

TMBThanachart Bank's Climate Strategy

The Bank acknowledges the risks of climate change and understands the importance of climate change mitigation and adaptation for the Bank and overall society. Our climate aspiration is to play an active role in ensuring customers, society and the bank itself are resilient to climate-related risks, while supporting the transition to a net-zero economy, aligning our lending portfolio with Thailand's aspiration¹, and reducing environmental impacts within our own operation. Our net-zero objective is aligned with Thailand's national goal and the Paris Agreement to limit global warming to 1.5°C and to reach carbon neutrality by 2050 and net-zero greenhouse gas emission by 2065.

Governance on Climate-related Risk

For the board level, Board of Directors holds the utmost responsibility in sustainability governance, ensuring that sustainability performance aligns with the corporate strategy. Risk Oversight Committee holds the responsibility of overseeing the strategic direction, related policies as well as monitoring the management of climate-related risks, responsible lending, and environmental and social risks. Climate-related issues are quarterly reported to the board-level committees to manage and mitigate impacts from climate-related risks on the long-term strategic direction and financial performance of the bank. For the management level, Chief Risk Officer is responsible for the management and implementation of climate-related risks, responsible lending, and environmental and social risks. CRO also takes charge of monitoring the progress and implementation plan, regularly reporting on climate-related issues. Risk Management Function is dedicated to effectively managing climate-related risks, which include climate scenarios, stress testing, monitoring, and reporting.

Our Climate Strategy and Commitment:

➤ *Integrating climate change into risk management*

Focus on integrating climate change into enterprise risk management and establishing proper management of climate risk within the business, corporate decision-making, and all three lines of defense through:

- The adoption and implementation of the Task Force on Climate-Related Financial Disclosures (TCFD)
- The adoption and implementation of Bank of Thailand Standards Practice on environmental and climate-related risk

➤ *Supporting customers to transition to a net-zero economy*

Funding significant growth in our green asset portfolio that will accelerate the net-zero economy through sustainable financing solutions while innovating new sustainable products and services to help individuals and companies to improve their carbon footprint or to transition to a sustainable business model. The following are key highlights of our sustainable financing solutions:

- The first Thai commercial bank to issue green bond in 2018; the second green bond was issued in 2022
- Establishment of ttb Green and Blue Bond Framework with Second Party Opinion
- The first blue bond in Thailand, issued in 2022
- Green and sustainability-linked loan issued since 2018

➤ *Aligning our lending portfolio with Thailand's national goal*

Shifting towards a net-zero economy requires moving away from economic activities with high GHG emissions. With our decarbonization journey, the Bank focuses on the sectors in our portfolio that are responsible for most greenhouse gas emissions and has announced the following commitment since 2020:

- No longer finance transaction related to oil sand (also called tar sand)
- No longer finance transaction related to nuclear energy
- No longer finance transaction related to Arctic Oil & Gas
- No longer finance transaction related to Shale Oil & Gas
- No longer finance transaction related to Ultra-Deep-Water (UDW) Oil & Gas
- No longer finance activities related to coal mining and exploration, applicable to the coal mining entity, while existing financings are to be run down to zero by 2028
- No longer finance any new coal-fired power plant projects while existing financings are to be run down to zero by 2028
- No longer finance tobacco upstream activities while existing financings are to be run down to zero by 2023²
- Restrict the total corporate lending portfolio to 5% in upstream oil and gas activities

In our efforts to monitor our climate impact, we measure the absolute amount of GHG emissions associated with our portfolio, using the methodology of the Partnership for Carbon Accounting Financials (PCAF) standard.

➤ *Reducing our environmental impacts*

Managing our own environmental footprints with a wide range of initiatives and environmental saving programs to create awareness of environmental issues and to encourage all employees to help reduce their internal consumptions of energy and resources.

- Our long-term target of GHG emission reduction (Scope 1 & 2) is 15% by 2026 from a baseline year of 2019, while annual reduction target is 10% from the same baseline year.

Climate Risk Management

The Bank integrates climate-related risk into risk management process, categorizing to five key pillars.

- Risk appetite: climate-related risk is integrated into the risk appetite framework and to develop climate-related risk appetite statement.
- Credit lending: climate-related risks is incorporated into all aspect of all stages of credit lifecycle.
- Risk management: consists of 4 elements.
 - Risk identification - the Bank classifies climate-related risks into physical risk, which can be divided into two categories; acute and chronic physical risks, and transition risk, which can be divided into four categories: policy and legal risks, technological risks, market risks, reputational risks, and current/emerging regulations.

- Risk assessment and measurement – all climate-related risks mentioned above are assessed both qualitative and quantitative impacts within the appropriate time frames, which could be short-, medium-, and long-term horizons depending on the level of significance of the issues to the bank. The assessment covers the bank's own operation and clients' activities from our portfolio.
 - Control and mitigation – The Bank regularly monitors, controls, and mitigates risks by setting key risk indicators, risk limits, and risk appetite at the bank-wide, portfolio, product and other levels as deemed appropriate.
 - Monitoring and reporting – the Bank regularly reports the status of various risk types covering both financial risk and non-financial risk. Actions taken/to be taken, are regularly reported to relevant parties/committees and top management on a regular basis. The risk reports cover product, portfolio, functional, and bank-wide levels
- Capital management: an adequate capital allocation to support risk profiles and business plan.
- Disclosure: public disclosure of climate-related risk management in terms of quantitative and qualitative aspects in accordance to regulatory requirement on an annual basis.

Disclosure and Transparency

The Bank has adopted the Task Force on Climate-Related Financial Disclosures (TCFD) and the implementation of the framework is underway. The full climate change report in alignment with the disclose requirement of TCFD's recommendations is expected by 2024.

¹Thailand's national goal is to reach carbon neutrality by 2050 and net-zero greenhouse gas emission by 2065. Thailand has submitted the Long-term Low Greenhouse Emissions Development Strategies (LT-LEDS) under the Paris Agreement (October 2021), with the purpose of reducing the country's greenhouse gas emissions and to achieve net zero emissions by 2065 in Thailand.

² This does not apply to the entire tobacco value chain, specifically, parties that are not fully involved in tobacco production (i.e., retailers that sell tobacco products, or companies engaged in transportation and packaging).

³ GRI 305-3: Other Indirect GHG emission (Category 15)

⁴The measurement and calculation were conducted subject to limited data availability on a best effort basis.