

Second-Party Opinion

KB Kookmin Card Green, Social and Sustainability Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the KB Kookmin Card Green, Social and Sustainability Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Socioeconomic Advancement and Empowerment – are aligned with those recognized by the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 7, 8, 9, and 11.



PROJECT EVALUATION / SELECTION KB Kookmin Card’s project evaluation and selection process will be managed by a Green, Social and Sustainability Financial Instruments Working Group (“GSSFIWG”). After the initial assessment is conducted by the Company’s business units, GSSFIWG will assess and approve the final eligible projects. GSSFIWG will review the allocation of the proceeds on an annual basis to monitor any changes in eligible projects. This is in line with market practice.



MANAGEMENT OF PROCEEDS The GSSFIWG will track the proceeds using a GSS Bond Register (“Register”) and review the Register annually. The Company intends to allocate all proceeds within 36 months. Pending full allocation, unallocated proceeds will be held in cash, cash equivalents, investment grade securities, other marketable securities and short-term instruments aligned with its general liquidity management policies. This is in line with market practice.



REPORTING KB Kookmin Card intends to report on allocation and impacts of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information on the total amount allocated to eligible use of proceeds and breakdown per eligible category, the balance amount of unallocated net proceeds, and outstanding loans and investment that can be classified as one of eligible categories. In addition, KB Kookmin Card is committed to reporting on relevant environmental and social impact metrics. This is aligned with market practice.

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Issuer Location	Seoul, Republic of Korea

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Introduction

Established in 2011 and headquartered in Seoul, KB Kookmin Card Co., Ltd (“KB Kookmin Card”, the “Company”, or the “Issuer”) is a Korean credit card company, a wholly owned subsidiary of KB Financial Group. The key business segments of KB Kookmin Card are card payment, short- and long-term card loans, installment financing/leasing, and car leasing. As of March 2021, the Company has approximately 20 million customers through 26 branches and 13 sales offices in Korea, and 2 subsidiaries in Cambodia and Myanmar.

KB Kookmin Card has developed the KB Kookmin Card Green, Social and Sustainability Financing Framework (the “Framework”) under which it intends to issue the bonds, loans and other debt-like financing structures and use the proceeds to finance and refinance, in whole or in part, existing or future projects that can reduce the environmental footprint of KB Kookmin Card’s operations and advance the socio-economic development of the Republic of Korea.

The Framework defines green eligibility criteria in three areas:

1. Energy Efficiency
2. Clean Transportation
3. Green Buildings

The Framework defines social eligibility criteria in two areas:

1. Employment Generation
2. Socioeconomic Advancement and Empowerment

KB Kookmin Card engaged Sustainalytics to review the KB Kookmin Card Green, Social and Sustainability Financing Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (“GBP”),¹ Social Bond Principles 2020 (“SBP”),² Sustainability Bond Guidelines 2018 (SBG)³ and the Green Loan Principles 2021 (GLP).⁴ This Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by ICMA; and the Green Loan Principles 2021, as administered by LMA⁷;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

² The Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Green Loan Principles are administered by the Loan Market Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

⁵ The KB Kookmin Card Green, Social and Sustainability Bond Framework is available on KB Kookmin Card’s website at: <https://customer.kbcard.com/CXCROI/CD0001.cms>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁷ In addition to the Loan Markets Association, the Green Loan Principles are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association.

As part of this engagement, Sustainalytics held conversations with various members of KB Kookmin Card's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. KB Kookmin Card representatives have confirmed (1) they understand it is the sole responsibility of KB Kookmin Card to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and KB Kookmin Card.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that KB Kookmin Card has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the KB Kookmin Card Green, Social and Sustainability Financing Framework

Sustainalytics is of the opinion that the KB Kookmin Card Green, Social and Sustainability Financing Framework is credible, impactful and aligns with the four core components of the SBG, GBP, GLP, SBP. Sustainalytics highlights the following elements of KB Kookmin Card's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, and Socioeconomic Advancement and Empowerment – are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics considers that the eligible categories are expected to reduce the environmental footprint of KB Kookmin Card's operations and advance the socio-economic development in the Republic of Korea.
 - KB Kookmin Card has communicated to Sustainalytics that it intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive 90% of revenues from activities identified in the eligible categories. While Sustainalytics recognizes that the GBP and SBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending, nevertheless, Sustainalytics recognizes that the financing of "pure-play" companies through green bonds is commonly accepted as an approach which can generate positive impacts.
 - KB Kookmin Card has established a 36-month look-back period for its refinancing activities and intends to fully allocate the proceeds within 36 months. Sustainalytics considers this as in line with market practice.
 - Within the Energy Efficiency category, KB Kookmin Card may invest in electric powered energy efficient systems, technologies and equipment such as smart meters and smart grid. While noting the variety of definitions and applications of "smart grid" technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages KB Kookmin Card to select projects that are clearly anticipated to deliver tangible efficiency improvements.

Additionally, as part of the same category, KB Kookmin Card may finance projects or companies that produce battery energy storage systems for renewable energy.

- Within the Clean Transportation category, the Company may invest in private vehicles that are electric, hydrogen powered, or hybrid vehicles that have an emissions threshold of 75gCO₂e/km, which Sustainalytics considers to be aligned with market practice. Other projects in this category includes investments in the payment infrastructure for electric subway transport and/or electricity or hydrogen charging stations.⁸ Sustainalytics positively notes the use of emission thresholds for hybrid vehicles.
- Within the Green Building category, the Company may invest in construction and renovation of buildings using third-party green building certification standards such as LEED (Gold and above), BREEAM (Excellent and above), Korean Building Energy Efficiency Certification (1++ or above) and national equivalent standards such as Green Standard for Energy and Environmental Design (GSEED 2 and above). Sustainalytics views these certifications as credible, and the levels selected as impactful (see Appendix 1 for further information on the referenced building standards).
- Sustainalytics highlights KB Kookmin Card's targeted approach under the following social categories:
 - Within the Employment Generation category, the Company may provide financing to small and medium-sized enterprises,⁹ including start-ups and venture companies¹⁰ that meet one or more of the following criteria: (i) affected by socioeconomic crisis or natural disasters, (ii) led by women or individuals with disabilities or impairments (iii) located in regions with unemployment above the national average or (iv) located in regions where income is below national average. With regards to supporting enterprises affected by socioeconomic crisis or natural disasters, Sustainalytics recognizes the importance of ensuring business and employment continuity, and encourages the Issuer to provide further disclosure on the identification of targeted beneficiaries and report on the impact achieved. (Please refer to Section 3 for explanation on how employment generation is impact by the financing of Korean SMEs.)
 - Under the Socioeconomic Advancement and Empowerment category, KB Kookmin Card may provide one of the following: (i) loans to small and medium-sized¹¹ social enterprises that are defined by Social Enterprise Promotion Act¹² or certified by central or regional governments,¹³ (ii) financial support to small and medium-sized merchants¹⁴ that meet the same eligibility criteria defined under Employment Generation, (iii) microloans¹⁵ to low-income populations¹⁶ with low credit bureau scores, (iv) mid-interest rate loans¹⁷ to populations that face barriers in accessing to

⁸ KB Kookmin has confirmed to Sustainalytics that the intended payment infrastructure is used by all travelers and relevant expenditures are distributed to card companies on a pro rata basis.

⁹ Small and medium-sized enterprises are defined as those with annual revenue below KRW 3bn (EUR 2,26 mn)

¹⁰ Start-ups and Venture companies are defined in the article 2 of the Enforcement Decree of the Framework Act on Small and Medium Enterprises. The full article can be found at:

<https://law.go.kr/LSW/eng/engLsSc.do?menuId=2§ion=lawNm&query=social+enterprise+promotion+act&x=0&y=0#iBgcolor5>

¹¹ Size of a social enterprise should fall below the threshold stated in the Enforcement Decree of the Framework Act on Small and Medium Enterprises, at: <https://law.go.kr/LSW/eng/engLsSc.do?menuId=2§ion=lawNm&query=FRAMEWORK+ACT+ON+SMALL+AND+MEDIUM+ENTERPRISES+&x=0&y=0>

¹² According to the Social Enterprise Promotion Act, a social enterprise is an entity that is certified by the Ministry of Employment and Labor and pursues a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups and social services or job opportunities or by contributing to the communities while conducting its business activities such as the manufacture or sale of goods and services. You can find more information at: <https://law.go.kr/LSW/eng/engLsSc.do?menuId=2&query=social%20enterprise%20promotion%20act#iBgcolor5>

¹³ Social enterprises that are certified by central or regional governments refers to enterprises that do not meet financial or governance requirements defined under the Social Enterprise Promotion Act, such as profit structure. More information can be found at:

https://www.socialenterprise.or.kr/social/ente/resepConcept.do?m_cd=E008

¹⁴ Small and medium sized enterprises are expected to follow eligibility criteria as defined under the Employment Generation category of the Issuer's Framework.

¹⁵ Microloans are loans no higher than the amount of KRW 30 mn (EUR 22,377).

¹⁶ The annual Income of population must be less than KRW 35 mn (EUR 26,400) or income less than KRW 45 mn (EUR 33,975) with low credit score (Credit score below 20th percentile which correspond to score of 744 by NICE or 700 by KCB as of 2021)

¹⁷ The issuer intends to provide mid-interest rate loan (with average rate of 11% and max rate of 14.5%) to customers who tend to face higher interest rate due to weak credit profile, in order to alleviate their financial burden.

- finance due to weak credit profile,¹⁸ and (v) other financial support (such as loan maturity extension) to small to medium-sized enterprises⁹ and low-income individuals¹⁶ affected by socioeconomic crisis or natural disasters.
- Sustainalytics notes that KB Kookmin Card excludes the financing of activities within certain industries such as luxury sector,¹⁹ child labour, forced labour, weapons, alcohol, tobacco, fossil fuel, and nuclear power. Sustainalytics is of the opinion that the addition of exclusionary criteria strengthens the Framework.
 - Project Evaluation and Selection:
 - A Green, Social and Sustainability Financial Instruments Working Group (“GSSFIWG”) is in charge of project evaluation and selection process, comprised of members from Strategic Planning Department, Financial Planning Department/Treasury & Accounting Department, Risk Management Department/Credit Planning Department, Retail Business Promotion Department/Card Financial Service Department/Life Biz Department.
 - KB Kookmin Card has a two-step project evaluation process. First, the Company’s business units will conduct the initial assessment of eligible projects against its internal investment and lending criteria. Second, GSSFIWG will evaluate and approve the eligible projects from the projects proposed by the business units. The GSSFIWG will ensure the continuous monitoring of any updates on the eligible projects through an annual review.
 - Based on the appropriate oversight of project evaluation and selection process, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - GSSFIWG will be responsible for tracking the net proceeds using a GSS Bond Register (“Register”). The Register contains information regarding key information on the eligible projects and expenditure and their environmental and social impacts. The GSSFIWG will review the Register on an annual basis.
 - The net proceeds of financial instruments will be fully allocated within 36 months after issuance.
 - Pending full allocation, unallocated proceeds will be held in cash, cash equivalents, investment grade securities, other marketable securities and short-term instruments in accordance with its general liquidity management policies.
 - Based on the internal tracking system and disclosure on the temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - KB Kookmin Card is committed to reporting on the allocation and impact of its proceeds annually on its website until full allocation.
 - Allocation reporting will include information on the total amount allocated to eligible use of proceeds and breakdown per eligible category, the balance amount of unallocated net proceeds, and outstanding loans and investment that can be classified as one of eligible categories.
 - Where feasible, impact reporting discloses environmental and social impact indicators including tonnes of GHG avoided, tonnes of waste managed, energy saved per year (kWh/year), number of electric vehicles manufactured, type of certification and number of Green Buildings, amount of financing provided to low-income individuals, number of start-ups, venture companies and SMEs financed, and number of jobs created.
 - Based on KB Kookmin Card’s commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the KB Kookmin Card Green, Social and Sustainability Financing Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

¹⁸ In accordance with the latest Specialized Credit Finance Business Supervision Regulations released in December 2020, the Issuer has communicated that it provides affordable mid-interest rate loan (with average rate of 11% and max rate of 14.5%) to individuals that face higher interest rate due to weak credit profile, in order to alleviate their financial burden. More information on the Specialized Credit Financial Business Supervision Regulations (2020) can be found at: <https://www.law.go.kr/행정규칙/여신전문금융업감독규정>

¹⁹ Activities in this industry include wholesale or brokerage of precious minerals and metals.

Section 2: Sustainability Strategy of KB Kookmin Card

Contribution of Framework to KB Kookmin Card's sustainability strategy

As a subsidiary of KB Financial Group ("Group"), KB Kookmin Card follows the Group's sustainability strategy and targets. In March 2020, the Group established the "KB Green Way 2030" which aims to reduce CO₂ emissions from the Group's operations by 2030 compared to a 2017 baseline and increase the volume of ESG investments and loans from KRW 20 tn (USD 17.9 mn) to KRW 50 tn (USD 44.9 mn) between 2020 and 2030.²⁰ Furthermore, in order to oversee the ESG issues, KB Kookmin Card has established the ESG management team and intends to establish an ESG Council Group by 2021.²¹

As part of its commitment to provide environmental benefits, KB Kookmin Card has participated in the "Green Card" project organized by the Ministry of Environment, aimed at shifting consumer behavior to be more sustainable.²² Additionally, KB Kookmin Card is cooperating with the Ministry of Environment and electric vehicle platforms in order to encourage the consumers to use electric vehicles²³

Sustainalytics is of the opinion that the KB Kookmin Card Green, Social and Sustainability Financing Framework is aligned with the Company's overall initiatives and will further the Company's action on its key environmental and social efforts. While recognizing KB Kookmin Card's sustainability initiatives aligned with the Group's, Sustainalytics encourages KB Kookmin Card to develop a dedicated sustainability strategy and time-bounded and quantitative sustainability targets.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, public opposition, land use change, and biodiversity issues associated with infrastructure development. Furthermore, financial institutions are exposed to risks of financing environmentally and socially harmful businesses while offering their services. Sustainalytics is of the opinion that KB Kookmin Card is able to manage and mitigate potential risks through implementation of the following policies and assessments:

- KB Kookmin Card complies with the *Environmental Impact Assessment Act*.²⁴ In case the area of the building site is subject to an Environmental Impact Assessment (EIA), projects funded by KB Kookmin Card must conduct the EIA evaluating impacts on the land use, soil, environment-friendly resource circulation, and biodiversity of its construction project. Additionally, where required, the local authority governor shall publicly share the draft EIA on the master plan for development and have a briefing session to hear residents' opinions.
- As part of seven Code of Ethics,²⁵ KB Kookmin Card is in compliance with applicable domestic and international environmental regulations associated with environmental protection and occupational health and safety. Furthermore, KB Kookmin Card has achieved ISO 14001 certification²⁶ for its environmental management system in 2017, implying the presence of appropriate systems to mitigate and address environmental risks.
- Suppliers of KB Kookmin Card must comply with the Supplier Code of Conduct²⁷ regarding human rights protection, occupational health and safety, environmental protection. In compliance with the Code, suppliers shall identify and safely collect/manage substances that are harmful to the human

²⁰ KB Financial Group, "KB Financial Group, Makes a Better World with KB Green Way 2030 (KB 금융, 'KB GREEN WAY 2030'으로 더 나은 세상을 만든다)", (2020), at: https://www.kbfg.com/Kor/pr/press/2020_46.htm

²¹ KB Financial Group, "KB Financial Group Sustainability Report 2019", (2019), at: <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

²² Ministry of Environment, "The number of green cards surpassed 300,000 in three months, showing people's willingness to practice green life (그린카드 3개월만에 30만좌 돌파 우리 국민의 높은 녹색생활 실천 의지 돋보여)", (2011), at: <http://www.me.go.kr/home/web/board/read.do?pagerOffset=6270&maxPageItems=10&maxIndexPages=10&searchKey=&searchValue=&menuId=&orgCd=&boardMasterId=1&boardCategoryId=&boardId=179593&decorator=>

²³ KB Kookmin Card, "KB Kookmin Card Green, Social and Sustainability Bond Framework", (2021), at: <https://customer.kbcard.com/CXCROI/CD0001.cms>

²⁴ KLRI, "Environmental Impact Assessment Act", at: https://elaw.klri.re.kr/eng_service/lawView.do?hseq=45064&lang=ENG

²⁵ KB Kookmin Card, "Ethical Management (윤리경영) - Code of Ethics (윤리강령)", at: <https://customer.kbcard.com/CXCROCIC0021.cms>

²⁶ ISO, "ISO 14000 Family Environmental Management", at: <https://www.iso.org/iso-14001-environmental-management.html>

²⁷ KB Kookmin Card, "Supplier Code of Conduct (협력회사 윤리행동기준)", at: <https://customer.kbcard.com/CXCROCIC0033.cms>

body or cause environmental pollution.²⁷ In addition, suppliers of the Company shall minimize environmental pollutants through recycling and using environmentally friendly resources.²⁷

- Under the Framework, KB Kookmin Card excludes its financing from industries or activities associated with (i) child and forced labour, (ii) weapons, (iii) fossil fuels (production, distribution, remediation and associated energy efficiency technologies), and (iv) nuclear power.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that KB Kookmin Card has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by GBP, GLP or SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of clean transportation in Republic of Korea

As of 2017, the transportation sector accounts for 14% of the total GHG emissions, of which 96% are emitted by passenger cars, trucks and busses.²⁸ Due to the rise in number of vehicles and expanded road networks, total GHG emissions tripled between 1990-2017.²⁸ Furthermore, the transportation sector accounts for 13% of the total Particulate Matter (PM) emissions in Korea, causing air pollution.²⁸

In order to significantly reduce GHG emissions in the transportation sector by 2050, the Government of Republic of Korea has established the following four strategies as part of the 2050 vision for the transportation sector: (i) "Scaling up deployment of eco-friendly vehicles", (ii) "Increasing low-carbon fuel use", (iii) "Advancing maritime, aviation and railroad transportation", and (iv) "Managing transportation demand and optimizing vehicle operation".²⁸ As part of these strategies, the government aims to achieve one-third of new vehicle sales from electric and hydrogen vehicles, specifically 3 mn units of EVs and 0.85 mn units of hydrogen vehicles, by 2030.²⁸ Additionally, the government acknowledges the importance of constructing electric- and hydrogen-fueling infrastructure as another key component of the strategy.²⁸ By 2019, the government has supported 5,936 EV fast charging stations and 34 hydrogen-charging stations and plans to scale up its investment in clean transportation infrastructure, aimed at building 10,000 EV charging stations and 310 hydrogen-fueling stations by 2022.²⁸

Based on the above, Sustainalytics recognizes the importance of clean transportation in Korea. KB Kookmin Card intends to finance infrastructure for hydrogen vehicles and electric vehicles. Sustainalytics is of the opinion that KB Kookmin Card's financing may contribute to reducing GHG emissions in the transportation sector in Korea, thereby facilitating a transition to a decarbonized economy.

Importance of financing Korean SMEs to support employment generation

Korea's economic growth has been driven by large enterprises focusing on exports of manufactured goods during the country's industrialization period.²⁹ Despite the role of large enterprises in South Korea's rapid economic growth, which positioned the country from one of the poorest countries to the high-income Country over the decades, this trickle-down growth model has led the economic polarization among large enterprises and small-and medium-sized enterprises (SMEs).²⁹ In 2017, Korea ranked first among the OECD member countries with the largest wage income gap between large enterprises and SMEs.

In 2018, SMEs accounted for 99.9% of Korean enterprises and 83.1% of employment in Korea.³⁰ Considering that SMEs are the key drivers of job creation in Korea, the government aims to shift the economic growth model from large enterprises to SMEs and start-ups.²⁹ In response, the government launched a KRW 10 tr (USD 8.9 bn) venture capital investment fund and increased financial support for SMEs through state-owned banks in 2018.²⁹ Additionally, the government provides annual support of up to KRW 20 million (USD 17,925) to newly hired young employees for working at SMEs as an incentive to ensure employment and business continuity by minimizing the income gap of employees between large enterprises and SMEs since 2018.²⁹

²⁸ The Government of Republic of Korea, "2050 Carbon Neutral Strategy of the Republic of Korea: towards a Sustainable and Green Society", (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_RKorea.pdf

²⁹ OECD, "Enhancing Dynamism in SMEs and Entrepreneurship in Korea", Working Paper, (2018), at:

[http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2018\)58&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2018)58&docLanguage=En)

³⁰ Ministry of SMEs and Startups, "Status of Korean SMEs", at: <https://www.mss.go.kr/site/eng/02/2020200000002019110610.jsp>

KB Kookmin Card may finance SMEs including start-ups and venture companies which are (i) affected by socioeconomic crises or natural disasters, (ii) led by women or individuals with disabilities or impairments, (iii) in regions with above national average unemployment rate, or (iv) in regions with below national average income levels. Sustainalytics is of the opinion that KB Kookmin Card's financing of SMEs may contribute to delivering positive socioeconomic impacts by creating decent jobs in SMEs for targeted groups while reducing income gaps between large enterprises and SMEs in South Korea.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the KB Kookmin Card Green, Social and Sustainability Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDGs	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Socioeconomic Advancement and Empowerment	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Conclusion

KB Kookmin Card has developed the KB Kookmin Card Green, Social and Sustainability Financing Framework under which it will issue green, social and sustainability bonds, loans and other debt-like financing structures, using the proceeds to finance the following project categories: Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Socioeconomic Advancement and Empowerment. Sustainalytics considers that the projects funded by the sustainability bond proceeds can lead to a lower environmental footprint of KB Kookmin Card's operations and advance the socio-economic development of Republic of Korea.

The KB Kookmin Card Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the KB Kookmin Card Green, Social and Sustainability Financing Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 7, 8, 9, 11. Additionally, Sustainalytics is of the opinion that the KB Kookmin Card has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that KB Kookmin Card is well-positioned to issue sustainability bonds, loans and other debt-like financing structures, and that the KB Kookmin Card Green, Social and Sustainability Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018, Green Loan Principles 2021, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018.

Appendices

Appendix 1: Overview and Comparison of Green Building Certification Schemes





	LEED ³¹	BREEAM ³²	Korea Building Energy Efficiency Certification ³³	G-SEED ³⁴
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Korea Building Energy Efficiency Certification is a Korean building energy efficiency certification certified by the Korea Energy Agency (KEA). First implemented in 2001 for residential buildings and now is promoted by the Green Building Construction Support Act applied for both residential and non-residential buildings in Korea.	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government under the authority of the Green Building Act (2006).
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Level 1+++ Level 1++ Level 1+ Level 1 Level 2 Level 3 Level 4 Level 5 Level 6 Level 7	Green 4 Green 3 Green 2 Green 1
Areas of Assessment: Environmental Project Management	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.		

³¹ More information on the LEED certification scheme at: <https://new.usgbc.org/leed>.

³² More information on the BREEAM certification scheme at: <https://www.breeam.com/>.

³³ Korea Energy Agency, "Building Energy Efficiency Certification", at: https://dco.energy.or.kr/renew_eng/energy/buildings/buildings_certification.aspx

³⁴ More information on the G-SEED certification scheme at (Korean): <http://gseed.greentogether.go.kr/sys/gms/selectGreenMain.do>.

<p>Areas of Assessment: Environmental Performance of the Building</p>	<ul style="list-style-type: none"> - Energy and atmosphere - Sustainable Sites - Location and Transportation - Materials and resources - Water efficiency - Indoor environmental quality - Innovation in Design - Regional Priority 	<ul style="list-style-type: none"> - Energy - Land Use and Ecology - Pollution - Transport - Materials - Water - Waste - Health and Wellbeing Innovation 	<ul style="list-style-type: none"> • Heating energy requirement • Cooling energy requirement • Hot water energy requirement • Lighting energy requirement - Ventilation energy requirement 	<ul style="list-style-type: none"> - Land Use & Transportation - Energy & Environmental Pollution - Materials & Resources - Water Management - Maintenance - Ecology - Indoor Environment - Innovative Design
<p>Requirements</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points.</p> <p>This number of points is then weighted by item³⁵ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Certified based on the required primary energy per unit area per year (kWh/m², year).</p> <p>Preliminary certification: evaluation based on design documents.</p> <p>Final certification: on-site confirmation and inspection.</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>Individual credits are achieved in a number of categories, category scores are then weighted to achieve an overall grade.</p>
<p>Performance display</p>				
<p>Accreditation</p>	<p>LEED AP BD+C LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP BREEAM In Use Assessor</p>	<p>Certification Bodies appointed by the Ministry of Land, Infrastructure and Transportation (MOLIT) and Ministry of Trade, Industry and Energy (MOTIE) review and certify projects.</p>	<p>Certification Bodies, appointed by the Ministry of Environment (MOE) and the Ministry of Land, Infrastructure and Transportation (MLIT) review and certifies projects.</p>

³⁵ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

<p>Qualitative considerations</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely used in Korea and aligned with government standards. Strong overall qualifications. Little international recognition.</p>	<p>Widely used in Korea and aligned with government standards. Strong overall qualifications. Little international recognition.</p>
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Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	KB Kookmin Card
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	KB Kookmin Card Green, Social and Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 20, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds –Energy Efficiency, Clean Transportation, Green Buildings, Employment Generation, Socioeconomic Advancement and Empowerment – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 7, 8, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
 Other (please specify):

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

KB Kookmin Card's project evaluation and selection process will be managed by a Green, Social and Sustainability Financial Instruments Working Group ("GSSFIWG"). After the initial assessment is conducted by the Company's business units, GSSFIWG will assess and approve the final eligible projects. GSSFIWG will review the allocation of the proceeds on an annual basis to monitor any changes in eligible projects. This is in line with market practice.

Evaluation and selection

- Credentials on the issuer's social and green objectives
 Documented process to determine that projects fit within defined categories
- Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
 Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
 Other (please specify):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The GSSFIWG will track the proceeds using a GSS Bond Register ("Register") and review the Register annually. The Company intends to allocate all proceeds within 36 months. Pending full allocation, unallocated proceeds will be held in cash, cash equivalents, investment grade securities, other marketable securities and short-term instruments aligned with its general liquidity management policies. This is in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

KB Kookmin Card intends to report on allocation and impacts of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information on the total amount allocated to eligible use of proceeds and breakdown per eligible category, the balance amount of unallocated net proceeds, and outstanding loans and investment that can be classified as one of eligible categories. In addition, KB Kookmin Card is committed to reporting on relevant environmental and social impact metrics. This is aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): tonnes of waste managed, number of electric |

vehicles manufactured, type of certification and number of Green Buildings, amount of financing provided to low-income individuals, number of start-ups, venture companies and SMEs financed, and number of jobs created

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

https://customer.kbcard.com/CXCROIVCD0001.cms

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

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- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
 - iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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