

KASIKORNBANK

Type of Engagement: Annual Review

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Introduction

In October 2018, KASIKORNBANK (“KBank”) developed the KASIKORNBANK Sustainability Bond Framework (the “Framework”), to issue a sustainability bond of USD 100 million aimed at financing 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) Socioeconomic Advancement and Empowerment. In June 2020, the Framework was updated to reflect KBank’s latest commitments towards sustainability. KBank subsequently issued a sustainability bond of EUR 155 million (USD 182 million) in August 2021.

In December 2021, KBank engaged Sustainalytics to review the projects and loans funded through the issued sustainability bonds and provide an assessment as to whether the projects and loans met the Use of Proceeds criteria and the Reporting commitments outlined in the KASIKORNBANK Sustainability Bond Framework.¹ The annual review 2021 includes the details of issuance of two sustainability bonds.² This is Sustainalytics’ third annual review of KBank’s Sustainability Bond following the previous reviews in November 2020 and October 2019.

Evaluation Criteria

Sustainalytics evaluated the projects, and loans funded with proceeds from two sustainability bonds issued between 2018 and 2021 based on whether the projects and loan programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the KASIKORNBANK Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the KASIKORNBANK Sustainability Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria

Use of Proceeds	Eligibility Criteria
Renewable Energy	<p>Production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products. Solar energy, biomass 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.
Energy Efficiency	Projects or investments that aim to improve energy efficiency of buildings or manufacturing factories by more than 15% compared to the baseline.

¹ KBank’s Sustainability Bond Framework and Sustainalytics’ SPO are available on KBank’s website at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/>

² KBank has issued two sustainability bonds in 2018 and 2021.

Green Buildings	Purchasing, construction or retrofitting buildings that meet national/international green building standards, such as LEED (Silver and above), BREEAM (Good and above), TREES (Silver and above) and DGNB (Silver and above).
Clean Transportation	Production and operation of clean transportation such as electric, hybrid, rail or nonmotorized transportation. Transportation infrastructure, supporting above clean transportation.
Employment Generation	Loans 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 • Overdraft or loan program for SMEs • Franchise Credit program • Overdraft program for SME retail shops
Access to Essential Services	K-Personal Loan for Pensioners Programme. ³ This specific loan helps retirees gain access to bank loans, helping them meet their urgent liquidity needs, while benefiting from long-term, fixed rate amortized loan products. This loan typically provides lower than market interest rate, and with up to 30 years of maturity.
Affordable Housing	Special Rate National Housing Authority Home Loan Refinance Program: The eligible targets are low to middle income earners, administrated by the state-owned National Housing Authority ⁴ based on numerous factors such as region and housing type.
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> • 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 for a period of 24 months. • Investment in startups that are working on solutions that will advance Sustainable Development. 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.

Table 2: Use of Proceeds and Key Performance Indicators

Use of Proceeds	Key performance indicators (KPIs)
Renewable Energy	Renewable energy generated (kWh)
Green Buildings	Number of Buildings & Building Certification
Employment Generation	Number of SMEs, projects, farmers benefitted
Access to Essential Services	Number of people benefitted from social projects

³ KasikornBank, “K-Personal Loan for Pensioner”, at: <https://www.kasikornbank.com/en/personal/Loan/personal-loan/Pages/k-personal-pensioner.aspx>

⁴ National Housing Authority, “Building project for low-income people”, at: <https://www.nha.co.th/view/2/home>

Issuing Entity’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of KBank’s Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from KBank employees and review of documentation to confirm the conformance with the KBank Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by KBank with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of KBank’s Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the KBank Sustainability Bond Framework. KBank has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of September 2021.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects and loans funded by the sustainability bonds from 2018 to 2021 determine if projects and loans align with the Use of Proceeds Criteria outlined in the KASIKORN 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 and loans funded by the sustainability bonds from 2018 to 2021 to determine if impact of projects and loans was reported in line with the KPIs outlined in the KASIKORN Sustainability Bond Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Table 1: 2018 Sustainability Bond (USD 100 million)

Use of Proceeds Category	Eligibility Criteria	Project or expenditure	Impact Reported	Allocation (million USD)
Renewable Energy	Renewable energy projects from solar or waste-to-energy are eligible.	5 solar power projects	382.95 million kWh generated	49
Employment Generation	Overdraft for SMEs payroll program	Overdraft for SMEs payroll program	940 beneficiaries	32.97
	Overdraft program for SME retail shops	Overdraft program for SME retail shops	1,402 beneficiaries	18.03
Total				100

Table 2: 2021 Sustainability Bond (EUR 155 million/ USD 182 million)

Use of Proceeds Category	Eligibility Criteria	Project or expenditure	Impact Reported	Allocation (million USD)
Renewable Energy	Renewable energy projects from solar or waste-to-energy are eligible.	1 waste-to-energy project	56.89 million kWh generated	5.67
Green Building	Purchasing, construction or retrofitting buildings that meet national/international green building standards, such as LEED (Silver and above), BREEAM (Good and above), TREES (Silver and above) and DGNB (Silver and above)	1 Green Building project	Building expected to receive LEED GOLD/Platinum after construction is completed and operations start in 2024	94.08
Employment Generation	Overdraft program for SME retail shops	Overdraft program for SME retail shops	6,183 beneficiaries	79.48
Access to Essential Services	K-Personal Loan for Pensioners Programme	K-Personal Loan for Pensioners program	287 beneficiaries	2.77
Total				182.00

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