

Environmental and Social Responsibility Policy

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Policy Statement

The Bank is determined to contribute to a better society and act as a good corporate citizen. The Bank recognises 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 two components in assessing the potential E&S risks of the clients:

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

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

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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 evidences 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 facility 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

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atmosphere and evidences 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, penalty, 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 to local laws.
 - **Supply chain:** the Bank should consider if there any evidence in supply chain that may be result of sub-standard labour practices.

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- 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.

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- ***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 upheld.
- ***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.

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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 lining 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

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- 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.

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Exclusion List

The Bank defines 27 business areas that are prohibited under the Exclusion List due to their controversial impacts on the environment and society.

Areas	Exclusion List
Animal welfare	Trade in wildlife and/or wildlife products
	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
	Animal testing for cosmetic purposes
	Fur farms, the manufacturing or trading of fur products
	Production and processing of Angora wool
	Support of any type of animal fights for entertainment
	Shark finning and shark fin products
	Commercial whaling
Coal mining	Activities related to coal mining, exploration**
Controversial weapons	Controversial weapons (anti-personnel landmines, cluster weapons, biological or chemical weapons, depleted uranium or plutonium weapons, and nuclear weapons) or Key Components thereof
	Arms and weapons to countries listed in UN/EU Embargo

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Energy	Nuclear energy
	Oil sand
	Coal-fired power plants*
Fisheries	Drift net fishing in the marine environment using nets in excess of 2.5 km. in length
	The use of dynamite or poison related to the catching of fish or shellfish
Forest	Commercial logging operations for use in primary tropical moist forest
	Production or trade in wood or other forestry products other than from sustainably managed forests
	Own any plot of land for forestry and/or plantation that is suspected to be located inside or overlapped with a national protected area
	Deforestation and/or burning of tropical rain forest
Gambling	Gambling, casinos and equivalent enterprises
Genetic Engineering	The development of genetic engineering or genetic modification on humans
	The development of genetic engineering or genetic modification on plants and animals which harmful to humankind or used immorally
Materials	Production or trade in any product or activity deemed illegal under Thai laws or regulations or international conventions and agreements,

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	or subject to international bans, such as pharmaceuticals, pesticides / herbicides, ozone depleting substances, PCB
	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%
Pornography	Pornography, prostitution and adult entertainment
Protected areas	Activities resulting in conversion or degradation of protected areas or critical habitats i.e. UNESCO World Heritage Sites Protected areas, Ramsar Convention on Wetlands, High Conservation Value Forest (HCVF)

Remarks:

* Applicable only for project finance.

E&S Concerns on Specific Industries

There are other businesses for which the Bank has potential ESR concerns on their operations; 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.

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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 10% 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

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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., dyeing of textiles) and development activities:*** 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 controlling the exposures of toxic substances and chemicals to the workers and surrounding communities and reduce the risk to contaminate the environment.
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

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large. Thus, the Bank will not finance any new coal-fired power plant projects while existing financings are 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 involves 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 involves in production and / or trade of radioactive materials. However, this does not apply to the purchase of medical

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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 on all clients under the scope of ESR Policy. The Specific Questionnaire is used to assess the environmental and social risks on specific industries.

3. *Decision Making Process*

The environmental and social risks assessment, completed prior to pursuing potential deals, is an integral part of 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

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

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5. *Reporting*

The business units to 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 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.

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Appendix:

General Questionnaire	Specific Questionnaire
<p data-bbox="204 376 469 409"><i>General E&S risks</i></p> <ul data-bbox="256 465 911 1305" style="list-style-type: none"><li data-bbox="256 465 911 566">● Valid permits and legal issues associated with client's E&S performance<li data-bbox="256 600 911 768">● Local stakeholder grievances, media or non-governmental organization campaigns over E&S issues<li data-bbox="256 801 911 1238">● 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<li data-bbox="256 1272 911 1305">● Adequate E&S management system <p data-bbox="204 1339 469 1373"><i>Environmental risk</i></p> <ul data-bbox="256 1429 911 1993" style="list-style-type: none"><li data-bbox="256 1429 911 1529">● Pollution to air, noise, water, land from client's operation<li data-bbox="256 1563 911 1798">● Hazardous and non-hazardous waste handling mechanism (e.g., leakages, spills, improper storage of waste, toxic effluent discharge) in the project operation<li data-bbox="256 1832 911 1993">● Climate change related risks (flood, drought, etc.) and opportunities and GHG tracking/reporting	<ul data-bbox="1002 376 1358 913" style="list-style-type: none"><li data-bbox="1002 376 1358 409">● <i>Defense /weapons</i><li data-bbox="1002 443 1358 544">● <i>Natural resources, energy and chemicals</i><li data-bbox="1002 577 1358 678">● <i>Production /trade in alcoholic beverages</i><li data-bbox="1002 712 1358 813">● <i>Production /trade in tobacco</i><li data-bbox="1002 846 1358 913">● <i>Production /trade in radioactive materials</i>

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- Mitigation measures and monitoring systems in place to address environmental risks (noise, air, water, waste, climate change, etc.)

Social and operational health and safety risks

- Occupational health and safety risks
- Labour and working conditions against local regulations / standards
- Major accidents or incidents in the past two years causing significant environmental damage
- Major accidents or incidents in the past two years involving deaths or multiple serious injuries
- Threat to community's health, safety and security
- Community consultation with key stakeholders including indigenous peoples