

Responsible Investment Policy

SCB Asset Management Co. Ltd.

Approved by Board of Directors on 7 June 2023

Table of Content

| | Content | Page |
|----|---|------|
| | Policy Version Control Table | 3 |
| 1 | Objectives, Principles and Reasons | 4 |
| 2 | Determination of ESG Materiality Issues | 5 |
| 3 | Asset Class Specific Guideline | 6 |
| 4 | Climate Change Guideline | 7 |
| 5 | Exclusions | 9 |
| 6 | ESG Integration | 10 |
| 7 | ESG Stewardship | 12 |
| 8 | Engagement Topics | 13 |
| 9 | Escalation Strategy | 14 |
| 10 | Collective Engagement | 15 |

Policy Version Control Table

| No. | Date | Revision Detail |
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| 1 | Or SCBAM No. 21/2566 7 June 2566 | No Policy Change |

Responsible Investment Policy

1. Objectives, Principles and Reasons

SCB Asset Management Co., Ltd. (“SCBAM”), as an institutional investor, is committed to adopt a responsible investment approach which includes environmental, social and governance factors (“ESG factors”) as a part of business operations and organizational strategy formulation to promote sustainable business growth and to be a part in driving and promoting the sustainability of the economy and society.

In this regard, SCB Asset Management Co., Ltd. (“SCBAM”), as an asset manager, heighten the responsibility towards the duty of asset management for the utmost benefits of investors as well as considering the compliance with investment conditions and restrictions in accordance with Fiduciary Duty and aware of the role to promote ESG factors. As such, the Company has established a Responsible Investment Policy, which has been approved and reviewed by the Board of Directors and disclosed through

<https://www.scbam.com/th/governance-investment-policy>.

2. Determination of ESG Materiality Issues

SCBAM recognizes the important role in supporting the transition towards the sustainable economy (ESG Transition) and understands how different ESG factors can differently affect the industries. Therefore, the ESG materiality issues as well as the weighing criteria for different industries have been defined by referencing to the MSCI ESG Industry Materiality Map to segregate the priorities of promoting ESG factors in each industry.

| Environment Pillar | Social Pillar | Governance Pillar |
|---|---|--|
| <p><u>Climate Change</u></p> <ul style="list-style-type: none"> GHG Emissions Product Carbon Footprint Financing Environmental Impact Climate Change Vulnerability <p><u>Natural Capital</u></p> <ul style="list-style-type: none"> Water Stress Biodiversity & Land Use Raw Material Sourcing <p><u>Pollution & Waste</u></p> <ul style="list-style-type: none"> Toxic Emission & Waste Packaging Material & Waste Electronic Waste <p><u>Environmental Opportunities</u></p> <ul style="list-style-type: none"> Clean Tech Green Building Renewable Energy | <p><u>Human Capital</u></p> <ul style="list-style-type: none"> Labor Management Health & Safety Human Capital Development Supply Chain Labor Standards <p><u>Product Liability</u></p> <ul style="list-style-type: none"> Product Safety & Quality Chemical Safety Consumer Financial Protection Privacy & Data Security Responsible Investment Insuring Health & Demographic Risk <p><u>Stakeholder Opposition</u></p> <ul style="list-style-type: none"> Controversial Sourcing Community Relations <p><u>Social Opportunities</u></p> <ul style="list-style-type: none"> Access to Communication Access to Finance Access to Health Care Opportunities in Nutrition & Health | <p><u>Corporate Governance</u></p> <ul style="list-style-type: none"> Board of Directors Remunerations Ownership Accounting Proxy Voting Quality <p><u>Corporate Behavior</u></p> <ul style="list-style-type: none"> Business Ethics Tax Transparency |

Source: <https://www.msci.com/our-solutions/esg-investing/esg-ratings/esg-ratings-key-issue-framework>

3. Asset Class Specific Guideline

– [For the domestic investments only](#)

SCBAM gives the highest priority to our client's benefits by considering the conditions, limitations, and suitability of the investors, before implementing the Responsible Investment approach. As such, the Asset Class Specific Guideline has been defined as the scope of ESG Integration by the Asset Class as the following:

3.1 Active Equity Strategy

SCBAM defines that ESG factors will be applied as part of investment analysis (ESG Integration), alongside with the financial statement analysis and business outlook with the goal to utilize the strengths of ESG factors to analyze opportunities for generating return on investment in businesses that are expected to benefit or can adapt to the transition towards sustainability (ESG Transition Trend) and reduce the risk of investing in companies that may have conflict with ESG factors. In addition, SCBAM determines to promote sustainability development as institutional investor (ESG Stewardship) by raising the awareness of ESG factors and creating the foster change towards sustainability of economic and society. Also, SCBAM adopt a Climate Change Guideline to drive the improvement of environment condition.**3.2**

3.2 Passive Equity Strategy

SCBAM gives importance to the objectives of passive investment in generating returns with minimal deviation from the benchmarking index. Thus, the Exclusion List policy, which defines the classification of securities to be excluded from Investible Universe since the business may associates with activities that would significantly contradict to the moral principles or negatively impact the ESG factors, will not be implemented for passive equity strategy. However, in the case where SCBAM finds that the investee company has the event that could significantly and negatively impact ESG factors (ESG Negative Controversies) or has been nominated by the ESG Collaborative Engagement to closely monitor or suspend the investment, SCBAM will implement the ESG Stewardship plan and assess the mitigation procedure to manage ESG risks as appropriate.

3.3 Active Fixed Income Strategy

SCBAM defines that ESG factors will be applied as part of investment analysis (ESG Integration), alongside with the financial statement analysis and business outlook. It is also considering the qualitative factors such as the opinion of the auditor, litigations, and controversies news in relevant to the reputation and corporate governance to determine the investment size limit and time horizon adhering to the principle of conservatism and the objective to provide the utmost benefit to investors. Also, SCBAM adopt a Climate Change Guideline to drive the improvement of environment condition.

4. Climate Change Guideline

– [For the active investment in domestic country only](#)

Fossil fuels are an important source of energy that drive the economy and society. However, due to fossil fuel energy, especially coal energy, is one of the major sources of greenhouse gases, resulting in climate change intensification. Moreover, the uprising pollution from fossil fuels requires the cooperation from both public and private agencies to solve this global problem urgently and collectively. SCBAM, as institutional investor, realizes the necessity to support this ESG Transition and, therefore, establishes as a sector specific investment policy as the following:

4.1 Coal Investment Policy

SCBAM defines coal business including the businesses with the revenue relating to coal for more than 20 percent of total revenue. The revenue relating to coal comprises of:

- Coal Mining
- Coal Power
- Coal Transporting

SCBAM requires that additional investment in relevant businesses is subjected to these following activities:

- SCBAM require the relevant companies (according to the above conditions) to establish the target to achieve carbon neutrality or net zero carbon emissions.
- SCBAM will process the positive engagement with the relevant companies (according to the above conditions) under investible universe at least once a year.
- SCBAM may vote against the agenda in the shareholders' meeting which involved to approval of the relevant companies to invest or to raise capital for the purpose of building new or expanding the project relating to investment in coal business. Also, the result of engagement and summary report would be prepared for reporting to the investment committee as appropriate.
- SCBAM sets our goal to phase-out from Coal Investment by 2040.

4.2 Unconventional Oil & Gas Investment Policy

SCBAM defines unconventional oil and gas business including the businesses with the revenue relating to unconventional oil and gas for more than 20 percent of total revenue. The revenue relating to unconventional oil and gas comprises of:

- Exploration and Production oil and natural gas from petroleum source in the Arctic (Arctic Oil & Gas).
- Exploration and Production oil and natural gas from oil sands (Tar Sands).
- Exploration and Production oil and natural gas in seas with ultra-deep-water levels (Ultra-Deep-Water Oil & Gas)
- Exploration and Production oil and natural gas from Shale Oil & Gas which has been officially approved to carry out the project after 2021.
- Production of liquefied natural gas (LNG Liquefaction) and other related infrastructure with the objective to support the unconventional oil and gas business.

SCBAM requires that additional investment in relevant businesses is subjected to these following activities:

- SCBAM require the relevant companies (according to the above conditions) to establish the target to achieve carbon neutrality or net zero carbon emissions.
- SCBAM will process the positive engagement with the relevant companies (according to the above conditions) under investible universe at least once a year.
- SCBAM may vote against the agenda in the shareholders' meeting which involved to approval of the relevant companies to invest or to raise capital for the purpose of building new or expanding the project relating to investment in unconventional oil and gas business. Also, the result of engagement and summary report would be prepared for reporting to the investment committee as appropriate.

5. Exclusions

– [For the active investment in equity only](#)

SCBAM provides that the Exclusion List is the group of securities which will be excluded from the Investable Universe since the business may associates with activities that would significantly contradict to the moral principles or negatively impact the ESG factors which covers the following business groups:

- Tobacco, which covers cigarette manufacturers only.
- Controversial Weapons, which covers chemical weapons, biological weapons, nuclear weapons, anti-personnel mine, shot bomb, armament, weapons, firearms.

Although SCBAM may not have the holding position in the investible company, if SCBAM found that the investible company listed in the investable universe is subjected to ESG controversies at significant risk. the investible companies may be removed from the investable universe as appropriate.

6. ESG Integration

– [For the active investment in only](#)

6.1 Equity Investment

SCBAM defines that ESG factors will be applied as part of investment analysis (ESG Integration), alongside with the financial statement analysis and business outlook with the goal to utilize the strengths of ESG factors to analyze opportunities for generating return on investment in businesses that are expected to benefit or can adapt to the transition towards sustainability (ESG Transition Trend) and reduce the risk of investing in companies that may have conflict with ESG factors, with the following components:

6.1.1 SCBAM ESG Score

SCBAM established proprietary quantitative measure to reflect the capabilities of sustainable development of investee companies by referring the data from various sources such as MSCI ESG Data Platform, Morningstar Sustainalytics ESG Rating, ESG Data Metrics from the Stock Exchange of Thailand, CG Rating from Institute of Directors Association (IOD), Collective Action Coalition Against Corruption (CAC), Annual Report (ONE Report), the information from the GRI Standard Sustainability Report: GRI Standard), and result from the exercise of voting rights (SCBAM Proxy Voting and ISS Governance), etc.

6.1.2 Determination of ESG Materiality

To reflect the differences in materiality issues that may differently impacts each industry, SCBAM has applied the weighting criteria for material sustainability issues with references to various models from multiple sources, for example, the MSCI ESG Industry Materiality Map and the Sustainability Accounting Standards Board (SASB).

<https://www.msci.com/our-solutions/esg-investing/esg-ratings/esg-ratings-key-issue-framework>

<https://sasb.org/standards/materiality-finder/>

6.1.3 SCBAM ESG Questionnaires

To provide opportunities for investee companies to exchange information on ESG factors with SCBAM, SCBAM has prepared the questionnaires regarding sustainability and evaluated the sustainability performance in 3 dimensions: ESG Disclosure, ESG Policy and ESG Impact.

6.1.4 SCBAM ESG Report

The ESG report would be prepared by SCBAM Investment Research Department to support the investment decisions. The ESG report includes summary of both ESG Qualitative Analysis and ESG Quantitative Analysis based on the information from SCBAM ESG Score, SCBAM ESG Questionnaires, SCBAM Internal ESG Data, including the weighting criteria ESG Materiality and the ESG Engagement Log.

6.1 Fixed Income Investment

SCBAM defines that ESG factors will be applied as part of investment analysis (ESG Integration), alongside with the financial statement analysis and business outlook. It is also considering the qualitative factors such as the opinion of the auditor, litigations, and controversies news in relevant to the reputation and corporate governance to determine the investment size limit and time horizon adhering to the principle of conservatism and the objective to provide the utmost benefit to investors.

7. ESG Stewardship

SCBAM realizes the crucial role, as an institutional investor, to drive the sustainability development, thus, our ESG Stewardship policy is established to define our strategies to build the awareness and importance of environmental, social and governance factors, and to materialize the positive changes to the externalities. These following strategies to promote sustainability would be applied as appropriate:

7.1 Positive Engagement – [For the active investment in equity only](#)

SCBAM sets a general approach to engage with investee companies through general business visits. The goal is to clearly state SCBAM's standpoint to promote the businesses considering the ESG factors with the business growth and to extend our understanding towards company's strategy and action plan on sustainability. The engagement may occur via various channels such as, the quarterly meeting with investor relation, the participation of SCBAM ESG Questionnaire, or the Stakeholder Engagement organized by investee companies. The engagement result would be archived and summarized to relevant reports and would be disclosed in the Investment Governance Policy Compliance Report (I-Code) as appropriate.

7.2 Negative Engagement - [For the active investment in domestic country only](#)

SCBAM sets specific approach for engage with investee company with the concerns about ESG factors. the goal is to create awareness of ESG factors and calling the investee company to disclose information to clarify the facts regarding the ESG concern. Also, the engagement provides an opportunity for the investee company to offer contingency plans and protection measures with the aims to lead the positive changes. The engagement may occur either in the form of direct contact with investee company (Direct Engagement) or collaboration with AIMC ESG Collaborative Engagement. The engagement result would be archived and summarized to relevant reports and would be disclosed in the Investment Governance Policy Compliance Report (I-Code) as appropriate.

7.3 ESG Proxy Voting – [For the active investment in equity only](#)

SCBAM includes the ESG factors as part of the ESG Proxy Voting Guideline, requiring that collection of data from voting in shareholders' meeting agendas related to ESG factors must be made and presented to the Investment Committee for approval and to be recorded in the relevant reports and disclosed through

<https://www.scbam.com/th/about/about-conflict/>

8. Engagement Topics

– [For the active investment in equity only](#)

SCBAM provides that the following ESG issues to be addressed. SCBAM needs to implement engagement plan as appropriate as these following issues may significantly affect the ESG performance of the investee business:

- Capital increase with the objective of expanding coal business.
- Capital increase with the objective of expanding the unconventional oil and natural gas business.
- Violations of the Securities and Exchange Act B.E. 2535 on corporate governance issues, including fraud and insider trading, etc.
- Other events which may negatively affect ESG factors and may affect operating results significantly (ESG Controversies)

9. Escalation Strategy

SCBAM gives importance to business practice good governance principles and has the responsibility towards the fiduciary duty to manage investments for utmost interests of investors. As such, if it is found that investee companies have acted against international standard for doing business with transparency, legal compliance and guidelines for good corporate governance or found to be at significant risk of ESG factors or found that SCBAM has not received appropriate cooperation from investee companies to address the concern for the development of sustainability factors, SCBAM has set the escalation measures to monitor investments, which is categorized into different classifications:

9.1 Inclusion into ESG Watchlist: the group of securities which need to be continuously monitored on the development of ESG factors. SCBAM may implement ESG engagement plan and still be able to invest in the company as appropriate.

9.2 Inclusion into ESG Negative List: the group of securities which are restricted from additional investment due to significant concern over ESG risks. The restriction of further investment will be maintained until it is found that the investee company has developed in an appropriate resolution to manage ESG risk or SCBAM has no longer holding the position in the investee company.

9.3 Divestment or Reduce Exposure as appropriate

10. Collective Engagement

SCBAM is committed to moving forward as an important force to promote sustainability development and play a proactive role to create awareness of the importance of environmental, social and governance factors (ESG factors) to achieve materialized positive changes. SCBAM has participated the declaration of intention to cooperate the collective engagement with institutional investors (ESG Collaborative Engagement) by signing the “Negative List Guideline” for companies listed in the Stock Exchange of Thailand which have business operation or manage business without considering the environmental, social and governance factors or ESG factors, as well as in the case of violation of the Securities and Exchange Act B.E. 2535 on serious issues. Also, SCBAM has joined with the Government Pension Fund (GPF) and 32 institutional investors to strictly adhere to responsible investment, which enhancing a good image for domestic investment and contributes to driving the Thai capital market towards sustainable growth.

<https://www.scbam.com/th/news-update/fund-news/news19082019>

In addition, SCBAM participated with the Association of Investment Management Companies (AIMC) and Government Pension Fund (GPF) to collectively engage with company executives according to the collective engagement guideline, and sharing of opinions and guidelines that may be useful in meetings with the AIMC and relevant agencies such as SET and SEC in various forums, to support the development of necessary infrastructure for ESG analysis, especially the ESG data sources, in the future. Also, SCBAM realizes our crucial role to drive the fund management industry and listed companies and to build awareness of the importance of ESG factors and lead to sustainable and concrete development of the Thai capital market in the future.