# Environmental and Social Responsibility Policy

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Make REAL Change

## The Scope of Policy

The Policy provides framework for assessing and managing the E&S risks of the clients prior to carrying out financial activities with them for new /increase credit limit, annual credit review, except automated annual review process. It is applicable to

- Large Corporate and Mid Corporate customers having credit facilities, deposits, or fee businesses with the Bank
- Large, medium, and small SME customers having credit facilities with the Bank
- Retail (Secured and Unsecured) and auto lending customers
- The Bank's investment portfolios

The Policy governs the Bank and its financial group. Nevertheless, the financial group can apply and adopt the policy as deemed appropriate.

## Policy Statement

The Bank is determined to contribute to a better society and act as a good corporate citizen. The Bank recognizes that certain transactions and client engagements could result in indirect financial risks, such as environmental and social ("E&S") risks. The Bank recognizes that incidents of negative socio-environmental impact can be a significant source of reputational risk, which can lead to decrease in asset value or even losses to the Bank. Although the E&S risks may not pose immediate impact to the Bank, it undermines our long-term sustainability. The Bank aims to integrate the Environmental and Social Responsibility ("ESR") Policy ("the Policy" or "ESR Policy") into the Bank's daily operations. This helps not only to build a better society, but also to improve the Bank's performance in the long-run.

The Environmental and Social Responsibility Policy embodies the Bank's Environmental and Social standards. It is formulated from a risk management point of view, focusing on E&S

risks. The Policy encompasses three components in assessing the potential E&S risks of the clients:

1. E&S concerns on exclusion lists which the Bank cannot do business and
2. E&S concerns in general, including environmental and social issues, particularly human & labour rights ("general E&S risks"), and
3. E&S concerns on specific industries which the Bank either cannot do business or can do business given certain conditions be met

## Exclusion List

The Bank defines 41 business activities under 12 exclusion areas that are prohibited due to their controversial impacts on the environment and society. The list includes business activities that are potentially exposed to climate risks (physical and/or transition risks), or have potential negative impact to environmental degradation, or are associated with social risk.

| Areas | Exclusion List |
|---|---|
| 1. Gambling | 1) Gambling, casinos and equivalent enterprises |
| 2. Pornography | 2) Pornography, prostitution and adult entertainment |
| 3. Animal welfare | 3) Trade in wildlife and/or wildlife products |
| | 4) Production or trade in any product or activity deemed illegal under Thai laws or regulations or international conventions and agreements, or subject to international bans, such as wildlife or products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), IUCN Red List |

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| | 5) Animal testing for cosmetic purposes |
| | 6) Fur farms, the manufacturing or trading of fur products |
| | 7) Production and processing of Angora wool |
| | 8) Support of any type of animal fights for entertainment |
| | 9) Shark finning and shark fin products |
| | 10) Commercial whaling |
| 4. Controversial weapons | 11) Controversial weapons (anti-personnel landmines, cluster weapons, biological or chemical weapons, depleted uranium or plutonium weapons, and nuclear weapons) or Key Components thereof |
| | 12) Arms and weapons to countries listed in UN/EU Embargo |
| | 13) Production, development, maintenance, testing, stockpiling of and trade in incendiary weapons, including key components of incendiary weapons[2] |
| | 14) Use, production, development, maintenance, testing, stockpiling, of and trade in lethal autonomous weapons systems (LAWS), including key components of LAW[2] |
| 5. Energy | 15) Transaction related to nuclear energy[1] |
| | 16) Transaction related to oil sand (also called tar sand)[1] |
| | 17) Coal-fired power plants (applicable only for project finance) [1] |
| | 18) Transaction related to Arctic Oil & Gas[1] |
| | 19) Transaction related to Shale Oil & Gas[1] |
| | 20) Transaction related to Ultra-Deep-Water (UDW) Oil & Gas[1] |

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| 6. Fishery | 21) Drift net fishing in the marine environment using nets in excess of 2.5 km. in length |
| | 22) The use of dynamite or poison related to the catching of fish or shellfish |
| 7. Forestry | 23) Commercial logging operations for use in primary tropical moist forest |
| | 24) Production or trade in wood or other forestry products other than from sustainably managed forests |
| | 25) Own any plot of land for forestry and/or plantation that is suspected to be located inside or overlapped with a national protected area |
| | 26) Deforestation and/or burning of tropical rain forest |
| 8. Agriculture | 27) Palm oil that does not comply with Roundtable on Sustainable Palm Oil (RSPO) |
| 9. Genetic Engineering | 28) The development of genetic engineering or genetic modification on humans |
| | 29) The development of genetic engineering or genetic modification on plants and animals which harmful to humankind or used immorally |
| 10. Hazardous Chemicals | 30) Production or trade in any product or activity deemed illegal under Thai laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides / herbicides, ozone depleting substances, PCB |

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| | 31) Production or trade in or use of unbounded asbestos fibers. This does not apply to the purchase and use of bounded asbestos cement sheeting where the asbestos content is less than 20% |
| | 32) Production and use of hazardous or toxic substances that deplete the ozone layer as described in the Montreal Protocol signed by Thailand[2] |
| | 33) Production and use of hazardous or toxic substances that produce pollution under the Stockholm Convention on Persistent Organic Pollutants (POPs) signed by Thailand[2] |
| | 34) Imports and exports of chemicals and chemical waste under the Rotterdam Convention on the Prior Informed Consent Procedure for certain hazardous chemicals and pesticides in International Trade signed by Thailand[2] |
| | 35) Imports and exports of chemicals and chemical waste that violate the Basel Convention on the Control of Transboundary Movements of chemicals and chemical waste and their disposal or related rules and regulations signed by Thailand[2] |
| 11. Mining | 36) Activities related to coal mining, exploration and applicable to the coal mining entity |
| | 37) Business activities related to deep sea mining[2] |
| | 38) Business activities involved in the development of new metallurgical coal mines and expansion of existing mines[2] |
| 12. Protected areas | 39) Activities resulting in conversion or degradation of protected areas or critical habitats i.e., UNESCO World Heritage Sites |

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|---|---|
| | Protected areas, Ramsar Convention on Wetlands, High Conservation Value Forest (HCVF) |
| | 40) Business activities that do not prevent negative impacts on protected areas classified as Categories I-IV by the International Union for Conservation of Nature (IUCN), within both their business operations and the areas under their management[2] |
| | 41) Activities that convert wetlands, swamps, or other areas with high carbon stock[2] |

Remark:

[1]In case the customer has various types of business, the customer must provide Representative and Warrantee under facilities agreement that credit granted by the Bank will not be used in the business under exclusion list.

[2]This shall be applied to new credit or the extension of existing credit facilities since 16 May 2026 onwards.

## Environmental and Social Concerns in General (General E&S)

Aside from not engaging with clients who produce or trade in any products or activities that are illegal under Thai laws, as a good corporate citizen, we are morally obligated to ensure that the businesses of our clients are operated in compliance with relevant local environmental and social laws.

***Environmental issues***

- Clients are required to comply at a minimum with national environment laws pertinent to the business in which they operate. The Bank should not provide funding /services to entities which do not comply with the local regulations unless there are evidence that they are undertaking to improve / rectify their facilities / activities to meet the local environmental standards and / or regulations.
- For a transaction / engagement that may have an impact on the environment, the relevant Credit Approval Authority may decide on a case-by-case basis whether an

environmental audit conducted by a third party is required. In such a case, financing will only be allowed when the results of the audit confirm compliance with applicable (local and / or international) regulations.

- Using environmental responsibility of the clients as one of the facilities granting criteria should bring businesses into looking beyond short-term gains and more into the long-term profits and sustainability of their businesses.
- Prevent and mitigate invasive alien species to protect the ecosystem (IUCN Invasive Species) that could threaten the existence of native species and interfere with the ecosystem.

*Human and labour rights*

- The Bank shall not provide any funding or services to clients whose activities involve human and /or labour rights abuses and / or where such violations exist or are evident in their operations. Assessment of a client's business operating atmosphere and evidence of its ability and willingness to improve socio-environmental situations is a must.
- Assessment of a company's employment relationship can be done through a number of aspects, which include but are not limited to, the following:
    - ***Working conditions***: good physical working conditions and adequate health and safety measures and ensure equal treatment for workers including migrant workers. Clients should respect labour rights concerning health and safety at work, as described in the ILO conventions. Clients should work on systematically improving the health and safety of employees and develop a preventive culture in the field of health and safety.
    - ***Terms of employment***: include wages and benefits, number of working hours, compensation for overtime, leave term for illness, maternity leave and / or

holidays. The workers should also have equal opportunity and non-discrimination for their remunerations regardless of gender (equal pay for equal work) for full range of payments and benefits in the terms of employment. Under this aspect, the business should at a minimum meet the national labour laws.

- ***Employment of forced labour or child labour***: the business must not employ force, penalties, or abusive threats (physical and non-physical) on the workers. The business cannot employ children in economical unfair manners or in a condition that will likely be harmful to children in accordance with local laws.
- ***Supply chain***: the Bank should consider if there is any evidence in the supply chain that may be the result of sub-standard labour practices.

- The Bank's Human Rights Policy entails our commitment in respecting human rights to all stakeholders related to our business activities, in lining with the Universal Declaration of Human Rights, UN Guiding Principles for Business and Human Rights, UN Global Compact Principles, and International Labour Organization
- Respecting rights of children
- Provision for labour unions, representation, collective bargaining and grievance mechanism

*Land acquisition and involuntary resettlement*

- If a client's operations involve land acquisition and resettlement (physical and economic displacement), this should be carefully managed to prevent the likelihood of hardship and impoverishment for affected persons and communities (including indigenous peoples).

- Involuntary resettlement should be avoided or at least minimized. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities (including indigenous peoples) should be carefully planned and implemented with appropriate disclosure of information, consultation, and the informed participation of affected persons. This includes implementing the following actions:
    - *Compensation and benefits for displaced persons*: When displacement cannot be avoided, the client will offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their standards of living or livelihoods.
    - *Grievance mechanism*: The client needs to ensure that a grievance mechanism is in place to receive and address specific concerns.
    - *Social impact assessment, resettlement planning and implementation*: Where involuntary resettlement is unavoidable, the client will conduct a census to identify the persons who will be displaced by the project, understand the likely impacts on the affected persons and community, develop entitlement framework and determine who will be eligible for compensation. Free, prior, and informed consent (FPIC) from affected people (including indigenous peoples) must be uphold.
    - *Physical displacement*: If people living on the site of a client's operations must move to another location, the client will: i) offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation; and ii) provide relocation assistance suited to the needs of each group of displaced persons, with particular attention paid to the needs of the poor

and the vulnerable. New resettlement sites built for displaced persons will offer improved living conditions.

- *Economic displacement*: If land acquisition for the client's operations causes loss of income or livelihood, the client will promptly compensate these persons.
- *Government-managed resettlement*: Where land acquisition and resettlement are the responsibility of the government, the client needs to collaborate with the responsible government agency to the extent permitted by the agency to achieve outcomes that are consistent with best international practice.

*Community health, safety and security*

- It is also the client's responsibility to avoid or minimize these risks and impacts that may arise from operations or their products in line with the precautionary principle. This includes implementing the following actions:
  - Consultation and grievance channels
  - Infrastructure and equipment safety
  - Hazardous materials safety
  - Environmental and natural resource issues
  - Community exposure to disease
  - Increase in traffic
  - Emergency preparedness and response
  - Use of security personnel
  - Preventing the health and safety of their employees, customers, and communities in the operational areas

*Indigenous people*

- A client should ensure that during the course of operations, the identity, culture and natural resource-based livelihoods of Indigenous Peoples are respected and exposure to impoverishment and disease is prevented. This includes implementing the following actions:
  - Avoid or minimize adverse impacts
  - Engage with the affected communities of indigenous peoples which should be culturally appropriate and conduct a free, prior, and informed consultation (FPIC) from the group
  - Sharing development benefits
  - Traditional or customary lands and minimize the impacts on these lands
  - Relocation of indigenous peoples must comply with best international standards in case relocation is unavoidable.

*Cultural heritage*

- Consistent with the requirements of the Convention Concerning the Protection of the World Cultural and Natural Heritage, a client is required to avoid significant damage to cultural heritage due to their business activities.
- Impacts on cultural heritage typically involve the following:
  - During the construction of a client's facility(s), there may be physical impacts on previously unknown or undocumented resources that were fully or partially buried prior to the start of construction.
  - Incorporate community input from engagement and collaboration between clients and communities into the decision-making process.
  - Removal of cultural heritage should only be done if the client can demonstrate that the overall benefits of operations at a particular site outweigh the anticipated loss of cultural heritage.

- Legally protected cultural heritage areas by promoting and enhancing the conservation of the area.
- Use of cultural heritage by providing fair and equitable sharing of benefits from the commercialization of their cultural heritage.

## Environmental and Social Concerns on Specific Industries (Specific E&S)

There are specific activities / businesses to which the Bank pays extra attention on their environmental impacts and / or social responsibilities. Nonetheless, the business involvement can be carried out within pre-defined conditions. There are five activities / businesses on the ESR concern list:

*Defense/ weapons*

In any case, the Bank will not engage with companies that itself directly involved in Controversial Weapons whereas having activities related to producing, designing, developing, testing, researching, modifying, upgrading, servicing, maintaining, sustaining, stockpiling, supporting, trading of, and providing training, or (brokering, shipping or advisory) services regarding Controversial Weapons or Key Components thereof.

The term Controversial Weapons includes i) anti-personnel landmines, ii) cluster weapons, iii) biological or chemical weapons, iv) depleted uranium or plutonium weapons, and v) nuclear weapons.

Key Components are all kinds of materials, parts, and substances, (mechanic, electronic and digital) systems, devices, infrastructures, ancillary constructions (such as vehicles, vessels, aircrafts, carriers, missiles, launchers, and pods), services and programs, which can be considered dedicated to Controversial Weapons.

The Bank will ensure that engagements with companies, in the defense sector who deal with non-Thai government entities, will not relate to making available weapons, military

equipment, personnel, services, training, knowledge, technology, dual purpose goods or armed support to countries or countries that are sensitive to corruption or at a failed/fragile stage (e.g., protest/unrest events) in which there is a clear risk that the weapons are used for 1) serious violations of international humanitarian laws, 2) to provoke or prolong armed conflicts or aggravate existing tensions, or 3) for any other use which cannot be reasonably considered to have a normal and legitimate national security and defense purpose.

*Natural resources, energy and chemicals*

The natural resources and chemicals business in this Policy covers 4 sectors:

1. *Up- and downstream oil and gas activities*: The Bank shall take a very caution approach to financing upstream oil and gas activities. In addition, the Bank will restrict the total corporate lending portfolio to 5% in upstream oil and gas activities.
2. *Exploration and development of mines, quarries, and / or processing of metallic and / or non-metallic minerals, etc.*: These activities create negative impacts to the environment such as soil erosion, loss of biodiversity, contamination of ground water & surface water, etc. Besides the environmental damage, the contamination resulting from leakage of chemicals affects the health of local population, let alone the noise disturbances.
3. Chemical processing (e.g., dying of textiles) and development activities: The impacts on the environment vary. The substances that are used in the process and washed away with that water may result in polluted water that can be environmentally harmful. Clients should be mindful of the toxicity and hazards of the chemicals and by-products and establish clear protocols for handling and treating (e.g., labelling, transportation, storage, chemical/toxic waste treatment, etc.) appropriately and safely throughout the process as per precautionary principle. These protocols will

help control the exposures of toxic substances and chemicals to the workers and surrounding communities and reduce the risk to contaminate the environment.

The Bank does not finance a new project if the use/production/trade of refrigerants with high emission and related to Chlorofluorocarbon (CFC) (Refrigerant 11 (R11) and Refrigerant 12 (R12)).

4. ***Power generation (renewable energy)***: Clients are required to aligned with local laws and legal requirements and are encouraged to comply with the local/global standards and framework, if applicable (e.g., the International Hydropower Association, World Commission on Dams, etc.).

For this sector, the Bank does not finance a transaction unless the methods used in the operation meet at least the local industry standards, applicable environmental and social regulations and permit requirements in order to prevent and / or minimize any negative impacts. If required by the industry standards or relevant regulations, an Environmental Impact Assessment (EIA) from a certified assessor must be provided, evidencing limited impact. The Bank expects clients to have policies or certificates that address key risks.

The Bank acknowledges the impacts from coal-based energy on climate change, environmental qualities, and health of the surrounding communities and society at large. Thus, the Bank will not finance any new coal-fired power plant projects while existing financing is to run off; which is applicable for project finance in coal-fired power plant only.

*Production/trade in alcoholic beverages*

The Bank does not finance an entity that is involved in illegal production, trade or sale of alcoholic beverages, e.g., no license / illegal distillers, smuggled goods, companies involved in tax evasion. However, the Bank may do business with clients involved in the legal and socially responsible production, trade and sale of alcoholic beverages.

*Production/trade in tobacco*

The Bank does not finance illegal production, trade or sale of tobacco, e.g., smuggled goods, companies involved in tax evasion. However, the Bank may do business with clients involved in the legal and socially responsible production, trade and sale of tobacco.

Due to the growing health concerns of tobacco consumption, the Bank will exit from tobacco industry by 2023(1). This includes exposure to plantation, production, manufacturing and trading of tobacco and its products. While we respect the existing commitments to our clients, the Bank will not finance new ones and will gradually reduce our exposure to tobacco to zero by the end of 2023.

Remark:

(1) This does not apply to the entire value chain, specifically parties that are not fully dedicated to tobacco (i.e., retailers that sell tobacco products or companies engaged in transportation and packaging).

*Production/trade in radioactive materials*

The Bank does not finance any entity that is involved in the production and / or trade of radioactive materials. However, this does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Bank considers the radioactive source to be trivial and / or adequately shielded.

## Environmental and Social Management System (ESMS)

An Environmental and Social Management System (ESMS) is the process that the Bank establishes for a structural of policies, procedures, tools and internal capacity to translate our commitment to the environmental and social responsibility into practice. The process

enables the Bank to identify, assess, and manage the environmental and social risks that may occur from our business engagement with clients. The ESMS comprises of the following components.

1. *Screening transactions*

   Businesses that are on the list of the Bank's E&S Exclusion Businesses must be screened out.

2. *Conduct E&S (Due Diligence)*

   The E&S due diligence is to assess the environmental and social risks. The tools used are the Specific and General Questionnaires. The General Questionnaire is used to assess the environmental and social risks in general, depending on the nature of the activities/ business. This assessment must be undertaken with all clients under the scope of ESR Policy. The Specific Questionnaire is used to assess the environmental and social risks on specific industries. The Bank may request the opinion of third parties such as regulatory agencies, technically qualified persons or consultants to provide additional information to ensure a client's compliance with the applicable laws / regulations.

3. *Decision Making Process*

   The environmental and social risks assessment, completed prior to pursuing potential deals, is an integral part of the credit approval process. Upon completion of the General Questionnaire, a risk rating will be generated. All medium and high-risk credit applications, evaluated from environmental and social risks assessment, without proper risk mitigation are not allowed to further proceed for credit approval.

   The General Questionnaire will automatically generate a risk rating: low, medium, and high risk. For credit application with medium or high risk rating, Relationship

Management (RM), Underwriter, and ESR Officer and relevant committees will further evaluate the E&S risk and the appropriateness of corrective actions implemented by the client to resolve any concerned E&S issues previously identified. The corrective action plan includes a description of the specific mitigation actions to be taken by the client, a timeframe for implementation and a reporting requirement to inform the Bank on the status of completion.

4. *Monitoring*

The purpose of monitoring a client's environmental and social performance is to assess existing and emerging environmental and social risks associated with a client's operations during the transaction. Once a transaction has been approved, the Bank needs to monitor the client's ongoing compliance with the environmental and social clauses stipulated in the legal agreement. As environmental and social risks or compliance status may change from the time of transaction approval, the monitoring process requires a periodic environmental and social review as part of annual credit review. Monitoring Checklist is used for this process.

Furthermore, compliance with ESR Policy in the credit approval process is assessed when performing credit review by Independent Credit Review Function.

5. *Reporting*

The business units report internally to senior management on the sustainability performance of clients in ESR portfolio. The business units should document all findings from the due diligence, which will be considered during the decision-making process before proceeding with a transaction.

Periodic assessment on the environmental and social performance of transactions and measures taken to reduce environmental and social risks is

reported to the management to give the Bank a better understanding of its overall exposure to environmental and social risk through its portfolio.

## Climate-related Risk Management

The Bank and Financial Business Group recognize that climate change is one of the most important environmental issues. Climate-related risks may directly and indirectly affect the household sector, business sector, operations of financial institutions and overall economic and financial stability especially during the transition period. As a result, the Bank and Financial Business Group integrate climate - related risks into credit risk management as following 5 pillars in accordance with the Bank and Financial Business Group structure, size, and complexity of business operations and the materiality of environmental risks to the business operation in order to effectively manage climate-related risks and mitigate potential impacts.

1. Risk Appetite

   The Bank and Financial Business Group shall integrate climate-related risks into the risk appetite framework and develop climate - related risk appetite statement through climate-related risk metrics under both quantitative and qualitative terms as well as cascade down from the Bank and Financial Business Group level to lower level as deemed appropriate.

2. Credit Lending

   The Bank and Financial Business Group shall integrate climate-related risks into all stages of the credit life cycle. The Bank and Financial Business Group intend to support positive change to a low-carbon economy as well as aiming to limit potential negative impacts from climate-related risks.

3. Risk Management

   3.1 Risk Identification

   Environmental risks mean the probability of loss to business from the issues of environmental and climate change which includes business conduct of clients

or counterparties that create negative externalities such as greenhouse gas emissions, deforestation and destroying biodiversity, polluting (air, land, and ocean), creating toxic material and waste. All of which could have both direct and indirect impacts upon the Bank's and its stakeholder's financial status and reputation. This can be divided into physical risk and transition risk.

- Physical risk means the probability of losses to assets and business operations due to acute natural disasters and chronic environmental changes that can occur slowly over time. Physical risks can be classified into acute physical risk and choric physical risk.
- Transition risk means the probability of losses to assets value, competitiveness, and relevant business operations from changes in various factors including consumers' and investors' preferences, official regulations and policies, and technology developments to address environmental issues and transition towards a low carbon economy.

Climate-related risks can impact macroeconomic, business and household income and/or wealth. Climate-related risks can potentially impact the Bank and Financial Business Group' credit risk if climate-related risks adversely impact on the customer's or counterparty's ability to repay and service debt or on the Bank and Financial Business Group' ability to fully recover the value of a loan in the event of default since the value of any pledged collateral or recoverable value has been reduced. The potential effects of climate-related risk drivers can be summarized as follows;

- Physical risk drivers are the changes in weather and climate that lead to physical risks and impact on the economy, the Bank and Financial Business Group. Physical risk drivers can damage property and other

infrastructure, negatively impact cash flows of the Bank and Financial Business Group' customer or counterparty as damaged property will generate less income, disrupt business supply chains, impact agricultural output, human working conditions and health, etc.

- Transition risk drivers are the societal changes arising from the transition to a low-carbon economy. Transition risk drivers may affect changes in production, sales and profitability of the Bank and Financial Business Group' customer or counterparty in the transition towards a low-carbon economy or may generate stranded assets which are no longer able to earn an economic return and the devaluation of these assets pledged as the Bank and Financial Business Group' collaterals could result potential credit losses for the Bank and Financial Business Group.

3.2 Risk Assessment and Measurement

The Bank and Financial Business Group shall assess climate-related risks by using climate-related scenario analysis and assess both qualitative and quantitative impacts during the appropriate time frames. The frequency of risk assessment and review should be set in accordance with the level of significance of the customer or counterparty, business group, type of transaction. or asset portfolios of the Bank and Financial Business Group. At portfolio level, the Bank and Financial Business Group shall assess and identify the credit portfolio based on industry exposures that are vulnerable to climate-related risks. At the transaction level, the Bank and Financial Business Group shall assess climate-related risks and opportunities of the onboarding customer or counterparty or during annual review of the existing customer or counterparty. The Bank and Financial Business Group shall use both qualitative

and quantitative analysis as well as include forward-looking components such as the transition plans and adaptive capacities of the customer or counterparty. The Bank and Financial Business Group shall engage with the customer or counterparty to understand carbon intensities and their business plans for climate-related risk mitigation.

3.3 Risk Control and Mitigation

At portfolio level, the Bank and Financial Business Group shall develop and regularly review exclusion list to avoid transactions that have a serious negative impact on the environment, industry targets to increase the proportion of environmentally friendly transactions and industry concentration limit to effectively manage climate-related risks at an acceptable level. At transaction level, the Bank and Financial Business Group shall develop concrete control and mitigation measures within specified timeline or incorporate environmental risks into interest rate determination or collateral valuation for high risk customer or counterparty. The Bank and Financial Business Group shall take into account the customer's or counterparty's adaptation of the exit from environmental-unfriendly activities as well.

3.4 Risk Monitoring and Reporting

At portfolio level, the Bank and Financial Business Group shall monitor actual climate- related risk profile against risk appetite and industry concentration limit and report to senior executives and relevant Committees on a regular basis. At transaction level, the Bank and Financial Business Group shall monitor climate-related risks and the progress on environmental implementation plan especially for high risk customer or counterparty and report to senior executives and relevant Committees on a regular basis. Given the evolving nature of climate-

related risks, the Bank and Financial Business Group shall monitor evolution of climate-related risks and ensure that the risk monitoring shall keep pace with the latest developments on climate change.

4. Capital Management

   The Bank and Financial Business Group shall integrate climate-related risk scenarios into scenario analysis and stress testing and assess both qualitative and quantitative impacts. The Bank and Financial Business Group expect to have adequate capital to support the risk profile and business plan without a need to raise capital under both baseline and stress scenarios.

5. Disclosure

   The Bank and Financial Business Group shall disclose climate-related risk management in terms of quantitative and qualitative aspects to the public in accordance with regulatory requirements at least annually.

## Sector-specific Policy

### 1 Power Generation Sector Policy

The power generation sector is one of the major contributors to global greenhouse gas emissions. This sector is exposed to both physical and transition climate-related risks.

Power Generation Sector Policy aims to provide guiding principles / targeted climate-related risk management for customers operating in Power Generation Sector.

#### 1) Scope

This Policy applies to the following business activities under Power Generation Sector :

1. Coal-fired power plants
2. Nuclear power plants
3. Renewable electricity generation
4. Natural gas power plants

#### 2) Exclusion / Financing activities

**Exclusion activities**

The Bank shall not engage in the following new business activities due to their significant climate-related risks, including providing new credit or the extension of existing credit facilities:

1. Coal-fired power plants

   The Bank shall not provide project financing to coal-fired power plants.

2. Nuclear power plants

   The Bank shall not provide credit facilities to nuclear power plants.

**Financing activities:**

The Bank promotes the following business activities:

1. Renewable electricity generation e.g., solar, wind.
2. Power plants using other fuels, e.g., biomass, biogas and waste.

Power generation must comply with the environmental impact assessment requirements including:

- The business type;
- Environmental information disclosure;
- A greenhouse gas emissions management plan;
- Monitoring of compliance with preventive and mitigation measures;
- Monitoring and examination of environmental quality within the project site and surrounding communities

The assessment of climate-related risk shall be conducted through questionnaires prescribed under ESR Guideline.

## 2 Transportation Sector Policy

The transportation sector is one of the major contributors to global greenhouse gas emissions. This sector is exposed to both physical and transition climate-related risks.

Transportation Sector Policy aims to provide guiding principles / targeted climate-related risk management for customers operating in Transportation Sector.

### 1) Scope

This Policy applies to the following business activities under Transportation Sector:

1. Land transportation
2. Air transportation
3. Marine transportation

### 2) Financing activities

The Bank promotes the following business activities that significantly contribute to low greenhouse gas emissions or the transition toward a low carbon economy.

1. Land Transportation

- Businesses that are certified by the Q Mark standard from the Department of Land Transport, or comply with regulations under the Q Mark standard, while planning to improve operational efficiency and quality in accordance with the standard guidelines.

2. Air Transportation

- The businesses that operate in compliant with the laws and regulations imposed by each country.
- Aviation businesses shall comply with measures established by the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) in each country, while also setting environmental goals that are in line with those of the International Civil Aviation Organization (ICAO).
- Businesses shall have plans to increase sustainable aviation fuel (SAF) usage, which can reduce carbon emissions throughout the fuel life cycle when compared to traditional jet fuel.

3. Marine Transportation

- The businesses that operate in compliant with the following standards / regulations:
  - The International Maritime Organization (IMO) standards under the Safety Of Life At Sea (SOLAS)
  - The Maritime Regulations for Prevention of Pollution (MARPOL) conventions.

- All cargo ships on international voyages are required to carry a maritime labour certificate issued by the International Labor Organization (ILO) and International Maritime Organization (IMO). The Maritime Labor Convention (MLC) sets standards for employment conditions and onboard accommodation, as well as minimum employment requirements, medical treatment and others.
- Cargo ships of operators must be inspected by the International Association of Classification Societies (IACS) - an organization that certifies standards for construction, operation and maintenance of the ships in compliance with the IMO conventions.
- Businesses shall have goals and guidelines for reducing greenhouse gas emissions.

  The assessment of climate-related risk shall be conducted through questionnaires prescribed under ESR Guideline.

Appendix:

The tools which the Bank uses for E&S due diligence are the General Questionnaire and Specific Questionnaire. The General Questionnaire is used to assess the environmental and social risks in general, depending on the nature of the activities/ business. This assessment must be undertaken with all clients under the scope of ESR Policy. The Specific Questionnaire is used to assess the environmental and social risks on specific industries.

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<td>General Questionnaire<br><br>General E&S risks<br><br>• Valid permits and legal issues associated with client's E&S performance<br>• Local stakeholder grievances, media or non-governmental organization campaigns over E&S issues<br>• Location or routing's impacts on ecological sensitivity (e.g., national park, wildlife sanctuary, water bodies, wet land, mangrove, estuarine, Coastal Regulation Zone, etc.) present on project site and/or within an area of 5 km radius surrounding project site<br>• Adequate E&S management system<br>Environmental risk<br><br>• Pollution to air, noise, water, land from client's operation<br>• Hazardous and non-hazardous waste handling mechanism (e.g., leakages, spills,</td>
<td>Specific Questionnaire<br><br>• Defense /weapons<br>• Natural resources, energy and chemicals<br>• Production /trade in alcoholic beverages<br>• Production /trade in tobacco<br>• Production /trade in radioactive materials</td>
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| improper storage of waste, toxic effluent discharge) in the project operation<br>• Climate change related risks (flood, drought, etc.) and opportunities and GHG tracking/reporting<br>• Mitigation measures and monitoring systems in place to address environmental risks (noise, air, water, waste, climate change, etc.)<br>*Social and operational health and safety risks*<br>• Occupational health and safety risks<br>• Labour and working conditions against local regulations / standards<br>• Major accidents or incidents in the past two years causing significant environmental damage<br>• Major accidents or incidents in the past two years involving deaths or multiple serious injuries<br>• Threat to community's health, safety and security<br>• Community consultation with key stakeholders including indigenous peoples | |