



# Socially and Environmentally Responsible Lending, Investment, and Financial-Product Development

## Sustainable Banking

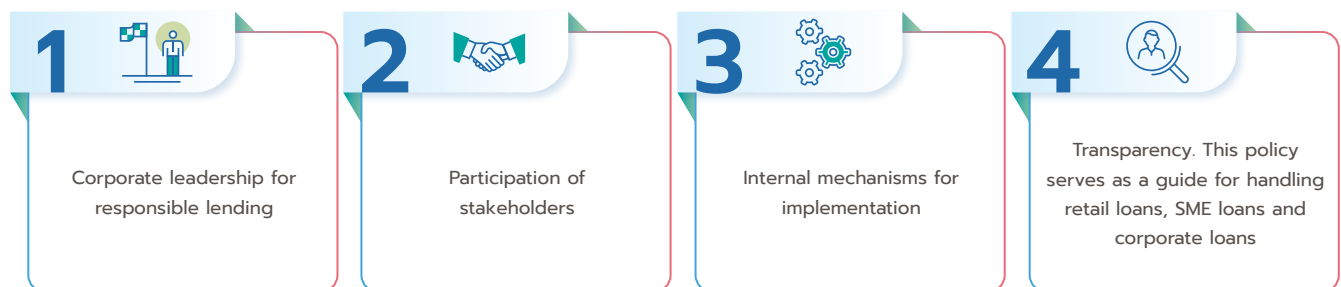
TISCO Group places importance on creating a balance in business operations in economic, social and environmental dimensions. Environment, Social and Governance (ESG) challenges today pose risks to businesses and everyday life. Therefore, all sectors must adopt sustainable development guidelines and work together to achieve sustainable business and social development.

As a financial intermediary that provides funds to the business and public sectors, TISCO Group attaches great importance to a prudent credit approval process in order to reduce risks and impacts such as climate change on ESG. TISCO Group has also formulated a Responsible Lending Policy as a guide to which executives and employees in related departments should adhere. Designed to ensure the effective management of risks and impacts on ESG, this policy covers four areas, namely: 1. Corporate leadership for responsible lending; 2. Participation of stakeholders; 3. Internal mechanisms for implementation; and 4. Transparency. This policy serves as a guide for handling retail loans, SME loans and corporate loans. TISCO Group has reviewed and improved its Responsible Lending Policy to ensure ESG risk factors are part of the lending criteria. In addition, TISCO Group has drawn up an exclusion list/prohibited list that identifies individuals and corporates involved in the following illegal business activities:

## Exclusion List/Prohibited List



## Responsible Lending Policy



Following loan approval, TISCO Group actively implements a loan spending monitoring process to ensure that the money is spent according to the declared purpose. A monitoring process is put in place to regulate compliance with the loan request. A loan review process and continuous monitoring of the debtor's debt-servicing capability, along with control mechanisms and monitoring operations are established. Particular emphasis is placed on businesses with high environmental and social risks and impacts or in a Highly Sensitive Sector.

## Responsible Financial Service



### Retail Loan

TISCO Group operates its businesses based on a responsible financial services concept. It has supported the government's policy to resolve household debt problems through the Responsible Lending Directive (RLD) by providing financial literacy to communities and by offering loans that take into consideration benefits and fairness to customers in order to transform informal debts into the formal financial system. In addition, to reduce household debts, TISCO Group seeks to ensure that loan applicants can afford debts or still have money to live without difficulty even after debt-payment installments. TISCO Group has prepared the following plan:

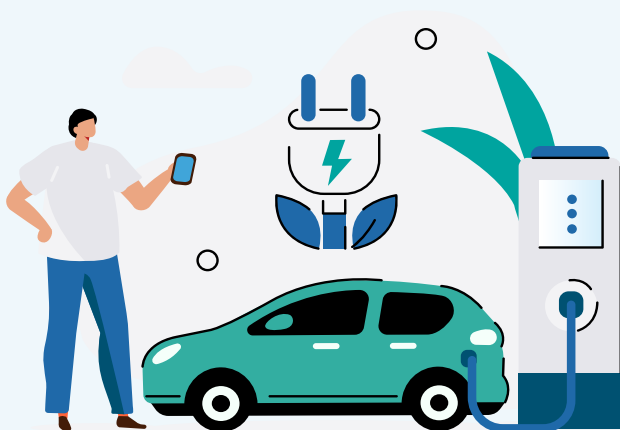
1. Review loan policies and practices
  - 1.1 Responsibly offering financial products and services with a focus on retail-loan customers' affordability;
  - 1.2 Assessing potential risks to both TISCO Group and customers by not encouraging customers to borrow beyond their needs;

- 1.3 Providing accurate and complete information in line with credit conditions and process, and Market Conduct by requiring staff involved in loan-request review and approval to have knowledge and expertise in relevant policies and guidelines. Such provision ensures TISCO Group's compliance with the regulations of the Bank of Thailand, the Anti-Money Laundering Office, and relevant authorities. In addition, TISCO Group honours the Know Your Customer (KYC) principle, an assurance that TISCO Group will not in any way support illegal activities or materially cause negative environmental and social impacts.

2. Contribute to the creation of a learning society by giving knowledge to and developing service staff with the ultimate goal of ensuring their understanding of applicable regulations and requirements.
  3. Conducting activities to promote financial literacy among customers and the public.
- 



### Loan Support for Alternative-Energy Vehicles



Pollution continues to worsen. Global warming has become a global problem, just as the PM2.5 threat continues to undermine human health. Exhaust fumes from oil-fueled vehicles are a main cause of air pollution. Aware of the problem, TISCO Group – as a provider of car loans – has supported alternative-energy vehicles such as hybrid cars, Plug-in Hybrid Electric Vehicles (PHEV), and Battery Electric Vehicles (BEV). TISCO Group has fostered collaborations with EV manufacturers and importers so as to prepare a comprehensive range of services for customers. The move also supports Thailand's policies and guidelines on greenhouse-gas (GHG) emission reduction as the country seeks to achieve Carbon Neutrality by 2050 and Net-Zero GHG Emissions by 2065.

In 2022, TISCO Group supports electric vehicle financing through outstanding partners who are pioneers in the electric vehicle market in Thailand with a hire-purchase of up to 25% of popular electric vehicles.



## Corporate Loan and SMEs Loan

TISCO Group has supported large enterprises that pursue the UN Sustainable Development Goals and low-carbon economy. The support is in the form of the following loan categories:

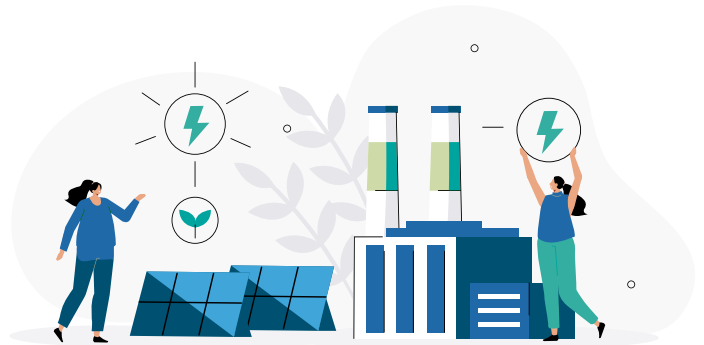


## Loans for Green Energy Businesses

TISCO Group continues to support the green energy sector through promotion of electricity generation and increase in energy reserves to satisfy the country's energy consumption, reduction of use of natural resources, and minimization of environmental impacts resulting from the use of fossil fuels that pollute the ecology and impacts from climate change. Our goal is to provide expert advice and project loans to alternative energy power producers. In approving such loans, we consider the following risk factors:

- Risk from alternative energy power plant construction, the construction period, investment sum and technology of the electricity generation
- Risk from raw materials in the case of a biomass power plants
- Volatility from weather/natural conditions that could affect solar farm projects, hydro power plants and wind power plants

- Effects on surrounding communities both during the construction and after the power plant construction is completed
- Protests from villagers/people at the site that could affect the project's operations



An operator is required to submit a project feasibility study that contains technical details and financial estimates audited by an independent expert in the energy sector who has been approved by TISCO. The potential borrower must convince TISCO that raw materials are adequate for the operation of a biomass power plant and that weather and natural conditions that may affect a solar farm project, a hydro power plant or wind power plant project are not severe enough to have a material effect on operations. In addition, the project must be fully compliant with the application process for permission to operate a power plant. Follow-up for an energy business license will be undertaken when construction is complete. In addition, construction progress and costs of construction are carefully monitored in accordance with the project milestones and its budget so as to ensure there is satisfactory evidence that the borrower who has been approved to operate an energy business has duly complied with the laws governing the seeking of approval to build a power plant as well as all laws related to the energy business. The borrower must also prove that he/she/it is able to pay off the loan based on the loan repayment schedule. In the event that the loan is approved but complaints are made by those affected by the project, the borrower must provide clarification and show how the conflict will be managed. TISCO will temporarily delay its loan disbursement until the debtor's planned actions to resolve the conflict are approved.

TISCO Group has long provided financial support to large green energy businesses. In 2022, TISCO Group continued to finance green businesses and maintain good ties with these customers. Moreover, it explored opportunities to respond to the financial needs of large corporations active in this business. The amount of loans to green energy businesses that help reduce environmental impacts were as follows: 1) Loans for solar-power generation; 2) Loans for hydropower generation having the combined amount of 9,314 billion and accounting for 20.99% of all corporate loans. This amount was 158 million baht higher than the previous year. Moreover, TISCO Group in 2022 released a letter of intent to consider providing more than 30 billion baht in loans to enterprises interested in becoming Feed-in-Tariff (FiT) solar-power or wind-power producers

between 2022 and 2030, pursuant to the Energy Regulatory Commission's Announcement. Forecasts suggest that TISCO Group will approve new loans for green businesses in the amount of approximately 1.6 billion baht in 2023.

As COVID-19 has affected Thai and global economy, liquidity problems have been faced by both the business and service sectors. Several companies have gone out of business. Others have laid off staff or reduced the number of work hours to lower operating expenses. In such situations, TISCO Group is ready to support customers via debt-relief measures in line with the Bank of Thailand's guidelines on assistance for customers to reduce economic impacts from the COVID-19 crisis.

## Loans for solar-power generation and hydropower generation having the combined amount of

**9,314 billion and  
accounting for 20.99%  
of all corporate loans.**

