

Financing for **Net Zero Futures**

2021 KB Financial Group TCFD Report





Contents

3 Introduction

- 4 Do you know why 1.5°C is critical to save our planet?
- 5 KB's stride toward net-zero society
- 6 TCFD is a guide for companies to address climate changes
- 7 KB is faithfully fulfilling our role as a supporter of TCFD
- 8 KB continues the endeavor to comply with the TCFD

9 Governance

- 10 KB is taking the lead to make the world a better place
- 11 Responding to climate change begins from building a robust governance

13 Strategy

- 14 No doubt, climate change is a risk
- 15 But, climate change can also bring new opportunities
- 16 We foresee the future and get prepared through scenario analysis
- 19 [Special] We protect our customers from physical risks
- 20 We learn and find answers together
- 21 We are taking part in the global movement to resolve climate crisis

22 Risk Management

- 23 Climate risks are reflected in our Group-wide risk management system
- 24 ESRM is the foundation of comprehensive climate risk management
- 26 We manage environmental and social risks of large-scale projects in accordance with the Equator Principles

27 Metrics and Targets

- 28 What gets measured gets managed
- 29 We reduce emissions and expand green finance to achieve net-zero

31 Next Steps

Navigating the Report

This is an interactive PDF designed to enhance your experience. Use the following icons to navigate the report.

< Previous page

Home

> Next page



Introduction

“Yet if nothing else changes, the world will keep producing greenhouse gases, climate change will keep getting worse, and the impact on humans will in all likelihood be catastrophic.”

Bill Gates, 「How to avoid a climate disaster」



Do you know why 1.5°C is critical to save our planet?

The climate crisis has already begun to affect the earth and its inhabitants. World Bank recently forecasted that climate change-related disasters such as rising sea level, water stress and reduced agricultural productivity will result in around 216 million climate migrants by 2050.¹

Aggravating frequency and magnitude of natural disasters caused by climate change can inflict astronomical damage to properties. They will also impact our health, livelihood, food, water and labor productivity, possibly leading to international conflicts and wars, and ultimately co-destruction of the human race.

What is more concerning is the accelerating pace of climate change. According to the 6th Assessment Report by Working Group 1 of Intergovernmental Panel on Climate Change (IPCC), it is projected that the average temperature of the earth will become 1.5°C higher than the pre-industrial levels by 2040, a decade earlier than its previous prediction of 2052. It warned that the current trend of global warming would result in rapid increase of heat waves, heavy rains, droughts and many other weather anomalies.²

Countries around the globe adopted the Paris Agreement in 2015, in recognition of the gravity of the climate crisis and in joint pursuit of resolving it; the goal is to keep the rise of average global temperature to below 2°C above the pre-industrial levels and preferably limit the increase to 1.5°C.³

Scientists state that containing the rise of global temperature to 2°C is not enough to save the human race from climate change and emphasize the importance of suppressing the temperature increase to 1.5°C.

To achieve this, carbon emissions should be reduced to 45% of the 2010 level by 2030 and reach net-zero by 2050.⁴

All members of the community including governments, corporations and citizens need to cooperate to reach net-zero emissions. Many countries around the globe including Korea have established their carbon neutrality goals and are striving at the national level to achieve them. In tandem with these efforts, the corporate sector needs to seek fundamental changes by quickly breaking away from the conventional carbon-intensive businesses and shifting to eco-friendly, low-carbon businesses.

As a leading financial institution, we, at KB Financial Group, take our roles and responsibilities seriously, and are taking actions to solve the imminent climate crisis and to support successful transition to a sustainable net-zero society.

¹ World Bank, [Groundswell Part 2](#), 2021

² IPCC, [AR6 Climate Change 2021: The Physical Science Basis](#), 2021

³ UNFCCC, [Paris Agreement](#), 2015

⁴ IPCC, [Special Report on Global Warming of 1.5°C](#), 2018



KB's stride toward net-zero society

Green Financing drives the flow of capital into sustainable sectors, thereby promoting the reduction of carbon emissions and contributing to enhancing climate resilience.

KB Financial Group developed the “KB Net Zero S.T.A.R.” and “KB GREEN WAVE 2030” strategies to contribute to addressing the issues regarding climate change, and is striding forward to achieve the goals.

KB Financial Group will accompany the journey toward overcoming the climate crisis and achieving net-zero

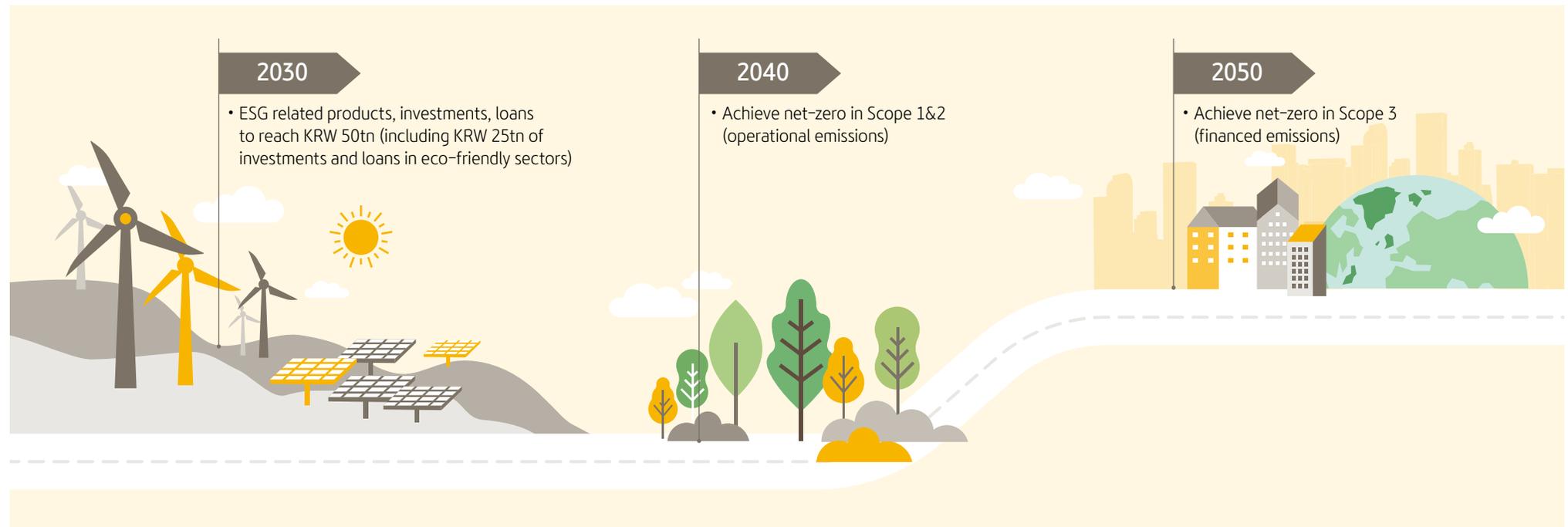


Carbon Neutrality

Operational emissions (by 2040)
Financed emissions (by 2050)



KRW **50**^{tn}
ESG products,
investments, and loans





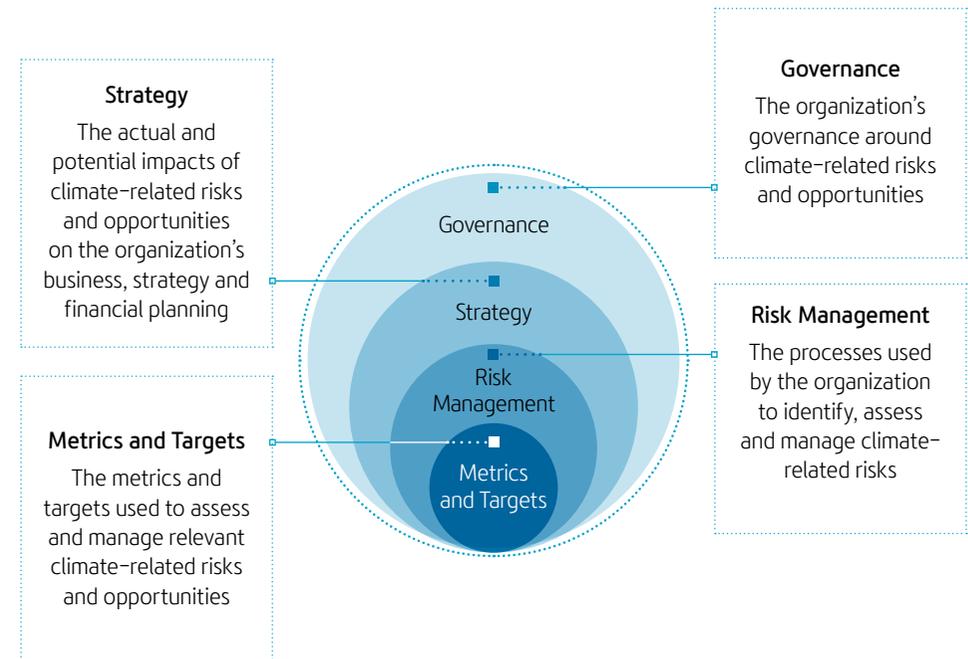
TCFD is a guide for companies to address climate changes

There is growing concern that the climate change could adversely impact the stability of the financial market and the financial soundness of the companies. Investors and stakeholders are asking for transparent disclosure of consistent, comparable and credible climate related information.

Against such backdrop, the G20 finance ministers and central bank governors requested the Financial Stability Board (FSB) to examine the impact of climate issues on the financial industry and FSB created the Task Force on Climate-related Financial Disclosures (TCFD). In 2017, TCFD released Recommendations of the Task Force on Climate-related Financial Disclosures¹ to help companies provide such information voluntarily and consistently. TCFD defined governance, strategy, risk management, metrics and targets as the core elements to be addressed by the companies pertaining to climate change, and provides guidance on relevant disclosures.

The TCFD Recommendations guide the companies to develop strategies and fulfill their goals regarding climate change, and provide the investors with the necessary and useful information for decision-making.

Core elements of TCFD recommendations



With the growing importance of climate-related disclosures, as of October 2021, the TCFD has over 2,600 supporters including companies, governments and regulators globally spanning 89 countries and jurisdictions.² Investors are strongly requesting the reinforcement of the disclosures as set out by the TCFD recommendations; major countries including the UK, New Zealand and Switzerland have mandated the TCFD-based disclosure.

¹ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

² TCFD, [2021 Status Report](#), 2021



KB is faithfully fulfilling our role as a supporter of TCFD

Since becoming a supporter for TCFD in 2018, KB has been faithfully implementing the Recommendations, and the results are disclosed annually.

Key Milestones of our TCFD Journey



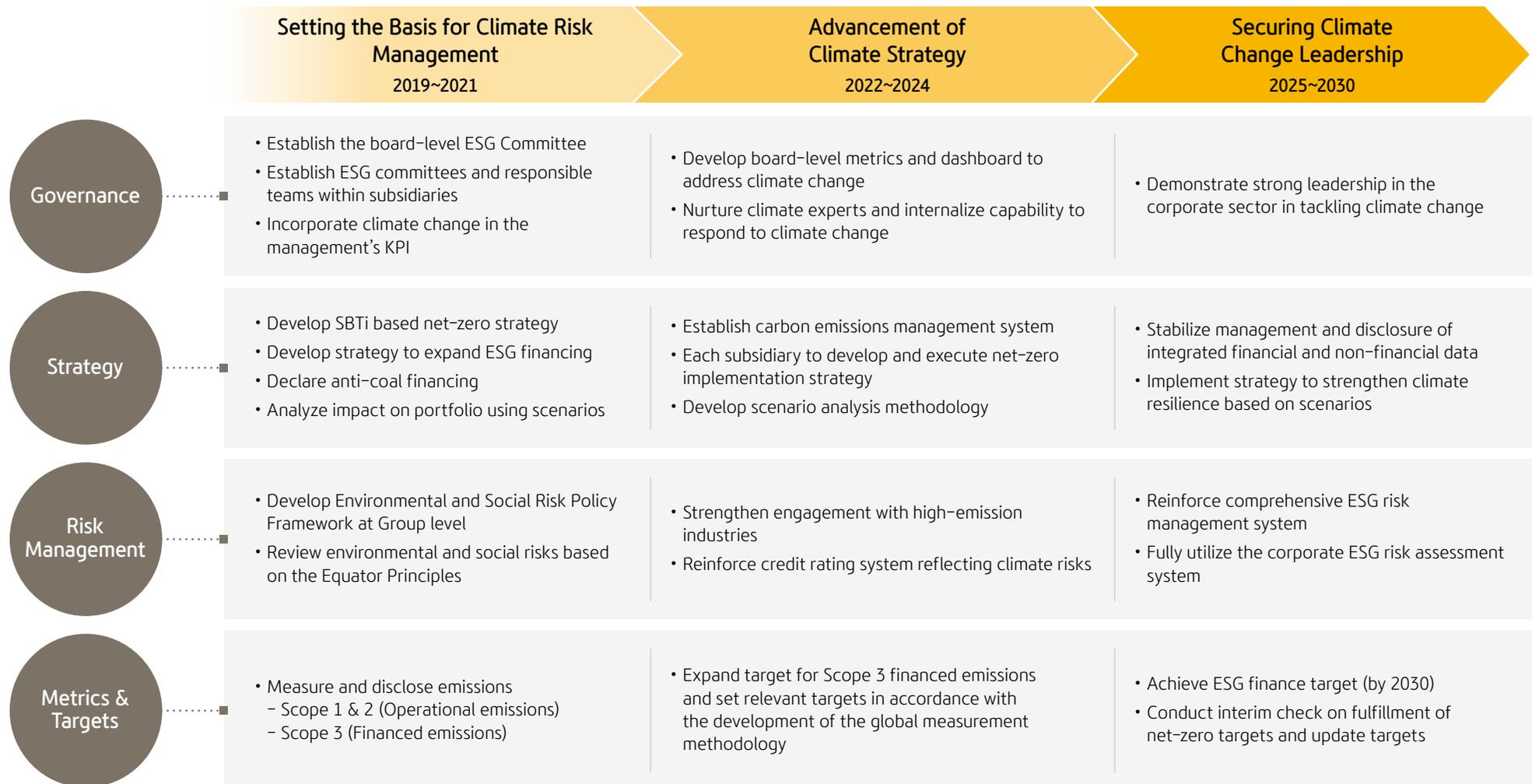
¹ Baseline year: 2020

² Baseline year: 2019



KB continues the endeavor to comply with the TCFD

In order to respond to the climate change in a disciplined manner, we developed the roadmap to reinforce our climate strategy up to 2030 following the 4 elements of the TCFD.





Governance

A solid governance structure must be in place to manage climate risks and identify new opportunities. KB is building and implementing disciplined and transparent climate governance in order to address the climate crisis.



KB is taking the lead to make the world a better place

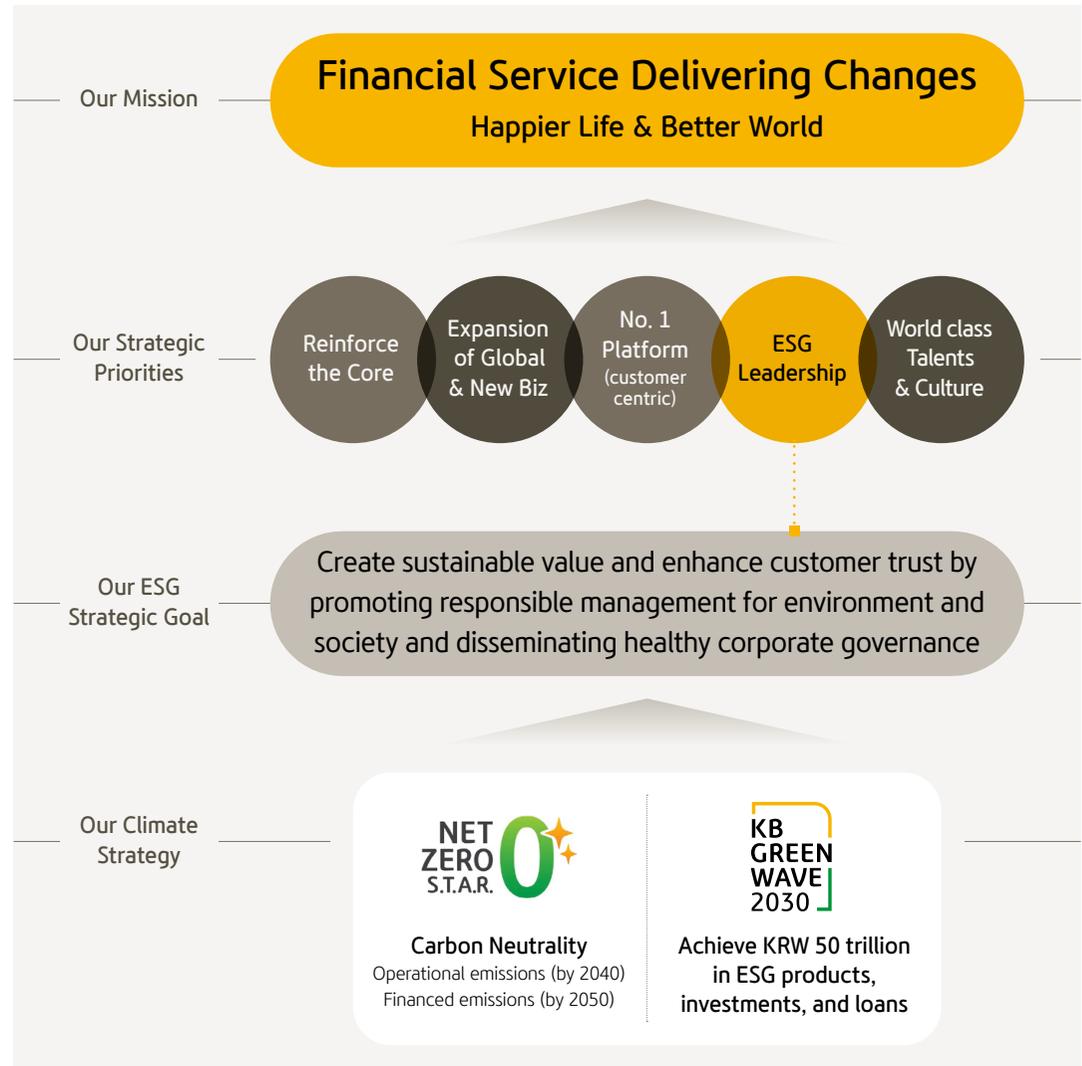
KB Financial Group's mission is "Financial Service Delivering Changes" for happier life and better world.

In order to make our customers happier and make a better world, we need to ensure happiness of our customers and our communities, and promote fair and sustainable growth. And prioritizing environment (E), social responsibility (S) and governance (G) is now an essential driver for the corporate sector to survive.

We designated "ESG Leadership" as a critical pillar of our business strategy and the whole Group is channeling our capability on this matter. We are particularly focusing on developing more advanced climate strategy.

Through Net Zero S.T.A.R. and KB Green Wave 2030, KB Financial Group is committed to seeking creative and innovative solutions and pave the way to an environmentally friendly financial ecosystem

As the No.1 financial group, we will fulfill our social responsibility to tackle the climate change, contribute to making a better world where everyone lives a safe and happy life.





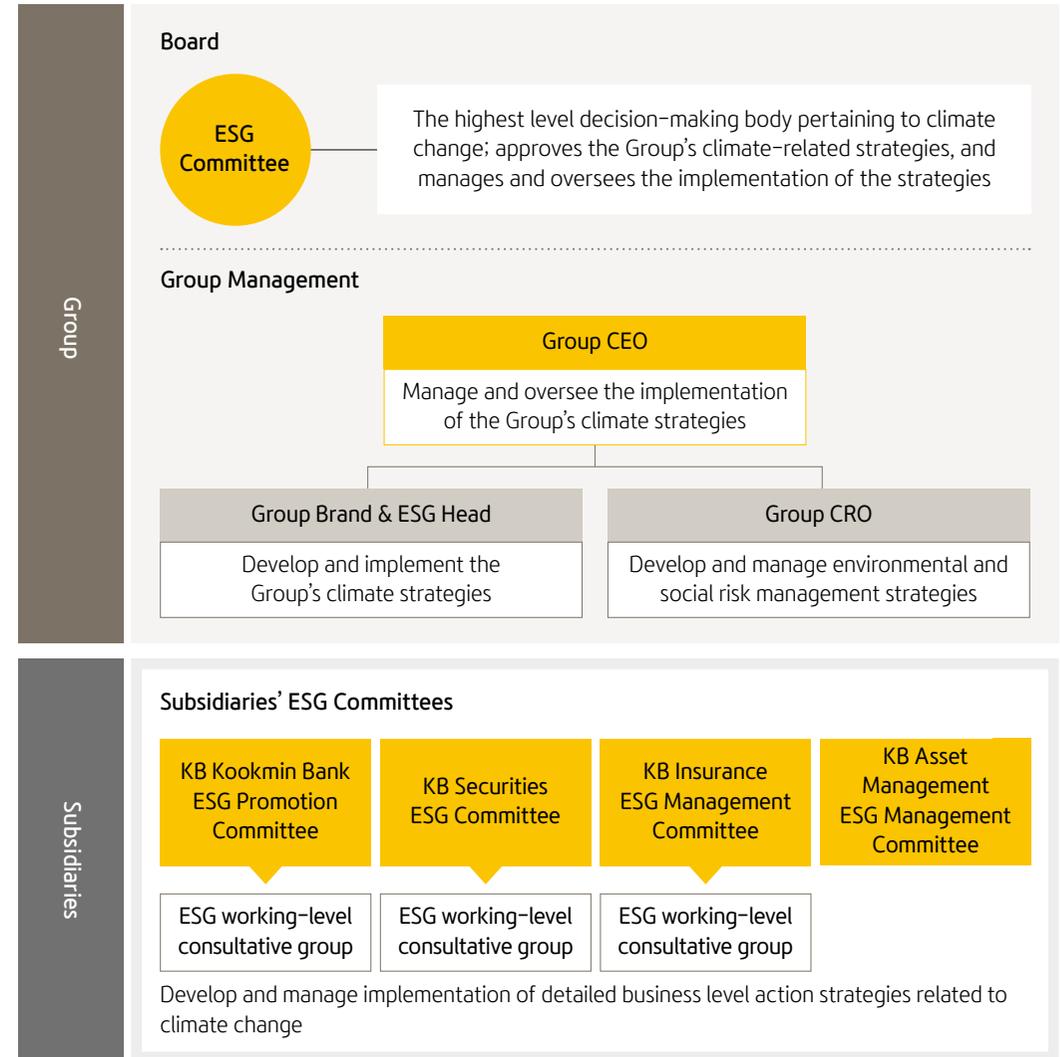
Responding to climate change begins from building a robust governance

A robust governance structure supports the members of the organization to make the right decisions. In order to understand the impact of the risks and the opportunities of climate change on the company's business model and to comprehensively reflect them in the business strategies and financial planning, it is primarily necessary to establish governance structure that supports such activities and clearly prescribes the roles and responsibilities of the board and the management.

KB Financial Group is the first Korean financial group to set up the ESG Committee under the board. The ESG Committee consists of all of outside directors, standing and non-standing directors, and aims to incorporate the stakeholders' perspective in the Group's ESG agenda regarding climate change and to promote action inside the organization.

In addition, ESG committees are set up at the major subsidiaries, who are the actors of the climate strategies, so as to develop detailed climate action plans at the business level and oversee their implementation. KB Financial Group and all the subsidiaries have a dedicated ESG Team, designed to drive and monitor the enforcement of the climate strategies.

Climate Governance at KB Financial Group





Role of the ESG Committee

The ESG Committee is the highest-level body to make ESG related decisions, which also develops ESG related strategies and policies, and manages and oversees their implementations.

The objective of the Group's ESG strategy, as defined by the Committee, is to create sustainable value and enhance customer trust by promoting responsible management for environment and society and disseminating healthy corporate governance. In the environmental area, it seeks to advance the Group's climate strategy by reducing the Group's carbon emissions and expanding green financing.

The Committee convenes at least once every half year, and has so far discussed and decided upon the below climate strategies and performances since its establishment in 2020:

Key Resolutions by and Reporting to the ESG Committee

1st meeting in 2020	Set strategic ESG direction of the Group	Resolved
2nd meeting in 2020	Declare anti-coal financing	Resolved
3rd meeting in 2020	Report on the Group's ESG progress	Reported
1st meeting in 2021	Develop the Group's carbon neutrality strategy	Resolved
2nd meeting in 2021	Develop the Group's Environmental and Social Risk Management (ESRM) Policy	Resolved

Empowerment of the Board

In order for the ESG Committee to actively play its role as the supreme decision-making body, the directors need to be provided with sufficient information. As a means to build the directors' strengths and provide comprehensive insight, KB Financial Group frequently invites external experts for lectures on the global trends on climate change, supervisory and regulatory developments, how the financial sector is addressing climate change and the changes in the disclosure frameworks, etc. Also, KB Financial Group Research Institute provides research reports on internal and external ESG trend including climate change on a quarterly basis to support the Board's timely and appropriate decision-making.

Responsibility of the Management and KPIs

The management of the Group, including the CEO, is ultimately responsible for executing the climate strategies. Group CEO is designated as a member of the ESG Committee, so that he could coordinate between the oversight by the Committee and the execution by the management. And, the Head of Brand & ESG at KB Financial Group is in charge of the Group's overall ESG functions including climate change, and acts as agent for group-wide climate change mitigation.

In order for ESG-based business management practices to take root within the Group and for the climate strategies to be actually executed, climate change must be incorporated into the management's KPIs. The management's KPIs and the remuneration scheme have been updated to reflect such criteria as carbon emissions reduction and increase of ESG financial products, for the purpose of reinforcing their accountability on climate change and making it part of their daily performance.



Strategy

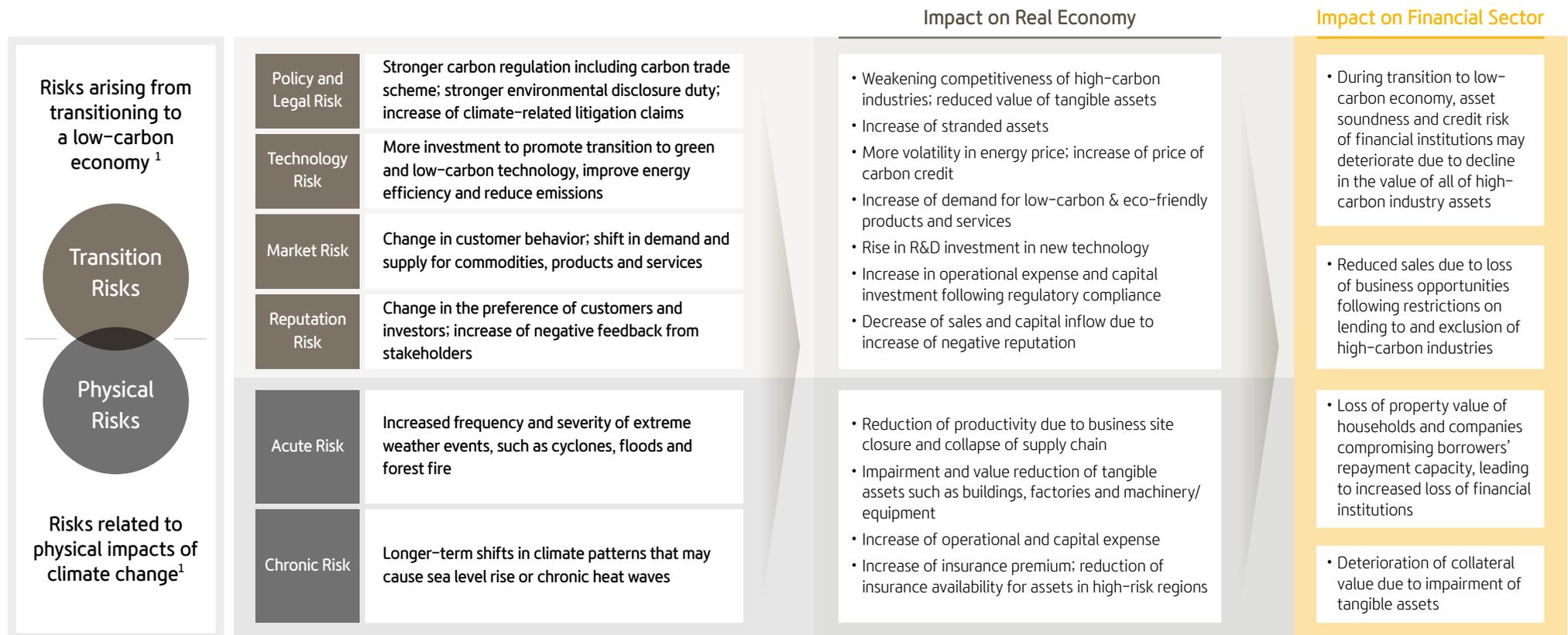
Climate change entails various risks, and as much as the financial institutions interact with corporate clients from diverse backgrounds, they are exposed to a broader range of risks, which could undermine the financial stability. Nevertheless, thinking out of the box and taking a strategic approach can turn those risks into opportunities for growth.

By thoroughly analyzing the climate risks and opportunities, and acting strategically,
**We will create new business opportunities and lead the creation
of a virtuous cycle of green growth for a sustainable future.**



No doubt, climate change is a risk

The Korean government announced that Korea will reduce its greenhouse gas emissions by 40% until 2030 to ultimately reach net zero. To this end, carbon related regulations will inevitably be tightened, and stress on the Korean industries is expected to aggravate, as the manufacturing sector represents a large share of the economy. It is also likely that the climate risk will translate into a systemic risk, where the soundness of the overall financial system is deteriorated, caused by the close link between the real economy and the financial system. KB Financial Group, as per the TCFD guideline, categorized the climate risks into transition risks and physical risks, and is identifying and analyzing their potential effect on an on-going basis; the climate risks are incorporated in the Group-wide risk management and business strategies with a view to strengthen the organization's climate resilience.

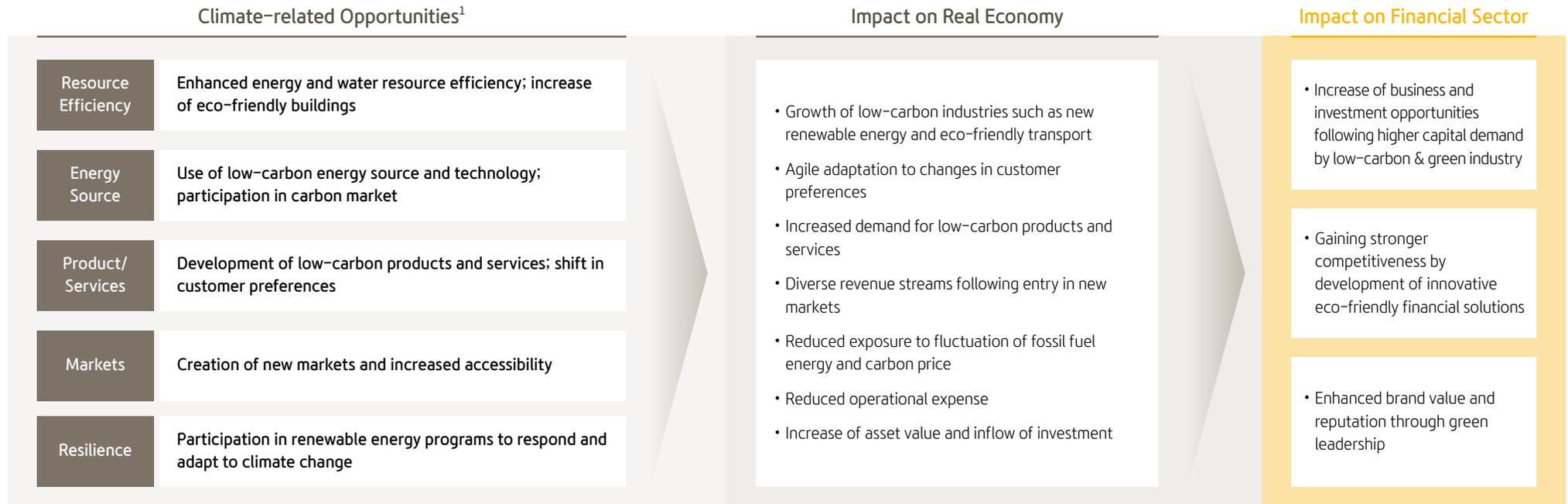


¹ Types and the impacts of transition risks and physical risks are illustrated using examples from the TCFD Recommendations



But, climate change can also bring new opportunities

Climate change will change the industrial landscape to various extents, and could open up strategic opportunities to create new markets and businesses. There will be growing demand for financing and financial services to fund the transition from the conventional carbon-intensive industries to environmentally friendly businesses, including the shift to the use of renewable energy, which will lead to new business opportunities in such as investment, lending, Green Bond issuance and climate risk insurance. Accordingly, financial institutions should re-establish their roles under the new climate system, take preemptive measures against the risks of climate change, and thereby find new drivers of innovation and promote sustainable growth. KB Financial Group is concentrating all available resources to expand our financial support to aid the transition to eco-friendly and low-carbon economy, and to seamlessly develop and provide innovative financial products and services. As business and investment opportunities increase during the process, we anticipate to obtain stronger brand value and reputation as a financial institution that leads the shift to a green economy.



¹ Types and the impacts of transition risks and physical risks are illustrated using examples from the TCFD Recommendations



We foresee the future and get prepared through scenario analysis

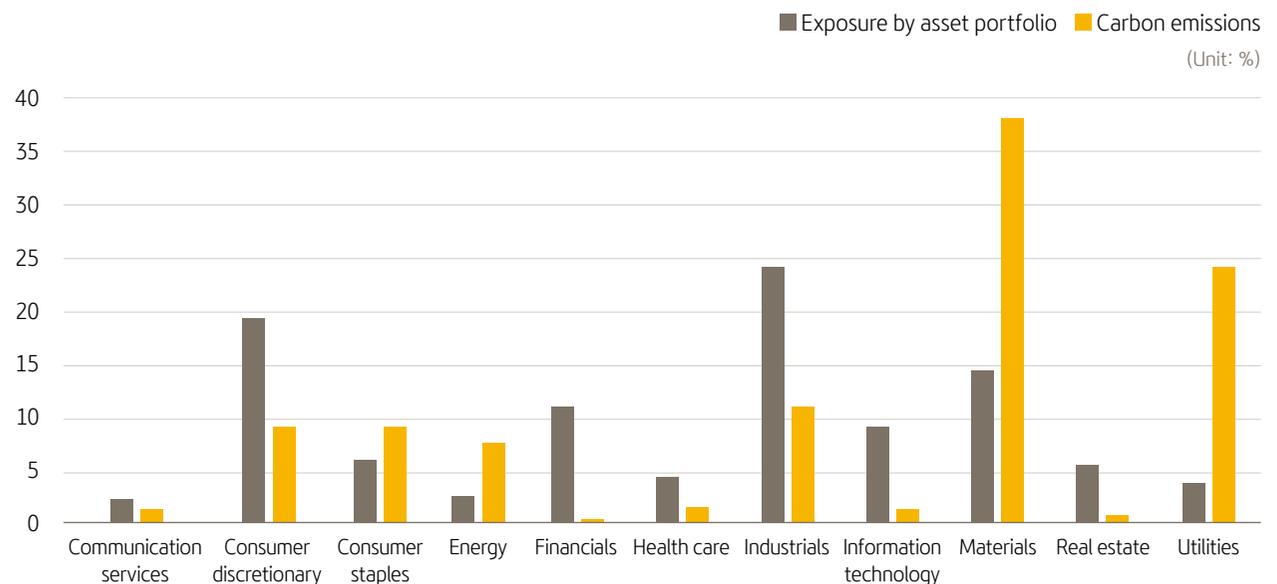
TCFD recommends companies to assess the potential impacts of climate change on the organization and the resilience of the organization using various climate change scenarios. Through this effort, companies can understand their readiness for climate change, develop counteractive strategies, and make refined climate-related decisions. KB Financial Group conducted the scenario analysis against transition and physical risks in 2021, and explored how climate change could affect our business strategy and the financial status.

Transition Risk Scenario Analysis

Stronger regulations on carbon emission around the world will inevitably drive up the carbon-related expenses throughout the industries, and the transition risk is also expected to rise accordingly. For the purpose of identifying the potential carbon risks of our investor and lender companies following the transition to a low-carbon economy, KB Financial Group conducted climate change scenario analysis together with S&P Global Market Intelligence. We broke down the exposure and the carbon emissions by sector, measured the carbon intensity, and analyzed the future carbon-related expenses applying the 2°C scenario based on the OECD and IEA research results. The scope of the analysis was our corporate finance portfolio including corporate lending, corporate bonds and stocks.

Share of exposure and carbon emissions by sector¹

The breakdown of a sector's exposure and carbon emissions in the asset portfolio aids the financial institution in deciding where it needs to focus on to manage the carbon risks of the respective portfolio. Within KB's portfolio, industrials sector including capital goods, commercial services and transportation showed the highest level of exposure, but the share of carbon emissions was the greatest in the materials sector (e.g. chemicals, metal) and the utilities sector (e.g. electricity, gas).



¹ Industry sector categorization based on the GICS (Global Industry Classification Standard)



Carbon to Revenue (C/R) by sector and by asset

Carbon to Revenue (C/R) measures carbon emissions relative to the revenue, or carbon intensity, and enables accurate understanding of a company's carbon efficiency. As a result of the C/R analysis, utilities and materials sectors showed highest and the second highest C/R, respectively. The results of the C/R analysis will be used to develop customer engagement strategies; rather than closing the relationship with high-C/R industries, we will strengthen our engagement with such customers and support their transition to becoming greener.

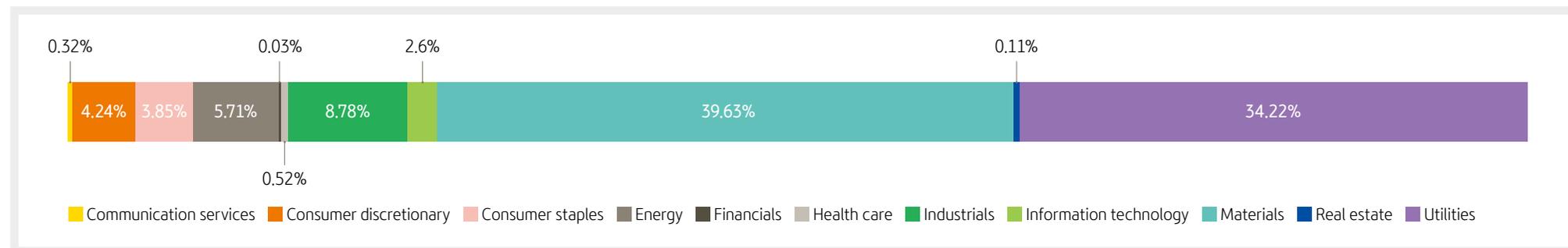
(Unit: tCO₂e/KRW mn)

Total	0.048	0.112	0.459	0.482	0.011	0.052	0.147	0.128	0.726	0.069	3.357
Stocks	0.036	0.108	0.427	0.494	0.006	0.058	0.309	0.113	1.313	0.067	3.886
Corporate bond	0.063	0.103	0.160	0.493	0.004	0.050	0.140	0.227	0.951	0.068	4.274
Lending	0.024	0.113	0.511	0.469	0.013	0.052	0.138	0.119	0.613	0.069	2.671
	Communication services	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information technology	Materials	Real estate	Utilities

Low C/R High C/R

Unpriced Carbon Cost (UCC) by sector

Unpriced Carbon Cost (UCC) refers to the amounts to be paid by a company to comply with the various carbon regulations. Assuming that the carbon regulations will be fully implemented to achieve the goals of the 2°C scenario, utilities and materials sectors, the major high-carbon industries, are expected to account for 73.85% of the total UCC, implying that the high-carbon industry will be subject to a considerable financial burden. Furthermore, when we assume that the UCC will be fully borne by the corporate clients, approximately 7% of the KB portfolio were estimated to be exposed to the risks of negative margin, which will also adversely impact the financial soundness of KB Financial Group.





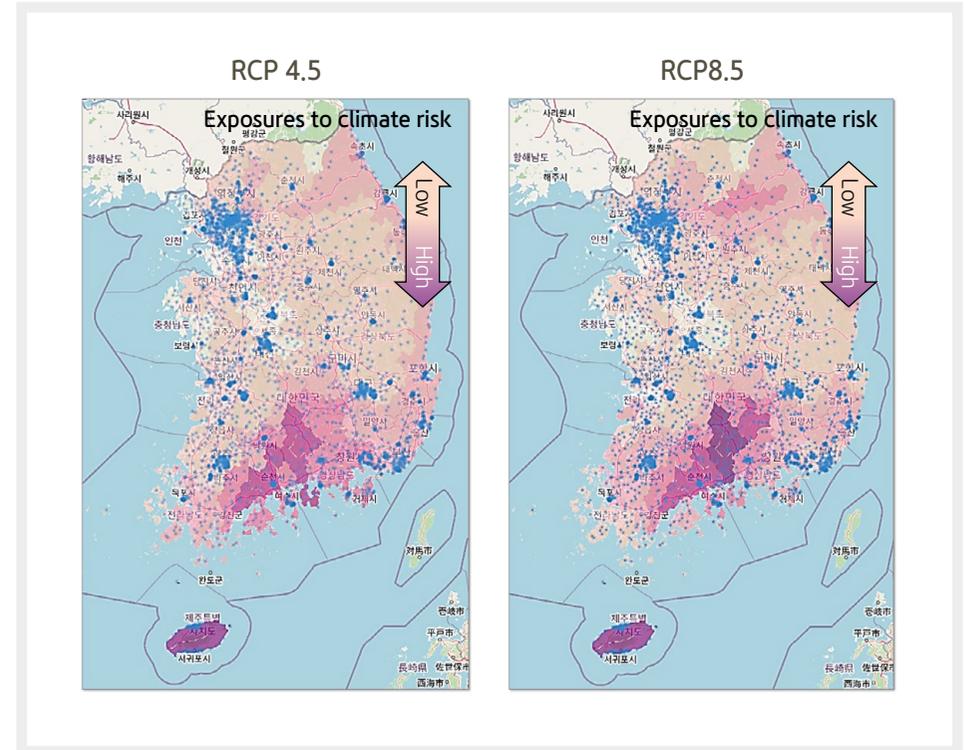
Physical Risk Scenario Analysis

We have been witnessing more and more weather anomalies in the past decade; as a consequence, for example, buildings and infrastructure are flooded due to heavy rainfalls and typhoons, causing serious human and property damage. Against this backdrop, KB Financial Group analyzed the physical risk scenario to understand what potential impacts climate change could have on our asset portfolio in the mid- to long-term, along with the magnitude of such impact.

We used RCP 4.5 and 8.5¹ to identify how the physical risks caused by natural disaster could affect the loan portfolio and the collateral values. The Climate Hazard Map was drawn up by factoring in the frequency of flooding in the past, meteorological factors including precipitation in the next decade and landslide warnings and so on², and we simulated the impact on our portfolio. This analysis indicated that approximately KRW 21.1tn of our secured loans will be exposed to the climate risks and that the real estate collateral value could decline by up to KRW 5.5tn upon outbreak of a natural disasters. Gyeonggi region was expected to be particularly prone to a large-scale damage, as the lending to the industrial complexes represents a large share of our portfolio.

The exacerbating frequency and severity of weather anomalies caused by climate change is expected to amplify the economic loss induced by natural disasters. Therefore, we must prepare for the climate-led shift in the business environment and develop strategies to minimize the economic loss that may arise in the case of natural disasters.

Simulation of Exposure of Corporate Lending to Climate Risk



¹ RCP (Representative Concentration Pathways): scenario adopted by IPCC (Intergovernmental Panel on Climate Change) based on projected climate-related changes that may result from GHG reduction policies and actions.

– RCP 4.5: scenario assuming implementation of GHG reduction policies is sufficient to reduce greenhouse gas emission

– RCP 8.5: scenario assuming GHG emissions continuing at the current pace

² Data source: Weather Portal by Korea Meteorological Administration, Land and Geospatial Informatrix Corporation, Flood Risk Map Management System by Ministry of Environment, Landslide Information System by Korea Forest Service



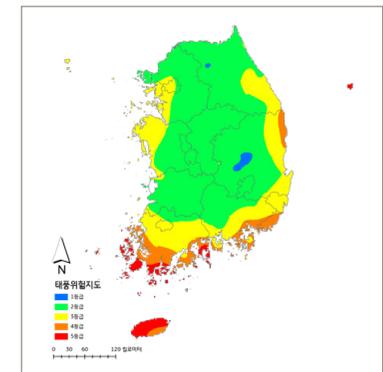
[Special] We protect our customers from physical risks

KB Insurance, a subsidiary of KB Financial Group, is committed to protecting precious lives and properties from natural disasters, and is conducting various research and customer support activities to serve this purpose.

Development of Natural Disaster Risk Map

As climate change brings about frequent weather anomalies globally, the number of natural disaster outbreaks and the damages on properties are also rising. Korea was no exception; due to the record-long monsoon and continuous typhoons in 2020, property damage was 4 times higher and human casualties 3 times higher than the yearly average of the past 10 years (2010~2019).

To mitigate the physical risks caused by natural disasters, KB Insurance developed the Natural Disaster Risk Map for the most frequently observed natural disasters in Korea including flood, typhoon, earthquake, forest fire, heatwave and tsunami. The Risk Map helps us to preemptively identify the risk levels of each region, to review the optimal level of insurance underwriting and coverage, and to devise appropriate measures against collaterals located in high-risk areas.



Typhoon Risk Map

Publication of Incident Prevention Guide

KB Insurance publishes the Incident Prevention Guide with information on how to prevent damage from natural disasters for the purpose of protecting our customers' properties from being affected by natural disasters.

It is a detailed booklet describing the types and examples of damages inflicted by natural disasters, together with the natural disaster incident prevention checklist and information on how to prevent damages. The Incident Prevention Guide is made public via KB Insurance's website, and is also used as training materials aiming at raising the awareness of our customers and employees.



Incident Prevention Guide for Customers



We learn and find answers together

As complicated as the climate risk is, we can still resolve it by leveraging our collective wisdom and collaboration. We believe strengthening the internal and external stakeholders' capabilities and spreading knowledge is the way to find the answers together.

Capacity Building for Employees

We provides various climate-related training to our employees to strengthen the Group's climate change response system and creating a green culture across the Group. The program consists of lectures by experts via webinar for the entire Group, training course designed to develop climate risk specialists and interactive online training course for employees.

Raising awareness of external stakeholders

KB Financial Group is committed to enhancing the awareness of our external stakeholders including customers and investors on ESG and climate change issues, and creating the environment to promote sustainable financial ecosystem.

KB Research and KB Securities Research Center are leading the efforts to raise stakeholder awareness and share relevant knowledge by publishing various thematic reports on climate change, ESG finance, ESG trend and so forth. Also, with the growing interest of the clients in ESG management, we are regularly hosting ESG forums and seminars for institutional investors and corporate clients with a view to strengthening the ESG capability of financial market participants. Furthermore, KB Financial Group jointly hosted the ESG Global Summit with other external institution and set the direction for expanding ESG management across the whole economy.

 Lectures by experts	 Intensive training course on climate change	 Interactive training course for employees
<ul style="list-style-type: none"> • Climate risk, making a bold transition amidst accelerating changes (Professor Chun-ho Cho, Kyunghee Cyber University) • Internal and external trend and challenges of ESG and green finance (Dae-Woong Lim, Korea Representative, UNEP FI) • ESG management and investment by financial institutions (Jin-Young Shin, President, Korea Corporate Governance Service) 	<ul style="list-style-type: none"> • Simulation-based training on implementation of the Equator Principles • ESG management and investment seminar for the management 	<ul style="list-style-type: none"> • Becoming ESG master in 5 minutes • KB ACE Live Quiz Show, special episode on ESG • Delivering training videos and newsletters on diverse ESG issues



 KB Securities ESG Forum



We are taking part in the global movement to resolve climate crisis

KB Financial Group alone cannot resolve the climate crisis. We need to make joint efforts with other global players. Considering that the methodologies for climate scenarios, target-setting, disclosure and so on are still evolving, it is essential that we closely keep up with the global trends in order to develop our climate strategies in a timely and effective manner. By collaborating with the various global initiatives, KB Financial Group is sharing latest information on climate change and enhancing our climate strategies.

Cooperation to Address Climate Change



The Principles for Responsible Banking (PRB) of the UNEP FI

- Became a founding signatory in September 2019 when PRB was launched
- Conducts activities to increase positive impacts aligning with goals of Paris Climate Agreement UN Sustainable Development Goals



NZBA

- Joined NZBA in April 2021 as a founding member
- **First Korean financial institution to represent banks in Asia-Pacific region in the Steering Group, the highest decision-making body** ✓
- Plays a leading role in developing carbon neutrality action plans for global financial institutions

Management of Climate Actions



The Equator Principles

- KB Koomin Bank adopted the Equator Principles in February 2021
- Assesses environmental and social risks in conducting large-scale projects



RE100

- **Joined RE100 in September 2021 as the first Korean financial group** ✓
- Laying the foundation to achieve net-zero in operational emissions

Setting and Measurement of Emissions Reduction Goals



Science Based Targets initiative

- Joined SBTi in April 2022
- **Acquired SBTi's approval for the first time in Asia and among Korean companies for our greenhouse gas reduction target** ✓



Partnership for Carbon Accounting Financials

- Joined PCAF in April 2021
- **Measured financed emissions using PCAF methodology for the first time among Korean financial institutions** ✓

✓ First in Korea

Disclosure of Climate-related Information



CDP

- Joined CDP in July 2009
- Proactively disclosing information on our climate actions and received the "Carbon Management Sector Honors" in the financial sector for 4 consecutive years
- Encouraging listed companies to disclose information on climate actions as a CDP investor signatory



Task Force on Climate-related Financial Disclosures

- Became a supporter in October 2018
- Established climate change response system and is disclosing relevant information based on the TCFD Recommendations



Risk Management

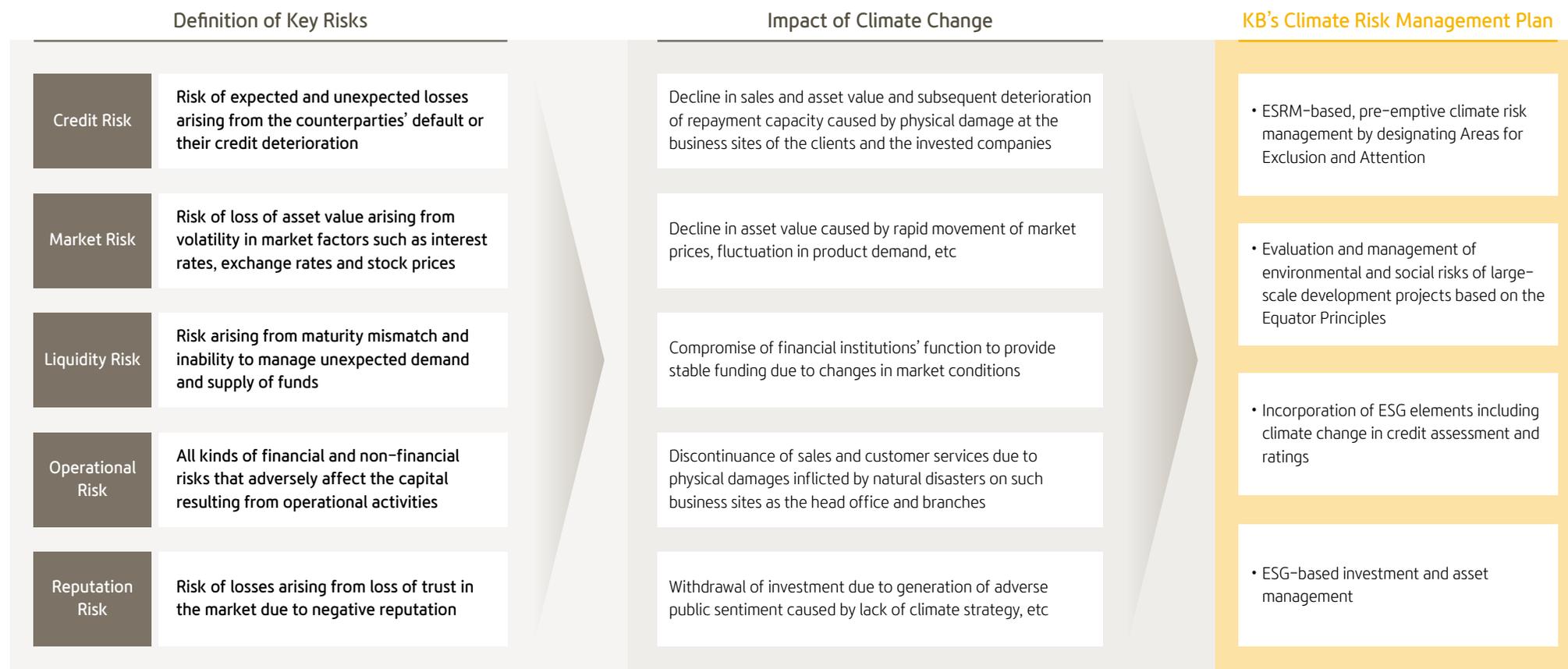
Companies need to define risks associated with climate change and incorporate them in the company-wide risk management system in order to respond to climate change effectively.

With the development of the Group-wide Environmental and Social Risk Policy Framework as the first step, KB Financial Group will continue to refine our comprehensive risk management framework.



Climate risks are reflected in our Group-wide risk management system

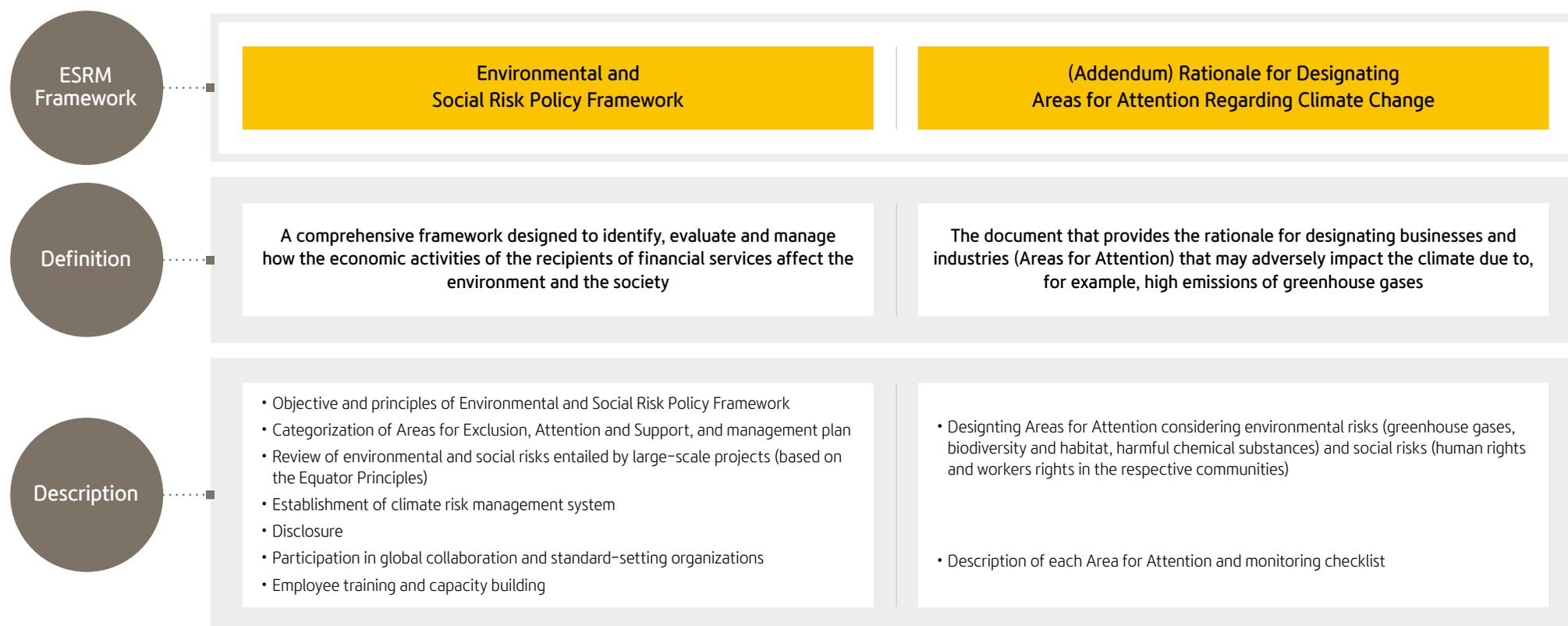
Climate risks can affect other conventional risks via diverse routes. We are developing and implementing various risk management plans by identifying how climate change affects the key risks and reflecting the results of scenario analyses.





ESRM is the foundation of comprehensive climate risk management

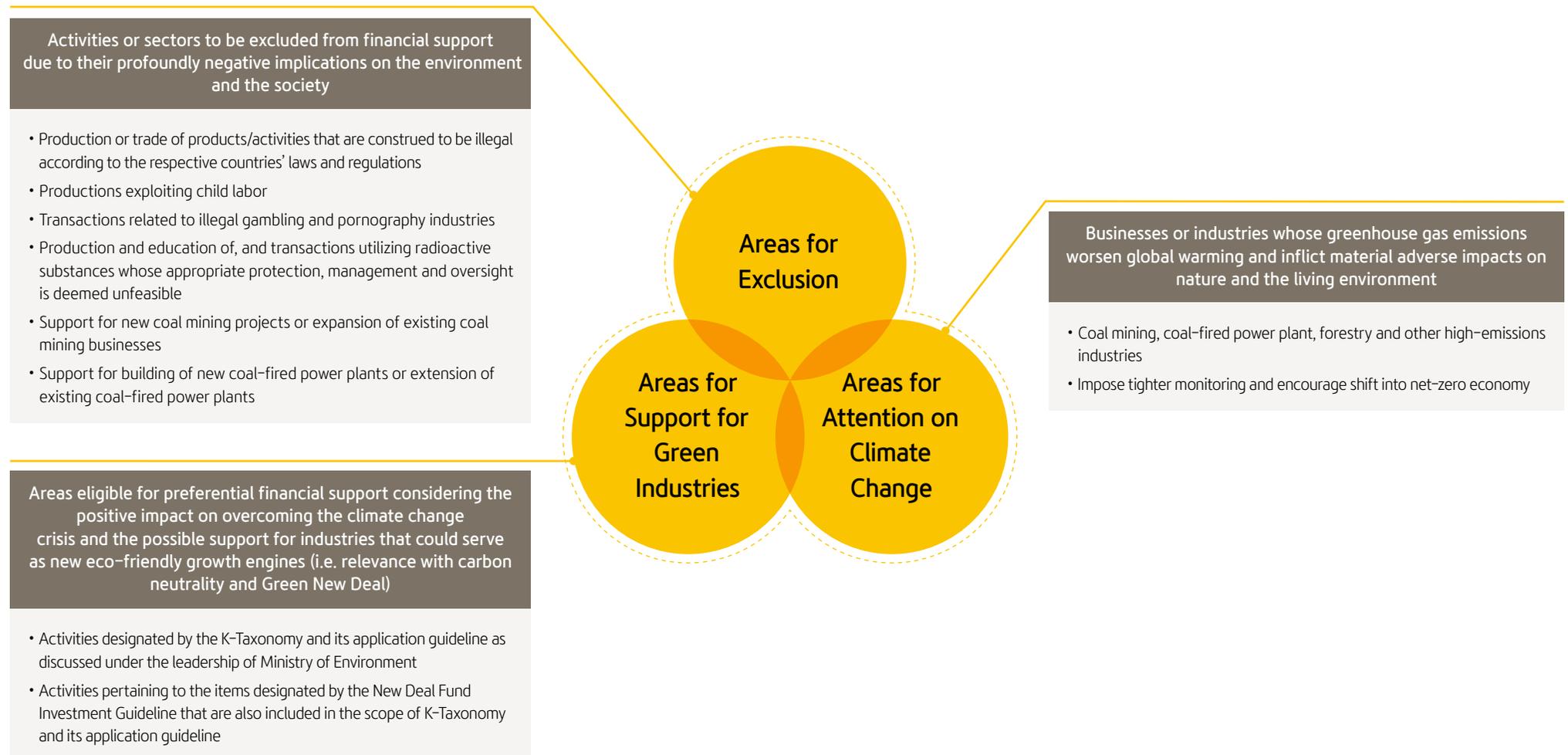
For the purpose of addressing the climate change and achieving carbon neutrality, it is necessary to establish an environmental and social risk management system which also provides clear sector policies. Hence, KB Financial Group developed the Environmental and Social Risk Policy Framework. The Group-wide ESRM serves as the basis for a holistic risk management, which supports the shift to a sustainable financial ecosystem and to a low-carbon society by expanding green lending and investment. The ESRM Framework consists of Environmental and Social Risk Policy Framework which describes how the impact of environmental and social risks are identified, evaluated and managed, and the Addendum that provides the rationale for designating areas that call for attention due to their potential negative impacts.





Designating areas requiring management of environmental and social risks

Not only for the purpose of managing risks in making financial investment decisions, KB Financial Group developed the Group-wide ESRM to ensure sustainable financing for the successful transition to a low-carbon society. According to ESRM, Areas for Exclusion and Areas for Attention on Climate Change are designated in order to manage various environmental and social risk factors in advance. Areas for Support for Green Industries are also separately categorized in order to facilitate the financial support for the transition to a low-carbon economy by supporting the global efforts to address climate change and nurture new eco-friendly growth engines.





We manage environmental and social risks of large-scale projects in accordance with the Equator Principles

Before financing large-scale projects that have significant impacts on the environment and the society, KB Financial Group reviews the environmental and social risks to identify, assess and manage the relevant risks and implications. We adopted the Equator Principles in February 2021, based on which potential environmental and social risks and their implications are evaluated for large-scale development projects, and the target scope of such review is applied across all the subsidiaries in the Group.

Target

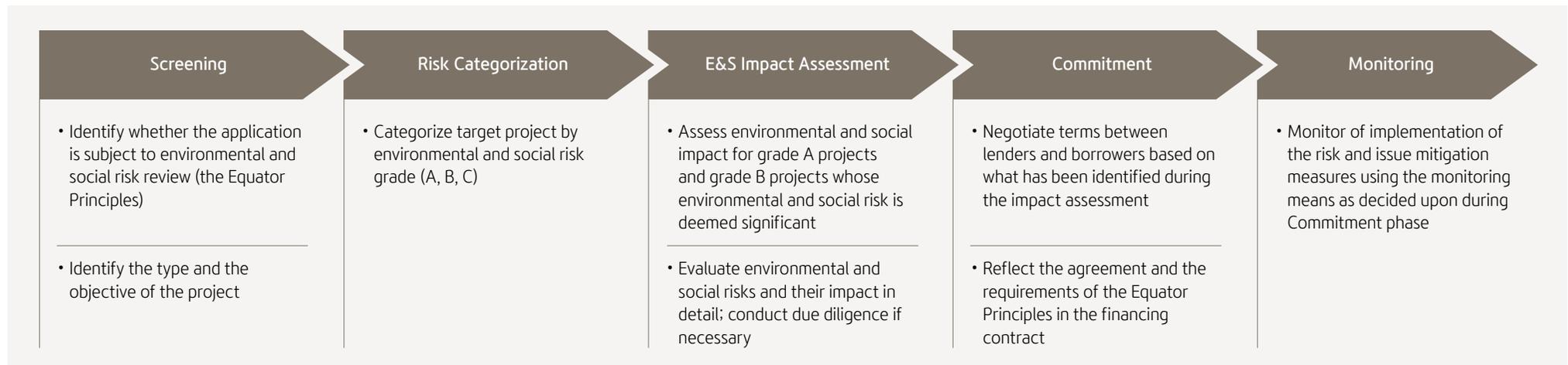
Project financing worth USD 10 mn or above (as per the Equator Principles)

- Subsidiaries that adopted the Equator Principles: review environmental and social risks according to the internal process relevant to the Equator Principles
- Subsidiaries that did not adopt the Equator Principles: review environmental and social risks for the project financing applications that fall into the Area for Attention, considering the respective subsidiaries' business area, role within the business and the level of infrastructure available for managing environmental risks



KB Kookmin Bank adopted the Equator Principles in February 2021

Environmental and Social Risk Review Process for Large-scale Projects





Metrics and Targets

Overcoming the climate crisis requires quantification, measurement and management of the efforts made to address the climate change.

KB Financial Group will proactively communicate with our stakeholders by establishing quantifiable mid- to long-term climate targets and disclosing the progress of implementation transparently.



What gets measured gets managed

A company's climate-related information is usually non-financial and is not easy to measure like financial information. It is critical that measurable metrics are in place in order to understand the implications of climate-related risks and opportunities. An old adage, "What gets measured gets managed" applies here. We are measuring climate risks and opportunities, and transparently disclosing the progress of delivering our commitment to realize a net-zero society.

A financial institution produces little direct emissions and indirect emissions from energy consumption (Scope 1&2), but it generates large amounts of Scope 3 emissions through provision of financial support in the form of investments and loans. Accordingly, in addition to the efforts to reduce Scope 1 and Scope 2 emissions, we have set a separate target and process to achieve net-zero of our Scope 3 emissions in line with the objective of the Paris Climate Agreement to contain the rise in mean global temperature to well below 2°C. Also, we are seeking to expand our provision of ESG financing so as to provide innovative financial solutions to help our customers resolve climate risks and to establish strong climate leadership in the market in advance.

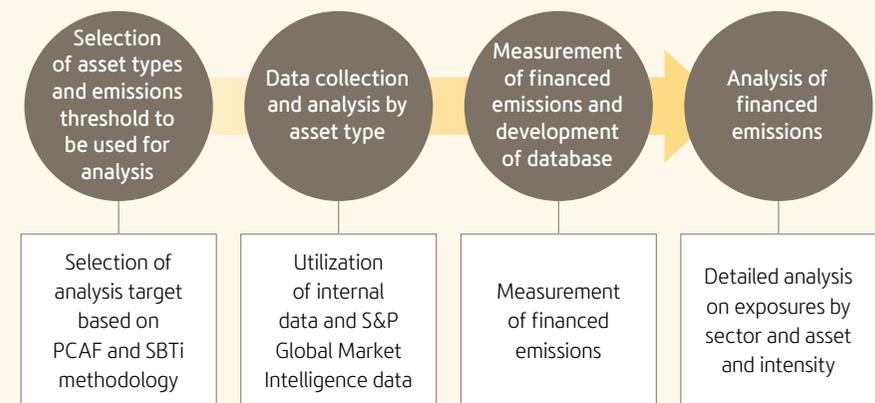
- 1 PCAF developed standards for measuring and disclosing emissions related with financial institutions' loans and investments. It also provide guidance fir companies to set science-based emissions reduction targets
- 2 SBTi provides a suite of services (e.g. development of methodology, advisory) required for companies to set emissions reduction targets based on scientific scenarios to achieve the Paris Agreement goals

Scope 3 (Financed emissions) Measurement Process

KB Financial Group is the first financial institution in Korea to utilize the PCAF¹ methodology to measure the financed emissions. The PCAF methodology was devised based on the Greenhouse Gas Protocol, a global accounting standard for greenhouse gas emissions, and provides consistent and validated measurement standards.

Also, KB Financial Group satisfied all the coverage requirements for each of the asset type (i.e. corporate financing, electricity generation PF, commercial real estate) as requested by SBTi², a global initiative that enables companies to set science-based emissions reduction targets. As for corporate financing, exposure of KRW 3 bn and above was defined as the threshold for Scope 3 measurement; even if the exposure is less than KRW 3bn, companies subject to carbon trade scheme and target management system were included in the measurement so as to expand the range of the analysis.

Financed emissions measurement process





We reduce emissions and expand green finance to achieve net-zero

KB Financial Group utilized the latest emissions reduction target setting methodology as proposed by SBTi to establish our net-zero target, which was approved by SBTi in October 2021. We were the first Asian and Korean financial institution to obtain the SBTi’s approval. Based on our science-based reduction target, the approval we obtained and our knowledge, we will proactively support our corporate clients in setting clear emissions reduction target aligned with the SBTi’s standards and achieving carbon neutrality by 2050.

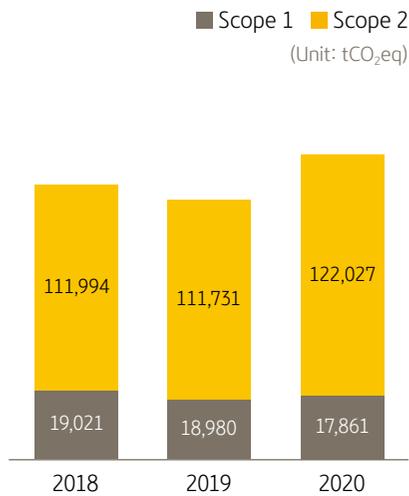
Scope 1 & 2 (operational emissions)

We measure and manage Scope 1 emissions generated from our own buildings, leased buildings and business fleets, etc and the Scope 2 emissions generated from the use of purchased energy annually. We are targeting to reduce our operational emissions to net-zero by 2040 through efforts such as abiding by RE100.

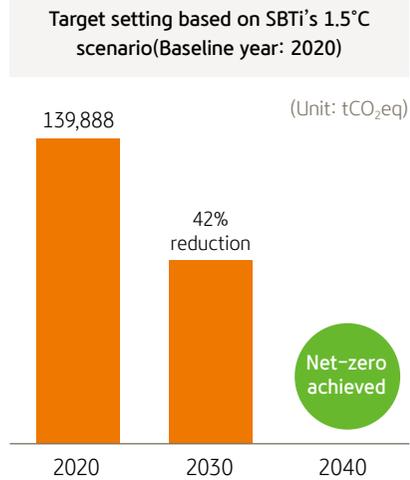
Scope 3 (financed emissions)

We measured our financed emissions for the first time in 2021 to manage the emissions arising from our financing activities. We aim to reduce our financed emissions to net-zero by 2050.

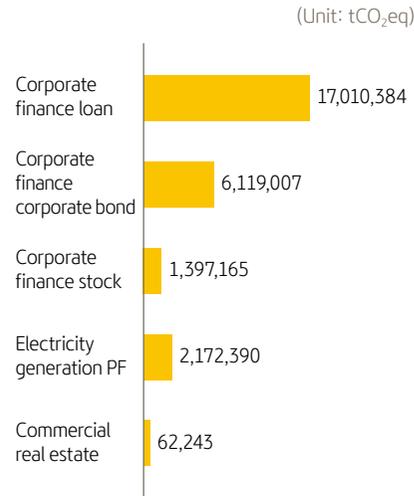
• Emissions (2018~2020)



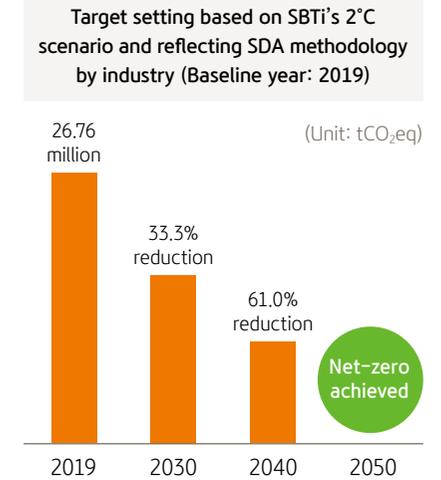
• Our targets



• Emissions (2019)



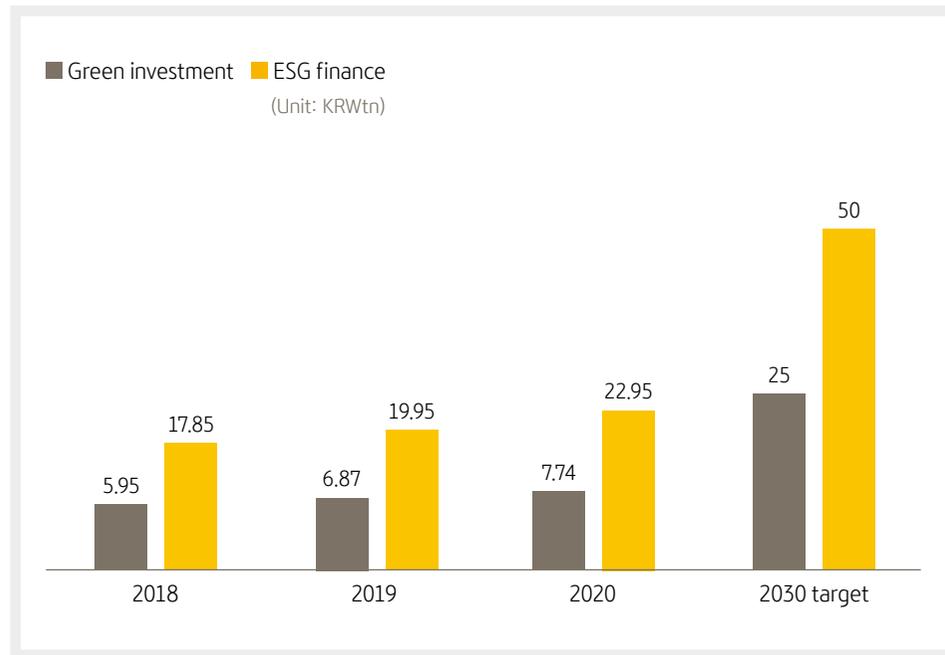
• Our targets





Green Finance

By adopting the KB Green Wave 2030 strategy, we are committed to providing proactive financial support to enable transition to a low-carbon economy. The scale of ESG products, investments and loans will be increased to KRW 50tn by 2030 to reinforce the environmental and social impacts, of which 50% (KRW 25tn) will be dedicated to investment and lending to eco-friendly sectors such as renewable energy sources, green industry and eco-friendly technology.



ESG Bond Issuance

We are increasing issuance of ESG bonds for the purpose of financing businesses that are environmentally friendly and create positive social value. Since KB Kookmin Bank's issuance of the Sustainability Bond in October 2018 for the first time as a commercial bank, we have been issuing various types of Sustainability Bonds, Social Bonds and Green Bonds; we are particularly accelerating the issuance of Green Bond whose purpose is to fund eco-friendly projects including renewable energy businesses.

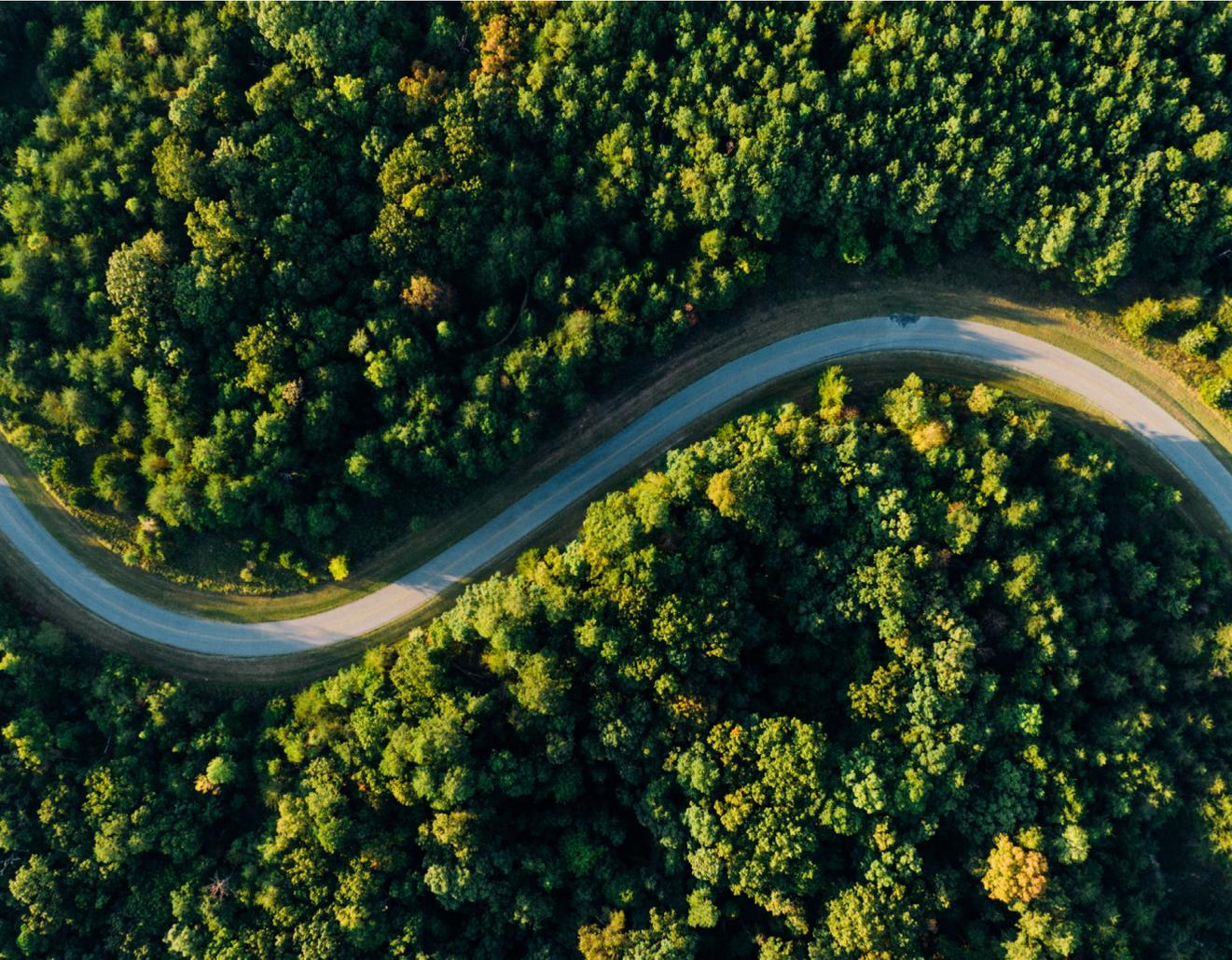
Also, KB Kookmin Bank is the only commercial bank to have signed the MOU for Promotion of Green Bond with the Ministry of Environment and is increasing issuance of KRW-denominated Green Bonds. Kookmin Bank is also taking the lead in boosting green finance by issuing KRW 500 mn of green covered bonds for the first time in Korea in October 2021.

KB Financial Group was the first Korean financial institution to establish the Sustainability Framework which is used to allocate funds to and monitor projects that suffice the requirements. Our Sustainability Framework was designed to conform with the Sustainability Bond Guideline, Green Bond Principle and Social Bond Principle as enacted by the International Capital Market Association (ICMA) and has obtained a Second Party Opinion.

Group-wide ESG Bond Issuance Status (as of October 2021)



* Foreign currency bonds were converted to KRW by applying the exchange rate as of the end of October 2021



Next Steps



Climate change is the greatest crisis facing humanity today. There is abundance of scientific evidence that climate change is real, and the world is already suffering from the catastrophic effects of it. We cannot overcome the climate crisis overnight, and no single country or company can resolve the issue alone. Governments, companies and citizens around the globe must fully understand the severity of the climate change crisis and join forces.

KB Financial Group is taking the lead in this climate journey by reducing our carbon emissions and increasing green financing to facilitate the transition to a low-carbon economy. We will strive to contribute to overcoming the climate change crisis by providing our firm leadership in fostering sustainable green growth.



Contact

KB Financial Group

ESG Strategy Department
19F, 141, Uisadang-daero,
Yeongdeungpo-gu, Seoul, Korea
Tel: +82 2 2073 7847

www.kbfg.com

Related reports



Please check our Group Sustainability Report for further information on KB Financial Group's ESG activities.

 KB Financial Group