

KASIKORNBANK

Type of Engagement: Annual Review

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Introduction

In October 2018, KASIKORNBANK (“KBank”) issued a sustainable bond of USD 100 million under its Sustainability Bond Framework¹ (the “Framework”), which was updated in June 2020,² with the aim to finance projects related to: i) Renewable Energy, ii) Green Buildings, iii) Energy Efficiency, iv) Clean Transportation, v) Employment Generation, vi) Access to Essential Services, vii) Affordable Housing, and viii) Socio-economic Advancement and Empowerment. In December 2022, KBank engaged Sustainalytics to review the projects funded with proceeds from the 2020 KASIKORNBANK Sustainability Bond Framework. Sustainalytics provided a Second-Party Opinion³ on the 2018 Framework in October 2018 and a Second-Party Opinion⁴ on the 2020 Framework in June 2020. This is Sustainalytics’ fourth annual review of KBank’s sustainability bonds followed by annual reviews in December 2021, November 2020 and October 2019.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the sustainability bond issued in 2018 based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined in the 2020 KASIKORNBANK Sustainability Bond Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the KASIKORNBANK Sustainability Bond Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	<p>Financing for renewable energy projects, including the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products. Solar energy, biomass, biogas, and waste to energy projects can be included.</p> <p>For biomass energy, only the projects that meet below criteria will be included:</p> <ul style="list-style-type: none"> • not grown in areas converted from land with previously high carbon stock such as wetlands or forests • not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands - not suitable for human consumption 	Renewable energy generated (kWh)

¹ KBank, “KASIKORNBANK Sustainability Bond Framework”, (2018), at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KASIKORNBANK%20Sustainability%20Bond%20Framework.pdf>

² KBank, “KASIKORNBANK Sustainability Bond Framework”, (2020), at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank_Sustainability%20Bond%20Framework_June2020.pdf

³ KBank, “KASIKORNBANK Sustainability Bond Second-Party Opinion”, (2018), at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/Second%20Party%20Opinion%20from%20Sustainalytics.pdf>

⁴ KBank, “KASIKORNBANK Sustainability Bond Second-Party Opinion”, (2020), at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank%20Sustainability%20Bond%20SPO%20Update%20Final.pdf>

Green Buildings	Purchasing, construction or retrofitting building that meet national/international green building standards, such as TREES (Silver and above), LEED (Silver and above), BREEAM (Good and above) and DGNB (Silver and above).	Number of Buildings & Building Certification
Energy Efficiency	Projects or investments that aim to improve energy efficiency of buildings or manufacturing factories by more than 15% compared to the baseline	Green House Gas (GHG) emission avoided
Clean Transportation	Production and operation of clean transportation such as electric, hybrid, rail or non-motorized transportation. Transportation infrastructure, supporting above clean transportation	Green House Gas (GHG) emission avoided
Employment Generation	Supporting Small and Medium Enterprises (SMEs) ⁵ Loan given to SMEs, including, but not limited to, through below loan programs <ul style="list-style-type: none"> • Special Rate Overdraft for SMEs payroll program. The program aims to increase liquidity of KBank's SMEs payroll clients by adding opportunity for the customers to access lower cost of funding for their payroll payments. • Overdraft or Loan program for SMEs. The program will help entrepreneurs by providing credit limit more than their collaterals within the maximum credit limit of Baht 5 million. • Franchise Credit program. The loan program for entrepreneurs, who want to start new franchise businesses. This program will select customers from their future cash flow and require no or less collaterals than usual loan program. • Overdraft program for SME retail shops, who have credit limit less than Baht 3 million. The program is for SME retail shops, who need working capital for running their businesses but do not have collaterals. The program could help customers access to financial support easier, which could maintain their businesses to run smoothly and create value to SME retailers. The maximum OD limit is Baht 1 million. 	Number of SMEs, projects, farmers benefitted
Access to Essential Services	K-Personal Loan for Pensioners ⁶ The government has assisted government retirees by amending laws allowing them to pledge their inheritance rights to obtain loans from financial institutions. In response to the government's move, KBank has introduced K-Personal Loan for Pensioners to help government retirees receiving monthly pensions. This helps retirees gain access to bank loans, helping them meet their urgent liquidity needs, while benefiting from longterm, fixed rate amortized loan products. This loan typically provides lower than market interest rate, and with up to 30 years of maturity, it helps them manage loan payment burden as well.	Number of people benefitted from social projects
Affordable Housing	Special Rate National Housing Authority Home Loan Refinance Program. The National Housing Authority ⁷ is	Number of people benefitted from social projects

⁵ SMEs is defined as an individual or company with annual sales does not exceed Baht 400 million.

⁶ KBank, "K-Personal Loan for Pensioners", at: <https://www.kasikornbank.com/en/personal/Loan/personal-loan/Pages/k-personal-pensioner.aspx>

⁷ National Housing Association: <https://www.nha.co.th/information/>

	<p>state-owned enterprise under the Ministry of Social Development and Human Security of Thailand that aims to strengthen the security of housing and quality of life for low to middle income earners, as defined by the National Housing Authority.⁸ Their mandate is to provide target households with an opportunity to have a standard residence located in a good environment community with the price level that the target group can afford to pay. This program could provide a special home loan rate for the borrowers seeking to refinance their existing debt obligation.</p>	
<p>Socioeconomic advancement and empowerment</p>	<p>Vidyasirimedhi Institute of Science and Technology (VISTEC): KBank provides support for VISTEC to do research and development in the areas that are directly supporting sustainable development. The support is in a project to add value to organic waste, via waste-to-energy campaigns, that involve sorting of waste for conversion into energy for use in communities and for income generation in the future, with a support fund of Baht 9.5 million in 2018-2019. This project is aimed at addressing the garbage disposal problem that is one of the major causes of methane emissions and the increasing temperature of the planet. Both institutions will kick off the project in Nan.</p> <p>Investment in startups that are working on solutions that will advance Sustainable Development: Beacon Venture Capital Co., Ltd.⁹ is a wholly-owned venture capital fund of KBank, and it directly invests in domestic and foreign startups as well as overseas venture capital funds. Projects or startups that have clearly intended environmental or social benefits, including but not limited to eco-friendly products and services, products and services supporting circular economy, technologies or services connecting people in remote rural areas, can be included as Eligible Projects.</p> <p>All designated green and social projects should provide clear environmental and social benefits, which will be assessed and, where feasible, quantified by KBank.</p>	<p>Number of people benefitted from social projects</p>

Issuer’s Responsibility

KBank is responsible for providing accurate information and documentation relating to the details of the funded projects, including the description of projects, the amounts allocated and the projects’ impact.

Independence and Quality Control

A leading provider of ESG research and ratings, Sustainalytics conducted the verification of the use of proceeds from KBank’s sustainability bond. The work undertaken as part of this engagement included collection of documentation from KBank and the review of said documentation to assess conformance with the KASIKORNBANK Sustainability Bond Framework.

⁸ Target populations are carefully selected based on household income, and the minimum threshold differs depending on the region. For rent housing projects, households with a monthly income between USD 500-700 are eligible for properties in the Bangkok metropolitan area. Rural households with a monthly income between USD 300-450 will be eligible. Please refer to National Housing Association website to find more information

⁹ Beacon Venture Capital: <https://www.beaconvc.fund/about-us>

Sustainalytics has relied on the information and the facts presented by KBank. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by KBank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,¹⁰ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects do not conform with the use of proceeds criteria and reporting commitments in the KASIKORNBANK Sustainability Bond Framework. KBank has disclosed to Sustainalytics that the proceeds from the sustainability bond were fully allocated as of September 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2018 sustainability bond to determine if the projects aligned with the use of proceeds criteria outlined in the KASIKORNBANK Sustainability Bond Framework and above in Table 1	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2018 sustainability bond to determine if the impact of the projects was reported in line with the KPIs outlined in the KASIKORNBANK Sustainability Bond Framework and above in Table 1	All projects reviewed reported on at least one KPI per use of proceeds category.	None

¹⁰ Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the funded projects, including the description of the projects, the estimated and realized costs of the projects and the projects' impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to the projects.

Appendices

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Table 3: 2018 Sustainability Bond (USD 100 million)

Among the green projects financed by KBank, 92% of the proceeds were used for financing new projects while 8% of the proceeds were used for refinancing. Among the social projects financed by KBank, 62% of the proceeds were used for financing new projects while 38% of the proceeds were used for refinancing.

Use of Proceeds Category	Type of Project	Location	Impact Reported	Net Proceeds Allocation (USD million)
Renewable Energy	3.2 MW Solar Energy project	Thailand	4.5 Million kWh generated	1.75
	214.0 MW Solar Energy project	Vietnam	320 Million kWh generated	38.23
	9.4 MW Waste to Energy project	Thailand	56.9 Million kWh generated	2.89
Green Buildings	Green Building project	Samutprakarn, Thailand	Building is expected to receive LEED GOLD/Platinum certification after construction is completed in 2024	12.57
Employment Generation	Overdraft for SMEs payroll program	Thailand	309 beneficiaries	16.63
	Overdraft program for SME retail shops		1,547 beneficiaries	25.30
Access to Essential Services	K-Personal loan for pensioners			307 beneficiaries
Total				100

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