

Report on Equator Principles Implementation 2020





Financial services delivering changes.

We will pursue for a better world through sustainable financing in consideration the environmental and social aspects.

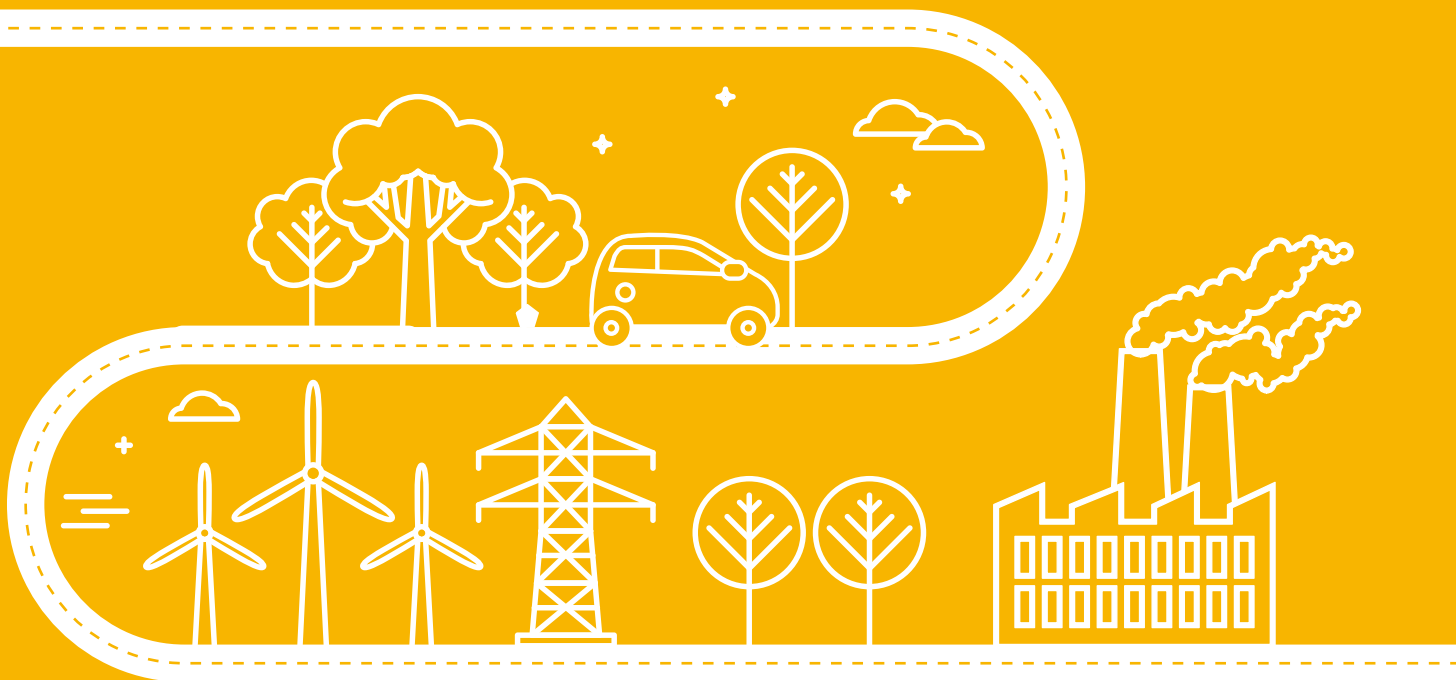


Our principles to achieve 'Financial Services Delivering Change'

As the leading commercial bank of South Korea, KB Kookmin Bank has adopted the Equator Principles as of February 4th, 2021 as a part of our commitment to making responsible decisions with environmental and social aspects in mind.

The Equator Principles (as of March 2021) have been adopted worldwide in 37 countries by 116 financial institutions as a voluntary pledge against financing projects entailing environmental and social impact.

Through our commitment to the Equator Principles, KB Kookmin Bank will strive to fulfil our environmental and social responsibility as a leading financial institution, and by promoting ESG and sustainable business practices.





What are the Equator Principles?

The Equator Principles apply to project financing for large development projects which may result in adverse E&S impact. Our adoption of the Principles means that we take a pledge for responsible finance, and against the financing of development projects with potential to have E&S impacts.

KB Kookmin Bank implements the Equator Principles by identifying and managing the potential E&S impacts from the initial stage of loan application review for the following four (4) financial products:

Project-Related Corporate Loans (where all three (3) criteria are met)

- ✓ Majority of the loan related to the project
- ✓ Total aggregate loan amount and the financial institutions individual commitment both worth US\$50 million or more respectively
- ✓ Loan tenor at least two(2) years



Project Finance

- ✓ New project with total capital costs of US\$10 million or more



Project-Related Refinance and Project-Related Acquisition Finance (under the condition that all 3 criteria are met)

- ✓ Underlying project was financed in accordance with the Equator Principles
- ✓ No material change in scale or scope of the project
- ✓ Project completion has not occurred at the time of signing of the facility or loan agreement



Bridge Loan



- ✓ Loan with a tenor of less than two (2) years
- ✓ Intended to be refinanced by Project Finance or a Project-Related Corporate Loan which meets the Equator Principles specified above



The Summary of the Equator Principles

The Equator Principles are composed of the following 10 principles:

KB Kookmin Bank categorizes a project considering the potential environmental and social(E&S) impact as per Principle 1, and work with the clients to manage the project in accordance with the requirements stipulated under the Equator

				
<p>Principle 1</p>	<p>Principle 2</p>	<p>Principle 3</p>	<p>Principle 4</p>	<p>Principle 5</p>
<p>Categorization Categorize the proposed project according to the E&S risks and impacts involved (A/B/C Grade)</p>	<p>E&S Assessment Client to assess potential E&S impact from the proposed project</p>	<p>E&S Standards Client to ensure that the project complies with applicable E&S standard</p>	<p>E&S Management System Client to establish E&S management system</p>	<p>Stakeholder Engagement Client to perform effective stakeholder engagements</p>
				
<p>Principle 6</p>	<p>Principle 7</p>	<p>Principle 8</p>	<p>Principle 9</p>	<p>Principle 10</p>
<p>Grievance Mechanism Client to establish a grievance mechanism</p>	<p>Independent Review Independent E&S consultant to perform a due diligence to assess the project's compliance with the Equator Principles</p>	<p>Covenants Client to include E&S aspects in the financial documents to ensure compliance with the Equator Principles</p>	<p>Independent Monitoring Independent E&S consultant to continually monitor and report on the Client's compliance with the Equator Principles</p>	<p>Reporting and Transparency Client to perform the information disclosure as per the Equator Principles</p>

Risk management capacity building by asking necessary questions

With the adoption of Equator Principles, KB Kookmin Bank have established an environmental and social risk management process that allows us to identify potential environmental and social risk from the early stage of the loan review.

As such, we continue to strive towards sustainable development through the continued management of the environmental and social risks.





E&S Risk Categorization

KB Financial Group have established a checklist to identify the potential E&S risks and pre-emptively manage such risks. The checklist is composed of the eight (8) E&S aspects.



KB Kookmin Bank categorizes projects according to grades of E&S risk (A, B, C), and work with the client to manage the identified E&S risks.

- A** Grade | Projects with potential significant adverse E&S risks with long term impacts which are diverse, irreversible or unprecedented
- B** Grade | Projects with potential limited adverse E&S risks with few impacts which are generally site-specific, largely reversible and readily addressed through mitigation measures
- C** Grade | Projects with minimal or no adverse E&S risks and impacts



The Equator Principles Process

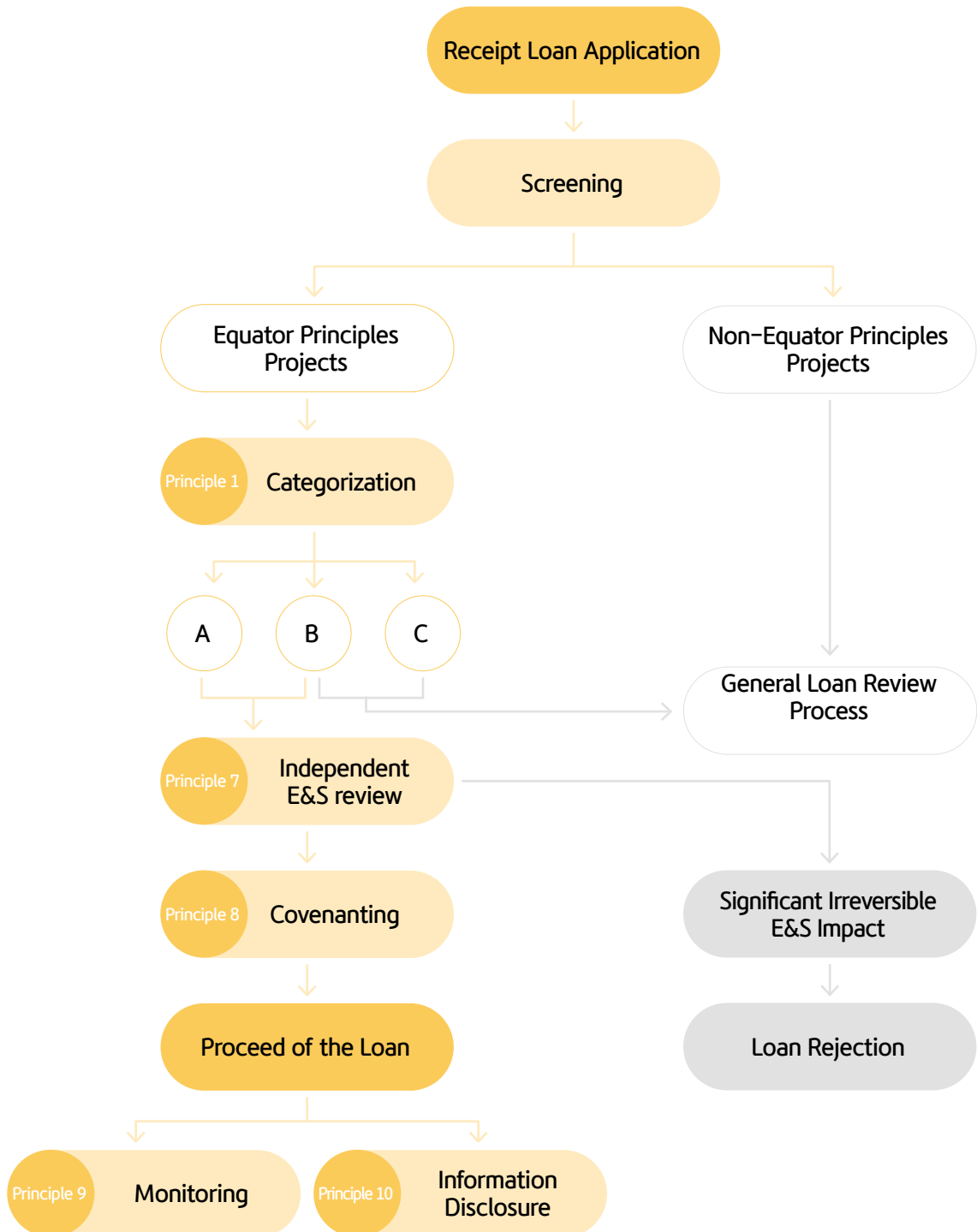
Our process for the implementation of the Equator Principle is as follows.

Where a project is deemed to have significant E&S impact, an independent E&S consultant will assess the project's compliances of the Equator Principles





The Equator Principles Process in Detail



Paving the way for sustainable finance through the Equator Principles

KB Kookmin Bank has prepared for the Equator Principles adoption via series of trainings and review of existing loan review process.

As a forthright and responsible financial institution, KB Kookmin Bank will strive to emphasize ESG in our business considerations to achieve positive change and a promising future.





Equator Principles Roles and Responsibilities



Front Office

Upon receipt of a loan application, perform screening to decide whether the Equator Principles will apply or not



Equator Principles Officer

Reviews the projects' E&S risk, and compliance against the Equatorial Principles



Credit Review Department

Determines whether to proceed with the grant of loan upon consideration of associated E&S risks

Equator Principles Training

Actual case-based training to strengthen the E&S risk management capacities



Training on the Equator Principles Manual



Actual case-based training with global leading consulting firm



Establish mid/long term roadmap for competency building program

