

Second Party Opinion

TMBThanachart Bank's Green Bond Framework

Sept. 24, 2021

Bangkok-headquartered TMBThanachart Bank Public Co. Ltd. (TTB) is the sixth-largest commercial and retail bank by asset size in Thailand. As a financial institution, and through its sustainable and green lending, TTB aims to integrate responsible banking into its business model and help businesses transit to become more sustainable.

In our view, TTB's Green Bond Framework published in September 2021, is aligned with:

 Green Bond Principles (GBP), ICMA, 2021

Issuer's Sustainability Objectives

TTB aims to integrate responsible and sustainable banking into its business model while bringing about environmental and social benefits to the wider community. The bank recognizes the role it can play as a lender to help its clients shift towards sustainability. In 2020, TTB revised its environmental and social responsibility policy to establish a more comprehensive set of guidelines to identify and evaluate environmental and social risks of its clients.

TTB's sustainability framework covers four key areas, namely business sustainability, environmental sustainability, social sustainability, and corporate governance and business ethics.

Through TTB's green bond framework, the bank commits to responsible lending to companies that support three key environmental objectives: (i) transition to low carbon economy, (ii) carbon resilience, and (iii) environmental protection.

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Second Party Opinion - Summary

Use of proceeds

Alignment  TTB's green bond framework is aligned with this component of the GBP.

Score **Satisfactory** Strong Advanced

The bank commits to allocate net proceeds of all financing issued under its green bond framework exclusively to eligible projects. The framework also communicates the environmental objectives the eligible categories support, including low carbon transition, climate resilience, and environmental protection.

Process for project selection and evaluation

Alignment  TTB's green bond framework is aligned with this component of the GBP.

Score **Satisfactory** Strong Advanced

TTB details a process in which a dedicated green bond working team will select and evaluate eligible projects. The bank also provides information on processes whereby it identifies and manages perceived social and environmental risks associated with the eligible projects.

Management of proceeds

Alignment  TTB's green bond framework is aligned with this component of the GBP.

The bank commits to track and monitor the use of proceeds of each green transaction under the framework. Unallocated proceeds will be held in cash or invested in the bank's treasury liquidity portfolio.

Reporting

Alignment  TTB's green bond framework is aligned with this component of the GBP.

Score **Satisfactory** Strong Advanced

TTB will report on both the allocation of proceeds and the environmental impact of the financed projects in its Green Bond Report, which will be published annually on the bank's corporate website.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 TTB's green bond framework is aligned with this component of the GBP.

Commitments score

Satisfactory

Strong

Advanced

We consider TTB's overall use of proceeds commitments to be Satisfactory.

TTB commits to allocating the net proceeds of financing under its framework exclusively to eligible green projects. The framework lists the eligible categories, which include renewable energy, energy efficiency, sustainable water and wastewater management, pollution prevention and waste management, clean transportation, green buildings, and sustainable management of natural resources, and describes each eligibility criteria. These eligible categories are in line with the bank's objective to promote low carbon transition, climate resilience and environmental protection, and support targeted United Nations' Sustainable Development Goals (SDG).

TTB will disclose the share of financing versus refinancing in the use of proceeds, where relevant. The look-back period for eligible projects will be no more than two years prior to the date of the issuance.

However, some eligible projects in the bank's extensive list present comparatively lower environmental benefits. These include waste collection or biofuels, for instance.

Process for project selection and evaluation

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 TTB's green bond framework is aligned with this component of the GBP.

Commitments score

Satisfactory

Strong

Advanced

We consider TTB's overall process for project selection and evaluation commitments to be Satisfactory.

TTB's green bond framework details the process to select and evaluate eligible green projects. A dedicated green bond working team comprises members from different functions across the bank including Balance Sheet Management, Commercial and Retail, Investor Relations, Sustainability, and the Chief Executive Committee.

Members from the Commercial and Retail function in the working team are responsible for evaluating the eligibility criteria of the green projects, after they have been determined to be in line with the bank's Environmental and Social Responsibility (ESR) policy. TTB's ESR policy, referenced in the framework, includes an exclusion list and a due diligence process whereby projects will be assessed on environmental and social risks including human and labor rights, land acquisition, and involuntary settlement, among others.

The Asset and Liability Management committee representatives will then review and approve the issuance of green bonds. In addition, the green bond working team will manage, monitor, and report the use of proceeds, and maintain and update, where necessary, the green bond framework and green bond report.

Second Party Opinion

We view the presence of the Sustainability committee as part of the green bond working team to be a strength. This is because the Sustainability committee provides advice on the eligibility of green projects. The framework specifies clearly that all projects must abide by local laws and regulations. Finally, TTB's process requires a corrective action plan to be implemented to mitigate identified environmental and social risks before the projects are approved. Therefore, we believe the framework goes beyond the minimum requirements in various aspects of the selection criteria.

While the framework mentions that its eligibility criteria is guided by market-based taxonomies, standards, or certifications, only green buildings require certifications as an eligibility criteria. There is also an absence of clear thresholds in the eligibility criteria of all green projects.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 TTB's green bond framework is aligned with this component of the GBP.

TTB will track the use of proceeds for each green transaction using internal systems. The net proceeds will be deposited into an account under the supervision of the Balance Sheet Management team, and an amount equal to the net proceeds will be earmarked for allocation to eligible green projects. The Balance Sheet Management team will also regularly report the progress of green bond allocation to the Asset and Liability Management committee.

TTB commits to monitor the green project portfolio and replace projects that are no longer eligible with eligible projects.

The bank will hold any unallocated proceeds in its liquidity portfolio, in cash, or other short term and liquid instruments, until they are allocated to the eligible green projects. TTB also aims to allocate all proceeds within two years from the date of issuance.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 TTB's green bond framework is aligned with this component of the GBP.

Disclosure score

Satisfactory

Strong

Advanced

We consider TTB's overall reporting practices to be Satisfactory.

TTB commits to report the allocation of green bond proceeds and the relevant environmental impacts of the financed green projects. The bank will report these elements annually until full allocation of the net proceeds at a portfolio level in a Green Bond Report that will be available on TTB's corporate website.

Allocation reporting will include the amounts allocated to eligible green projects, the balance of unallocated proceeds, the proportion of net proceeds allocated to the eligible green projects, and the share of financing versus refinancing.

In addition, TTB commits to report the quantitative environmental impacts of the financed green projects based on the share of bank's investments in the project, at a portfolio level. These environmental impact indicators, which reference the ICMA's Harmonized Framework for Impact

Second Party Opinion

Reporting, include the capacity of renewable energy plants, the annual amount of avoided greenhouse gas emissions, annual amount of energy and water savings, and the number of projects with regional, national, or international recognized certifications.

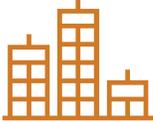
However, TTB may, rather than will, seek assurance from external auditors on the allocation of net proceeds to eligible green projects. The bank will use, but not disclose, nationally or internationally accepted methodologies to calculate its impact performance measures.

Mapping To The U.N. Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that ICMA’s mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

TTB’s green bond framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Renewable Energy			
	7. Affordable and clean energy*	13. Climate action	
Energy Efficiency			
	7. Affordable and clean energy*	9. Industry, innovation and infrastructure*	13. Climate action
Sustainable Water and Wastewater Management			
	6. Clean water and sanitation*		
Pollution Prevention and Waste Management			
	9. Industry, innovation and infrastructure	12. Responsible consumption and production*	
Clean Transportation			
	9. Industry, innovation and infrastructure	11. Sustainable cities and communities*	13. Climate action

Second Party Opinion

Use of proceeds

SDGs

Green Buildings



11. Sustainable cities and communities*



13. Climate action

Sustainable Management of Natural Resources



13. Climate action



15. Life on land*

*The eligible project categories link to these SDGs in the ICMA mapping.

Second Party Opinion

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