

**UN**  
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Principles for  
Responsible Banking

# Reporting and Self-Assessment Template

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Principles for Responsible Banking



Reviewed version (V2) from September 2022



## Reporting and Self-Assessment Template

The following template sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking (PRB). Your bank discloses which actions it has undertaken to implement the PRB by self-assessing its progress on each of the 6 Principles. This template is therefore structured in accordance with the 6 Principles that signatories have committed to.

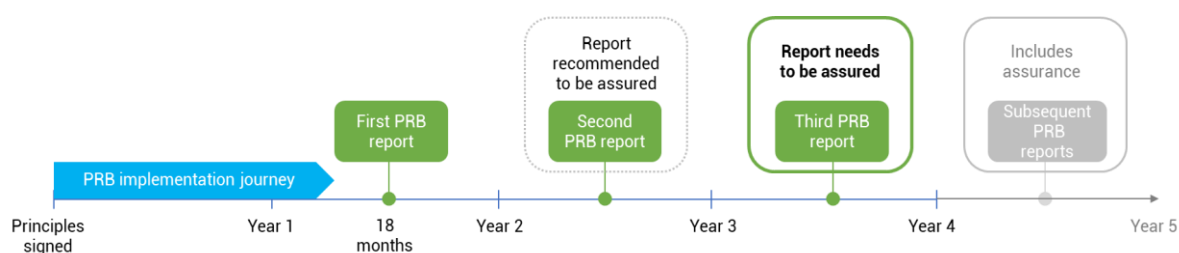
Three [Key Steps](#) are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also require a self-assessment summary to demonstrate the extent to which the bank has fulfilled the respective requirements of the Key Steps.

### Accommodating different starting points

Your bank has an initial four-year period from signing to implement the 6 Principles including to bring its reporting fully in line with the requirements. Your bank may not be able to provide all information required in this template in the first report. You should build on your implementation progress annually. Feedback, support, capacity building, training and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

### Timeline for reporting and assurance

Signatory banks need to report on their implementation of the Principles on an annual basis. The first PRB report has to be published within 18 months of signing the Principles, to give the bank some flexibility to align the PRB reporting with its reporting cycle. Publishing the first PRB report at any point earlier than 18 months after signing the Principles is therefore an option. After the first PRB reporting has been published, subsequent reports have to be published annually thereafter, i.e. within 12 months at the latest after the prior report<sup>1</sup>.



### Assurance

The last report within the initial 4 year implementation period (and subsequent reports thereafter) needs to be assured, which means that at least the third PRB report needs to be assured. Banks are encouraged to put the assurance process in place well before that and have earlier PRB reports already assured.

<sup>1</sup> Early reporting is permitted, although sufficient time to show progress from one year to the other should be taken into account.

All items that relate to the three [Key Steps](#) (highlighted in yellow) require limited assurance by year four of signing the PRB, undertaken by an independent third party with relevant expertise in the field. These are:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

An assurer provides limited assurance of your self-assessment in these listed areas. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted. Assurance requirements are described in more detail in the [Guidance for Assurance providers: Providing limited assurance for reporting](#).

## Purpose of the template

The purpose of this template is to assist signatories in disclosing their progress on implementing the PRB. The disclosed information is used by the UNEP FI Secretariat as the basis for the individual review of each bank's progress, as well as for reporting the collective progress made by the PRB Signatory Group. To measure collective progress in a consistent manner, some standardized questions to be completed by the banks are integrated into the template. The open questions give banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate.

# How to use this template

This template gives banks the chance to provide summaries of the annual progress made in implementing each Principle. It is designed for your bank to provide references/links to where in your existing reporting/public domains (websites) the required information can be found to support your answers. The aim is to keep any additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6. When referring to other documents, please specify the pages where the exact information appears.

The Reporting and Self-Assessment Template shall not be amended structurally and content-wise. The content and text of the template can be applied to corporate layout and designed accordingly, without omitting parts of the texts. The Reporting and Self-Assessment Template can be integrated into your bank's reports (annual report, sustainability report or relevant reporting formats) or can be published as a stand-alone document. It needs to be publicly available and will be listed on the UNEP FI Signatories page.

The reporting needs to be published in English. Information that is referenced to within the Reporting and Self-Assessment Template should also be available in English. Where that is not possible, it is recommended to include the summary of relevant information as text in the Template, so that all necessary information can be taken into account when the UNEP FI Secretariat reviews the bank's performance.

# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

KB Financial Group is a comprehensive financial group with the largest customer base and network in Korea, providing various financial services including individual and corporate finance, investment, insurance, credit cards, and asset management. Based on a balanced business portfolio between banking and non-banking sectors, all subsidiaries are continually strengthening their business competitiveness and carrying out leading business activities.

With around 37.6 million customers from both within the country and overseas, KB Financial Group's 11 major subsidiaries provide comprehensive financial services to a diverse range of stakeholders worldwide through 1,465 domestic networks and 597 overseas networks in 14 countries. Distribution of our Group subsidiaries in terms of Net Profit Contribution: KB Kookmin Bank(66.3%), KB Securities(7.9%), KB Insurance(15.3%), KB Life Insurance(1.7%), KB Kookmin Card(7.1%), Others(1.7%).

KB Financial Group provides distinctive products and services to customers based on the strength of capital, expansive network, and business know-how and risk management capabilities that were developed over many years, and makes continued efforts to become the "most beloved No. 1 financial platform" to its customers.

Based on the missions, "Financial services delivering change," KB Financial Group will practice ESG management and fully establish itself as a leading financial group that receives recognition from customers.

### Links and references

- KBFG 2023 Sustainability Report p.6~7

[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

- Annual Report 2023 p. 15, 56

<https://www.kbfg.com/eng/ir/report/annual/ist.jsp>

## Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

- Yes  
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

- UN Guiding Principles on Business and Human Rights  
 International Labour Organization fundamental conventions  
 UN Global Compact  
 UN Declaration on the Rights of Indigenous Peoples  
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----  
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----  
 None of the above

### Response

Based on the mission, “Financial services delivering change,” KB Financial Group is implementing distinctive ESG management. For the sustainable growth of our society and future generations, we seek to fulfill social roles and responsibilities as a leading ESG management company.

ESG has become a company’s essential strategy rather than a choice, and various stakeholders are paying close attention to ESG management of companies. KB Financial Group has adopted ESG leadership as a core value of the Group’s management strategies, based on which it is creating sustainable social value for the prosperity of customers, local communities, and future generations.

KB Financial Group’s ESG strategy has the objective of elevating sustainable value and nurturing customer trust through environmentally and socially responsible management and promoting strong governance. This approach is outlined by three core strategic directions:

- Advancing climate change strategy for the environment
- Internalizing responsible management for society
- Disseminating transparent corporate governance

KB Financial Group’s ESG strategy is connected to the United Nations Sustainable Development Goals(UN SDGs), and the Group’s Sustainability Report openly reveals the particular activities and in-depth accomplishment related to UN SDGs

### Links and references

KBFG 2023 Sustainability Report p.12  
[https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

objectives. We are dedicated to attaining the SDGs by responsibly executing our ESG strategy.

In addition, KB Financial Group supports the Paris Agreement and climate related public policies, and thus provides support so that the goals can be accomplished. In addition, we joined eco-friendly initiatives, such as the Net-Zero Banking Alliance (NZBA), Glasgow Financial Alliance for Net-Zero (GFANZ), and Renewable Electricity 100% (RE100) and carry out relevant activities, thereby actively taking part in joint global activities to address environmental issues. In particular, KB Financial Group participated in GFANZ APAC Advisory Board to actively support climate-related policies in our efforts to achieve the goals and attended a CEO meeting of the Net-Zero Banking Alliance (NZBA) and discussed the strategic direction of NZBA with global banks.

## Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>2</sup> and fulfil the following requirements/elements (a-d)<sup>3</sup>:

**a) Scope:** What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

#### Response

KB Financial Group identifies ESG issues and reflects them in management activities, and transparently communicates with stakeholders by disclosing related activities and outcomes and through the materiality assessment it carries out every year. In 2023, we chose sustainability disclosure topics based on the “double materiality assessment” process that is based on the European Sustainability Reporting Standards (ESRS), which is the EU’s sustainability reporting standards. Of these, we chose disclosure topics that are subject to IFRS Sustainability Disclosure Standards S1 and S2 application through an “investor-centered financial materiality assessment” that is based on guidance announced by the International Sustainability Standards Board (ISSB).

ESRS’ double materiality assessment is a method that considers both corporate management activities’ impact on social and environmental sustainability (Inside-Out) and ESG issues’ impact on corporate financial position (Outside-In), targeting all stakeholders. To choose sustainability disclosure topics, KB Financial Group conducted an ESRS-based double materiality assessment and derived the priority of material issues by combining “impact materiality” that assesses impact on society/environment and “financial materiality” that assesses impact on corporate financial position.

#### Links and references

KBFG 2023 Sustainability Report p.15  
[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

<sup>2</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>3</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).



<p>Impact materiality is assessed based on the four criteria of size, scope, likelihood, and recoverability by reflecting media exposure level, trends in the same industry, outside stakeholder interviews by value chain, business strategies, and KPIs. Financial materiality is assessed based on the two criteria of size and likelihood by reflecting internal ESG experts' financial impact assessment, survey of outside investors, and analysis of the status of financial industry regulations of the regulatory authorities.</p> <p>Starting in 2023, we are additionally considering an investor-centered financial materiality assessment that is based on ISSB. The financial materiality assessment of ISSB is a method that specifies current and potential investors of the capital market, from among various stakeholders, as a single information user and derives sustainability topics that can impact the information user's investment decision-making. To identify financial impact on investors, we analyzed the level of interest of major investors and the regulation status of supervisory institutions.</p>	
<p><b>b) <u>Portfolio composition:</u></b> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors &amp; industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products &amp; services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p>	
<p><i>Response</i></p> <p>KB Financial Group performs a double materiality assessment that is on a consolidated basis, including impact, risks, and opportunities of major subsidiaries that are included in the reporting scope. During impact materiality assessment, we consider both positive and negative impact (impact's characteristic) that is related to ESG issues as well as actual and potential impact (impact's attribute). During the financial materiality assessment, we assessed both potential risks and opportunities related to ESG that can have a negative financial impact on KB Financial Group. We applied various assessment techniques in addition to a stakeholder survey to conduct a comprehensive impact analysis from multiple perspectives by adding a complementary assessment by internal and external stakeholders to an internal assessment by ESG experts. We used various assessment methods, such as an analysis of global disclosure standards and assessment indexes, analysis of competitors and partner companies in the same industry, media analysis, and analysis of the regulation status of supervisory institutions, to identify actual and potential impact on</p>	<p><i>Links and references</i></p> <p>KBFG 2023 Sustainability Report p.15</p> <p><a href="https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf">https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf</a></p>

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

<p>KB Financial Group as well as risks and opportunities, and formed an IRO(Impact, Risk and Opportunity) long list, thereby enhancing completeness of the population.</p>	
<p><b>c) Context:</b> What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>5</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>	
<p><i>Response</i></p> <p>KB Financial Group pursues sustainability by considering economic, social, and environmental impacts. In this process, we identify and appropriately respond to issues that significantly impact our various stakeholders, thereby securing sustainable competitiveness. Moving forward, KB Financial Group will transparently disclose information ranging from the process of implementing sustainability to the outcome and future plans, and discover new growth opportunities based on strong trust with stakeholders.</p> <p>Material issues that were chosen as a result of the 2023 materiality assessment, KB Financial Group aligns the topics with the KPI and performance of top management, including the executive director and is managing them with focus.</p>	<p><i>Links and references</i></p> <p>KBFG 2023 Sustainability Report p.19~20</p> <p><a href="https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf">https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf</a></p>
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>6</sup>? Please disclose.</p>	
<p><i>Response</i></p> <p>Financial Group comprehensively analyzed impact materiality of the company's external impact and the financial materiality of ESG issues' impact on the company, and used the analysis results as the basis to derive a total 14 material issues and choose the priority. We categorized 10 issues with the highest ESRS-based double materiality assessment ranking as material topics and the sub four issues as general topics.</p> <p>Of the 10 material topics, we chose five top issues with a high investor-centered financial materiality assessment ranking, based on the guidance announced by ISSB, as material topics to which IFRS Sustainability Disclosure Standards S1 and S2 are applied. Top five material topics include, Enterprise Risk Management, Climate Change Strategy, Win-win Financing, Protection of Financial Consumers, Digital Innovation and Technology. Among the five material topics we have prioritized <b>climate change</b> and <b>win-win financing</b> as important areas and</p>	<p><i>Links and references</i></p> <p>KBFG 2023 Sustainability Report p.18, 25,41~44, 71</p> <p><a href="https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf">https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf</a></p>

<sup>5</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<sup>6</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

established targets and strategies in response. Please see pg.18 for positive and negative impact assessment results.

For **Climate Change**, negative impact associated with climate change are increased financial burden stemming from compliance with environmental regulations, including purchasing of emissions permits, and deterioration of reputation upon the rise of ESG washing issues among many others. Positive impacts are reduction of operating cost due to the increase in energy efficiency, expansion of revenue streams following entry into new markets, etc.

For **Win-win financing**, negative impacts are weakened competitiveness of companies as a result of excessive dependence on win-win financing/policy financing support and increase in estimated bad debt costs and possibility of loss due to corporate customers' management risks. Positive impacts are that we can generate business opportunities by expanding financial support for SMEs and startups that could increase new customer attraction by providing management consulting and customized financial products and improve business models and promote the economic development of local communities through business mentoring and expert consulting.

**d) For these (min. two prioritized impact areas): Performance measurement.** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

**Response**

For climate change, the sectors with high exposure (value of holdings, VOH) in the asset portfolio are sectors, such as capital goods, commercial service, and transportation (25%); financials (19%); and consumer discretionary (14%). Materials (29%), utilities (20%), industrials (16%), and consumer discretionary (11%), on the other hand, are industry sectors that had the highest percentage of carbon emissions in our asset portfolio. KB Financial Group set each industrial sector's reduction targets according to the SDA methodology. For financed emissions that do not apply the SDA methodology, we use the Temperature Ratings Methodology to set and manage reduction targets. In case of industries that applied the SDA methodology as of 2022,

**Links and references**

KBFG 2023 Sustainability Report p.48 ,62, 78  
[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

there were differences among industries in increase/decrease. Emissions rose for power generation, cement, aluminum, and commercial real estate. In contrast, emissions went down for steel, paper & pulp, and power generation PF.

To effectively execute win-win financing activities, KB Financial Group uses quantitative metrics per activity to monitor the performance of win-win financing activities. For win-win financing activities that respond to major social issues, we establish targets by reviewing the rate of year-on-year increase and comparing the win-win financing status for the same business, and periodically measure the performance against the targets. For practicing financial inclusion for the financially marginalized, metrics include size of loans handled by the KB Miso Microcredit Foundation, size of financial inclusion products handled for the financially marginalized, etc. For strengthening the capabilities of SMEs and small business owners, metrics include the number of times consulting was provided through KB SOHO Consulting, KB Wise Consulting, ESG management consulting etc.

### Self-assessment summary:

**Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative**

**e impacts?<sup>7</sup>**

- |                          |   |                                      |                             |
|--------------------------|---|--------------------------------------|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*Climate change mitigation, financial health & inclusion(win-win financing)*

**How recent is the data used for and disclosed in the impact analysis?**

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

<sup>7</sup> You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Open text field to describe potential challenges, aspects not covered by the above etc.:  
*(optional)*

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>8</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>9</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

Through impact assessment analysis, KB Financial Group identified Climate Change and Win-Win Financing as important areas and established targets and strategies in response.

For **Climate Change**, we implemented KB Net Zero S.T.A.R, which seeks to achieve a 42% reduction in operational emissions compared to the 2020 levels by 2030/net-zero by 2040 and achieve 33.3% reduction in financed emissions compared to 2019 levels by 2030/61% by 2040/net-zero by 2050. KB Financial Group utilized the methodology proposed by the SBTi to establish net-zero targets that aligned with the goals of the Paris Agreement. Our carbon reduction target was approved by the SBTi in October 2021.

For **Win-win Financing** activities that respond to major social issues, we establish targets by reviewing the rate of year-on-year increase and comparing the win-win financing status for the same business, and periodically measure the performance against the targets. Metrics include practicing financial inclusion for the financially marginalized (Size of financial inclusion products handled for the financially marginalized, size of loans handled by the KB Miso Microcredit Foundation etc) and strengthening the capabilities of SMEs and small business owners (number of each services (KB SOHO, KB Wise, ESG Management, ESG Self Assessment etc provided). Targets are aligned with the government's goal to ease the economic burden of the socially vulnerable population in the midst of high interest rates and delayed economic recovery. As such, the government and financial sector has jointly identified win-win financing projects to reduce the interest burden on financially vulnerable population such as SMEs and small businesses.

### Links and references

KBFG 2023 Sustainability Report p.61~67, 78

[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

*Response*

For **Climate Change**, we have set baseline emissions to measure our progress against our target. Operational emissions has a baseline emissions year of 2020 and financed emissions has a baseline emissions year of 2019.

For **Win-win Financing** activities that respond to major social issues, we establish targets by reviewing the rate of year-on-year increase and comparing the win-win financing status for the same business, and periodically measure the performance against the targets.

*Links and references*

KBFG 2023 Sustainability Report p.61-67, 78  
[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>10</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

*Response*

For **Climate Change**, KB Financial Group utilized the emissions reduction target setting methodology proposed by the SBTi and UNEP FI Guidelines for Climate Target Setting for Banks to

*Links and references*

<sup>8</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>9</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

<sup>10</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

establish our net-zero targets, and our carbon reduction target was approved by the SBTi in October 2021. With the experience and knowledge we gained while establishing a science-based reduction target and obtaining approval, we will proactively support our corporate clients in setting a clear emissions reduction target aligned with the SBTi's standards and achieving net-zero by 2050.

① Operational Emissions (Scope 1&2)

KB Financial Group has set its operational emissions (Scope 1&2) reduction targets by using the "Absolute Contraction Approach (ACA)." The Approach applies the same amount of absolute reduction required by the scenario each year by setting an absolute emissions reduction target to cut the overall greenhouse gas emissions in the target year compared to the base year.

② Financed Emissions

KB Financial Group set its financed emissions target based on the SBTi methodology. We applied the "Sector Decarbonization Approach (SDA)" to power generation PF, power generation, steel, cement, aluminum, paper & pulp, and commercial real estate industries, and applied the "Temperature Ratings" method to the corporate finance sector excluding the above.

For **Win-win Financing**, we have various metrics and targets that aims for practicing financial inclusion for the financially marginalized, strengthening the capabilities of SMEs and small business owners, fostering and investing in startups. As targets are aligned with the government's goal to ease the economic burden of the socially vulnerable population in the midst of high interest rates and delayed economic recovery, we establish targets by reviewing the rate of year-on-year increase and comparing the win-win financing status for the same business, and periodically measure the performance against the targets.

KBFG 2023  
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**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

*Response*

*For **Climate Change**, KB Financial Group became the first financial group in Korea in 2020 to declare "anti coal financing," which puts an end to new investments in coal fired power plant construction, in an effort to preemptively respond to the climate change crisis. After the declaration, we fully suspended the financing of new projects and purchasing of bonds related to coal fired power plant construction at home and abroad.*

*Links and references*

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Additionally, KB Financial Group established the “KB Green Wave 2030” strategy, with a goal of reinforcing ESG finance, and plan to expand ESG products, investments, and loans to KRW 50 trillion (KRW 25 trillion for the environment area) by 2030. As of the end of December 2023, KB Financial Group’s ESG products, investments, and loans amounted to KRW 36.4 trillion. The size of ESG financial products is increasing every year in the environment, social responsibility, and corporate governance as well as integrated ESG areas.

KB Financial Group is continually expanding investments in eco-themed private projects, new and renewable energy sectors, and eco-friendly vessels and vehicles. In case of large-scale project financing, we examine compliance with the Equator Principles and ESG framework. In particular, we invest in and provide financial support for eco-friendly projects aimed at building new & renewable energy power generation and low-carbon facilities.

For **Win-win Financing**, KB Financial Group has established a mid- to long-term strategic roadmap for win-win financing to fulfill the role of finance for a sustainable society. This includes providing necessary financial products and services to the financially vulnerable, SMEs, small business owners, and local communities at the right time.

**[Step 1] Establish a win-win financing system(-2023)**

Agenda	<ul style="list-style-type: none"> <li>· Support financial independence of the financially marginalized and share their pain</li> <li>· Provide financial and non-financial support to resolve social issues</li> </ul>
Action Plan	· Establish short/mid/long-term execution plans according to the priority of social issues and build a foundation

**[Step 2] Spread win-win financing(2024-2027)**

Agenda	· Continually implement and expand on existing agenda
Action Plan	· Strengthen management of execution tasks by operating the Group ESG Win-Win Council (distinctive activities, effect analysis through monitoring, internal and external strategic communication)

**[Step 3] Advance win-win financing(2028-)**

Agenda	· Establish new agenda that reflect social changes
Action Plan	· Internalize win-win financing in each business (reflect win-win financing in products and services of each subsidiary)

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## Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... <i>(please name it)</i>	... second area of most significant impact: ... <i>(please name it)</i>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</i>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

**For each target separately:**

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

*Response*

For **Climate Change**, Our 2023 operational emissions (Scope 1&2) that we measured (the same standard we used when establishing SBTi reduction targets) for KB Financial Group and 11 major subsidiaries were 125,812 tCO<sub>2</sub>eq, indicating a year-

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on-year decrease of around 3,175 tCO<sub>2</sub>eq. This is attributable to active energy-saving programs, including increased installation of renewable energy power generation facilities, increased business vehicle conversion to eco-friendly vehicles, and resource circularity and enhanced energy efficiency.

KB Financial Group's financed emissions as of the end of 2022 stood at about 49.22 million tons, an increase of around 10.05 million tons from the end of 2021. This is mainly attributable to a significant expansion of the measurement target scope in accordance with the IFRS Sustainability Disclosure Standards S2 "Climate-related Disclosures" as mentioned above.

When KB Financial Group first established its SBTi reduction target, financed emissions were measured (2020 exposure) for companies with total exposure greater than KRW 3 billion in case of the corporate finance asset group but the scope was later expanded (2021 exposure) to total exposure greater than KRW 2.5 billion. In addition, we expanded the scope once again to all corporate finance assets, irrespective of the exposure amount, for measurement of financed emissions in 2022, while also expanding asset groups subject to measurement to include mortgage loan, automobile loan, and government bond, in addition to corporate finance assets.

Targets for **Win-Win financing** has been newly introduced in the past years. With the government's goal to ease the economic burden of the socially vulnerable population in the midst of high interest rates and delayed economic recovery, the government and financial sector has jointly identified win-win financing projects to reduce the interest burden on financially vulnerable population such as SMEs and small businesses.

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## Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>11</sup> in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>12</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

#### Response

[Providing ESG Management Support Services]

KB Financial Group supports SMEs that are experiencing difficulty with ESG management adoption based on accumulated ESG management know-how and a management consulting process.

- ESG management counseling service: Provide ESG education to employees and companies that need ESG evaluation, presents ESG trends and countermeasures, and helps companies that measure carbon emissions establish a GHG inventory
- KB Carbon Management System (KB Kookmin Bank): Launched an online platform equipped with an energy consumption-based GHG emissions measurement and management function that provides a one-stop work process, ranging from automatic creation of a list of emission facilities.
- by industry to emissions measurement, for free to customers who use corporate online banking

[Support for Financial Inclusion of SMEs and Small Business Owners]

Aimed at facilitating regional economies, KB Financial Group provides diverse financial support to small businesses, which

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support regional economies. With the end of the “special financial support (extension of maturity, principal and interest payment deferment) to address COVID-19 damages” in 2023, major subsidiaries of KB Financial Group are extending the loan end date for loan repayment deferment applications or enabling installment payments of deferred interest, with the goal of reducing the burden on small businesses.

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

#### Response

##### KB Green Wave 2030

KB Financial Group established the “KB Green Wave 2030” strategy with the goal of expanding ESG finance and plans to increase the size of ESG products, investments, and loans to KRW 50 trillion (KRW 25 trillion in the environmental area) by 2030. As of the end of December 2023, KB Financial Group’s size of ESG products, investments, and loans totals KRW 36.4 trillion. The size of our ESG financial products grows every year in environment, social responsibility, governance and integrated ESG areas..

#### [ESG Loans]

##### “KB Green Wave\_Loans

for Outstanding ESG Companies” is a product that offers benefits of preferential interest rate and loan limit to companies that fulfill ESG evaluation criteria chosen by KB Kookmin Bank and internal credit rating requirements. It is the result of benchmarking globally advanced banks’ sustainability-linked loans, and provides financial support to outstanding ESG management companies.

KB Kookmin Bank continues to advance the evaluation criteria for the KB Green Wave\_Loans for Outstanding ESG Companies.

Loan qualifications were expanded in accordance with an ESG-related MOU signed with the Korea Chamber of Commerce and Industry and an MOU signed with SK Group. In addition, the Bank included outstanding companies in hiring released prisoners that are certified by the Ministry of Justice as a loan target.

“Companies that produce products and services with KS certification,” which is a technology standard certification, was

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<sup>11</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>12</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

previous included in loan application qualifications, but was removed since it is not an ecofriendliness/ESG certification, resulting in strengthened ESG evaluation standards. As of December 2023, the balance of “KB Green Wave\_ Loansfor Outstanding ESG companies” stood at KRW 905.3 billion.

[ESG Bond Issuance Performance]

KB Financial Group issues ESG bonds to support eco-friendly projects and projects that consider social value based on an ESG bond management system and green bond management system. As of the end of December 2023, KB Financial Group’s cumulative ESG bond issuance amount totals KRW 15.2 trillion. In 2023, KB Kookmin Bank issued ESG bonds in foreign currency amounting to EUR 15 million, and published the KB Sustainable Finance Report that includes details on use of ESG bond issuance funds and received certification from an external certification organization. KB Securities became the first in Korea to organize the issuance of KRW 110 billion in KRW-denominated sustainability-linked bonds (SLBs) that are linked to eco-friendliness performance goals.

[Providing Products and Services for Financial Inclusion]

Through the KB Miso Microcredit Foundation, KB Financial Group provides products and services for financial inclusion to the financially marginalized. The KB Miso Microcredit Foundation engages in the “microcredit” business, which provides self-support funds without the need for security or guarantee to the low-credit/low-income financially marginalized who find it difficult to use the services of legitimate financial institutions. It also provides low-interest-rate loans, such as business establishment/operation funds, facility improvement funds, Successful Employment Loan, Emergency Livelihood Fund Loan, Educational Expense Support Loan, and Underprivileged Independence Fund, along with education and consulting to applicants. In addition, it steadily carries out follow-up management after loans to help Miso Microcredit customers achieve financial independence. In addition, KB Financial Group provides various products and services aimed at financial inclusion to support the financially marginalized. We provide savings account products designed to help people build assets and a sizable sum of fund to the low-income class, child heads of households, and North Korean defectors. We also offer various loan products, including for daily life stability funds and housing security deposit funds and provide loan products that exempt an early repayment fee to small business owners and small companies.

## Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>13</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### Response

To preemptively respond to increasing demand for environmental information disclosure, KB Financial Group created diverse information disclosure channels and communicates with outside stakeholders. In addition, as an ESG finance leader and member of society, we take active part in global activities, thereby expanding its global environmental leadership.

#### [Participation in Environmental Initiatives]

As an ESG finance leader and member of society, KB Financial Group takes active part in global activities aimed at addressing environmental issues. As an leading example, KB Financial Group is participating in GFANZ, a global alliance aimed at using finance to achieve net-zero emissions and overcome the climate crisis. As a financial coalition aimed at zero carbon emissions by 2050, GFANZ was established to promote net-zero economies and overcome the climate crisis through finance. KB Financial Group has been a member of the Advisory Board of the Asia-Pacific since June 2022, and manages/supervises strategic directions for net-zero implementation of Asia-Pacific member companies, setting of goals, and priorities. We also participate in Principles for Responsible Banking (PRB), Net-Zero Banking Alliance (NZBA) etc.

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<sup>13</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

### [Stakeholder Communication Channel]

KB Financial Group categorizes stakeholders as customer, employee, government and local government, shareholder and investor, supplier, and local community, and identifies matters of interest as well as demands of stakeholders through various communication channels. In addition, we hold a stakeholder survey every year and actively reflect the results in our overall ESG management activities.

	Customer	Employee	Government and local government	Shareholder and investor	Supplier	Local community
<b>Key communication channel</b>	<ul style="list-style-type: none"> <li>• Online one-to-one and face-to-face channels including Website, e-mail, mobile, branches, etc.</li> <li>• Customer satisfaction survey</li> <li>• Voice of customers (VOC)</li> <li>• Customer panel and advisory group</li> <li>• Complaint channel</li> </ul>	<ul style="list-style-type: none"> <li>• Labor-management communication channel (Labor-Management Council, Labor-Management Meeting, etc.)</li> <li>• Grievance handling system</li> <li>• Organizational culture diagnosis</li> <li>• Employee engagement evaluation</li> <li>• Group website, Group portal, internal broadcasting newsletter</li> <li>• Town hall meeting, anonymous open chat room</li> </ul>	<ul style="list-style-type: none"> <li>• Consultative body related to financial authority policy</li> <li>• Staffing session on government financial policy</li> <li>• Financial Supervisory Service (FSS) meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Company briefing session</li> <li>• Annual general meeting</li> <li>• Earnings announcement</li> <li>• Company management disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with suppliers and on-site briefing</li> </ul>	<ul style="list-style-type: none"> <li>• KB Miss Foundation</li> <li>• Consulting service channel</li> <li>• KB Innovation Hub Center</li> <li>• Social contribution project</li> </ul>
<b>Major area of interest</b>	<ul style="list-style-type: none"> <li>• Protection of financial consumers</li> <li>• Enhancement of financial accessibility and user convenience</li> <li>• Improvement of customer experience</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of hiring diversity, gender diversity and equality diversity</li> <li>• Strengthening of employee competitiveness</li> <li>• Fair evaluation and compensation</li> <li>• Improvement of organizational culture</li> <li>• Management of employee safety and health</li> </ul>	<ul style="list-style-type: none"> <li>• Response to environmental regulations and policies</li> <li>• Implementation of financial inclusion</li> <li>• Implementation of innovative finance</li> <li>• Job creation</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise risk management</li> <li>• Climate change strategy</li> <li>• Net-zero financing</li> <li>• Protection of financial customers</li> <li>• Digital innovation and technology</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a fair trade culture</li> <li>• Creation of a win-win culture with partners</li> <li>• Management of safety and health in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of financial accessibility for vulnerable groups</li> <li>• Support for inclusive finance for SMEs and small business owners</li> <li>• Operation of startup incubation programs</li> <li>• Support for the facilitation of the social welfare ecosystem</li> <li>• Social contribution activities</li> </ul>
<b>Status of communication</b>	<ul style="list-style-type: none"> <li>• Conduct face-to-face/face-to-face survey of customer experiences</li> <li>• Operate the customer panel and advisory group system</li> <li>• Operate a complaint-handling and damage compensation process for protection of financial consumers</li> <li>• Operate VOC using website, email, mobile communication, branch, etc.</li> <li>• Provide services with strengthened user convenience through digital innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Diagnose the organizational culture and evaluate employee engagement</li> <li>• Operate the Labor-Management Council and Labor-Management Meeting</li> <li>• Operate the complaint handling center</li> <li>• Run the "WE STAR" mentoring program</li> <li>• Operate internal channels, including the Group website, Group portal, internal broadcasting, and newsletter</li> <li>• Hold the Townhall Meeting and operate anonymous open chatting rooms</li> <li>• Operate the KB Compliance System</li> <li>• Operate out the KB Creator Project</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in Green Finance Task Force</li> <li>• Signed an NDA with the Financial Supervisory Service on climate risks</li> <li>• Participate in various forums and conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Hold IR meetings</li> <li>• Hold an annual general meeting of shareholders</li> <li>• Frequent and regular disclosures on corporate management activities</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain the competitive bidding principle and operate the "Tide-gate pact"</li> <li>• Operate the compliance program</li> <li>• Hold supplier meetings and field briefing sessions</li> <li>• Operate the Health and Safety Council</li> </ul>	<ul style="list-style-type: none"> <li>• Provide products and services for financial inclusion of the financially vulnerable</li> <li>• Provide management consulting services to SMEs and small business owners, including ESG/SDG Consulting, IR Risk Consulting, and IR ESG Consulting</li> <li>• Operate dialog-reading programs, such as KB Stories and FUTURE3</li> <li>• Formed the KB Social Investment Fund</li> <li>• Provide economic and financial education and improve the childcare system and cultural/educational environment</li> <li>• Create jobs through the KB Good Job program and employment/business establishment support to young people preparing for self-reliance</li> <li>• Operate a fund-raising campaign participated by customers</li> <li>• Help global families settle down and carry out global social contribution activities</li> </ul>



## Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

#### Response

To respond to climate change issues, KB Financial Group operates the ESG Committee, Audit Committee, and Risk Management Committee, with the Board at the center as the Group's top decision-making body. With the Group CEO at the center, the Group CSO and executive in charge of ESG manage the Group's climate change response strategy area, while the Group CRO analyzes the risks that climate change causes to KB Financial Group and establishes management strategies. Each subsidiary has an ESG Committee and ESG-dedicated team, thus taking part in responding to climate change.

#### BOD Level

To respond to climate change, KB Financial Group has a decision-making system in place, with the Board at the center. The Board establishes Group-level climate change response strategies and goals, and reviews and manages the activities of committees under the Board that were formed to implement the strategies and goals.

KB Financial Group provides training that raises Board members' awareness of ESG and strengthens their relevant capabilities to increase expertise when making decisions that concern climate change response. Topics including climate change-related global trends, supervisory and regulatory trends, directions of response within the financial industry, and changes in the disclosure system are being covered in special lectures from outside experts. KB Research provides quarterly research reports on ESG trends at

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home and abroad, including climate change, to the Board. In 2022~2023, we provided an overview of the Group’s ESG strategies and implementation status to newly appointed non-executive directors and training on overall ESG. Furthermore, we provided ESG training that included climate change issues, such as sustainability reporting standard response strategies, to all non-executive directors, thus helping the Board make the right decisions.

[ESG Committee]

KB Financial Group became the first in the financial industry to create an ESG Committee in 2020. The ESG Committee is the only committee within the BOD to have all directors as its members, including non-executive directors and executive director. In this way, ESG management leads to actual practice through harmony between the Board and executive management. In particular, the ESG Committee identifies risks and opportunities related to the Group’s climate change response and regularly manages and supervises major tasks and execution matters for KB Financial Group’s climate change response. Main content includes the implementation status of ESG tasks, operation status of ESG products, investments, and loans, as well as the status of ESG global initiative activities.

[ KB ESG Win-Win Council ]

To effectively respond to win-win agenda and systematically support win-win financing, KB Financial Group has set in place the “KB ESG Win-Win Council,” which is operated separately at the Group level and at each subsidiary. The holding company’s Head of ESG Division oversees the council while the management in charge of ESG at each subsidiary participates in the council to ensure connection between the Group’s strategic direction and each subsidiary’s win-win financing execution measures.

The Win-Win Council at the Group level is attended by the top management and working-level department head of the organization in charge of ESG at the holding company and each subsidiary. The Win-Win Council at each subsidiary is a working-level win-win financing council that consists of business departments in the subsidiary. It comprises team leaders in charge and team members of relevant departments, and establishes a mutually seamless cooperation system between the department in charge of ESG and relevant departments.

## 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### *Response*

#### [Environmental Education]

KB Financial Group provides ESG education to all employees to raise their awareness of eco-friendliness. Each subsidiary produces an internal video or collaborates with an outside organization for training, which consists of interesting, practical content. Education on practicing ESG is provided to all employees and helps form a consensus on the environment. In-depth, customized training is provided to employees in charge of ESG, such as responding to climate change and establishing a disclosure system.

#### [Financial Education for the Financially Vulnerable]

In preparation for the rapid transition to a digital era and an aging population, KB Kookmin Bank provides “senior digital financial education” to improve digital familiarity among seniors. The education covers three topics: using mobile banking, integrated account management, and preventing financial fraud. By December 2023, a total of 110 sessions were conducted for approximately 2,200 seniors.

#### [KB Green Wave]

KB Financial Group is carrying out the “KB Green Wave”, a campaign to practice environmental management, so as to spread the culture of eco-friendliness throughout overall society, beginning with voluntary participation by employees. The KB Green Wave campaign is run with a focus on three key themes – Less Paper, No Plastic, and Save Energy. The money saved from the campaign is donated in the name of the employees to environmental groups and projects that support families with limited access to energy supply.

#### [ESG Performance Management Framework]

KB Financial Group reflects ESG (sustainable management) indicators in the KPIs of top management, including each business unit senior executives (C-level), for responsible implementation of climate change strategies. In addition, the KPIs of each department under each business unit include ESG-related indicators, including climate change strategy execution performance. The KPI is reflected in the compensation of each business segment manager/management/department head, while each department’s KPI is reflected in the incentive pay of the respective department’s employees by a certain ratio. ESG

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indicators are included in the KPIs of each subsidiary, including KB Kookmin Bank, and KPI performance is reflected in compensation.

KB Financial Group provides information on the Group’s ESG strategies and implementation status as well as training on overall ESG, including win-win financing, to new non-executive directors. In addition, we make reports on win-win financing and social responsibility activities to the ESG Committee, where all non-executive directors are members, and make other efforts to help the BOD make the right decisions. To spread win-win financing activities at the Group level, we also operate keyperformance indicators (KPIs). We reflect ESG metrics that include win-win financing, such as support activities for the financially marginalized, small business owners support programs, and strategic CSR activities, in KPIs, thus making a connection to top management’s performance compensation.

[Internal Win-Win Financing Idea Contest]

In the first quarter of 2024, we held a “win-win financing idea contest” for the Group employees. We thus raised employee awareness of the importance and need to facilitate win-win financing, and plan to make various outstanding ideas into actual business.

**5.3 Policies and due diligence processes**

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>14</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

*Response*

[Environmental & Social Risk Management(ESRM)]

KB Financial Group is rigorously managing climate change and environmental and social risks caused by financial activities through the Environmental and Social Risk Management (ESRM) Framework. ESRM is composed of management areas according to the inherent risks of each industry, a review of environmental and social risks for large-scale projects, and directions for establishing a framework for climate change risks.

We are restricting investments and loans to industries and companies with high environmental and social risks, and prohibiting the provision of funds that are used in a way that is against social interests or manipulates the law. In the Group’s overall business, we restrict and monitor risk factors in

*Links and references*

KBFG 2023 Sustainability Report p.38

[https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

<sup>14</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

environmental and social aspects. Furthermore, we categorize risk management areas into areas for “exclusion”, “attention on climate change”, and “support for green industries” and systematically manage the environmental and social impact of the Group’s business activities.

[Areas for Exclusion]

Excluded from financial support given the activities’ or industries’ profoundly adverse environmental and social impact

- Production or trade of products and activities that are construed to be illegal according to the respective countries’ laws and regulations
- Cases where (illegal) child labor is included in the labor put in for production
- Transactions related to illegal gambling and pornography industries
- Production, trade, and transactions of radioactive substances whose appropriate protection, management, and supervision are deemed unfeasible
- Support for new coal mining projects or the expansion of existing coal mining businesses
- Support for the construction of new coal-fired power plants or the expansion of existing coal-fired power plants

[Areas for Attention on Climate Change]

Areas where carbon emissions reduction and relevant exposure management are significant given the projects’ or industries’ possibility to have an adverse impact on climate change such as high greenhouse gas emissions

- High carbon emitting industries including coal mining, coal-fired power generation, forestry, and others

[Areas for Support for Green Industries]

Areas where preferential financial support is provided considering climate change response efforts as well as the possibility to support green industries that could serve as a new growth engine

- Activities designated by the K-Taxonomy and Application Guidelines set by the Ministry of Environment

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

- Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes  In progress  No

## Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes       Partially       No

If applicable, please include the link or description of the assurance statement.

#### Response

Our PRB commitments itself has not been assured, however, our PRB commitments are based on our 2023 Sustainability Report, which underwent assurance by the independent assurer.

#### Links and references

KBFG 2023 Sustainability Report p.227~228  
[https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI  
 SASB  
 CDP  
 IFRS Sustainability Disclosure Standards (to be published)  
 TCFD  
 Other: ....

#### Response

KB Financial Group created the 2023 Sustainability Report based on Global Reporting Initiatives (GRI) Standards 2021. The five material topics selected through the investor-focused financial materiality assessment are structured according to IFRS Sustainability Disclosure Standard S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and S2 "Climate-related Disclosures."

#### Links and references

KBFG 2023 Sustainability Report p.2  
[https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG\\_2023\\_Sustainability\\_report\\_Eng.pdf](https://www.kbfg.com/common/jsp/fileDownloadUtil.jsp?filepath=/data/esg/sustainability/KBFG_2023_Sustainability_report_Eng.pdf)

<p>To incorporate the characteristics of the financial industry, regarding ESG data disclosure, we referred to the information disclosure requirements of the six industry standards (Commercial Banks, Consumer Finance, Investment Banking &amp; Brokerage, Asset Management &amp; Custody Activities, Insurance, Mortgage Finance) of Sustainability Accounting Standards Board (SASB) as well as United Nations Principles for Responsible Banking (UN PRB). Unless mentioned otherwise, financial performance is based on K-IFRS consolidated financial statements.</p>	
<p><b>6.3 Outlook</b></p> <p>What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>15</sup>, target setting<sup>16</sup> and governance structure for implementing the PRB)? Please describe briefly.</p>	
<p><i>Response</i></p> <p>① Target Setting</p> <p>KB Financial Group will assess the current interim targets related to climate change and win-win financing, and explore the possibility of adjusting these targets to align with the market conditions and situations.</p> <p>② Governance</p> <p>The ESG Committee is the top decision-making body regarding the Group's ESG and establishes the Group's ESG strategies and policies, while managing and supervising execution. The major ESG strategic targets and environmental management indicators will undergo an assessment in the first half of 2023, followed by the formulation of ESG enhancement plans for 2024 during second half of 2023.</p>	<p><i>Links and references</i></p>

<sup>15</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>16</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input checked="" type="checkbox"/> Customer engagement  |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability               |
| <input type="checkbox"/> Conducting an impact analysis   | <input type="checkbox"/> Data quality                    |
| <input type="checkbox"/> Assessing negative environmental and social impacts                   | <input type="checkbox"/> Access to resources             |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input type="checkbox"/> Reporting                       |
| <input checked="" type="checkbox"/> Setting targets  | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:



# Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.<sup>17</sup> The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

**How to use:** Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets<sup>18</sup> (highlighted in **green**) or to client engagement<sup>19</sup> targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.<sup>20</sup> Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

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<sup>17</sup> It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

<sup>18</sup> Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

<sup>19</sup> Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>20</sup> You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice <sup>21</sup> (pathway to impact)									Impact <sup>22</sup>		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	<b>Climate strategy:</b> Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	<b>Client engagement process:</b> Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No;  If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	<b>Financial volume of green assets/low-carbon technologies:</b> How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	<b>Reduction of GHG emissions:</b> how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO <sub>2</sub> e (or applicable metrics) <sup>23</sup>
	A.1.2	<b>Paris alignment target:</b> Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No;  If yes: - please specify: to become <b>net zero by when?</b> - <b>Emissions baseline / base year:</b> What is the emissions baseline / base	A.2.2	<b>Absolute financed emissions:</b> What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO <sub>2</sub> e (please also disclose what is excluded for now and why)	A.3.2	<b>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:</b> How much does your bank lend to / invest in carbon-	bln/mn USD or local currency, and/or % of portfolio	A.4.2	<b>Portfolio alignment:</b> How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

<sup>21</sup> Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

<sup>22</sup> Impact: the actual impact of the bank's portfolio

<sup>23</sup> If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

		year for your target? - <b>Climate scenario used:</b> What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			intensive sectors and activities <sup>24</sup> ? How much does your bank invest in transition finance <sup>25</sup> ?			
<b>A.1.3</b>	<b>Policy and process for client relationships:</b> has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	<b>A.2.3</b>	<b>Sector-specific emission intensity</b> (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector ( <i>depending on the sector and/or chosen metric</i> ): kg of CO <sub>2</sub> e/ kWh, CO <sub>2</sub> e / m <sup>2</sup> ; kg of CO <sub>2</sub> e/USD invested, or kg of CO <sub>2</sub> e/revenue or profit					
<b>A.1.4</b>	<b>Portfolio analysis:</b> Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No;  <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	<b>A.2.4</b>	<b>Proportion of financed emissions covered by a decarbonization target:</b> What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% <i>(denominator: financed emissions in scope of the target set)</i>					

<sup>24</sup> A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

<sup>25</sup> Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	<b>A.1.5</b>	<b>Business opportunities and financial products:</b> Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
<b>B. Financial health</b>	<b>B.1.1</b>	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	<b>B.2.1</b>	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	<b>B.3.1</b>	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	<b>B.4.1</b>	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

					means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.							
	<b>B.1.2</b>	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	<b>B.2.2</b>	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	<b>B.3.2</b>	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	<b>B.4.2</b>	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based



												using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
<b>C. Financial Inclusion</b>	<b>C.1.1</b>	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	<b>C.2.1</b>	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is	<b>C.3.1</b>	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	<b>C.4.1</b>	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.		

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3 *	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			