

# KASIKORNBANK

**Type of Engagement:** Annual Review

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## Introduction

In 2019, KASIKORNBANK (“KBank”) issued sustainability bonds aimed at financing (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Access to Essential Services, (vi) Affordable Housing, (vii) Employment Generation, (viii) Socioeconomic Advancement and Empowerment. In October 2019, KBank engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the KBank Sustainability Bond Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the 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 Sustainability Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated the KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>Renewable Energy</b>	The 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. For biomass energy, only the projects that meet below criteria will be included: <ul style="list-style-type: none"> <li>• not grown in areas converted from land with previously high carbon stock such as wetlands or forests</li> <li>• not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands - not suitable for human consumption</li> </ul>
<b>Energy Efficiency</b>	Projects or investments that aim to improve energy efficiency of buildings or manufacturing factories by more than 15% compared to the baseline.
<b>Green Buildings</b>	Purchasing, construction or retrofitting buildings 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).
<b>Clean transportation</b>	Production and operation of clean transportation such as electric, hybrid, rail or non-motorized transportation. Transportation infrastructure, supporting above clean transportation.
<b>Access to essential services</b>	This Use of Proceeds focuses on K-Personal Loan for Pensioners programme. 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.

<b>Affordable Housing</b>	This Use of Proceeds focuses on Special Rate National Housing Authority Home Loan Refinance Program. The eligible targets are low to middle income earners, as defined by the National Housing Authority, with a special home loan rate for the borrowers seeking to refinance their existing debt obligation.
<b>Employment generation</b>	Loans given to SMEs, including, but not limited to, through below loan programs: <ul style="list-style-type: none"> <li>• 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.</li> <li>• Social Security Office (SSO) Soft Loans program: this program aims to support the country’s employment by providing SMEs which have already registered and paid for SSO at least 3 months with a special rate working capital.</li> </ul>
<b>Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>• Special Rate Loan for Tenant in New Mega Shopping Mall to be located on Chao Phraya Riverside program: One Tambon One Product (OTOP) is a local entrepreneurship stimulus program, which aims to support locally made and marketed products of each of Thailand's sub-districts.</li> <li>• Investment in technology that will have clear environmental or social benefits: KASIKORN BUSINESS-TECHNOLOGY GROUP(KBTG) works together with KBank to research and develop new technologies by which KBank intends innovate financial products and services in order to satisfy its customers’ needs.</li> <li>• 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.</li> <li>• 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.</li> </ul>

**Table 2: Key Performance Indicators**

Key performance indicators	
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Renewable energy generated (kWh)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Green House Gas (GHG) emission avoided (tonnes)</li> </ul>
<b>Employment Generation</b>	<ul style="list-style-type: none"> <li>• Number of SMEs, projects, farmers benefitted</li> </ul>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>• Number of people benefitted from social projects</li> </ul>

### 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, estimated and realized costs of projects, 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 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,<sup>1</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of KASIKORNBANK Sustainability Bond Framework, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sustainability Bond Framework. KBank has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of June 2019.

### Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bond in 2018 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainability Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1 and Appendix 2. For Exclusionary Criteria please refer to Appendix 3.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>1</sup> 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.

## Appendix 1: Allocation of Proceeds by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Environmental Impact Reported by Eligibility Criteria	Total Allocated in 2019 (USD in millions)
Renewable Energy	8	38.49
Green Building	2	26.47
Employment Generation	3	33.37
Access to Essential Services	1	1.67
<b>Total</b>	<b>14</b>	<b>100.00</b>

## Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Environmental Impact Reported by Eligibility Criteria
Renewable Energy	<ul style="list-style-type: none"> <li>7 solar power projects and 1 waste to energy project</li> <li>Renewable energy produced from 2018-2019 is reported as 108 million kWh</li> <li>Renewable energy installed from 2018-2019 is reported as 47 MW</li> </ul>
Green Building	<ul style="list-style-type: none"> <li>1 Green Building project is expected to earn LEED certificate GOLD from USGBC &amp; WELL after construction is completed and starting operation in 2023</li> <li>1 Green Building project is expected to earn LEED certificate GOLD from USGBC after construction is completed and starting operation in 4Q2020</li> </ul>
Employment Generation	<ul style="list-style-type: none"> <li>590 Overdraft for SMEs Payroll Program; 62 Franchise Credit Program; and 55 Overdraft Program for retail shops</li> </ul>
Access to Essential Services	<ul style="list-style-type: none"> <li>193 beneficiaries through K-Personal Loan for Pensioners</li> </ul>

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## Appendix 3: Exclusionary Criteria

KBank credit policy also has an extensive list of activities for which credit approval will be rejected. Examples include any illegal activities, money laundering activities, illegal commercial use of natural resources, weapons, market speculation activities, activities that may encroach upon or potentially damage natural coastal wetlands. Full list of excluded activities can be found at: <https://www.kasikornbank.com/en/sustainable-development/Report/Pages/report.aspx>

Loans for borrowers operating in, and not limited to alcohol, tobacco, weapons, munitions and fossil-fuel based energy production, fossil-fuel based transportation and related R&D activities will be excluded from the bond eligible project. Also, following the ASEAN Green Bond Standards, projects for fossil fuel power generation or any supporting infrastructures will be excluded from eligible projects.

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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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