

KB Social Value & Impact

ESG management is emerging as global agenda by going beyond a topic of corporate management. As discussions on the mandatory ESG disclosure takes concrete shape, ESG is now entering an institutionalization stage. KB Financial Group's ESG has also passed through the adoption phase and entered the internalization phase, leading to a greater need for objective measurement and proper management of the social value and impact that KB Financial Group creates.

In response, we established a system that can quantitatively measure the value that we contribute to the overall environment and society (KB social value), thus laying a foundation to manage and improve our ESG management in a more systematical manner. Going forward, we will make our utmost efforts to realize greater value and impact by accurately measuring, systematically managing, and preemptively improving the social value we create.



Amid the spread of stakeholder capitalism, there is growing social demand for companies' sustainability management, leading to a need for social value creation and management.

KB Financial Group is evaluating and monitoring its annual sustainability management performance by quantifying positive social and environmental impact (social value) of its corporate activities in a monetary unit. This has enabled us to distribute limited resources to highly-effective activities to create more social value and set detailed improvement goals to manage and improve social value creation more systematically.

To this end, we measured the social contributions we made through key financial products and services in a more systematic manner, in addition to social contribution activities and programs. We will develop a clear understanding of the impact a financial institution has on overall society and environment through the financial business' fundamental products and services and make continued efforts to create more social value.

Furthermore, we will measure social value that was created by corporate activities and transparently disclose the results to various stakeholders, thereby sharing and actively communicating our efforts and commitment towards social value creation.

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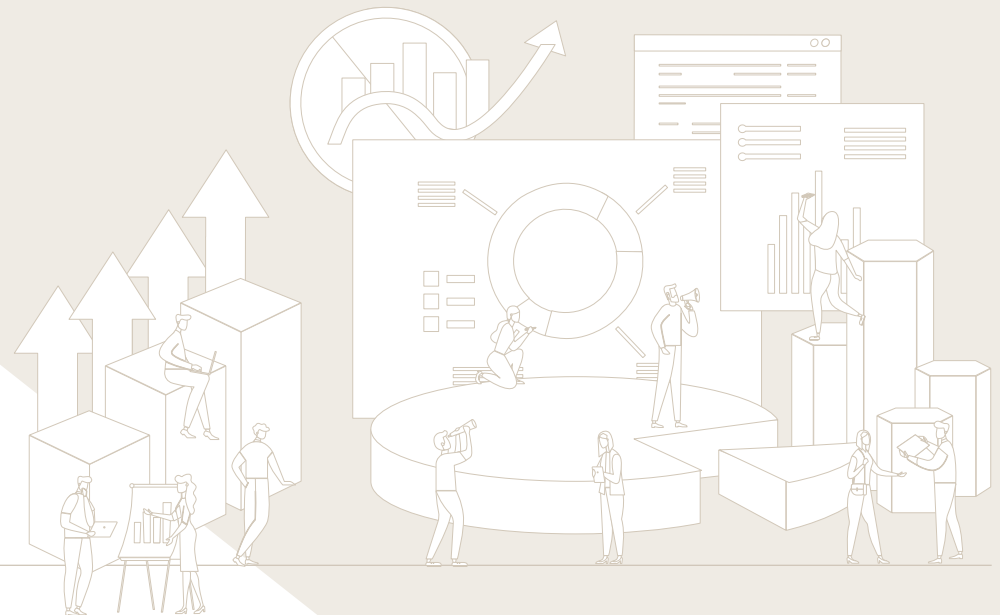
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Outline of KB Social Value & Impact

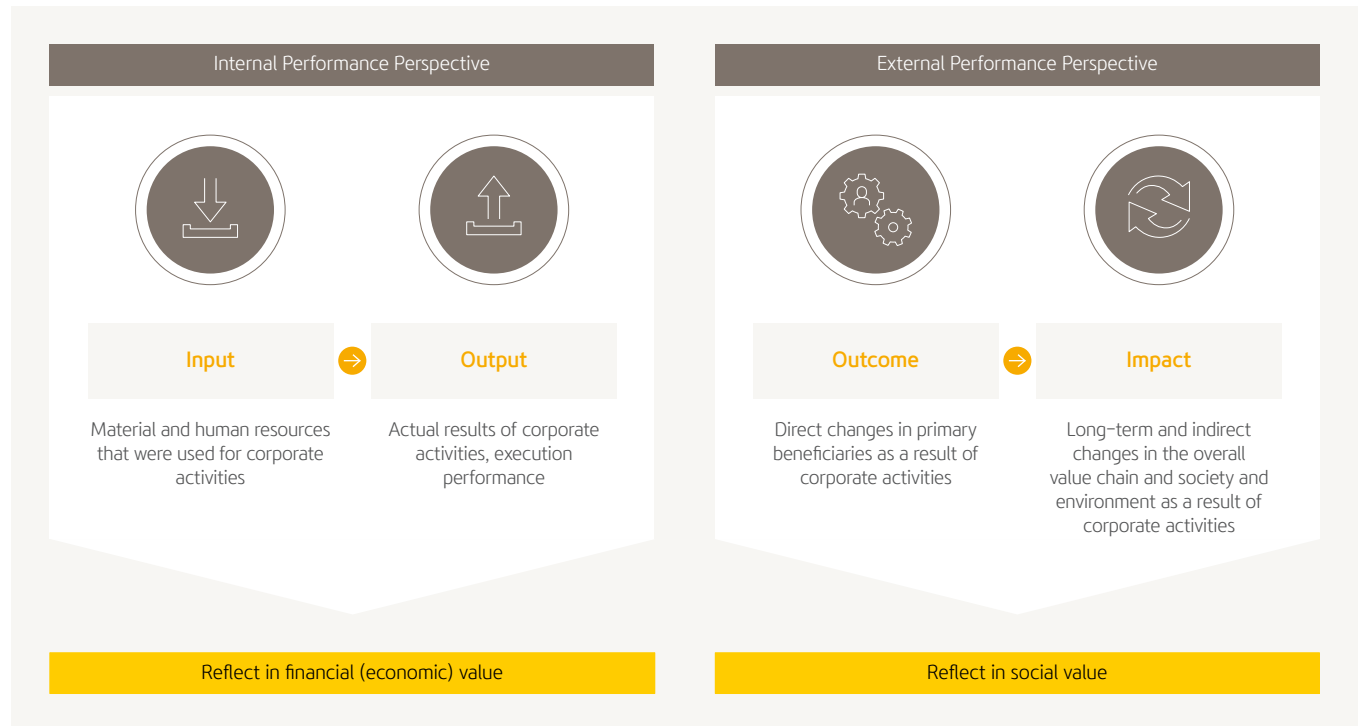
Introduction

“KB Social Value & Impact” refers to calculating the value created in the process of solving various social issues and risks as a result of corporate activities of KB Financial Group¹⁾ in a single monetary amount by year.

KB Financial Group established its unique social value measurement system by referring to global measurement methods, including the Value Balancing Alliance (VBA), Impact Management Project (IMP), and Social Return on Investment (SROI), and major measurement cases in Korea and abroad.

Input and output from KB Financial Group’s corporate activities are mainly reflected in financial value (financial statements) from the internal performance perspective, while the activities’ outcome and impact are interpreted from the external performance perspective and reflected in social value measurement. Input and output are therefore excluded from the scope of social value measurement as a principle, and are used only as basic factors for external performance measurement in extremely exceptional cases.

Performance Subject to Social Value Measurement of KB’s Corporate Activities

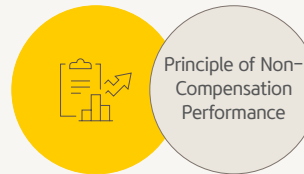


¹⁾ KB Financial Group, 12 subsidiaries, and KB Foundation

Outline of KB Social Value & Impact

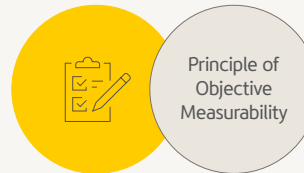
Basic Principles

KB Financial Group established the following five major basic principles and measures social value in accordance with criteria that observe the principles. The five major principles of KB social value measurement serve as criteria for practical, detailed judgments in measuring social value, rather than being theoretical concepts of formality. Based on these principles, we form a more reasonable and consistent KB social value measurement system.



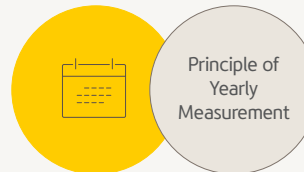
Principle of Non-Compensation Performance

KB Financial Group measures social value only for performance for which compensation is not provided based on market price for corporate activities (programs) or financial products and services. In other words, performance in relation to receiving normal compensation for providing financial products and services, such as interest income and fee income, is excluded from the measurement target. Internal personnel expenses, product development costs, etc. that were incurred from financial product development are included in some of loan products' interest and fee income and are thus compensated. As such, they are not included in the target of social value measurement.



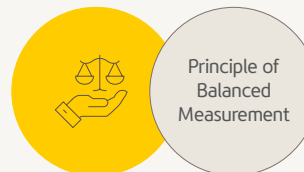
Principle of Objective Measurability

We measure social value by applying clear proxy and verifiable methods of reputable research institutions and research papers for long-term, indirect performance. We minimize the intervention of subjective judgments and estimations, while taking a conservative approach when there are uncertainties. From among external performance that results from KB Financial Group's resource input and activities, we reflect KB Financial Group's contribution levels rather than the whole to exclude the possibility of over-measurement.



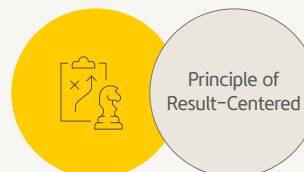
Principle of Yearly Measurement

We measure social value by year, identically to financial performance, so that it can be easily used as a management index through trend comparisons. For long-term projects whose activity results are spread across many years, we measure the overall performance of the project across expected durable years and adopt the accrual concept in accounting for proportional division during KB Financial Group's loan period to measure only a single year's performance as social value.



Principle of Balanced Measurement

In addition to positive factors that arose from the business process, KB Financial Group also includes negative factors in external performance, such as greenhouse gas emissions, water and paper use, and wastes (landfill). We measure social value in a more balanced way by disclosing both positive and negative effects that corporate activities have on overall society and environment.






Principle of Result-Centered

We measure with a focus on direct impact on beneficiaries or indirect impact on overall society, from the external performance perspective, of KB Financial Group's corporate activities or financial products and services.

Outline of KB Social Value & Impact

Classification System

KB Financial Group measures and manages social value based on the following subclassification system, in its efforts to shape a better world. To this end, we are implementing environmental management toward carbon neutrality and internalizing responsible management for customers, employees, and local communities.

	 Environment	 Social Responsibility	 Governance and Others
Financial area	<p>Green energy finance</p> <ul style="list-style-type: none"> Producing new & renewable energy Enhancing energy efficiency Using eco-friendly transportation and transport <p>Green finance</p> <ul style="list-style-type: none"> Prevention and management of pollution Sustainable water resource management 	<p>Inclusive finance</p> <ul style="list-style-type: none"> Inclusive loans for the underprivileged Inclusive deposits for the underprivileged <p>Other social contribution finance</p> <ul style="list-style-type: none"> Support for public rental housing development Support for basic social services and infrastructure Job creation and small companies & microcredit 	<p>(Shareholder) Dividend</p> <p>(Government) Tax</p>
Non-financial area	<p>Eco-friendly contributions</p> <ul style="list-style-type: none"> Eco-friendly campaigns and improvement activities Enhancing energy efficiency Preserving biodiversity 	<p>Responsibility towards customers</p> <ul style="list-style-type: none"> Information security and financial consumer protection Enhancing inclusive financial accessibility <p>Responsibility towards local community</p> <p>Responsibility towards employees</p> <ul style="list-style-type: none"> Build employee competencies Support employees' balance between work and family life 	<p>Negative contribution factors (-)</p> <ul style="list-style-type: none"> Greenhouse gas emissions Water and paper consumption Wastes (landfill)



Detailed Methodology by Area

Financial Areas

Measurement Scope and Items

In the financial area, the measurement scope is basically “ESG financial products” chosen by the “Group ESG Financial Product Council.” In accordance with the five major principles of KB social value performance measurement, we measured items for which we did not receive compensation through interest income or fee income from financial products. When measuring the long-term indirect performance of individual financial products, we used estimates from the previous investment decision-making phase, rather than making estimations based on subjective judgments, for future expected benefits.

Composition details of major financial products included in KB social value performance measurement for 2022 are as follows.

Environmental Area

Green finance	12 products, including the Myeonggye Gyeongju Waste Landfill Development Project PF Loan, KB Green Wave 1.5°C Deposit, and KB Clear Sky Installment Savings Plan
Green energy finance	33 products, including the Energy Use Rationalization Fund, Solaseado Solar Power Generation Project, Yeongam Solar Power Generation Project, and Installment Loan for Eco-friendly Vehicles

Social Area

Inclusive finance	7 products, including the KB Kookmin Happiness Installment Savings Plan, KB Youth Hope Installment Savings Plan, KB New Hope Spore II, and KB Sunshine Loan
Public rental housing development support finance	14 products, including the Seongnae-dong Station District New Youth Housing Construction Project, and Balsan Station District New Youth Housing Construction Project
Job creation and small companies & microcredit support finance	11 products, including the Occupational Accident Prevention Facility Fund and Secondary Financial Support Loan for Micro Businesses
Basic social services and infrastructure support finance	2 products, which are the Medical Institution Emergency Support Fund and Town Gas-Supplying Pipe Construction Project Fund

Measurement Factors and Types

KB Financial Group’s social value related to ESG financial products mainly consists of two factors – interest benefits for customers and long-term/indirect impact on overall society and the environment. Of the ESG financial product, “interest benefits for customers” refer to more interest income that customers receive as a result of preferential interest rates for deposit and installing savings products, in case of deposits. In case of loan products, they refer to interest discount benefits of loan products. In other words, we measure the value of preferential or discount interest that results from customers’ subscription to installment savings (deposit products) or receipt of loans (loan products) with regards to ESG financial product.

“Long-term/indirect impact on overall society and the environment” is created mainly from large-scale project financing investments. We categorized this factor into the housing support area, waste treatment facility area, eco-friendly vehicle area, and new & renewable energy area, and defined them into four types, after which we chose a measurement method in consideration of the distinct characteristics of each type.

Social Value Measurement Factors and Types of Financial Products

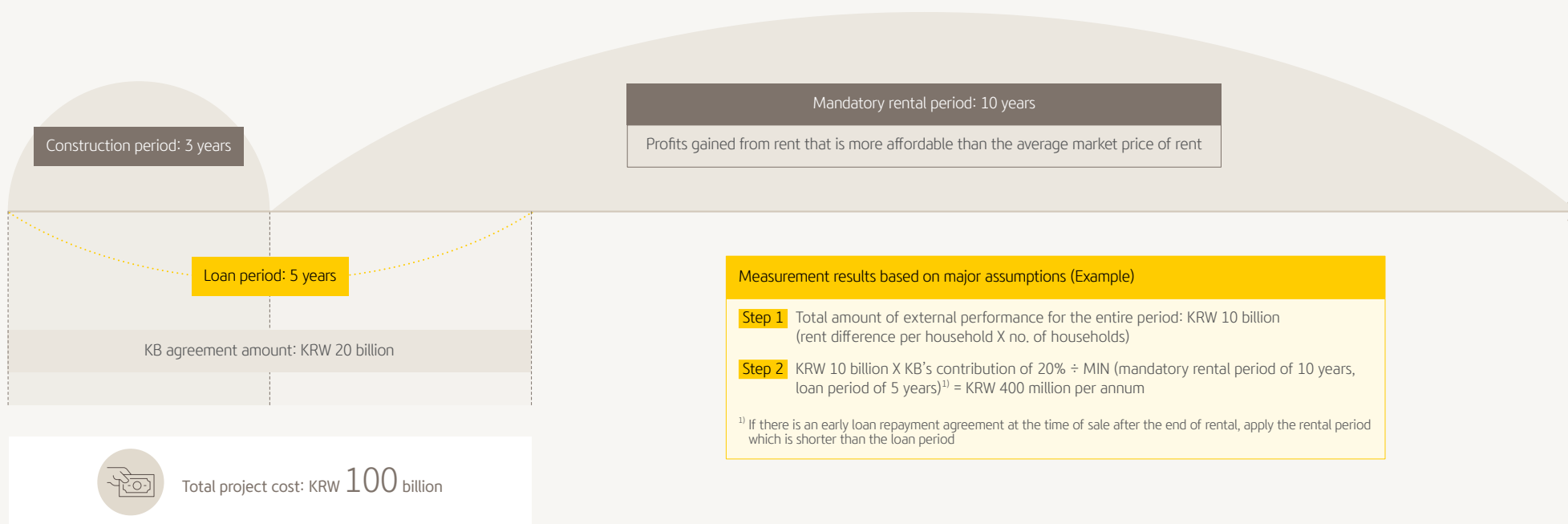
Measurement Factor	Measurement Type	Anticipated Effect
Direct customer-related performance	Deposit and installment savings products	Preferential interest
	Loan products such as loans and investments	Interest rate discount
Long-term & indirect performance concerning overall society	Investment in public rental housing development	Reduced housing expenses
	Investment in waste treatment facilities	Pollution prevention and management
	Installment loan for eco-friendly vehicles	GHG reduction
Investment in new and renewable energy		



Detailed Methodology by Area

Example of measuring the long-term & indirect value of the public rental housing development investment type

The following shows how we measure long-term and indirect social value that is created by KB Financial Group’s investment in public rental housing development. Public rental housing development has the effect of easing the housing expense burden of the underprivileged based on rent that is more affordable than the average market price during the mandatory rental period. The value of profits gained from rent that is affordable than the average market price during the mandatory rental period is calculated as a total social value amount. This amount is the total social value for the entire rental period. As such, we reflect KB Financial Group’s level of contribution and carry out proportional division based on the period subject to performance distribution (loan period or mandatory rental period) to measure the social value created by KB Financial Group for a year.



Measurement results based on major assumptions (Example)

Step 1 Total amount of external performance for the entire period: KRW 10 billion (rent difference per household X no. of households)

Step 2 KRW 10 billion X KB’s contribution of 20% ÷ MIN (mandatory rental period of 10 years, loan period of 5 years)¹⁾ = KRW 400 million per annum

¹⁾ If there is an early loan repayment agreement at the time of sale after the end of rental, apply the rental period which is shorter than the loan period

[Step 1] Measure the long-term social value over many years for overall society → [Step 2] Distribution of KB’s contribution for the year

Total social value amount for the entire period
 = Social value of reducing housing costs for 10 years
 = Σ (market-rate housing rentals of surroundings - market-rate housing rentals of this project) X no. of households

* For the surrounding market price, the estimation (quantitative data) made at the time of investment (loan) decision-making or business feasibility evaluation is applied, rather than a separate estimation that is made for the purpose of social value measurement

Amount distributed to the year from the KB’s contribution to social value
 = Total amount of social value for the entire period X KB’s contribution²⁾ ÷ period subject to performance distribution

²⁾ KB’s contribution: Investment amount by KB ÷ Total project costs

* Measured only for products with a clear KB contribution level and period subject to performance distribution (loan period) (principle of objective measurability)

Detailed Methodology by Area



Example of measuring the long-term & indirect value of the waste treatment facility investment type


The following shows how we measure long-term and indirect social value that is created by KB Financial Group’s investment in a waste treatment facility. We calculate the total social value amount of the waste treatment facility by applying the unit cost of waste treatment to the sum of the amount of landfill waste during the corresponding facility’s operation period. This amount is the total social value for the entire operation period. As such, we reflect KB Financial Group’s level of contribution and carry out proportional division based on the period subject to performance distribution (loan period) to measure the social value created by KB Financial Group for a year.



Measurement results based on major assumptions (Example)

Step 1 Total amount of external performance for the entire period: KRW 20 billion (amount of landfill waste X unit cost of waste treatment)

Step 2 $KRW\ 20\ \text{billion} \times KB's\ \text{contribution of } 40\% \div \text{loan period (4 years)} = KRW\ 2\ \text{billion per annum}$

 Total project cost: KRW 100 billion

[Step 1] Measure the long-term social value over many years for overall society [Step 2] Distribution of KB’s contribution for the year

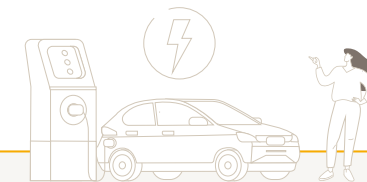
Total social value amount for the entire period
 = Social value of waste landfill for 10 years
 = Σ (amount of landfill waste)¹⁾ X unit cost of waste treatment

¹⁾ For the amount of landfill waste, the estimation (quantitative data) made at the time of investment (loan) decision-making or business feasibility evaluation is applied, rather than a separate estimation that is made for the purpose of social value measurement

Amount distributed to the year from the KB’s contribution to social value
 = Total amount of social value for the entire period X KB’s contribution²⁾ \div period subject to performance distribution

²⁾ KB’s contribution: $\text{Investment amount by KB} \div \text{Total project costs}$
 * Measured only for products with a clear KB contribution level and period subject to performance distribution (loan period) (principle of objective measurability)

Detailed Methodology by Area



Example of measuring the long-term & indirect value of the eco-friendly vehicle installment loan type

Of the financial products sold by KB Kookmin Bank, KB Kookmin Card, and KB Capital, the social value of general loan and installment finance products for purchasing an eco-friendly vehicle is calculated as a monetary amount as follows. We calculate the “total social value created based on annual carbon emissions reduction” by applying carbon’s social costs to carbon emissions that were reduced annually by using an eco-friendly vehicle instead of an internal combustion engine vehicle. We reflect KB Financial Group’s contribution level in the “total social value created based on annual carbon emissions reduction” to more objectively measure KB Financial Group’s social value that was generated by eco-friendly vehicle products.

$$\text{Social value created by KB Financial Group} = \Sigma (\text{amount of carbon emissions reduction} \times \text{carbon's social cost} \times \text{KB's contribution})$$

Step 1

Step 2

[Step 1] Measure the social value of the amount of carbon emissions reduction

Total amount of social value
 = Monetary value of the amount of GHG emissions reduced when an eco-friendly vehicle is used
 = $\Sigma \{(\text{average carbon emissions per mileage of an internal combustion engine vehicle} - \text{average carbon emissions per mileage of an eco-friendly vehicle}) \times \text{annual mileage} \times \text{carbon's social costs}\}$

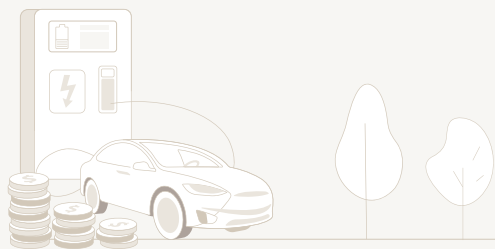
* Data of a statistics organization was used for average carbon emissions by vehicle type
 • Average carbon emissions of internal combustion engine vehicles: 156.5g/km
 • Average carbon emissions of electric and hydrogen vehicles: 0
 ** Carbon's social cost: KRW 116,003/kgCO₂

[Step 2] Distribution of KB's contribution for the year

Distribution amount of KB's contribution
 = Total amount of social value X KB's contribution¹⁾

¹⁾ KB's contribution: Loan balance of KB ÷ vehicle sales
 • Loan balance: At the time of measurement (end of 2022)
 • Vehicle sales price: At the time of loan and installment execution

* Measured only for products with a clear KB contribution level (excluded lease and rental in accordance with the principle of objective measurability)



Detailed Methodology by Area

Non-financial Areas

Measurement Scope and Items

Of KB Financial Group’s social value measurement target, the non-financial area is in line with the sustainability management concept, and it consists of business activities that create social value and social contribution programs. We measure social value only in cases where the input cost can be directly and objectively traced for activities and programs. In accordance with our five major principles of social value performance measurement, we minimize subjective judgments and estimations. For some cases where the measurement result does not exist in monetary value, such as the effects of reducing carbon emissions, we apply a proxy set forth by a reliable organization.

The activities in environmental and social areas that were included in the KB social value performance measurement for 2022 are as follows.

Environmental Area

Eco-friendly campaigns and improvement activities	28 activities, including paperless and use of reusable cups
Preserving biodiversity	15 activities, including the K-Bee Project and plogging campaign
Enhancing energy efficiency	8 activities, including conversion of business vehicles to eco-friendly vehicles and energy saving at company buildings

Social Area

Information security and financial consumer protection	11 activities, including prevention of voice phishing, misselling prevention, and debt adjustment system
Enhancing inclusive financial accessibility	22 activities, including fee exemption for the underprivileged and increased financial accessibility for the elderly, the disabled, and foreigners
Responsibility towards employees	18 activities, including workplace childcare centers and win-win support for suppliers
Responsibility towards local community	130 activities, including KB Dream Wave 2030, KB Good Job Program, social enterprise support, and year-end donation

Measurement Factors and Types

The social value of KB Financial Group’s activities is mainly measured based on two factors – “input cost” and “indirect effects on overall society.” The effect of reducing social costs borne by the state or society through KB Financial Group’s input of costs in ESG activities is deemed as social value. As such, the cost of resources inputted for each program and activity is measured as social value.

For “indirect effects on overall society,” we use a method of monetizing long-term, indirect changes brought about to society and the environment by KB Financial Group’s corporate activities. Money that is used to make social contributions and carry out economic activities makes secondary contributions to local economies. For this reason, a multiplier is multiplied to input cost to measure complex socio-economic impact. In addition, we apply a method that converts a quantitative figure that arises from the outcome of activities to a monetary amount. For example, in case of converting business vehicles to eco-friendly vehicles or establishing solar power generation facilities at business sites, we apply carbon’s social cost (proxy) to reduced GHG emissions to measure indirect effects in monetary value.

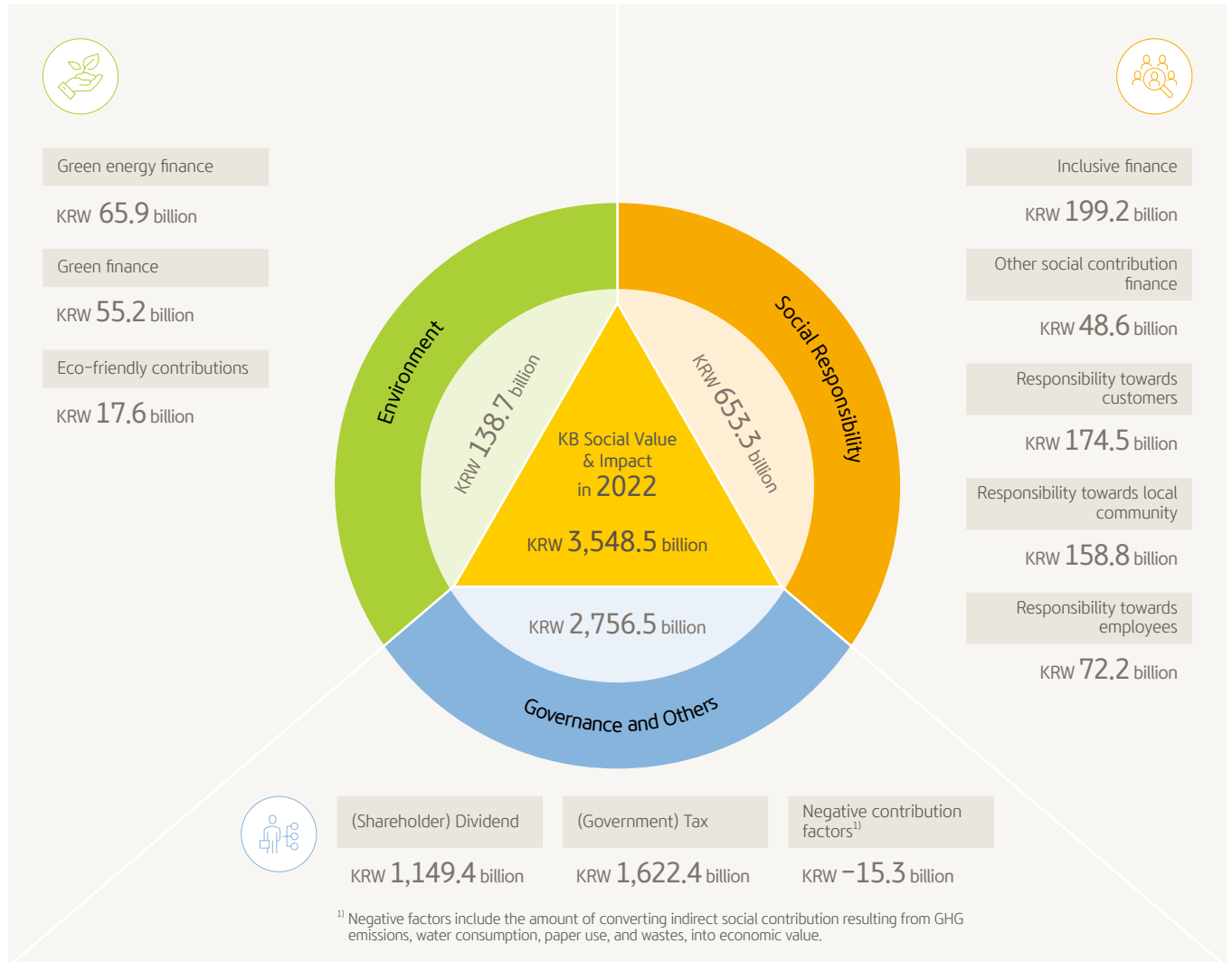
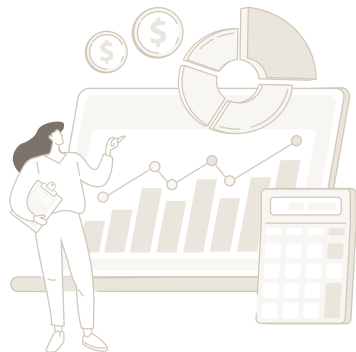
Social Value Measurement Factors and Measurement Example of Non-Financial Activities

Measurement factors	Example	
Input cost	Local community (foundation, association) donations, workplace childcare center operation costs, etc.	
	Means of living	Hiring of the socially vulnerable, costs of job-providing programs, etc.
	Health	Medical expense support for the underprivileged, response to infectious disease, etc.
	Education	Child and youth education, economic education, etc.
	Indirect effects in overall society	Dwelling and shelters
Local community development and others		Infrastructure support for the underprivileged, restoration of areas damaged from disasters, etc.
Local environment		Eco-friendly campaigns, including plogging and restoration of ecosystem
Reduction of carbon emissions		Effects from converting to eco-friendly vehicles, paper and plastic use reduction effects, etc.

Outcomes of KB Social Value & Impact in 2022

2022 Performance Summary

KB Financial Group created social value of around KRW 3,548.5 billion in 2022. The “environmental area” consists of green energy finance, green finance, and eco-friendly contributions, while the “social area” comprises inclusive finance, other social contribution finance, responsibility towards customers, responsibility towards local community, and responsibility towards employees. The “governance and other areas” consists of economic value provided to shareholders (dividend), economic value provided to the government (tax), and negative factors on society.



¹⁾ Negative factors include the amount of converting indirect social contribution resulting from GHG emissions, water consumption, paper use, and wastes, into economic value.

* The measurement results are estimations that were derived based on certain assumptions and premises in accordance with the KB Social Value & Impact measurement system. This information is affected by complex factors, such as changes in government policy and market circumstances and results of research on social costs. Adjustments and remedies can be made if the premises change.

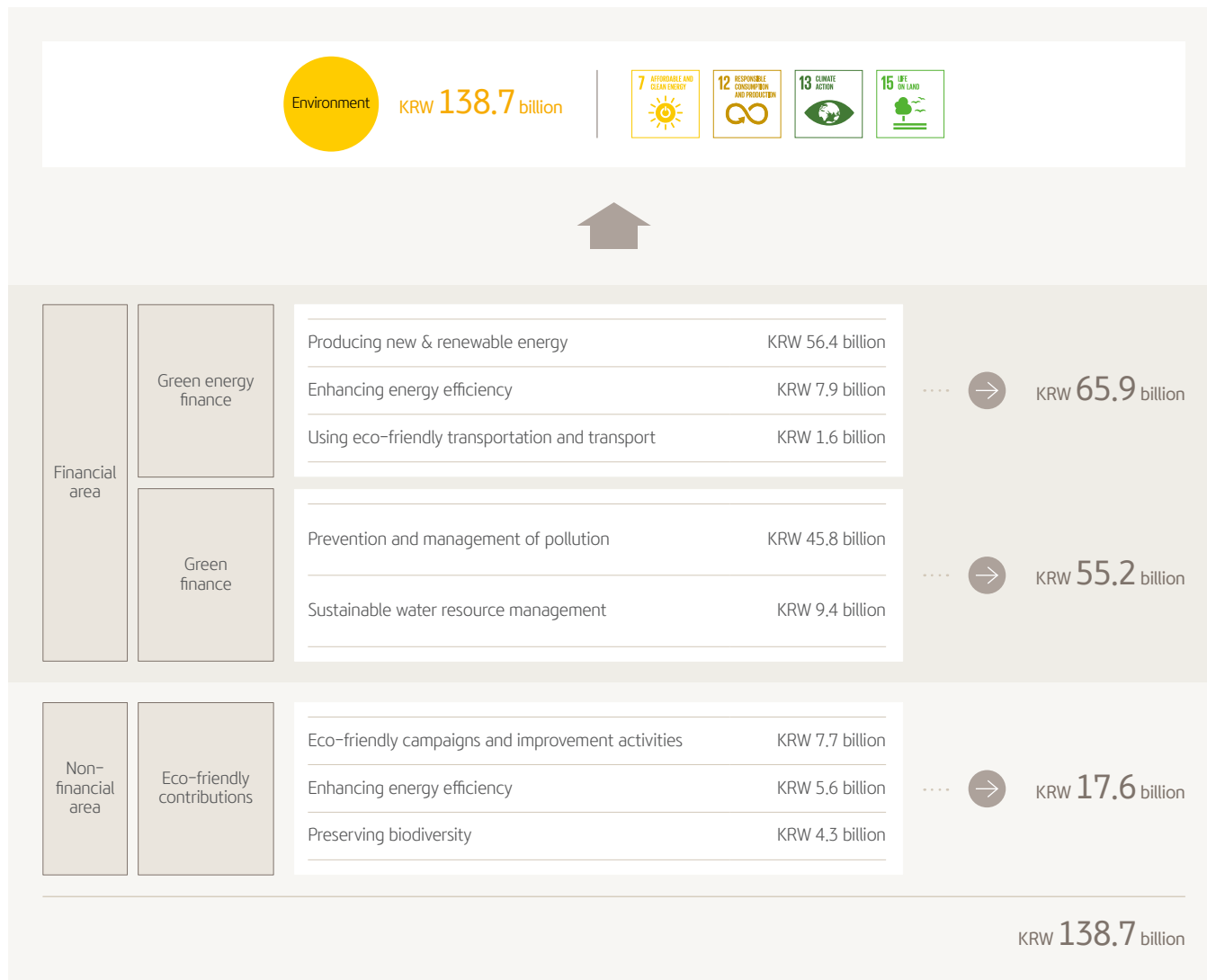
Outcomes of KB Social Value & Impact in 2022

Environmental Performance

In accordance with the target of “KB Green Wave 2030,” KB Financial Group will increase the size of products, investments, and loans in the environmental area to KRW 25 trillion by 2030, and achieve net-zero for operational emissions by 2040 and financed emissions by 2050.

Guided by this mid- to long-term roadmap, we are contributing to the reduction of GHG emissions by expanding green finance, including diverse new & renewable energy PF investments such as photovoltaic and wind power as well as waste landfill development PF loan. In addition to providing customer loan products for eco-friendly vehicles, we are converting our business vehicles to eco-friendly vehicles, thereby implementing eco-friendly management both internally and externally. Through eco-friendly campaigns, such as the K-Bee Project and forest creation project, we are contributing to protecting biodiversity and the environment of local communities in diverse areas. Furthermore, we recognize the importance of systematically managing environmental information which is why we measure the Group’s major GHG emissions and manage them in an integrated way.

2022 Environmental Performance Details



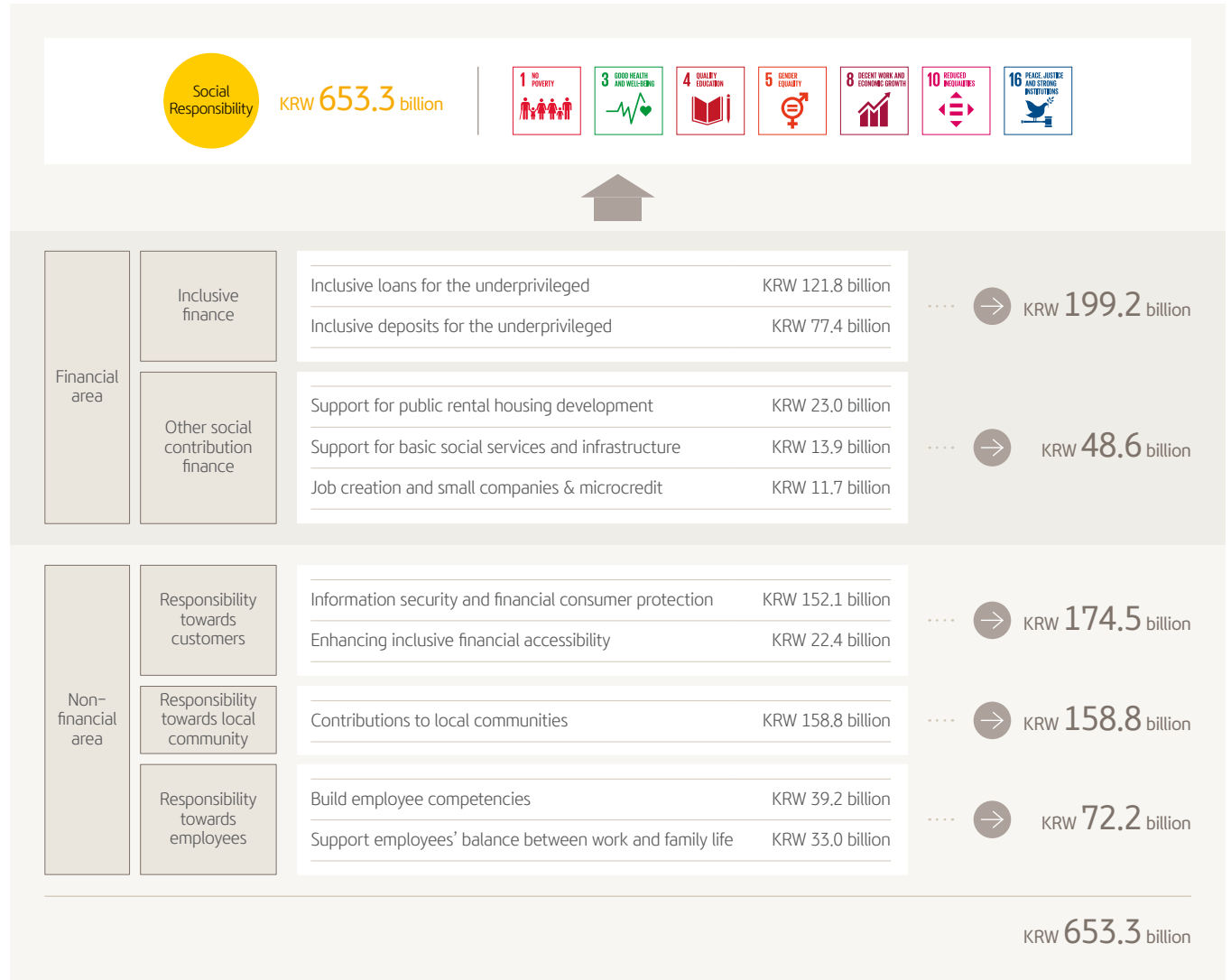
Outcomes of KB Social Value & Impact in 2022

Social Performance

Based on the mission, “Financial service delivering changes,” KB Financial Group is implementing ESG management for customers, employees, and local communities. Recognizing customer-centric management as a core value, we are increasing accessibility so that customers can conveniently handle financial transactions, in addition to establishing a systematic consumer protection system that enables customers to feel at ease when they handle transactions with KB Financial Group. We provide loan and deposit products, such as the KB Kookmin Happiness Installment Savings Plan, KB New Hope Spore II, and KB Sunshine Loan, to the financially underprivileged and working class, while also offering fee and premium discount services as part of our efforts to help them become financially independent. In addition, we establish a work environment where all employees, including supplier employees, can focus on their work in an environment that is physically and psychologically safe, and continually make institutional improvements. We also provide consulting to strengthen the business capabilities of SMEs and micro businesses; run youth education programs in such diverse areas as learning, career, and economy, through KB Dream Wave 2030; and deliver donations in the event of a disaster in Korea and abroad. Through such social contribution activities, we are realizing the value of sharing with our neighbors.



2022 Social Performance Details



Next Steps

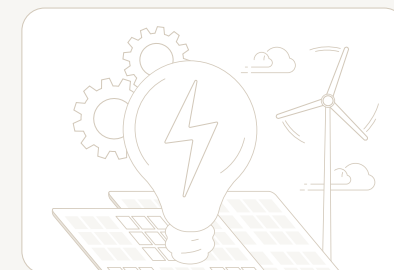
The measurement of “KB Social Value & Impact” marks the beginning of management and improvement.

By establishing the “KB Social Value & Impact” measurement system, we laid a foundation to manage and improve social value more systematically. Based on this system, we will establish detailed goals to create greater social value every year based on consistent principles and criteria. In addition, we will establish a mid- to long-term roadmap to achieve and systematically manage the goals and advance the KB Social Value & Impact measurement system.



KB Financial Group is expanding its ESG actions in the direction of respecting social and environmental value and embracing everyone through finance.

Through financial products and services, our major business activities, we will provide inclusive finance to the socially underprivileged and raise the environmental value for future generations. In addition, we will protect customer information and financial consumers’ rights and interests by establishing a strict security system that is in line with the sharply-changing digital environment. Furthermore, by building diverse, detailed systems and financial infrastructure, we will enhance accessibility of the financially underprivileged and raise customer convenience.



We will promote sustainable growth of the company and society through the measurement of “KB Social Value & Impact” and take the lead for happier life & better world.

Guided by its mission of “Financial service delivering changes,” KB Financial Group seeks to promote the sustainable growth of the company and society and contribute to the achievement of the UN Sustainable Development Goals (SDGs). With the first measurement of “KB Social Value & Impact” as the beginning, we will manage and improve social value in a systematic manner, and thus fulfill our social responsibilities towards shareholders, customers, employees, suppliers, and local communities.

