

Second-Party Opinion

KASIKORNBANK Sustainability Bond

Evaluation Summary

Sustainalytics is of the opinion that the KASIKORNBANK (KBank) Sustainability Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. 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, (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.

Evaluation date	October 2018
Issuer Location	Bangkok, Thailand

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Alignment with the ASEAN Green Bond Standards

The ASEAN Green 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 green categories under the KBank Sustainability Bond Framework align with the ASEAN Green Bond Standards.

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 eight areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Access to Essential Services
6. Affordable Housing
7. Employment Generation
8. 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

As part of this engagement, Sustainalytics held conversations with the lead underwriter of the bond to understand KBank’s sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of KBank’s sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the KBank Sustainability Bond Framework and should be read in conjunction with that framework.

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 <https://kasikornbank.com/EN/about/pages/sustainable-development.aspx>

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, Social Bond Principles 2018, and ASEAN Green Bond Standards. Sustainalytics highlights the following elements of KBank's sustainability bond framework:

- Use of Proceeds:
 - The eight use of proceeds categories are recognized as impactful by the Sustainability Bond Guidelines 2018 which adheres to the Green Bond Principles 2018, the Social Bond Principles 2018, and the ASEAN Green Bond Standards.
 - The eligible projects under the green use of proceeds will provide meaningful environmental contributions in terms of improved access and affordability of renewable energy, improved energy efficiency, improved air quality due to decreased transport-related air emissions, supporting the transition towards a low-carbon economy. For further information on Sustainalytics opinion on the green use of proceeds categories and associated environmental impacts, refer to Section 3: Impact of Use of Proceeds.
 - The eligible projects under the social use of proceeds will positively contribute to providing:
 - improvement of living standards for underprivileged and marginalized targeted groups including government retirees and low to middle income earners by improving access to essential financial services and affordable housing
 - socioeconomic advancement and empowerment through a variety of programs including the One Tambon One Product (OTOP) local entrepreneurship stimulus program, R&D to innovate financial products and services, support to the Vidyasirimedhi Institute of Science and Technology which conducts R&D in the areas that are directly supporting sustainable development, and investments in startups focused on solutions that will advance sustainable development.

For further information on Sustainalytics opinion on the social use of proceeds categories and associated impacts, refer to Section 3: Impact of Use of Proceeds.
 - 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. While the Framework includes project-based lending, it also considers the inclusion of non-project-based lending activities and expenditures. Sustainalytics considers lending to the eligible categories as socially impactful in Thailand's local context. For further information refer to Section 3: Impact of Use of Proceeds.
 - 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.
 - 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.
- 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. Sustainalytics highlights that this is of particular importance given that some of the projects - such as the projects under Socioeconomic Advancement and Empowerment use of proceeds category including "Investment in technology that will have clear environmental or social benefits" and "Investment in startups that are working on solutions that will advance Sustainable Development" - are broad and do not provide detailed eligibility criteria. Thus, engaging with an external reviewer may provide a layer of assurance to ensure proceeds are directed to environmentally and socially impactful projects.

Alignment with ASEAN Green Bond Standards

The ASEAN Green 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 green categories under the KBank Sustainability Bond Framework aligns with the ASEAN Green Bond Standards. Appendix 2: Alignment to the ASEAN Green 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:

- KBank's vision to be the most innovative, dynamic and proactive customer-centric financial institution that creates sustainability for all stakeholders and to sustainably create world-class quality financial services, so as to achieve optimal benefits for all stakeholders.⁵
- KBank's sustainability performance has been highlighted through the inclusion of the company in the Dow Jones Sustainability Indices in 2018, an achievement also outlined by the addition of the company in the FTSE4Good Energy Index 2018 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 Policy⁶ 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' 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.
- 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. 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.⁷ Sustainalytics highlights K PLUS Beacon, a mobile banking app to the visually impaired, K-eSavings 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 20% by 2020 compared to the 2012 baseline year. Sustainalytics notes the company's positive track record which indicates a carbon footprint reduction of 8% by 2017.

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,

⁵ KBank Sustainability Report 2017 available at: https://www.kasikornbank.com/en/sustainable-development/SDAnnualReports/2017_SD_EN.pdf

⁶ KBank Sustainability Report 2017 available at: https://www.kasikornbank.com/en/sustainable-development/SDAnnualReports/2017_SD_EN.pdf

⁷ 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

health hazards due to improper waste management, workers' health and safety, fire hazards or community opposition, among others.

In addition to following all local laws and regulations, KBank implemented a five step ESG Credit Assessment Process⁸ 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.

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

Environmental Impacts

The categories under the green use of proceeds will be used for lending in the following four categories:

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

The environmental categories defined in the KBank Sustainable Bond Framework are recognized as having beneficial environmental impacts by the Green Bond Principles and ASEAN Green Bond Standards.

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 2020.⁹ 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) 2015.¹⁰ 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 2036.¹¹ This would also reduce the cost of Thailand's energy system by almost USD 1.2 billion annually by 2036.¹² 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.¹³ 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

⁸ 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

⁹ Thailand: Setting Ambitious Renewable Energy and Wind Targets; <https://cleanenergysolutions.org/policy-briefs/wind/thailand>

¹⁰ Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

¹¹ Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

¹² Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

¹³ Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

GW.¹⁴ 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.

Framework's criteria for green building projects

KBank's green building use of proceeds contemplates using proceeds towards 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 these green building standards may not be viewed as global market best practice; however, given the low degree of penetration of sustainable buildings in Thailand,¹⁵ Sustainalytics views such standards as sufficiently 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.

Social Impacts

The categories under the social use of proceeds will be used for lending in the following four categories:

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

The social categories defined in the KBank Sustainability Bond Framework are recognized as having beneficial social impacts by the Social Bond Principles.

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.¹⁷ The Thailand government acknowledged the significance 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 2017-2036¹⁸ which intends to spur competitiveness through green growth, enhanced human capital and reduced social disparities, among others.¹⁹ Sustainalytics considers that KBank's proposed projects fixing special loan rates to SMEs will provide lower capital cost and additional liquidity, thus freeing working capital and providing new investment capacities. Consequently, Sustainalytics views that KBank's special loan rates will provide indirect positive benefits to the network of SMEs in Thailand by also supporting their employment creation

Framework's definition of SMEs

KBank has defined SMEs as companies with annual sales of up to 400 million Baht. 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-focussed 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

¹⁴ Renewable Energy Outlook Thailand; https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_Outlook_Thailand_2017.pdf

¹⁵ 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>

¹⁶ <https://oxfordbusinessgroup.com/analysis/ground-small-business-heart-government-growth-strategy>

¹⁷ <https://oxfordbusinessgroup.com/analysis/ground-small-business-heart-government-growth-strategy>

¹⁸ <https://www.innovationpolicyplatform.org/content/thailand>

¹⁹ <https://www.innovationpolicyplatform.org/content/thailand>

by other ASEAN countries such as Malaysia and Singapore, as well as the European Union.²⁰ KBank is of the opinion that tracking based on sales turnover better reflects how the business is run. Sustainalytics considers the threshold selected to be reasonable within the local context.

Framework's definition for affordable housing projects

The Framework's criteria for affordable housing defines eligible loans as those granted through the Special Rate National Housing Authority Home Loan Refinance Program, administered by the state-owned National Housing Authority. 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.

Importance of programs to support socioeconomic advancement and empowerment

KBank's Framework lists several initiatives which it will fund, with the goal of promoting socioeconomic advancement. One such program is One Tambon One Product (OTOP), a program founded in 2001 and run by a department of the Interior Ministry designed to promote locally-made products from each of Thailand's more than 7,000 tambons, or sub-districts, and by doing so encourage entrepreneurship and economic development in all regions.²¹ Based on a similar program implemented in Japan, OTOP has been largely successful in "market[ing] local output and creating employment opportunities."²² KBank supports this program by offering preferred loans to tenants at the New Mega Shopping Mall to be located on Chao Phraya Riverside which provide marketing opportunities to OTOP entrepreneurs.

Another initiative contemplated by the Framework is the development of innovative products to meet unique customer needs. An example of this is the development of the K PLUS Beacon application, the first app in Thailand to provide secure online banking access for visually impaired individuals.²³ By allowing vulnerable individuals, in this case those with disabilities or the elderly, to access financial services, this program supports their socioeconomic empowerment.

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 programs.

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

²⁰ The Government of Singapore uses the threshold of S\$100 million, equivalent to over ₪2,000 million, Malaysia's is equivalent to ₪390 million, and Indonesia's equivalent to approximately ₪110 million.

²¹ <https://www.thaiembassy.sg/friends-of-thailand/p/what-is-otop>

²² <https://www.tandfonline.com/doi/abs/10.1080/02255189.2012.715082>

²³ <https://appadvice.com/app/k-plus-beacon-k-beacon/1318078466>

		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

Conclusion

KASIKORNBANK (“KBank”) has developed the KBank Sustainability Bond Framework with an intention of issuing multiple i) Green Bonds, or ii) Social Bonds, or iii) Sustainability Bonds under this Framework to finance, or refinance, a broad range of projects. The Framework identifies eligible categories in four green and four social categories that deliver positive environmental and social outcomes. Sustainalytics believes that KBank’s Framework is aligned with the Bank’s Sustainable Development Policy, the overall sustainability objectives of the Bank and that the environmental and social use of proceed categories will advance a number of key SDGs in Thailand.

Sustainalytics highlights that KBank’s definition for SMEs differs from the official definition used by the Government of Thailand. However, Sustainalytics considers this to be a reasonable approach given that KBank’s definition is i) in line with that taken by other banks in the Thai and ASEAN market, and ii) a sales-based definition is in line with that taken by other ASEAN countries such as Malaysia and Singapore, as well as the European Union. Additionally, by aligning the affordable housing use of proceed definitions for target populations with the National Housing Authority’s definitions and thresholds ensures that the social use of proceeds are credible with respect to targeting vulnerable populations.

Overall, by developing a broad use of proceeds criteria which are impactful, demonstrating a structured and transparent project selection and management of proceeds process, and reporting on both the allocation of funds and key social and environmental impacts, Sustainalytics considers the Framework to be fully aligned with the Sustainability Bond Guidelines, which adheres to the Green Bond Principles and the Social Bond Principles. Additionally, the green criteria of the Framework are fully aligned with the ASEAN Green Bond Standards. Sustainalytics is of the opinion that KBank is well positioned to issue bonds and that the KBank Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of GBP, SBP, SBG and AGBS.

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	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • Bronze • Silver • Gold • Platinum
Areas of Assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Building Management • Site and Landscape • Water Conservation • Energy and Atmosphere • Materials and Resources • Indoor Environmental Quality • Environmental Protection • Innovation 	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Environment • Economic • Sociocultural and functional aspects • Technology • Processes • Site
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector or construction type.</p>	<p>Point-based system, with varying numbers of points awarded in each of the eight credit categories.</p> <p>Total points (out of 85) then added together to obtain the certification level.</p> <p>Preconstruction projects are eligible to obtain up to 5% bonus for complying with local areas plans.</p>	<p>Minimum requirements depending on the level of certification; scoring system weighted by 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.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Percentage-based performance index</p> <p>The total performance index (expressed as a percentage) is 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.</p>

<p>Qualitative considerations</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>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.</p> <p>Lack of widespread adoption and limited international recognition.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.</p>	<p>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.</p>
<p>Performance display</p>				

Appendix 2: Alignment to the ASEAN Green Bond Standards

ASEAN Green Bond Standards' Criteria	Alignment with ASEAN GBS	Sustainalytics' comments on alignment with the ASEAN Green Bond Standards. ²⁴
Eligibility	Yes	The AGBS 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 AGBS offers specific clarification that fossil fuel power generation projects are excluded; KBank has included criteria in the Framework to this effect.
Process for Project Evaluation and Selection	Yes	The AGBS 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 AGBS 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 AGBS 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 AGBS encourages, but does not require, annual reviews. The KBank framework commits to engaging an external reviewer for post-issuance reporting.

²⁴ 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:	October 1, 2018
Publication date of review publication: [where appropriate, specify if it is an update and add reference to earlier relevant review]	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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:

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

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

Use of proceeds categories as per SBP:

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

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

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

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> 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):

KASIKORNBANK Sustainability Bond

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): renewable energy generated |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input checked="" type="checkbox"/> 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.)

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

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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 specialised 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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