



GSB
Government Savings Bank



GOVERNMENT SAVINGS BANK

SOCIAL FINANCE FRAMEWORK

OBJECTIVE OF THIS DOCUMENT

This Social Finance Framework (Framework) outlines the processes, procedures, and responsibilities for implementing the Social Bond Program and Social Deposits Scheme of the Government Savings Bank (GSB). The Framework enables GSB to raise funds through issuance of social bonds and establishment of social deposit schemes in alignment with the International Capital Market Association's Social Bond Principles and the Association of Southeast Asian Nation Social Bond Standards. Proceeds under the Social Bond Program and Social Deposits Scheme will be used to finance and/or refinance eligible projects sets out in the Framework to promote social sector development and the effective implementation of government social policies.

This Framework describes GSB's approach to proceeds utilization, project selection criteria, proceeds management, and post-issuance reporting.

ABOUT GSB

GSB was created by the royal intention of His Majesty King Vajiravudh, King Rama VI, on 1 April 1913 with the establishment of the Savings Office as way to (i) provide a secure place to keep money and assets, (ii) introduce the Thai people to banking services, and (iii) promote a habit of thrift and savings. GSB has since continuously performed these duties by receiving royal grace from all Chakri Kings. In 1946, His Majesty King Bhumibol Adulyadej designated the Savings Office as the “Government Savings Bank.” The subsequent implementation of the Government Savings Bank Act supported GSB’s banking operations, effective 1 April 1947.

Today, GSB is a legal entity under the supervision of the Ministry of Finance. Its business operations are authorized under Government Savings Bank Act (No. 4) B.E. 2560 and in accordance with the missions specified in the act. Furthermore, according to GSB’s statement of direction, the bank will focus on (i) adding value to Thai communities and the grassroots economy, and (ii) promoting savings among the population, both of which will be supported by an efficient information system that will allow GSB to carry out its operations efficiently.

GSB’s BUSINESS OBJECTIVES



GSB’s mission is to be a socially responsible bank by promoting access to funding at fair interest rates and by improving job skills among the grassroots population, small businesses, and local communities so that they can be strong and self-reliant. GSB promotes savings and financial discipline through financial literacy programs, allowing participants to improve their quality of life in a sustainable way. GSB also responds to government policies proactively, guided by the principle of being a responsible bank with the goal of reducing inequality and providing fair access to capital in accordance with both international standards and Thailand’s strategy for achieving the United Nations (UN) Sustainable Development Goals (SDGs). To improve its operations as a socially and environmentally responsible bank with good governance, GSB has adopted the UN Environment Programme Finance Initiative’s Principles for Responsible Banking. GSB is the first government-owned financial institution in Thailand to adopt these principles, which are described below:

- 1 **Alignment:** Conduct operations in line with the SDGs.
- 2 **Impact and Target Setting:** Set goals that increase positive impacts or reduce negative impacts.
- 3 **Clients and Customers:** Provide reliable customer services.
- 4 **Stakeholders:** Collaborate responsibly with stakeholders.
- 5 **Governance and Culture:** Practice good governance and cultivate responsible banking culture.
- 6 **Transparency and Accountability:** Be a transparent and accountable organization.



The GSB's vision, mission, and operational strategies for 2022–2026 were developed in accordance with Thailand's 20-year National Strategic Plan as well as the 12th National Economic and Social Development Plan, National Reform Plan, SDGs, Thailand 4.0 Policy, Digital Economy and Society Development Plan, Strategic Plan for Driving Thailand's Development with a Bio-Circular-Green Economy, and strategic plans and policies of state-owned financial institution as set forth by the Ministry of Finance. Emerging trends, such as financial technology advancements, changes in customer behavior and market competition, and evolving regulatory policies, were considered in order to assess potential challenges, advantages, and risk factors, as well as develop short-and long-term business models that balanced the needs and expectations of stakeholders and customers. (Table 1).

Table 1: Government Savings Bank's Vision, Mission, and Operational Strategies for 2022–2026

<p>Vision</p> 	<p>The Government Savings Banks serves as the country's leader in promoting savings and increasing the happiness of the Thai people and the stability of the country through sustainable development driven by digital technologies.</p>
<p>Mission</p> 	<ol style="list-style-type: none"> 1 Promote savings and foster financial discipline 2 Support investment and development 3 Promote and upgrade the grassroots economy, including small and medium-sized enterprises, to reduce inequality and increase competitiveness 4 Be the bank for society and the environment 5 Provide full-fledged financial services with modern digital technologies; exceed expectations and maintain acceptable risk 6 Conduct business operations with professional management and good governance
<p>Operational Strategies</p> 	<p>Strategy 1 : Mechanisms for social mission integration</p> <p>Strategy 2 : Asset quality, cost control, and income generation</p> <p>Strategy 3 : Digital transformation</p> <p>Strategy 4 : Fundamental capabilities</p>

Source: Government Savings Bank.

The GSB also emphasizes its role as a social bank in alleviating poverty and reducing financial inequality in society. To achieve its social mission, GSB focuses on assisting low-income or grassroots individuals and small business owners to obtain financial support at fair and reasonable cost through innovative products and services. GSB also aspires to develop human capital and broaden the capacities of small businesses by promoting savings and financial discipline, raising financial awareness and capacity, and improving customers' quality of life.



GSB'S SOCIAL OBJECTIVES

Social Policies

GSB has developed a sustainability framework that takes into account the 17 SDGs, particularly **SDG No. 1: No Poverty** and **SDG No. 10: Reduced Inequality**. As mentioned above, GSB has also adopted the UN Environment Programme Finance Initiative's Principles for Responsible Banking, as well as a number of environmental, social, and governance policies.

GSB is focusing on sustainability and balancing the interests of all stakeholders under the "triple bottom line" concept: (i) people: create financial fairness for society and communities; (ii) planet: make the world a greener place by maximizing resource efficiency and lowering emissions; and (iii) profit: strengthen the organization's financial position by balancing external sustainability, social value proposition, and sustainability initiatives to maximize positive social impacts. The GSB management team and its employees are integrating GSB's social objectives into all business activities to drive the organization toward sustainability.

GSB's sustainability approach is divided into four dimensions:



GSB has published an annual sustainability report since 2013 and has been recognized as a leader among state-owned financial institutions in implementing sustainability policies. Most recently, GSB was named the most helpful bank by The Asian Banker during Covid-19 in Thailand.

Since the beginning of the Covid-19 pandemic, the bank has implemented 36 projects totaling more than 200 billion baht, assisting over 11 million vulnerable populations in overcoming the pandemic's economic impact. These initiatives include the provision of liquidity loans to assist grassroots customers and small businesses, the establishment of debt moratorium programs via online application, and the introduction of corporate social responsibility initiative to assist grassroots customers and vulnerable groups in overcoming the difficulty.

Example of Social Initiatives

GSB's primary objective is to create and add value to society and the local community. Table 2 depicts how the GSB's operations align with SDG No. 1: No Poverty and SDG No.10: Reduced Inequality.

The following are some of GSB's social initiatives.

1 School Bank Project (23rd year)

GSB established the School Bank Project to enable students to conduct banking transactions by themselves under the supervision of a GSB branch that acts as a mentor. The objectives are to increase youth financial literacy, to instill discipline and the foundations of sound financial knowledge and savings, and to encourage youth to exercise financial responsibility and gain knowledge about financial planning.

Since 1998



GSB has initiated the project, which has resulted in the establishment of 1,235 school banks with 2,171,284 member students, 2,604,449 deposit accounts, and a total savings of 1,199,209,884 Baht.

2 Virtual School Bank Project (5th year)

The Bank designed and developed the Virtual School Bank's 3D online media, which is linked to a virtual 3D online community. This is one of the activities that supports the Ministry of Education's policy on the use of digital technology for educational purposes. The Virtual School Bank consists of a School Bank, a bank training facility, a facility to promote online learning, as well as landmarks and tourist attractions in Thailand, with activities such as self-sufficiency economy, good deeds promotion, and various mini games, as well as a scholarship fund of 2,000,000 Baht per year for students participating in the activities.

Since 2016



the project has been underway. Until now, the project has involved 2,641 schools and 496,123 students. The project is accessible via iOS and Android applications, as well as through the website www.gsbschoolbank.com.



3 Youth Savings Project

The project's objective is to increase savings by offering deposit products that incentivize children to save continuously. There are several types of savings, including Youth Savings, which enables students to have savings and ensures they always have cash whenever they need, and non-tax-deductible demand deposits for individuals, which are ideal for depositing cash for general expenses for convenience and spending flexibility.

As of the end
of December
2020



the number of accounts increased by 101,188 accounts, to a total of 131,033 accounts and the deposit amount increased by 2.55 billion baht, to a total deposit of more than 12 billion baht.



4 Project to Develop the Potential of Small Business Entrepreneurs (Merchants)

The project provides financial literacy to small entrepreneurs, particularly street vendors in order to equip them with financial management skills. This project will not only assist small entrepreneurs, but also their families and those surrounding them which can lead to greater social and economic impact.

5 The Elderly Bank Project

The Elderly Bank project was established in 2017 to assist aging society by providing financial products and services for the elderly that offer high interest on deposits and low interest on loans, as well as organizing ongoing activities for the elderly, particularly to assist Thailand in transitioning to an aging society and allowing the elderly to continue living with a stable financial status in the future.

Presently



there are 81,001 elderly persons who opened savings account for the elderly, with a total deposit amount of 32,333 million Baht.

6 Yuwaphat Rakthin Project

In 2017, the Bank collaborated with the Faculty of Commerce and Accountancy, Thammasat University, to conduct activities to strengthen and develop local wisdoms under "Oomsin-Thammasat Model". Since then, the project progressively expanded in terms of number of participating higher education institutions and community organizations. The name of the project was changed to "Yuwaphat Rakthin" which has been implemented continuously. In 2020, there were 63 higher education institutions participated in the project and jointly developed 463 community organizations, focusing on solving economic problems at the grassroots level for community organizations which are scattered in all localities throughout the country.



GSB applies analytical study, knowledge development and modern innovations in planning and solving problems, including resource management, product and brand management, production process improvement and development, financial planning, cost accounting, income and expense accounts, marketing management by adding both online and offline distribution channels. Besides providing financial supports for benefits of the community, GSB also shares knowledge for social and national development to strengthen communities on sustainable basis by learning, sharing and working together.

In 2020, GSB provided financial supports to 63 higher education institutions for 1.0 million Baht each. The Plan and Budget Screening Committee further approved an additional budget of 11.2 million baht to provide complete financial supports to 63 higher education institutions in fiscal year 2020.

Current lending portfolio

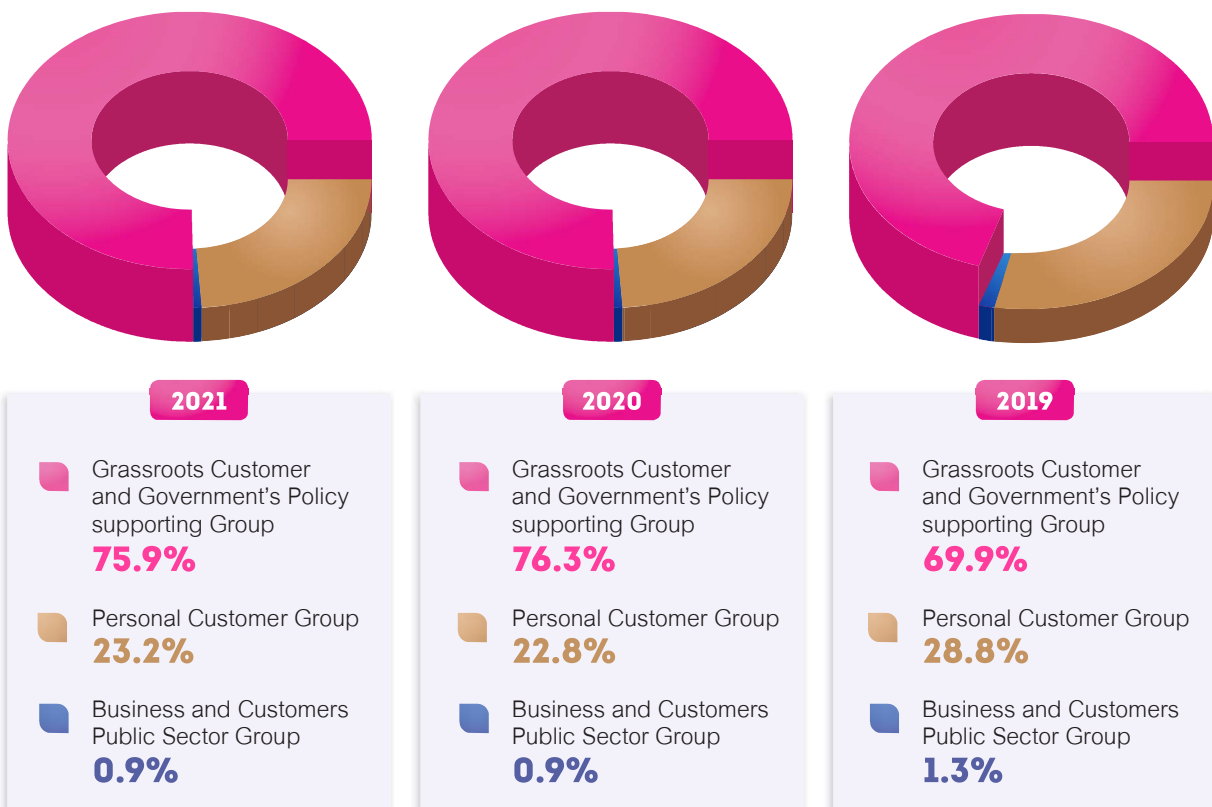
GSB is committed to becoming a true social bank by providing grassroots customers with access to formal sources of capital, improving people's well-being, and creating and promoting community organizations. GSB's loan customers are divided into three categories:

- 1 Personal customers group
- 2 Business and public sector customer
- 3 Grassroots customers and supporting related government's policy group



Figure 1 shows that the proportion of GSB loans for grassroots customers and related government policy support, which are the largest proportion, at 69.6% in 2019, 76.3% in 2020 and 75.9% in 2021.

Figure 1: Government Savings Bank Loan Customers by Category



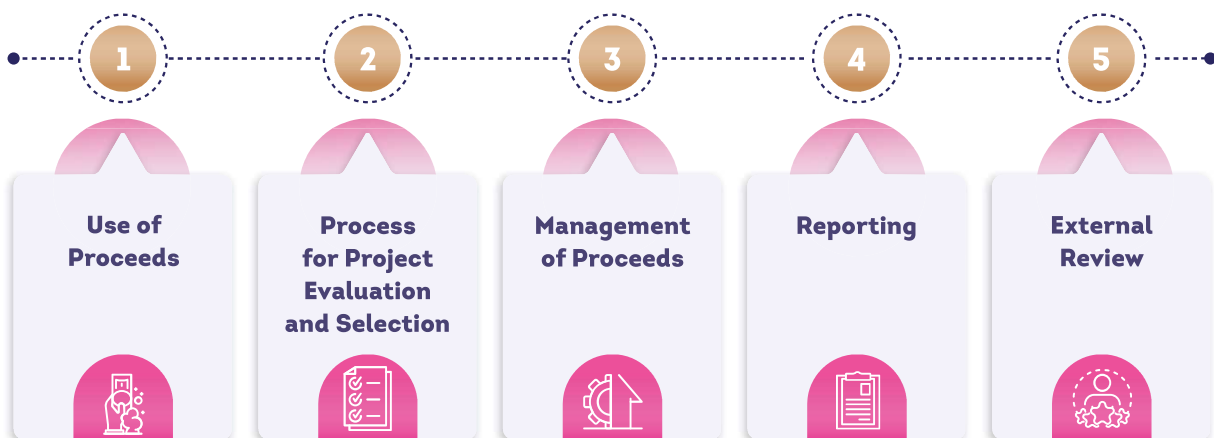
Source: Government Savings Bank.



GSB's SOCIAL FINANCE FRAMEWORK

GSB established this Social Finance Framework for its Social Bonds Program, Social Deposits Scheme and Social Loan Products. The objective of the Framework is to support implementation of GSB's social agenda-reducing inequality and promoting fairness in society-by providing opportunities for low-income individuals and grassroots customers (who are the Bank's main customers) to access financial services to reduce debt burdens, raise incomes, and improve their quality of life by escaping poverty.

The Framework is fully aligned with the Social Bond Principles ("SBP") 2021 published by the International Capital Market Association; the Social Loan Principles ("SLP") 2021 published by the Loan Market Association ("LMA"), the Loan Syndications and Trading Association ("LSTA"), and the Asia Pacific Loan Market Association ("APLMA"); as well as the Association of Southeast Asian Nations (ASEAN) Social Bond Standards ("ASEAN SBS") developed by the ASEAN Capital Markets Forum. The Framework consists of the following core components:



Under this framework, the GSB may issue the following instruments as part of its ongoing commitment to being a "social bank" while striving to become a "bank for sustainability":



- (i) Social Bonds to retail, high-net-worth, and institutional investors in Thailand; and
- (ii) Social Deposit Scheme for GSB savings account customers.

GSB will provide social loan products to customers based on eligible social project categories listed in this framework.

Use of Proceeds

An amount equal to the net proceeds from the Social Bond Program and the Social Deposits Scheme will be allocated to finance or refinance, in part or in full, new and/or existing business activities in alignment with the Bank’s operational priorities and the social eligibility criteria contained in this Framework. The social eligibility criteria have been mapped to the relevant United Nations Sustainable Development Goals (Table 2).

Table 2: List of Eligibility Criteria

Social Project Categories	Eligibility Criteria	SDGs
<p>Lending to improve liquidity, living conditions and informal debt issues</p> <p><i>ICMA SBP:</i> <i>Access to essential services</i></p> <p><i>Employment generation</i></p> <p><i>Socioeconomic advancement and empowerment</i></p>	<p>As part of GSB’s business operations and to support government policy implementation, the proceeds will be used to finance and/or refinance low-interest rate loans made to grassroots economy projects to improve liquidity, living conditions, and address informal debt issues. This includes vulnerable groups who have been impacted by COVID-19.</p> <p>Loan applications can be submitted through traditional bank branches as well as digital service platform (MyMo). MyMo enables grassroots customers living in remote areas to access financial services and financial education.</p> <p>Targeted customers include hawkers, street vendors, self-employed, low-income earners, farmers, and customers who are not able to access traditional financial services from commercial financial institutions.</p> <p>Examples of these loans include public loans for “ People’s Bank Loans”, public loan for People’s Bank Loans (disaster victims), Consumer loan project for emergency spending, loans for fixed-income workers affected by the COVID-19 pandemic, loans for self-employed people affected by the COVID 19 outbreak etc.</p>	 
<p>Strengthening the capacity of retail customers to be self-reliant</p> <p><i>ICMA SBP:</i> <i>Access to essential services</i></p> <p><i>Employment generation</i></p> <p><i>Socioeconomic advancement and empowerment</i></p>	<p>As part of GSB’s business operations and to support government policy implementation, the proceeds will be used to finance and/or refinance projects to develop retail customers’ occupational capabilities, targeted at unemployed and vulnerable groups who have been impacted by the COVID-19. Additionally, projects that provide marketing channels for customers to generate increased revenue will be supported.</p> <p>Examples of projects that contribute to creating higher occupational capacities include the Soft Loan Package to Create Jobs, Yuwaphat Rakthin projects, as well as projects that contribute to improved skills for unemployed who hold a state welfare card to be able to find jobs and access to formal sources of fund. Meanwhile, projects that provide marketing opportunities for grassroots customers include Pracharat Sang Thai market, Prachart Om Sin Thua Tin Thai market, and Wayuphak Rak Prachachon market.</p>	

Social Project Categories	Eligibility Criteria	SDGs
<p>Providing credit to enhance liquidity and strengthening of SMEs</p> <p><i>ICMA SBP:</i></p> <p><i>Access to essential services</i></p> <p><i>Employment generation</i></p> <p><i>Socioeconomic advancement and empowerment</i></p>	<p>The proceeds will be used to finance and/or refinance projects that provide source of funds to support small business entrepreneurs and communities and provide assistance such as loans and other remedial measures to aid SMEs that have been affected by COVID-19 through liquidity provision, debt moratorium measures.</p> <p>In additional to direct lending to SMEs, GSB provides Soft Loan for commercial banks and specialized financial institutions in order to on lend to SMEs entrepreneurs. Projects that promote and develop the potential of startups and SMEs will be included.</p> <p>Examples of loan projects include soft loans to provide working capital for SMEs, soft loan project to modify machinery and increase the productivity for SMEs, soft loans to help entrepreneurs who are directly and indirectly affected by the COVID-19 pandemic.</p>	

SME = small and medium-sized enterprise.

Source: Government Savings Bank.



The target populations for the eligible social projects under this Framework are people that face barriers to accessing financial services, including savings products and loan products. Examples of the target population include, but are not limited to, the following:



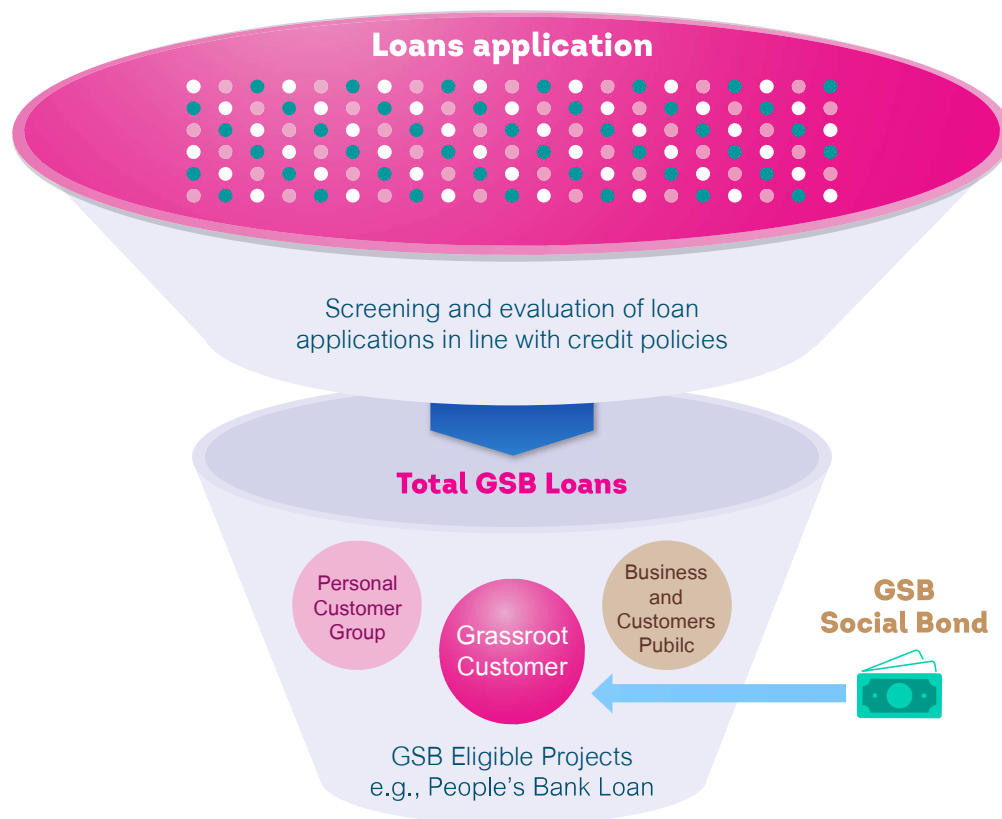
- people living below the poverty line;
- excluded and/or marginalized populations and /or communities;
- people with disabilities;
- migrants and/or displaced persons;
- the undereducated;
- the underserved, owing to a lack of quality access to essential goods and services;
- the unemployed;
- women and/or sexual and gender minorities;
- aging populations and vulnerable youth; and
- other vulnerable groups, including those impacted by natural disasters.

Exclusions

In line with the ASEAN Social Bond Standards, the net proceeds of Social Bond Program and Social Deposits Scheme under this Framework will not be used to finance and/or refinance projects, assets, or expenditures that pose a negative social impact related to alcohol, gambling, tobacco, or weaponry. Furthermore, projects, assets, or expenditures associated with violations of human rights or labor rights, or with environmental harm, are also excluded. These issues will be considered during loan application process.

Evaluation and Selection of Projects and Assets

GSB is using a portfolio approach to align its eligible projects with the eligibility criteria in this Framework. In case of customer loan repayments or if an eligible project no longer meets eligibility criteria, as defined above, the funds will be reallocated to other eligible projects, following the project selection process.



GSB will adhere to the eligibility criteria in all financing or refinancing transactions and ensure that the use of proceeds described above will be followed. To this end, GSB has established a Social Bonds Working Group (SBWG) chaired by a senior executive vice president and consisting of representatives from various departments within the Bank:



- financial management,
- corporate policy and strategy,
- investment,
- supervision and control,
- internal audit,
- marketing and corporate communications, and
- product-owner entities related to social projects.

The composition of the SBWG helps ensure governance over the process and that the proposed social projects fit within the eligibility criteria. The SBWG's composition is subject to change as the Bank deems necessary.

The evaluation and selection of projects is a critical process. The SBWG will work with product-owner entities for social projects to assess their existing lending portfolios (with a maximum look-back period of 3 years) and prospective new lending projects against the Social Finance Framework's eligibility criteria. This process will be conducted continuously as the Bank issues social bonds and accepts social deposits.

The SBWG will evaluate nominated social projects to ensure they meet the Social Finance Framework's eligibility requirements and will identify appropriate funding sources for such programs. This will enable proper tracking and monitoring of funding and the Social Finance Portfolio.

At least twice per year, the shortlisted social projects will be submitted to the GSB President and CEO for formal approval and inclusion in the Social Finance Portfolio. Upon approval of the President and CEO, the Social Finance Portfolio is submitted to the GSB's board of directors for notification of the proceeds allocation based on GSB's Social Finance Framework.

The end-to-end governance processes are outlined in Figure 2.

Figure 2: Government Savings Bank Social Finance Governance Processes



Source: Government Savings Bank - Social Bonds Working Group.



Management of Proceeds

An amount equal to the net proceeds from the Social Bond Program and Social Deposits Scheme will be tracked within the GSB's general pool of funds and will be allocated to eligible social projects only.

The GSB financial management team will manage the Social Finance Portfolio through the bank's internal information system. The balance of the tracked proceeds will be monitored regularly to ensure that inflow of funds will not exceed the value of Social Finance Portfolio. If there is any unallocated amount, it will be invested in cash or a cash equivalent following GSB's cash management policies within the Treasury function. For the soft loans provided to other commercial banks and specialized financial institutions, the GSB will receive use of fund reports from these institutions. This would ensure that the loan is used for its intended purpose. However, borrowing banks will oversee the process of credit management.

The Social Bonds Working Group will regularly review the allocation of the proceeds to the eligible projects and determine if any changes are necessary (e.g., if a project has amortized, been prepaid, been sold, or otherwise become ineligible). The Social Bonds Working Group will decide any necessary update of the eligible projects list (e.g., replacement, deletion, or addition of projects) to maintain the eligibility of the portfolio of eligible social projects.

Reporting

The GSB will publish annual updates of the allocation of the proceeds for the duration of the Social Bonds Program and Social Deposits Scheme. The updates will be reported publicly on the GSB website at <https://www.gsb.or.th/> as well as GSB's Sustainability Report. The reports will contain the following information as described below.

3.4.1 Summary of All Social Finance Transactions During the Year

GSB will publish details of the social bonds issued and social deposits received during the reporting period including key information such as transaction date, principal amount of proceeds, maturity date, interest rate or coupon, and ISIN number.

3.4.2 Social Bond Proceeds Allocation Reporting

GSB will publish an annual social finance allocation report, which will include the following:

- Summary of the eligible projects in the GSB Social Finance Portfolio,
- Description of the major eligible projects,
- Summary of the allocation of proceeds with clarification of the proportion to finance and/or refinance eligible social projects, and
- Summary of unallocated proceeds and their management.

3.4.3. Impact Reporting

GSB will report the assessment of the direct and indirect impacts of the proceeds represented with, where possible, both qualitative and quantitative parameters outlining key performance indicators. To the extent available, GSB will report on an annual basis the following indicators for its Social Finance Portfolio:

- number of clients that meet the eligibility criteria,
- year-over-year percentage change in the number of clients that meet the eligibility criteria,
- year-over-year percentage change in the finance available per grassroots customer,
- number of branches in the GSB social network, and
- number of grassroots customers using digital banking.

External Review

GSB will engage an external reviewer to provide an opinion on its Social Finance Framework and proposed issuance to confirm alignment with the Social Bond Principles 2021, the Social Loan Principles 2021, and the ASEAN Social Bond Standards.

Within 2 years of the issuance of the first Social Bond under this Framework, GSB will conduct an external review of the proceeds allocation and impact reports. The opinion from the external review provider will be published on GSB's website.

Updating the Social Finance Framework

The GSB Social Finance Framework will be reviewed and updated from time to time to reflect GSB's strategic policies as well as the government's social strategy. This document will also be updated as sustainable labelling evolves, and as the relevant principles, guidelines, and standards are updated.

Any updates to this framework will be approved by the Social Bonds Working Group and provided on the GSB website.

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