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Principles for Responsible Banking

2023 Principles for Responsible Banking Reporting and Self-Assessment

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response:

Bank of Ayudhya Public Company Limited (Krungsri) was listed on the Stock Exchange of Thailand on 26 September 1977, and is ranked Thailand's fifth largest commercial bank in terms of assets, loans, and deposits. Krungsri is a strategic member of MUFG Bank, Ltd. (MUFG Bank), a wholly owned subsidiary of Mitsubishi UFJ Financial Group (MUFG) --Japan's largest financial group and one of the world's largest financial groups. In addition, Krungsri has been recognized by the Bank of Thailand as one of the Domestic Systemically Important Banks (D-SIBs) that play a crucial role in driving Thailand's economy and financial system.

Krungsri conducts the fundamental commercial banking business, including accepting deposits, offering loans, foreign exchange trading services, financial instruments trading services, loan guarantees, payment and funds transfer services, risk hedging products, e.g., interest rate and FX derivatives, etc. The Bank's other businesses approved by the BOT include businesses of insurance-related services, securities-related services, financial derivatives, e-banking, and other financial and non-financial services.

As of the end of 2023, Krungsri has 29 subsidiaries, joint ventures, and associate while our 591 branches are in well diversified locations throughout the country and in Lao PDR, with a total of 52,146 employees (FTE). The Bank's registered capital is 75,741 million baht, while our paid-up capital stands at 73,558 million baht.

Links and references:

- About Krungsri (Sustainability Report 2023, p.18)
- Products and Services (Sustainability Report 2023, p.22)
- Krungsri Customers (Sustainability Report 2022, p.22)

https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ UN Guiding Principles on Business and Human Rights

☒ International Labour Organization fundamental conventions

☐ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:

- **GRI Standards**
- **Thailand Taxonomy**
- **Policy Statement of the Bank of Thailand, Re: Internalizing Environmental and Climate Change Aspects into Financial Institution Business**
- **Thai Bankers' Association's Industry Handbook**

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ----------

☐ None of the above

Response:	Links and references:
Krungsri highlights our sustainability commitment in response to not only the international sustainable development goals (SDGs), but also the expectations of all stakeholders, including employees, customers, suppliers, shareholders, regulators, communities, society, etc. In addition, we disclosed our sustainability performance in accordance with the Global Reporting Initiative (GRI) Standards and indicated the connection between the organization's operational directions and the United Nations Sustainable Development Goals. We have also embraced several international frameworks and standards as an operational guideline and frameworks to ensure that our business operations align with international practices and are competitive.	▪ Guidelines, Standards, and Initiatives for Sustainable Development (Sustainability Report 2023, p.32-33) ▪ Impacts of Materiality linked to SDGs (Sustainability Report 2023, p.40-44) *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx* ▪ Frameworks and Practices (Corporate website) *https://www.krungsri.com/en/esg/sustainable-banking/framework-practices*

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[1] and fulfil the following requirements/elements (a-d)[2]:

a) ***Scope:*** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response:	*Links and references:*
Krungsri employs the UNEP FI Impact Analysis Tool for Banks (V3), Context and Institution Banking (Identification) Module to perform impact analysis at the portfolio level. This tool helps the Bank comprehend the environmental, social, and governance (ESG) context at the national level (Thailand) and helps identify, prioritize, and assess the most significant impact areas. The portfolio analysis's scope is determined by 2023 financial data. Accounting for only 35 percent of total outstanding loans, corporate loans, nevertheless, have substantial positive financial and non-financial impacts on the environment and society at large. Examples of these benefits include employment creation, domestic economic growth, and the promotion of investments. In addition, key industrial sectors (customer segments), identified as the highest emitting activities, are largely classified under the corporate loans portfolio. The consumer and retail banking segment, as well as the SME banking segment, is excluded from this portfolio analysis due to unreadiness and resource limitations. The Bank plans to expand the scope of our impact assessment and portfolios in the upcoming years.	-

[1] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
[2] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

In addition to the impact analysis tools mentioned above, Krungsri also categorizes economic activities of the corporate loan portfolio under the Thailand Taxonomy (Phase I), which offers frameworks, standards, and helpful data on risk management related to climate change. It also makes it easier to develop sustainable finance products to help our clients make the shift from brown to green business.	

b) ***Portfolio composition:*** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries[3] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response:	*Links and references*
As of 31 December 2023, Krungsri's total outstanding loans stood at 2,017,204 million baht, relatively unchanged from the end of September 2023, and increased by 67,795 million baht, or 3.5 percent from the end of December 2022. The growth was mainly driven by domestic commercial loans, as well as retail loan expansion particularly with regard to contributions from new overseas subsidiaries. Details of loan performance by segment are as follows: • **Corporate Loans**: 702,207 million baht (35 percent) comprising 460,727 million baht provided to Thai corporates and 241,480 million baht provided to JPC/MNC • **SME Loans**: 339,527 million baht (17 percent) • **Retail Loans**: 975,470 million baht (48 percent) comprising 429,991 million baht of auto hire purchase; 269,070 million baht of mortgage; 171,115 million baht of credit cards, personal loans, and other loans; and 105,294 million baht for ASEAN* *[Remark: *ASEAN Loans included Hattha Bank Plc (CBDA), Krungsri Leasing Services Company Limited (LAOS), SHBank Finance Company Limited (VN), Home Credit Philippines (PHIL) and Home Credit Indonesia (IDSA)]* In alignment with the Thailand Taxonomy (Phase I)'s framework and criteria, Krungsri has identified **the energy sector (power generation sub-sector)** as a prioritized sector that we will be preparing a transition plan in support of our customers and the economy at large to decarbonize.	▪ Loans to Customers, Loans by Segment (MD&A, 31 December 2023, p.17) *https://www.krungsri.com/Krungsri2020/media/IR/mda/en/mda-4q2023-audited-en.pdf*

[3] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

As of December 2023, our loan exposure by the power generation sub-sector totaling 44,286 million baht, details are as follows:

Economic activities of power generation sub-sector	**Principal** (million baht)	**%**
Bioenergy	1,696	4
Coal-fired	2,685	6
Hydropower	4,671	11
Natural gas	28,980	65
Solar	4,770	11
Wind	974	2
Others	511	1

c) ***Context****:* What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[4] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response:

Global environmental and climate change issues are of utmost importance, and Thailand is among the nations that have committed to achieving Net Zero emissions in response to SDGs (No.13 Climate Action) and the Paris Agreement. Thailand committed to becoming carbon neutral by 2050 and having net-zero greenhouse gas emissions by 2065. In addition, Thailand expects increased international actions to achieve the US$100 billion climate finance goal by 2025. The funding is crucial for aiding developing countries in reaching their climate goals.

Thailand's National Determined Contribution (NDC) and its environmental and economic viewpoints indicate that the energy sector accounts for 69% of the nation's overall greenhouse gas emissions, making it the most important sector for Thailand's climate change mitigation actions.

To support Thailand's decarbonization roadmap, Krungsri, as a responsible financial intermediary, is strongly committed to

Links and references

Thailand Taxonomy (Phase I)
https://www.krungsri.com/getmedia/8921f723-bb76-41a6-bdb6-debd8a07d156/thailand-taxonomy-phase-1-en.pdf.aspx

[4] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

tackling social and environmental imperatives while assisting the nation's transition to a low-carbon economy. Therefore, we focused on the energy sector as a priority for decarbonization, in alignment with the Thailand Taxonomy (Phase I). In addition to the environmental front, Krungsri emphasizes the social dimension, through the lens of financial access and inclusion. We constantly work to fully and fairly promote financial product and service innovations that are suitable for every customer group, giving them all access to capital for operating their businesses, developing new ideas and technologies, enhancing their well-being, creating jobs, and achieving other beneficial effects through investments. Meanwhile, financial inclusion can respond to SDGs No.8, 9, 10, and 17.	

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response:	*Links and references*
Based on our portfolio and impact analysis as well as the country's context, the positive and negative impact areas that the Bank identified are as follows: ▪ Availability, accessibility, affordability, quality of resources & services (Finance) -- SDGs No.2, 3, 4, 6, 7, 8, 9, 11, 16 ▪ Equality & justice (Gender equality) – SDGs No.5, 10 ▪ Socio-economic convergence – SDGs No.10, 17 ▪ Climate stability – SDGs No.13 ▪ Biodiversity & healthy ecosystems – SDGs No.6, 11, 12, 14, 15 ▪ Circularity – SDG. 11, 12	-

d) *For these (min. two prioritized impact areas)*: ***Performance measurement***: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response	*Links and references*
Regarding the Climate Change Mitigation, in 2021 Krungsri declared its "Carbon Neutrality Vision" in conformity with the United Nations Sustainable Development Goal 13: Climate Action, low-carbon transitions in alignment with the Paris Agreement and Nationally Determined Contribution (NDC), and MUFG's Carbon Neutrality Declaration, with the following goals: ▪ Decarbonizing the Bank's own operations by 2030 ▪ Decarbonizing the Bank's financial services by 2050 - Phasing out our exposure to coal-fired power plants within 2030, enhancing the financial disclosure policies with an action plan to disclose our financed emissions as well as reduction targets - Increasing social and sustainable finance portfolio by 100 billion baht by 2030 (from the base year 2021), contributing to actively promote sustainable and green finance market development in Thailand For financial Inclusion, Krungsri is aware that our country faces several social challenges. One of the key highlights of Thailand's National Strategy (2018-2037) is developing a modern entrepreneurship-based economy by facilitating easier access to financial services and assistance. Krungsri as a Domestic Systemically Important Bank (D-SIB) has been well aware that it is important to promote comprehensive and equitable access to basic services, particularly financial services, for our customers and the general public, namely corporate, SME, and retail customers, including low-income earners, the disadvantaged, and the vulnerable group with more limited access to financial services than other groups. We, therefore, issued the Women SME Bond (gender bond) to support women entrepreneurs across Thailand with the aim of scaling up their businesses. Gender bond issuance as a financing instrument will expand Krungsri's opportunities to provide credit lines for the underserved women SME segment and positively contribute to job creation and the country's overall economic development. In addition to launching the Krungsri Mobile Application (KMA) digital banking as the Bank's key service channel to facilitating across customer segments aged 12 years or older to access financial services anytime, anywhere. With KMA, customers can conduct all transactions on their own without visiting the	▪ Climate Change Management, Management Approach (Sustainability Report 2023, p.153) *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx* - National Strategy (2018-2037) https://oia.coj.go.th/th/file/get/file/20190131793 4e3f549573c6542707b1fb9680e48104421.pdf

Bank's branch, while their personal data remains secure in compliance with related laws and international standards.	

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[5]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

***Climate change mitigation**, climate change adaptation, resource efficiency & circular economy, biodiversity, **financial health & inclusion**, human rights, gender equality, decent employment, water, pollution, other: please specify*

How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication

☒ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

[5] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published **a minimum of two targets which address at least two different areas of most significant impact** that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) ***Alignment:*** which international, regional or national policy frameworks to align your bank's portfolio with[6] have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response:	*Links and references:*
Krungsri has prioritized climate mitigation and financial inclusion as our most significant impact areas in line with: Climate Change Mitigation ▪ The Paris Agreement ▪ The United Nations Sustainable Development Goal 13: Climate Action ▪ Thailand's Nationally Determined Contribution (NDC) ▪ The Bank of Thailand Directional Paper on Financial Landscape ▪ Thailand Taxonomy ▪ Policy Statement of the Bank of Thailand Re: Internalizing Environmental and Climate Change Aspects into Financial Institution Business ▪ The Thai Bankers' Association's ESG Declaration ▪ Industry Handbook Financial Inclusion ▪ The memorandum of understanding on Sustainable Banking Guidelines – Responsible Lending of Thai Bankers' Association ▪ The Thai Bankers' Association's ESG declaration	

b) ***Baseline:*** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	*A.1.1* ***Climate strategy:*** *Does your bank have a climate strategy in place?*	*Yes, Krungsri is committed to tackling the urgency and seriousness of climate change, therefore, the Sustainability Committee approved the "Carbon Neutrality Vision" aiming to achieve net zero emissions in financial services by 2050 and own operations by 2030.*
	A.1.2 ***Paris alignment target:*** *Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?*	*Yes, Krungsri has announced "Krungsri Carbon Neutrality Vision" in support of Thailand's Nationally Determined Contribution (NDC), Paris Agreement Goals, and Sustainable Development Goals (SDGs). We targeted decarbonizing our financial services portfolio (Net Zero) by 2050.*
	A. 1.3 ***Policy and process for client relationships:*** *has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?*	*Yes, governed by our Policy for Sustainable Lending, Krungsri has engaged with corporate and SME customers under the categories of high caution or closely monitored in supporting their transition toward a low-carbon economy.* *Of particular importance, we have prioritized the energy sector in supporting the formulation of their Transition Plans, taking into account their high-emitting natures.* *At the initial stage, the focus will be on those in the power generation business, which is expected to be completed by 2025; we are also looking into the formulation of the Transition Plan for other industries namely the transportation sector in the near future.* *Whereas our commitment is to exit coal-fired power plants within 2030, we are also engaging and working with customers on their transition plans as well.* *We have promoted sustainable finance such as sustainability-linked loans, solar roof loans, green bonds, etc. to our corporate and SME customers.*
	A.2.1 ***Client engagement process:*** *Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?*	*Yes, Krungsri provides transition financial solutions and advice services to help customers and the real sector move toward a low-carbon economy and sustainable growth. In 2023, we started engaging with corporate customers in the power generation sector to assist them in transitioning their business operations from brown to green.*
	A.3.1 ***Financial volume of green assets/low-carbon technologies:*** *How much does your bank lend to/invest in green assets /*	*As at the end of 2023, Krungsri extended loans to renewable energy businesses, e.g. plants using solar power, wind power, hydropower, biomass and biogas power, industrial waste power, for a total of 11,880 million baht.*

[6] Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

	loans and low-carbon activities and technologies?	*(Source: Sustainability Report 2023, p.121)* *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx*

Impact area	*Indicator code*	*Response*
Financial Inclusion	*C.1.1* ***# of products and services in the portfolio with a focus on financial inclusion***	***Women SME Bond (Gender Bond):*** *Krungsri was the first bank in the Asia Pacific that issued 'Gender Bonds' under the private placement to IFC and DEG to support women-led small and medium-sized enterprises (WSMEs) in Thailand. The proceeds are earmarked to support women entrepreneurs underlining the Bank's standpoint as a corporate citizen and reaffirming our commitment to achieving the United Nation's SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure, SDG 10: Reduced Inequalities, and SDG 17: Partnerships for the Goals.* *As of December 2023, the loan outstanding of WSME Bond was 23,138 million baht and promoted employment for 16,173 people.* *Source: https://www.krungsri.com/Krungsri2020/media/IR/gender-bond/Krungsri-Women-SME-Bond_Impact-Report-2023.pdf)*
	C.3.3 ***% of customers actively using the online/mobile banking platform/tools***	***Krungsri Mobile Application (KMA)*** *- 5.7 million users* *- 4,841 million transactions for 2023* *(As of December 2023)*

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response:	*Links and references:*
Krungsri is preparing to set a baseline & target and develop an action plan. We plan to start calculating financed emissions (scope 3) from our investment and portfolio in the upcoming year. PCAF (Partnership for Carbon Accounting Financials) and SBI (Science Based Targets Initiative) are likely to the key standards employed.	-

c) ***SMART targets*** (incl. key performance indicators (KPIs)[7]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.	
Response: After selecting two priorities of impact areas, the Bank is in the process of measuring the financed emissions of our commercial lending portfolio, starting with the energy sector, the power generation sub-sector that is in line with the Thailand decarbonization roadmap and Thailand Taxonomy. The formulation of transition plans will be aligned to SBIs or national decarbonization pathways. In addition, we are revisiting the target of the financial services of Social and Sustainable Finance (SSF) as well as the number of customers actively using mobile banking applications and transaction uses.	*Links and references:*
d) ***Action plan:*** which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.	
Response: To achieve climate change mitigation target, the Sustainability Committee has established **the Project Management Office for Internalizing Environmental and Climate Change Aspects into Financial Institution Business or 'IECC'** to ensure that the Bank's business operations meet the national and global standards such as the Bank of Thailand's Standard Practice, TCFD (Task Force on Climate-Related Financial Disclosures), etc.	*Links and references:*

[7] Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact: … *(please name it)* ***Climate Change Mitigation***	… second area of most significant impact: … *(please name it)* ***Financial Inclusion***	*(If you are setting targets in more impact areas)* …your third (and subsequent) area(s) of impact: … *(please name it)*
Alignment	☒ Yes ☐ In progress ☐ No	☒ Yes ☐ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Baseline	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
SMART targets	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response:	*Links and references:*
Since 2021, Krungsri has declared that financial services will be decarbonized by 2050. We will also phase out our exposure to coal-fired power plants by 2030. We have been working on our implementation plan consistently, and the next report will provide updates and disclosures.	Climate Change Management (Sustainability Report 2023, p.153) *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx*

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers[8] in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[9]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response:	*Links and references:*
Krungsri Group adheres to our core value of "Customer Centricity" as it goes without saying that customers are a primary stakeholder group that plays a vital role in the organization's success. Krungsri therefore focuses on in-depth analysis to understand customers' needs, expectations, and pain points, while also listening to their feedback and suggestions through contact channels suiting different customer segments, enabling us to enhance our services and deliver the best customer experience. Also, our financial products and service innovations can be tailored to the demands of each customer segment, namely corporate, SME, and retail customers. Customer experiences are connected across our online channels for a smooth journey in accessing Krungsri's products and services, anywhere, anytime. Krungsri has set an ambitious target to decarbonize our portfolio to achieve Net Zero Emissions by 2050. Hence, we are determined to support our customers in transitioning to more ESG focused practices through financing impactful social and sustainability projects, such as green loans, renewable energy financing, social financing, sustainability-linked loans, and more. This proactive approach will facilitate the gradual transition of Thai businesses and society toward a low-carbon society. We cannot decarbonize our financial portfolio without our customers' support. Thus, engagement with customers in	

support of their transition plan formulations is of critical importance.	

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response:	*Links and references:*
Responding to the transition of Thailand's financial sector toward sustainability, Krungsri played a leading role in a strong commitment to advancing sustainable development toward a better and greener economy. Krungsri is well-equipped to address social and environmental imperatives while supporting the country's transition to a low-carbon economy, in accordance with the societal vision of the United Nations Sustainable Development Goals and the Paris Agreement. Krungsri is promoting and facilitating the issuance of green, sustainability, and sustainability-linked bonds to the Thai capital market and enhancing bonds as one of Thailand's main financial assets. At the same time, the support of sustainability-linked loans and green loans mirrors the Bank's commitment to ESG considerations and support for customers' green transitions. This also highlights the Bank's determination to achieve the UN SDGs: SDG No.8: Decent Work and Economic Growth; SDG No.9: Industry, Innovation, and Infrastructure; SDG No.13: Climate Action; and SDG No.17: Partnerships for the Goals. At the end of 2023, our social and sustainable finance portfolio had already grown by **70,890 million baht** from 2021 (baseline year), against the target of 100 billion baht by 2030.	Krungsri's Social and Sustainable Finance (SSF) Disclosure *https://www.krungsri.com/Krungsri2020/media/IR/ssf-disclosure/Krungsri-SSF-Disclosure_as-of-31-December-2023_delivered.pdf*

[8] A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
[9] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[10]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response:	*Links and references:*
Krungsri became a member of various organizations to support greenhouse gas emissions mitigation and low-carbon society in line with Thailand's Nationally Determined Contribution (NDC), and the Paris Agreement, under the United Nations Framework Convention on Climate Change (UNFCCC), in conformity with the United Nations Sustainable Development Goal 13: Climate Action. The networks and organizations, in which Krungsri engaged and collaborated are as follows: ▪ **Thailand Carbon Neutral Network (TCNN)** by becoming a member of the Climate Action Leading Organization (CALO), reflecting Krungsri's leadership in managing and assuming responsibilities regarding greenhouse gas emissions through the commitment to reducing greenhouse gas emissions at the organization level to achieve the carbon neutrality aspiration. The strategic goals and clear operational plans were established to reduce greenhouse gas emissions as well as help customers in their transitions to green and low-carbon operations as well as investment. Krungsri also joined the "Climate Finance Subcommittee", whose duty is to promote access to various funding sources and support members domestically and internationally, including the dissemination of knowledge, participation in activities, listening to opinions on practices related to climate finance, and providing	Membership of Associations (Sustainability Report 2023, p.34) *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx*

[10] Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

recommendations on climate finance measures to the government sector. ▪ **Thai Renewable Energy (RE100) Association** to cooperate with leading organizations from various industrial sectors to address climate change issues. This is to encourage Thailand's industry sector to adopt 100 percent renewable energy target and promote the transition to the New S-Curve by focusing on the use of clean energy. ▪ **Carbon Markets Club** by collaborating with other leading organizations. We were a founding member of the Carbon Markets Club. The Club aims to promote the carbon credit exchange system, the first of its kind in Thailand, in support of the country's transition toward a low-carbon society. In addition, Krungsri played a key role in facilitating the Thai Bankers' Association (TBA) to launch **"ESG Declaration"**, serving as a framework and operating guideline for climate related financial disclosures. and establish a common standard for the country's climate and environmental financial landscape or **"Industry Handbook"** for commercial banks to incorporate environmental and climate change aspects in banking operations. Moreover, Krungsri joined in the Thailand Taxonomy Working Group to provide recommendations for the Thailand Taxonomy Development (Phase I) through the Bank of Thailand, The Securities and Exchange Commission of Thailand, and the Thai Bankers' Association (TBA).	

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response:

With the tenet of "banking with purpose" and the accountability of a Domestic Systemically Important Bank (D-SIB), Krungsri strives to operate in accordance with good corporate governance based on **the sustainable banking guidelines** by incorporating ESG dimensions in the Bank's processes that go hand in hand with prudent and rigorous ESG risk management.

At the same time, we explore opportunities ideal for operating as a responsible financial service provider, taking into account the positive social and environmental impact, which is consistent with **the responsible lending guidelines** in the best interests of all groups of stakeholders, while also enhancing our capabilities to address the Sustainable Development Goals (SDGs) both at the national and international levels.

To achieve our sustainability development aspiration, Krungsri appointed the **"Sustainability Committee**" to oversee the strategies, directions, policies, and regulations for operations relating to ESG or sustainability as well as corporate social responsibility of the Bank and the companies in the Financial Business Group (Krungsri Group).

The Sustainability Committee is responsible for determining the policies, directions, and scope of Krungsri Group's ESG operations and corporate social responsibility under the sustainable banking principles, the guidelines and expectations of regulators, including the UN SDGs to be proposed to the Executive Committee for approval. In addition to overseeing material ESG issues, this includes risks and opportunities

Links and references:

- Sustainability Committee

https://www.krungsri.com/en/esg/sustainable-banking/committee

- Structure for determining operational targets (Sustainability Report, p.91)

https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx

concerning climate change which might affect the Bank's business and stakeholders. In addition, the Committee have established **"IECC" (Project Management Office for Internalizing Environmental and Climate Change Aspects into Financial Institution Business)** to implement and integrate climate risk management into business operations in accordance with the Bank of Thailand's standard practice and Industry Handbook that related to environmental and climate change management for commercial banks. Moreover, the Sustainability Committee also ensures that the management and disclosure of information about Krungsri's sustainability matters, opportunities, progress, and performance comply with leading best practices. For remuneration practices linked to sustainability targets, Krungsri launched the employee performance management system and formulated the operating manual to determine the annual performance target to be communicated to all employees. Key performance indicators (KPIs) contain financial and nonfinancial dimensions, including ESG integration into the KPIs of both executive and employee levels.	

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response:	Links and references:
Krungsri realizes that one of the important strategies for implementing social responsibility and sustainability is cultivating awareness and creating shared value among employees, executives, and relevant stakeholders. Therefore, Krungsri fosters a sense of sustainability through a variety of projects and activities as follows: ▪ Dissemination of knowledge and promotion of understanding of social responsibility and sustainability for example, upskill/reskill learning programs to promote sustainable banking such as ESG: The Next Big Thing of Banking, Current Issues on Sustainable Banking and Sustainable Finance Development in Thailand, New Financial Disclosure Standard: TCFD (Task Force on Climate-related Financial Disclosure), Transition Finance & MUFG/APAC Transition Whitepaper, and Thailand Taxonomy: A New Rule for Sustainable Banking, etc. ▪ Integration of environmental, social, and governance (ESG) dimensions into the organization's business-as-usual processes ▪ Arrangement of knowledge-sharing courses to provide ESG knowledge to relevant stakeholders such as customers, suppliers, business partners, etc.	Human Resources Development (Sustainability Report 2023, p.134) *https://www.krungsri.com/getmedia/1a74dff2-f50c-4383-9b69-3b73caf54533/sustainability-report-2023-en.pdf.aspx*

▪ Provision of operational support according to the sustainable banking principles ▪ Provision of support to achieve the Sustainable Development Goals (SDGs) ▪ Survey of stakeholders' opinions on the Bank's sustainable business operations ▪ Cooperation with stakeholders to implement sustainability matters, particularly climate change management	

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[11] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response:	Links and references:
Krungsri adheres to Sustainable Banking principles by focusing on Responsible Lending guidelines, under which credit underwriting takes ESG dimensions along with the economic dimension into consideration. The Bank establishes the **"Policy and the Procedure for Credit Risk Management"** which serve as the criteria and guidelines for managing credit risks. This covers loans, investments, contingent liabilities, credit-like transactions, hedging against foreign exchange risk and interest rate risk, and financial derivatives for all customer segments. The policy is communicated to the relevant officers for acknowledgement and full compliance and for encouraging participation in maintaining the standards of credit risk underwriting and management. Also, emphasis is placed on raising awareness of ESG risks in the credit underwriting process. In this regard, the Bank reviews the policy annually or upon any significant change to ensure that the Bank's credit underwriting is in line with the ever-changing business environment. In addition, the Bank established the **"Policy for Sustainability Lending"** which serves as the guideline for granting loans while giving attention to ESG risks and aspiring to create positive outcomes for society and the environment. Employees of all related business units must adhere to this policy and consider ESG risks for prudent credit underwriting. The policy determines the nature and types of transactions in credit underwriting as follows: 1) Prohibited Transactions, 2) High Caution Transactions, 3) Closely Monitored Transactions, and 4) Sustainable Finance.	https://www.krungsri.com/getmedia/54220c30-cb60-4569-b775-a470601b68cb/policy-sustainability-lending-en.pdf.aspx

[11] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

In order to guarantee that all of the Bank's functional units follow sustainable banking rules, including guidelines for responsible lending and supervision, the duties and responsibilities of relevant functions concerning responsible lending were also outlined under the approach of **"Three Lines of Defense"**.	

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☐ Partially ☒ No

If applicable, please include the link or description of the assurance statement.

Response:	*Links and references:*
We intend to deliver on our PRB commitment and turn in the upcoming report with external assurance.	-

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI

☐ SASB

☐ CDP

☐ IFRS Sustainability Disclosure Standards (to be published)

☐ TCFD

☐ Other: ….

Response:	Links and references:
Krungsri's Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) Standards (with reference to the GRI Standards).	https://www.krungsri.com/en/esg/disclosure/sustainability-reports

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[12], target setting[13] and governance structure for implementing the PRB)? Please describe briefly.

Response:	Links and references:
In 2024, we embark on the inaugural year of our fourth Medium-Term Business Plan (MTBP), spanning 2024-2026. One of the key strategies of MTBP is 'Positioning ESG-Linked Business and Net Zero Commitment 2050' which aligns seamlessly with our 'banking with purpose' paradigm and demonstrates a steadfast commitment to delivering positive outcomes for the society and environment. We continuously focus on environmental issues and climate change, conduct greenhouse gas reduction strategies by reducing financed emissions (scope 3) through lending and investments, brown-to-green portfolio transitions, and implement a transition plan currently commencing with the energy sector, which is expected to be complete by 2025.	

[12] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

[13] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Embedding PRB oversight into governance

☒ Gaining or maintaining momentum in the bank

☐ Getting started: where to start and what to focus on in the beginning

☒ Conducting an impact analysis

☒ Assessing negative environmental and social impacts

☒ Choosing the right performance measurement methodology/ies

☒ Setting targets

☐ Other: …

☒ Customer engagement

☐ Stakeholder engagement

☒ Data availability

☒ Data quality

☐ Access to resources

☐ Reporting

☒ Assurance

☐ Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:


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