

Second-Party Opinion

KASIKORNBANK Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the KASIKORNBANK (KBank) Sustainability Bond Framework is credible and impactful, and aligns with the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), Sustainability Bond Guidelines 2018 (SBG), and ASEAN Sustainability Bond Standards (ASEAN SUS). This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Access to Essential Services, (vi) Affordable Housing, (vii) Employment Generation, and (viii) Socioeconomic Advancement and Empowerment - are aligned with those recognized by the Sustainability Bond Guidelines which adheres to the Green Bond Principles and Social Bond Principles. Although the bond is not exclusively project based, Sustainalytics considers that the eligible green and social projects will provide meaningful environmental and socioeconomic contributions and advance the SDGs.



PROJECT EVALUATION / SELECTION A dedicated Sustainable Bond Working Group (SBWG) will oversee KBank's project selection process under the coordination of the Central Treasury Department and Sustainable Development Unit. KBank also formalized an environmental and social impact assessment process prior to project selection process, which Sustainalytics assesses as aligned with market practices.



MANAGEMENT OF PROCEEDS KBank's Central Treasury Department will manage the allocation of net bond proceeds to a project register in coordination with the Sustainable Development Unit and with the oversight of the bank's Office of Corporate Secretary. Pending full allocation, the unallocated proceeds will be invested in line with KBank's Banking Book Management Policy. Sustainalytics views this process to be in line with market practices.



REPORTING KBank commits to disclosing an allocation and impact report annually on the company's website. With regards to the allocation report, KBank will provide relevant transaction information such as the list of projects financed and their description or the amount allocated, among others. The impact report will comprise various KPIs on environmental and social topics such as the amount of renewable energy generated or the number of people benefitting from social projects. Sustainalytics assesses KBank's reporting commitments to be in line with market practices.

Alignment with the ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainability bond within Southeast Asia. Sustainalytics is of the opinion that the sustainability categories under the KBank Sustainability Bond Framework align with the ASEAN Sustainability Bond Standards.

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Issuer Location	Bangkok, Thailand

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Introduction

KASIKORNBANK (“KBank” or “the bank”) was established in 1945, and has been offering comprehensive financial solutions through its commercial banking business, securities business and other related businesses to its retail, Small and Medium Enterprises (SMEs), large corporate and institutional clients over the last 73 years. KBank has developed the KBank Sustainability Bond Framework (the “Framework”) under which it is planning to issue green, social or sustainability bonds and use the proceeds to finance, or refinance, in whole or in part, existing and future projects that improve access to affordable and renewable energy, as well as the financing of SMEs providing socially impactful projects. The framework defines eligibility criteria in four green and four social areas:

Green Eligible Categories

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation

Social Eligible Categories

1. Access to Essential Services
2. Affordable Housing
3. Employment Generation
4. Socioeconomic Advancement and Empowerment

KBank engaged Sustainalytics to review the KBank Sustainability Bond Framework and provide a second-party opinion on the alignment of the sustainability bond¹ with the Sustainability Bond Guidelines 2018 (the “SBG”), as administered by the International Capital Market Association (the “ICMA”),² and ensure that the green categories are aligned with the ASEAN Green Bond Standards, as administered by the ASEAN Capital Markets Forum.³ This framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Sustainability Bond Guidelines 2018
- The credibility and anticipated positive impacts of the use of proceeds
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

² ICMA’s Sustainability Bond Guidelines 2018:

<https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The ACMF has developed the ASEAN Green Bond Standards based on the ICMA’s GBP as they are internationally accepted and widely used for the development of national green bond guidelines or standards issued globally. ASEAN Green Bond Standards, dated November 2017, issued by the ASEAN Capital Markets Forum (ACMF): http://www.theacmf.org/ACMF/upload/ASEAN_Green_Bond_Standards

⁴ Kasikorn Bank, Sustainable Framework and External Report, at: <https://www.kasikornbank.com/th/sustainable-development/sustainability-bond>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

As part of this engagement, Sustainalytics exchanges information with various members of KBank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. KBank representatives have confirmed (1) they understand it is the sole responsibility of KBank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and KBank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that KBank has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the KBank Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the KBank Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), Sustainability Bond Guidelines 2018 (SBG), ASEAN Green Bond Standards (ASEAN GBS), ASEAN Social Bond Standards (ASEAN SBS), and ASEAN Sustainability Bond Standards (ASEAN SUS). Sustainalytics highlights the following elements of KBank's sustainability bond framework:

- Use of Proceeds:
 - The eligible categories under the Framework – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Access to Essential Services, (vi) Affordable Housing, (vii) Employment Generation, and (viii) Socioeconomic Advancement and Empowerment – are aligned with the Green Bond Principles 2018, the Social Bond Principles 2018, and the ASEAN Green, Social, and Sustainability Bond Standards. Sustainalytics believes that KBank's use of proceeds will provide positive environmental and social benefits in Thailand.
 - KBank intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive 90% of revenues from activities identified in the eligible categories. While Sustainalytics recognizes that the GBP, SBP, and SBG prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending, Sustainalytics views favourably the high threshold that KBank has established to consider a company eligible for inclusion.
 - The Renewable Energy category includes investments in solar, waste biomass to energy, biogas, and waste to energy projects, as well as the manufacturing of renewable energy components.
 - Regarding waste biomass to energy, KBank confirmed that projects use forestry and agricultural residues, waste from food crops and animal manure. Sustainalytics notes that KBank explicitly excludes palm oil operations, and encourages the Bank to favour projects which are sourced by well-managed forests and agricultural production.

- Regarding biogas, KBank confirmed that projects include anaerobic digestion activities, using wastewater from sugar production.
- Regarding waste to energy, KBank confirmed that projects include incineration activities, using industrial waste. Sustainalytics highlights that KBank confirmed the separation of recyclables before incineration activities, which is in line with the objectives of zero-waste circular economy.
- Regarding the manufacturing of components, Sustainalytics notes that KBank limits its lending to pure-play businesses to those that derive 90% of revenues from the manufacturing of renewable energy components.
- The Energy Efficiency category includes projects that aim to improve the energy efficiency of buildings and/or manufacturing factories by at least 15% compared to baseline. Sustainalytics views positively the use of a quantitative threshold and the exclusion of any infrastructure supporting fossil fuel power generation. Given the wide range of potential applications, Sustainalytics strongly encourages (i) the exclusion of any carbon-intensive industry and/or equipment, (ii) project-level reporting to provide assurance to investors of the environmental benefits, and (i) robust screening to ensure net-positive outcomes.
- The Green Buildings category includes investments in buildings which have received TREES (Silver and above), LEED (Silver and above), BREEAM (Good and above) and DGNB (Silver and above) certifications. Sustainalytics recognizes that the intended ratings of green building standards may not be viewed as market best practice; however, given the low degree of penetration of sustainable buildings in Thailand,⁶ Sustainalytics nonetheless views such ratings as beneficial given that setting achievable targets for as many buildings as possible will result in significant overall impact. Sustainalytics encourages KBank to finance buildings with higher standards as the penetration of green buildings increases in Thailand.
- The Clean Transportation category includes investments in the production and operation of clean transportation projects such as electric, hybrid, electric-powered rail, and non-motorized transportation, as well as the construction of supporting infrastructure. While Sustainalytics welcomes KBank's exclusion of fossil fuel-based transport, Sustainalytics considers an emissions threshold of 75 grams of CO₂ per passenger-kilometer (gCO₂/p-km) to be aligned with international emissions-reduction trajectories for low-carbon transportation, and thus considers the lack of a threshold as a limitation of the Framework.
- Sustainalytics views positively the following targeting of social projects, limiting financing to:
 - [Employment Generation] Provision of loans and overdraft programmes, aimed at increasing access to finance for SMEs with annual sales of up to 400 million Baht. Sustainalytics considers the threshold selected to be reasonable within the local context,⁷ and recommends KBank to ensure adequate targeting of SMEs, transparently disclose the projects and/or SMEs financed, and report on the impact achieved. (Please see Section 3: Impact of Use of Proceeds for additional information)
 - [Affordable Housing] Provision of loans⁸ granted through the Special Rate National Housing Authority Home Loan Refinance Program, administered by the state-owned National Housing Authority.⁹ Target populations, namely low- to middle-income earners, are based on definitions established by the Authority based on numerous factors such as region and housing type. Sustainalytics considers this reference to government definitions to strengthen the Framework.
 - [Access to Essential Services] Provision of K-Personal Loans for Pensioners,¹⁰ aimed at increasing access to financial services while decreasing the financial burden of government retirees.
 - [Socioeconomic Advancement and Empowerment] Vidyasirimedhi Institute of Science and Technology's research and development programmes that aim to address the

⁶ For example, in 2017, there were 113 buildings certified by LEED and only three buildings were certified by Green Mark. TREES, which was developed by Thai Green Building Institute, has certified 12 buildings from the total of 74 registered projects.

<https://www.sciencedirect.com/science/article/pii/S1876610217351317>

⁷ Although the Government of Thailand's official definition of SME is based on the number of employees (less than 200) and value of fixed assets (less than 200 million Baht), KBank's turnover-focused approach is in line with that taken by other banks in the Thai market. Furthermore, a sales-based approach is in line with that taken by other ASEAN countries such as Malaysia and Singapore, as well as the European Union.⁷ KBank is of the opinion that tracking based on sales turnover better reflects how the business is run.

⁸ As part of its affordable housing projects, KBank confirmed that the Bank provides favorable/affordable interest rates compared to market average or standard loans offered by the Bank

⁹ Target population is based on household income, and minimum threshold differs depending on the region. <https://www.nha.co.th/view/2/home#>

¹⁰ KBank confirmed that the Bank provides loans with lower interest rates and longer maturity through K-Personal Loans. Additional information on K-Personal Loans, at: <https://www.kasikornbank.com/en/personal/Loan/personal-loan/Pages/k-personal-pensioner.aspx>

garbage disposal challenge in Thailand, and start-ups that provide products and services with clear environmental and social objectives such as supporting circular economy and connecting residents in remote rural areas, among others. Sustainalytics views positively this use of proceeds category and, due to the wide variety of initiatives which may be included within these thematic areas, encourages KBank to report transparently and in detail on these investments.

- Given the broad application of the Framework, Sustainalytics recommends disclosing upon issuance of the bonds, the specific projects intended to be funded through bond proceeds, and the relevant eligibility criteria.
- In addition to KBank's internal credit policy which has a list of activities for which credit requests will be rejected, KBank has included specific exclusionary criteria, including alcohol, tobacco, weapons, munitions, fossil fuels and business violating environmental laws which act as a way to mitigate potential environmental or social risks associated with the eligibility criteria, ensuring that the bond proceeds will have a net positive impact.
- Project Selection Process:
 - KBank's project evaluation and selection process is executed through a dedicated Sustainable Bond Working Group (SBWG) comprising representatives from various corporate divisions coordinated by the Central Treasury Department and Sustainable Development Unit with the oversight of KBank's Office of Corporate Secretary. The SBWG is tasked with reviewing and approving eligible green and social projects, after the initial selection by the company's Credit Underwriting Department in coordination with the Corporate Credit Product Management, Corporate Segment Management and SME Segment Management Departments.
 - Sustainalytics notes that KBank has formalized an environmental and social impact assessment (ESIA) process on project finance prior to the project selection process which incorporates an E&S risk assessment toolkit comprising 25 indicators around five pillars: compliance with applicable regulations and/or standards, management systems, project site, environmental issues, social issues and labor issues. Sustainalytics assesses KBank's project selection process to be in line with current market practices, particularly considering that it incorporates the voluntary ESIA process and risk assessment tool.
- Management of Proceeds:
 - KBank confirmed that the allocation of the net bond proceeds to the project register will be managed by the Central Treasury Department in coordination with the Sustainable Development Unit and under the oversight of KBank's Office of Corporate Secretary. The management of proceeds will be executed through the company's internal information system and will be validated periodically, at minimum three times per year. The balance of unallocated net bond proceeds will be invested in cash or cash equivalent in line with KBank's Banking Book Management Policy. Sustainalytics assesses this process to be aligned with market practices.
- Reporting:
 - KBank commits to publish an annual allocation and impact report until the full allocation of the bond proceeds. The (i) allocation report will provide various transaction details such as the list of projects financed, the amount allocated to eligible projects, the portion of financing and refinancing and the unallocated proceeds. This reporting is in line with market practices. With regards to (ii) impact reporting, KBank will provide quantitative data on the environmental and social aspects such as renewable energy generated or the number of people benefitting from social projects, GHG emissions avoided or the number of SMEs, projects or farmers benefitting through the bond allocations.
 - Sustainalytics evaluates the scope and granularity of KBank's impact reporting to be in line with market practices.
 - KBank's commitment to engage with an external reviewer for its post-issuance annual report is viewed as market best practice.

Alignment with ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible green bond within Southeast Asia. Sustainalytics is of the opinion that the sustainability categories under the KBank Sustainability Bond Framework aligns with the ASEAN Sustainability Bond Standards. Appendix 2: Alignment to the ASEAN Sustainability Bond Standards.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the KBank Sustainability Bond Framework aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

Sustainalytics is of the opinion that KBank articulates a strong commitment towards a comprehensive approach to sustainability and responsible lending, and demonstrates a robust governance structure supporting these commitments due to the following elements:¹¹

- KBank's sustainability performance has been highlighted through the inclusion of the company in the Dow Jones Sustainability Indices in 2019 an achievement also outlined by the addition of the company in the FTSE4Good Energy Index 2019 for the third year. Both indices track the companies' sustainability performance and represent widely recognized industry benchmarks for sustainability referencing.
- To achieve its sustainability vision and mission, KBank outlined a Sustainable Development Policy applying to all of the bank's units, which is built upon 15 sustainability related topics structured around three pillars: (i) Economic Aspects, (ii) Social Aspects, (iii) Environmental Aspects. Sustainalytics highlights that KBank's Chairman of the Board and CEO has the formal obligation to navigate the organization towards sustainable development, while KBank Board of Directors has assigned the Corporate Governance Committee to supervise sustainable development operations.
- KBank had set and already achieved its 'Long-Term Target 2020' by 2018 to process 100% of the projects finance requests processed through its ESG assessment procedure, indicating the company's commitment to integrate ESG considerations and minimize its unintended environmental and social impacts.
- To effectively operationalize its responsible lending policy, the bank tailored ESG specific loan products and service channels such as K-Home Loan, K-Express Cash, K-Personal Loan, K-Personal Loan via K PLUS and others.¹² Sustainalytics highlights K PLUS Beacon, a mobile banking app to the visually impaired, K-e Savings Account Opening via K PLUS, a deposit scheme with no minimum amount requirements, or K-Personal Loan for Pensioners, Super Senior Fixed Deposit and Soft Home Loan Program for Seniors and Seniors' Children, and three special payment deferral financial arrangement systems targeting the support of borrowers heavily affected by natural disasters. Sustainalytics holds a positive view over KBank's implementation of this category of socially impactful financial products and considers them as a mechanism to disseminate best practices across the Thai banking market.
- Similarly, KBank has been financing environmentally impactful projects by supporting the deployment of renewable energy projects. KBank confirmed the allocation of loans totaling more than THB 16 billion (around USD 500 million) which enabled the generation of 3,546 MW of clean energy.
- KBank implemented a climate specific target to reduce its GHG emissions by 6.1% by 2023 compared to the 2018 baseline year. Sustainalytics notes the company's positive track record which indicates a carbon footprint reduction of 13.8% by 2018 compared to the 2012 baseline year.

Overall, Sustainalytics is confident that KBank is well positioned to issue sustainability bonds. The issuance of KBank's sustainability bonds aligns with the company's Sustainable Development Policy and will positively contribute to extend the scope of its socially and environmentally impactful lending offering.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the proceeds from KBank's Sustainability Bond Framework will be directed towards eligible green and social projects that are recognized as impactful under current market standards, Sustainalytics is aware that such projects may lead to unintended negative outcomes to KBank's lending activities. Some key environmental and social risks associated with KBank's use of proceeds categories may include disruption of ecosystems and biodiversity loss, waste mismanagement, health hazards due to improper waste management, workers' health and safety, fire hazards or community opposition, among others.

¹¹ KBank, Sustainable Development, available at: <https://kasikornbank.com/en/sustainable-development/Pages/index.aspx>

¹² Detailed descriptions for each ESG tailored loan product and service channels are available at: https://www.kasikornbank.com/en/sustainable-development/SDAnnualReports/2017_SD_EN.pdf

In addition to following all local laws and regulations, KBank implemented a five step ESG Credit Assessment Process¹³ including an environmental and social impact assessment (ESIA) for project finance. KBank has established credit policies and operations that manifest ESG responsibility, with an operational structure divided into management and transaction levels. The Credit Policy and Risk Management Department of the Enterprise Risk Management Division is responsible for monitoring and controlling projects to be supported by KBank and identified as having environmental and social impacts in order to identify environmental and social risks prior to loan approval or mitigate against those risks in the post-approval process. Reports on this issue will subsequently be submitted to the Corporate Governance Committee on a quarterly basis for comments and recommendations. In addition to the ESIA process, KBank developed an E&S risk assessment toolkit comprising 25 indicators around five pillars: compliance with applicable regulations and/or standards, management systems, project site, environmental issues, social issues and labor issues. Sustainalytics evaluated the scope and level of detail of the assessment tool and is of the opinion that it provides a strong framework for the environmental and social risk assessment and mitigation by the company along with the ESIA process due to the incorporation of relevant sustainability criteria. Furthermore, KBank implemented a Responsible Lending Policy designating guidelines for lending operations which incorporate ESG considerations on project finance, are aligned with ethical standards and do not violate human rights principles.

Overall, Sustainalytics is of the opinion that KBank's governance structures and internal processes for environmental and social risk mitigation have a level of robustness in line with current market practices. Sustainalytics considers that KBank is well placed to identify, manage and mitigate environmental and social risks commonly associated with its use of proceeds categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GBP, SBP and ASEAN SUS. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of renewable energy in Thailand

In 2008, Thailand's government published the Renewable Energy Development Plan, 2008-2022 (REDP), committing to supply 20% of final energy demand with renewable energy by 2020.¹⁴ Thailand's long-term goals are to reduce GHG emissions by 20-25% from the business-as-usual scenario by 2030, and to increase its share of renewable energy to 30% of total energy consumption by 2036, as decided in its Alternative Energy Development Plan (AEDP) 2015.¹⁵ However, according to Renewable Energy Outlook Thailand, a product of the Ministry of Energy of Thailand in partnership with International Renewable Energy Agency (IRENA), Thailand has the potential to increase the share of renewable energy consumption from 30% to as high as 37% by 2036.¹⁵ This would also reduce the cost of Thailand's energy system by almost USD 1.2 billion annually by 2036.¹⁵ Moreover, as energy demand in Thailand is expected to increase by 78% by 2036, and GDP by 126%, renewables will play an important part in fulfilling growing energy needs.¹⁵ In the Remap Options, an analysis tool used by IRENA, the two largest additional sources of potential energy are solar power, increasing from 6 GW to almost 17 GW, and onshore wind power, doubling from 3 GW to 6 GW.¹⁵ Overall, even if Thailand is one of the top performers in Asia in solar and wind power development, regulatory reform is still required in order to fully harness its potential.

Given this context, Sustainalytics is of the opinion that KBank's green lending activities for renewable energy projects will not only decrease the GHG emissions in Thailand but will also support Thailand's government to increase its renewable energy output and meet its climate change related goals.

Importance of supporting SMEs and employment generation in Thailand

SMEs in Thailand currently account for over 99.7% of the total number of enterprises in operation, the second highest rate in East Asia after South Korea which is situated at 99.9%.¹⁶ With over 80% of the employment in Thailand being currently secured through SMEs, estimates indicate that more than 20% of the export earnings are generated through the local network of SMEs.¹⁶ The Thailand government acknowledged the significance

¹³ More details on the ESG Credit Assessment Process and KBank's Risk Management and Risk factors available at: http://www.kasikornbank.com/EN/Social-Activities/Documents/Risk-Management-2015_EN.pdf

¹⁴ Thailand: Setting Ambitious Renewable Energy and Wind Targets; <https://cleanenergysolutions.org/policy-briefs/wind/thailand>

¹⁵ Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

¹⁶ Oxford Business Group, "Thailand's economic growth strategy focuses on small business", at: <https://oxfordbusinessgroup.com/analysis/ground-small-business-heart-government-growth-strategy>

of local SMEs to the national economy and approved the 12th National Economic and Social Development Plan (NESD, 2017-21) in accordance with the 20-year National Strategy 2017-2036¹⁷ which intends to spur competitiveness through green growth, enhanced human capital and reduced social disparities, among others.¹⁷

Based on the above, Sustainalytics views that KBank's proposed loan and overdraft programmes which are aimed at increasing access to finance for SMEs will provide lower capital cost and additional liquidity, thus freeing working capital and providing new investment capacities while supporting employment generation.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to Essential Services	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Socioeconomic Advancement and Empowerment	9. Industry Innovation and Infrastructure 10. Reduced Inequalities	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

¹⁷ Health Info in Thailand, "The 20-Year National Strategic Plan", at: https://www.hiso.or.th/hiso/picture/reportHealth/ThaiHealth2017/eng2017_16.pdf

Conclusion

KBank has developed the KBank Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Access to Essential Services, (vi) Affordable Housing, (vii) Employment Generation, and (viii) Socioeconomic Advancement and Empowerment.

The KBank Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the KBank Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank. Additionally, Sustainalytics is of the opinion that KBank has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Despite some of the limitations and wide range of potential applications outlined above, Sustainalytics is of the opinion that the projects financed by KBank can provide a positive social and environmental impact and encourages KBank to provide detailed reporting on the impact achieved. In this context, Sustainalytics positively highlights KBank’s commitment to perform an independent review of its annual reporting, which will be published on its website.

Based on the above Sustainalytics considers KBank to be well-positioned to issue green, social and sustainability bonds and believes that the KBank Sustainability Bond Framework is impactful, transparent and in alignment with the four components of the Green Bond Principles 2018, the Social Bond Principles 2018, the Sustainability Bond Guidelines 2018 (SBG) and the ASEAN Sustainability Bond Standards.

Appendices

Appendix 1: Comparison of Green Building Standards

	LEED	TREES	BREEAM	DGNB
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Thai's Rating of Energy and Environmental Sustainability (TREES) is a Thailand-specific rating scheme administered by the Thai Green Building Institute, a partnership between the Association of Siamese Architects and the Engineering Institute of Thailand. Established in 2009, the TREES system is designed for pre-construction and new or majorly refurbished buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.
Certification levels	• Certified • Silver • Gold • Platinum	• Certified • Silver • Gold • Platinum	• Pass • Good • Very Good • Excellent • Outstanding	• Bronze • Silver • Gold • Platinum
Areas of Assessment	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	• Building Management • Site and Landscape • Water Conservation • Energy and Atmosphere • Materials and Resources • Indoor Environmental Quality • Environmental Protection • Innovation	• Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Environment • Economic • Sociocultural and functional aspects • Technology • Processes • Site
Requirements	Prerequisites (independent of level of certification) + Credits with associated points	Point-based system, with varying numbers of points awarded in each of the eight credit categories.	Minimum requirements depending on the level of certification; scoring system weighted by	Percentage-based performance index The total performance index (expressed as a percentage) is

	These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector or construction type.	Total points (out of 85) then added together to obtain the certification level. Preconstruction projects are eligible to obtain up to 5% bonus for complying with local areas plans.	category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade.
Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.	Developed specifically for the local context, and endorsed by the Thai Ministry of Energy as part of the government's strategy to promote reduction in energy use. Lack of widespread adoption and limited international recognition.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.	DGNB certification is based on current European Union standards and norms and is being recommended by the German Federal Ministry of Transport, Building and Urban Development. DGNB System has partnerships in a number of countries, among which Bulgaria, Denmark, Austria, Thailand and Switzerland.
Performance display				

Appendix 2: Alignment to the ASEAN Sustainability Bond Standards

ASEAN Sustainability Bond Standards' Criteria	Alignment with ASEAN SUS	Sustainalytics' comments on alignment with the ASEAN Sustainability Bond Standards. ¹⁸
Eligibility	Yes	The ASEAN SUS requires that issuers must be located in or that the proceeds be directed to assets in an ASEAN country. As a Thailand-based institution, KBank qualifies.
Use of Proceeds	Yes	The ASEAN SUS offers specific clarification that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded; KBank has included criteria in the Framework to this effect.
Process for Project Evaluation and Selection	Yes	The ASEAN SUS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its framework, KBank has described a process by which a dedicated Sustainable Bond Working Group (SBWG) will ensure KBank's project selection process under the coordination by the Central Treasury Department and Sustainable Development Unit.
Management of Proceeds	Yes	The ASEAN SUS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within its framework, KBank has described the creation of a register to track the proceeds and described the temporary investments in which it will hold unallocated funds.
Reporting	Yes	The ASEAN SUS requires annual reporting on the allocation of funds and the expected impacts. KBank has committed to providing an annual report as long as there are bonds outstanding.
Annual Review	Yes	The ASEAN SUS encourages, but does not require, annual reviews. The KBank framework commits to engaging an external reviewer for post-issuance reporting.

¹⁸ For detailed comments on alignment with ICMA SBG, please see [Appendix 3](#).

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	KASIKORNBANK (KBank)
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: [specify as appropriate]	KBank Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 19, 2020
Publication date of review publication: [where appropriate, specify if it is an update and add reference to earlier relevant review]	This is an update of a SPO originally completed in October 2018

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds - (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 - are aligned with those recognized by the Sustainability Bond Guidelines which adheres to the Green Bond Principles and Social Bond Principles. Although the bond is not exclusively project based, Sustainalytics considers that the eligible green and social projects will provide meaningful environmental and socioeconomic contributions and advance the SDGs.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| ☐ Affordable basic infrastructure | ☒ Access to essential services |
| ☒ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☒ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | ☐ Other (<i>please specify</i>): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated Sustainable Bond Working Group (SBWG) will ensure KBank's project selection process under the coordination of the Central Treasury Department and Sustainable Development Unit. KBank also formalized an environmental and social impact assessment process prior to project selection process, which Sustainalytics assesses as aligned with market practices.

Evaluation and selection

- | | |
|--|---|
| ☐ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☐ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| ☐ Evaluation / Selection criteria subject to external advice or verification | ☒ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

KBank's Central Treasury Department will manage the allocation of net bond proceeds to a project register in coordination with the Sustainable Development Unit and with the oversight of the bank's Office of Corporate Secretary. Pending full allocation, the unallocated proceeds will be invested in line with KBank's Banking Book Management Policy. Sustainalytics views this process to be in line with market practices.

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☐ Allocation to a portfolio of disbursements |

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

KBank commits to disclose an allocation and impact report annually on the company's website. With regards to the allocation report, KBank will provide relevant transaction information such as the list of projects financed and their description or the amount allocated, among others. The impact report will comprise various KPIs on environmental and social topics such as the amount of renewable energy generated or the number of people benefitting from social projects. Sustainalytics assesses KBank's reporting commitments to be in line with market practices.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Number of beneficiaries

☒ Target populations

☒ Other ESG indicators (please specify): renewable energy generated

Means of Disclosure

- | | |
|--|---|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☐ Other (please specify): |
| ☒ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): allocation and impact | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.kasikornbank.com/th/sustainable-development/sustainability-bond>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (please specify): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialized research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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Sustainalytics

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