

SCB^x



SCB^x Group

**ENVIRONMENTAL
SOCIAL AND
GOVERNANCE
RISK MANAGEMENT POLICY**



Our Sustainability Mission

**OPPORTUNITIES
FOR EVERYONE,
POSSIBILITIES
EVERYDAY**

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SCBX GROUP ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK MANAGEMENT POLICY

1. PRINCIPLES AND RATIONALES

SCBX Public Company Limited ("SCBX"), as the parent company of SCBX Financial Business Group ("SCBX Group"), recognizes that Environmental, Social, and Governance (ESG) risk issues are linked to its business operations and may give rise to impacts on the organization, stakeholders, the environment, and society. These include climate change, degradation of natural resources, human rights violations, as well as governance and conflict-of-interest issues. If not managed appropriately, such issues may affect the Group's business operations and reputation in both the short and long term.

SCBX places importance on the appropriate management of ESG risks by integrating ESG factors into the Group's relevant risk management frameworks and processes, in order to identify, assess, manage, monitor, and mitigate ESG risks and impacts associated with its business operations. ESG risk management will support SCBX Group's sustainability mission to "drive sustainable business growth while creating positive change for customers, the planet, and society", as well as contribute to the Functioned Nations Sustainable Development Goals (SDGs) and the climate change objectives under the Paris Agreement.

2. SCOPE

This ESG Risk Management Policy applies to the business operations of SCBX Group, comprising SCBX Public Company Limited, its subsidiaries, associated companies, and joint ventures over which SCBX exercises operational control (hereinafter, subsidiaries, associated companies, and joint ventures over which SCBX exercises control over operations shall be collectively referred to as "Group Companies"). The Policy also covers the Board of Directors, executives, and all employees of SCBX Group. Group Companies may adopt the principles of this Policy as appropriate, in a manner consistent with their business contexts, as well as with applicable laws and regulations.

In this regard, Group Companies should consider ESG risks and impacts associated with their business operations, which may encompass transaction-level, counterparty- or entity-level, and portfolio-level risks. They shall establish risk management guidelines and processes that are appropriate to their respective contexts and risk levels.

3. OBJECTIVES

This policy has been established to set out framework and guidelines for ESG risk management within SCBX Group, with the following objectives:

- To promote systematic and effective ESG risk management across SCBX Group, covering the identification, assessment, management, monitoring, and mitigation of ESG risks and impacts associated with business operations, including the integration of ESG risk considerations into the relevant risk management processes of SCBX and Group Companies
- To encourage SCBX Group to take into account ESG risks and opportunities that may affect business operations, strategy, and the ability to create value in the short, medium, and long term, so as to support appropriate risk management and business decision-making
- To reduce the risk of greenwashing by promoting ESG communications that are clear, accurate, appropriate, and consistent with actual information, and that comply with

relevant guidelines and standards, thereby ensuring credibility and verifiability and avoiding communication that may give rise to misunderstanding

4. GOVERNANCE

4.1 Principles

The Board of Directors, executives, and relevant functions of SCBX and Group Companies play a key role in overseeing and managing ESG risks that may affect stakeholders and business operations. Roles and responsibilities of relevant functions are defined in a manner appropriate to the nature of the risks, and the "Three Lines of Defense" principle is applied to support governance and risk management as follows:

[SCBX Risk Management Policy](#) 

First Line of Defense comprises business functions and relevant support functions, which are responsible for identifying, assessing, managing, and monitoring ESG risks associated with their operations, including implementing the Policy and complying with appropriate internal control requirements.

Second Line of Defense comprises functions responsible for overseeing and supporting risk management, such as risk management functions, compliance functions, and sustainability functions. Their duties include establishing or supporting frameworks and guidelines, providing advice, and monitoring and reviewing the appropriateness of ESG risk management by relevant functions.

Third Line of Defense consists of the Internal Audit function, which is independent from functions responsible for risk management. Its duties include assessing the adequacy of internal controls related to ESG risks, evaluating the effectiveness of the ESG risk management system, and reporting results to the Audit Committee and the company's Board of Directors.

The principles for ESG risk management are consistent with those set out in SCBX Group's Risk Management Policy.

4.2 Roles, Duties, and Responsibilities

SCBX has defined the roles and responsibilities of the Board of Directors and relevant functions involved in ESG risk management, in addition to those set out in SCBX Group's Risk Management Policy, as follows:

4.2.1 Roles, Duties, and Responsibilities of SCBX as the Parent Company:

1) Board of Directors

- (1) Considers and approves the Group Risk Appetite, including the Group ESG Risk Appetite, ensuring alignment with SCBX Group's business plans and strategies.
- (2) Considers and approves SCBX Group's ESG Risk Management Policy, including approving reviews and amendments in the event of significant changes to the Policy.
- (3) Considers and approves ESG risk management policies of Group Companies that are not aligned with the risk management policy established by SCBX and the Risk Oversight Committee determines that they may give rise to risks that are significant to SCBX Group.

- (4) Oversees and supports management's approach to ESG risk management, including ensuring that there are processes to identify, assess, manage, and monitor ESG risks, and that appropriate resources and controls are in place so that residual risks remain within the defined risk appetite, while promoting a risk culture.
- (5) Considers and approve exemptions permitting Group Companies to undertake transactions or business activities that may not be aligned with the Group ESG Risk Appetite, with such exemptions considered on a case-by-case basis, taking into account business necessity together with risk management plans for such matters.

2) Risk Oversight Committee

- (1) Oversees SCBX Group's adoption of appropriate and effective policy frameworks, strategies, or guidelines for risk management, covering material risks, including ESG risks and emerging risks.
- (2) Considers and endorses the review of SCBX Group ESG Risk Management Policy in cases of significant changes, before submission to the Board of Directors for approval.
- (3) Considers and approves the review of SCBX Group ESG Risk Management Policy in cases of non-significant changes and report such changes to the Board of Directors for acknowledgement.
- (4) Considers and endorses the ESG Risk Management Policies of Group Companies only in cases where such policies are not consistent with SCBX Group Risk Management Policy; if material risk issues are identified, these shall be submitted to the Board of Directors for approval.
- (5) Considers and endorses the Group Risk Appetite, which includes the Group ESG Risk Appetite, in alignment with SCBX Group's strategy and business plan, before submission to the Board of Directors for approval.
- (6) Reports to the Board of Directors on the status of ESG risks, the effectiveness of risk management and control systems, any material issues or obstacles, and proposed remedial measures, to ensure consistency with SCBX Group's risk management policy framework and strategy.
- (7) Acts jointly with the Sustainability Committee and the Executive Committee to consider and endorse, on a case-by-case basis, exemptions allowing Group Companies to undertake transactions or business activities that may not be consistent with the Group ESG Risk Appetite, taking into account business necessity together with risk management plans for such matters, before submission to the Board of Directors for approval.

3) Executive Committee

- (1) Considers and endorses the Group Risk Appetite, which includes the Group ESG Risk Appetite, in alignment with SCBX Group's strategy and business plan, before submission to the Board of Directors for approval.
- (2) Considers and endorses the ESG Risk Management Policies of Group Companies only in cases where such policies are not consistent with the policies prescribed by SCBX and may give rise to material business issues or impacts.
- (3) Acts jointly with the Risk Oversight Committee and the Sustainability Committee to consider and endorse, on a case-by-case basis, exemptions allowing Group Companies to undertake transactions or business activities that may not be consistent with the Group ESG Risk Appetite, taking into account business necessity together with risk management plans for such matters, before submission to the Board of Directors for

approval.

4) Sustainability Committee

- (1) Considers and endorses the Group ESG Risk Appetite, as part of the Group Risk Appetite, which shall be submitted to the Executive Committee and the Risk Oversight Committee for endorsement, and then to the Board of Directors for approval, in sequence.
- (2) Considers and endorses the review and amendment of SCBX Group ESG Risk Management Policy, before submission to the Risk Oversight Committee for endorsement or approval, according to the level of materiality of the changes as defined.
- (3) Considers and endorses the ESG Risk Management Policies of Group Companies only in cases where such policies are not consistent with the policies prescribed by SCBX, before submission to the Risk Oversight Committee for endorsement, and submits to the Executive Committee for endorsement only in cases where there are material business issues or impacts, before submission to the Board of Directors for approval.
- (4) Provides policy-level comments and recommendations on ESG issues and risk management approaches for transactions or business activities of Group Companies that may not be consistent with the Group ESG Risk Appetite, for Group Companies to consider and implement.
- (5) Acts jointly with the Risk Oversight Committee and the Executive Committee to consider and endorse, on a case-by-case basis, exemptions allowing Group Companies to undertake transactions or business activities that may not be consistent with the Group ESG Risk Appetite, taking into account business necessity together with risk management plans for such matters, before submission to the Board of Directors for approval.

5) Risk Management Committee

- (1) Considers and determines the Company's risk management strategy, including ESG risks, in alignment with SCBX Group's risk governance framework approved by the Board of Directors.
- (2) Screens SCBX Group ESG risk management policy and guidelines, and review policies of Group Companies that are not consistent with SCBX Group Risk Management Policy, before submission to the Risk Oversight Committee, the Sustainability Committee, the Executive Committee (in cases of material business issues or impacts), and the Board of Directors.
- (3) Monitors ESG risk management of SCBX and Group Companies to ensure consistency with the Group's risk management policy and strategy, taking into account the context of each business. This includes monitoring Risk Dashboards and Major Incident Reports to analyze and identify approaches for managing emerging risks or risks trending above the acceptable level.
- (4) Reviews and assesses the adequacy and effectiveness of ESG risk management policy and strategy, including Group ESG Risk Appetite, and present review results to the Risk Oversight Committee at least annually or upon significant changes.
- (5) Screens the Group's Consolidated Risk, which cover ESG risks, for submission to the Board of Directors for approval prior to submission to relevant regulators.
- (6) Reports to the Risk Oversight Committee on the status of ESG risks, risk management effectiveness, material risk issues or events, and related remedial measures.

6) Risk Management Function

- (1) Monitors and oversees Group Companies' compliance with SCBX Group Risk Management Policy and the Group Risk Appetite.
- (2) Serves as a Centre of Excellence to provide consultation and oversee risk management at Group Companies, ensuring consistency with SCBX's governance principles and risk management policies.
- (3) Collects and monitors ESG risk information from Group Companies through each company's Risk Dashboard, in order to improve risk management approaches and regularly report the Group's overall risk profile to the Risk Management Committee and the Risk Oversight Committee, with emphasis on material ESG risks.
- (4) Provides consultation and input to Group Companies regarding transactions or business activities that may not be consistent with the Group ESG Risk Appetite, and on risk management approaches related to such transactions or activities, from the perspective of overall risk governance.

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

- (1) Develops and reviews SCBX Group ESG Risk Management Policy and the ESG Group Risk Appetite, including related risk management strategies or guidelines, at least annually or when there are significant changes, and support oversight to ensure Group Companies comply with the ESG risk management policy and ESG Group Risk Appetite.
- (2) Serves as a Centre of Excellence to provide consultation and oversee ESG risk management at Group Companies, ensuring consistency with Group policies, regulators' requirements, and relevant standards or practices.
- (3) Monitors and analyzes emerging ESG risks, as well as changes in laws, regulations, standards, and related practices, to inform the review and improvement of relevant policies and practices.
- (4) Provides consultation and input on ESG issues related to transactions or business activities of Group Companies that may not be consistent with the Group ESG Risk Appetite, including risk management approaches for such transactions or activities.
- (5) Supports the Risk Management Function in monitoring, collecting, and analyzing ESG risk information from Group Companies, to support the assessment of overall risk profiles and trends, the improvement of risk management approaches, and the regular reporting of material Group ESG risk issues to the Risk Oversight Committee.

4.2.2 Roles, Duties, and Responsibilities of Group Companies

1) Board of Directors

- (1) Considers and approves Company ESG Risk Appetite where ESG risk issues constitute material risks in the business context, in accordance with the risk-proportionality governance principle and the business context, under SCBX Group risk management framework and Group ESG Risk Appetite. In cases where it is necessary to establish an ESG Risk Management Policy that is not consistent with the framework or policies prescribed by SCBX, the matter shall be submitted to the relevant SCBX committees for consideration as set out in this policy.
- (2) Oversees ESG risk management to ensure compliance with regulatory requirements and SCBX Group's ESG risk management framework and policies by ensuring that adequate and appropriate resources and controls are in place, and by promoting a risk-aware culture (Risk Culture).

- (3) Oversees the establishment of an appropriate structure, system, and process for ESG risk management that is suitable for the level and type of risks and the business context, including designating a clear function or person responsible for managing such risks.
- (4) Considers transactions or business activities that may not be consistent with the ESG Risk Appetite, including the business rationale and related risk management plans. Where it is determined that such transactions or activities are necessary, the matter shall be submitted to the relevant SCBX committees in accordance with the exemption process set out in this Policy. Such transactions or business activities may only proceed after approval of the exemption has been granted by SCBX's Board of Directors.

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

- (1) Considers and endorses the company's ESG Risk Management Policy where ESG risk issues constitute material risks in the business context, prior to submission to the Board of Directors for approval. Where the substance of such policy is not consistent with the framework or policies prescribed by SCBX, approval shall be sought from SCBX Board of Directors in accordance with the process set out in this Policy.
- (2) Considers and endorses the Company ESG Risk Appetite, and provide comments on transactions or business activities that may not be consistent with the Group ESG Risk Appetite and the related risk management plans, prior to submission to the Board of Directors for consideration.
- (3) Ensures that guidelines, processes, and procedures for ESG risk management are established and are appropriate and aligned with the business strategy and context, including systematic identification, assessment, management, and monitoring of risks, and that sufficient resources are in place to implement SCBX Group Risk Management Policy.

3) Management-Level Committee¹

- (1) Considers transactions or business activities that may not be consistent with the Group ESG Risk Appetite, taking into account the business rationale, ESG risks, and risk management plans, prior to discussing the matter and seeking policy-level input from SCBX Sustainability Committee in accordance with the process set out in this policy.

4) Responsible Person or Functions Designated to Oversee ESG Risk Management of Group Companies

- (1) Develop and review the company's ESG Risk Management Policy to ensure it is appropriate for the risk level and business context where ESG risk issues constitute material risks, at least annually or when there are significant changes, for submission to the Board of Directors for approval. Where the substance of such policy is not consistent with the framework or risk management policies prescribed by SCBX, approval shall be sought in accordance with the process set out in this policy.
- (2) Establish guidelines, processes, and procedures for ESG risk management that are aligned with the business strategy and context, including putting in place appropriate processes to identify, assess, manage, and monitor risks in line with the company's risk level, and allocating sufficient resources for risk management operations.

¹For the purposes of this policy, management-level committee refers to the Credit Committee of the Bank, the Group Company's Management Committee, or other relevant management-level committees.

- (3) Coordinate with the sustainability function and other relevant functions to prepare information, the business rationale, and risk management plans for cases where the company needs to undertake transactions or business activities that may not be consistent with the Group ESG Risk Appetite, and discuss such matters with the Chief Sustainability Officer and Chief Risk Officer of SCBX prior to submission to the relevant committees of Group Companies and SCBX in accordance with the process set out in this policy.
- (4) Report the company's ESG risk assessment and risk management results, including information on subsidiaries under its oversight, to the risk management function and sustainability function of SCBX on a monthly basis, and promptly report any material or urgent ESG risk issues to the risk management function and sustainability function of SCBX.

5. MANAGEMENT GUIDELINES

To ensure that ESG risk management across SCBX Group is systematic and effective, SCBX Group integrates ESG risk management into its enterprise risk management system by defining the relevant framework, roles, responsibilities, and processes, so that risks are managed appropriately at both the Group and the Group Companies' levels.

5.1 Principles

SCBX requires that the business operations and financial support provided by Group Companies comply with the Group ESG Risk Appetite and related prescribed practices.

In cases where a Group Company needs to undertake transactions or business activities that may not be consistent with the Group ESG Risk Appetite, the matter, together with the business rationale and risk management plan, shall be submitted to the Group Company' management-level committee for consideration. Where the management-level committee determines that such transactions or activities are necessary, the Group Company shall discuss the matter with the Chief Sustainability Officer of SCBX and submit it, together with the business rationale and risk management plan, to SCBX Sustainability Committee for policy-level guidance, before the Group Company proceed with its internal processes as defined in the relevant policies and practices of each company.

Where the Group Company's Board of Directors determines that it is necessary to proceed with such transactions or business activities that may not be consistent with the Group ESG Risk Appetite, a request for exemption allowing the company to undertake such transactions or activities, together with the business rationale and risk management plan, shall be submitted to SCBX Executive Committee, Risk Oversight Committee, and Sustainability Committee for endorsement, and then to SCBX Board of Directors for case-by-case approval of the exemption, before the Group Company undertakes such transactions or activities.

In addition, where such transactions or business activities may give rise to reputational risk to SCBX Group, the Group Company shall also comply with SCBX Group Reputational Risk Management Policy and related processes.

5.2 Risk Management Process

5.2.1 Risk Identification

SCBX and Group Companies monitor and analyze sustainability trends, factors, and changes, as well as ESG risks, including emerging risks, in order to identify ESG risks and opportunities that may have a material impact on strategy, business operations, and value creation in the short, medium, and long term.

5.2.2 Risk Assessment

Group Companies should establish a process to assess and prioritize ESG risks in order to determine appropriate management approaches that are suitable for the nature of the business and the risk level. This should cover key risk issues such as environmental and climate change risks, and social and governance risks, including human rights and labour issues, fair customer treatment, data protection and privacy, business ethics, and compliance with applicable laws and regulations. Group Companies should also assess the impact of ESG issues on other types of company risks, such as credit, market, liquidity, strategic, reputational, and legal and compliance risks.

In this regard, Group Companies may consider using Scenario Analysis, Stress Testing, or other tools appropriate to the nature and risk level of the business.

5.2.3 Risk Response

Group Companies must establish approaches to manage material ESG risks that are appropriate to the risk level, including putting in place an adequate operating structure, resources, and monitoring processes to keep risks within an acceptable level.

For activities or industries with high ESG risk, Group Companies should consider establishing additional guidelines or measures as appropriate, such as an Exclusion List, Sector-Specific Guidance, or ESG Due Diligence processes, taking into account laws, regulatory requirements, and other standards and practices.

5.2.4 Risk Monitoring and Reporting

Group Companies should establish processes to monitor, assess, and report ESG risks that are appropriate to the nature and risk level of the business and consistent with the Policy and the Group ESG Risk Appetite.

In addition, Group Companies are required to report material ESG risk information and risk management results to the management committee or relevant functions, and to provide necessary data to SCBX to support the monitoring and assessment of the Group's overall ESG risk profile and disclosure in accordance with laws, regulatory requirements, and relevant standards. Where ESG risk issues are identified that are material to the financial position, business operations, or reputation of SCBX Group, Group Companies shall promptly report such issues to the Sustainability Function and Risk Management Function of SCBX and follow the relevant risk management processes.

5.3 Stakeholder Practices

SCBX Group places importance on engagement with key stakeholders, including employees, customers, suppliers and contractors, business partners, investors, regulators, and civil society, in order to hear their views, suggestions, and expectations on ESG issues related to business

operations. This input is used to inform the Group's ESG risk management, as well as the communication and disclosure of material ESG information to stakeholders in accordance with applicable laws and standards.

6. POLICY REVIEW

This Environmental, Social, and Governance (ESG) Risk Management Policy has been approved by the Board of Directors and shall be reviewed at least once a year, or when there are changes that may affect the substance of the Policy.

In the case of significant policy amendments, the Sustainability Function, together with the Risk Management Function, shall submit the proposed amendments to the Sustainability Committee and the Risk Oversight Committee for endorsement, before submission to the Board of Directors for approval, in sequence.

In the case of non-significant policy amendments, the proposed amendments shall be submitted to the Sustainability Committee for endorsement, before submission to the Risk Oversight Committee for approval pursuant to the authority delegated by the Board of Directors, and such amendments shall be reported to the Board of Directors for acknowledgement.

7. RELATED POLICIES

- Risk Management Policy
- Reputational Risk Management Policy
- Sustainability Policy
- Corporate Governance Policy
- SCBX Group Code of Conduct
- Climate and Environmental Stewardship
- Human Rights Policy
- Financial Inclusion and Financial Health Policy
- Occupational Health and Safety Policy
- Supplier Code of Conduct

The logo consists of the letters 'SCB' in a bold, sans-serif font, followed by a superscripted 'x'. The 'x' is smaller and positioned slightly above the baseline of the 'B'.

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www.scbx.com