

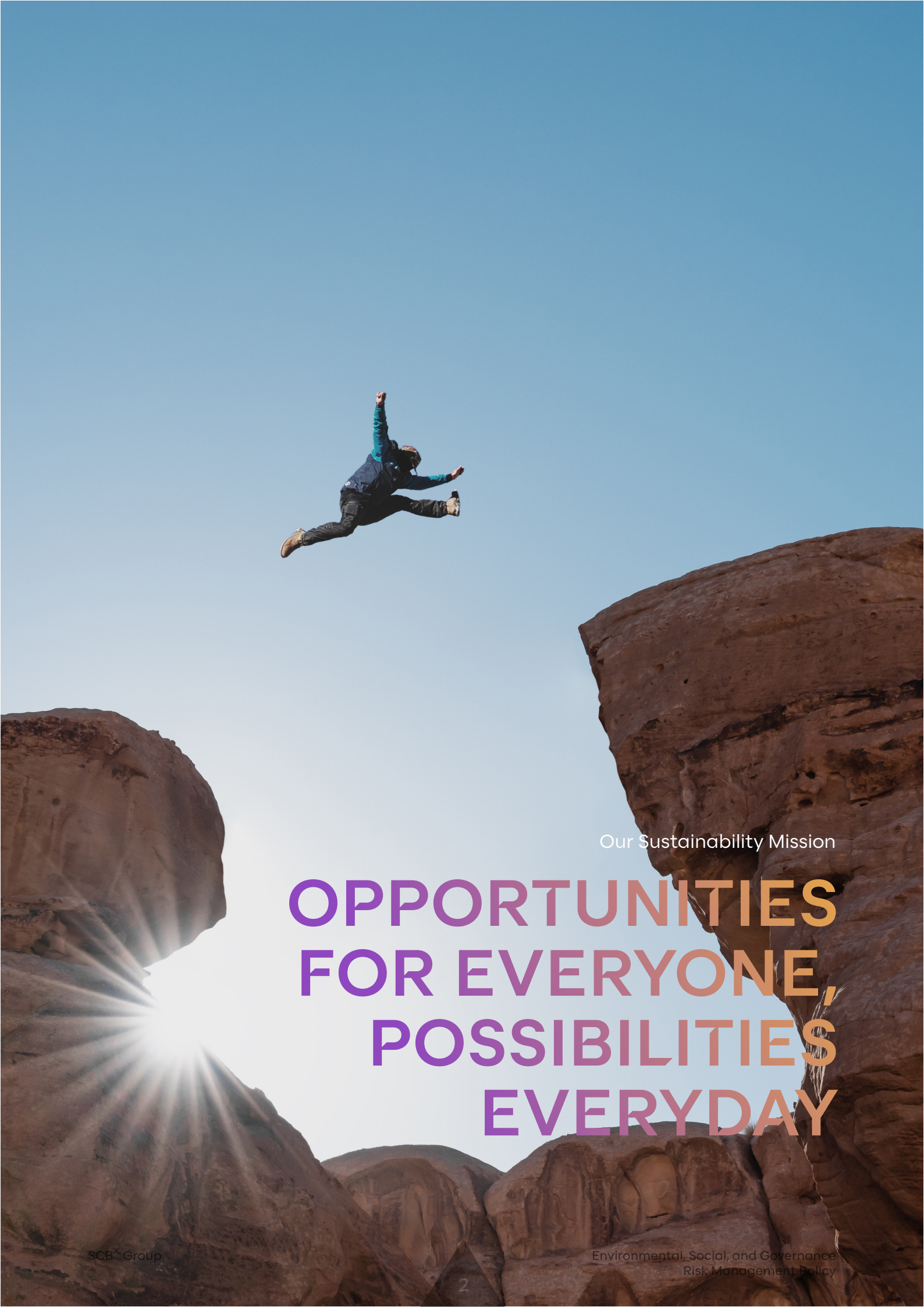
SCB^x



SCB^x Group

**ENVIRONMENTAL, SOCIAL,
AND GOVERNANCE
RISK MANAGEMENT POLICY**

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Our Sustainability Mission

**OPPORTUNITIES
FOR EVERYONE,
POSSIBILITIES
EVERYDAY**

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SCB^X GROUP ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK MANAGEMENT POLICY

1. BACKGROUND AND RATIONALE

Recognizing the critical importance of addressing environmental, social, and governance (ESG) risks, encompassing challenges such as climate change, natural resource security, human rights and labor issues, conflict of interest, and inequality in terms of access to natural resources and capital, SCB^X Public Company Limited (SCB^X), the parent company of the SCB^X Financial Group (SCB^X Group), is steadfast in its commitment to proactively manage ESG risks. These risks pose challenges to business operations and the overall development of the economy and society. In line with its sustainability mission, encapsulated in the phrase "Opportunities for Everyone, Possibilities Every Day," SCB^X is dedicated to addressing environmental, social, and governance considerations across the organization, business, and civil society sectors. This commitment not only aligns with SCB^X's pursuit of inclusive growth but also underscores its responsiveness to global imperatives such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement.

2. SCOPE

This Environmental, Social, and Governance Risk Management Policy is designed to govern the business operations of the SCB^X Group, encompassing SCB^X, its subsidiaries, and joint ventures under the company's control. Subsidiaries and associated companies are encouraged to utilize this policy as a foundational framework for shaping their own ESG risk management strategies.

Furthermore, the Company anticipates and actively promotes the adoption of ESG risk management practices by external business associates, including partners, suppliers, and contractors, in which company has no operational control. It encourages these entities to establish ESG risk management approaches that align with their specific business operating contexts. This initiative aims to foster socially responsible business practices throughout the entire value chain, fostering collaborative efforts to fortify sustainable business growth.

When evaluating ESG risks, comprehensive consideration should be given to risks impacting on the company's business operations. This entails a thorough examination at the transaction, entity, and portfolio levels, allowing for practical adjustments and risk mitigation strategies tailored to the unique business contexts of each operation..

3. OBJECTIVES

This policy is established as a guiding framework for ESG risk management operations within the SCB^X Group, driven by the following objectives:

- Enable the comprehensive management, assessment, prevention, and mitigation of risks and their impacts.
- Safeguard against greenwashing by ensuring consideration of impacts in all dimensions, adherence to accepted standards, and reliance on scientifically accepted evidence. This helps avoid intentional or unintentional misrepresentation.
- Maximize the positive impact of ESG opportunities in a manner that is both appropriate and efficient.

Subsidiaries and joint venture companies bear the responsibility for independently managing and supervising their ESG risks according to the nature of their business operations. This should align with the sustainability strategy and jointly determined business operations of the SCB^X Group. Furthermore, they are expected to provide relevant operating results to the parent company in a timely manner and stay abreast of the evolving situation.

4. GOVERNANCE

4.1 Principles

To ensure the continuous and systematic execution of ESG risk management within the SCB^X Group, the company integrates the governance structure for managing ESG risks into the enterprise risk management system, operating within the ESG Risk Management Framework. This integration is conducted under the supervision of the Risk Oversight Committee and the Risk Management Committee, in collaboration with relevant functions.

The Board of Directors, executives, and related functions assume pivotal roles in overseeing ESG risks, recognized as among the most significant risks facing the SCB^X Group. Their involvement includes delineating roles and responsibilities for the function designated to oversee the management of environmental, social, and/or governance risks. This is in addition to aligning with SCB^X's risk management policy, tailored to accommodate the distinctive characteristics of ESG risk issues. The application of the "Three Lines of Defense" framework for ESG risk management is considered, with specifics outlined as follows:

- The first line of defense encompasses business and support functions associated with key ESG risks. Their responsibility is to identify these risks and oversee their operations in adherence to established regulations or systems. They operate in compliance with internal control rules and appropriate risk management measures.
- The second line of defense involves functions such as risk management, compliance, and sustainability. Their duties include providing advice, support, and testing methods for relevant functions in managing ESG risks.
- The third line of defense comprises independent functions, including the internal audit function. They are tasked with reviewing and evaluating the adequacy of the company's risk management controls. Additionally, they assess the efficiency of the risk management system and report their findings to the Audit Committee and the Board of Directors.

4.2 Roles, Duties, and Responsibilities

To proactively address ESG risks, the organization must delineate the roles and duties of relevant functions in alignment with SCB^X Financial Group's Risk Management Policy, outlined as follows:

4.2.1 Roles, Duties, and Responsibilities of SCB^X as the Parent Company:

1) Board of Directors

- (1) Review and approve SCB^X Financial Group's ESG Risk Management Policy, endorsing periodic reviews and updates in the event of significant changes.
- (2) Evaluate and approve ESG risk management policies of group companies that deviate from the risk management framework established by the parent company, especially when identified as significant risk issues by the Risk Oversight Committee.

- (3) Oversee and endorse the management's strategy for handling ESG risks, fostering a risk-aware culture that addresses ESG risks appropriately. This includes establishing a robust process to efficiently identify, assess, manage, and monitor ESG-related risks, ensuring optimal allocation and control of resources, and managing residual risks to maintain an acceptable level.

2) Risk Oversight Committee

- (1) Supervise group companies to establish appropriate ESG risk management policies and strategies, particularly for significant ESG risks, including emerging risks by serving as a Center of Excellence with support from Risk Management, Sustainability, and other relevant functions.
- (2) Consider and approve the review of SCB^X Financial Group's ESG Risk Management Policy in case of significant changes, prior to seeking approval from the Board of Directors. Also, assess and approve the review of the policy in the case of insignificant changes, reporting such alterations to the Board of Directors for acknowledgment.
- (3) Consider ESG risk management policies of group companies for consistency with the risk management framework established by the parent company. If significant risk issues are identified, present them to the Board of Directors for further consideration and approval.
- (4) Consider and approve the Group ESG Risk Appetite before submitting it for approval from the Board of Directors.
- (5) Regularly review the adequacy and effectiveness of ESG risk management policies and strategies, including acceptable levels of ESG risks. This review should occur at least once a year or in the event of significant changes that might impact on the group's status or reputation. Ensure efficient and effective implementation of these policies and strategies.
- (6) Report to the Board of Directors on the status of ESG risks, the effectiveness of the risk management, control, and monitoring system, and adherence to a corporate risk culture by highlighting significant factors, problems, and areas for improvement to align with the Group's risk management policies and strategies.

3) Executive Committee

- (1) Consider and approve the determination of the Group ESG Risk Appetite, aligning it with the Group's business plan and business operations strategy.
- (2) Consider ESG risk management policies of group companies for consistency with the risk management framework established by the parent company, especially in cases where there are issues related to business reasons. If significant risk issues are identified, present them to the Board of Directors for consideration and approval.

4) Risk Management Committee

- (1) Review and approve the company's ESG risk management strategy, aligning it with the Financial Group's risk governance framework approved by the company's Board of Directors.
- (2) Screen ESG risk management policies and guidelines for financial group companies, as well as requests for exemptions from compliance with the group's risk management policy or framework by group companies. Present these to the Risk Oversight Committee or other sub-committees/Board of Directors.

- (3) Monitor and ensure that the company and group companies adhere to ESG risk management in line with the Group's risk management policy and strategy, considering the business context. Conduct follow-ups on risk dashboards and report major incidents to ensure that risk level measurements remain within acceptable levels. Analyze and develop strategies to manage emerging risks or those likely to surpass acceptable levels.
- (4) Present an annual review of the adequacy and effectiveness of ESG risk management policies and strategies, including acceptable risk levels, to the Risk Oversight Committee or when significant changes occur.
- (5) Review the Consolidated Risk Reports on ESG risks of the financial group, obtaining approval from the Board of Directors before submission to relevant regulatory agencies.
- (6) Report to the Risk Oversight Committee on the status of ESG risks, the efficiency of risk management, and adherence to corporate risk culture by highlighting significant factors, problems, and areas for improvement to align with the Group's risk management policies and strategies.

5) Risk Management Function

- (1) Ensure that group companies adhere to the group's risk management policy guidelines and operate within the acceptable risk levels set by the Group.
- (2) Serve as a Center of Excellence, offering guidance and overseeing the risk management practices of group companies to ensure compliance with regulations set by the Bank of Thailand or specified by regulatory agencies. Ensure alignment with the Group's established risk management policy.
- (3) Track and gather ESG risk information from each company to enhance risk management guidelines. Regularly report the Group's overall risk profile to the Risk Management Committee and the Risk Oversight Committee by highlighting key risks and providing insightful information on a routine basis.

6) Sustainability Function and Other Functions Designated to Support ESG Risk Management

- (1) Develop an ESG risk management policy and strategies and determine the Group's ESG Risk Appetite. Present these for approval to the Board of Directors, reviewing them at least annually or when significant changes occur. Support the oversight of group companies to ensure compliance with the Group's ESG risk management policy guidelines and alignment within acceptable risk levels.
- (2) Present the Group's ESG risk management strategy to the Risk Management Committee for consideration and approval. Conduct regular reviews, at least annually, or when significant changes occur.
- (3) Support group companies as a Center of Excellence by providing guidance and oversight in ESG risk management. Ensure compliance with criteria set by the Bank of Thailand or regulatory agencies, as well as best practices in ESG for each group company. Assist in compliance with the Group's specified risk management policy, including monitoring emerging risks, impacts from potential risks, and changes in relevant laws and regulations. Present manuals, guidelines, and common scenarios for managing such risks.
- (4) Support the monitoring and collection of information on various risks for each company to enhance risk management guidelines. Contribute to the regular reporting of the Group's overall risk profile to the Risk Oversight Committee by highlighting key ESG risks in the reporting.

4.2.2 Roles, Duties, and Responsibilities of Group Companies

1) Board of Directors

- (1) Evaluate, screen, and approve risk management policies, including the endorsement of the Company's ESG Risk Appetite, following governance principles based on risk proportion and the business context. The policies should align with the Group's risk management framework and risk appetite. This involves scrutinizing transactions or activities within the company that may not align with the Group's sustainability policies, principles, or risk affecting the Group's reputation and image, especially those impacting the environment, society, and governance. Any policy inconsistent with the risk management framework and standards set by the parent company, particularly those significantly divergent, must receive approval from the parent company's Board of Directors before implementation.
- (2) Foster a risk culture that encompasses ESG risk issues appropriately. Consider approving the organizational structure to include a function responsible for overseeing the company's risk management.
- (3) Establish an ESG risk management system and allocate resources suitable for the company's type of risk and transaction volume, both for itself and its subsidiaries in the next tier. The standards for this system should not fall below those set by the function overseeing that type of business, as specified and in accordance with the risk management framework of the parent company.
- (4) Designate a responsible person or function to manage ESG risks in alignment with the business context, ensuring comprehensive management of ESG risks within the company.

2) Risk Oversight Committee and/or Risk Management Committee and/or other Responsible Committees as Appropriate

- (1) Evaluate and approve the ESG risk management policy, particularly if ESG risk issues pose significant risks to the business context. Present it for approval to the Board of Directors and consider submitting it to the parent company for review when it diverges from the risk management framework set by the parent company. In cases where such risk issues are deemed significant, approval must be obtained from the parent company's Board of Directors before proceeding.
- (2) Consider and approve acceptable levels of ESG risks at the company level. Provide opinions on transactions or activities within the company that are ambiguous and not in line with the Group's sustainability policies or principles, or that pose a risk to the reputation and image of the Group, especially those impacting the environment, society, and governance. Present these for approval from the Board of Directors.
- (3) Develop ESG risk management guidelines and regulations consistent with the company's business strategies and those of its subsidiaries, considering the business context. Control and supervise the business by establishing a process for identifying, evaluating, controlling, and monitoring the company's risks to ensure appropriateness to the risk level.
- (4) Allocate adequate resources to effectively manage risks and implement the Group's specified risk management policy.

3) Responsible Person or Functions Designated to Oversee the Company's ESG Risk Management

- (1) Consider creating an ESG risk management policy if ESG risk issues pose significant risks to the business context. Request approval from the Board of Directors, reviewing it at least annually or when there are significant changes. If it is found to be inconsistent with the risk management framework set by the parent company, seek approval from the parent company through the Chief Risk Officer and Chief Sustainability Officer.
- (2) Establish ESG risk management guidelines and regulations aligned with the company's business strategy. Control and supervise the business by implementing a process for identifying, evaluating, controlling, and monitoring organizational risks appropriate to the risk level. Present transactions and/or activities within the company that are ambiguous and not in line with the group's sustainability policies or principles, or that pose a risk to the reputation and image of the group, especially those impacting the environment, society, and governance, for approval from the Board of Directors.
- (3) Provide resources to facilitate effective risk management and the implementation of the Group's specified risk management policy.
- (4) Report the results of the risk assessment and risk management of the Company and its subsidiaries to SCB^X's Risk Management Function on a monthly basis. In cases of discovering significant ESG risk issues, report promptly to SCB^X's Risk Management Function

5. MANAGEMENT GUIDELINES

To ensure that ESG risk management within the SCB^X Group aligns with the Sustainability Policy and is consistently implemented in accordance with principles, regulations, and related guidelines both locally and internationally, the SCB^X Group has instituted an ESG risk management framework as a crucial element of the enterprise risk management system. This framework defines the scope of management, roles and responsibilities, and operating procedures. Governance principles are to be applied with consideration for risk proportionality and the business context to ensure appropriate risk management.

In its capacity as the parent company, SCB^X is deemed a direct beneficiary of robust risk management within its group companies. Accordingly, SCB^X has the right to directly request information from group companies—whether ESG-related or otherwise—for the purpose of managing the Group's ESG risks. This may include customer information and personal details, if necessary, but strict adherence to relevant laws and regulations is imperative.

5.1 Principles

The SCB^X Group is committed to abstaining from engaging in business or providing financial support, either directly or indirectly, to individuals, juristic persons, or agencies whose activities are incongruent with its sustainability policies or principles, as outlined in the Group Risk Appetite. If there are any ESG risk issues arising from business operations that could significantly impact SCB^X's reputation and image but fall beyond the scope of the issues specified in the Group Risk Appetite, approval will be sought on a case-by-case basis from SCB^X's Chief Risk Officer and Chief Sustainability Officer. In the event of transactions and/or activities within the company that are ambiguous regarding alignment with the Group's sustainability policies or principles, or pose a risk to the reputation and image of the Group—especially those with potential impacts on the environment, society, and governance—the subsidiary's Board of Directors shall assess whether such transactions and/or activities conform to policy or principles, or if there is a risk of affecting the reputation and image. If inconsistency or risk is identified, it must be presented to the parent company's Board of Directors for further approval.

5.2 Risk Management Process

5.2.1 Identifying Risk Issues:

Study and analyze the sustainability context, capturing significant ESG risk issues that impact the implementation of the company's strategy or objectives by considering both internal and external factors. This involves identifying issues that the global industry considers important and acknowledging global and industry-specific corporate sustainability trends, emerging risks, social change, or alterations in the company's strategy. Examples of information sources and tools for identifying fundamental sustainability issues and risks include the World Economic Forum Global Risk Report, ESG Industry Materiality Map by MSCI, Global Opportunity Report, WBCSD, UN Global Compact, GRI Standards, megatrend analysis, and the analysis of strengths, weaknesses, opportunities, and threats (SWOT analysis). Additionally, engaging stakeholders both inside and outside the company through in-depth opinion interviews is essential for a comprehensive understanding of potential risks.

5.2.2 Risk Assessment:

To identify critical risks affecting the achievement of strategic corporate objectives or the execution of business activities, a robust process is necessary for assessing, analyzing, and prioritizing ESG risk issues identified in previous steps. This involves considering the likelihood of occurrence, the potential impact on business operations, and alignment with corporate strategy and goals. Appropriate tools should be utilized based on the specific risks associated with the business. The impact assessment should encompass the following considerations:

- Evaluate risks at both transaction and portfolio levels.
- Examine environmental risks, encompassing physical impacts from events, acute physical risks from sudden natural disasters, and chronic physical risks from slow changes in climate characteristics over an extended period. Additionally, consider transition risks to the economic system.
- Analyze ESG impacts on other risk aspects, including credit risk, market risk, liquidity risk, operational risk, strategic risk, and reputational risk.
- Conduct ESG Risk Stress Testing and Scenario analysis in accordance with assumptions and stress testing guidelines.

5.2.3 Risk Response:

Upon identifying significant issues through assessment, the company must establish strategies, goals, and guidelines for risk management, incorporating a grievance mechanism, contingency plan, and/or remediation plan, as applicable. Simultaneously, the company needs to determine the operational structure, allocate sufficient resources to support operations in managing these risks and implement a monitoring process to ensure effective risk management.

Group companies should adhere to principles for responding to risks, including avoiding events that pose risks, engaging in joint management or sharing responsibility with others, taking additional actions to reduce the likelihood of occurrence or impact to an acceptable level, and accepting residue risks that have been managed but remain within the desired and acceptable level without requiring further action. This involves establishing guidelines for activities or industry groups with high ESG risks, including exclusion lists and sector-specific guidance, and/or conducting comprehensive ESG Due Diligence tailored to the business context, in alignment with local and international laws, regulations, guidelines, and standards of conduct.

This encompasses adherence to the Thailand Taxonomy, guidance from the Science Based Targets initiative (SBTi), S&P Global CSA Methodology, CDP, Equator Principles, IFC Performance Standards on Environmental and Social Sustainability, United Nations Global Compact Principles, and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. This ensures that operations align with sustainability goals, support ESG transition, and contribute to SCB^X Group's commitment to becoming a NET ZERO financial technology group by 2050.

5.2.4 Risk Monitoring and Reporting:

Group companies should establish a structure and process for monitoring operations in alignment with specified goals to ensure efficient and transparent risk management. Each company must establish an internal process to guide operations according to the ESG goals received from the group. Reporting on performance against risk management goals, including the structure and/or processes to address any negative impacts that may occur, should be carried out based on suitability and the business context.

Furthermore, group companies are tasked with presenting the results of the assessment of material issues to the executive committee or the relevant committee within their company. This includes requesting approval to review the process of preparing and disclosing risk information in sustainability reports, annual reports, websites, and/or communication channels of the company continuously, adhering to principles and regulations related to the company. Reference to best practices or international standards in operations and reporting, such as GRI Standards, S&P Corporate Sustainability Assessment - DJSI, CDP, Equator Principles (EPs), PCAF Global GHG Accounting and Reporting Standard, Greenhouse Gas Protocol, Science Based Target Initiative (SBTi), Principles for Responsible Banking (UNPRB), Principles for Responsible Investment (UNPRI), IFRS Sustainability Disclosure Standards, Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), etc., should be made as applicable.

Group companies must report the results of risk assessments and risk management guidelines, which include regular consideration of ESG risks, through the Chief Risk Officer and Chief Sustainability Officer of the parent company. This ensures the monitoring, review, and management of the Group's overall risks, maintaining them at an appropriate level. Additionally, they should collect ESG risk issues from secondary and subsequent subsidiaries to consider together and report a summary of the risk assessment results to the parent company.

Moreover, if there are sustainability risks that may impact the Group's position and reputation, whether from the operations of subsidiary companies or secondary and subsequent subsidiaries within the group, they must be reported to the parent company in a timely manner through SCB^X's Chief Risk Officer and Chief Sustainability Officer.

5.3 Guidelines for Stakeholders Management

- **Employees** : The SCB^X Group places a high priority on fostering a "risk culture" as an integral part of every employee's role within the organization, encompassing environmental, social, and governance risks. Continuous efforts will be made to enhance awareness among employees, strengthening their participation in the prevention or mitigation of risks. Activities will also focus on promoting equality of opportunity, elevating health and safety standards in the workplace, and more.

- **Customers** : The SCB^X Group is committed to incorporating environmental, social, and governance perspectives into the provision of financial support, investment consulting, and the development and offering of comprehensive financial products and services. This approach aims to address the diverse needs of customers while concurrently managing environmental, social, and governance impacts. The Group seeks opportunities to enhance clients' capabilities in dealing with ESG risks in the future.
- **Counterparties and Contractors** :The SCB^X Group is dedicated to supporting sustainable operations throughout the supply chain by integrating ESG risk management into the partner and contractor selection process in accordance with SCB^X's Supplier Code of Conduct. The Group collaborates with partners and contractors to manage and prevent ESG risks while enhancing positive impacts for sustainable business growth.

For further details on the SCB^X Group Supplier Code of Conduct, please refer [here](#)

- **Business Partners** : The SCB^X Group will incorporate environmental, social, and governance perspectives when considering collaboration with business partners or investments in any entity. This commitment aims to support the ESG transition, invest in a Low Carbon and Net Zero Economy, and promote financial technology (Fintech) that enhances universal access to resources and funding. These efforts aim to reduce societal inequality and foster sustainability in the broader business ecosystem.
- **Investors** : The SCB^X Group will communicate its ESG risk management achievements through its annual report, sustainability report, websites, and/or company communication channels. This communication strategy serves to create and maintain shareholder value while reinforcing confidence among all stakeholders in the company's business operations and competitiveness within the sustainability context.
- **Regulatory Agencies** : The SCB^X Group is committed to reporting and disclosing important risk factors and risk management guidelines in its annual report or other channels, adhering to the criteria and regulations set by regulatory agencies.
- **Society** : The SCB^X Group will actively engage with relevant civil society sectors to understand perspectives and expectations. This engagement ensures an appropriate response, and the results of managing ESG risks and opportunities will be communicated through regular and continuous activities and communication channels.

6. POLICY REVIEW

This ESG Risk Management Policy has received approval from SCB^X's Board of Directors following careful consideration and scrutiny by the Risk Oversight Committee and the Risk Management Committee, respectively. The Company is committed to reviewing this policy at least once a year to ensure alignment with the evolving current and future contexts. The Board of Directors has entrusted the Risk Oversight Committee with the authority to review and approve updates to policies that are not deemed significant, with changes reported to the Board of Directors. In cases of significant changes, they will be presented to the Board of Directors for thorough consideration and approval.

7. RELATED POLICIES

- SCB^X Financial Group's Risk Management Policy
- Sustainability Policy
- Corporate Governance Policy
- SCB^X Financial Business Group's Market Conduct
- Climate Change and Sustainable Environment Policy
- Human Rights Policy
- Policy for Promoting Universal Financial Access
- Occupational Health and Safety Policy
- SCB^X Group Supplier Code of Conduct



The background of the page features a large, stylized 'X' shape formed by four overlapping, semi-transparent grey trapezoidal shapes. The shapes are arranged symmetrically, with their corners pointing towards the center and the edges of the 'X' pointing towards the corners of the page. The overall effect is a modern, geometric design.

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