

Second-Party Opinion

Kookmin Bank Sustainable Financing

Evaluation Summary

Sustainalytics is of the opinion that the Kookmin Bank (KB) Sustainable Financing Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The nine green and six social eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Although the bond is not exclusively project-based, Sustainalytics considers the projects and lending to have positive environmental and/or social impacts and to advance multiple UN Sustainable Development Goals.



PROJECT EVALUATION / SELECTION KB has defined a process in order to ensure that only eligible assets are selected for financing under the Framework, involving initial project identification by the Bank's various business units, and then review and approval by the Kookmin Bank Sustainable Financing Steering Committee. This is in line with market practice.



MANAGEMENT OF PROCEEDS A Sustainable Finance Register will be established to track the allocation and use of proceeds for KB's Sustainable Finance Transactions. Pending allocation, proceeds will be held in accordance with the Bank's normal liquidity management policy. This is in line with market practice.



REPORTING KB has committed to reporting on administrative, allocation, and impact information on an annual basis. Allocation reporting will include category-level and regional distribution of disbursements, while impact reporting will include relevant KPIs where feasible. This is in line with market practice.

Evaluation date	September, 2018
Issuer Location	Seoul, South Korea

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Introduction

Kookmin Bank (“KB”, “the Group”, or “the Bank”) is one of the largest banks in South Korea, and a wholly-owned subsidiary of KB Financial Group. KB provides financial services to over 30 million customers across Korea with over 1,000 branches.

KB has developed the Kookmin Bank Sustainable Financing Framework (the “Framework”) under which it intends to enter into Sustainable Financing Transactions (“SFT”) with proceeds to finance, or refinance, projects and expenditures that will deliver positive environmental and social outcomes and which support the Group’s strategy and vision. The framework defines Green and Social Eligible Categories in the following areas:

Green Eligible Categories

1. Renewable energy
2. Energy efficiency
3. Pollution prevention and control
4. Environmentally sustainable management of living natural resources and land use
5. Terrestrial and aquatic biodiversity conservation
6. Clean transportation
7. Sustainable water and wastewater management
8. Climate change adaptation
9. Green buildings

Social Eligible Categories

1. Affordable basic infrastructure
2. Access to essential services
3. Affordable housing
4. Employment generation
5. SME financing and microfinance
6. Socioeconomic advancement and empowerment

KB engaged Sustainalytics to review the Kookmin Bank Sustainable Financing Framework and provide a second-party opinion on the alignment of the Sustainable Financing Transactions¹ with the Green Bond Principles 2018 (“GBP”), Social Bond Principles 2018 (“SBP”), and Sustainability Bond Guidelines 2018 (“SBG”), as administered by the International Capital Market Association (the “ICMA”),² along with the Green Loan Principles 2018 (the “GLP”), as administered by the Loan Market Association (the “LMA”).³ This Framework has been published in a separate document.⁴

As part of this engagement, Sustainalytics held conversations with various members of KB’s management team and the lead underwriter to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of KB’s sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Kookmin Bank Sustainable Financing Framework and should be read in conjunction with that Framework.

¹ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

² ICMA’s Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ LMA’s Green Loan Principles 2018: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

⁴ <https://omoney.kbstar.com/quics?page=C060053>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Kookmin Bank Sustainable Financing Framework

Summary

Sustainalytics is of the opinion that the Kookmin Bank Sustainable Financing Framework is credible and impactful, and aligns with the four core components of the GBP, SBP and SBG. Sustainalytics highlights the following elements of KB's Framework:

- Use of Proceeds:
 - The nine green use of proceeds categories and the six social use of proceeds categories are recognized as impactful by the Green Bond Principles and Social Bond Principles.
 - Sustainalytics views positively the alignment of the Green Buildings criteria with recognized international standards (LEED and BREEAM) as well as local certifications (G-SEED). For a comparison of green building schemes, please refer to Appendix 1.
 - The Framework has defined targeted populations for social uses of proceeds, as recommended by the Social Bond Principles. Sustainalytics views the following definitions positively:
 - the alignment of the threshold for low-income with those of the Korean Ministry of Health and Welfare and the Ministry of Education.
 - extensive criteria for job creation, referencing government regulations and programmes, and standards from the Ministry of Employment and Labour and the Minister of SMEs and Startups.
 - criteria for lending to tenants of public housing provided by (i) public housing providers under the Special Act of Public Housing or (ii) public housing providers approved by Korea Housing Finance Corporation.
 - criteria for lending to socially vulnerable communities such as National Basic Living Security recipients, the second lowest income group, severely disabled, child head of household, multicultural family, family living with elderly parents, and permanent rental housing tenants.

Sustainalytics is of the opinion that aligning these definitions with the government's definitions and thresholds ensures that the social use of proceeds are credible with respect to targeting vulnerable populations.

 - Sustainalytics recognizes that the GBP, SBP and SBG prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While the Framework includes project-based lending, it also considers the inclusion of non-project-based lending activities and expenditures. Sustainalytics considers lending to the eligible categories as socially impactful in Korea's local context. For further information refer to Section 3: Impact of Use of Proceeds.
 - Exclusionary criteria, including nuclear power, fossil fuels, alcohol & tobacco, food-suitable biomass, and luxury sectors have been defined. Sustainalytics is of the opinion that these exclusions strengthen the Framework.
 - Given the broad application of the Framework, Sustainalytics recommends disclosing on issuance of the bonds, the specific projects intended to be funded through bond proceeds, and the relevant eligibility criteria.
- Project Selection Process:
 - KB has defined an Asset Evaluation and Selection Process in order to ensure that only eligible assets are selected to be financed under the Framework. This Process involves initial project identification by the Bank's various business units, and then review and approval by the Kookmin Bank Sustainable Financing Steering Committee ("SFSC"). SFSC is made up of representatives from ten departments, including Trading/Capital Markets, Corporate Social Responsibility, and Head Office Integration.
 - Based on the existence of a formalized multi-step process, Sustainalytics considers KB's project selection process to be in line with market practice.
- Management of Proceeds:
 - A Sustainable Finance Register will be established to track the allocation and use of proceeds for KB's SFT. The register will include information on issuances under the Framework, such as

- the dates and amount of proceeds, and details on the use of proceeds. The use of proceeds information recorded will include details on the projects/expenditures, the amount allocated to each eligible asset, the balance of unallocated funds, and environmental and social impacts of the eligible projects.
- Pending allocation, proceeds will be held in accordance with the Bank's normal liquidity management policy, and may be invested in domestic and international money market instruments.
 - Based on the commitment to establish a Register, and the disclosure of how unallocated funds will be managed, Sustainalytics considers KB's management of proceeds process to be in line with market practice.
- Reporting:
 - KB has committed to reporting on an annual basis, including information on outstanding financing instruments, allocation of proceeds, and environmental and social impacts. This report, provided either online, in the Group's annual report, or sustainability report, will include the date and summary terms of each executed SFT, including the date of issuance, the principal amount, and the maturity date.
 - Allocation reporting will include the breakdown of allocated amounts by use of proceeds category, by geographic region, and by sector, as well as the balance of unallocated proceeds.
 - Impact reporting will include, where feasible, green indicators such as renewable energy generated, tonnes of greenhouse gas avoided, and energy savings as well as social indicators such as jobs created and number and types of communities supported.

Alignment with GBP, SBP, SBG and GLP

Sustainalytics recognizes that the Kookmin Bank Sustainability Financing is not exclusively project-based, (i.e. KB may also allocate the net proceeds to finance lending and investment activities in companies), and that proceeds may be allocated to finance general-purpose lending to organizations. Sustainalytics also recognizes that (i) the GBP, SBP and SBG prefer project-based lending, and that (ii) in general, there is lesser transparency associated with reporting on non-project-based financing. However, as in the Framework, KB has tightly defined Social Eligible Categories which all Social Use of Proceeds will strictly adhere to. KB is fully committed to transparency as per its Framework, and has also made a commitment, to the extent possible, to disclose the net proceeds, or an amount equal to the net proceeds, of the KB sustainability bond which are allocated through their corporate lending and investment activities. Sustainalytics also recognizes that KB is subject to confidentiality constraints when reporting on the KB sustainability bond. Considering this constraint, KB's commitment and the nature of the relevant eligible projects/businesses, Sustainalytics is of the opinion that the KB sustainability bond is transparent to the extent possible.

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

Sustainalytics also considers the Kookmin Bank Sustainable Financing Framework to be aligned with the expectations of the GLP, which closely reflect the GBP.

Section 2: Sustainability Performance of the Issuer

Contribution of Sustainable Financing to Kookmin Bank's sustainability strategy

Sustainalytics has a positive view of Kookmin Bank's Framework and its alignment with the Group's efforts to transition to a low-carbon economy. Although KB has not set quantifiable targets for sustainable financing, the Group has demonstrated its commitment to mitigating climate change and promoting a positive social impact through the following efforts:

- Kookmin Bank has been offering financing solutions for a wide range of new and renewable energy projects (such as solar power and wind power) since 2007, amounting to a total of KRW 544.8 billion.⁵ In 2017, the Group provided syndicated loans for a wind energy project at the Seokmun National Industrial Complex in Dangjin worth KRW 331.2 billion.
- Kookmin Bank determined the following two material issues corresponding to the topic of sustainable financing within its stakeholder engagement and materiality test in 2017: (1) develop environment-friendly products and services, and (2) greater environment-friendly investment.⁶
- In its 2017 Sustainability Report, the Group discloses that it created 7,082 (cumulative) new jobs through its KB GoodJob Programs and supported KRW 139.4 billion (cumulative) KB Miso Microfinance loans.⁷
- The Group was also named banking leader in South Korea in 2017 by the Dow Jones Sustainability World Index and was nominated for carbon management sector honors at the 2017 CDP Awards for Climate Change.⁸

Sustainalytics is of the opinion that Kookmin Bank's sustainability actions demonstrate the importance the Bank places on achieving positive environmental and social impact within the Group. As such, Sustainalytics is of the opinion that Kookmin Bank's Sustainable Financing Transactions is aligned with the Group's overall sustainability efforts and can help to support the transition towards a low-carbon and sustainable economy.

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

While Sustainalytics recognizes that the proceeds from Kookmin Bank's Framework will be directed towards Eligible Projects that are recognized by market norms (GBP, GLP and SBP) to have positive impact, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the Eligible Projects are pollution control in construction and development projects, increased exposure of local communities to adverse effects, and biodiversity loss. However, Sustainalytics is of the opinion that KB can mitigate such risks through its strong environmental and social risk assessment processes: (i) compliance with the principles of the UN Global Compact, (ii) Integrated Risk Management, and (iii) Principle Code of Loan and Standards of Loan Practice.⁹ The Group's Principles Code of Loan and Standards and Integrated Risk Management system provide processes for including social and environmental issues into decision-making regarding investment opportunities.

Sustainalytics is of the opinion that Kookmin Bank's internal processes and mechanisms to avoid and mitigate environmental and social risks associated with its project financing and lending activities are in line with market practices.

Section 3: Impact of Use of Proceeds

Environmental Impacts

The proceeds from the green use of proceeds will be used for lending in the following nine categories:

1. Renewable energy
2. Energy efficiency
3. Pollution prevention and control
4. Environmentally Sustainable Management of Natural Resources and Land Use
5. Terrestrial and Aquatic Biodiversity Conservation
6. Clean transportation
7. Sustainable water and wastewater management
8. Climate change adaptation
9. Green Buildings

The environmental categories defined in the Kookmin Bank Sustainable Financing Framework are recognized as having beneficial environmental impacts by the Green Bond Principles.

⁵ KB Financial Group Sustainability Report 2017; <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

⁶ KB Financial Group Sustainability Report 2017; <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

⁷ KB Financial Group Sustainability Report 2017; <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

⁸ KB Financial Group Sustainability Report 2017; <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

⁹ KB Financial Group Principle Code of Loan and Standards of Loan Practice; <https://www.kbfg.com/Eng/about/sustainability/sustainability.jsp>

As a financial institution, KB is well-positioned to make an impact through its lending activities. Sustainalytics believes that KB's green use of proceeds will promote the adoption of environmentally responsible lending practices, and support a shift towards a low-carbon economy.

Social Impacts

The proceeds from the social use of proceeds will be used for lending in the following six categories:

1. Affordable basic infrastructure
2. Access to essential services
3. Affordable housing
4. Employment generation
5. SME financing and microfinance
6. Socioeconomic advancement and empowerment

The social categories defined in the Kookmin Bank Sustainable Financing Framework are recognized as having beneficial social impacts by the Social Bond Principles.

Importance of job creation in Korea

In July 2017, South Korea's State Affairs Planning Advisory Committee submitted a "Five- year Plan for the Administration of State Affairs" which consists of a national vision, policy goals and strategies, 100 policy tasks and consolidated innovative tasks of the current administration. Amongst the 100 policy tasks, the top two consolidated innovative tasks selected to be carried out as top priorities were: "The job-creating economy" and "Nurturing innovative startups".¹⁰ In October 2017, the South Korean government introduced a five-year roadmap on job creation that emphasizes creating jobs in the public and private sectors, while improving the overall quality of jobs.

In the private sector, the roadmap seeks to induce more employment by providing support to "innovative startups" as well as stimulating the social economy. This is becoming an important issue since South Korea is seeing rapid increase in the number of one-man, self-employed startups that do little to create more jobs.¹¹ Furthermore, data from Statistics Korea in July 2018 indicated that the economy added a mere 5,000 jobs in July over a year earlier, the smallest annual gain since 2010 when 10,000 jobs were lost in the depths of the global financial crisis. To tackle this situation, the roadmap seeks to provide various incentives to build and expand "innovative startups" conducive to job creation.¹² Sustainalytics is of the opinion that KB's job creation criteria is robust as it (i) defines job creation based a number of government definitions such as the Ministry of Employment and Labor, the Special Tax Treatment Control Act, Ministry of SMEs and Startups, amongst others, and (ii) is aligned with the government's priorities to stimulate job growth.

Importance of supporting SMEs in Korea

The South Korean government provides a high level of support for SMEs,¹³ as they represent a way of securing economic growth, while also promoting job creation, innovation and social integration. Furthermore, SMEs have increasingly relied more on bank loans for funding their businesses, increasing from 73.5% in 2005 to 83.8% in 2013, which highlights the relevance of banks for SMEs.¹⁴ However, in 2013, even though SMEs made up 99.9% of the South Korean enterprises and accounted for 86.8% of total employment in South Korea, only 0.01% of small companies grew into medium-sized enterprises over the period 2011-2014.¹⁵ Limited access to funding remains a major obstacle in the growth path of small companies. Kookmin Bank's Sustainable Financing will be especially impactful in this area because the bank assists SMEs, including those with fewer than ten employees, with loans and microfinance solutions. Kookmin Bank's projects would help facilitate access to finance for these enterprises, which represent an essential segment of South Korea's economy.

¹⁰ <http://www.korea.net/koreanet/fileDown?fileUrl=/upload/content/file/1500533508268.pdf>

¹¹ <https://thediplomat.com/2017/11/can-south-korea-jumpstart-job-creation/>

¹² <https://thediplomat.com/2017/11/can-south-korea-jumpstart-job-creation/>

¹³ Economic Survey of Korea 2018; <http://www.oecd.org/eco/economic-survey-korea.htm>

¹⁴ OECD Economic Surveys Korea; <https://www.oecd.org/eco/surveys/Korea-2016-OECD-economic-survey-overview.pdf>

¹⁵ Korea Policy Brief; https://www.oecd.org/industry/korea-promoting-innovative-entrepreneurship_EN.pdf

Importance of affordable housing programs in Korea

Housing policy in Korea has historically been characterized by government intervention to support the construction of housing units by providing land to developers, financing initiatives, various regulations, and direct actions by state-owned corporations.¹⁶ These measures were designed to ameliorate widespread housing shortages and deficiencies in quality, and were largely successful in meeting these goals.¹⁷ However, housing affordability remains an ongoing issue, in particular in major cities, which have seen substantial population growth. Socioeconomic and systemic factors, such as demographic shifts and the decline of the traditional Jeonse rent system, have exacerbated the situation. In the city of Seoul, despite a 2.3 time increase in housing stock between 1990 and 2015, purchase prices and rent levels continue to increase, impacting affordability, particularly for tenants.¹⁸ To address this issue, government policy has moved towards more targeted programs for low-income earners, young people, and other vulnerable groups.¹⁹

Sustainalytics is of the opinion that the affordable housing use of proceeds category will create positive social impact by increasing lending to affordable housing for low and medium income families, young people, and other disadvantaged populations in Korea. Kookmin Bank's affordable housing use of proceeds category is important in the context of affordability challenges in Korea, and aligns with the Social Bond Principles. Sustainalytics views affordable housing lending as an impactful use of proceeds category, especially considering the eligibility criteria for beneficiaries is aligned with the governments definitions to ensure benefits are provided to those in need.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy efficiency	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution prevention and control	11. Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmentally sustainable management of natural resources and land use	12. Responsible consumption and production 15. Life on Land	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Terrestrial and aquatic biodiversity conservation	14. Life below water 15. Life on land	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans 15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Clean transportation	11. Sustainable cities/communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all,

¹⁶ <https://www.asiapathways-adbi.org/2017/08/housing-policy-in-the-republic-of-korea/>

¹⁷ <https://www.adb.org/sites/default/files/publication/183281/adbi-wp570.pdf>

¹⁸ <http://global.si.re.kr/content/affordable-rented-housing-strategies-seoul>

¹⁹ <https://www.retalkasia.com/news/2017/10/30/seoul%E2%80%99s-revitalisation-youth-housing/1509329098>

		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.
Sustainable water and wastewater management	6. Clean water and sanitation	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
Climate change adaptation	13. Climate action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
Green buildings	11. Sustainable cities/communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters.
Affordable basic infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Access to essential services	8. Decent work and economic growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
Affordable housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Employment generation	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
SME financing and microfinance	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
Socioeconomic advancement and empowerment	10. Reduced inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Kookmin Bank has developed the Kookmin Bank Sustainable Financing Framework for its Sustainability Finance Transactions to finance, or refinance, a broad range of projects that deliver positive environmental and social outcomes. Sustainalytics believes that KB's Framework is aligned with the overall sustainability objectives of the Bank and that the environmental and social use of proceed categories will advance a number of key SDGs in Korea.

Sustainalytics highlights that by aligning the social use of proceed definitions for target populations with the government's definitions and thresholds ensures that the social use of proceeds are credible with respect to targeting vulnerable populations.



Overall, Sustainalytics is of the opinion that KB is well positioned to enter into Sustainable Financing Transactions and that Kookmin Bank's Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of GBP, SBP, SBG and GLP.

Appendices

Appendix 1: Green Buildings Certifications Comparison

	BREEAM	LEED	G-SEED
Background	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.	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.	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	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Green 4 Green 3 Green 2 Green 1
Areas of Assessment: Environmental Project Management	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	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.	
Areas of Assessment: Environmental Performance of the Building	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	Land Use & Transportation Energy & Environmental Pollution Materials & Resources Water Management Maintenance Ecology Indoor Environment Innovative Design
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ²⁰ 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.	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification 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	Prerequisites (independent of level of certification) + Credits with associated points Individual credits are achieved in a number of categories, category scores are then weighted to achieve an overall grade.

²⁰ 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

	BREAAAM has two stages/ audit reports: a 'BREEM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	
Performance display			
Accreditation	BREEM International Assessor BREEM AP BREEM In Use Assessor	LEED AP BD+C LEED AP O+M	Certification Bodies, appointed by the Ministry of Environment (MOE) and the Ministry of Land, Infrastructure and Transportation (MLIT) review and certifies projects.
Qualitative considerations	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognised internationally, and strong assurance of overall quality.	Widely used in Korea and aligned with government standards. Strong overall qualifications. Little international recognition.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Kookmin Bank
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Kookmin Bank Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 18, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

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 GBPs and SBPs:

- | | |
|--|--|
| <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 Executive 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 nine green and six social eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Although the bond is not exclusively project-based, Sustainalytics considers the projects and lending to have positive environmental and/or social impacts and to advance multiple UN Sustainable Development Goals.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" 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 <i>(please specify)</i> : |

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

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" 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 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

KB has defined a process in order to ensure that only eligible assets are selected to be financed under the Framework, involving initial project identification by the Bank's various business units, screening by a Working Group, and review and approval by the Kookmin Bank Sustainable Financing Steering Committee. This is in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

A Sustainable Finance Register will be established to track the allocation and use of proceeds for KB's Sustainable Finance Transactions. Pending allocation, proceeds will be held in accordance with the Bank's normal liquidity management policy. 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 type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

KB has committed to reporting on administrative, allocation, and impact information on an annual basis. Allocation reporting will include category-level and regional distribution of disbursements, while impact reporting will include relevant KPIs where feasible. This is in line 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 (<i>please specify</i>): |

Information reported:

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

Frequency:

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

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 (<i>please specify</i>): |

Frequency:

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

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 checked="" type="checkbox"/> Number of beneficiaries |

Target populations

Other ESG indicators (please specify):
kWh of power generated from renewable energy, Number of corporations financed, Number of jobs created, Number and type of disadvantaged community helped, Amount of credit distributed

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): annual report or sustainability report on website |
| <input type="checkbox"/> 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://www.kbstar.com/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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