

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Framework

Krungthai Bank

16 February 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Financing Products

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) (as of February 2023)

Scope of verification

- Krungthai Bank's Green Financing Framework (as of February 14, 2024)
- Krungthai Bank's Eligibility Criteria (as of February 14, 2024)

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Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Krungthai Bank (“the Issuer”, “the Company”, or “KTB”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Financing Products by assessing three core elements to determine the sustainability quality of the instruments:

1. KTB’s Green Financing Framework (as of February 14, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association’s (LMA), Asia Pacific Loan Market Association’s (APLMA) and Loan Syndications and Trading Association’s (LSTA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of Green Financing Products with KTB’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

KRUNGTHAI BANK'S OVERVIEW

Krungthai Bank engages in the provision of commercial banking services. It operates through the following business segments: Retail Banking, Corporate Banking, Treasury and Investment, and Support and Others. The Retail Banking segment develops financial products and services. The Corporate Banking segment provides credit facilities and financial services to corporate clients. The Treasury and Investment segment controls the company's financial structure. The Support and Others segment includes middle offices, back offices, subsidiaries, and associated companies. The company was founded on March 14, 1966 and is headquartered in Bangkok, Thailand.

ESG risks associated with the Issuer Industry

KTB is classified in the Commercial Bank & Capital Markets industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies ¹ in this industry are: Business ethics, Labour standards and working conditions, Sustainability impacts of lending and other financial services/products, Customer and product responsibility, Sustainable investment criteria.

This report focuses on the sustainability credentials of the issuance. Part III. Of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

¹ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ² |
|---|---|-------------------------|
| <p>Part I:</p> <p>Alignment with GBP and GLP</p> | <p>The Issuer has defined a formal concept for its Green Financing Products regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green Bond Principles and the LMA/APLMA/LSTA Green Loan Principles.</p> | <p>Aligned</p> |
| <p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p> | <p>The Green Financing Products will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Energy Efficiency, Pollution Prevention and Control, , Terrestrial And Aquatic Biodiversity Conservation, Clean Transportation, Green Technology, Sustainable Water and Wastewater Management, and Green Buildings.</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p> <div data-bbox="517 1294 1098 1532" data-label="Image"> </div> <p>Additionally, Renewable Energy – Hydropower generation (>1000MW) has an obstruction to SDG 15 'Life on Land' at the same time.</p> <p>Process-related use of proceeds categories⁴ individually improve (i) the Issuer's operational</p> | <p>Positive</p> |

² The evaluation is based on the Krungthai Bank's Green Financing Framework (February 2024 version), and on the Eligibility Criteria as received on February 14, 2024, applicable at the SPO delivery date.

³ Renewable Energy, Green Buildings, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources And Land Use, Terrestrial And Aquatic Biodiversity Conservation, Clean Transportation, Green Technology, Sustainable Water and Wastewater Management, Climate Change Adaptation, Circular Economy Adapted Products, Production Technologies And Processes. and Green Buildings.

⁴ Energy Efficiency, and Sustainable Water and Wastewater Management

| | | |
|--|---|--|
| | <p>impacts and (ii) mitigate potential negative externalities of the Issuer’s sector on one or more of the following SDGs:</p> <div data-bbox="632 423 983 539" data-label="Image"> </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p> | |
| <p>Part III:</p> <p>Consistency of Green Financing Products with KTB’s Sustainability Strategy</p> | <p>The key sustainability objectives and the rationale for issuing Green Financing Products are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p> | <p>Consistent with Issuer’s sustainability strategy</p> |

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the KTB’s Green Financing Framework (as of February 14, 2024) with the ICMA’s GBP, and LMA’s, APLMA’s and LSTA’s GLP.

| GBP AND GLP | ALIGNMENT | OPINION |
|---|-----------|--|
| <p>1. Use of Proceeds</p> | <p>✓</p> | <p>The Use of Proceeds description provided by KTB’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer’s green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p><i>Additionally, Renewable Energy – Hydropower generation (>1000MW) has an obstruction to SDG 15 ‘Life on Land’ at the same time.</i></p> |
| <p>2. Process for Project Evaluation and Selection</p> | <p>✓</p> | <p>The Process for Project Evaluation and Selection description provided by KTB’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in the process for project evaluation and selection, in line with best market practice.</p> |

| | | |
|---|----------|--|
| <p>3. Management of Proceeds</p> | <p>✓</p> | <p>The Management of Proceeds provided by KTB’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 12 months in line with best market practice.</p> |
| <p>4. Reporting</p> | <p>✓</p> | <p>The allocation and impact reporting provided by KTB’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. KTB explains that the level of expected reporting will be at project portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported in the impact report, defines the reporting frequency of the impact reporting, and discloses the location and link of the report(s),⁵ in line with best market practice.</p> |

⁵ Krungthai Bank, <https://krungthai.com/en/about-ktb/sustainability/sustainability-reports>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCING PRODUCTS TO THE UN SDGs⁶

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer’s products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Financing Products’ Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS (PRODUCTS/SERVICES) | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--|-----------------------------|---|
| <p>Renewable Energy</p> <p><i>Reference to Thailand Taxonomy for the Green Criteria;</i></p> <ul style="list-style-type: none"> ▪ <i>Solar energy generation which is not dedicated to support fossil fuel infrastructure.</i> | <p>Contribution</p> |  |

⁶ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

- Wind energy generation which is not dedicated to support fossil fuel infrastructure.
- Geothermal power generation with emissions intensity less than 100 gCO₂e/kWh and align with Thailand Taxonomy Article in the section 4.1.4.
- Marine energy generation.
- Hydropower generation (<1000MW) which is eligible under Thailand Taxonomy article in the section 3.4.2 and 4.1.3

Renewable Energy

Reference to Thailand Taxonomy for the Green Criteria;

- Hydropower generation(>1000MW) which eligible under Thailand Taxonomy Article in the section 3.4.2 and 4.1.3

Contribution

Obstruction



Renewable Energy

Reference to Thailand Taxonomy for the Green Criteria;

- Energy production from natural gas, retrofitting of facilities that existing natural gas power plants to use green hydrogen and emissions intensity less than < 100 gCO₂e/kWh and align with Thailand Taxonomy.
- Electricity generation from renewable non-fossil gaseous and liquid fuels with emissions intensity less than 100 gCO₂e/kWh and align with Thailand Taxonomy:
 - including Green hydrogen⁷
- Bioenergy generation and production under Thailand Taxonomy Article in the section 3.4.1 and 4.1.5

Contribution



Energy Efficiency

Manufacture of energy equipment / technology / product that related to energy-efficient and meet national /

Contribution



⁷ The assessment is limited to the provided example only

international energy efficiency standards or label.

- *Equipment that certified by Label no. 5 by Electricity Generating Authority of Thailand and Ministry of Energy, Thailand*

Pollution prevention and control

- *Activities that systematically prevent and control pollution, promote environmental conservation such as installation of wastewater treatment systems, water conservation*

Pollution prevention and control

- *Activities that systematically prevent and control pollution, promote environmental conservation such as building or expansion of waste treatment facilities, recycling sorting plant and recycle projects etc.*
- *Waste Treatment including waste preparation such as collection, separation and recycling,*

Terrestrial and aquatic biodiversity

- *Terrestrial and aquatic biodiversity including protection of environment around watersheds, coastal areas, and seas.*
- *Landscapes Conservation and Restoration*

Clean Transportation

- *Rail transportation have zero direct (tailpipe) CO₂ emissions.*
- *Others passenger land transport have zero direct (tailpipe) CO₂ emissions.*
- *Urban and suburban passenger land transport have zero direct (tailpipe) CO₂ emissions.*
- *Freight transport by road with vehicles have zero direct (tailpipe)*

Contribution



Contribution



Contribution



Contribution



CO₂ emissions and not for fossil fuels transportation.

Clean Transportation

Reference to Thailand Taxonomy for the Green Criteria;

- *Sea and coastal water transport according to Thailand Taxonomy Table 15, along with additional criteria in section 3.5.1 and 3.5.2.*
- *Inland water transport with vessels have zero direct (tailpipe) carbon emissions and hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) carbon emission fuels or plug-in power for their normal operation until 31 December 2027.*

Contribution



Clean Transportation

- *Manufacturing of Electric vehicle and hybrid electric vehicle including Batteries for EV car, EV auto parts, Infrastructure and other facilities (e.g. EV charging station.)*

Contribution



Green Technology

- *Carbon Capture Technology and Energy Storage System*

Contribution



Sustainable water and wastewater management

- *Infrastructure of Drinking water production, Treatment, Storage/ Monitoring / Distribution*
- *Development of wastewater management.⁸*

Contribution



⁸ New, expansion, rehabilitation or retrofit of water treatment infrastructure, including but not limited to construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater, or wastewater.

Green Buildings (Building that meet standard or have been certified in the regional, international or domestic level for the environmental performance)

- *Leadership in Energy and Environmental Design (LEED)*
- *BREEAM (Building Research Establishment Environmental Assessment Method)*
- *Thai's Rating of Energy and Environmental Sustainable (TREES)*

Contribution







2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

KTB finances operations/processes in third-party sectors which are not listed in the Issuer’s Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.”

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

| USE OF PROCEEDS (PROCESSES) | OPERATIONAL IMPACT IMPROVEMENT ⁹ | SUSTAINABLE DEVELOPMENT GOALS |
|---|---|---|
| <p>Energy Efficiency</p> <ul style="list-style-type: none"> Supporting activities that create energy conservation or uses energy savings LED light bulbs Supporting activities that create energy conservation, e.g. Choose energy-efficient labeled products like the Label No.5 by Electricity Generating Authority of Thailand and Ministry of Energy, |  |  |
| <p>Sustainable water and wastewater management</p> <ul style="list-style-type: none"> Development of wastewater management. New, expansion, rehabilitation or retrofit of water treatment infrastructure, including but not limited to construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater, or wastewater. |  |  |

⁹ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

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- *Equipment installation for improving efficiency of water consumption.*

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The assets are and will be mostly located in Thailand, a few of transactions (if any) could be located in other countries Ex. Laos, Vietnam, U.S., etc.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

KTB has a sustainable development framework in place that encompasses the internal document "Responsible Lending Guideline Policy",¹⁰ aligned with an international standard approach. The Responsible Lending Guideline Policy supports the integration of ESG (Environmental, Social, and Governance) principles into KTB's banking services and operations.

The Responsible Lending Guideline includes risk management from customer screening to credit approval, encompassing environmental, social, and governance considerations. One of KTB's main objectives is to support lending to businesses or projects aligned with environmental, social, and ethical goals, following its strategic plans for economic development, circular economy, and the Bio-Circular-Green model (BCG Model). This includes initiatives such as green lending, energy conservation loans, support for ethical businesses, job creation, and overall economic development loans.

KTB excludes certain businesses and individuals from credit support based on specified criteria in the "Exclusion List." Additionally, specific guidelines (ESG Checklists) are established for evaluating credit approval for projects in industries with significant ESG risks. In the loan credit and approval process, identification, assessment (including screened by Exclusion List, then assessed by ESG Checklist. ESG risks needed to be assessed for Environment, Social, and Governance part) such as:

- To verify if projects have negative impacts to the environment, or increase pollution, or affect biodiversity.
- To check if projects passed the Environmental Impact Assessment EIA or Environmental Health Impact Assessment (EHIA) or get government approval (as applicable).
- To check if projects passed international standards for safety or qualified for green funding (if applicable) supported by external reviewer's comments.

¹⁰ The Bank has published the summary of their Responsible Lending Policy on their website. <https://krungthai.com/en/sustainability/growing-together/sustainable-finance>

- To not support businesses that use illegal labor or have a history involving illegality or corruption.

Control, monitoring, and appropriate risk management measures are implemented to prevent potential losses to the bank.

When project financing involves a size exceeding 300 million baht within industries associated with ESG risks, such as Petroleum, Power Plants (excluding Solar, Wind), Waste Management, Mining, Coal, Steel, Chemical Substances, Agriculture, etc., a specific Industry ESG checklist tailored to the particular industry will be employed. For all lending to large corporations and SMEs categorized as medium, a general ESG checklist will be utilized for assessment. In addition, KTB has confirmed that loans with a positive environmental contribution that meet the Eligible Criteria defined in the framework will be included in the green loan pools associated with the financing under the green financing framework.

For the monitoring process, the ESG Checklist needed to be reviewed at least once a year. In cases where environmental standards are reviewed within the timeframe and subsequently found that impacts to environmental and social. The credit unit should promptly review the appropriateness and necessity of the loan, along with information on reasons and suitable risk mitigation measures for credit review.

If projects have a negative impact on the Environmental, Social, or Governance aspects and lack procedures or processes to manage the risks in line with well-accepted and appropriate standards (OHSAS 18001, SA8000, CSR-DIW -ISO 26000 etc.) or relevant guidelines from related governance authorities, KTB will not support lending to these projects, if the borrowers could not demonstrate a satisfied mitigation plan to KTB. For instance, this includes a commitment not to increase lending exposure to coal mining projects that do not have Carbon Emission Control, even in general corporate finance.

ESG Guidelines into financing process for most sensitive sectors¹¹ financed under the Framework

As mentioned earlier, when project financing involves a size exceeding 300 million baht within industries associated with ESG risks, such as Petroleum, Power Plants (excluding Solar, Wind), Waste Management, Mining, Coal, Steel, Chemical Substances, Agriculture, etc., a specific Industry ESG checklist tailored to the particular industry will be applied. For all lending to large corporations and SMEs categorized as medium, as well as the earlier mentioned industries with less than 300 million baht, a general ESG checklist will be utilized for assessment.

Furthermore, apart from the checklist, for lending to projects or businesses related to or having an impact on the environment, the borrower must have a system for preventing and/or managing the impacts of hazardous substances and waste beyond the standards set by

¹¹ The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

relevant government agencies. Additionally, it must have documents verified by environmental experts for the following three points:

- Experience in projects similar to the proposed loan consultation on environmental matters.
- Financial stability and professional creditability in line with the standards of government agencies or organizations with regulatory responsibilities.
- Independence from any business associated with the customer or project owner.

ESG Guidelines into financing process for Forestry

Apart from applying Responsible Lending Guidelines in a systemic manner which includes identification, assessment (including screened by Exclusion List, then assessed by ESG Checklist. ESG risks needed to be assessed for Environment, Social, and Governance part) control, monitoring, and appropriate risk management measures are implemented to prevent potential losses to the bank.

However, It is not clear whether KTB has a tailored E&S risk assessment specifically for forestry projects and the related risks (e.g. responsible use of fertilizers and pesticides; alternatives to pesticides, herbicides, and fertilizers, compaction and productivity; fire management; reforestation with native species; and multi-age and multi-species instead of monocultures).

In cases where environmental standards are reviewed within the timeframe and subsequently found that impacts to environmental and social. The KTB's credit unit will promptly review the appropriateness and necessity of the loan, along with information on reasons and suitable risk mitigation measures for credit review. If any situation goes against the ESG guidelines, KTB will not support lending or limit the exposure to these projects.

ESG Guidelines into financing process for Agriculture / Fisheries / Aquaculture

Apart from applying Responsible Lending Guidelines in a systemic manner which includes identification, assessment (including screened by Exclusion List, then assessed by specific industry ESG Checklist. ESG risks needed to be assessed for Environment, Social, and Governance part) control, monitoring, and appropriate risk management measures are implemented to prevent potential losses to the bank.

However, it is not clear whether KTB's specific industry ESG checklist for agriculture has covered the following related risks for the agriculture sector (e.g. fertility; responsible use of pesticides, herbicides, and fertilizers; alternatives to pesticides; herbicides, and fertilizers; crop rotation; polyculture farming instead of monoculture farming (crop diversity); and crop residues and solid waste), for fisheries sector (e.g. net sizes and types; bycatch;) and for aquaculture (e.g. plant-based feeds from sustainable agriculture; cultivation of native species in bag nets, closed-wall sea-pens or equivalent systems; cultivation of non-native species

restricted to land-based tanks; risk prevention for local wild populations; stocking densities that minimize the risk of disease outbreaks and transmission; net loss prevention in fish protein yield; sedimentation; and fertilizers and chemicals).

In cases where environmental standards are reviewed within the timeframe and subsequently found that impacts to environmental and social. The KTB's credit unit will promptly review the appropriateness and necessity of the loan, along with information on reasons and suitable risk mitigation measures for credit review. If any situation goes against the ESG guidelines, KTB will not support lending or limit the exposure to these projects.

ESG Guidelines into financing process for Mining

Apart from applying Responsible Lending Guidelines in a systemic manner, which includes identification, assessment (including screened by Exclusion List, then assessed by ESG Checklist. ESG risks needed to be assessed for Environment, Social, and Governance part) control, monitoring, and appropriate risk management measures are implemented to prevent potential losses to the bank.

In addition, KTB requires loans for the Mining sector to follow the Green Mining Standard from the Ministry of Industry, Thailand, and assess the following requirements:

- If businesses have policies to manage negative environmental impacts.
- If businesses have a plan or process for waste management.
- If businesses have no negative news related to pollution management for the community.
- If businesses have policies for 3R (reuse, reduce, recycle).
- If businesses have passed EIA and EHIA.
- If businesses have a plan to manage or reduce GHG emissions.
- If businesses have a hearing process and procedure to manage the impact on the community.

If any situation goes against the ESG guidelines and the above requirements, KTB will not support lending or limit the exposure to these projects.

Labour, Health and Safety

The borrowers' labor, health, and safety performance will be assessed during the credit approval process through the ESG checklist under KTB's Responsible Lending Guideline Policy.



In the Health and Safety aspects, KTB will assess whether the borrowers have passed specific Health & Safety standards (e.g., OHSAS 18001), whether the projects have passed Environmental and Health Impact Assessment (EHIA), and

if the project's working environment satisfies health and safety standards from relevant governance authorities in Thailand.

In the Labor aspects, KTB will assess whether the borrowers have passed specific Labor standards (e.g., SA8000, CSR-DIW -ISO 26000), have no negative news related to illegal or child labor use, businesses have policies that support employees to engage in corporate social responsibility (CSR) projects, have policies to inform employees of their rights, have no negative news related to labor disputes and litigation in the past 3 years, and the borrowers have channels for receiving comments or complaints from employees or customers.

If any violation occurs against the above requirements, KTB will not support lending or may limit the exposure to these projects.

Biodiversity



KTB has adopted internationally recognized frameworks for sustainable project finance, such as the Equator Principles and the environmental and social performance standards of the International Finance Corporation (IFC). These frameworks provide an approach to governance for KTB in dealing with various types of loans and investments, including project finance and corporate finance, and enable the bank to ensure that it operates in a socially and environmentally responsible manner. The IFC standard is one of the core reference standards for KTB's Loan Policy and Responsible Lending Guideline Policy.

In addition, KTB also relies on national legislation to ensure respect of biodiversity. The national regulations include the Wildlife Preservation and Protection Act B.E. 2535 (1992),¹² and Wildlife Conservation and Protection Act, B.E. 2562 (2019),¹³ as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). With that, KTB has listed projects that have impacts on nature conservation areas, national park areas, wildlife sanctuary areas, and trade activities of endangered species, following the Convention on International Trade in Endangered Species of Wild Fauna and Flora, in its exclusion list, which is banned from its financing activities.

Community dialogue



KTB has adopted internationally recognized frameworks for sustainable project finance, such as the Equator Principles and the environmental and social

¹² ThaiLaw, 1992, Wildlife Preservation and Protection Act B.E. 2535 (1992) <https://data.opendevelopmentmekong.net/en/dataset/1d89caef-0f2c-4005-ba7a-d5a2f1686c69/resource/53666b27-bc00-4704-9673-5f72c8098c70/download/wild-animal-reservation-and-protection-act-b.e.-2535-1992.pdf>

¹³ ThaiLaw, 2019, Wildlife Conservation and Protection Act, B.E. 2562 (2019). https://data.opendevelopmentmekong.net/dataset/b1d7b378-61ee-46de-8a3c-dc94b4e6d446/resource/3f6084d5-8adc-4274-a841-a75a0cf1283c/download/t_0104.pdf (Thai only)

performance standards of the International Finance Corporation (IFC). These frameworks provide a robust approach to governance for KTB in dealing with various types of loans and investments, including project finance and corporate finance, and enable the bank to ensure that it operates in a socially and environmentally responsible manner. The IFC standard is one of the core reference standards for KTB's Loan Policy & Responsible Lending Guideline Policy. As such, the assessment of borrowers' hearing process and procedures to manage the impact on the community is part of the credit approval and assessment process.

In addition, KTB will check whether borrowers have conducted community dialogues or have processes in place for different stages of the projects during the credit evaluation process. This aims to uphold the high social standards for the financed projects, supported by the ESG checklist.

- Public hearing process from community in the area
- Procedure to mitigate impact to community (e.g. compensation schemes, etc.)
- Process to follow up and verify environmental quality of surrounded area.
- Grievance mechanisms for employee, and the community around the project location.

Responsible treatment of customers with debt repayment problems

KTB has a set of measures and monitoring processes in its loan policy & and procedures to prevent or mitigate risks associated with defaults. It's Credit team is responsible for monitoring customer's credit regularly starting from the approval stage until the debt is fully settled.

Pre-emptive Credit Monitoring

- ✓
 - Monitoring Compliance with Approved Credit Terms e.g. Purpose of Fund, All Condition Precedent, Financial Covenant and Non-financial Covenant, covenants limiting indebtedness, conservative loan-to-value ratios, Hedge Ratio to manage risk from the interest rate fluctuation (e.g. long-term fixed interest rates).
 - Regular Contact and Visits to Customers to uphold accurately the borrowers' status and business environment.
 - Monitoring the progress of borrowers involves tracking information from relevant and external sources.

- Monitoring compliance with Contract Terms: Enforcing conditions borrowers are required to fulfill prohibited from to acknowledge the KTB compliance requirement to borrowers.

Additionally, ensure maintenance of financial ratios at the specified levels and monitoring collateral regularly. This process also considers signals or probabilities that may indicate an increase in the customer's risk. Furthermore, review the General ESG checklist or Specific Industry Project ESG Checklist at least once a year. Quality-based customer classification Monitoring Loan Quality: Closely monitor the repayment status of clients, identifying signals of a liquidity shortage, analyzing cash flow projections, reviewing business plans, financial statements, and credit scoring, and engaging with the borrowers regularly.

Furthermore, KTB has a debt restructuring policy in place to address customers facing repayment challenges and to support them in sustaining their business while meeting their debt obligations. The debt restructuring policy encompasses:

- One-time repayment, partial repayment, or installment options.
- Relaxation of debt repayment conditions, including lower interest rates, reduced principal repayment amounts, debt moratoriums, increased credit limits, etc.
- Securities transferred for debt settlement, which can be both pledged or non-pledged. There may be agreements granting rights to debtors, such as the first right of refusal or buy-back options for the securities transferred to the bank, as per agreed terms.

Regarding the collateral policy, once the collateral with one of the following issues, KTB will not accept the asset as collateral according to their policy.

- Properties under litigation
- Land pending return
- Land in permanent forest reserves, national forest reserves, mangrove forests, national parks, and land designated for agricultural reform.
- Land with no access
- Land with transfer restrictions
- Land with conflicting rights documentation

In case that KTB need to process the collateral as last resort. They will comply to the Thailand's Civil and Commercial Law, and only selling collateral under conditions that are non-detrimental to borrowers.

Exclusion criteria

The Issuer policies exclude companies with negative environmental and social impact or active associate with

- Illegal or immoral businesses.
- Projects that have a negative impact on the environment breach natural conservation areas, or breach world heritage areas.
- Animal trade and related goods that involve endangered species.
- Involved in hoarding products that impact national economic and security.
- Involved in weapon trading, except for the Thai Government.
- Involved in the violation of human rights.
- Businesses that have significant negative impacts on the environment and society. For example, chemicals and harmful substances, waste management for harmful or radioactive substances, coal mining or trading, except for projects with carbon emission control, and nuclear power businesses.

In addition, according to KTB's 2022 sustainability report, KTB has implemented an Anti-Bribery and Corruption policy and reviewed its strategies and policies to ensure that they adhere to the Principles of Corporate Governance established by the Organization for Economic Co-operation and Development (OECD), laws related to the National Anti-Corruption Strategy, and international standards of good corporate governance. Furthermore, KTB has collaborated with stakeholders to identify solutions and develop risk management plans in line with its anti-fraud mechanisms. For instance, they deployed Robotic Process Automation (RPA) technology to review branch transactions and detect any suspicious activities.¹⁴

¹⁴ Krunghthai Bank, 2023, sustainability report 2022,
https://krungthai.com/Download/CSR/CSRDownload_74Sustainability_Report_2022_1.pdf

PART III: CONSISTENCY OF GREEN FINANCING PRODUCTS WITH KTB'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

| TOPIC | ISSUER APPROACH |
|----------------------|---|
| Strategic ESG topics | <p>The Issuer confirms that it has a sustainability strategy that segregates various aspects of its operations into three pillars, including accelerating mutual growth, adapting for a decarbonized future, and advancing inclusion and equality.¹⁵¹⁶ Specific topics deemed material by the Issuer are categorized under the three pillars of its sustainability strategy, including being strong from the inside out, managing risks, gearing forward with innovation, towards long-term mutual growth, in operations, in value chain, for employee, for society, and for communities. The Issuer confirms that material topics are determined through the use of a materiality assessment which is designed with reference to GRI standards, and has four main steps, including identification, prioritization, validation and report.</p> |
| ESG goals/targets | <p>To achieve its strategic ESG topics, the Issuer has set various intermediate goals to reduce Scope 1 and 2 emissions by 5%, 11% and 16% (in 2023, 2024 and 2025 respectively) from baseline year in 2022, a goal to reach Net Zero emissions for Scope 1 and 2 emissions by 2030, and a goal to reach Net Zero emissions for all scopes (including financed emissions) by 2065. The Issuer confirms that Scope 1 and 2 emission reduction goals are set with reference to SBTi, however these goals have not been verified or validated by the Science Based Targets Initiative (SBTi). The Issuer confirms that progress towards the goals are monitored on an annual basis and will be publicly disclosed in its sustainability reports.</p> |
| Action plan | <p>To achieve the ESG goals and targets, the Issuer has set out its Environmental Management Guidelines as its action plan to achieve ESG-related goals,¹⁷ with</p> |

¹⁵ Krungthai Bank, Sustainability Report 2022,

https://krungthai.com/Download/CSR/CSRDownload_74Sustainability_Report_2022_1.pdf

¹⁶ The Issuer confirms that further details regarding the Issuer's sustainability strategy and framework will be announced in its Sustainability Report 2023.

¹⁷ Ibid.

| | |
|-----------------------------|---|
| | <p>guidelines covering various aspects of the Issuer's operations, including:</p> <ul style="list-style-type: none"> ▪ Policy: establish an energy conservation policy that involves employees in energy management. ▪ Performance Goals: set guidelines and goals for energy, resource, and environmental management in short and medium term, which comply with standards, national laws and international sustainable development goals. ▪ Supervision: establish the Energy Conservation and Technology Committee to promote, control, and supervise energy conservation operations. ▪ Roles and Responsibilities: assign executives and employees to promote and implement policies and measures on resource management, environmental preservation, efficient use of energy and resources, and environmental conservation. ▪ Scope of Operations: require indoor energy management plans for the Issuer's buildings. <p>The Issuer confirms that they will apply different measures to reduce Scope 1 and 2 emissions, including building retrofitting, installation of solar PV and solar-powered field lights, air-conditioners and electric vehicle replacement.</p> <p>The Issuer also confirms that they address financed emissions by setting up an approach to identify climate-related risks and opportunities of clients and assessing the impacts on the Issuer, and providing clients with environmental products and services, including ESG-linked derivatives, environmental credit, business loans for energy and environment conservation, loans for the modification of machinery and equipment, interest-free loans for innovation, and loans for the installation of energy conservation household equipment.</p> |
| Climate transition strategy | The Issuer confirms to have formulated a climate resilience strategy based on its Framework for Identifying and Evaluating Climate-related Risk Business Impact. ¹⁸ |

¹⁸ Krunghthai Bank, Climate-related Financial Disclosure 2022, https://krungthai.com/Download/generalcontent/MediaFile_49952KTB_TCFD-Report_2022.pdf

| | |
|---|---|
| | <p>The Issuer confirms that climate-related measures include office building retrofitting and equipment enhancements.</p> <p>The Issuer also confirms to have developed a process to address financed emissions from its portfolio to identify climate-related risks and opportunities of clients.</p> |
| Top three areas of breaches of international norms and ESG controversies in the industry ¹⁹ | Financial market irregularities, Failure to mitigate climate change impacts, and Failure to prevent money laundering. |
| Breaches of international norms and ESG controversies by the Issuer | At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified. |
| Sustainability reporting | The Issuer reports on its ESG performance and initiatives on an annual basis. The report is prepared according to GRI Standards: Core option and supplementary indicators for scope of Financial Services Sector Disclosures, and the United Nations Global Compact Communication on Progress. The Issuer also reports its climate risks according to the Task Force on Climate-related Financial Disclosure recommendations. |
| Industry associations, Collective commitments | The Issuer is a member of the CSR Club of the Thai Listed Companies Association, a member of the Thailand Business Council for Sustainable Development, and has collaborated with The Biodiversity Finance Initiative (BIOFIN) under the United Nations Development Program. The Issuer is also a member of the working group for the Thai Bankers' Association's transition plan and the working group for biodiversity finance for The Agence Française de Développement (AFD). |
| Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework | - |

¹⁹ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

Rationale for issuance

KTB aims to promote access to environmentally friendly financial products for customers while also participating in transition to a low-carbon economy. KTB supports corporate clients as lead arrangers and distribution channels for Green Debentures and Sustainability-Linked Bonds. By expanding its Green Loan Portfolio, KTB will be able to address its financed emissions.

This is in line with KTB's goal to support customers in transitions to low-carbon society.

Opinion: *The key sustainability objectives and the rationale for issuing Green Financing Products are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

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the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Krungthai Bank commissioned ISS-Corporate to compile a Green Financing Products SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA's Green Bond Principles and LMA/APLMA/LSTA's Green Loan Principles and to assess the sustainability credentials of its Green Financing Products, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA Green Bond Principles
- LMA/APLMA/LSTA Green Loan Principles

ISSUER'S RESPONSIBILITY

PDG's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by PDG has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and LAM Green Loan Principles.

The engagement with PDG took place in December 2023 and February 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Green Financing Framework

ISS-CORPORATE 

members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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