

# Sustainable Finance

Economic and social volatility is sharply rising owing to a complex crisis that the global community faces, including the unprecedented COVID-19 pandemic, climate crisis, and greater uncertainties in the global economy, which may act as a factor that threatens financial stability. Amid strengthening regulations on sustainable finance, such as the EU Taxonomy taking concrete shape and sustainability disclosure regulations undergoing improvements, financial institutions need to implement transition finance that consider sustainability.

As a mediator of circulation of funds, KB Financial Group is actively supporting businesses and projects that meet ESG standards, thereby contributing to sustainable growth of the Korean economy and development of local communities through finance.



Financial institutions can contribute to carbon reduction and social stability through investments, loans, and other financial activities that take ESG into consideration. KB Financial Group therefore seeks to fulfill corporate social responsibilities by expanding sustainable finance. To this end, we created the “Group ESG Financial Product Council” to strengthen the ESG financial products management system and enable integrated management of ESG financial product-related operations at the Group level, and are systematically managing financial products. In addition, we are continually expanding products in different areas, including environment, social responsibility, governance, and integrated ESG, with the goal of achieving KRW 50 trillion in the size of ESG products, investments, and loans by 2030 based on the “KB Green Wave 2030” strategy. Furthermore, we launch products that enable customers to directly carry out eco-friendly activities and take active part in ESG-related project investments.

In addition, based on an ESG bond management system and green bond management system certified by an external organization, KB Financial Group is expanding the issuance of ESG bonds. In October 2020, we became the first financial holding company in Korea to issue an ESG bond in Korean won, which was followed by the issuance of green bond in May 2021 to support eco-friendly projects and social value creation projects. Going forward, we will continue reflect goals of the ESG management strategy in diverse financial products and services. In particular, we will further expand ESG bond issuance to take the lead in spreading the value of ESG through finance.

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KB Financial Group’s Sustainable Finance Milestones

2020	2021	2022
<p><b>May</b> Announced “KB Green Wave 2030”<sup>1)</sup></p> <p><b>Sep.</b> KB Financial Group disclosed the ESG bond management system, declared coal finance phase out</p>	<p><b>Feb.</b> KB Kookmin Bank joined the Equator Principles</p> <p><b>Oct.</b> Established the Group’s Environmental and Social Risk Management (ESRM) policy framework</p>	<p><b>Mar.</b> Created the “Group ESG Financial Product Council”</p> <p><b>Apr.</b> Released the “KB Net Zero S.T.A.R. Financial Products” package</p> <p><b>Jun.</b> Enacted “The Equator Principles Operating Guidelines”</p>

<sup>1)</sup> Changed name from “KB Green Way 2030” to “KB Green Wave 2030” in 2021

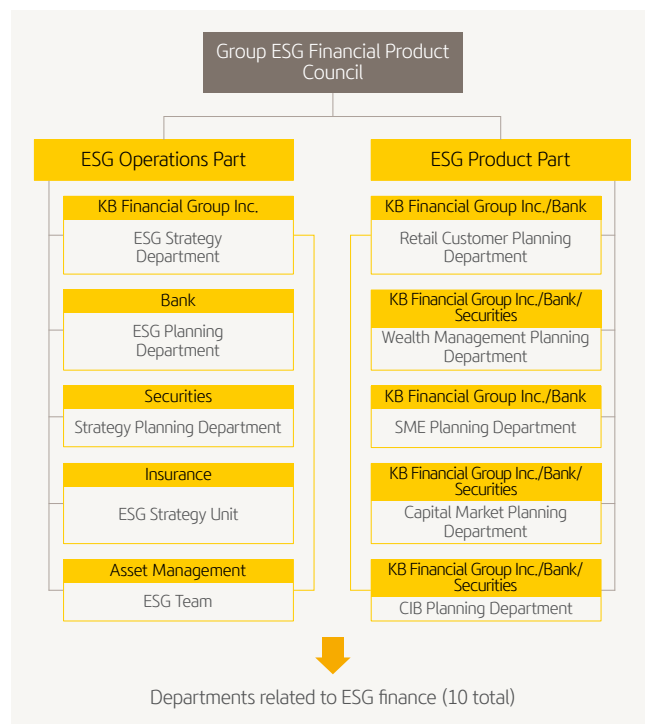
# Sustainable Finance Framework

## Management System of ESG Financial Products

### Group ESG Financial Product Council

KB Financial Group established the “Group ESG Financial Product Council” to integrate the existing ESG financial product selection and management system at the Group level. The Group ESG Financial Product Council consists of the ESG Operation Part and the ESG Product Part, and is participated in by 10 relevant departments.

Organizational Chart of KB Financial Group’s ESG Financial Product Council



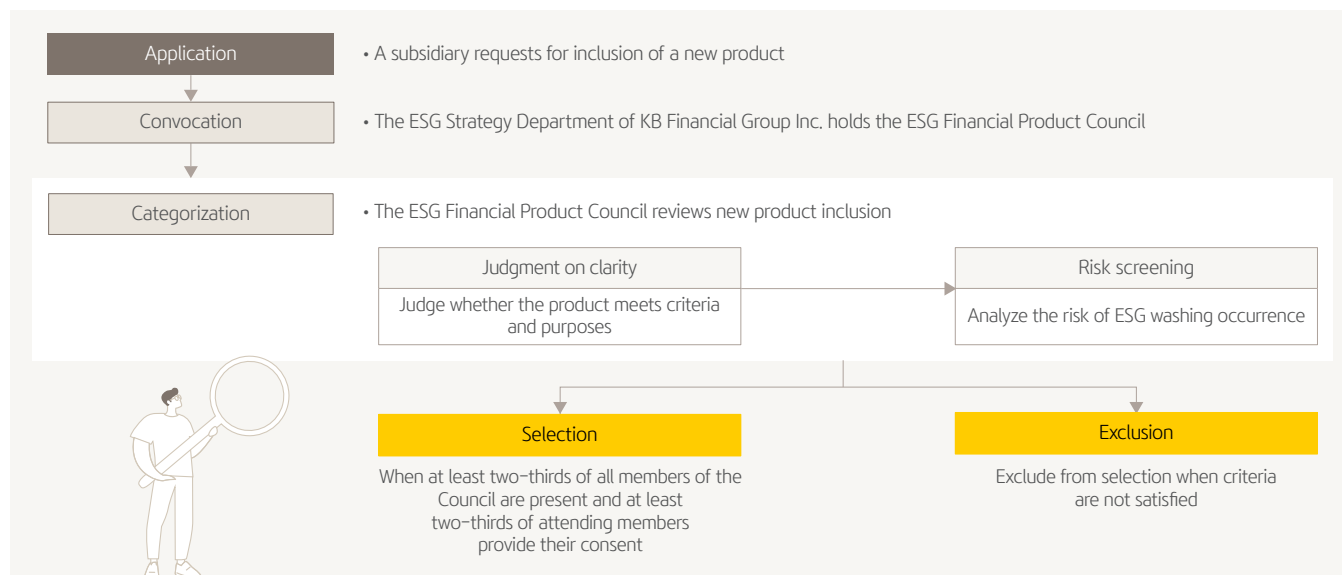
### Selection and Classification Process of ESG Financial Products

KB Financial Group established its own “ESG financial product selection process” and holds the “ESG Financial Product Council” every quarter to choose ESG financial products. First, we check clarity on whether each product meets ESG criteria and purposes. Second, we review whether there is an ESG washing issue risk. Afterwards, members of the ESG Financial Product Council carry out discussions for final selection of ESG financial products.

### ESG Evaluation Process and Checklist

KB Kookmin Bank includes in the “Corporate Loan Guidelines” an article specifying that the level at which ESG is practiced be reflected in the credit rating and loan review processes and is implementing it. When a company has growth potential and competitiveness by practicing ethical management, including eco-friendly management, socially responsible management, and governance, we can raise the credit rating. In case a company lacks in the areas, we can decrease the credit rating. Furthermore, the Bank has been managing an ESG checklist for real estate PF and SOC loans since September 2020. Starting in April 2022, it regularly examines operational risks once a year for listed companies that are subject to approval from a head office screening council or higher-level organization, and evaluates them in five grades according to operational risk management levels. Additional information on reviews and management of investments and loans that reflect ESG are available on page 68 of the TCFD Report.

### ESG Financial Product Selection Process



# Sustainable Finance Framework

## Goal Management of ESG Financial Products

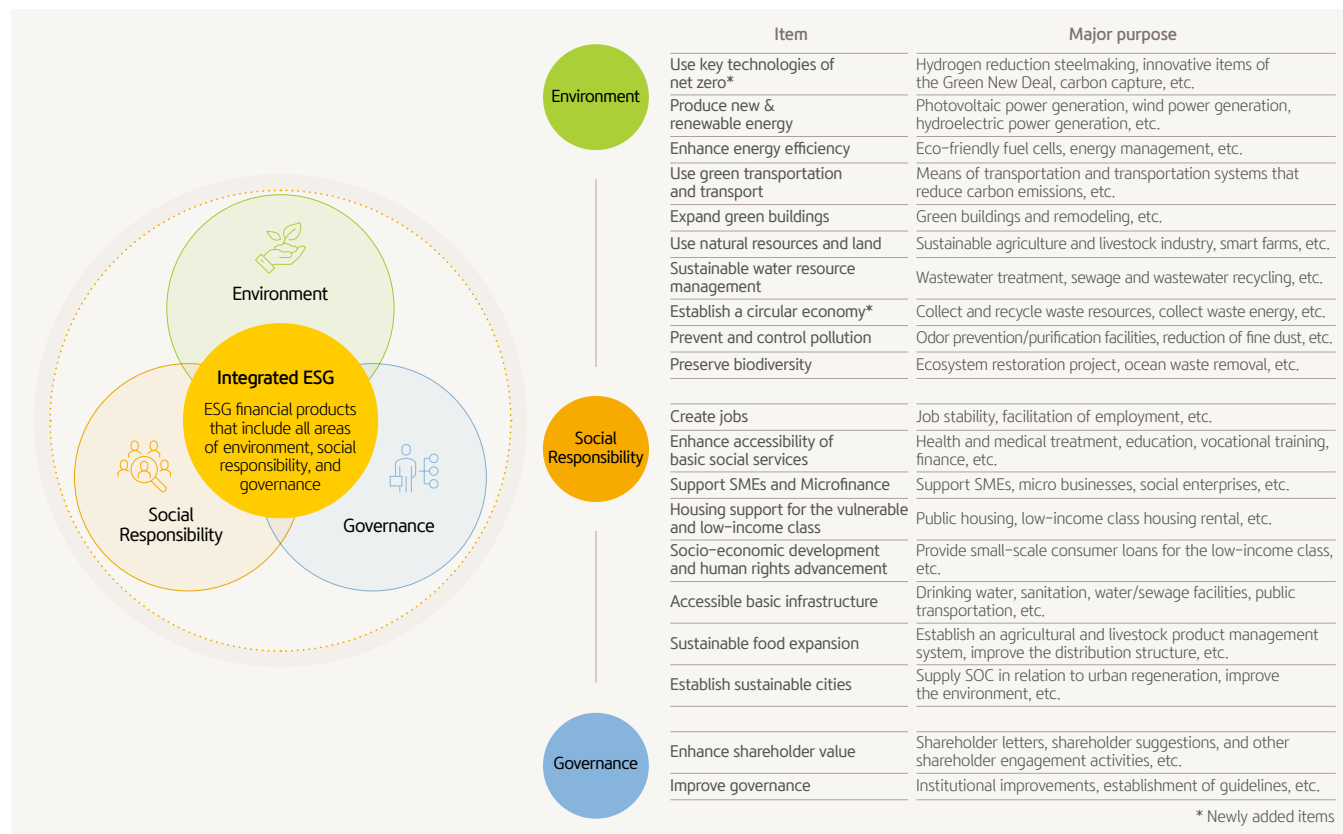
### ESG Financial Products

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.

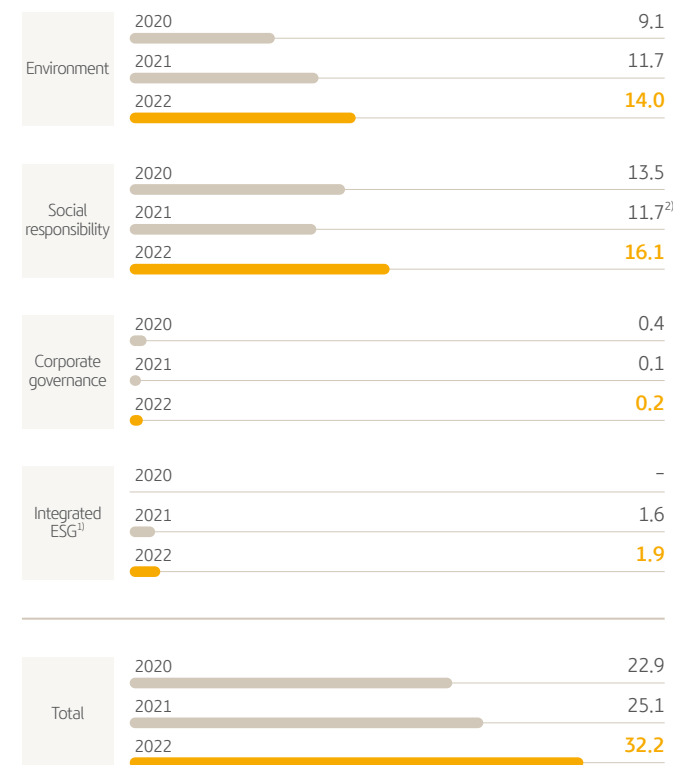
### KB Green Wave 2030

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 2022, KB Financial Group’s ESG products, investments, and loans amounted to KRW 32.2 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.

### ESG Financial Products



Size of ESG Products from 2020 to 2022 (Unit: KRW trillion, based on balance)



<sup>1)</sup> The “Integrated ESG” category was added in 2021

<sup>2)</sup> 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 in 2021 compared to 2020

# ESG Financial Products

## ESG Products

### KB Green Wave 1.5°C Financial Product

KB Financial Group released “KB Green Wave 1.5°C Financial Product” in 2021 to encourage customers to adopt green practices. As the Group-level green financial package, following the “KB Clear Sky Financial Product” and “KB Clear Ocean Financial Product”, it 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 eco-friendly activities, such as non-issuance of paper passbooks, and funds are created for climate change response and carbon emission reduction activities in connection to the products through which we donate funds to projects for creating school forests and establishing EV charging stations.

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

The “KB Net Zero S.T.A.R. Financial Product” package consists of a charitable trust as well as two ETFs and six funds related to carbon neutrality. The charitable trust donates 10% 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. Donations raised through these products are used to support eco-friendly programs, including the creation of ocean forest, school forest, and classroom forest. We plan to expand the development of customer participation-based ESG financial products to reduce carbon emissions and counter climate change.

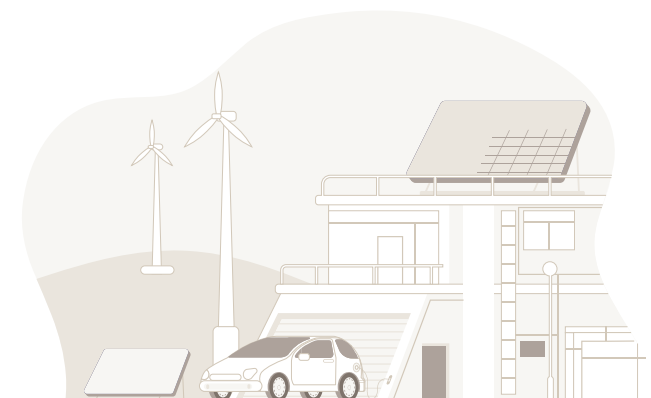
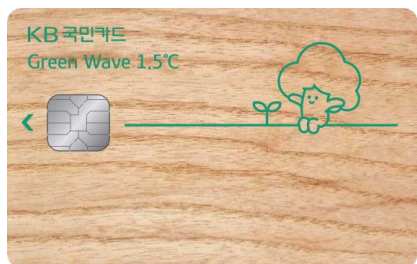
### Specialized Product for Green Vehicles

KB Financial Group offers various products and services to facilitate the dissemination of green vehicles. KB Kookmin Bank provides additional credit and preferential interest rates to customers purchasing green vehicles such as EVs through “KB Magic Car Credit Loans.” In addition, it is holding an event in which cashback benefits are provided according to card usage when a customer charges an EV at a target merchant by using the KB Kookmin Green Card (credit/check). KB Insurance sells eco-friendly vehicle insurance products and provides various advantageous services in relation to EVs. KB Capital has an alliance with Polestar, a premium EV-specializing brand in Sweden, as its exclusive financial partner. KB Financial Group is operating various tailored financing products to promote the dissemination of eco-friendly vehicles.

## ESG Investments

### Increasing Eco-friendly Investments

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.





# ESG Financial Products

## Cases of Eco-friendly Investment Projects

### Gubbaberget Wind Power Generation Project in Sweden

The Gubbaberget offshore wind power generation project in Sweden is to construct and operate a 74.4 MW offshore wind power plant in Gavleborg County in central Sweden. Out of the total project costs of EUR 982 million, KB Kookmin Bank jointly arranged EUR 42 million and is committed to investing EUR 9 million. TUV SUD analysis results indicate that Gavleborg County has the conditions for stable production and supply of power with an average wind speed of 7.4 m/s. The turbine used for the power generation facility has 32% more annual power generation than other turbines, and has applied a fault detection system and anti-icing technologies that prevent ice from accumulating on the turbine blades, thereby enabling optimal operation of the power generation facility even in Northern Europe's severe cold and heavy snow. The construction period of the wind power generation facility was from July 2021 to May 2023, and the facility will be run from May 2023 to July 2053. This facility does not emit GHG and can create alternative energy sources in case of depletion of fossil energy.

### Wondong Wind Power Generation Project

The Wondong Wind Power Generation Project aims to construct and operate a 37.6 MW wind power plant in Wondong-myeon, Yangsan City, South Gyeongsang Province. KB Kookmin Bank collected wind condition analysis data for around 35 months prior to the project launch and also conducted an ESG risk assessment that included an environmental impact assessment and local community impact levels. It was found that there was a low possibility of complaints being raised with a wind power plant, in addition to GHG emissions reduction effects. The power plant commenced commercial operation in July 2022. Of the total investment amount of KRW 115.3 billion, KB Kookmin Bank arranged KRW 98 billion and is committed to investing KRW 32 billion. The entire amount of electric power produced at the power plant is sold through the Korea Power Exchange. The Renewable Energy Certificate (REC) that the government issues in accordance with the Renewable Portfolio Standard is sold to a power producer. The power plant's annual power generation is expected to be 90,910 MWh/year when assuming a facility usage rate of 27.6%.

### Solar Power Generation Project in Jido-eup, Sinan

The solar power generation project in Jido-eup, Sinan is a project constructing and operating a 150 MW solar power generation facility in Jido-eup, Sinan-gun, South Jeolla Province. Of total investments of KRW 319.6 billion, KB Kookmin Bank arranged KRW 274.8 billion and committed to invest KRW 60 billion. The solar power generation system consists of a solar cell that converts solar energy to electric energy and a system connection area that is used to convert produced electric power from direct current to alternating current to be in line with demand and for transmission of produced electric power to a power conditioning system. Construction was completed in December 2021 for the power generation facility, which consists of 70 individual 3 MW or less power plants. The facility is planned to be operated from January 2022 to December 2041. The entire amount of electric power produced at the power plant is sold through the Korea Power Exchange. The government-issued REC in accordance with the Renewable Portfolio Standard is being sold to a public power generation company.

## CIB Platform

KB Financial Group uses the Corporate & Investment Banking (CIB) platform to form ESG funds. We set an ESG investment and financing goal for CIB to reach KRW 100 trillion in handled amount and KRW 25 trillion in balance by 2030. KB Financial Group handled a total of 12.5 trillion in ESG projects in 2022 through joint investments and collaboration with subsidiaries. As of the end of December 2022, the ESG investment balance stood at KRW 5.8 trillion, of which KRW 3.4 trillion in handled amount and KRW 2.9 trillion in balance was achieved by KB Kookmin Bank through active participation in a new & renewable energy project, youth housing project, and eco-friendly battery project. Going forward, KB Financial Group will continue to take active part in ESG investment through the CIB platform.



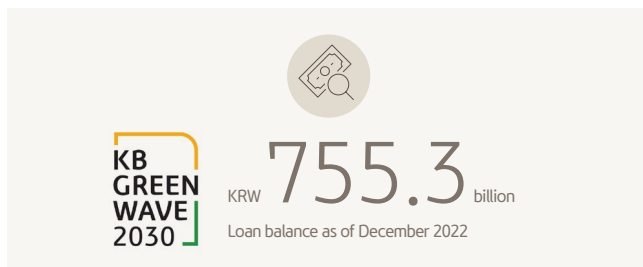
# ESG Financial Products

## ESG Loans





### KB Green Wave Loans for Outstanding ESG Companies

KB Kookmin Bank offers benefits of preferential interest rate and loan limit to companies that fulfill ESG evaluation criteria through the “KB Green Wave Loans for Outstanding ESG Companies” in its efforts to help loan lenders implement ESG management. If the evaluation criteria are not met, preferential benefits are not provided.

Moreover, the Bank improved the assessment criteria for the “KB Green Wave Loans for Outstanding ESG companies” to expand loan qualifications for pilot adoption of K-Taxonomy in August. In September, it changed the ESG evaluation criteria to exclude high carbon-emitting industries from its environmental industry classification guideline to prevent greenwashing. As of December 2022, the balance of “KB Green Wave Loans for Outstanding ESG companies” stood at KRW 755.3 billion.



### ESG Evaluation Criteria

Category	Major Evaluation Criteria
 ESG (Integrated)	<ul style="list-style-type: none"> <li>• A company chosen and recommended by an organization that signed an MOU with KB Kookmin Bank</li> <li>• A company with an ESG-4 grade (ESG overall) or higher grade of “KB ESG Self-Assessment Tool”</li> </ul>
 Environmental	<ul style="list-style-type: none"> <li>• A company with a BBB or higher environmental evaluation grade of the Korea Environmental Industry &amp; Technology Institute’s green management company financial support system (enVinance)</li> <li>• A company operating in the standard industry classification code that is set forth in the “KB Kookmin Bank environmental industry classification guideline”</li> <li>• A company that has a certification, including that related to eco-friendly products/services/management/business sites</li> </ul>
 Social	<ul style="list-style-type: none"> <li>• Social enterprise</li> <li>• A company that purchased at least KRW 1 million worth of products/services produced by social enterprises during the past year</li> <li>• A job-creating company</li> <li>• A company that has a human rights/safety and health-related certification</li> </ul>
 Governance	<ul style="list-style-type: none"> <li>• A company that held four or more BOD meetings during the past year</li> <li>• A company that participates in Comply or Explain (CoE) for corporate governance disclosure</li> <li>• A company that holds AGM, provides dividends, and has an audit committee or full-time auditor</li> </ul>

# ESG Bonds

## Issuance of ESG Bonds

### ESG Bond Management System

KB Financial Group is practicing socially responsible investments by issuing green, social, and sustainability bonds based on an ESG bond management system. KB Financial Group’s ESG bond management system is designed to comply with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, which are international standards enacted by the International Capital Market Association. The green bond management system established by KB Kookmin Bank was created in line with the “K-Taxonomy Guidelines” of the Ministry of Environment and the “Green Bond Guidelines” of the Ministry of Environment and Financial Services Commission. KB Kookmin Bank issues bonds according to the green bond management system. Funds financed through green bonds are used through direct investments and loans for projects that have a positive impact on the environment.

 Green Bond Management System

### ESG Bond Issuance Performance

KB Financial Group issues ESG bonds based on an ESG bond management system and green bond management system to support eco-friendly projects and projects that consider social value. As of current, KB Financial Group Inc. has issued KRW-denominated ESG bonds worth KRW 610 billion. In detail, we became the first financial holding company in Korea to issue KRW-denominated ESG bond worth KRW 500 billion in October 2020 and issued green bond amounting to KRW 110 billion in May 2021.

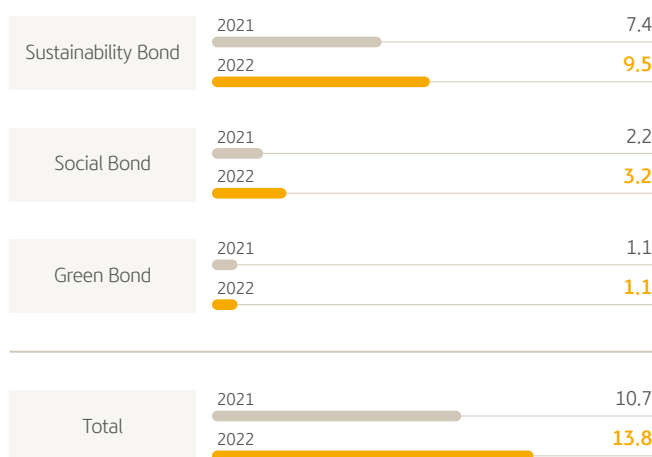
#### ESG Bond Issuance of KB Financial Group Inc. (Unit: KRW billion)

Time of issuance	Category	Maturity	Issuance amount	Issuance interest rate
October 2020	Hybrid capital securities	5 years (Call option)	435	3.00%
		10 years (Call option)	65	3.28%
May 2021	Hybrid capital securities	10 years (Call option)	110	3.60%

Each subsidiary also issues sustainability, social, and green bonds. As of the end of December 2022, KB Financial Group’s cumulative ESG bond issuance amount is KRW 13.8 trillion.

### Type and Size of KB Financial Group’s ESG Bond<sup>1)</sup>

(Unit: KRW trillion, cumulative)



<sup>1)</sup> Bonds in foreign currencies were converted to KRW by applying the exchange rate at the end of December of the corresponding year

In 2022, KB Kookmin Bank issued ESG bonds in foreign currencies, including USD 700 million worth and EUR 500 million worth of ESG bonds. KB Securities formed a dedicated taskforce to issue sustainability-linked bonds (SLBs), held a relevant seminar, and underwent active business proposals. KB Insurance issued KRW 286 billion worth of sustainability bond and received ST1, the highest grade, in an ESG certification evaluation. In addition, KB Capital issued KRW 290 billion worth of sustainability bond in 2022, and plans to issue KRW 300 billion worth of ESG bond to support the financially underprivileged and provide financial support for eco-friendly vehicles. Moving forward, KB Financial Group plans to expand ESG bond issuance as a way to fulfill its corporate social responsibilities and lead ESG management.





# ESG Bonds

## Management of ESG Bonds

### Use of Funds Financed through ESG Bonds

All funds financed through ESG bonds issued by KB Financial Group are used for eco-friendly or social projects defined by the green bond management system. In addition, we exclude projects related to exploitation of child labor, weapons, alcohol, tobacco, and fossil fuels from fund support targets through negative screening, thereby preventing use of funds that are financed through ESG bonds for projects that have a negative impact on the environment and society.

### Project Evaluation and Management

To distribute funds financed through ESG bonds to appropriate projects, there is a need for a process that systematically evaluates and selects projects. KB Financial Group selects projects that are in line with environmental improvement goals and K-Taxonomy, and sorts out projects that satisfy internal loan review criteria.

Afterwards, KB Kookmin Bank's KB Sustainable Finance Operation Committee evaluates what impact the chosen project has on environmental and social improvements. In case of the green area, we consider the acknowledgement criteria and index per green economic activity to check if a project falls under an eco-friendly or social project defined in the green bond management system.

If the project satisfies the green bond management system's criteria, the KB Sustainable Finance Operation Committee makes a final selection of the project as a project that can receive fund distribution. In addition, the KB Sustainable Finance Operation Committee reviews fund details and project suitability every year. It reviews the need to re-distribute funds, such as loan repayment, and makes decisions related to fund distribution, such as whether to invest funds in other projects, recover funds, and make new investments.

### Project Categorization

Environmental (green) project areas	Social project areas
<ul style="list-style-type: none"> <li>• New &amp; renewable energy</li> <li>• Improving energy efficiency</li> <li>• Preventing and controlling environmental pollution</li> <li>• Sustainable resource and land management</li> <li>• Eco-friendly means of transport</li> <li>• Sustainable water resource and wastewater management</li> <li>• Adapting to climate change</li> <li>• Products, technologies, and processes related to eco-friendliness and circular economy</li> <li>• Green buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Basic infrastructure</li> <li>• Basic services</li> <li>• Finance to supply housing to the vulnerable and low-income groups</li> <li>• Finance for housing tenants for the vulnerable and low-income groups</li> <li>• Finance for the low-income class and vulnerable groups</li> <li>• Creating jobs</li> <li>• Supporting SMEs</li> <li>• Supporting startups and ventures</li> <li>• Supporting social enterprises</li> </ul>

### KB Sustainable Finance Operation Committee of KB Kookmin Bank



\* The Sustainable Finance Operation Committee consists of the heads of the departments specified above

### Project Evaluation and Management Process

