

Kasikornbank

Type of Engagement: Annual Review

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Introduction

In October 2018 and December 2022, Kasikornbank (“KBank”) issued sustainability bonds of USD 100 million and USD 84 million (the “Sustainability Bonds”) respectively to finance or refinance projects related to renewable energy, green buildings, employment generation and access to essential services. In 2023, KBank engaged Sustainalytics to review the projects financed with proceeds from the KBank Sustainability Bonds (“Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the use of proceeds criteria and the reporting commitments outlined in the KBank Sustainability Bond Framework 2018¹ (the “Framework”), which was updated in June 2020². Sustainalytics provided a Second-Party Opinion on the Framework in 2018 and updated it in June 2020.³ This is Sustainalytics’ fifth annual review, followed by previous annual reviews in December 2022, December 2021, November 2020 and October 2019.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	<p>Financing for renewable energy projects, including the production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products. Solar energy, biomass, biogas, and waste to energy projects can be included.</p> <p>For biomass energy, only the projects that meet below criteria will be included:</p> <ol style="list-style-type: none"> i. not grown in areas converted from land with previously high carbon stock such as wetlands or forests ii. not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands -not suitable for human consumption 	<ol style="list-style-type: none"> i. Renewable energy generated (kWh)
Green Buildings	<p>Purchasing, construction or retrofitting building that meet national/international green building standards, such as TREES (Silver and above),</p>	<ol style="list-style-type: none"> i. Number of Buildings & Building Certification

¹ KBank, “KASIKORNBANK Sustainability Bond Framework”, (2018), at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KASIKORNBANK%20Sustainability%20Bond%20Framework.pdf>

² KBank, “KASIKORNBANK Sustainability Bond Framework”, (2020), at: https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank_Sustainability%20Bond%20Framework_June2020.pdf

³ KBank, “KASIKORNBANK Sustainability Bond Second-Party Opinion”, (2020), at: <https://www.kasikornbank.com/en/sustainable-development/sustainability-bond/SustainableBondFramework/KBank%20Sustainability%20Bond%20SPO%20Update%20Final.pdf>

	LEED (Silver and above), BREEAM (Good and above) and DGNB (Silver and above).	
Employment Generation	<p>Supporting Small and Medium Enterprises (SMEs)⁴</p> <p>Loan given to SMEs, including, but not limited to, through below loan programs</p> <ul style="list-style-type: none"> i. 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. ii. 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. iii. 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. iv. Overdraft program for SME retail shops, who have credit limit less than Baht 3 million. The program is for SME retail shops, who 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. 	<ul style="list-style-type: none"> i. Number of SMEs, projects, farmers benefitted
Access to essential services	<p>K-Personal Loan for Pensioners⁵ The government has assisted government retirees by amending laws allowing them to pledge their inheritance rights to obtain loans from financial institutions. In response to the government's move, KBank has introduced K-Personal Loan for Pensioners to help government retirees receiving monthly pensions. This helps retirees gain access to bank loans, helping them meet their urgent liquidity needs, while benefiting from long-term, fixed rate amortized loan products. This loan typically provides lower than market interest rate, and with up to 30 years of maturity, it helps them manage loan payment burden as well.</p>	<ul style="list-style-type: none"> i. Number of people benefitted from social projects

⁴ SMEs is defined as an individual or company with annual sales does not exceed Baht 400 million.

⁵ KBank, "K-Personal Loan for Pensioners", at: <https://www.kasikornbank.com/en/personal/Loan/personal-loan/Pages/k-personal-pensioner.aspx>

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from KBank's Sustainability Bonds. The work undertaken as part of this engagement included collection of documentation from KBank and the review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by KBank. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. KBank has disclosed to Sustainalytics that the proceeds from the 2018 and 2022 Sustainability Bonds were fully allocated as of September 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact by Eligibility Criteria

Table 3: 2018 Issuance Allocation and Reported Impact

In October 2018, KBank issued a sustainability bond and raised USD 100 million. As of September 2023, 100% of the net proceeds were allocated to finance or refinance the following projects.

Use of Proceeds Category	Type of Project	Location	Reported Impact	Net Proceeds Allocation (USD million)
Renewable Energy	3.2 MW solar energy project	Bangkok	4.5248 million kWh generated	2.00
	214 MW solar energy project	Vietnam	320 million kWh generated	35.81
Green Buildings	Green building project	Thailand	LEED Gold/Platinum certification is expected after construction is completed in 2024	13.03
Employment Generation	Overdraft programme for SME retail shops	Thailand	807 beneficiaries	46.27
Access to Essential Services	K-Personal loan for pensioners	Thailand	300 beneficiaries	2.89
Total				100

Table 4: 2022 Issuance Allocation and Reported Impact

In December 2022, KBank issued three sustainability bonds and raised USD 84 million. As of September 2023, 100% of the net proceeds were allocated to finance or refinance the following projects.

Use of Proceeds Category	Type of Project	Location	Reported Impact	Net Proceeds Allocation (USD million)
Renewable Energy	39 MW solar energy project	Cambodia	62 million kWh generated	8.51
	200 MW solar energy project	Vietnam	349 million kWh generated	23.85
Green Buildings	Green building project	Thailand	LEED Gold/Platinum certification is expected after construction is completed in 2024	10.11
Employment Generation	Franchise Credit	Thailand	124 beneficiaries	8.89
	Overdraft program for SME retail shops		1,886 beneficiaries	32.64
Total				84

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