

KASIKORNBANK

Type of Engagement: Annual Review

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Introduction

In 2018, KASIKORNBANK (KBank) issued sustainability bonds aimed at financing (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Access to Essential Services, (vi) Affordable Housing, (vii) Employment Generation, (viii) Socioeconomic Advancement and Empowerment. In 2020, KBank engaged Sustainalytics to review the projects funded through the issued sustainability bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the KBank Sustainability Bond Framework, updated in June 2020.¹ This is Sustainalytics' second annual review of KBank's Sustainability Bond following the previous review in October 2019.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2018 based on whether the projects, programmes, and companies financed:

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

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

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria
Renewable Energy	<p>The production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products. Solar energy, biomass and waste to energy projects can be included.</p> <p>For biomass energy, only the projects that meet below criteria will be included:</p> <ul style="list-style-type: none"> • not grown in areas converted from land with previously high carbon stock such as wetlands or forests • not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands - not suitable for human consumption.
Energy Efficiency	Projects or investments that aim to improve energy efficiency of buildings or manufacturing factories by more than 15% compared to the baseline.
Green Buildings	Purchasing, construction or retrofitting buildings that meet national/international green building standards, such as TREES (Silver and above), LEED (Silver and above), BREEAM (Good and above) and DGNB (Silver and above).
Clean Transportation	Production and operation of clean transportation such as electric, hybrid, rail or nonmotorized transportation. Transportation infrastructure, supporting above clean transportation.
Access to Essential Services	K-Personal Loan for Pensioners programme: ² This specific loan helps retirees gain access to bank loans, helping them meet their urgent liquidity needs, while

¹ The KASIKORNBANK Sustainability Bond Framework is available on KBank's website at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank_Sustainability%20Bond%20Framework_June2020.pdf

² <https://www.kasikornbank.com/en/personal/Loan/personal-loan/Pages/k-personal-pensioner.aspx>

	benefiting from long-term, fixed rate amortized loan products. This loan typically provides lower than market interest rate, and with up to 30 years of maturity.
Affordable Housing	Special Rate National Housing Authority Home Loan Refinance Program: The eligible targets are low to middle income earners, administered by the state-owned National Housing Authority ³ based on numerous factors such as region and housing type.
Employment Generation	Loans given to SMEs, ⁴ including, but not limited to, through below loan programs: <ul style="list-style-type: none"> • Special Rate Overdraft for SMEs Payroll Program: The program aims to increase liquidity of KBank's SMEs payroll clients by adding opportunity for the customers to access lower cost of funding for their payroll payments. • Overdraft or Loan program for SMEs: The program will help entrepreneurs by providing credit limit more than their collaterals within the maximum credit limit of Baht 5 million. • Franchise Credit program: The loan program for entrepreneurs, who want to start new franchise businesses. This program will select customers from their future cash flow and require no or less collaterals than usual loan program. • Overdraft program for SME retail shops: The program is for SME retail shops, who have credit limit less than Baht 3 million and need working capital for running their businesses but do not have collaterals. The program could help customers access to financial support easier, which could maintain their businesses to run smoothly and create value to SME retailers. The maximum OD limit is Baht 1 million.
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> • Vidyasirimedhi Institute of Science and Technology (VISTEC): KBank provides support for VISTEC to do research and development in the areas that are directly supporting sustainable development. The support is in a project to add value to organic waste, via waste-to-energy campaigns, that involve sorting of waste for conversion into energy for use in communities and for income generation in the future, with a support fund of Baht 9.5 million for a period of 24 months. • Investment in startups that are working on solutions that will advance Sustainable Development. Projects or startups that have clearly intended environmental or social benefits, including but not limited to eco-friendly products and services, products and services supporting circular economy, technologies or services connecting people in remote rural areas, can be included as Eligible Projects.

Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Renewable Energy	Renewable energy generated (kWh)
Green Buildings	Green House Gas (GHG) emission avoided (tonnes)
Access to Essential Services	Number of people benefitted from social projects
Employment Generation	Number of SMEs, projects, farmers benefitted

Issuing Entity's Responsibility

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

³ <https://www.nha.co.th/view/2/home>

⁴ KBank has defined SMEs as companies with annual sales of up to Baht 400 million.

Independence and Quality Control

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

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

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of KBank’s Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the KBank Sustainability Bond Framework. KBank has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of June 2020.

Detailed Findings

Table 3: Detailed Findings

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

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

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Project Description	Impact Reported	Total Allocated (USD in millions)
Renewable Energy	7 solar energy projects	37.6 MW installed capacity and 50,341,299 kWh of energy produced	22.04
	1 waste-to-energy project using municipal solid waste and residual wood as feedstock	9.4 MW installed capacity and 72,000,000 kWh of energy produced	9.43
Green Buildings	1 Green building project expected to obtain LEED certificate "Gold"	1 green building project expected to be completed and starting operation in 2Q 2021	29.21
Employment Generation	Overdraft for SMEs Payroll Program: Supporting SMEs with annual sales of up to 400 million Baht in accessing to funding for payroll payments	416 beneficiaries	14.36
	Overdraft for SME retail shops: Provision of working capital to small retailers with annual sales of up to 400 million Baht who do not have collaterals	1,947 beneficiaries	22.90
Access to Essential Services	K-Personal Loan for Pensioners. Increasing access to finance for government retirees through the provision of long-term, fixed rate amortized loan products	212 beneficiaries	2.06
Total			100

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5th Green Bond Pioneer Awards

Climate Bonds Initiative

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More information conference.climatebonds.net/awards



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Named

2015: Best SRI or Green Bond Research or Rating Firm
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The
Green Bond
Principles