



SCB<sup>x</sup>

# SCBX GROUP SUSTAINABLE FINANCE FACTSHEET

## SCBX Group Sustainable Finance Factsheet

At SCBX, we are committed to integrating the ESG (Environment, Social, and Governance) considerations into our credit underwriting process, and investment advisory, as well as the development and delivery of comprehensive financial products and services to serve every customer segment without compromising environmental priorities.

### Target:

- Incorporate ESG criteria into the Bank's policy, credit underwriting process, and investment advisory based upon relevant principles and standards
- Provide 200,000 million THB of funding to support green/ ESG finance by 2030
- Develop/offer at least 100 ESG funds

### 2022 Performance:

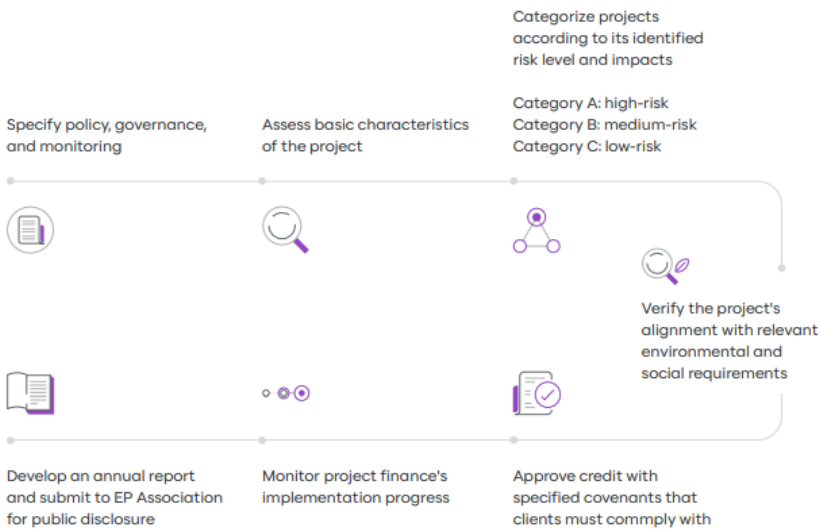
- 100% of Project Finance passed the ESG risk assessment
- Over 75,194 million baht allocated to promoting sustainable finance to combat climate change, bridge a social gap, and uplift quality of life
- Offered to clients 138 choices of ESG funds, with AUC totaling 41,712 million baht or 7.3% of total AUC

SCBX subsidiary, Siam Commercial Bank (SCB), recognizes its role and responsibility to address societal and environmental challenges while adhering to the sustainable banking framework. The Bank is devoted to staying on course with sustainability policy and continuously enhancing its responsible lending approach.

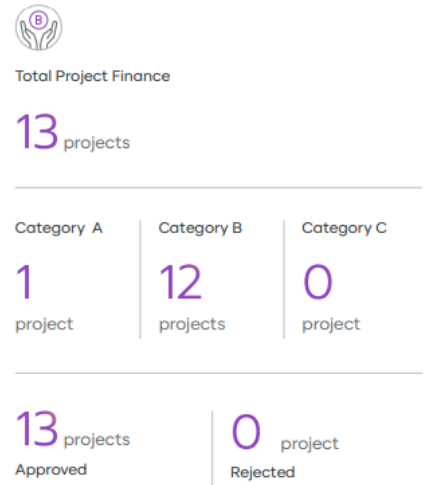


SCB was the first Thai bank to join the Equator Principles (EP) Association in January 2022. To align its underwriting procedures with the EP, SCB required every Project Finance to be thoroughly assessed and determine a management approach for environmental and social risks before approval, as large industrial projects tend to cause significant negative impacts on the environment and society if proceeding without proper risk monitoring.

**Internal EP Compliance Process**



**Project Finance Assessment 2022 in accordance with the Equator Principles**



**Examples of Project Finance that incorporated ESG considerations and complied with the EPs and SCB’s responsible lending policy**

**Solar Farm Projects**

SCB has a rich history of financing clean energy in ASEAN countries. The Bank possesses in-depth knowledge in financing utility scale electricity generation from photovoltaic technology, and can provide both financing and advisory services to clients. Although electricity produced by photovoltaic technology is considered clean energy, there may still be adverse environmental and social impacts which could cause public concerns if appropriate impact analysis and management are not in place, e.g. management of damaged or expired photovoltaic panels and storm water drainage. In 2022, the Bank financed investment in two solar panel replacement for improvement of production efficiency: one with installed capacity of 134-megawatt hour where SCB provided financing for panel replacement of 134 megawatt. This facility has a contracted capacity of 90-megawatt hour with an expected production output of 216,939-megawatt hour in 2023. Another is financing panel replacement with installed capacity of 128 megawatt hour, where SCB provided financing for panel replacement of 48-megawatt hour. This facility has a contracted capacity of 90-megawatt hour with an expected production output of 195,005 megawatt hour in 2023.

The Environment and social requirements for electricity generation from photovoltaic technology include location of the projects, and a public hearing of nearby communities. The technical advisory due diligence, including a site visit, is also conducted with environmental and social aspects in mind. The combined electricity generation capacity of these two projects are expected to be over 400,000 megawatt hour per year, which is enough electricity to supply 165,289 households, and reduce greenhouse gas emission from power generation by 162,800 tonnes of carbon dioxide equivalent.



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#### Natural Gas Power Plant Projects

In developing countries like in Thailand, electricity generated from natural gas is still critical to maintain economic and social development for the transition to a low carbon economy. Natural gas is generally cleaner than other fossil fuels such as coal or oil, however, natural gas power plants still contain environmental and social risks such as air pollution, wastewater, water consumption, occupational health and safety and community nuisance. Therefore, the Bank has to ensure there are adequate measures to address these risks before financing is provided. To comply with these measures, the project is required to conduct an environmental and social impact study with valid mathematical models, especially to assess the area's air pollution tolerance. Moreover, the project must have appropriate preventive and corrective measures in place to address environmental impacts as well as asking for feedback from local communities. In 2022, SCB provided one project financing for construction of a new independent power producer (IPP) with Installed capacity of 1,400-megawatt hour with average output of 5,354 GWh per year. And another refinancing of one project finance loan from other banks. This facility has installed capacity of 493 megawatts hour, with the output in 2021 sold 3,088 GWh. In total, the two projects are expected to generate over 8,400 megawatt hour of electricity annually to supply more than 1,276,033 household.

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#### Biomass Power Plants

Biomass Power Plants, one of the power plant types supported by Thailand's Power Development Plan, is aligned with the Bank's intention to expand the current portfolio of non-fossil fuel power plants. The power plants typically using agricultural waste as feedstock help reduce the dependence on fossil fuel as energy source, and provide a better waste management technique compared to landfilling or incineration without energy recovery. These biomass power plants also require a good understanding of environmental and social concerns, and appropriate technology to prevent complications like air pollution (especially particulate matters), water consumption, poor aesthetics, and noise pollution.

In 2022, the Bank provided financing to a thermal power plant with installed capacity of 9.9 megawatt hour located in central Thailand that uses agricultural waste as fuel. In underwriting this loan, as dictated by the Bank's Credit Policy, the project appointed external specialists to perform due diligence including environmental and social aspects to ensure it complies with applicable requirements. This project is expected utilize woodchip and agricultural waste as fuel which produces an average output of 63,974 megawatt hour per year and uses feedstock of approximately 109,780 ton per year, in turn helping to efficiently eliminate agricultural waste, and to produce electricity enough to supply 26,436 households.

## Financial support and investment to accelerate transition to a low-carbon economy

Another role that the banking and financial sector can play in order to support society and economy’s transition to low carbon is to provide finance and facilitate investments in projects and activities that are environmentally friendly such as renewable energy production, mass transit infrastructure, and green building. At the same time, the banking and financial sector can also play the role in incentivizing the industrial sector to shift their business in industry such as coal, fossil fuel, to avoid and prevent long-term significant impacts to climate change. Nevertheless, countries still rely on affordable and accessible energy supply, sufficient for driving the economy.

Recognizant of these urgencies, Siam Commercial Bank (SCB), a subsidiary of SCBX Group, has declared a statement on fossil fuel financing which takes into account and balance these complexities while continuously providing financial support and investment for clients in its own portfolio. Key activities can be summarized as follow:

Credit and financial advisory service	Asset management business
<p>SCB (the Bank) will not provide financial support to new or expansion project of existing coal mining, electricity generation from coal power, coal infrastructure, as well as companies that seek to expand their business through coal activities. In case of companies active in coal business, SCB will put in place mechanisms to ensure that the provided financial support will not be used in coal-related projects.</p> <p>In addition, unconventional oil and gas business is one of the activities that may cause severe impact to climate change and environmental degradation. Therefore, the Bank will not provide financial support to a project of unconventional oil and gas exploration and production activities in arctic, tar sands exploration and production, ultra-deep-water oil and gas exploration and production, shale oil and gas field <sup>(1)</sup>, development of Liquefied Natural Gas (LNG Liquefaction) and relevant infrastructures. Here, SCB will not provide financial support to companies whose more than 20% of their revenue is derived from unconventional oil and gas business.</p> <p>Moreover, dialogue and engagement with client to foster understanding on the importance and urgency of the transition to a low-carbon economy are crucial for supporting the transition while managing the Bank’s long-term risks. Accordingly, the Bank has specified engagement with corporate clients active in fossil fuel sector by 2025. This is to assess and identify client’s time-bound commitments and their readiness in adjusting business plan to support the transition to a low carbon economy. Should clients fail to illustrate commitments or concrete action plan, the Bank will consider it as a case-by-case basis. The assessment outcome should align with the Bank’s climate action plan developed based on the principles of the Science Based Targets initiative.</p>	<p>SCB Asset Management Co. Ltd (SCBAM), a subsidiary company in SCBX Group, has a strategy for All Active Investments regarding coal businesses including coal mining, coal power, coal transporting, as well as investments in unconventional oil &amp; gas businesses. These include exploration and production of arctic oil and gas, tar sands, ultra-deep-water oil and gas, shale oil and gas, and liquefied natural gas. Guided by this principle, SCBAM will only invest in companies that have targets and action plans in place towards carbon neutrality or net zero. SCBAM will not invest directly in a project.</p> <p>Furthermore, SCBAM will conduct client engagement at least annually, and may vote against the agenda in the shareholders' meeting which involved to approval of the relevant companies to invest or to raise capital for the purpose of building new or expanding the project relating to investment in coal business. The result of engagement and summary report will be prepared and report to the investment committee as appropriate.</p> <p>SCBAM has set a goal to phase-out from coal Investment is by 2040.</p>

(1) For projects received formal approval for development after 2021