

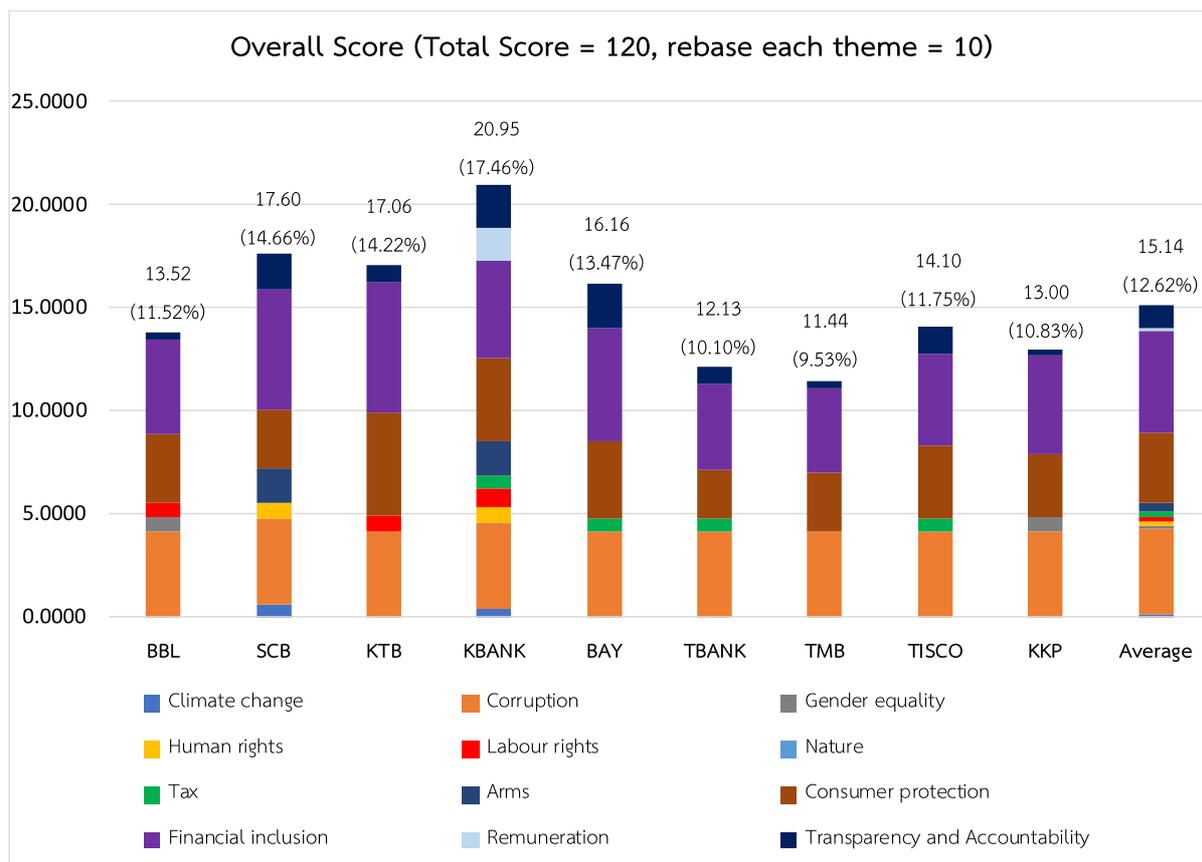
Fair Finance Thailand: 2018 Policy Assessments

April 2019

Executive Summary

Fair Finance Thailand (website: <http://www.fairfinancethailand.org>) was established in 2018 by one research company and four civil society organizations who share an interest in monitoring impacts and challenges of the banking sector. The goal of coalition is to encourage Thai banks to adopt genuine “sustainable banking” concepts and practices, by using the criteria of Fair Finance Guide International (website: www.fairfinanceguide.org) to assess publicly disclosed policies of Thai banks, beginning in 2019.

First-year results of policy assessment using Fair Finance Guide International standards show that 9 Thai commercial banks scored an average of 15.14 out of 120, representing 12.6% of total score. The top 5 highest-rated banks are Kasikornbank (17.5%), Siam Commercial Bank (14.7%), Krung Thai Bank (14.2%), Bank of Ayudhya (13.5%) and TISCO Bank (11.7%) respectively. The top 3 themes on which Thai banks scored highest are: financial inclusion (49.3%), anti-corruption (41.7%) and consumer protection (34.2%). On the other hand, their scores on nature (0%), climate change (1.2%), gender equality (1.5%), human rights (1.7%) and remuneration (1.8%) are abysmal at lower than 2% as can be seen in the diagram below.



What do the assessment results tell us?

1. Two themes on which banks collectively scored highest are "anti-corruption" and "consumer protection". We view that this result generally reflect their compliance with related laws and regulations in these areas, as opposed to policies that result from bank's own corporate sustainability strategy or social or environmental risk assessments. For example, the anti-corruption policies of all 9 banks follow anti-money laundering laws and regulations of the Anti-Money Laundering Office (AMLO). Every bank also designed and enforced consumer protection policies generally in accordance with the Bank of Thailand's market conduct regulations which came into effect from February 2018 onwards.

2. Since many scores were received due to basic legal compliance as explained in 1. above, the scores of four banks that were higher than average, i.e. Kasikornbank, Siam Commercial Bank, Krung Thai Bank, and Bank of Ayudhya, therefore reflect these banks' commitment toward leadership in various areas of sustainable banking that are above and beyond mere legal compliance.

3. Scores of "gender equality (1.5%)" and "remuneration (1.8%)" themes are among the lowest. This result reflects that overall, 9 banks still do not disclose clear policies that promote gender equality in the organization, or explicit measures designed to prevent and mitigate sexual discrimination toward customers. In addition, no bank announces bonus ceiling, nor use any other criteria other than financial performance to consider remuneration except Kasikornbank. Kasikornbank indicates that the company incorporates employee satisfaction, customer satisfaction, and improvement of social and environmental impacts from bank products, in considering bank executives' bonuses. Thus, Kasikornbank is the only bank that scored in the "remuneration" theme.

4. Thai banks also scored very low in "nature" (no bank scored even one point)" and "human rights" (1.7%) themes. These themes expect banks to mandate their clients that receive financial support to have appropriate negative impact prevention and mitigation mechanisms. Thai banks' no or very low scores in both themes underscore the fact that they have not announced credit policy, including social and environmental risk assessment, to the public. Kasikornbank is the only bank which discloses parts of their credit policy, but has not disclosed credit policy by sector.

As to human rights, Kasikornbank and Siam Commercial bank are the only two banks that announced that they respect the United Nations Guiding Principles on Business and Human Rights (UNGP). Nevertheless, no policy states whether or not, or how, they apply the content of the UNGP to clients that receive financial support.

5. We believe that every bank in Thailand, including banks outside the scope of assessment, can use the Fair Finance Guide International criteria as guidelines for developing (1) bank's credit policy, (2) 'negative list,' i.e. a list of industries to which the bank will not provide financial support due to unacceptably high social and environmental risks and (3) other sustainability policies that are crucial for sustainable banking practices.

Looking within the Fair Finance Guide International criteria, for each theme, each item for assessment is ordered starting from the most basic policy that all banks are expected to

have, such as the disclosure of greenhouse gas emissions reduction goals, followed by more advanced policy that may require time to plan and change operations; especially policies that are in line with social and environmental risk trends, such as policy that the bank will not support tar sands business.

Fair Financial Thailand believes that every bank, large or small, can apply the Fair Finance Guide International criteria in formulating strategies and practices, in order to change its operations in line with the principles of sustainable banking. We firmly expect policy assessment results to improve in the following years.