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Principles for Responsible Banking

Bank of Ayudhya Public Company Limited

2024 RESPONSIBLE BANKING PROGRESS STATEMENT

for PRB Signatories

2024 Summary

Bank of Ayudhya Public Company Limited (known as "Krungsri")

PRINCIPLE 1: **ALIGNMENT**

Guided by the principle of '**banking with purpose**' and its responsibility as a Domestic Systemically Important Bank (D-SIB), Krungsri is committed to upholding strong corporate governance in alignment with **sustainable banking guidelines**. The Bank integrates Environmental, Social, and Governance (ESG) considerations into its operations while maintaining a prudent and comprehensive ESG risk management framework.

Concurrently, Krungsri actively seeks opportunities to operate as a responsible financial service provider, prioritizing positive social and environmental impacts. This approach aligns with responsible lending principles and serves the best interests of all stakeholders. Additionally, the Bank continues to strengthen its capabilities to contribute to the achievement of the Sustainable Development Goals (SDGs) at both national and international levels.

Links & references

Sustainability Report 2024, p.18, p.24-25, p.32-35, p.38-40 and p.130-131 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

PRINCIPLE 2: **IMPACT & TARGET SETTING**

Krungsri is committed to responsible banking by considering environmental and social impacts in its operations. The Bank identified, prioritized, and evaluated the impact areas with the most significance at the portfolio level through impact analysis. In addition, we incorporate ESG aspects into our risk assessments and works toward aligning with our stakeholders' expectations, Thailand's context, the UN SDGs, and Krungsri's Net Zero commitments.

Our two key impact areas are as follows;

- **Climate Change**: Supporting Thailand's net-zero transition in line with SDG 13. As of 31 December 2024, Krungsri's SSF portfolio was 222,120 million baht, increasing 95,183 million baht from the baseline year (2021).
- **Healthy and Inclusive Economies**: Advancing financial well-being, poverty alleviation, gender equality, and economic empowerment, aligning with SDGs 1, 5, 8, and 10. As of 31 December 2024, the number of krungsri app users was 6 million, with 5,523 million transactions.

Links & references

Sustainability Report 2024, p.129-136, and p.200-210 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

PRINCIPLE 3: **CLIENTS & CUSTOMERS**

Krungsri Group upholds its core value of "Customer Centricity", recognizing customers as key stakeholders essential to its success. The Bank conducts in-depth analyses to understand customer needs, expectations, and challenges while actively gathering feedback through various communication channels. This enables Krungsri to develop financial products and services with the best-in-class customer experience.

With a strong commitment to being ESG-focused, the Bank supports customers in adopting sustainable practices by offering green loans, renewable energy financing, social financing, and sustainability-linked loans. By engaging with customers and assisting in their transition plans through various initiatives, e.g., Krungsri ESG Awards, Krungsri Academy, Krungsri SME Transition Loan, etc. Krungsri aims to facilitate Thailand's shift toward a low-carbon economy, recognizing that decarbonization is a collective effort.

Links & references

Sustainability Report 2024, p.112-115, and p.168-169 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

PRINCIPLE 4: **STAKEHOLDERS**

Krungsri establish the stakeholder specification, analysis, and prioritization process by considering diverse relevant factors. They include the context of relationships with stakeholders, expectations, interest, and the influence of the stakeholders in each level, as well as the connection with adding value throughout the entire supply chain, impacts of the Bank's operations on stakeholders in terms of economic, social, environmental, and governance dimensions, mutual dependency, codes of conduct, and responsibility toward stakeholders. These are the factors that are important for establishing the stakeholder engagement plan.

In 2024, we collaborated with the member banks of TBA, the Department of Climate Change and Environment (DCCE), the Bank of Thailand (BOT), and a consultant to develop transition plans for high-emission sectors, e.g., energy, transportation, etc., with completion scheduled for 2025.

Links & references

Sustainability Report 2024, p.41, p.164-173, p.203-204, and p.210 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

PRINCIPLE 5: GOVERNANCE & CULTURE

Krungsri established the Sustainability Committee to oversee ESG strategies, policies, and corporate social responsibility across the Krungsri Group. The Committee sets sustainability policies aligned with sustainable banking principles, regulatory expectations, and the UN SDGs. Key responsibilities include managing ESG risks and opportunities, particularly those related to climate change, which could impact the Bank and stakeholders.

To integrate climate risk into operations, the Committee established "**Internalizing Environmental and Climate Change Aspects into Financial Institution Business (IECC) Program**", ensuring compliance with the Bank of Thailand's standards and industry guidelines. Additionally, the committee ensures transparent sustainability disclosures, aligning with global practices to track progress and performance.

Links & references

Sustainability Report 2024, p.32-37, and p.204 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY

To ensure the transparency and credibility of Krungsri's Responsible Banking Progress Report, the Bank has requested an external agency to verify the assurances as detailed in the attachment to this report.

Links & references

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Supplements

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 business lines, 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, business areas or by disclosing the number of customers and clients served.

Links & references

- Sustainability Report 2024, p.18, p.24-25, and p.130-131 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

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 (BOT) 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. Krungsri'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.

The Bank's registered capital is 75,741.437 million baht, while our paid-up capital stands at 73,557.618 million baht. As of the end of 2024, Krungsri has 29 subsidiaries, joint ventures, and associate while our 573 branches are in well diversified locations throughout the country and in Lao PDR, with a total of 52,438 employees.

As of 31 December 2024, the total outstanding loans stood at **1,895,869 million baht**, a year-on-year decrease of 121,335 million baht or 6 percent, reflecting challenging operating environments, fragile business, and consumer confidence, as well as the Bank's firm commitment in adhering to the responsible lending principles. Details of the loans are as follows:

- **Corporate loans**: 658,053 million baht (35 percent) comprising 433,531 million baht of Thai Corporates and 224,522 million baht of JPC/MNC
- **SME loans**: 337,264 million baht (18 percent)
- **Retail loans**: 900,552 million baht (47 percent) comprising 390,790 million baht of auto hire-purchase loans, 240,434 million baht of mortgages, 168,216 million baht of credit cards, personal loans, and other loans, and 101,112 million baht of ASEAN loans*

*[Remark: * ASEAN loans include those of Hattha Bank Plc. and Hattha Services Company Limited (Cambodia), Krungsri Leasing Services Co., Ltd. and Krungsri Non-Deposit Taking Microfinance Institution Co., Ltd (Lao PDR), SHBank Finance Company Limited (Vietnam), Home Credit and SB Finance, Inc. (the Philippines), and Home Credit (Indonesia).]*

Strategy alignment

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 other international frameworks such as the Kunming-Montreal Global Biodiversity Framework (GBF),the United Nations Guiding Principles on Business and Human Right (UNGPs), the forthcoming instrument on plastic pollution etc.

Include any other national and/or regional frameworks that your bank has a strategy to align with where relevant.

Links & references

- Sustainability Report 2024, p.32-35 and p.38-40 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)
- Corporate Website: Frameworks and Practices (https://www.krungsri.com/en/esg/sustainable-banking/framework-practices)

Response

2024 marks the first year of Krungsri's fourth Medium-Term Business Plan covering the period from 2024 to 2026. The new MTBP has taken into consideration the challenges and achievements from the previous MTBP. The changing social and economic factors, as well as both regional and global operating environments, have also been incorporated into the MTBP development.

Under the fourth MTBP, Krungsri aims to 'Be the leading sustainable and regional bank' by focusing on two key dimensions, namely sustainability and regional leadership. This ambition highlights the Bank's role as a Domestic Systemically Important Bank (D-SIB) in Thailand and reaffirms our commitment to driving sustainability across economic, social, environmental, and governance dimensions.

Furthermore, the fourth Medium-Term Business Plan aligns with the UN Principles for Responsible Banking, emphasizing risk management, social and environmental responsibility in all business processes, as well as fulfilling the brand promise to 'Make Life Simple' for our customers.

At the same time, we explore opportunities ideal for operating as a responsible financial service provider based on the sustainable banking guidelines, 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.

In addition, we adhere to the national and international guidelines, standards, and initiatives as an operational guideline and frameworks such as

- Sustainable Development Goals (SDGs)
- The Principles for Responsible Banking (PRB)
- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- Declaration on Fundamental Principles and Rights at Work of International Labour Organization (ILO)
- The Women's Empowerment Principles (WEPs)
- The Global GHG Accounting and Reporting Standard for the Financial Industry, Partnership for Carbon Accounting Financials (PCAF)
- The Bank of Thailand's Directional Paper on Transitioning Towards Environmental Sustainability under the New Thai Financial Landscape
- The Bank of Thailand's Policy Statement of the Bank of Thailand on Internalizing Environmental and Climate
- Thailand Taxonomy (Phase I)
- ESG Declaration, The Thai Bankers' Association
- Industry Handbook, The Thai Bankers' Association

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 SDGs.

PRINCIPLE 2: **IMPACT & 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.

Impact Analysis

Show how your bank has identified, prioritized, and measured the most significant impacts associated with its portfolio (both positive and negative). Determine the priority areas for target- setting. Include details regarding: Scope, Portfolio Composition, Context, and Performance Measurement.

The impact analysis should include assessment of the relevance of the four priorities laid out in Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector, as part of its initial or ongoing impact analysis.

Links & references

- Sustainability Report 2024, p.129-136, Financial Inclusion, and p.200-210, Climate Change Management (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

Response

Krungsri, as a financial institution that operates its business responsibly while taking into account social and environmental considerations, has realized that its business operations and activities may directly or indirectly affect the environment and contribute to climate change.

As a result, we promote social and environmental projects through loans or financial products based on the 'responsible lending' principles, in alignment with Krungsri's Policy for Credit Risk Management and Policy for Sustainability Lending. This includes increasing the proportion of green loans across various business sectors, such as clean energy projects and low-carbon industries, while reducing the risk of lending to businesses with high environmental impacts or greenhouse gas emissions, such as coal-fired power plants. We also improve risk management processes by integrating ESG criteria into risk assessments and evaluating the impact of climate change on the Bank's loan portfolio and investments.

In addition, Krungsri established measures, guidelines, and targets to minimize emissions from our own operations and activities toward zero emissions while supporting the business sector, particularly our customers, in their low-carbon transitions. We realized climate change management is the key driver to achieving Thailand's emissions mitigation and Nationally Determined Contributions (NDCs), as well as the United Nations Sustainable Development Goals (SDGs)

In social front, Krungsri 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 who have less access to financial services than other groups.

The Bank consistently enhances its mobile banking platform, the "krungsri app", to ensure ease of use and robust security for all customer segments. This initiative empowers users by facilitating access to financial resources that support improved well-being, business operations, job creation, and other impactful saving and investment activities. Additionally, promoting financial inclusion helps mitigate reliance on informal lending, a key contributor to household debt that poses risks to the country's socio-economic stability.

Based on our portfolio and impact analysis as well as the country's context, Krungsri identified the most significant impact areas associated both positive and negative of the portfolio are as follows:

- Climate Change: To support the transition towards net zero and climate-resilient development, in line with the Paris Climate Agreement, SDG No.13: Climate Action, Thailand's National Determined Contributions (NDCs) which committed to becoming carbon neutral by 2050 and having net zero greenhouse gas emissions by 2065, and Krungsri's Portfolio Emission Net Zero target of 2050.
- Healthy and Inclusive Economies: To enhance financial health and inclusion for retail customers, small and medium-sized enterprises, contribute to poverty reduction, economic empowerment, and overall societal wellbeing, aligning with multiple SDGs, in particular: SDG No.1: No Poverty, SDG No.5: Gender Equality, SDG No.8: Decent Work and Economic Growth, and SDG No.10: Reduced Inequality.

Targets, Target Implementation, and Action Plans/Transition plans

Show that your bank has set and published a minimum of two SMART targets which address at least two different areas of most significant impact that your bank identified in its impact analysis. Once targets are set, explain the actions taken and progress made. Include details regarding: Alignment, Baselines, Targets, Target Implementation & Monitoring (and KPIs), Action Plans/ Transition plans and Milestones.

Banks are encouraged to disclose information regarding actions they are taking in four priorities laid out in Leading the Way to a Sustainable Future: Priorities for a Global Responsible Banking Sector (2024).

Links & references

- Sustainability Report 2024, p.129-136, Financial Inclusion, and p.200-210, Climate Change Management (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

Response

Impact Areas	Alignment	Medium/Long Term Target	Baselines	2024 Performance
Climate Change	Krungsri's Net Zero Target	To increase the Social and Sustainable Finance (SSF) portfolio to 250,000 million baht within 2030 (from the baseline year 2021)	126,937 million baht (Baseline year 2021)	As of 31 December 2024, Krungsri's SSF portfolio was 222,120 million baht, increasing 95,183 million baht from the baseline year (2021)
		Phase out loan exposure to coal-fired power plants by 2030	4,789 million baht (Baseline year 2021)	As of 31 December 2024, Krungsri has reduced the outstanding loans for coal-fired power plants to only 2,115 million baht, representing a 21.23 percent decrease in loans from 2023.
Healthy and Inclusive Economies	ESG Declaration of The Thai Bankers' Association (KPI)	Increase the number of customers actively using the mobile banking platform (Krungsri app) to 9.2 million in 2027	-	As of 31 December 2024, the number of krungsri app users was 6 million, with 5,523 million transactions.

PRINCIPLE 3: **CLIENTS & 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.

Client and Customer engagement

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. It should include information on the client engagement strategy including but not limited to the impact areas identified/ targets set, awareness raising activities with clients and customers, relevant policies and processes, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Links & references

- Sustainability Report 2024, p.168-169 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

Response

Krungsri has been actively engaging with its customers to promote sustainable practices, enable sustainable economic activities, and reduce greenhouse gas (GHG) emissions of their operations. The Bank's initiatives are guided by its aspiration to become "The Leading Sustainable and Regional Bank" by 2026 in line with the Fourth Medium-Term Business Plan (2024-2026)

In 2024, Krungsri launched the "GO Sustainable with krungsri" initiative, reaffirming its leadership in driving Thailand's financial sector towards sustainability. This initiative emphasizes supporting customers on their sustainability journey and creating a positive impact on the economy, environment, and society.

In addition, we supported the transitions of customers, the business sector, and the economy toward emissions mitigation and environmental sustainability concretely through our advisory service in raising awareness as well as sustainable financial products and services. The key initiatives are as follows;

- Social and Sustainable Finance (SSF): Krungsri set an ambitious target to increase SSF by 100 billion baht by 2030 (using 2021 as the base year). In 2024, the Bank very nearly reached this milestone and has revised the target from 100 billion baht to 250 billion baht by 2030 (please see the topic of the Responsible Lending and ESG Consideration section for more detail).
- Development of Transition Finance Products: Krungsri is determined to support customers in adopting environmentally friendly business practices and contribute to Thailand's Net Zero goals. Hence, we introduced innovative financial products—one of such initiative is the "Krungsri SME Transition Loan", designed for businesses investing in environmental management, energy conservation, and greenhouse gas reduction.
- Krungsri ESG Academy: An ESG educational initiative launched to equip Thai businesses, particularly small and medium-sized enterprises (SMEs), with the knowledge and tools necessary to integrate Environmental, Social, and Governance (ESG) principles into their operations. The academy featured a four-month intensive training curriculum developed in collaboration with partners specializing in various areas of ESG. This curriculum is designed to help businesses understand their current ESG situation and develop a practical "Transition Plan" that can be effectively implemented towards achieving sustainability. In 2024, more than 60 companies have joined the Krungsri ESG Academy program to enhance their understanding of ESG principles and integrate sustainable practices into their business operations.
- Krungsri ESG Awards: In 2024, Krungsri collaborated with ESG experts to honor 25 companies that have successfully integrated ESG principles into their operations. The Bank conferred five ESG Excellence Awards to organizations exhibiting outstanding performance in environmental, social, and governance aspects alongside 20 Highly Commended ESG Performance Awards for companies implementing exemplary practices across all three dimensions. This initiative recognizes and promotes businesses that align with ESG principles, demonstrating ESG as a practical and essential approach through tangible examples and applications.
- Krungsri-MUFG ASEAN Collaboration: In partnership with its parent company, Mitsubishi UFJ Financial Group (MUFG), Krungsri supports customers' business expansion across Southeast Asia. This collaboration aims to capitalize on the region's growth potential while promoting sustainable economic activities.
- Krungsri ASEAN Link Service: This service connects Thai business customers to reliable, verified business partners throughout the Bank's network in ASEAN and Japan, facilitating sustainable business growth and regional connectivity.

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 your bank has developed these in the reporting period. Provide information on sustainability-related products and services and frameworks in place that support the transition needs of clients, size of the sustainable finance portfolio in USD or local currency and/or as a % of your bank's portfolio,* and which SDGs or impact areas you bank is striving to make a positive impact on (e.g. green mortgages—climate, social, sustainability bonds—financial inclusion, etc.).

* Provide information on the sustainable finance frameworks/standards/taxonomies used to label sustainable finance volumes

Links & references

- Sustainability Report 2024, p.112-115 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)
- Krungsri's Social and Sustainable Finance (SSF) Disclosure (https://www.krungsri.com/en/investor-relations/sustainable-finance/ssf-disclosure)

Response

By facilitating the issuance of green, sustainability, and sustainability-linked bonds to the Thai capital market, Krungsri is promoting 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 achieve the ESG goal of supporting customers' green transitions.

As a result, we ranked first in the ESG debenture league table for corporate, state enterprise, and government segments with a market share of 19%, reinforcing our leadership with an extensive range of ESG finance products and services.

This also highlights the Bank's determination to achieve the UN SDGs, namely 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.

Krungsri's Social and Sustainable Finance (SSF) Portfolio

Target: Grow our SSF portfolio target from previously 100,000 million baht to 250,000 million baht by 2030 (from the baseline year 2021)

Performance: As at the end of 2024, Krungsri's SSF portfolio increased from 2021 (baseline year) by 95,183 million baht.

Category		Outstanding (Unit: million baht)			
		2021	2022	2023	2024
Environmental	Underwriting: Green Bond	7,450	14,044	19,891	21,391
	Underwriting: Green Bond (Self-Issuance)	-	-	14,236	14,236
	Green Loan	1,000	3,000	3,335	4,492
	Loan to Renewable Energy Business	9,210	9,150	11,880	11,566
	Other Loans	-	4	234	365
Social	Underwriting: Social Bond	-	-	-	500
	Underwriting: Social Bond (Self-Issuance)	7,040	7,040	7,040	7,040
	Loan from WSME Bond	21,033	19,866	23,138	20,048
	Social Loan	20,246	23,763	21,230	16,691
	Loan to Regional Development Projects	21,608	18,797	14,821	15,276
Sustainability	Underwriting: Sustainability Bond	20,567	44,427	47,659	57,031
	Underwriting: Sustainability-Linked Bond	11,000	11,000	11,000	18,938
	Sustainability Loan	-	3,151	2,496	6,042
	Sustainability-Linked Loan	6,953	6,946	9,232	22,580
	Investment	830	3,145	4,320	5,925
Total		**126,937**	**164,333**	**190,512**	**222,120**

Remarks:
1) Bond underwriting is accumulated amount from 2019 onwards.
2) Loans constitutes commercial lending only.

PRINCIPLE 4: **STAKEHOLDERS**

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

Stakeholder identification and consultation

Describe which stakeholders (or groups/types of stakeholders) your bank has 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 the bank's engagement strategy following criteria for effective engagement and advocacy, how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Links & references

- Sustainability Report 2024, p.41, p.164-173, p.203-204, and p.210 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

Response

Krungsri systematically incorporated stakeholder engagement insights into the Bank's strategic action planning through materiality assessments, ESG risk evaluations, and sustainability reporting. This continuous feedback loop ensures that the Bank's initiatives remain relevant, impactful, and aligned with evolving stakeholder expectations.

- Stakeholder Engagement and Feedback: Conducting surveys to gather stakeholder insights on the Bank's sustainable business practices, ensuring continuous improvement.
- Collaborative Sustainability Initiatives: Partnering with stakeholders and external organizations such as the Thai Bankers' Association (TBA), Thailand Carbon Neutral Network (TCNN), Thai Renewable Energy Association (RE100), and Carbon Markets Club (CMC) to drive sustainability efforts, with a particular focus on climate change management.

  The key initiative in 2024: We collaborated with the TBA member banks, the Department of Climate Change and Environment (DCCE), the Bank of Thailand (BOT) and a consultant to develop transition plans for high-emission sectors, e.g., energy, transportation, etc. with completion scheduled for 2025.

By fostering meaningful engagement and strategic partnerships, Krungsri enhances its positive impact on the economy, society, and the environment, driving long-term sustainable growth.

PRINCIPLE 5: **GOVERNANCE & CULTURE**

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

Governance Structure for Implementation of the Principles

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 (including accountability at the executive leadership level, clearly defined roles and responsibilities for sustainability matters in internal processes, etc.) and support the effective implementation of the Principles.

Links & references

- Sustainability Report 2024, p.36-37, and p.204 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)
- Sustainability Committee (https://www.krungsri.com/en/esg/sustainable-banking/committee)

Response

As a Domestic Systemically Important Bank (D-SIB), Krungsri is committed to upholding strong corporate governance in alignment with sustainable banking principles. The Bank integrates Environmental, Social, and Governance (ESG) considerations into its operations while maintaining a robust and prudent ESG risk management framework.

Simultaneously, Krungsri seeks opportunities to operate as a responsible financial service provider, ensuring that its activities generate positive social and environmental impacts. This approach aligns with responsible lending practices and serves the best interests of all stakeholders. Additionally, the Bank continuously strengthens its capabilities to contribute to the achievement of the Sustainable Development Goals (SDGs) at both national and international levels.

To advance its sustainability objectives, Krungsri has established the "Sustainability Committee" to oversee the Bank's strategies, policies, and regulations related to ESG and corporate social responsibility. This Committee is responsible for formulating and directing Krungsri Group's ESG initiatives in accordance with sustainable banking principles, regulatory expectations, and the UN SDGs. These policies and frameworks are subsequently presented to the Executive Committee for approval. Furthermore, the Committee monitors key ESG issues, particularly those related to environmental and climate risks, which may impact the Bank's operations and its customers.

To efficient manage environmental and climate change, the Sustainability Committee has commenced the "Internalizing Environmental and Climate Change Aspects into Financial Institution Business (IECC) Program" with aims to integrate environmental and climate risk management into business operations, adhering to the Bank of Thailand's Standard Practice and the Thai Bankers' Association (TBA) Industry Handbook.

Moreover, the Sustainability Committee ensures that Krungsri's ESG-related disclosures, performance updates, and strategic developments adhere to global best practices.

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, learning & development, sustainability training for relevant teams, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Links & references

- Sustainability Report 2024, p.30-33, p.121 and p.142 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)

Response

Krungsri recognizes that fostering awareness and creating shared value among employees—is a key strategy for advancing sustainability. To this end, the Bank promotes a culture of sustainability and responsible banking through various initiatives, including:

- Knowledge Dissemination and Awareness Building: Enhancing understanding of corporate social responsibility and sustainability through upskilling and reskilling programs. These training programs support sustainable banking practices, such as training programs, namely "ESG Taxonomy: A New Chapter of Sustainable Banking", "ESG Financing and Thailand Taxonomy", "DE&I: Valuing & Embracing Diversity, Equity, and Inclusion", among employees.
- Integration of ESG Principles: Embedding environmental, social, and governance (ESG) considerations into the Bank's core business operations to ensure long-term sustainability.
- Sustainability-Linked Remuneration: Implementing an employee performance management system and developing an operational framework that defines and communicates annual performance targets. These targets incorporate both financial and non-financial key performance indicators (KPIs), including ESG-related metrics for executives and employees such as KPI target related to Net Zero targets in terms of own emissions reduction target and social and sustainable finance (SSF) target.
- Operational Support for Sustainable Banking: Aligning business operations with sustainable banking principles and material ESG issues to meet regulators' expectations and contribute to the achievement of the Sustainable Development Goals (SDGs).

Risk and due diligence processes and policies

Describe what processes your bank has installed to identify and manage environmental and social risks associated with your bank's portfolio. This can include aspects such as identification of significant/salient risks, due diligence processes, 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 your bank has in place to oversee these risks.

Links & references

- Sustainability Report 2024, p.137 (https://www.krungsri.com/en/esg/disclosure/sustainability-reports)
- Policy for Sustainability Lending (policy-sustainability-lending-en.pdf.aspx)

Response

Krungsri developed an enhanced automation support system to meet high standards in particular procedures and guidelines pertaining to credit risk management and frequently provides training to relevant staff to ensure that they are well-equipped with necessary knowledge and understanding in carrying out their duties while adhering to robust risk management guidelines.

Krungsri establishes policies and operational plans as guidelines which are in accordance with our strategy including credit policy, credit risk management procedures, and credit rating policy. Customer risk is managed based on international standards and in conformity with the Bank of Thailand's rules and regulations.

Krungsri has developed a "Policy for Sustainability Lending" to address our concerns regarding environmental, social, and governance (ESG) risks. The policy clearly defines the characteristics of credit transactions and sectors that are prohibited due to non-compensable ESG risks or restricted due to significant ESG risks. It is our strong commitment to gradually phase out financing for coal-fired power plants by 2030. Additionally, an ESG Due Diligence template was introduced as a tool for effective implementation of the policy. The following sectors are prohibited from receiving new or additional financing from Krungsri:

- Production or trade in radioactive materials, weapons, and munitions harmful to human and animal life.
- Unabated coal-fired power generation.
- Forestry activities, including plantation development and hunting in reserved areas.
- Coal-related activities, including coal mining, coal transportation, and infrastructure services exclusively dedicated to supporting these activities.

For consumer lending transactions, the Bank defines credit underwriting criteria upon responsible lending to help reducing one of Thailand's structural problems, high level of household indebtedness. The policy also defines criteria to support products that mitigate ESG risks related to environmental, social, and governance factors. Krungsri will continue to offer debt relief plans for customers affected by emerging diseases, economic challenges, natural disasters, or other difficult situations, within a responsible lending framework and structured procedures.

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.

The information provided in the Responsible Banking Progress Statement is sufficient. If third-party assurance has been undertaken, provide details on the scope of assurance and the reference/link to the Independent (Limited) Assurance Report.

To ensure the transparency and credibility of Krungsri's Responsible Banking Progress Report, the Bank has requested an external agency to verify the assurances as detailed in the attachment to this report.

LRQA Independent Assurance Statement

Relating to Bank of Ayudhya PCL.'s UNPRB responsible banking progress statement for the calendar year 2024 (1st January 2024 – 31st December 2024)

This Assurance Statement has been prepared for Bank of Ayudhya Public Company Limited (Krungsri) in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

LRQA Group limited was commissioned by Bank of Ayudhya Public Company Limited (Krungsri) to provide independent assurance on its responsible banking progress statement 2024 ("the progress statement"), as the first assurance period using the requirements laid out in the Assurance Guidance to undertake limited assurance on Principles reporting, issued by UNEP FI and the assurance criteria below.

A limited level of assurance and materiality of the professional judgment of the verifier has been used for assuring the progress statement. Our assurance engagement covered Krungsri's operations and activities in Thailand and specifically the following requirements:

- Evaluating the nature and extent of Krungsri's progress statement to the UNEP FI Principles reporting.
  - Alignment, Impact & Target Setting, Clients & Customers, Stakeholders, Governance & Culture, and Transparency & Accountability

Our assurance engagement excluded the data and information of Krungsri's operations and activities outside Thailand as well as suppliers, contractors and any third parties mentioned in the report.

LRQA's responsibility is only to Krungsri. LRQA disclaims any liability or responsibility to others as explained in the end footnote. Krungsri's responsibility is for collecting, aggregating, analysing, and presenting all the data and information within the progress statement and for maintaining effective internal controls over the systems from which the progress statement is derived. Ultimately, the progress statement has been approved by, and remains the responsibility of Krungsri.

LRQA's Opinion

Based on LRQA's approach and nothing has come to our attention that would cause us to believe that Krungsri has not:

- met the requirements above
- covered all the impact areas that are important to the stakeholders and readers of this progress statement.

The opinion expressed is formed on the basis of a limited level of assurance.

Note: The extent of evidence-gathering for a limited level of assurance engagement is less than for a reasonable level of assurance engagement. Limited level assurance engagements focus on aggregated data whilst reasonable levels of assurance checking source data from sites.

LRQA's approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Reviewing Krungsri's process for identifying and determining most significant impacts to confirm that the right topics were included in their progress statement.
- Assessing of evidence presented at Krungsri's head office in Bangkok to confirm the reliability of the data and information. The extent of evidence sampled for the selected indicators reflected the level of assurance applied.

Observations

Further observations and findings, made during the assurance engagement, are:

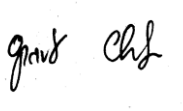
- Impact Analysis:
  Krungsri has applied recognised Impact analysis tools for identify and analysis the impacts, where the outcomes are meaningful for implementing the PRB Principles.
- Target Setting:
  Krungsri has established Climate change targets focusing on the transition of commercial lending portfolio as well as an inclusive economics which provides benefits to communities.
- Target Implementation and Monitoring:
  Hence Krungsri has disclosed progress in implementation of such targets together with actions taken.
- Governance Structure for Implementation of the Principles:
  Krungsri has implemented effective governance and a culture of responsible banking.

LRQA's standards, competence and independence

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience for the template assurance. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification together with sustainability report are the only works undertaken by LRQA for Krungsri and as such does not compromise our independence or impartiality.

Dated: 7 March 2025



Opart Charuratana
LRQA Lead Verifier
On behalf of LRQA (Thailand) Limited
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