives all contribute to the potential challenges of integrating the principles into the securities regulations. Social and governance concepts are currently applied to the listed corporations, though not totally, as required by the current legislation.

The study also concludes that the following factors entail due consideration for incorporating ESG principles into the rules and oblige the major stakeholders to adopt them:

- The awareness of ESG standards, mainly when applied to the securities sector, among the capital market's stakeholders
- A clear masterplan for the development of ESG standards for Cambodia's market based on international principles
- Favourable tax and non-tax incentives for issuers, investors, and other important market participants in ESG securities, such as preferential tax treatment and similar benefits, as well as the costs associated with IPO and listing
- The key stakeholders' participation in the integration process and implementation

- International partners' support, both/either financial and/or technical.

1. Introduction and Background

1.1. Introduction

The international community has made significant efforts to end poverty and ensure sustainable development globally, as stated in the Sustainable Development Goals (SDGs), to be achieved by 2030. Sustainable finance approaches are key tools to address this massive challenge. Sustainable financing refers to taking Environmental, Social and Governance (ESG) principles into account when investors decide to fund financial products in the capital market, bringing about long-term investments in sustainable economic activities and projects.¹ Based on this concept, adopting ESG principles in the capital market helps promote environmental, social and governance responsibilities and channel private investments into the economic transition towards a climate-neutral, climate-resilient, resource-efficient, fair and inclusive economy. Furthermore, it will help ensure that ESG-based investments support a resilient economy and a sustainable recovery from the impacts of the COVID-19 pandemic.

To ensure asset managers, financial advisors, and other participants in the financial market consider sustainability and ESG factors in their investment decisions and the disclosed information on those investments, the European Parliament and the Council adopted regulations on sustainability-related disclosures in the financial services sector in 2019.² With this regulation, the European Union strongly supports the transition to a low-carbon, more resource-efficient and sustainable economy by developing a comprehensive policy agenda on adopting ESG principles in the financial market to finance sustainable development (EU Platform on Sustainable Finance, 2021).

Since 2020, incorporating ESG principles into sustainable financing frameworks have significantly increased in popularity across Asia, where regulators have strived to encourage the growth of green finance to power the region's transition to a sustainable future. For instance, in 2019, the Monetary Authority of Singapore (MAS) announced a placement of \$2 billion in funds to selected asset managers committed to deepening green finance activities out of Singapore as part of its broader efforts to attract green funds and sustainability-focused asset managers.³ The fund flows into ESG investments in Asia and globally increased significantly from 2019 to 2020, doubling the annual amount of sustainable finance bonds and assets under management for ESG funds (Sherry, 2022).

This accomplishment raises the prospect that adopting ESG concepts into capital market laws aids in fostering sustainable financing on the capital market, which in turn promotes sustainable growth and development.

¹ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en

² Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

³ [https://www.mas.gov.sg/news/media-releases/2019/new-us\\$2-billion-investments-programme-to-support-growth-of-green-finance-in-singapore](https://www.mas.gov.sg/news/media-releases/2019/new-us$2-billion-investments-programme-to-support-growth-of-green-finance-in-singapore)

1.2. Background of ESG principles

ESG principles are central to sustainable financing and can be applied to any form of financial product or service that promotes environmental, social and governance responsibilities conducive to sustainable development while contributing to the achievement of SDGs. The ESG principles assist economic development and growth while lowering environmental constraints and considering social and governance issues. The principles are built on three fundamentals: *environmental sustainability, social sustainability, and governance sustainability*.

Environmental sustainability:

It focuses on how an organisation safeguards ecological issues, including but not limited to:

1. Climate change mitigation and adaptation, such as economic activities enabling, directly or indirectly, a substantial reduction of greenhouse gas emissions or an increase in energy efficiency.
2. Protection, restoration and promotion of natural capital and healthy ecosystems, such as protecting marine and terrestrial (living) resources, including water, high-carbon stock forests and other primary resources, as well as the restoration of biodiversity and ecosystems.
3. Transition to a circular economy that encourages waste reduction, recycling, and material reuse.

Social sustainability:

It is concerned with how a company manages the relationship with its employees, suppliers, customers, and the communities where it operates, including but not limited to:

1. Respect for, defence of, and promotion of fundamental human rights, such as access to food and labour protections.
2. Enabling living conditions such as access to affordable housing and infrastructure for transportation, and energy provision.
3. Access to essential services such as inclusive access to health, education, and financial services.

Governance responsibility:

It relates to standards to ensure that a company uses accurate and transparent accounting methods, is accountable to its shareholders, and ensures integrity and diversity in selecting its leadership. The governance of public and private institutions – including management structures, employee relations and executive remuneration – plays a central role in ensuring the inclusion of social and environmental considerations in investment decision-making.

1.3. Objective of the Study

Since 2010, Cambodia has been operating a capital market to diversify its sources of financing and promote investments in the production sector to spur economic growth and advance the SDGs. In the context of sustainable development, the capital market can allow Cambodia to consider incorporating ESG principles into its functioning. A study on the roadmap for

integrating ESG principles into Cambodia's capital market is necessary because the ESG concepts are new to Cambodia, particularly in the securities sector. Therefore, the main objective of this study is to examine and assess the roles and responsibilities of stakeholders and the significant challenges of integrating ESG principles into regulations on Cambodia's capital market. The study also suggests recommendations for adopting ESG principles in the market.

2. Methodology and Data Collection

The study uses a qualitative methodology and the following data collection methods to conduct the analysis.:

1. Questionnaires (as presented in Annex) for interviews with key persons working for the regulatory institution, Cambodia Stock Exchange (CSX), securities intermediaries (such as underwriters, financial and investment advisors) and listed companies, as well as investors in the CSX.
2. Consultation with existing research and regulatory documents related to Cambodia's securities sector.
3. Desk discussion with stakeholders in the project.

3. Securities and Exchange Regulator of Cambodia (SERC)

3.1. Roles and responsibilities

The **Securities and Exchange Commission of Cambodia** (SECC) was established under the *Law on The Issuance and Trading of Non-Government Securities (Preah Reach Kram No NS/RKM/ 1007/028)* and later changed to **The Securities and Exchange Regulator of Cambodia (SERC)** under the *Law on the Organisation and Functioning of Non-Banking Services Authority* adopted on January 2021. The SERC plays the leading role in regulating the securities sector in Cambodia to diversify and mobilise financial sources with sound capital market development for financing domestic investments, aiming at contributing to socio-economic development.

According to Article 7 of the *Law on Issuance and Trading of Non-Government Securities*, the SERC, as the regulatory institution, has the following primary roles and responsibilities:

- To regulate and supervise securities markets, for both government and nongovernment securities, in Cambodia
- To enforce securities regulation and formulate and implement policies to promote the development of the securities market in Cambodia
- To set regulatory requirements for granting approvals to the operators of the securities market, clearance and settlement facilities, and securities depositories
- To set regulatory requirements for granting licenses to securities companies and securities company representatives
- To promote and encourage compliance with the requirements set in the securities regulations
- To examine and solve complaints against the licensed legal entities' decisions affecting the benefits of participants in the securities market

3.2. IPO requirements

Securities can generally be divided into two categories: equities and debt. The SERC established the guidelines for equity and debt securities' initial public offerings (IPOs) to launch the securities market. According to Article 4 of *Prakas on Public Offering of Equity Securities*, any company that raises capital by holding an IPO of equity securities must meet the requirements as follows:

- Corporate governance must comply with requirements imposed by the SERC
- Business activities must serve Cambodia's public interest, benefit the economy and society with sustained business operations
- Historical financial statements and/or consolidated historical financial statements must be audited and disclosed to the SERC for:
 - i. The latest two financial years before the date of filing the application for eligible companies to list in the main board of the CSX
 - ii. The latest financial year prior to the date of filing the application for eligible companies to list in the growth board of the CSX. In case a person who proposes to make a public offering fills out the application later than forty-five days after the end of the quarter, the applicant shall submit interim financial statements.
- CSX must approve listing eligibility in advance
- A disclosure document must be provided with contents and information required by the SERC.

Related to debt securities, under the current regulations, the SERC has permitted plain, secured, and guaranteed bonds, while others will be permitted with other regulations in the future. According to Article 6 of *Prakas on Public Offering of Debt Securities, Requirements for Public Offering of Debt Securities*, any company that raises capital by holding an IPO of debt securities must meet the following requirements:

- Be a public limited company or permitted entity.
- Have obtained the board of directors' resolution on the public offering of debt securities per the resolution of the general shareholders' meeting.
- Possess historical financial statements and/or the most recent two financial years' consolidated financial statements audited in accordance with Cambodia's laws and regulations. In case a person who proposes to make a public offering fills out the application later than forty-five days after the end of the quarter, the applicant shall submit interim financial statements.
- Have strong corporate governance with a clear management structure.
- Have a credit rating from a credit rating agency accredited by the SERC.
- Have obtained prior verification of listing eligibility debt securities and the securities pricing from the CSX.

3.3. Findings of ESG implementation

Table 1 summarises the implementation of ESG principles and the regulatory requirements. The concepts of ESG have been introduced in Cambodia by the *Corporate Governance (CG)* code, with Corporate Social Responsibilities (CSR) being required for the listed companies, as stated by *Prakas on Corporate Governance for Listed Companies*, adopted in 2018. These principles

were also introduced in seminars, training programmes, and publications in the local media. Nonetheless, the stakeholders' understanding of international standards related to ESG principles, especially when applied to the capital market, remains limited. However, committed to promoting the ESG development in the securities sector, on October 2022, the securities regulator introduced the guidelines on the issuance of green, social and sustainable bonds. The guideline defines these bonds differently by purposes of the issuance: (1). Green bonds refer to debt securities issued by companies to finance or refinance green investment project or green asset purchasing, (2). Social bonds refer to debt securities issued by companies to finance any social-friendly investment projects, and (3). Sustainable bonds refer to debt securities issued by companies to finance or refinance investment projects jointly characterised by green and social bonds. The issuers of these bonds are required to adhere to Cambodia's regulations and guideline in effect and ASEAN green, social and sustainable bonds standards.

Although these concepts are considered essential signals for the capital market to contribute to sustainable development, securities regulations are yet to impose all criteria of the ESG principles. Some of them (i.e., CSR and CG for listed companies) are already required by the current regulation on corporate governance for listed companies and listing rules.

Since the concept of ESG is new to Cambodia's capital market, the following issues could arise when completely incorporating them into the regulations:

- High costs of ESG adoption, both financial and opportunity, for listed companies⁴
- Listed companies' limited knowledge of applying the ESG principles to the listing of securities
- A lack of compliance to the standards
- Limited development of the capital market, with the market being dominated by domestic investors and difficulty in attracting investors
- Investors' limited knowledge of ESG principles

Additionally, implementing standardised ESG principles could potentially be a barrier to the growth of the capital market because many of the rules are inapplicable to the securities market, which already has strict restrictions compared to other sectors, based on international standards.

To address these issues and eliminate the hurdles, it is essential to improve listed businesses', securities firms', and domestic investors' understanding of the ESG principles as they pertain to the capital market. Key stakeholders, including the government and private companies, should collaborate with specialists and international partners to discuss ESG issues, including important challenges and opportunities and the fundamentals of ESG adoption in the capital market.

The foremost priority is the stakeholders' ESG awareness to integrate the ESG principles into the rules further and advance the application of ESG to the securities sector. For the time being, this can be enhanced with more publications, seminars and training programmes. Moreover, incentives offered by the government and funding partners of the private sector can contribute to upholding ESG adoption. ESG development requires a master plan or a policy by getting the

⁴ The ESG standard itself is a cost for the listed companies. They must spend time understanding the standard requirements and types of information on ESG to be disclosed, resulting in a change in their business model and/or strategies that need technical support etc. and then bearing the adjustment costs.

other sectors involved in integrating the principles into the regulations and the implementation, with international partners' support.

3.4. Concluding remarks

The IPO requirements for the issuance of both equity and debt securities focus mainly on business information, corporate governance, and the financial health of the listed companies. These requirements ensure the effective functioning of the securities market with low risk for both issuers and investors. **Although social and governance principles are stated in the regulatory requirements for securities issuers, environmental responsibilities are yet to be imposed by the current regulations.**

ESG awareness needs to be enhanced because there is still a lack of ESG knowledge among stakeholders, particularly when it comes to the securities industry, including its regulator. Lack of data, no taxonomy/common language, and harmonisation with other policies in the financial system such as the NBC and/or CSX are other challenges beyond the ESG awareness. A Cambodian ESG standard should be based on international standards for use in the capital market. Governmental incentives and international assistance from funding partners can aid in integrating ESG principles into securities regulation and ESG application. Learning from other countries and being membership into bodies that support capacity building such as The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) are also important to the ESG development in the securities sector.

Table 1. Summary of the implementation of ESG principles and the regulatory requirements

	Environmental	Social	Governance	ESG
General perspectives on ESG principles	No	Yes	Yes	- The concepts of ESG were introduced in Cambodia by the CG code. - Corporate Social Responsibilities (CSR) are required <i>by Prakas on Corporate Governance for Listed Companies</i> and via seminars, training, publications etc. - Limited understanding of the ESG standards required by the international market
ESG adoption in regulation	No	Yes	Yes	- Only CSR and a few ESG concepts are currently included in the CG code.
Challenges for ESG adoption in regulation	Yes	Yes	yes	- High cost of ESG adoption for the listed companies - The lack of awareness among listed firms of the ESG standard criteria and the kinds of ESG information that must be disclosed - Lack of support from other stakeholders and international partners .
Obstacles to securities market development	Yes	Yes	yes	- More problematic for potential issuers to be compliant with the ESG standards (if the standards are high)
Addressing challenges and obstacles	Yes	Yes	Yes	- Promotion of awareness of ESG concepts - Excellent cooperation among key stakeholders such as government, private , and international partners.
Key factors promoting ESG adoption	Yes	Yes	Yes	- ESG Awareness - Incentives offered by the government and the funding partners of the private sector.
Mechanism of ESG integration	Yes	Yes	Yes	- Introduction of a masterplan or a policy for the development of ESG in Cambodia - International partners' support

Source: Author's synthesis

4. Cambodia Stock Exchange (CSX)

4.1. Roles and Responsibilities

In 2009, the **Cambodia Securities Exchange (CSX)** was jointly established by the **Ministry of Economy and Finance (MEF)** and **Korea Exchange (KRX)** as a public enterprise under the *Law on the General Statutes of Public Enterprises*. It was operational on February 23, 2010. Per the Joint-Venture Agreement, the CSX has been capitalised by both parties in which MEF owns 55% of the registered capital while KRX holds the remaining 45%. The CSX has prominent roles to play in the functioning of the securities market in Cambodia by:

- Facilitating capital raising by companies in Cambodia
- Establishing an investor-friendly environment for securities trading for investors in Cambodia
- Offering a variety of state-of-the-art products and services to all market participants
- Operating a self-sustaining public enterprise

According to CSX (2022), as of April 2022, there exist three markets for financial products in the capital market: one each for equity securities, debt securities (corporate bond market), and derivatives.

4.2. Listing requirements

Like the IPO requirements imposed by the SERC, CSX imposes listing requirements for both equity and debt securities to screen potential listed companies with sustainable business operations and healthy financial positions. To list the equity securities in the CSX, companies must meet two main requirements as follows:

1. *Listing eligibility review.* A Listing applicant is required to apply to CSX for listing eligibility review with the following attached documents:
 - General information
 - Listing applicant's representative information
 - Shareholder information
 - Financial information, including all types of equity securities, financial position and profitability, asset valuation and/or asset revaluation (if any), and audited financial statements
 - Business information, including information about the business operation and corporate governance, and risk factors
 - The intended use of IPO proceeds
2. *Listing of equity securities.* If a listing applicant does not meet the following criteria, it cannot be officially listed in CSX:

Requirements of the main board:

- Shareholders' equity shall not be less than 30,000,000,000 (Thirty Billion) Riels at the date of filling the application for initial listing in the CSX
- Net profit shall not be less than 2,000,000,000 (Two Billion) Riels for the latest complete financial year before the date of filling the application, and the aggregate of

net profit must not be less than 3,000,000,000 (Three Billion) Riels for the latest two financial years before the date of filing the application

- The number of shareholders holding less than 1% of voting shares, who have ten shares or more, shall be at least 200 as of the date of filing the application unless otherwise required by the CSX
- The number of shares held by shareholders holding less than 1% of voting shares must be at least 7% of the total voting shares unless otherwise required by the CSX
- Providing disclosure documents already registered by the SERC.

Requirements of growth board:

- Shareholders' equity shall not be less than 2,000,000,000 (Two Billion) Riels at the date of filing the application for initial listing in the CSX
- The applicant shall meet one of the two conditions as follows:
 - There shall be net profit for the latest financial year before the date of logging application, or
 - There shall be a positive operating cash flow and gross profit margin of at least 10%
- The number of shareholders holding less than 1% of voting shares, who have ten shares or more, shall be at least 100 as of the date of filling out the application
- The number of shares held by shareholders holding less than 1% of voting shares shall be at least 10% of the total voting shares, and
- Providing disclosure documents already registered by the SERC.

Concerning debt securities, according to Articles 4 and 5 of the *Prakas on Implementation of the Amendment of Debt Securities Listing Rules of Cambodia Securities Exchange*, to list debt securities in the CSX, a listing applicant must meet the listing requirements as follows:⁵

1. *Listing eligibility.* To list eligibility review by the CSX, the applicant shall submit the following documents:
 - General Information
 - A copy of the article of incorporation, certificate of business registration, certificate of tax registration and patent, business licenses from the relevant authorities, a letter authorising the representative of debt listing and identity document of the representative
 - Shareholder information
 - Corporate governance information
 - Information about the business position, including business information and risk factors
 - Information about the financial position that consists of information about the financial status, including the data of all debt and equity securities and profitability, asset valuation and/ or asset re valuation (if any), and audited financial statements.
 - Credit rating report made by a credit rating agency accredited by the SERC and/or report on profitability and cash flow ratio, leverage ratio, and coverage ratio with certification of the appropriateness from its experts or underwriters in the absence of a credit rating agency

⁵ Prakas No. 003/20 SECC PrK dated 10 February 2020 on Implementation of the Amendment of Debt Securities Listing Rules of Cambodia Securities Exchange. Retrieved from <http://csx.com.kh/laws/lsr/listPosts.do?MNCD=20501>

- Information on collateral in the case of secured bonds
 - Information on guarantors, including general information, credit rating reports on guarantors and guaranteeing agreement in the case of guaranteed bond
 - Information about debt securities: the resolution of the board of directors, specification of the debt securities to be listed (coupon rate, payment schedule, face value, issuance, maturity date, allotment method), plan of utilising the proceeds from debt securities issuance, copy of bondholder representative agreement.
2. *Listing of debt securities.* Unless otherwise determined by the Director General of the SERC, to be officially listed in the CSX, the applicant must meet the following requirements:
- The shareholders' equity of the applicant must be at least 2,000,000,000 (Two Billion) Riels, except for secured bonds
 - The total nominal value of the issued debt securities and to-be-listed debt securities must be at least 1,000,000,000 (One Billion) Riels or at least 500,000,000 (Five Hundred Million) Riels for a secured bond
 - The face value of debt securities must be 100,000 (One Hundred Thousand) Riels
 - Providing disclosure documents already registered at the SERC.

4.3. Findings of ESG implementation

Table 2 reports the summary of the implementation of ESG principles and the listing rules. Overall, to promote sustainable development, ESG principles will become an integral part of managing and evaluating companies in Cambodia. Alongside this trend, in the context of Cambodia's securities market, the principles will become the fundamentals on which a company's worth and other working relationships are judged before the approval for listing. The concepts will be included entirely in the policies and practices and the decision-making process for listing approval after the market has fully matured.

Although the notions are essential for the capital market to contribute to sustainable development, **the listing rules have yet to fully impose the ESG principles, requiring only corporate governance compliance.** This is because the capital market is still infant, allowing for some leeway. **The best companies applying the ESG principles would obtain the approval of their listing applications once the market is mature enough to adopt the principles.** Yet, the market development's current goal is to encourage qualified companies to list, develop their trading mechanisms, improve the experience, reach more public ears and populate the boards. Based on the local media, the CSX, as the market operator, demonstrates its significant commitment to formulating capital market development policies and regulations in compliance with the ESG principles as much as possible.

Due to the market's infancy, the potential challenges of integrating the ESG principles into the listing rules and regulations can be as follows:

- Lack of a properly defined framework and standard for ESG principles in the securities market and even other economic sectors in Cambodia
- Infant capital market
- Participants have limited knowledge of ESG concepts and applications (i.e., they are required to understand the concepts and reasons behind each principle fully)

Moreover, the key stakeholders, including CSX, listed businesses, and securities intermediaries, must bear the cost of establishing ESG rules and regulations as well as ESG application to securities listing. This can be a significant barrier to the growth of the securities market.

Furthermore, Cambodia's capital market is still underdeveloped, being unable to apply the ESG standards as required by the developed markets. In this case, the international standard requirements can heavily burden Cambodian companies with limited ESG knowledge, stagnating the capital market's much-needed development.

Addressing these challenges and overcoming the obstacles would require the stakeholders' support and participation in ESG implementation when the market is more developed. The time offered to potential listed firms and related entities to learn and modify the available resources to be prepared for adopting ESG principles is, thus, one of the primary elements supporting its acceptance.

The ESG application to Cambodia's securities market should be enhanced with ways of reducing the overall cost of the ESG implementation, favourable incentives for both the issuers and investors such as reduced commission fees, special tax treatment, as well as ESG education to all related parties and their engagement in the implementation.

4.4. Concluding remarks

Consistent with the IPO requirements, the listing requirements for both equity and debt securities focus mainly on business information, corporate governance, and the financial health of the listed companies. These requirements contribute to capital market sustainability by reducing risk for both listed companies and investors in the market. **The listing rules have yet to incorporate environmental and social responsibilities into the current listing requirements, but these principles will be embraced into the regulations in the future, when the market sufficiently matures.**

Nevertheless, ESG understanding among stakeholders, particularly when applied to the securities sector, is still low. As a result, there is a need to promote ESG awareness through education and training programmes and dialogue between them. A Cambodian ESG standard should be built for particular adoption in Cambodia's capital market. To address the challenges of integrating the principles into the CSX rules, CSX needs the stakeholders' support and participation in the integration process and in enforcing the ESG application when the market is more developed. The policy on integrating ESG principles into the capital market should focus on reducing ESG adoption costs for potential listed companies and other related entities, ESG education and incentives provided by the government.

Table 2. Summary of the implementation of ESG principles and the listing requirements

	Environmental	Social	Governance	ESG
General perspectives on ESG principles	Yes	Yes	Yes	- ESG principles will become an integral part of managing and evaluating companies in Cambodia. - It will become a predominant function in judging a company's worth before listing and other working relationships. - ESG will be fully embraced into policies and practices and the listing approval decision-making process when the market is mature enough.
ESG adoption in listing rules and regulations	No	No	Yes	- Not fully
Challenges for ESG integration into rules and regulations	Yes	Yes	Yes	- No properly defined framework and standard for Cambodia's capital market, - Participants' limited awareness of the ESG concepts and reasoning behind the implementation, - Underdeveloped market, - More time needed to learn and apply the principles
Obstacles to CSX development	Yes	Yes	Yes	- High cost of ESG application for CSX, listed companies, and securities firms
Addressing challenges and obstacles	Yes	Yes	Yes	- Need stakeholders' support and participation in the implementation when the market is more developed
Key factors promoting the ESG adoption	Yes	Yes	Yes	- Time provided to the potential listed companies and other entities to learn and adjust the resources for the adoption
Mechanism of ESG integration	Yes	Yes	Yes	- Reduce the cost of ESG implementation - Favourable incentives for both the issuers and investors, - ESG education to all related parties, and - Their engagement in the implementation.

Source: Author's synthesis

5. Current Listed Companies

5.1. Brief company profiles

Currently, there are 15 companies listed in the CSX, out of which nine companies listed equity securities and six listed debt securities.

1. Equities securities sector

Phnom Penh Water Supply Authority (PPWSA). PPWSA is a state-owned enterprise supplying clean water to 202,929 households in Phnom Penh and on the outskirts of the capital, Takmao town included, by the end of 2010. A further profile can be found in Table A1 of the Annex. The governance structure has seven members, one of which is the independent director. The nature of business is as follows (PPWSA, 2021):

- To invest in, build, expand, operate, repair and maintain water supply and sanitation facilities
- To take all the means to improve its production and service and assure clean water quality to meet the requirements for living, businesses, services and industries
- To engage in domestic or overseas business and services related to water and sanitation sectors according to the Board of Directors' resolutions and the laws in Cambodia
- To enhance technical, commercial and financial corporations with local and international development partners to develop PPWSA in accordance with the government's policies
- To maintain financial and operational sustainability pertaining to social interests.

PPWSA went public in 2012, with 13,045,975 IPO common shares at the offering price of KHR 6,300 per share listed in the CSX. The proceeds from the IPO scheme are used for debt repayment and the development of operations.

Phnom Penh Autonomous Port (PPAP). The Ministry of Economy and Finance founded PPAP as a state-owned public enterprise in 1998. Within its commercial port zone, the PPAP is an autonomous entity serving the dual roles of port authority and operator. One of Cambodia's two international ports, it handles the import and export of conventional commodities and containers. As a port operator and authority, PPAP provides various primary port services, rental, and ancillary services.

As the operator of 4 terminals, the primary business involves the essential functions of cargo handling, storing, stuffing/un-stuffing, loading/unloading and trucking of both import and export containers. The board of directors governs PPAP with seven members. Among the board members, one is the independent director, and the other is a non-executive director representing private shareholders. A further profile can be found in Table A1 of the Annex.

In 2015, PPAP went public with 4,136,873 IPO common shares at the offering price of KHR 5,120 per IPO share listed in the CSX. The net proceeds from the IPO scheme (proceeds after deducting registration fee, listing fee, depository fee, and such advisory fees as underwriting, accounting and legal, and other offering expenses) are used for general corporate purposes including, without limitation, as follows:

- CAPEX plan for Phase II of LM17 and expansion of other handling facilities
- Surplus after CAPEX is used for funding working capital and other general purposes.

Grand Twins International (Cambodia) Plc (GTI). In 2013, the GTI company was converted into a public limited company and changed its legal name to "Grand Twins International (Cambodia) Plc.". In 2018 it acquired QMI Industrial Co., Ltd, which has operated in Cambodia since the 1990s as a major garment manufacturer. The company is a manufacturing subcontractor and a manufacturer of apparel for export. In 2021, the export market destinations were split between those in Asia, accounting for 51% of total revenues, Europe, accounting for 32%, and the United States, accounting for 17% (GTI, 2021). The company is directed by five board members, four of whom are non-executive directors. A further profile can be found in Table A1 of the Annex.

In 2014, the company went public, with 8,000,000 IPO common shares at the offering price of KHR 9,640 per share listed in the CSX. Working capital, bank credit repayment, and capital expenditures are covered by the net revenues from the IPO scheme.

Phnom Penh SEZ Plc (PPSP). PPSP serves as the developer and operator of the Phnom Penh Special Economic Zone (PPSEZ), one of Cambodia's leading SEZ operators in terms of the number of zone investors. PPSP manages the Royal Group Phnom Penh SEZ of over 357 hectares, with over 80 international companies from 15 different nations investing in the zone.⁶ The SEZ designation provides government incentives and benefits for SEZ developers, operators and its zone investors, including exemptions from customs, income, and other taxes. This reduces costs for infrastructure, utilities, raw materials and other resources, thus increasing export competitiveness and benefiting international trade.

Operating and administering an SEZ with the primary goal of developing industrial land for sale or lease is one of PPSP's core business activities. PPSP is also involved in supplying other relevant services and facilities within Royal Group Phnom Penh SEZ, such as supply and distribution of treated water, rental services, infrastructure maintenance, advisory service and administrative support, wastewater treatment and other services. PPSP's board of directors have seven members. Among them are four non-executive directors, one executive director, and two independent directors.

In 2016, the company went public with 11,575,000 IPO common shares at the offering price of KHR 2,860 per IPO share listed in the CSX. The net proceeds from the IPO scheme are used to fund the company's future expansion, such as for land development and property purchase, debt repayment, and short-term working capital.

Sihanoukville Autonomous Port (PAS). PAS was an autonomous state-owned public enterprise, established in 1998 under the technical supervision of the Ministry of Public Works and Transport (MPWT), and under the financial oversight of the Ministry of Economy and Finance (MEF), with the business operations as follows:

- Navigational services for vessels calling in and out of the port
- Cargo handling services such as stevedoring, Lift-on, Lift-off, and cargo transportation
- Cargo storage and warehousing services
- Transportation

Besides these services, PAS also delivers other services like:

⁶ Retrieved from <https://www.ppsez.com/en/about-us/business-overview>

- Special Economic Zone (SEZ), comprising land rental to develop factories, cargo handling and transportation in the SEZ
- Security services in the port and its SEZ

The Board of Directors of PAS has seven members as the leadership of the port, with one of the members representing PAS's employees.

In 2017, PAS went public with 21,442,992 IPO common shares at the offering price of KHR5,040 per IPO share listed in the CSX. The net proceeds from the IPO scheme finance investment projects to improve its handling capacity and smoothen operations.

ACLEDA Bank Plc. ACLEDA Bank Plc., a public limited company, was established in 1993 as a national NGO to support the development of micro and small enterprises by offering credit. Under the new name "ACLEDA Bank Plc," it transformed into a specialised bank in 2000 and a commercial bank in 2003.

By the end of September 2019, ACELEDA became one of the largest physical banking networks in Cambodia, with 262 branches and 11,930 employees. It is the leading commercial bank serving more than 311 thousand active borrowers, 2 million depositors, and 1 million mobile banking application users in all provinces and towns.

ACLEDA Bank's board of directors has ten members comprising one chairman, four non-executive members, two executive members and three members as independent directors.

In 2020, the bank went public with 4,344,865 IPO common shares at the offering price of KHR 16,200 per IPO share listed in the CSX. The net proceeds from the IPO scheme are utilised for general corporate purposes.

PESTECH (CAMBODIA) PLC. PESTECH (Cambodia) was previously known as Tajri-Pestech JV Limited and was incorporated in 2010 as a Single Member Private Limited Company in Cambodia. The company is a wholly owned subsidiary company of PIB, a company incorporated and domiciled in Malaysia, which is listed on the Main Market of Bursa Malaysia Securities Berhad, the stock exchange of Malaysia. In 2018, the company was converted into a public limited company after the Cambodian Ministry of Commerce's approval.

The company's business activities principally involve the provision of comprehensive power system engineering and technical solutions for:

- Design, procurement, construction, installation and commissioning of HV and EHV substations, HV and EHV transmission lines, as well as underground power cable systems for electricity transmission and distribution
- Trading of proprietary and non-proprietary power system components and equipment.

PESTECH's board of directors has five members. Among them, one is the independent director.

In 2020, the company went public with 3,945,000 IPO common shares at the offering price of KHR 3,120 per IPO share listed in the CSX. The net proceeds from the IPO scheme are utilised for financing future projects and working capital.

DBD Engineering PLC. DBD was founded in 1995 as one of Cambodia's oldest multifaceted Engineering & Construction companies. The company provides design, construction, installation,

and maintenance services to scores of reputed national and international companies. The board of directors consists of four members, among whom one is an independent director.

In 2021, the company went public with 6,461,538 IPO common shares at the offering price of KHR 2,380 per IPO share listed in the CSX. The net proceeds from the IPO scheme are utilised for business operations, additional working capital, and purchasing and upgrading equipment.

JS Land PLC. JS Land was founded as a property developer by a group of 5 entrepreneurs from Cambodia, Malaysia & Hong Kong in 2014 as a private limited company under the Law on Commercial Enterprises of Cambodia and converted into a public limited company in 2021. The business activities are engaged in construction.

The company is governed by a board of directors consisting of seven members. One of the directors on the board is an independent director.

In 2021, the company went public with 5,710,000 IPO common shares at the offering price of KHR 1,900 per IPO share listed in the CSX. The net proceeds from the IPO scheme are utilised for financing existing and future projects and working capital.

2. Debt securities sector

Advanced Bank of Asia Limited (ABA Bank). ABA Bank was founded in 1996 and is one of Cambodia's premier banking institutions incorporated in Cambodia. As one of the leading commercial banks, in 2017, it was ranked as the third largest commercial bank in terms of loans and the fourth largest in terms of assets and deposits. ABA Bank operates through a network of 66 offices, including the head office across the capital city and 25 provinces in Cambodia by 2018. ABA Bank had 4,213 employees in 2018 and was rated as "B" by Standard & Poor's (S&P) Global Ratings with a "positive" outlook.

The board of directors comprise eight members. As reflected by the Memorandum and Articles of Association (MOA) of ABA Bank in 2016, the National Bank of Canada, as a shareholder, has the right to appoint to the board four directors, which include one executive director and two independent directors. In his capacity as a shareholder, the bank's chairman also has the right to appoint one director to the board.

The bank issued its first corporate bond in 2019 for a total principal amount of KHR 128 billion with a 3-year maturity (14/08/2019 - 14/08/2022), nominal amount (face value) of KHR 100,000 per bond, and coupon rate of 7.75% per annum at the issuing price of face value. (*This type of bond is referred to as a "Plain Bond" because it has a fixed coupon rate and will mature on a date fixed at the time of issue*). The bond is rated "B" by S&P Global Ratings and listed in the CSX. The net proceeds from the bond issuance are used to finance operating costs and company expansion in the lending sector, supporting rural micro, small, and medium-sized enterprises (MSMEs) in Cambodia, including women entrepreneurs.

Phnom Penh Commercial Bank Plc (PPC Bank). PPC Bank, founded in 2008, is one of Cambodia's fastest-growing, most productive, and most profitable banks, with a primary focus on providing services to low- to middle-income families and small- to medium-sized businesses. PPC Bank is owned by three shareholders, including Jeonbuk Bank Co., Ltd (50%), Apro Financial Co., Ltd. (40%), and JB Woori Capital Co., Ltd. (10%). The bank offers a variety of financial products and services, including local and international fund transfers, trade finance, cash management services, mobile banking, and e-banking services.

PPC Bank has five directors : one chairman, two members, and two independent directors.

The bank issued its corporate bond (Plain Bond) in 2020 with a total principal amount of KHR 80 billion, a 3-year maturity (10/04/2020 - 10/04/2023), a nominal amount (face value) of KHR 100,000 per bond, and an annual coupon rate of 6.5% at face value of the bond. The bond is not rated and listed in the CSX. The bond's net proceeds are used to fund general corporate objectives.

RMC Cambodia Plc. RMA Cambodia entered the market in 1992 as a provider of dedicated system solutions for commercial and non-commercial enterprises in automotive, warehouse equipment, heavy equipment, agricultural & industrial equipment, financial services, car rental and food franchise management sectors. RMA Group is a rapidly growing multinational company specialising in essential products and services to economies in transition. It works alongside the development community in emerging and post-conflict markets to build or rebuild local infrastructure – power generation, transport, construction and communications. It is a value-added supplier of goods and services. Most operations are concentrated in the US, Europe, South-East Asia, Africa, and Asia.

The company issued its first guaranteed bond (Plain Bond) in 2020 with a principal sum of KHR 80 billion, a 5-year maturity (September 4, 2020 - September 4, 2025), a nominal amount (face value) of KHR 100,000 per bond, and a coupon rate of KHR 5.5% per annum at the issuing/offering price of face value. The bond is not rated but guaranteed by the Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asia Development Bank, and listed in the CSX. CGIF is rated "AA / A-1 +" by S&P Ratings with a "Stable" outlook in 2020. Proceeds from the bond issuance are used to finance the existing working capital.

Prasac Microfinance Institution Plc. PRASAC is currently the largest microfinance institution in terms of assets, loan portfolio, loan quality, net profit, customers, and deposits, ranked among the top five commercial banks in Cambodia. PRASAC operates the second largest branch network, with 182 branches in Cambodia. It is owned by two shareholders, including Kookmin Bank Co., Ltd and Kookmin Bank Cambodia Plc.

PRASAC's board of directors comprises seven members, two of which serve as independent directors.

In 2020, PRASAC issued its first guaranteed corporate bond (Plain Bond) with a total principal amount of KHR 127.20 billion with a tenor of 3 years (23/04/2020 - 23/04/2023), a nominal value of KHR 100,000 per bond at the issuing price/offering price of face value, and coupon rate of 7.5% per annum. The bond is not rated but fully guaranteed by Credit Guarantee and Investment Facility (CGIF) and listed in CSX. CGIF is rated "AA / A-1 +" by S&P Ratings with a "Stable" outlook in 2020. PRASAC intends to use the net proceeds for working capital and funding the growth of its lending business, which will support rural micro, small and medium enterprises ("MSME"), including women entrepreneurs in Cambodia.

Telcotech Ltd. It was established in 2007 as a wholly owned Cambodian company and has grown quickly to meet the demands of international partnership commitments by offering global telecommunications infrastructure and related services in Cambodia.

The company, licensed by the Cambodian government, develops and operates submarine fibre optic cabling and associated network infrastructure. Telcotech's primary objective is to help

further Cambodia's economic and social development by providing superior technology solutions to support telecommunications carriers and major enterprises in delivering better customer services. In addition to the headquarters and sales office in Phnom Penh, the company established satellite offices in Siem Reap, Sihanoukville, Battambang and Koh Kong and hierarchy agents that serve other key provincial markets such as Kampong Cham, Pursat, Prey Veng and Poipet.

In 2021, the company issued its first guaranteed bond (Plain Bond) in a volume of 800,000 units with a tenor of 5 years (05/08/2021 - 05/08/2026), a nominal value of KHR 100,000 per bond at the issuing price/offering price of face value, and a coupon rate of 4.5% per annum. The bond is not rated but guaranteed by Credit Guarantee and Investment Facility (CGIF) and listed in the CSX.

5.2. Findings of ESG implementation

Table 3 summarises the listed companies' perspectives on ESG principles. The viewpoints suggest that one of the ESG principles (i.e., corporate governance for listed companies) has been applied by the listed companies, according to Prakas on Corporate Governance for the Listed Companies, which aims to ensure good corporate governance practices by listed companies. The principles have also been introduced in the banking sector to promote sustainable financing in the Kingdom.

However, the adoption of ESG principles in the capital market needs ESG awareness, resources, high commitment and participation by stakeholders to hinder obstacles to the development of the capital market. To encourage adoption, ESG principles should be incorporated into securities regulation through voluntary and incentivising principles like tax incentives, reduced capital requirements/lower risk weightings for green or sustainability portfolios, or lower fees, with stakeholders' ESG awareness and capacity building being strengthened.

5.3. Concluding remarks

From the standpoint of the listed companies, the companies are prepared to work together with other significant stakeholders to encourage the adoption of ESG principles in the capital market by incorporating the principles into the issuance and listing of securities when the rules and regulations so require.

To promote ESG adoption, the government should provide listed companies with tax incentives, lower capital requirements/risk weightings for green or sustainability portfolios, or reduced fees. Furthermore, the policy should promote stakeholders' ESG awareness and capacity building, especially related to Cambodia's securities sector.

Table 3. Listed companies' perspectives on ESG principles

	Environmental	Social	Governance	ESG
General perspectives on ESG principles	Yes	Yes	Yes	- Recently, the environment, social, and governance (ESG) movement has gained popularity on a global scale. - Governance for listed companies is required by <i>Prakas on Corporate Governance for Listed Companies</i> (issued in 2018), which aims to ensure good corporate governance practices by listed companies. - Recently, the notions of ESG have also been introduced in the Cambodian banking sector.
ESG adoption	Yes	Yes	Yes	- Listed companies are ready to contribute to promoting the adoption of ESG principles
Challenges for ESG adoption	Yes	Yes	Yes	- Need high commitment, engagement, and knowledge among stakeholders
Obstacles to going public	Yes	Yes	Yes	- High cost of ESG adoption
Addressing challenges and obstacles	Yes	Yes	Yes	- Motivation and incentives provided by the regulator for the companies applying the ESG principles
Mechanism of ESG integration	Yes	Yes	Yes	- Integrated into securities regulation through voluntary and incentive principles. - Raise awareness and build capacity for stakeholders related to ESG. - Provide incentives such as tax incentives, lower capital requirements/ risk weightings for green or sustainability portfolios, or lower fees.

Source: Author's synthesis

6. Current Securities Intermediaries

6.1. Securities intermediaries in CSX

The many types of securities intermediaries in Cambodia's securities market include underwriters, dealers, brokers, financial advisors, investment advisors, and securities distributors. Each firm is required to be licensed by the SERC in each category. By April 2022, the securities intermediaries operating in CSX include:

- Seven underwriters
- Five brokers
- Three financial advisors
- Two investment advisors
- Two securities distributors

Incorporating the ESG principles into the capital market can involve underwriters and financial and investment advisors, among these securities intermediaries. Besides helping facilitate the functioning of the market, their role is to provide financial and investment advice to both securities issuers and investors, suggesting a great potential to influence the adoption of ESG principles in the capital market.

6.2. Findings of ESG implementation

Table 4 presents the perspectives of underwriters and investment and financial advisors on ESG principles. The opinions indicate that other than the governance norms mandated by regulations for listed companies, the companies listed in CSX have not yet incorporated all ESG principles. Nonetheless, the current adoption for debt securities issuance and listing is based on their internal rules or the requirements imposed by their primary institutional investors or debt securities guarantors.

As institutional investors require, Telcotech, PRASAC and RMAC implement the ADB environmental and social policies as a condition precedent to CGIF guarantee. Meanwhile, Hattha Bank implements IFC's environmental and social policies concurrently to get investments in bonds from IFC and apply for loans from IFC. There are three main reasons for this practice:

- i. The listed companies have limited ESG knowledge,
- ii. There is no mandatory requirement by the regulator/laws to incorporate ESG principles into their operation
- iii. Adopting ESG principles requires more human resources and increased operating costs.

Although it is doubtful that adopting ESG principles will prevent the growth of the securities market, certain challenges may arise when it comes to the adoption by securities issuers or listed companies. These include:

- High costs of ESG adoption, both financial and opportunity, in Cambodia's context
- Limited knowledge of implementing ESG principles
- Limited development of the capital market, with difficulty in attracting investors because domestic investors dominate the market,
- Investors with limited knowledge of ESG principles

Table 4. Securities intermediaries' perspectives on ESG principles

	Environmental	Social	Governance	ESG
General perspectives on ESG principles	Yes	Yes	Yes	- ESG securities (e.g., green, social, and sustainability bonds) are increasingly popular among investors, especially institutional investors - ESG helps investors create more sustainable portfolios for their investments, attracting more investors to CSX if listed companies can afford ESG. - ESG adoption has long-term positive effects on capital market development
ESG adoption	Not fully	Not fully	Yes	- The listed companies have not yet fully adopted ESG principles. - Three reasons for this practice: (1) Limited ESG knowledge, (2) No mandatory requirement by the regulator/law, and (3) High cost of adoption.
Challenges for ESG adoption	Yes	Yes	Yes	- High costs of ESG adoption, both financial and opportunity - Limited knowledge of formulating ESG policy, planning and controlling ESG implementation, as well as the procedure, - A small market dominated by local investors with little ESG knowledge - The capital market is still in its infancy, - Investors' limited knowledge of ESG principles
Obstacles to capital market development	Yes	Yes	Yes	- ESG principles would not be a barrier but rather aid potential listing companies in obtaining more affordable funding from abroad than local investments since local investors favour high returns. - ESG will create another channel to attract ESG investors. - ESG should also be applied to lending requirements for corporate loans.
Addressing challenges and obstacles	Yes	Yes	Yes	- Potentially listed companies, securities firms, and other key players ought to receive ESG-intensive capacity building coupled with pertinent knowledge and skills, including how to implement international standards and practises in Cambodia's capital market.
Key factors promoting ESG into the market	Yes	Yes	Yes	- Policy frameworks and regulations adopted by SERC and CSX to incentivise companies compliant with the ESG principles.

Mechanism of ESG integration	Yes	Yes	Yes	- Regulations and policy frameworks incentivising companies to implement ESG principles, including (1) Tax incentives for ESG adoption (2) Non-tax incentives such as reducing administration costs of IPO and listing - Mechanism to evaluate ESG application - Standard report on ESG implementation by issuers/listed companies.
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Source: Author's synthesis

6.3. Concluding remarks

The regulation states that providing financial and investment advice to securities issuers and investors is one of the main functions that underwriters, investment, and financial advisors perform. They, therefore, have a considerable potential to impact the capital market's adoption of ESG principles and play a key role in advancing ESG concepts. Thus, one of the critical elements in promoting the adoption of ESG principles is their knowledge of ESG, which enables them to offer ESG services to their clients.

According to their perspectives, the ESG principles are unlikely to pose a significant barrier to the growth of the Cambodian securities market. The SERC and CSX should formulate regulations and a policy framework to encourage potential listed companies and key securities intermediaries to provide ESG services to their clients to implement the ESG principles in Cambodia's capital market.

7. Investors in CSX

7.1. Securities investors in CSX

In general, there are two types of investors in the securities market: institutional and individual. By April 2022, there were 31,866 investors in the CSX, of which 27,423 (or 86%) were domestic investors and 4,443 (or 14%) were overseas investors (14%). Out of 31,866 investors, 31,746 are individual investors, of whom 27,396 are domestic, and 4,350 are foreign. Of the remaining 120 investors, 27 are domestic, and 93 are foreign institutional investors .⁷

Investors (particularly institutional investors) have essential responsibilities to play in encouraging the adoption of ESG principles by allocating funds to investments that support an economy that is resource-efficient, fair, and inclusive while also being climate-neutral and resilient. However, it appears to be challenging to engage people in the adoption of all principles unless they stand to gain from them or, at the very least, incur lower economic expenses. Examining their roles and responsibilities for the adoption is made easier by understanding their viewpoints on ESG principles and the difficulties associated with adopting them.

7.2. Findings of ESG knowledge and implementation

Table 5 presents the perspectives of institutional investors on ESG principles. Institutional investors are interested in implementing ESG concepts in the market even though they are novel to Cambodia's capital market. When the regulations require them, they are prepared to implement the principles in their investment decisions completely. Additionally, including ESG principles in the rules will make it easier to draw in more institutional investors, particularly those from abroad. However, one of the things impeding the development of ESG in the capital market is stakeholder awareness.

To effectively adopt the principles, ESG awareness should be promoted, with applicable policy and tax and non-tax incentives given to investors, issuers and other key stakeholders.

⁷ This data is based on the number of investors' accounts registered with securities firms for trading in CXS by April 2022.

Table 5. Investors' perspectives on ESG principles

	Environmental	Social	Governance	ESG
Awareness and general perspectives on ESG principles	Yes	Yes	Yes	- The growing popularity of ESG bonds in the international market - New notions in Cambodia's securities sector - No ESG standard for Cambodia yet
Interest in listed companies with ESG adoption	Yes	Yes	Yes	- Institutional investors are very interested in ESG financial products
ESG principles for securities investment decision	Yes	Yes	Yes	- Will fully include ESG in the decision to invest in securities when required by the regulations
Reasons to integrating ESG into the capital market	Yes	Yes	Yes	- Certainly, to promote sustainable development in Cambodia
Effects of ESG adoption on securities investment	Yes	Yes	Yes	- Can attract more institutional investors, especially investors outside Cambodia
Mechanism of ESG integration	Yes	Yes	Yes	- Applicable ESG policy and regulations - Tax and non-tax incentives for the ESG adoption by investors, issuers/listed companies and other key stakeholders

Source: Author's synthesis

7.3. Concluding remarks

Institutional investors play a central role in promoting the integration of ESG principles into the regulations. Future regulations on ESG principles for the capital market will likely draw more institutional investors, particularly foreign investors, typically interested in debt securities.

Cambodia needs an ESG policy that can benefit securities issuers and investors during the integration process. The primary tools to encourage them to use the ESG principles when participating in the market are the tax and non-tax incentives provided by the government, SERC, and CSX.

In addition, to address the challenges of ESG development in the capital market, the regulator should enhance ESG awareness among the stakeholders.

8. Conclusion

Sustainable financing, which refers to considering ESG principles for investments in financial products in the capital market, is required to achieve the SDGs. Since ESG concepts are new to Cambodia's capital market, this study on a roadmap for incorporating them into the securities legislation is necessary.

This study uses a qualitative methodology to identify the key players in incorporating ESG principles into the regulations and the application to ESG securities. These are the SERC and CSX, securities issuers (particularly debt securities issuers), securities intermediaries (including underwriters, financial and investment advisors), and institutional investors. **Although the current regulation on corporate governance for listed firms and listing rules require social and governance standards, the environmental principles have not yet been incorporated into the regulations.** However, because the capital market is newly and less developed, there are worries that the adoption of ESG standards would impede its growth if they were made legally binding. The other key stakeholders are prepared to put the ESG principles into practice as necessary to support the market's upkeep of the standards. The regulator and CSX are steadfastly committed to fostering ESG adoption as a guiding concept for the future market development of ESG securities.

In addition, the study discovers that the main obstacles to incorporating ESG principles into the regulations and adoption are inconsistent awareness and limited knowledge of ESG principles amongst stakeholders, which contribute to different perspectives on the current ESG implementation in the market, high costs of adopting the principles, and a lack of incentives. However, social and governance concepts are now being applied to the listed corporations as required by the current legislation, albeit to a limited extent.

Raising awareness of ESG concepts among capital market stakeholders and developing a clear master plan for the development of an ESG standard for the Cambodian market based on international principles are two crucial factors that should be taken into consideration to incorporate the ESG principles into the securities regulations and apply the principles to Cambodia's capital market.

Favourable tax and non-tax incentives for the issuers, investors and other key players in the market, such as special tax treatment and administration costs of IPO and listing process, should be provided by the government, and the SERC and CSX for the issuance/listing of ESG securities. It is essential to encourage the engagement of the key stakeholders in the integration process and its implementation. Due to the stakeholders' limited ESG awareness, it appears that Cambodia requires international partners' technical and/or financial support. Learning from other countries and being membership into bodies that support capacity building are also important to the ESG development in the securities sector.

In addition, other line ministries, such as the Ministry of Environment, the Ministry of Labour, and the National Bank of Cambodia, should also get involved in assisting with the deeper integration of the principles into law and ESG enforcement . When drafting the ESG regulations for the capital market, special attention should also be paid to the consistency of the related regulations formulated by these institutions.

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Annexe

A1. Questionnaires for the interview with listed companies

1. What do you think about Environmental, Social and Governance (ESG) principles in the context of Cambodia's securities market?

Answer:

2. Does your company apply ESG principles?
 - A. Yes
 - B. No
3. If No, could you kindly give the reason?

Answer:

4. If yes, could you describe those principles? And why?
 - A. Environmental principle
 - B. Social principle
 - C. Governance

5. What are the challenges of applying ESG principles? How to address those challenges?

Answer:

6. For the time being, is the application of ESG principles an obstacle to your company entering the securities market? Please kindly give reasons.

Answer:

7. From your perspective, how to address those obstacles?

Answer:

8. Should be the ESG principles integrated into securities regulation? Why?

Answer:

9. What is your recommendation (i.e., policy, regulation or tax incentives etc.) to promote the adoption of ESG principles in Cambodia's securities market?

Answer:

A2. Questionnaires for the interview with SERC

1. What do you think about Environmental, Social and Governance (ESG) principles in the context of Cambodia's securities market?

Answer:

2. Has SERC integrated ESG principles into securities regulations?

C. Yes

D. No

3. If No, could you kindly give reasons?

Answer:

4. If yes, could you describe those principles integrated into the regulations?

A. Environmental principle

B. Social principle

C. Governance

5. What are the challenges for integrating ESG principles into securities regulation/sector? How to address those challenges?

Answer:

6. Is the application of ESG principles in securities regulation an obstacle to the development of the securities market? Please kindly give reasons.

Answer:

7. From your perspective, how to address those obstacles?

Answer:

8. From your point of view, what are the key factors to promote ESG in Cambodia's securities market?

Answer:

9. What is your recommendation (i.e., policy, regulation or tax incentives etc.) to promote the adoption of ESG principles in Cambodia's securities market?

Answer:

A3. Questionnaires for the interview with CSX

1. What do you think about Environmental, Social and Governance (ESG) principles in the context of Cambodia's securities market?

Answer:

2. Has CSX integrated ESG principles into CSX rules and regulations?
A. Yes
B. No
3. If No, could you explain the reason?

Answer:

4. If yes, could you describe those principles integrated into the rules and regulations?

A. Environmental principle

B. Social principle

C. Governance

5. What are the challenges for integrating the ESG principles into CSX rules and regulations? How to address those challenges?

Answer:

6. For the time being, is the application of ESG principles in securities rules and regulations obstacles to the development of the securities market? Please kindly give reasons.

Answer:

7. From your perspective , how to address those obstacles?

Answer:

8. From your point of view, what are the key factors to promote ESG in Cambodia's securities market?

Answer:

9. What is your recommendation (i.e., policy, regulation or tax incentives etc.) to promote the adoption of ESG principles in Cambodia's securities market?

Answer:

A4. Questionnaires for the interview with securities firms

10. What do you think about Environmental, Social and Governance (ESG) principles in the context of Cambodia's securities market?

Answer:

11. Is any listed company applying ESG principles?

E. Yes

F. No

12. If No, could you kindly give the reason?

Answer:

13. If yes, could you describe those principles?

D. Environmental principle

E. Social principle

F. Governance

14. What are the challenges for applying the ESG principles in Cambodia's securities market?
How to address those challenges?

Answer:

15. For the time being, is the application of ESG principles an obstacle to the development of Cambodia's securities market? Please kindly give reasons.

Answer:

16. From your perspective , how to address those obstacles?

Answer:

17. Should be the ESG principles integrated into securities regulation? Why?

Answer:

18. From your point of view, what are the key factors to promote ESG in Cambodia's securities market?

Answer:

19. What is your recommendation (i.e., policy, regulation or tax incentives etc.) to promote the adoption of ESG principles in Cambodia's securities market?

Answer:

A5. Questionnaires for the interview with investors

1. What do you think about Environmental, Social and Governance (ESG) principles in the context of Cambodia's securities market?

Answer:

2. Are you used to knowing ESG principles for listed companies?

A. Yes

B. No

3. If No, kindly give the reasons.

Answer:

4. Are you interested in investing in any listed company with ESG implementation? Why?

Answer:

5. Based on which principle(s) of ESG is your decision made when investing in securities? Kindly give reasons.

- A. Environmental principle
- B. Social principle
- C. Governance
- D. No one of these principles

Reasons:

6. Should be the ESG principles integrated into securities investment regulation? Why?

Answer:

7. Is integrating ESG principles into securities investment regulation affecting your investment in the securities market? What are the impacts?

Answer:

8. What is your recommendation (i.e., policy, regulation or tax incentives etc.) to promote the adoption of ESG principles in Cambodia's securities market?

Answer:

Table 1. Work plan

	May							June										
	1 7	1 8	1 9	2 0	2 1	2 7	2 9	2	5	6	9	1 0	1 2	1 5	1 6	2 5	2 6	3 0
Inception																		
Discussion with TIC																		
Draft inception report																		
Team discussion on the inception report																		
TIC comments and suggestions on the inception report																		
Final inception report																		
Step 1																		
Team discussion on data collection																		
Collection of data-relevant documents																		
Step 2																		
Review ESG implementation by stakeholders																		
Analysis of challenges and opportunities for integrating ESG principles																		
Team discussion on the analysis																		
Draft interim report																		
Team discussion on the interim report																		
Submission of the interim report																		
Step 3																		
Feedback from TIC on the interim report																		
Team discussion on feedback																		
Draft final report																		
Discussion with TIC on the final report																		
Final report																		