

# Sustainable Finance

KB Financial Group practices sustainable finance by continuing to ponder over what the essential role of finance is.

We will continue to develop products and services for the betterment of our stakeholders, share our competencies with society, and lay the foundation for shared growth.



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**Sustainable finance translates into a sustainable society.** It also serves as a new growth driver engines for financial institutions companies to support sustainable growth. Therefore, KB Financial Group aspires to fulfill the essential role of finance in contributing to society by expanding promoting our sustainable finance.

**First, we are expanding ESG finance.** KBFG has built a management system for ESG financial products centered around the Group ESG Product Council. We are also expanding products under 'ESG Integration', 'Social Responsibility', 'Environment', and 'Governance' to meet our goal of reaching ₩50tn in ESG products, investments, and loans by 2030, dubbed 'KB Green Wave 2030'.

**Second, we are issuing a wide range of ESG bonds.** As of the end of 2021, we issued a total ₩10.9tn in ESG bonds. KB Financial Group continues to expand the issuance of ESG bonds based on the Sustainable Finance Management System for assessment and management of target projects.

**Lastly, we are creating a healthy mutual industrial ecosystem by supporting ESG management activities of SMEs.**

KB Kookmin Bank recently started 'KB ESG Consulting Services' and 'ESG Self-Diagnosis Services'. Moreover, we are working closely with external institutions through MOUs to spread ESG consulting services to all parts of society.

# ESG Finance

## The Role of Finance

Financial companies are in nature, intermediaries who enhance efficiency in the economy by allocating funds to high productivity businesses. Therefore, the role of financial companies is more important than ever for funds to be supplied and circulate in various parts of the real economy related to sustainable finance. For example, if investment targets are selected only based on financial returns, funds may continuously flow into areas with high social risks such as gambling and porn industries. This will undermine the sustainability of society by having consequences on future generations.

As a leading financial company representing Korea, KB Financial Group is conducting various activities to build a sustainable future through finance. First, we have joined initiatives on sustainable finance such as the UNEP FI (United Nations Environment Programme Finance Initiative), proposing investment and business strategy principles that reflect the nature of financial companies and contributing to the advancement of investment principles for sustainable finance.

In addition, we joined the Net-Zero Banking Alliance (NZBA), which is a leadership group of global banks with the aim of bringing global GHG emissions to net-zero, to continue discussing the role of sustainable finance. We also made commitment to exit coal financing new coal power plants while conducting environment due diligence on large-scale projects before deciding on approving loans. To achieve our goal of ₩50tn in ESG products · investment · loans by 2030, we are expanding green financing such as project financing (PF) for renewable energy projects and arranging and undertaking green bonds.

In addition, we are faithfully playing our role in finance such as through KB Kookmin Bank's ESG consulting services to support ESG management of SMEs.

### CASE STUDY

#### Participation in NZBA Transition Finance Guidelines

[Case study of Transition Finance]



Bioenergy



Hydrogen



Material efficiency (cement, etc.)



Iron and steel



CCUS



Low emission fuels



Transport



Aluminium

As part of an activity of NZBA or the Net Zero Banking Alliance, which is organization under the UNEP FI among banks to transition to a net zero society, KB Financial Group is participating in the implementation track to build guidelines on transition finance.

Transition Finance refers to financial activities needed to transition to a net-zero society and includes funds to support companies that have net-zero goals. For example, if a company needs a new technology or facility to reduce its carbon emissions, financial companies can support this effort with transition finance to help realize a true net-zero economy.

NZBA started operating an implementation track for transition finance in October 2021, and KBFG is taking part in preparing its guidelines.

Currently, we are working together with global financial players companies including MUFG and Standard Chartered with discussions underway to establish the guidelines in the second half of 2022.

KBFG will continue to work toward developing financial products and supporting the net-zero efforts of corporation customers by sharing the preparation progress and direction of guidelines for transition finance.

## ESG Financial Products Management System

### Group ESG Financial Product Council

KB Financial Group established the 'Group ESG Financial Products Council' in March 2022 to integrate the existing ESG financial product selection and management system at the group level. The Group ESG Financial Products Council consists of the ESG Operation Part and the ESG Product Part, and departments with high relevance to ESG financial products participate in those parts.



### ESG Financial Product Classification Process

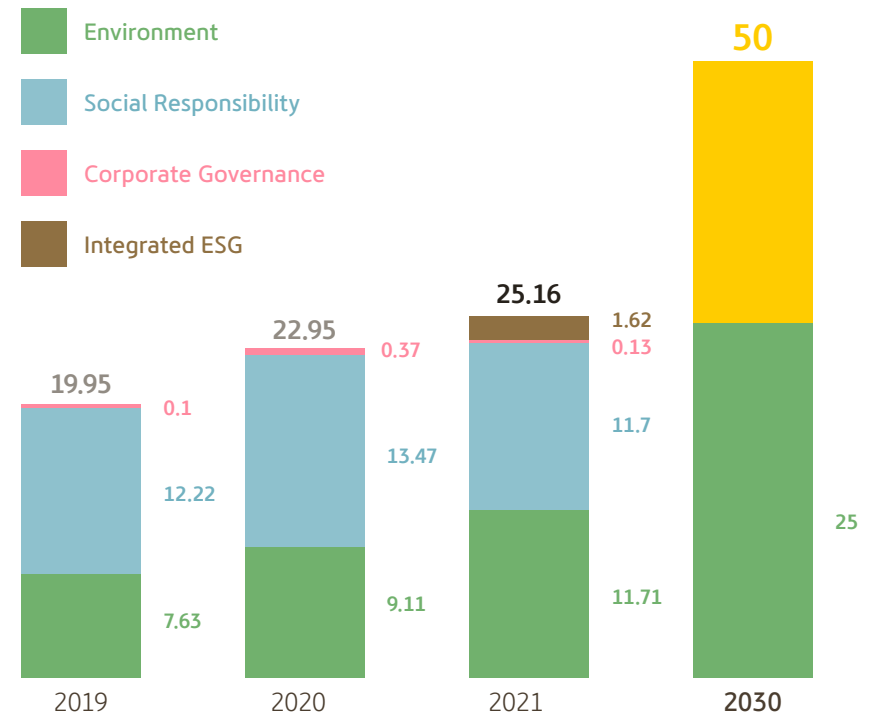
KB Financial Group established its own 'ESG Financial Product Classification Process' in the absence of a standardized process related to ESG financial product. This process is divided into 'clarity identification' and 'risk screening.' First, each product is validated if it meets ESG criteria and purposes and then the product risks are analyzed to be selected as an ESG financial product.

## KB Green Wave 2030

We established KB Green Wave 2030 which sets a goal of achieving ₩50tn in ESG products, investments, and loans by 2030. As of the end of December 2021, ESG products, investments, and loans amounted to ₩25.16tn.

[2019~2021 ESG products, investments, and loans]

(Unit: ₩tn, balance)



\* 'Integrated ESG' category was set up in 2021

\* In the Social Responsibility, some products have been excluded due to changes in the classification criteria of ESG financial products which has brought a slight drop in figures compared to the previous year

## ESG Financial Products

KB Financial Group manages ESG financial products, by classifying Environment, Social Responsibility, Corporate Governance, and ESG Integrated financial products based on their purpose and target.



### Environment

- Renewable energy production
- Energy efficiency
- Sustainable water resources
- Natural resources and land
- Green buildings
- Green transportation
- Pollution prevention and control
- Biodiversity

### Social Responsibility

- Job creation
- Access to basic social services
- Supports for SMEs and microfinance
- Housing support for the vulnerable and low-income class
- Socio-economic development and human rights advancement
- Accessible basic infrastructure
- Sustainable food production
- Sustainable cities

### Governance

- Shareholder value enhancement
- Improvement of corporate governance

### KB Green Wave\_Loans for Outstanding ESG Companies

‘KB Green Wave\_Loans for Outstanding ESG Companies’ is a sustainability-linked loan product.

This product provides preferential benefits to those companies that fulfill ESG assessment criteria and internal credit rating requirements set forth by KB Kookmin Bank

KB Kookmin Bank also has an MOU with the Korea Environmental Industry & Technology Institute, providing financial aid to companies with excellent performance in enVinance (the Green Management Company Finance Support System) and offering preferential services such as KB Wise consulting. As of March 2022, KB Green Wave\_Loans for Outstanding ESG Companies is a total ₩555.6bn.

### ESG Fund through CIB Platform

KB Financial Group established the CIB (Corporate & Investment Banking) Platform through collaboration between subsidiaries in order to operate ESG funds.

The CIB Platform aims to offer a single investment solution operating like ‘one firm’ by connecting the financial organizations and IB (Investment Banking) organizations of each subsidiary. We plan to further expand the CIB Platform, based on the expertise of each subsidiary.

[2021 CIB Platform Activities]

| Program/Product Name  | Scale  | Participating subsidiaries   |
|---|--------|--|
| KB New Deal Infrastructure Fund   | ₩200bn | KB Kookmin Bank, KB Insurance, Prudential Life Insurance, KB Asset Management, KB Life Insurance |
| KB New Deal Innovation Fund (fund for venture companies and businesses with outstanding technology) | ₩100bn | KB Kookmin Bank, KB Securities, KB Capital, KB Investment  |

### KB Green Wave 1.5°C Financial Product

We released ‘KB Green Wave 1.5°C Financial Product’ in 2021 to encourage customers to adopt green practices. ‘KB Green Wave 1.5°C Financial Product’ is a Group financial package that includes KB Kookmin Bank’s ‘KB Green Wave 1.5°C Deposit’ and ‘KB Green Wave 1.5°C Charitable Trust’ and KB Kookmin Card’s ‘KB Green Wave 1.5°C Card.’ Benefits such as prime rates are offered to customers who practice ecofriendly activities, and funds are created in connection to the products to donate to projects on forming school forests and installing EV charging stations.

### KB Net Zero S.T.A.R. Financial Products

In April 2022, we released ‘KB Net Zero S.T.A.R. Financial Products.’ By collecting products aimed at reducing carbon emissions and responding to climate change.

The KB Net Zero S.T.A.R. Financial Product Package is consists of a charitable trust, 2 carbon neutral ETFs, and 6 funds. The charitable trust donates part of the contribution customers pay the bank when subscribing to the product in the customer’s name with the bank also matching the donation. ETFs and funds are also designed to share the same structure as the charitable trust. We uses the donations to support eco-friendly businesses related to carbon neutrality and plans to fulfill our green commitment through finance.

### Specialized Product for Green Vehicles

We also provides various products and services to expand green vehicles. KB Kookmin Bank provides additional credit to customers purchasing green vehicles such as EVs and hydrogen vehicles through KB Magic Car Loans.

KB Insurance offers a product that applies discounts to electric business vehicles, and KB Capital has an alliance with a global EV brand as its exclusive financial partner to offer a tailored financing product.

## Eco-friendly Loans and Investments

KB Financial Group is continually expanding investments in eco-themed private projects, new and renewable energy sectors, and eco-friendly vessels and vehicles. We are also actively serving as a financial adviser and syndicated loan arranger for solar power, wind power, fuel cell, and other new and renewable energy projects.

We are expanding support for eco-friendly industries in line with the nation's low-carbon green growth policy. KB Green Growth Loans, which is one of KB Kookmin Bank's most well-known eco-friendly loan products, and KB Preferential Loans for Solar Power Generation Businesses recorded ₩634.6bn and ₩102.3bn, respectively, as of the end of 2021.

### ① Gubbaberget Offshore Wind Power Generation Project in Sweden

The Gubbaberget offshore wind power generation project is a project constructing a 74.4MW offshore wind power plant in Gavleborg County, central Sweden. The construction period is scheduled from July 2021 to December 2022 with operations scheduled from January 2023 to December 2025. Out of the total project cost of €982mn, KB Kookmin Bank arranged €42mn and is committed to investing €11mn.

TUV SUD analysis shows that Ljusdal Municipality in Gavleborg has the conditions for stable production and supply of power with an average wind speed of 7.4m/s. In addition, the power plant being constructed will reflect the characteristics of the project site and has 32% more annual power generation than other turbines, not to mention applying a fault detection system and anti-icing technologies that prevent ice from accumulating on the turbine blades.

### ② Wondong Wind Power Generation Project

The Wondong Wind Power Generation Project aims to construct and operate a wind power plant in Wondong-myeon, Yangsan-si, Gyeongsangnam-do, expecting to produce around 100,463MWh of electricity per year and reduce annual GHG emissions of 42,596tCO<sub>2</sub>. Out of the total investment of ₩115.3bn, KB Kookmin Bank arranged ₩98bn and committed to invest ₩38bn.

Wind condition analysis data for the last 35 months was collected prior to the project launch, which testified to the sufficient wind velocity required for stable power production and supply. ESG risk assessment was also performed to measure its overall impact on the environment (natural environment, air, GHG, soil, radio interference, etc.) and on local communities. The assessments found that there was less possibility of complaints being raised as a wind power plant was already being operated nearby and that there would be impact in terms of environmental conservation including curbing GHG emissions.

### ③ Yeongam Solar Power Generation Project

The Yeongam solar power generation project is a project for constructing and operating a solar power plant and ESS (energy storage system) in Geumjeong-myeon, Yeongam-gun, Jeollanam-do. The construction period was from September 2019 to October 2020 while operations are scheduled from June 2020 to May 2040. It is designed to produce and supply power efficiently in connection with the existing wind power complex. It has power generation equipment (PV) of 93MW with ESS capacity of 242MWh, boasting annual electricity production of approximately 121,039 MWh. Out of the total ₩337bn total investments, KB Kookmin Bank arranged ₩303bn and has committed to invest ₩73bn.

Prior to the project launch, KB Kookmin Bank performed an ESG risk assessment to see how the project may impact the environment in areas including animals and plants, the natural environment, weather, air, GHG, water quality, land, soil, and radio interference. As a result of the assessment, it was determined that the project had little impact on the environment, and expected to reduce fossil energy and GHG emissions of 51,321tCO<sub>2</sub>eq.

### ④ Solaseado Solar Power Generation Project

The Solaseado Solar Power Generation Project is a construction and operation project for a solar power plant and ESS in Haenam-gun, Jeollanam-do. It has power generation equipment (PV) of 98.37MW with ESS capacity of 306.27MWh, making it the largest solar power generation project in Korea. The Project is expected to produce around 114,987MWh of electricity per year and generate the GHG emissions reduction effect worth 48,754tCO<sub>2</sub>eq. Out of the total investment amount of ₩344bn, KB Kookmin Bank arranged ₩326bn and committed to invest ₩104bn.

The Haenam area has outstanding sunlight, making it an optimal location for a solar power plant. Prior to the project launch, KB Kookmin Bank performed an assessment on ESG risks taking into account various social and environmental effects that may result. In addition, part of the total project cost was sourced from investments made by local residents, offering an opportunity to share profits from the project with the community.

# ESG Bonds

## Issuance of ESG Bonds

KB Financial Group issues ESG bonds with the aim of providing financial aid for projects that serve eco-friendly purposes and create social value. Since the issuance of sustainability bonds worth \$300m by KB Kookmin Bank in 2018 for the first time among Korean banks, each subsidiary has continued to issue a variety of sustainability, social, and green bonds. As of the end of December 2021, the total cumulative amount of ESG bonds issued by KBFG reached ₩10.7tn.



\*Cumulative as of the end of 2021

\*Korean won currency bonds: ₩5.7tn, foreign currency bonds: \$3.05bn, €1bn  
(foreign currency bonds are converted into KRW based on the exchange rate of the end of Dec 2021)

As the nation's first financial holding company, KB Financial Holdings issued green bonds worth ₩110bn in 2021 to provide financial support for ecofriendly projects. KB Kookmin Bank issued ESG bonds in both Korean won and foreign currencies over 5 different occasions in 2021 which amounted to around ₩2.2tn. In February 2021, it was the only commercial bank to conclude an MOU with the Ministry of Environment on 'Green Bond Promotions' which led to issuing ₩100bn worth of green bonds. In May 2021, 5-year maturity secured sustainability bonds were issued and in October of the same year, the first green euro covered bonds in Korea were issued. KB Securities continues to strengthen its leadership role in the market by expanding its role as an arranger in issuing ESG bonds, directly issuing ₩110bn worth of ESG bonds in March 2021.

### CASE STUDY

#### KB Sustainable Financing Report (KB Kookmin Bank)

KB Kookmin Bank has been publishing the "KB Sustainable Financing Report" since 2019 to enhance the transparency and reliability of ESG bonds.

The KB Sustainable Financing Report is a report containing various activities for KB Kookmin Bank's sustainable finance. Through the report, detailed information on bonds, such as the status of sustainability bond issuance and usage history, sustainable financial management system, social bond and green bond project cases are disclosed. The 2021 KB Sustainable Finance Report discloses information on eight sustainability bonds issued since June 2020.

## Sustainable Finance Management System

To create a positive impact on the environment and society, KB Financial Group established a 'sustainable finance management system' to implement our long-term strategy and vision. This system is designed to comply with the Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles established by the International Capital Market Association (ICMA), as well as with the Green Bond Guidelines set forth by the Ministry of Environment. The management system covers areas such as use of funds, project assessment and selection, fund management, and post-reporting, and has attained certification from a credible external institution. All funds financed through ESG bonds issued by the group are used for eco-friendly or social projects defined by the Sustainable Finance Management System. The KB Sustainable Finance Operation Committee assesses each project's appropriateness and social and environmental impact.

### [ESG Project Assessment and Management Process]



### [Project Categorization]

|                               |   |  |
|-------------------------------|---|--|
| <b>Environment projects</b>   | <ul style="list-style-type: none"> <li>· Renewable energy</li> <li>· Energy efficiency</li> <li>· Pollution prevention and control</li> <li>· Ecofriendly resources and land usage</li> <li>· Green transportation</li> </ul> | <ul style="list-style-type: none"> <li>· Biodiversity on land and in water</li> <li>· Sustainable water resources and wastewater management</li> <li>· Climate change</li> <li>· Green buildings</li> </ul>            |
| <b>Social sector projects</b> | <ul style="list-style-type: none"> <li>· Accessible basic infrastructure</li> <li>· Accessible basic social services</li> <li>· Housing for the vulnerable and low-income class</li> </ul>                                    | <ul style="list-style-type: none"> <li>· Job creation</li> <li>· Support for SMEs and microfinance</li> <li>· Social and economic development and strengthening Human rights advancement for the vulnerable</li> </ul> |



# ESG Consulting

## KB ESG Consulting Services

KB Financial Group offers consulting services to support the ESG activities of SMEs and companies. ESG has become an essential element needed for corporate growth, but many SMEs and companies have difficulty in applying ESG to their businesses due to lack of management knowhow and relevant experience. KB Kookmin Bank set up a new organization dedicated to ESG consulting in 2022 and released 'KB ESG Consulting Services' for SMEs and companies in July 2022. KB ESG Consulting Services diagnose the ESG level of each company and offer customized solutions, free of charge.

Any SMEs and companies interested in ESG management can apply for KB ESG Consulting Services. KB Kookmin Bank's specialists will look into the financial and non-financial circumstances, as well as the surrounding environment of each company to carry out consulting and provide a tailored solution. Companies establish their own ESG strategies based on a non-financial performance index in accordance with the consulting.

In addition to consulting solutions, KB Kookmin Bank provides ESG assessment reports, Wise Consulting Services, and the opportunity to join the KB Good Job fair.

KB Kookmin Bank will continue to develop KB ESG Consulting Services to thrive together with SMEs and companies in rapidly changing business environment.

## ESG Self-Assessment Tool

KB Kookmin Bank launched 'ESG self-assessment tool' to actively engage with customers on ESG risks and opportunities in April 2022. This tool allows corporate customers to assess the ESG level of their businesses through a set of questions based on quantitative data. At the end of the assessment, companies are given an ESG Assessment Report reflecting their ESG grade (grades 1~7). No separate documents are needed to apply for the service.

KB Kookmin Bank offers an 'ESG self checklist' for companies to check in advance whether they need the full version of ESG assessment services. This checklist is based on the ESG Checklist for SMEs' from the Ministry of SMEs and Startups. Additional services such as ESG Library, ESG Video Hub, and ESG Online Help Desk are also available. Companies with excellent results can apply for the KB Green Wave Loans for Outstanding ESG Companies, as well as enjoy various financial and non-financial benefits including prime rates and lower fees.

### [ESG Self-Assessment Additional Services]

|                             |   |
|-----------------------------|---|
| <b>ESG Library</b>          | Offering ESG data and guidelines from the government, conglomerates, and specialized institutions |
| <b>ESG Video Hub</b>        | Uploads video data on ESG basics and market trends  |
| <b>ESG Online Help Desk</b> | 1:1 online help desk for ESG inquiries  |

## ESG Consulting Services through MOU

KB Kookmin Bank is expanding ESG consulting services based on MOUs with external institutions. In 2022, the Bank is supporting ESG practices at SMEs through partnerships with the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea SMEs and Startups Agency.

KB Kookmin Bank concluded an MOU with KOTRA to foster leading green companies and support for export vouchers in March 2022.

KB Kookmin Bank and KOTRA will foster with outstanding ecofriendly capabilities and strengthen their exports to support sustainable business activities.

The key areas of cooperation include identifying prospective exporters to join the export voucher program and extending various financial and non-financial services to develop environment-friendly companies.

In accordance with the MOU, KB Kookmin Bank will provide consulting services to SMEs and companies selected by KOTRA. In addition, We will actively support the implementation of carbon neutrality of each company and provide domestic and global environment policies such as K-Taxonomy.

KB Kookmin Bank also signed an MOU with the Korea SMEs and Startups Agency in April 2022 on 'ESG support for SMEs.' KB Kookmin Bank and Agency plan to prepare incentives for businesses that practice ESG and offer ESG diagnosis and consulting services. Specific areas of cooperation include expanding funding for outstanding ESG companies, sharing information on ESG diagnosis and best practices, providing in-depth ESG consulting, and supporting the development of ESG talent at SMEs.

