

ธนาคารกสิกรไทย
开泰银行 KASIKORNBANK



**ENVIRONMENTAL AND SOCIAL
MANAGEMENT SYSTEM (ESMS)
FOR IFC GREEN BOND SUBSCRIPTION**

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INTRODUCTION

Kasikornbank Public Company Limited (“KBank”) is committed to becoming the leading sustainable bank in Thailand. As part of this ambition, KBank has set a clear target to allocate Baht 400–500 billion in sustainable financing and investment by 2030, while developing innovative green banking products to support the country’s transition toward a low-carbon economy.

To advance this commitment, KBank introduced its Sustainability Bond Framework in 2018 and updated it in 2020, in alignment with the Green Bond Principles 2018, Social Bond Principles 2018, and Sustainability Bond Guidelines 2018 issued by the International Capital Market Association (ICMA). Building on this foundation, KBank launched a Green Finance Framework in 2025, aligned with ICMA’s Green Bond Principles, LMA’s Green Loan Principles, and Thailand Taxonomy Phase I, to ensure that financing activities follow international best practices and generate tangible environmental and social benefits.

In line with its commitment to responsible banking, KBank has partnered with the International Finance Corporation (IFC) to strengthen its Environmental and Social Management System (ESMS). This collaboration enhances KBank’s ability to systematically identify, assess, and manage environmental and social (E&S) risks under the IFC Green Bond Subscription. The ESMS establishes clear procedures covering E&S policy, eligibility criteria, requirements, processes, and defined roles and responsibilities, in full alignment with the IFC Bond Subscription Agreement. Through this approach, KBank ensures that all green finance activities under the IFC Green Bond Subscription deliver measurable positive impacts while consistently meeting international standards of environmental and social governance.

OVERVIEW OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

KBank has established an Environmental and Social Management System (ESMS) to ensure that all Loans financed under the IFC Green Bond Subscription are managed in accordance with international best practices and IFC requirements. The ESMS provides a structured framework for integrating environmental and social (E&S) considerations into KBank’s sustainable finance program and is built around five key components:

E&S POLICY

KBank applies ESMS to all Loans financed under the IFC Green Bond Subscription. Loans under this program must comply with both the eligibility criteria and the new financing and refinancing requirements. In addition, all Loans are required to align with international best practices and E&S requirements.

ELIGIBILITY CRITERIA

The eligibility criteria ensure that proceeds are allocated exclusively to Loans aligned with green finance objectives, such as renewable energy, energy efficiency, and other eligible activities that contribute to positive environmental impacts.



E&S REQUIREMENTS

All financed Loans or projects under the IFC Green Bond Subscription must meet a defined set of E&S requirements, including compliance with applicable host country E&S laws and regulations, exclusion from prohibited activities listed in the IFC Exclusion List and restricted activities, and avoidance of high-risk sectors.

E&S PROCESSES

ESMS incorporates standardized processes to conduct E&S risk screening, risk categorization, due diligence, monitoring, and reporting in line with IFC's E&S standards. These processes enable KBank to systematically evaluate and manage E&S risks and ensure ongoing compliance.

E&S ROLES AND RESPONSIBILITIES

KBank assigns clear roles and responsibilities across its teams to ensure effective ESMS implementation. Dedicated E&S personnel are responsible for conducting assessments and managing risks.

E&S POLICY

KBank applies its Environmental and Social Management System (ESMS) to all commercial loans using the proceeds of IFC Green Bond Subscription. Loans under this program must comply with both the eligibility criteria (see Section [Eligibility Criteria](#)) and the following new financing and refinancing requirements:

- **New Financing:** Eligible Loans provided by KBank to Eligible Client/Borrowers after the Closing Date of the IFC Green Bond.
- **Eligible Refinancing:** Eligible Loans must meet one of the following conditions:
 - Eligible Project under construction, not yet operational, or not yet at financial closure;
 - Eligible Project is operational but have not yet reached break-even;
 - Eligible Project requiring refinancing to replace short-term bridge loan or improve financial terms (such as correction of mismatch of maturity, adjusted asset construction costs, exchange rate impact, replacement of expensive debt);
 - Eligible Project that has reached financial closure or break-even, it requires to originate new Eligible Projects of equivalent value within 24 months;
 - Sustainability-linked loans (SLLs) are not eligible for refinancing.

KBank is committed to ensuring that all activities financed by the IFC Green Bond are aligned with international best practices and national requirements. Specifically, KBank will:

- **Compliance:** Ensure that all financed activities comply with the IFC Exclusion List, applicable national environmental and social laws and regulations, and the eligibility criteria defined in Sections [Eligibility Criteria](#) and [E&S Requirements](#).
- **E&S Management System:** Implement and maintain a robust ESMS to identify, assess, manage, and monitor environmental and social (E&S) risks across the transaction lifecycle, including screening, evaluating, monitoring, and reporting (see Section [Overall Process](#)).



- **Resources and Capacity:** Provide sufficient resources, assign clear E&S roles and responsibilities (see Section [E&S Roles and Responsibilities](#)), and deliver regular staff training to ensure effective ESMS implementation and continuous improvement.

ELIGIBILITY CRITERIA

To ensure that all new financing and refinancing activities under the IFC Green Bond Program contribute meaningfully to sustainable development, KBank applies a defined set of eligibility criteria. These criteria establish the conditions under which loans and projects may qualify for support, ensuring alignment with the IFC Subscription Agreement and international best practices. The following section outlines the specific requirements for both new financing and refinancing of Eligible Projects.

1. RENEWABLE ENERGY

Renewable Energy (“RE”): An eligible RE project is defined as an installation or construction measure implemented by an eligible client/borrower and aimed at investing into fixed assets that enable generation or productive use of electricity, heat, cooling and any other form of energy from solar renewable resources, including but not limited to solar, biomass, geothermal and tidal, provided it meets with above Eligible Project criteria. For biomass projects:

- Projects must demonstrate that GHG emissions are substantially lower than corresponding GHG emissions from fossil fuel generation, taking into account lifecycle emissions where relevant (e.g. transportation of biomass fuels).
- First-generation liquid biofuels (i.e. biofuels produced directly from food crops) shall be excluded unless they are sourced from waste.

2. ENERGY EFFICIENCY

Energy Efficiency (“EE”): An eligible EE project is defined as the measures implemented by an eligible client/borrower aimed to acquire, replace, redesign or refurbish equipment, systems and/or contracting services/products in order to decrease energy consumption for every unit of service output of the corporate entity, provided it meets with above Eligible Project criteria. This includes utilizing waste energy and any other measure to improve the efficiency of energy use (or reduce specific energy consumption) of the system directly affected by the project based on minimum requirements. In general, an EE project must achieve any of the following minimum thresholds within the project boundary:

- Reduce absolute energy consumption by at least 20%; or
- Process efficiency projects that lead to a 20% reduction in energy consumption per unit of production will also be considered eligible.

3. EQUIPMENT, APPLIANCES AND LIGHTING

Equipment, appliances and lighting: Project is that shows an energy efficiency assurance label and has been cleared by the IFC Climate Policy Team, assuring at least 20% energy savings compared to the baseline. To date equipment, appliances or lighting with the following domestic EE labels can be accounted as climate finance:

- Bangladesh EE label with 4 or 5 stars;
- South African energy efficiency label A+++, A++, A+;
- Energy Star (IT equipment);
- White appliances listed in the annual list Most Efficient Energy Star;



- Vietstar 5 or 4 star (Viet Nam);
- FIDE A or B (Mexico);
- Hong Kong Voluntary Energy Efficiency Labelling Scheme;
- Argentinian Official EE label category A or B; or
- Brazilian Etiqueta Nacional de Conservação de Energia (ENCE).

4. ELIGIBLE ENERGY MANAGEMENT SYSTEM

Eligible Energy Management System (“EnMS”): Projects can include the financing of measures to meet the requirements of ISO 50001 or Equivalent Certification. This includes energy efficiency, renewable energy, and water efficiency measures implemented by a corporate entity aimed to acquire, replace, redesign or refurbish equipment, systems and/or processes in order to meet energy or GHG reduction targets.

5. TRANSPORT

Transport: Eligible transport projects can include the following:

- Financing of electric, hydrogen, hybrid or plug-in hybrid vehicles;
- Financing or refinancing of urban and rural transportation systems (vehicles and infrastructure) which demonstrate a shift from a higher-carbon mode;
- Financing of transport demand management policies or technologies that are expected to lead to substantially decreased overall travel demand or modal shifts to more efficient modes; and
- Financing of projects or vehicles switching from gasoline or diesel to sustainable biofuels. To be eligible, the project must demonstrate that the biofuel is sustainably sourced. First generation liquid biofuels will not be eligible.

6. WATER EFFICIENCY

Water Efficiency (“WE”): An eligible WE project is an investment that materially reduces the use of water, by at least 20%, provided it meets with above Eligible Project criteria. This can be through retrofit of an existing facility, a water recycle/reuse project or a project that will use alternative water sources such as ground water, desalinated water or advanced tertiary treated sewage measures implemented within the premises of a corporate entity and aimed at investing into fixed assets that are designed to decrease water consumption, provided that the decrease in water utilization from baseline meets the minimum requirements. The specific eligibility of such projects will need to be confirmed by IFC Climate Policy Team.

7. GREEN BUILDINGS

Green Buildings: An eligible Green Building project, provided it meets with above Eligible Project criteria, should be financing for the construction or mortgage of a building that:

- is certified by IFC’s Excellence in Design for Greater Efficiencies (EDGE) certificate, Environmental Assessment Method (BREEAM) certificate as defined by the Building Research Establishment BREEAM, certificate issued by the German Sustainable Building Council (DGNB), GREEN STAR, Leadership in Energy and Environmental Design (LEED) certificate or an equivalent internationally-recognized green building certification system or a certification validated by IFC Green Building Specialists; and
- documents 20% Energy Efficiency improvement compared to a baseline building without energy-efficient design; and
- has a measurable impact.



8. CLIMATE SMART AGRICULTURE

Climate Smart Agriculture (“CSA”): Eligible CSA projects, provided they meet with above Eligible Project criteria, must document that they meet at least one of the following conditions:

- at least 20% productivity increase without increasing GHG emissions per unit of product;
- at least 20% reduction in GHG emissions per unit of product (emission intensity);
- at least 20% post-harvest losses reduction; or
- reduction of the vulnerability to climate change impacts.

Projects that are certified under the following agri-certification schemes are automatically eligible:

- Aquaculture Stewardship Council Standards for Farmed Seafood;
- Roundtable on Sustainable Biomaterials Standard;
- Roundtable on Responsible Soy Association Standard;
- Bonsucro Production Standard;
- Fairtrade Standard for Small-Scale Producer Organizations; or
- Rainforest Alliance 2020 Sustainable Agriculture Standard.

Projects under other agri-certification schemes may be eligible, but will need to provide additional information to IFC on the certification to assess eligibility and determine what percentage of the project will be considered eligible.

9. CLIMATE ADAPTATION

Climate Adaptation: Eligible projects are defined as financing of projects that lead to a reduction of the effects of climate change and climate variability, provided they meet with above Eligible Project criteria. To be eligible, projects must show the following:

- identification of a climate risk or vulnerability that is directly linked to the project, including a detailed description of the general context and the climate risk/vulnerability, and how the risk is affecting the client/borrower;
- a description of the project or investment and a statement of intent to address the identified risks, vulnerabilities and impacts in project documentation; and
- a description of how the project is directly addressing the climate risks or impacts defined above.

10. OTHER

- Eligible Projects can also include the financing of manufacturers and suppliers of equipment or products intended for EE and RE projects, provided they meet with above Eligible Project criteria:
 - in the case of EE equipment or products, the eligible project should be directly manufacturing or supplying the energy-efficient technology equipment or appliance. The EE equipment or products should either be verified as energy-efficient based on a reasonable benchmark in the market of the technology or product being sold OR be directly supplied to EE projects (per definition of eligible EE project above); and
 - in the case of RE technology equipment, the eligible project should be directly manufacturing or supplying a component that is exclusively for the purpose of producing or supporting RE.



- Exclusion of activities in support of upstream, downstream and midstream activities in the fossil fuel industry, electricity generation from coal or peat, and those that lead to deforestation: Upstream activities involve exploration or production of fossil fuels and midstream activities include natural gas processing, storage, transportation, liquefaction and regasification, and crude oil refining. Activities that are otherwise eligible but support these activities, such as carbon capture and utilization for enhanced oil recovery, are not eligible.
- Proceeds can be used to invest in Sustainability-Linked Loans (“SLL”) where such SLLs have a framework developed in alignment with Loan Market Association’s Sustainability-Linked Loans, with a second party opinion confirming its alignment, and an annual verification report.



E&S REQUIREMENTS

As part of its commitment to responsible banking and sustainable finance, KBank ensures that all projects financed under the IFC Green Bond adhere to stringent environmental and social (E&S) requirements. These requirements are designed to safeguard against adverse impacts, promote compliance with national and international standards. The following criteria must be met for a project to be considered eligible under the E&S Requirements:

- It complies with the Applicable Laws of the Country including the applicable host county E&S laws and regulations.
- It is not engaged in any of the activities on the Exclusion List (see Sub-section [IFC Exclusion List](#)).
- It is not engaged in or associated with any Coal Related Activities.
- It does not involve any Category A Activities (see Sub-section [E&S Categorization](#)).
- It is not a hydro power, wind power or Utility-Scale Solar Project.
- It is not engaged in any Corporate Scale Agriculture or Aquaculture Activities, with exception of that it has achieved adequate E&S certification acceptable to IFC, which include:
 - Aquaculture Stewardship Council Standards for farmed Seafood,
 - Rainforest Alliance 2020 Sustainable Agriculture Standard,
 - Forest Stewardship Council (FSC),
 - Sustainable Rice Platform for rice,
 - Certification for Rubber Growers (PEFC) for rubber plantation,
 - Best Aquaculture Practices (BAP) for farmed shrimp, and
 - Global Gap certification for coffee or cashew.
- For financing any Non-Utility-Scale Solar Project, which is installed by non-consumer client/borrower and has installation capacity larger than 5 MW, the related client/borrowers/project has met the Solar Supplier E&S Requirements and confirmed that the Solar Supplier Forced Labor Provisions have been or will be incorporated into respective agreement.



IFC EXCLUSION LIST

The IFC Exclusion List defines a set of activities that are strictly prohibited from receiving financing under the IFC Green Bond. These exclusions are designed to prevent adverse environmental and social impacts and to ensure that all financed projects align with internationally recognized sustainability standards. KBank will not allocate any proceeds from the IFC Green Bond Subscription toward projects or loans that involve the following activities, as outlined in the IFC Exclusion List:

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, Polychlorinated biphenyls (PCBs), wildlife, or products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora.
2. Production or trade in weapons and munitions.ⁱ
3. Production or trade in alcoholic beverages (excluding beer and wine).ⁱ
4. Production or trade in tobacco.ⁱ
5. Gambling, casinos, and equivalent enterprises.ⁱ
6. Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
7. Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
8. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
9. Production or activities involving harmful or exploitative forms of forced laborⁱⁱ/harmful child labor.ⁱⁱⁱ
10. Commercial logging operations for use in primary tropical moist forest.
11. Production or trade in wood or other forestry products other than from sustainably managed forests.

When investing in microfinance activities, the following items shall not be financed by the proceeds of IFC Green Bond Subscription, in addition to the IFC Exclusion List:

1. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
2. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

NOTED

- i. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.
- ii. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
- iii. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.



E&S CATEGORIZATION

CATEGORY A ACTIVITY

Any activity of a current or proposed client/borrower or recipient of financing, which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving any of the following:

- (i) involuntary resettlement;
- (ii) risk of adverse impacts on indigenous peoples;
- (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage;
- (iv) risk of significant retrenchment*; or
- (v) significant occupational health and safety risks**.

CATEGORY B ACTIVITY

Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

CATEGORY C ACTIVITY

Business activities with minimal or no adverse environmental or social risks and/or impacts.

NOTED

* Risk of significant retrenchment means any such risk at the time of granting the new or existing Eligible Loan

** Risk of serious injury or fatality to workers

OVERALL PROCESS

ESMS IMPLEMENTATION PROCEDURE

KBank's ESMS Implementation Procedure provides a structured process for managing environmental and social (E&S) risks throughout the credit lifecycle. The process ensures early risk identification, informed decision-making, and continuous monitoring of Eligible Projects. It comprises three key phases:

- Pre-Approval Process – Involves the submission of green loan requests, eligibility assessments, and E&S screening and due diligence.
- Approval Process – Covers underwriting review, legal assessment, and finalization of loan agreements in alignment with E&S requirements.
- Post-Approval Process – Focuses on ongoing E&S performance tracking, reporting, and internal audits to ensure consistent and effective implementation.



PRE-APPROVAL PROCESS

To ensure that all financing activities under IFC Green Bond Subscription comply with the required environmental and social standards, KBank conducts a structured E&S review process prior to credit approval. This process includes:

ELIGIBILITY CHECK

Each proposed project must fall within the eligible activities (see Section [Eligibility Criteria](#)), which include:

1. Renewable Energy
2. Energy Efficiency
3. Equipment, Appliances, and Lighting
4. Eligible Energy Management Systems (EnMS)
5. Transport
6. Water Efficiency (WE)
7. Green Buildings
8. Climate-Smart Agriculture (CSA)
9. Climate Adaptation
10. Others

To confirm eligibility, KBank applies the Climate Assessment for Financial Institutions (CAFI) tool, which is used to verify that each loan or project meets the eligibility criteria; and collect and maintain the necessary technical, financial, and other supporting data to demonstrate compliance with the criteria.

E&S DUE DILIGENCE PROCEDURES

After passing the Eligibility Check, each proposed borrower/project must undergo the following due diligence procedures to qualify the borrower/project against the E&S Requirements, and to identify, evaluate and control the E&S risks of each eligible project. If the project involved in any excluded or restricted activities, defined high E&S risk activities, or Category A (high risks), the financing request should be rejected.

For Category B and C projects, the E&S due diligence will be conducted to verify the project's compliance with all applicable E&S laws and regulatory requirements. Any gaps or issues of compliance identified should be discussed with the client/borrower for clarification and confirmation along with mitigation actions and timelines for closing the gaps.

APPROVAL PROCESS

Environmental and social (E&S) considerations are integrated into the credit approval process. The E&S due diligence results along with any E&S Correction Action Plan are submitted and evaluated as part of the credit decision to ensure that material risks have been appropriately identified and addressed. This process also ensures that the relevant E&S covenants and requirements (including E&S Corrective Action plan if any) are incorporated into the loan agreement to ensure the compliance of client/borrowers with the E&S requirements of the IFC Green Bond Subscription.



POST-APPROVAL PROCESS

The post-approval process is dedicated to tracking and documenting E&S performance of the financed projects or activities through regular monitoring and reporting, ensuring that Eligible Projects under the IFC Green Bond Subscription remain compliant with IFC requirements and demonstrate ongoing performance.

E&S MONITORING

KBank monitors the environmental and social (E&S) performance of each financed project under IFC Green Bond Subscription, with monitoring activities including the following:

1. Immediate Reporting of Material Adverse Events

KBank reviews all material adverse E&S events, which include:

- Any existing or threatened E&S-related complaint, order, directive, claim, citation, or notice issued by an authority; or
- Any material written communication from stakeholders concerning non-compliance or failure to meet applicable requirements.

2. Ongoing Oversight

KBank monitors the loan/project E&S performance and the related client/borrower implementation of the E&S Corrective Action plan if any on a continuous basis and escalates issues for management action as necessary.

3. Annual E&S Performance Review

Client/Borrowers are required to provide KBank with E&S information at least once per year. The level of detail and reporting requirements depend on the nature of the eligible project.

E&S REPORTING

The reporting protocols are provided to ensure transparency and compliance with IFC requirements such as

- **Eligible Projects (via CAFI Tool):** Use the CAFI Tool to verify and confirm eligibility and minimum requirements. Eligible projects shall be reported to IFC at least annually, or as soon as available.
- **Material Adverse E&S Events:** Provide immediate notification to IFC within 3 days of becoming aware of such an event.

REVIEW OF IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

KBank maintains the relevance and effectiveness of its ESMS implementation through an annual review process. This review evaluates the system implementation in the relevant departments, identifies opportunities for improvement, and integrates lessons learned from implementation. In case of any proposed revisions to the ESMS are submitted to IFC for prior review and approval before adoption. This process ensures that the ESMS remains aligned with international best practices and continues to meet IFC's requirements for environmental and social risk management.



E&S ROLES AND RESPONSIBILITIES

To ensure the effective implementation of ESMS under IFC Green Bond Subscription, KBank has defined a clear structure of roles and responsibilities including credit process and E&S requirements across relevant departments. KBank has assigned the ESMS Officer and E&S Specialists, which the specialists are interviewed by IFC for the qualifications in assessing the E&S risk assessment. By defining these roles and responsibilities, KBank ensures that the ESMS is implemented consistently and effectively across all relevant departments.