



Human Rights

Risk & Impact Assessment

2018





Human Rights Risk & Impact Assessment

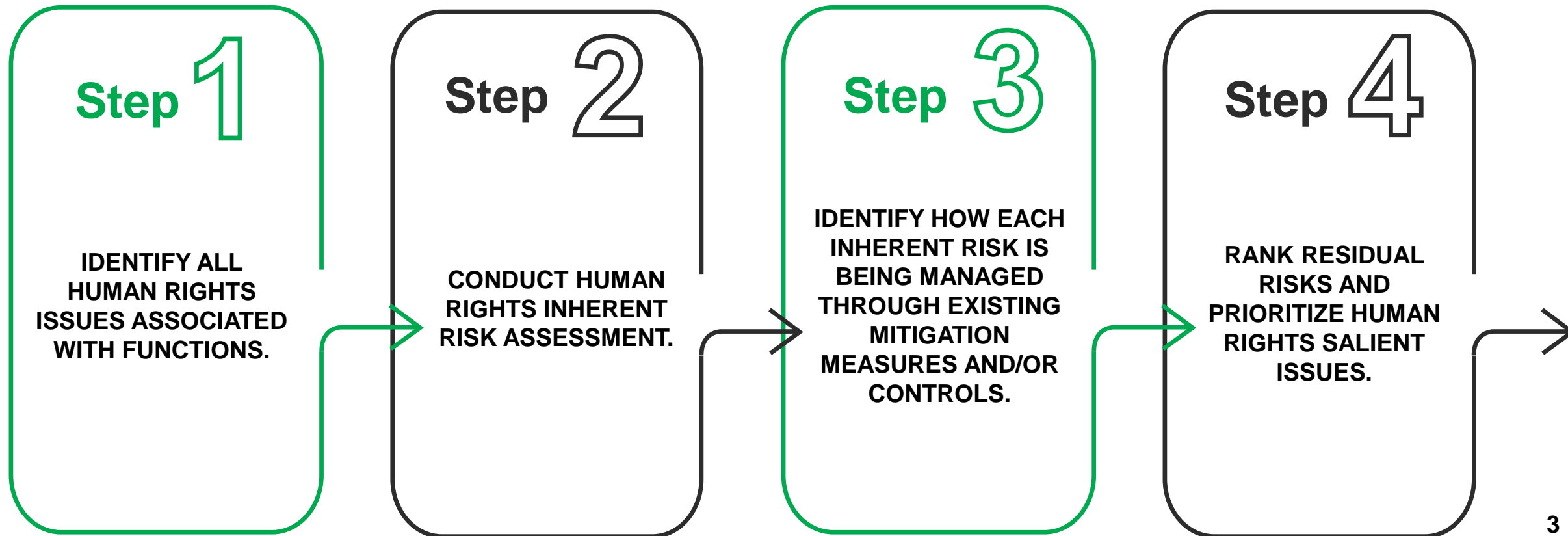
The human rights risk and impact assessment process is one of the steps in KBank human rights due diligence process, designed to assess actual and potential human rights impacts from our business activities.

KBank human rights due diligence process has been developed in accordance with the UN Guiding Principles on Business and Human Rights.





Human Rights Risk & Impact Assessment Methodology



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Step 1: Identify all human rights issues associated with functions.

To scope out and update human rights risks in the financial sector, human rights issues are identified through peer benchmarking, media analysis, and a review of human rights concerns communicated by civil society actors.

In 2018, issues remained largely the same as in 2017.

Employee Practices

Working conditions

Discrimination in the workplace

Freedom of association

Customer Practices

Customer data privacy

Discrimination

Misselling

Project Lending

Labour practices

Community rights

Land rights

Environmental impacts (climate justice)

Supply Chain Management

Labour practices

Community rights

Data security and privacy

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Steps 2-4: Rank inherent risks, evaluate mitigation measures, and rank residual risks.

Severity of risk and impact				

Human Rights Matrix

Human rights risk assessment is done based on the impacts created on rights holders, especially considering vulnerable groups. Assessed groups include employees, children, indigenous people, migrant labour, third-party contracted labour, and local communities. Risks are assessed and categorized as one of three levels:

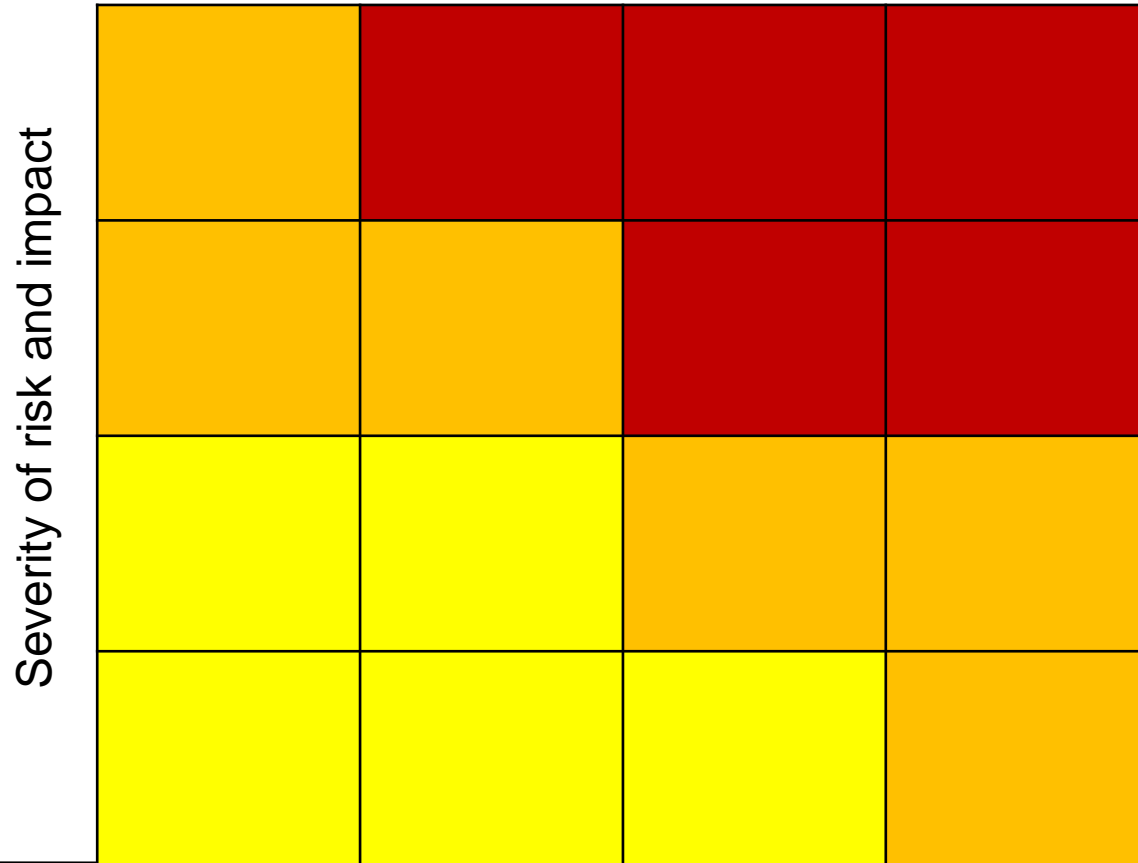
High	High risks are human rights salient issues that need to be addressed with additional mitigation measures.
Medium	Medium risks are human rights salient issues that are mitigated to some extent, but need additional mitigation measures.
Low	Low risks are human rights risks that are presently adequately mitigated, and should be monitored regularly for changes.

Likelihood

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Steps 2-4: Rank inherent risks, evaluate mitigation measures, and rank residual risks.



Likelihood is considered based on the local environment or context – the likelihood of a risk occurring is greater in a high risk operating environment.

Likelihood Level		Description
4	Almost always	Impact has occurred in the past and continues to occur in the present.
3	Frequent	Impact has occurred in the past and may occur frequently in the present.
2	Infrequent	Impact has occur in the past, and may occur in the present in certain activities.
1	Rare	Impact has never occurred, but may have occurred in other businesses in the same industry.

Criteria for likelihood (X-axis)

LIKELIHOOD



Steps 2-4: Rank inherent risks, evaluate mitigation measures, and rank residual risks.

SEVERITY OF RISK AND IMPACT				

Likelihood

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Severity of risk and impact is defined as scale, scope, and irremediability. When assessing, the level of severity is determined by whichever factor – scale, scope, or irremediability – has the highest level.

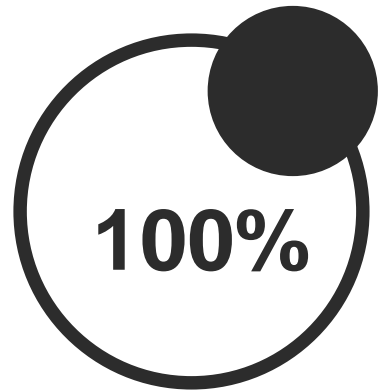
Severity Level		Description
4	Critical	<ul style="list-style-type: none"> - Impact is severe and may lead to disability or fatality. - Impact affects all members of stakeholder group (i.e. all community members, all employees). - Impact is irremediable, or only remediable after a long period of time (i.e. more than 5 years).
3	High	<ul style="list-style-type: none"> - Impact affects health and safety and leads to loss time. - Impact affects most members of stakeholder group. - Impact is remediable after 3-5 years.
2	Medium	<ul style="list-style-type: none"> - Impact requires medical or first aid treatment, but does not lead to loss time. - Impact affects some members of stakeholder group. - Impact is remediable after 1-3 years.
1	Low	<ul style="list-style-type: none"> - Impact creates no effect on health and safety. - Impact does not affect any member of stakeholder group. - Impact is remediable within 1 year.

Criteria for severity (Y-axis)



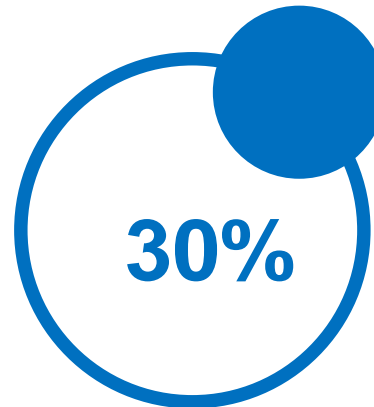
Overview:

2018 Human Rights Risk Assessment Results (1)



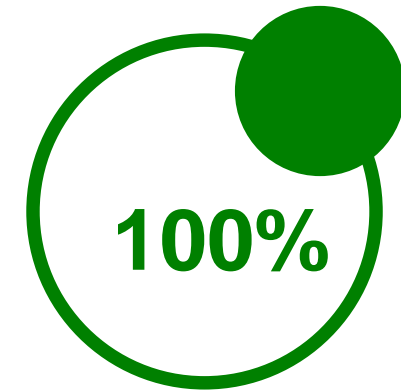
Of KBANK operations and business activities were assessed, including joint ventures with management control

958 domestic branches
1 central office
37 subsidiaries
1 joint venture with management control



Of business activities in direct operations with human rights salient issues

Customer practices for online activities
Lending projects for SMEs
Lending projects for corporate clients



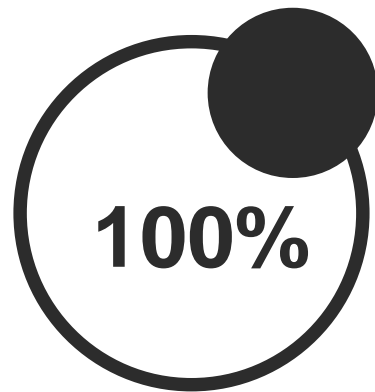
Of activities in direct operations with human rights salient issues with mitigation measures and remediation process implemented

See following pages and pages 107-108 on our 2018 Sustainability Report for more detail.



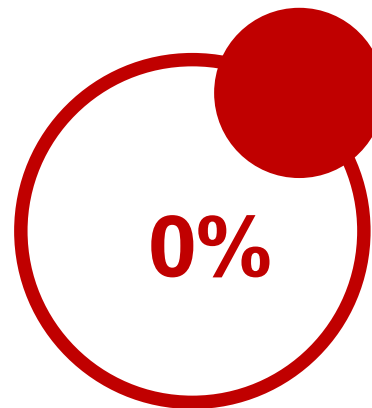
Overview:

2018 Human Rights Risk Assessment Results (2)



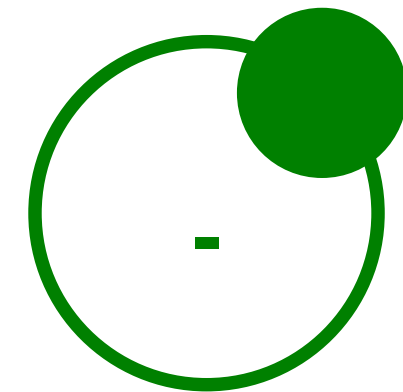
Of KBANK suppliers were assessed

Tier-1 & 2 Suppliers



Of Tier-1 suppliers and contractors with human rights salient issues

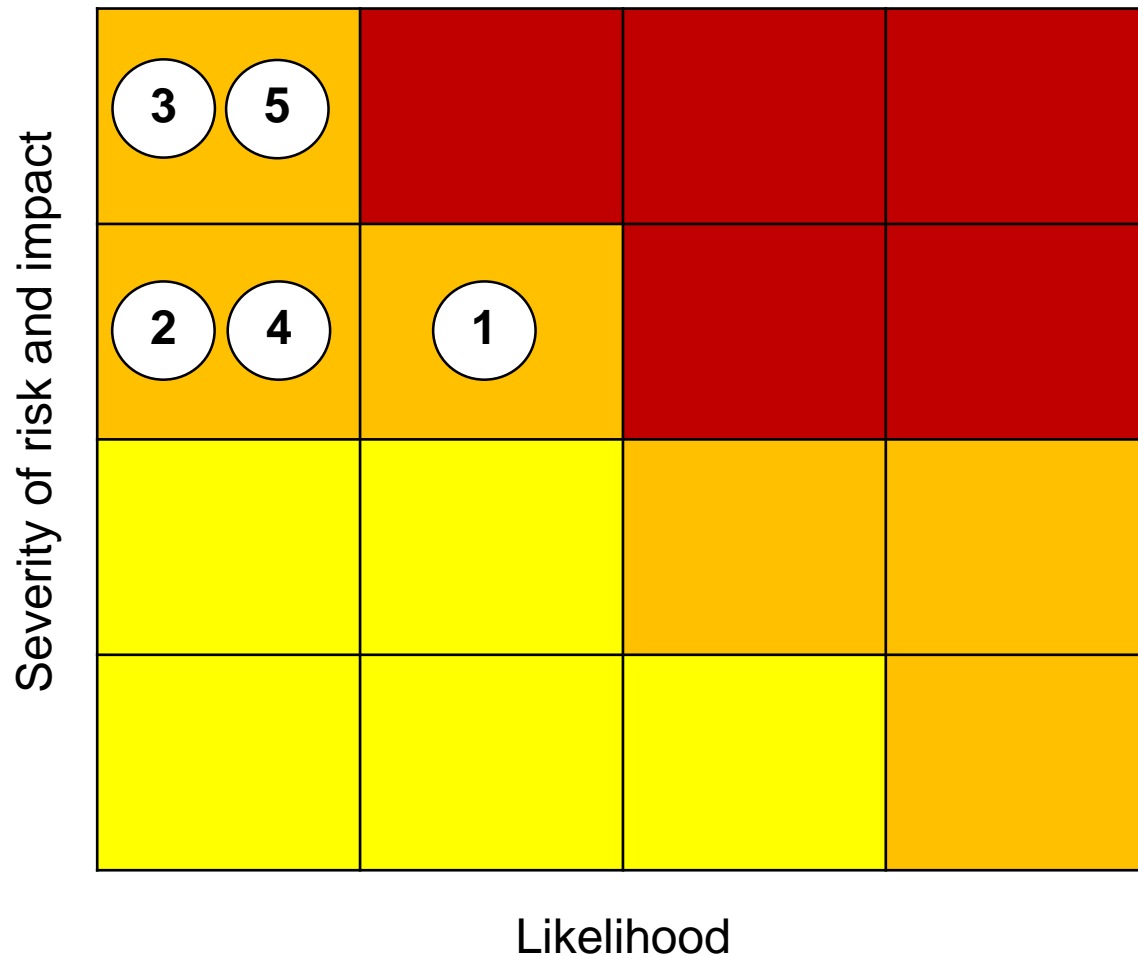
As reported on page 73 of 2018 Sustainability Report



As no suppliers and contractors had human rights salient issues, there were no additional mitigation measures.



2018 Human Rights Salient Issues



2018 Human Rights Salient Issues

- Customer's Data Privacy (Online Overall)
- Labour Practices in Lending Projects (SMEs)
- Labour Practices in Lending Projects (Corporate)
- Community Rights in Lending Projects (Corporate)
- Environmental Impacts in Lending Projects (Corporate)

High	High risks are human rights salient issues that need to be addressed with additional mitigation measures.
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1. Customer's Data Privacy (Online Overall)



RISK

- Cybersecurity attacks remain with increasing dependence on online systems.



MITIGATION

- Regular governance and oversight on risks by the Data and Cyber Security and IT Risk Management (DCSC) Team
- Implement Privacy Policy, customer data management/accessibility regulations and customer data disclosure guidelines to ensure secure customer data management
- 6 cyber security risk management strategies, such as proactive threat detection and cyber risk-aware culture, to ensure that our risk management is extensive and timely
- Strengthen cyber hygiene culture through cyber risk awareness programs/campaigns
- Strengthen detection and response capabilities by enhancing cyber security operation center in embedded threat intelligence capability, and increase visibility in the bank's environment.

2. Labour Practices in Lending Projects (SMEs)



RISK

- Forced labour / Child labour
- Unfair working conditions e.g. wages that do not guarantee an adequate standard of living, lack of basic amenities, unfair compensation package
- Unsafe working conditions e.g. poor working environment, inadequate health and safety measures



MITIGATION

- Integrate KBANK credit policy with environmental, social, and governance (ESG) risks management
- Establish credit underwriting based on sector-specific guidelines
- Interview customers how they acquire and manage labour
- Periodically visit customer sites, and continuously monitor local news
- Allow an external party to examine environmental and social issues and compliance with relevant regulations and laws

3. Labour Practices in Lending Projects (Corporate)



RISK

- Forced labour
- Unfair working conditions e.g. wages that do not guarantee, inadequate standard of living, lack of basic amenities, unfair compensation package
- Unsafe working conditions e.g. poor working environment, inadequate health and safety measures



MITIGATION

- Integrate KBANK credit policy with environmental, social, and governance (ESG) risks management
- Establish credit underwriting based on sector-specific guidelines
- Require third party audits for large projects
- Interview customers how they acquire and manage labour forces
- Require customers to setup labour grievance handling procedure
- Periodically visit customer sites, and continuously monitor local news

4. Community Rights in Lending Projects (Corporate)



RISK

- Release of pollutants, e.g. hazardous gas, heat, noise, vibration
- Sites close to sensitive area, e.g. community neighborhood, community forest, cultural-related buildings and landmarks, agricultural lands
- Forced resettlement
- Unfair compensation package



MITIGATION

- Ensure proper technology employed
- Conduct EIA / HIA with local participants
- Require third party audits for large projects, and to setup community grievance handling procedure
- Request borrowers to have plans that include reimbursement costs for resettlement (if any)
- Integrated KBANK credit policy with environmental, social, and governance (ESG) risks management
- Establish credit underwriting based on sector-specific guidelines

5. Environmental Impacts in Lending Projects (Corporate)



RISK

- Investments in carbon-intensive industries that intensify climate change impacts and create adverse impacts to livelihoods in the long run
- Release of pollutants, e.g. hazardous gas, heat, noise, vibration
- Substantial use of local natural resources
- Sites close to ecologically sensitive area – e.g. water resources, forest,



MITIGATION

- Ensure proper technology employed
- Conduct EIA / HIA with local participants
- Require third party audits for large projects
- Require borrowers to setup action plans, and allocated resources to cover adverse incidents
- Integrated KBANK Credit Policy with environmental, social, and governance (ESG) risks
- Target for investments in renewable energy projects



Remediation Actions Taken

In 2018, KBANK had no cases of human rights violation, nor concerns or grievances related to human rights submitted. Thus, there were no remediation actions necessary.





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