KB Financial Group

2021
KB Financial Group Sustainability Report

ESG
Value & Impact

Environment
Social Responsibility
Corporate Governance

About this Report

Overview

The annual Sustainability Report was first published by KB Kookmin Bank in 2009 and has been released by KB Financial Group since 2011 after being expanded to the Group level. The 2021 Sustainability Report aims at sharing KB Financial Group's ESG performance and activities with our stakeholders in a transparent manner and highlighting ways to create greater ESG value.

Scope

This report covers the ESG activities of KB Financial Group holding company and its 13 subsidiaries with the reporting scope including headquarters and all branches.

Reporting Period

This report presents our ESG activities and performance during the period of January 1–December 31, 2021. Due to the timeliness and significance of information, some items include data from the first half of 2022. Data for the last three years from 2019 to 2021 (some environmental data is for four years from 2018 to 2021) was provided to measure yearly changes in quantitative performance.

Reporting Standard and Assurance

This report aligns with the Global Reporting Initiative (GRI) Standards: Core Option, which are the international standards for sustainability reporting. The detailed reporting standards can be viewed on pages 149~152. This report was verified by the Korea Sustainability Investing Forum (KoSIF), an independent external verification organization, to ensure its credibility and quality improvement. KoSIF's assurance statement can be viewed on pages 163~165.

Contact Information

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Awards and Recognition

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	MSCI	Sustainablity Award Gold Class 2022 S&P Global	KCGS 한국기업지배구조원	CDP DRIVING SUSTAINABLE ECONOMIES	Bloomberg Gender-Equality Index 2022	FTSE4Good
Included in DJSI World Index	MSCI ESG Ratings	S&P Global 2022 Sustainability Award	KCGS ESG Evaluation	CDP's A List	Included in Bloomberg Gender Equality Index	Included in FTSE4Good Index
6 consecutive years	AA	Awarded Gold Class	A+ across all ESG sectors 2 consecutive years	Leader in addressing Climate Change	4 consecutive years	12 consecutive years

Contents

Introduction

05 CEO Message
06 KBFG at a Glance

ESG Strategy Review

08 ESG Strategy
09 2021 KB ESG Highlights

Special Report

11 Diversity & Inclusion
- Diversity Management System
- Inclusive Culture
- Financial Inclusion

23 TCFD Report
- Introduction
- Governance
- Strategy
- Risk Management
- Metrics & Targets

57 Sustainable Finance
- ESG Finance
- ESG Bonds
- ESG Consulting

Environment, Social Responsibility and Corporate Governance Review

70 Corporate Governance
- KBFG Governance
- ESG Governance
- Risk Management System
- Ethics & Compliance

86 Environment
- Environmental Management
- External Communication on the Environment
- Participation in Environmental Initiatives

95 Social Responsibility
- Customer
- Employees
- Community
- Human Rights

ESG Data Pack

122 Financials
128 Environment
131 Customer
132 Employees
140 Community

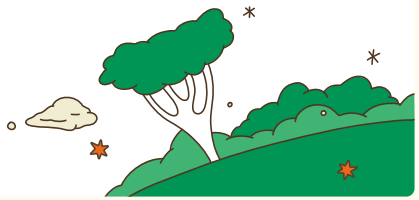
Appendix

144 Material Assessment
145 Stakeholder Engagement
146 Our Membership in Global Initiatives
148 Reporting Methodology
149 GRI Index
153 SASB Index
161 PRB Index
163 Third-Party Assurance Statement

Navigating the Report

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

Home Contents Back Previous Next



Introduction

05 CEO Message
06 KBFG at a Glance

CEO Message

Dear Stakeholders,

I would like to express my heartfelt gratitude to all our shareholders, customers, and local communities for your trust and support as KB Financial Group strives to transform and grow.

The past 2 years have been challenging with the unprecedented COVID-19 pandemic sweeping the world and a global security crisis, triggered by conflicts between countries amid political entanglement, resulting in food, energy, and supply crises. These events have cast a pall over ESG, which aims to achieve co-existence and co-prosperity.

Still, we must keep moving forward in the direction of 'better growth' and 'better business' that we have worked hard to pioneer.

If the difficulties we face today are about 'day-to-day inconveniences', the path to ESG is about 'survival in the future'. If we give up now, the very existence of future generations may be jeopardized. Therefore, now is not the time to stop, but rather to join hands together and turn this challenge into an opportunity.

We are committed to standing alongside our stakeholders as humanity overcomes the climate change crisis and all living species co-exist, as financial product innovation based on ESG drives change in our society and economy, and as we turn 'difference into competitiveness' by respecting and embracing the values of diverse people.

This year's Sustainability Report, the eleventh such report, covers KB's efforts and achievements in 'Diversity & Inclusion', 'TCFD Report (Climate Change)', and 'Sustainable Finance'.

We promise to continue making greater efforts to have a positive influence on the global community's endeavors toward a 'better world' by implementing KB's distinctive ESG practices.

I would like to once again thank you all for your continued support and encouragement.

Thank you.

Yoon Jong Kyoo
Chairman & CEO, KB Financial Group

KBFG at a Glance

KB Financial Group is one of the leading financial groups in Korea, with our 13 subsidiaries offering advanced services across our domestic network of 1,637 branches and global network of 754 branches in 14 countries. We never stand idle in taking action to reinforce our foothold as a reliable lifelong financial partner unmatched in strength of capital, expansive network, expertise, and risk management capacity.

KB Financial Group will continue to set an example as a leader in ESG through top-notch risk management, protection of financial consumers, and expansion of financial support for SMEs and vulnerable groups, as well as by pursuing 'Sustainability based on Basic Principles.' Driven by our unwavering commitment to serving our customers with a distinctive experience, KBFG will be recognized as a lifelong financial partner to our customers.

KB Financial Group

Banking	KB Kookmin Bank	· Offering an unmatched customer experience through innovative services and leadership in digital finance
Financial Investment	KB Securities KB Asset Management KB Real Estate Trust KB Investment	· Providing optimal financial solutions based on forward-looking products and competence as a mega-sized comprehensive financial investment company · Catering to individual investment needs with an exceptional investment experience based on a diversified investment portfolio · Delivering optimal solutions for customers based on its expansive real estate development portfolio · Serving as a trusted investment partner and leading venture investment company specializing in corporate investment
Insurance	KB Insurance Prudential Life Insurance KB Life Insurance	· Offering a variety of financial products and services that guarantee risk control and comprehensive financial consulting · Equipped with the nation's best financial soundness and industry-leading experts to provide tailored services to customers · Ensuring easy access to financial and insurance services through diverse sales channels including bancassurance
Credit Finance	KB Kookmin Card KB Capital	· Taking the lead in offering greater customer convenience in different aspects of everyday life by extending diversified financial services and innovative new businesses · Seeking to reinforce its presence on the global stage as Korea's leading auto loan company with enhanced digital competitiveness
Small-scale Consumer Loans	KB Savings Bank	· Realizing inclusive finance by offering products tailored to meet the needs of low-income customers as a leading financial institution serving low-income households
Others	KB Data Systems KB Credit Information	· Serving as a competent IT partner in the Group, boasting the industry's best expertise and experience · Providing support for loan management and striving to ensure safe and sound financial transactions to build a financially heathy society

ESG Strategy Review

08 ESG Strategy
09 2021 KB ESG Highlights

ESG Strategy

"To create a better world and happier life for our customers and communities, we must pursue fair and sustainable growth for future generations."

Our mission is 'financial service delivering changes for happier life and better world'.

To create a better world and happier life for our customers and communities, we must pursue fair and sustainable growth for future generations.

ESG has become an essential strategy for businesses to survive as a driving force behind this.

We have selected 'ESG leadership' as one of the pillars of the group's management strategy and is focusing its capabilities. In addition, we are preparing ESG management strategies to respond to the climate crisis by expanding diversity and inclusion values by considering a wide range of stakeholders.

KB Financial Group will have 'ESG leadership' and contribute to building a sustainable future with companies, citizens, and the international community.

ESG Strategy Structure

Mission

Financial Services Delivering Change

Happier Life & Better World

Strategic Goal

Create sustainable value and enhance customer trust by promoting responsible management for environment and society and disseminating healthy corporate governance

Carbon Neutrality Internal emissions by 2040 Financed emissions by 2050	KB GREEN WAVE 2030 ESG products, investments and loans ₩50tn by 2030	KB Diversity 2027 Hiring Diversity 15%, Gender Diversity 20%, Capability Diversity 30%

Strategic Directions

E	S	G
Environment Climate Change Strategy for the Environment	**Social Responsibility** Internalizing Responsible Management for Society	**Corporate Governance** Transparent Corporate Governance
· Setting and Managing Carbon Emission Reduction Targets · Managing Environmental Risks · Increasing Green Investments and Loans · Leading the Way in Green Finance Ecosystems	· Expanding Social Contribution · Promoting Shared Growth and Mutual Prosperity · Respecting Human Rights and Diversity · Expanding Financial Inclusion	· Enhancing Transparency in Governance · Strengthening the Stewardship Code · Expanding Investments in Excellent Governance · Building a Comprehensive Evaluation System

2021 KB ESG Highlights

KB Net Zero S.T.A.R.

1st

First Asian financial and domestic company to obtain SBTi approval for carbon reduction targets (Oct. 2021)

126%

Achieved internal carbon emissions reduction target of 126% (Dec. 2021)

14%

Reduced Corporate Banking portfolio WACI of 14% (Dec. 2020)

KB ESG Financing

₩25.2tn

Balance of Group ESG loan·Investment·Products (Dec. 2021)

₩10.7tn

Amount of ESG Bond Issued (Dec. 2021)

₩39.7bn

Amount of Impact Fund investment through KB Social Impact Fund for 4 years (Dec. 2021)

Social Responsibility

15/20/30%

Established KB Diversity 2027 Strategy
Hiring Diversity (15%),
Gender Diversity (20%)
Capability Diversity (30%)

1,790 classes

Supported 1,222 childcare classes in elementary school and 568 classes in affiliated kindergarten (4 years, 2018~2021)

120K honeybees

Created a bee farm with 120K honeybees

Forested a dense forest with 100K trees

ESG Global Initiative

GFANZ/NZBA SG

Appointed as a representative of Asia-Pacific region of NZBA Steering Group (Apr. 2021)
Appointed as a board member of GFANZ APAC Advisory Board (May 2022)

COP26

Attended Conference of Parties for the first time of the Korean financial company CEO (Nov. 2021)

TNFD

Joined Taskforce on Nature-related Financial Disclosure (Apr. 2022)

Special Report

11 Diversity & Inclusion Report
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23 TCFD Report
- Introduction
- Governance
- Strategy
- Risk Management
- Metrics & Targets

57 Sustainable Finance Report
- ESG Finance
- ESG Bonds
- ESG Consulting

Diversity & Inclusion

KB Financial Group acknowledges diversity and inclusion as important value. By expanding diversity and inclusion within and outside of the company, we will drive sustainable growth together with every stakeholder.

Contents

Diversity Management System

KB Diversity 2027
Diversity Roadmap
Diversity Indicators & Goals

Inclusive Culture

Institutional Support
Capability Building Program
Improving Organizational Culture

Financial Inclusion

KB Miso Microfinance
Customized Financial Products & Services
Financial Accessibility
Training Program to Improve Financial Capability

KB Financial Group is building an inclusive culture where talent diversity can be secured and where these talents can exercise their capabilities. In addition, for every stakeholders to enjoy better lives, we are reinforcing inclusive finance.

We defined core diversity target, set up roadmap for each phase and established quantitative indicator for continuous management of level of achievement.

Furthermore, we are spreading the inclusive culture for various talents to grow all together.
We strengthened employees' welfare while improving training program and organization culture for capability building. Various ideas created through this will contribute to problem solving, serving as the basis for company's sustainable growth.

Lastly, the group is reinforcing financial inclusion. We are developing products and services that could satisfy diverse customer needs by listening to the voices of every customer. In addition, we are making efforts to enhance financial accessibility of the financially vulnerable and provide training on improving financial capability.

Diversity Management System

KB Diversity 2027

KB Financial Group is facilitating group-level discussion on diversity. Board of Directors, the highest decision-making body within the group, is reflecting diversity as its core value across overall activities of BoD.

First, we secured diversity of Board of Directors. In 2020, we became the first financial company to have two females in non-executive director position. Two female non-executive directors, as of end of 2021, account for 28.6% of total. The ratio of female non-executive directors is higher than that of 2,212 domestic listed companies with non-executive directors (7.5%) and companies with total asset of ₩2tn (20.9%).

Our ESG Committee has set up 'KB Diversity 2027', a group's mid/long-term diversity strategy to systematically manage areas of diversity. This is to extensively secure socio-economic backgrounds and gender diversity by 2027 for sustainable growth of KB.

Through KB Diversity 2027, we plan to expand diversity value by embracing different classes and to provide equal opportunities to both genders.

KB Diversity 2027

For sustainable growth, we are promoting social class and gender diversity by 2027

Aspiration	Embrace diverse socio-economic backgrounds	Realize gender equality	
Sector	Hiring Diversity	Gender Diversity	Capability Diversity
Target	Increase recruitment of people from different classes* **15%** *Ratio of new recruits from various classes (the disabled, people eligible for veterans benefits, people from multi-culture families, recipients of basic livelihood security)	Develop female leaders* **20%** *Deputy branch manager & the management	Develop key female experts* **30%** *Head of HQ teams & bank's corporate banking team
Operational direction	Expand recruitment opportunities to embrace diverse social classes	Eliminate 'glass ceilings' (promotion structure) & 'glass walls' (job opportunity) and offer fair opportunities to both genders	

Diversity Roadmap

KB Financial Group has set up roadmap for each phase in order to achieve our mid/long-term diversity goal. Diversity roadmap has 3 phases with each phase presenting direction for 'embracing diverse classes & realizing gender equality', the aspiration of KB Diversity 2027.

2022~23	2024~25	2026~27
STEP 1 Estabilish a foundation & create culture	STEP 2 Realize advancement & expand across all subsidiaries	STEP 3 Realize KB diversity
· Improve employees' understanding on diversity and spread organization culture · Add manpower and secure institutional foundation by focusing on key subsidiaries	· Provide wider institutional support to expand capability diversity by subsidiary (IT, Capital and etc.) · Ensuring participation of all subsidiaries of KB Financial Group	· Realize recruitment of people from various classes (15%) · Develop female leaders (20%) · Develop key female experts (30%)

Diversity Indicators & Goals

KB Financial Group came up with underlying indicators to manage diversity according to roadmap on securing diversity. We plan to manage 7 out of 14 diversity indicators it developed by setting up goals to be achieved by 2027.

[Diversity indicators and goals]

Hiring diversity	① Number of employees with disabilities ② Number of veterans ③ Number of newly recruited employees (veterans, disabled employees and etc.) ④ Ratio of recruitment diversity (Ratio of veterans, disabled employees and etc.)
Gender diversity	⑤ Ratio of female executives ⑥ Ratio of female deputy managers ⑦ Ratio of female executives female leaders of HQ teams ⑧ Ratio of female members of HQ teams ⑨ Ratio of females in admin ⑩ Ratio of female executives & employees ⑪ Number of employees in maternity leave
Capability diversity	⑫ Ratio of female leaders of corporate banking team ⑬ Ratio of female members of corporate banking team ⑭ Ratio of female employees in Digital-IT sector

[7 Execution goals]

Category	Index	Current status in 2021	2027 goal	Execution direction
Hiring diversity	Ratio of hiring diversity	9.8%	Over 15%	Gradually expand
Gender diversity	Ratio of female executives	6.6%	Over 20%	Reinforce
	Ratio of female deputy branch managers	16.0%	Over 20%	Gradually expand
	Ratio of HQ female team leaders	11.0%	Over 30%	Reinforce
	Ratio of HQ female team members	45.5%	Over 40%	Maintain
Capability diversity	Ratio of female heads of corporate banking team	9.5%	Over 30%	Reinforce
	Ratio of female members of corporate banking team	47.1%	Over 50%	Gradually expand

* Based on top 4 subsidiaries which account for 88% of all employees (KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card)

Inclusive Culture

Institutional Support

KB Financial Group has set up institutional basis to create happy workplace for all executives and employees. In fact, we have in place a customized system for minimizing work related inconveniences and increasing work efficiency as well as for recruiting talent and providing welfare.
First, the group established various systems to support work-life balance of female employees. On top of basic maternity and parental leave, we are running flexible work arrangements and workplace childcare centers to support work-life balance of each employee.
We are also operating a support system for members from various different classes.
We are providing working environment and facilities that are appropriate to each member while expanding job opportunities and offering additional points during recruitment.

Support for work-life balance

Category	Support system	Key details
Child birth	Maternity leave	· Before/after child-birth, support 6 months of paid leave (legally required 90 days)
	Parental leave*	· 1 years of paid parental leave per child guaranteed for both men and women [a maximum of two years for female employees (including six months of maternity leave) and a maximum of one year and six month for male employees]
Child care	Reduce work hours	· Possible to reduce work hours for certain period during pregnancy, childcare, and school starting season etc.
	Flexible work arrangements	· Work-from-home, time difference commuting system, selective working hours system and etc.
	Workplace Childcare Centers	· KB Kookmin Bank, KB Insurance, KB Kookmin Card etc. operate workplace childcare centers
	Support childcare expenses	· Support educational expenses to preschool children for kindergarten, educational institute etc.
	Provide subsidy	· Provide subsidy to employees when their children have disabilities
Others	Family care etc.	· Paid family care and fertility treatment leave · Send newsletters and support capability building to help employees on parental leave

* For employees with children under the age of 9 or under the third grade of elementary school

Support for members of various classes

- Offer working environment & expand facilities suited for the socially vulnerable such as people with disabilities: Safe access roads, braille signage and etc.
- Expand job opportunities by reflecting characteristics of various members: IT/Digital function, call center function and etc.
- Giving extra points to job applicants with disabilities and those eligible for veterans benefits in the recruitment process (KB Kookmin Bank)

Category	Eligibility
People with disabilities	People with disabilities or different grades subject to the 'Employment Promotion & Vocational Rehabilitation Act for People with Disabilities'
Veterans	People eligible for special employment for veterans under 'the Act on Courtesy and Support for Persons of National Merit, etc.'

* Continuation of 'ESG Shared Growth Sector (including employees with disabilities) Special Recruitment' for employment of various classes

Capability Building Program

KB Financial Group has set up 'WE STAR' for cultivating female talents and leaders. With the goal of 'cultivating talents without prejudice', WE STAR is built on 4 areas of System, Talent, Alignment and Relationship.

[WE STAR Program]

Goal	Cultivating talents without prejudice		
Strategy	S	System	Operate HR support systems with regards to promotion, rotation, placement, etc.
	T	Talent	Assign more women to male-oriented job functions, Empowering female leadership
	A	Alignment	Newly introduce & strengthen programs aimed at supporting work-life balance
	R	Relationship	Reinforce capability of forming relationship with colleagues as well as seniors and subordinates, Provide mentoring to establish right role model

In line with WE STAR, we are operating customized programs to empower female talents by job function. Each subsidiary tries to develop female talent by providing training on capability and leadership that female employees in the level of junior, manager ~ team leader, and leader should be equipped with.
For the group's female talents to establish right role model and build stronger relationship,
We are running a joint program called 'WE STAR mentoring'. WE STAR mentoring program is about matching executives and newly appointed deputy branch managers as mentors and mentees for transferring required leadership capability and know-how. In 2021, 62 newly appointed deputy branch managers and 63 male/female executives of the group took part in the program. Going forward, besides the group-level joint training program, Our plans to secure diversity by proactively pushing forward with programs aimed at developing female talents & leaders by subsidiary.

[Women empowerment program by each subsidiary]

	Junior (Staff ~ Assistant manager)	Manager ~Team leader	Leader (Dept. head~)
KB Kookmin Bank	· Give preference to female when selecting corporate banking specialists and prospective IB officers · Give preference to female when taking MBA and DT (Digital Transformation) course from Aalto University		· KB Women of Excellence, leadership course for women
KB Securities	· Mentoring program for entry-level female staff · Course for highly competent junior female employees	· Course for Female prospective leaders · Value-up course for female team leaders	· Leadership course for female deputy managers
KB Insurance	· KB Dream Campus	· KB WE Campus (Womans Empowerment Campus)	· Capability building course for newly appointed deputy branch managers
KB Kookmin Card	· KLC (KB Leadership Course) WomanWay		· Leadership course for female managers & executives
Prudential Life Insurance		· WIN Next-generation leader conference	· WIN Saturday Matinee

* Above are the names of female talent training courses each subsidiary is offering by phase

Improving Organizational Culture

KB Financial Group pursues inclusive organization that values diversity without any prejudice whatsoever. To this end, we are expanding horizontal communications among employees based on 'fair and open HR' and operating various communication channels. Furthermore, through diagnosis on group's organizational culture, employees' level of awareness on value of diversity is analyzed and initiatives for improving it are selected & executed.

Fair and open HR

- Clearly disclose the status of operating fair HR and expand two-way communication with employees
- Spread out the 'HR Deep Change Communication Board' of KB Kookmin Bank to all affiliates
  - Structure: HR Newsletter, Free discussion board, etc.
  - Disclose information (at least once every quarter) on the status of corporate diversity (gender, generation, position, promotion)

Expansion of horizontal communication

- Form consensus among organization members by expanding horizontal communications between employees on topic of diversity

Group-level	CEO Townhall Meeting, Communication meeting
KB Kookmin Bank	Field Communication Program by HQ Management, KB Communication Day, KB Communication Center
KB Securities	Reverse Mentoring, Idea Board, KB Lunch-day
KB Insurance	CEO On-site meeting
KB Kookmin Card	Know X How Communication program

Enhance employees' level of understanding on diversity

- Improve employees' level of understanding on value of diversity and promote internalization through in-house channel

Group webzine	Series contents and in-depth article covering topic on diversity
Newsletter	Spread value of D&I through card news, etc.
In-house broadcast	Produce a new program starring employees who represent diversity
Group portal	Operate bulletin board on topic of diversity

Diagnosis on group's organizational culture

- Diagnose employees' level of awareness on diversity and develop improvement initiatives
- Planning to diagnose group employees' level of awareness on diversity (every other year)

Financial Inclusion

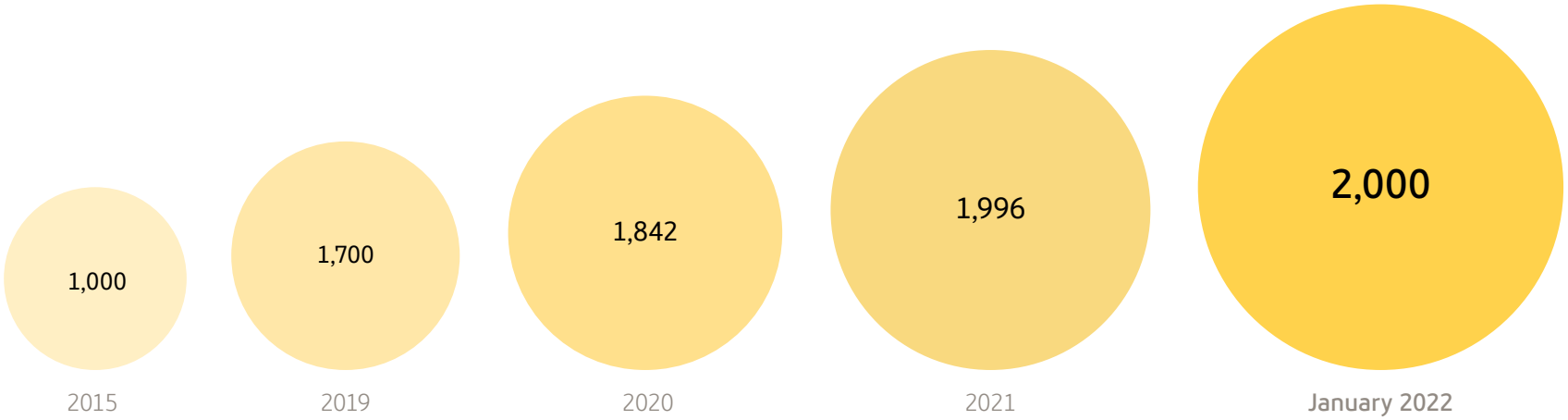
KB Miso Microfinance

Through KB Miso Microcredit Foundation, KB Financial Group engages in the microcredit business, which provides self-support funds without the need for security and guarantee for those marginalized from the services of legitimate financial institutions. It not only provides low-interest loans to applicants of the self-support fund, but it also provides business and financial consulting required for successful business operation. Since its inception in 2009, the Foundation has grown to have eight branches across the country (Western Seoul, Dobong, Southern Gyeonggi, Incheon, Daejeon, Daegu, Busan, and Honam). As of December 2021, it handled 17,552 loans totaling ₩199.6bn and provided support funds totaling ₩200bn as of January 2022.

By proactively supporting financially marginalized micro businesses, KB Miso Microfinance Foundation complies with government policies implemented by the Korea Inclusive Finance Agency, among others. It provides customized training and consulting for financially marginalized micro businesses after the Loan Committee decides to support loans based on in-depth consulting. Furthermore, it is laying the groundwork for micro businesses to become self-sufficient after receiving assistance by engaging in follow-up management activities such as continuous training and consulting. Furthermore, in accordance with the Regional Credit Guarantee Foundation, KB Miso Microfinance Foundation provides liquidity to customers whose credit scores have improved as a result of rehabilitation consulting.

[Size of loan by KB Miso Microcredit Foundation (cumulative basis)]

(unit: ₩100m)



Customized Financial Products & Services

On the basis of inclusive organizational culture, KB Financial Group is developing customized financial products based on diverse ideas it gathered from executives & employees.

[Customized financial products & services]

Female	KB Kookmin Bank	· Dolbom Pay, Dolbom Talk Talk service · 280 Days Installment Savings for My Child
	KB Kookmin Card	· KB Kookim Happiness Card
Youth	KB Kookmin Bank	· Jeonse/Monthly rent loan customized for the youth
	KB Securities	· Income tax deduction long-term fund for the youth
Financially Vulnerable Groups (the disabled, the elderly, low-income class)	KB Kookmin Bank	· KB Miso Microfinance Foundation · KB Hope Finance Plaza · KB Happiness Keeper Bank Account, KB Kookmin Happiness Installment Savings Plan · KB New Hope Spore II, KB Miso Dream Installment Savings Plan
	KB Securities	· Employment Promotion and Vocational Rehabilitation Fund for Persons with Disabilities
	KB Insurance	· Liability insurance for the disabled and the elderly · Accident Insurance for Delivery Riders · Liability insurance for wheelchairs and medical scooters for the disabled and the elderly
	KB Kookmin Card	· KB Smart Keeper Card · KB Sunshine Loan Card
	KB Capital	· KB Vita Loan
	KB Savings Bank	· KB Good Nuri Installment Savings Plan, Sunshine Loan, Sah-it-dol II

In particular, each subsidiary of KB Financial Group is expanding a wide range of products & services for laying down the foundation for the financially vulnerable to be self-sufficient and lead a better life.

KB Kookmin Bank, together with KB Miso Microfinance Foundation, KB Hope Finance Plaza, etc., is supporting financially vulnerable groups through various deposit and loan products. KB Miso Microfinance Foundation is leading microcredit business for the socially vulnerable while KB Hope Finance Plaza, as a window for online counseling on microfinance, is offering online financial services for those who cannot use offline services and visit banks. Furthermore, the bank waives internal and external transfer fees via mobile banking or Internet banking for those with limited access to financial services, applying for microfinance, such as recipients of basic livelihood security, people with disabilities, child heads of households, and so on. We also provide deposit and loan products to vulnerable groups with limited access to financial services, such as low-income workers, the disabled, disaster victims, multicultural families, and so on. Furthermore, we refer our customers whose loan application is rejected to other subsidiaries with loan services so that they would not have to turn to private illegal lending with high interest rates.

KB Kookmin Card launched 'Kookmin Smart Keeper Card' for the safety of socially vulnerable groups. Discounts on smartphones, SKT's 'Smart Keeper 2', a caregiving service for the safety of socially vulnerable groups, are provided, as well as other discounts in relation to safe caring for using taxi, hospital, pharmacy, delivery app to help the socially vulnerable feel comfortable about using safe caring service and reducing costs.

KB Savings Bank provides KB Good Nuri Installment Savings Plans to recipients of basic livelihood security, child heads of households, single-parent family support recipients, North Korean defectors, the second lowest income group aged 65 and over, and persons eligible for disability pension/disability allowance/disabled child allowance. KB Good Nuri Installment Savings offers a higher rate (12-month maximum interest rate of 5.0%) than general products and makes financially vulnerable groups more accessible by allowing online document submission. Sunshine Loan and Sah-it-dol II are also available from KB Savings Bank to low-income customers. Both products offer same-day loans and allow for non-face-to-face transactions.

Check page 125 for current status of inclusive financial products for financially vulnerable groups.

CASE STUDY

Product specially designed in relation to childcare

KB Kookmin Bank l Dolbom Pay, Dolbom Talk Talk service

Together with Ministry of Gender Equality & Family (MOGEF), KB Kookmin Bank launched 'Dolbom Pay' for convenient settlement of child caregiving service as well as 'Dolbom Talk Talk' for easy request for caregiving service. Before the launch, in April of 2021, KB Kookmin Bank and MOGEF signed 'business agreement on payment service for easy settlement of child caregiving service'. For the convenience of those using MOGEF's child caregiving service, KB Kookmin Bank developed easy payment service, connected its external system with agencies relevant to child caregiving service and developed chatting function that supports real-time communication between user and care provider in accordance with the agreement.

Dolbom Pay service works on top of Child Dolbom mobile app. which has functions such as real-time fee settlement, usage history check, cash receipts issuance and etc. Users can recharge their balance on Child Dolbom service app. Via Dolbom Pay and activate by pressing simple six-digit password. As Dolbom Pay allows real-time payment, the settlement process has become more efficient, especially for emergency caregiving service which requires upfront payment of service fee.

Dolbom Talk Talk is a service that enables chatting over two different apps. The service user, through the User App can have real-time communication and place request for caregiving service to one or many service provider(s) logged into Child Dolbom App.

KB Kookmin Card l KB Kookmin Happiness Card

In April of 2021, KB Kookmin Card launched 'KB Kookmin Happiness Card'. KB Kookmin Happiness Card integrates services of 'Child Happiness Card' which provides childcare fee and infant tuition support service for children under the age of 5 and 'National Happiness Card' which provides national voucher service such as medical support during pregnancy and childbirth. Government supported voucher services such as first-meet coupon, medical expense for pregnancy/birth, childcare/tuition fee, diaper/baby formula cost, hygiene products for young women, energy voucher, etc. are provided to card subscribers. Government voucher is a service that allows welfare benefit recipients to exchange the voucher with product & service at a designated place of use instead of directly offering cash, services and goods.

Depending on customer's last month's usage, KB Kookmin Happiness Card provides following benefits: shopping at large retailers & online shopping malls etc., using education service for rearing children such as Kid's Café & Culture Center etc., telecom service fee, apartment management fee and etc. Also, it offers free subscription opportunity to an insurance that covers not only death and disability from public transportation injuries but also what are necessary for women such as early placental detachment, toxemia of pregnancy and etc.

Financial Accessibility

With fast-paced digitalization of finance, more customers are enjoying convenience it brings while those who haven't adapted to fast-changing technology face more inconveniences. Accordingly, for new changes such as digital innovation to be more inclusive, KB Financial Group is making improvements to various products and services.

Improve financial accessibility of the disabled and the elderly

For those customers such as the disabled and the elderly having difficulty in accessing financial services, KB Financial Group is offering a wide variety of services to improve their financial accessibility.

[Products and services for the disabled and the elderly]

KB Kookmin Bank	· Provide Visual ARS Service, Counseling service in sign language · Operate Bank Transaction Loan Terms and Conditions (household) for the visually impaired · Operate universal ATMs available to the visually impaired and the handicapped · Provide voice recognition service, voice verification service, and screen reader within Liiv Talk Talk, an interactive banking platform for the visually impaired · Service of directly delivering security media for the visually impaired · Operate call center for the elderly which directs the call to the counselor without having to select ARS menu · Operate 'easy transaction', ATM screen for senior customers
KB Securities	· Create and distribute manual on responding to the disabled · Create security card in braille and operate ATM standard for people with disability · Provide visual ARS service, Talk counseling service, Video counseling service · At each branch, operate teller window dedicated to the disabled and the elderly investors
KB Kookmin Card	· Provide video on sign language counseling service over the internet · By introducing 'relay call service', provide real-time text relay service for people with hearing disabilities who have hard time using sign language · Introduce counseling system of AI-based Call-bot · Annually certify/review web accessibility of homepage and home app. · For senior customers, operate service of speaking slowly and putting through counselor right away
Prudential Life Insurance	· Provide customized counseling service for senior customers
KB Savings Bank	· For senior customers, distribute summary of deposit products via 'letter of information written in large font'

Improve financial accessibility of foreign customers

KB Financial Group is trying to help foreigners in Korea and customers in countries with low level of financial access to have higher financial accessibility. KB Kookmin Bank is supporting to enhance customers' digital accessibility by adding additional languages in its KB Star Banking, improving the layout of KB Star Banking's foreign language screen and increasing the amount of overseas remittance transactions.
For financially vulnerable people in Cambodia, KB Kookmin Bank has launched 'Liiv KB Cambodia' that realizes both e-Wallet as well as banking through a single app. and thereby secured cumulative of 130 thousand customers in 2021. Through 'KB Smart Loan', the very first mobile credit loan service in Cambodia, customers can confirm loan availability, loan limit & interest rate and apply for credit loan via non-face-to-face channel. Furthermore, the bank is supporting the buildup of digital banking infrastructure in Cambodia through real-time remittance, merchant QR payment, non-face-to-face user verification service based on e-Wallet & account. Moreover, the bank is providing non-face-to-face financial services & products in countries with low access to finance such as Myanmar, India and etc.

CASE STUDY

Kiwibank for improving financial accessibility of low-income class

Kiwibank, which was launched in 2020 by KB Savings Bank, is an online/mobile financial service aimed at improving the financial accessibility of low-income people. It provides non-face-to-face account opening, money transfer, subscription to deposit or installment savings product, loan application, and other services 24 hours a day, 365 days a year, through improved user speed and mobile accessibility over the existing mobile banking app. Through kiwibank, KB Savings Bank facilitates easy subscription to Sunshine Loan, Sah-it-dol II Loan, KB Good Nuri Installment Savings Plan, and other products designed for the financially vulnerable, thereby improving financial accessibility of financially vulnerable groups.

Education Program to Improve Financial Capability

KB Financial Group is expanding education to improve financial capability of stakeholders. To promote financial expertise of executives and employees, various education programs are in execution. Besides offering basic financial knowledge that is required from financial workers, we are operating education programs to enhance each functional job expertise. In addition, with growing importance of protecting financial consumers, education on the Financial Consumer Protection Act is also provided.

Also, more education is being offered to senior customers. We are offering digital banking education to the elderly for them to be more familiar with digital finance, have better access to non-face-to-face financial services and avoid financial scam. In fact, KB Kookmin Bank is trying to prevent financial scam by repeatedly offering video/book contents on preventing financial scam, one-on-one phone-based education, and actual case of financial scam to senior citizens who are more likely to be exposed to financial scam. In addition, for senior customers who are not accustomed to using digital devices, the bank created education contents called 'Why Go to the Bank? When You Can Access It Smartly!' to educate the elderly on how to use smartphone app. and the bank's mobile banking service.

Moreover, each subsidiary of KB Financial Group is actively providing financial education for the youth based on expertise of each company. Studybook on financial education and Youtube are put into use for the education. Digital banking education contents made especially for students in middle & high-schools are distributed via SNS channel. Also, economic knowledge for everyday lives and information on having the right financial habit are provided through The KB Foundation. The cumulative sum of beneficiaries reached 1.68m as of the end of 2021.

[Education contents called 'Why Go to the Bank? When You Can Access It Smartly!']

TCFD Report

KB Financial Group is taking the lead in creating a sustainable net-zero society, responding to climate change promptly. We will continue to consider our role and responsibility as a global leading financial group and faithfully implement our strategy on climate change to turn the risks into opportunities.

Contents

Introduction

Introduction
KB's TCFD

Governance

Climate Change Response Governance

Strategy

Risk Analysis on Climate Changes
Opportunity Analysis on Climate Changes
Scenario Analysis on Transition Risk
Scenario Analysis on Physical Risk
Strategies for the Climate Change Crisis

Risk Management

Climate Change Risk Management
Environmental and Social Risk Management
Environmental and Social Risk Review for Large-scale Projects
Implementation of the Equator Principles
Climate Change Risk Management Activities

Metrics & Targets

Greenhouse Gas Emissions Target and Performance
SBTi Methodology
Reduction Target and Pathways of Financed Emissions

Developing a climate change strategy has become essential for all businesses as the challenges posed by climate change are being exacerbated.

KB Financial Group has selected 'ESG leadership' as one of the pillars of our management strategy and is actively promoting the climate strategies for the environment. We actively implement creative and innovative climate response solutions by achieving SBTi (Science-based Target Initiative)'s approval for our 'KB Net Zero S.T.A.R.' strategy, which is a first for an Asian Pacific financial company. Furthermore, through major climate change response strategies such as 'KB Green Wave 2030' and 'Risk Management,' we seek creative and innovative climate change response solutions in order to lead the eco-friendly financial ecosystem.

We, as a top financial group, will contribute to creating a better world where everyone can feel safe and happy by fulfilling our social responsibility for climate response.

Introduction

Climate change is a reality confronting our society.

Climate change, previously deemed a mere forecast from the press and research institutions, is becoming a reality across the globe with rising impacts. The influence of extreme weather events such as heat waves, heavy rainfalls, and droughts has reached global proportions, going beyond individuals' ways of life as well as families, local communities, and businesses. Climate change is calling for an ever more rigorous response as it does not stop at changing our lives at the moment but also threatens the survival of future generations.

Accordingly, countries around the world have set shared goals to combat climate change.

The 2021 UN Climate Change Conference (COP26, Conference of the Parties) adopted the "Glasgow Climate Pact" a detailed implementation guideline of the Paris Agreement, following the adoption of the Paris Agreement in December 2015. Under the Paris Agreement, countries committed to containing the rise of global average temperature to below 2℃ above the pre-industrial levels and suppressing the temperature increase to 1.5℃. The Glasgow Climate Pact contains more detailed and strengthened goals and action plans based on the Paris Agreement such as increasing support for climate change response in developing countries, raising greenhouse gas emissions abatement targets, reducing coal and fossil fuel dependency, and expanding climate finance. In accordance with the key agreements on climate change including the Pact, major countries around the world are striving to cut carbon emissions by 45% from the 2010 levels by 2030 and achieve "net-zero", zero net emissions, by 2050.

However, climate change is becoming a bigger threat.

"State of the Global Climate in 2021 Report" released by the World Meteorological Organization (WMO) in May 2022 stated that the four key climate change indicators that reveal the severity of climate change-greenhouse gas concentrations, sea-level rise, ocean heat, and ocean acidification-have reached an all-time high as of 2021. [1)]

In response, the Intergovernmental Panel on Climate Change (IPCC) emphasized the need for "transformational adaptation" mentioning that countermeasures for climate change taken until now are far from enough. In other words, the world should shift gears and combat climate change by seeking to change the fundamental attributes of the social ecosystems instead of simply correcting the existing systems. [2)]

The impact of climate change will increase.

The Network for Greening the Financial System (NGFS) suggested six different scenarios to analyze the economic impact of climate change, and the analysis result revealed that climate change could result in a maximum 25% reduction in global GDP by 2100 in the worst-case scenario. [3)]

The IPCC also warned that the climate crisis could even result in climate change-related illnesses including maternal, neonatal, and mental health as well as the fundamental destruction of ecosystems, going beyond physical changes such as the collapse of local infrastructure and environmental destruction. [4)]

Hence, measures to trigger fundamental changes are required.

Every stakeholder in our society including businesses, governments, public institutions, and local communities must join forces to fight climate change. Major countries including Korea are setting their carbon neutrality targets and ramping up their efforts at the national level. Businesses are also establishing and implementing strategies to achieve net-zero such as moving away from carbon-intensive to eco-friendly and low-carbon businesses.

As such, minimizing climate-related risks and achieving net-zero based on every stakeholder's collaborative effort will lead to the enhancement of happiness for the present generation as well as our future generations.

KB Financial Group is making multifaceted efforts to address the human-induced climate crisis. We are responding to climate issues based on the following three strategies: "KB Net Zero S.T.A.R.", a strategy that aims to achieve net-zero operational and financed emissions; "KB Green Wave 2030", a strategy that seeks to expand ESG financing; and "Risk Management", a strategy for a methodical response to climate risks. Going forward, KBFG will not lose sight of the influence of the financial industry on our society and devise proactive countermeasures, taking the initiative to overcome challenges posed by climate change.

1) The World Meteorological Organization (WMO) State of the Global Climate in 2021 Report (May 2022)

2) The 6th IPCC Assessment Report by Working Group II (March 2022)

3) NGFS Climate Scenarios for Central Banks and Supervisors (June 2020)

4) The 6th IPCC Assessment Report by Working Group II (March 2022)

KB's TCFD

Climate change is rising as a business risk factor, directly and indirectly impacting business activities. Accordingly, investors and stakeholders are asking for information about businesses' climate response.

The Task Force on Climate-related Financial Disclosures (TCFD) provides voluntary and consistent disclosure recommendations for the disclosure of financial information about climate change. The Task Force was established following the request from the G20 finance ministers and central bank governors to the Financial Stability Board (FSB) to examine the impact of climate issues on the financial industry. TCFD recommendations, developed and published in 2017, include guidelines for climate-related information disclosures with governance, strategy, risk management, metrics and targets as the core elements.

We are acting on the TCFD recommendations, faithfully disclosing our climate-related activities. Since becoming a supporter of TCFD in 2018, we have been disclosing details on our climate change response in accordance with the TCFD recommendations. In addition, KBFG published a separate TCFD report for the first time in Korea in 2021 which disclosed activities carried out based on the TCFD recommendations in detail, strengthening communication about climate change response amongst the stakeholders.

KBFG aims to introduce more detailed climate change response strategies and delineate the impact of climate change on our Group through the 2022 TCFD report.

[Roadmap for the Advancement of the Strategy to respond to Climate Change]

	Setting the Basis for Climate Risk Management	Advancement of Climate Strategies	Securing Climate Change Leadership
	2019 – 2021	2022 – 2024	2025 – 2030
Governance	– Establish the board-level ESG Committee – Establish ESG forums and responsible teams within subsidiaries – Incorporate ESG in the management's KPI	– Develop board-level metrics and dashboard to address climate change – Nurture climate experts and internalize capability to respond to climate change	– Demonstrate strong leadership in the corporate sector in tackling climate change
Strategy	– Develop SBTi based net-zero strategies (including net-zero strategies for operational emissions (Scope 1&2) and financed emissions (Scope 3)) – Develop strategy to expand ESG financing – Declare anti-coal financing – Analyze impact on portfolio using scenarios	– Establish carbon emissions management system – Each subsidiary to develop and execute net-zero implementation strategies – Develop a scenario analysis methodology	– Stabilize an integrated management and disclosure of financial and non-financial data – Implement strategies to strengthen climate resilience based on scenarios
Risk Management	– Develop Environmental and Social Risk Management (ESRM) Policy Framework at the Group level – Review environmental and social risks based on the Equator Principles	– Strenghthen engagement with high-emission industries – Reinforce credit reating system reflecting climate risks	– Reinforce comprehensive ESG risk management system – Fully utilize the corporate ESG risk assessment system
Metrics & Targets	– Measure and disclose greenhouse gas emissions · Operational emissions (Scope 1&2) · Financed emissions (Scope 3)	– Expand target for financed emissions (Scope 3) and set relevant targets in accordance with the development of the global measurement methodology	– Achieve the ESG finance target (by 2030) – Conduct interim check on the fulfillment of net-zero targets and update targets

Governance

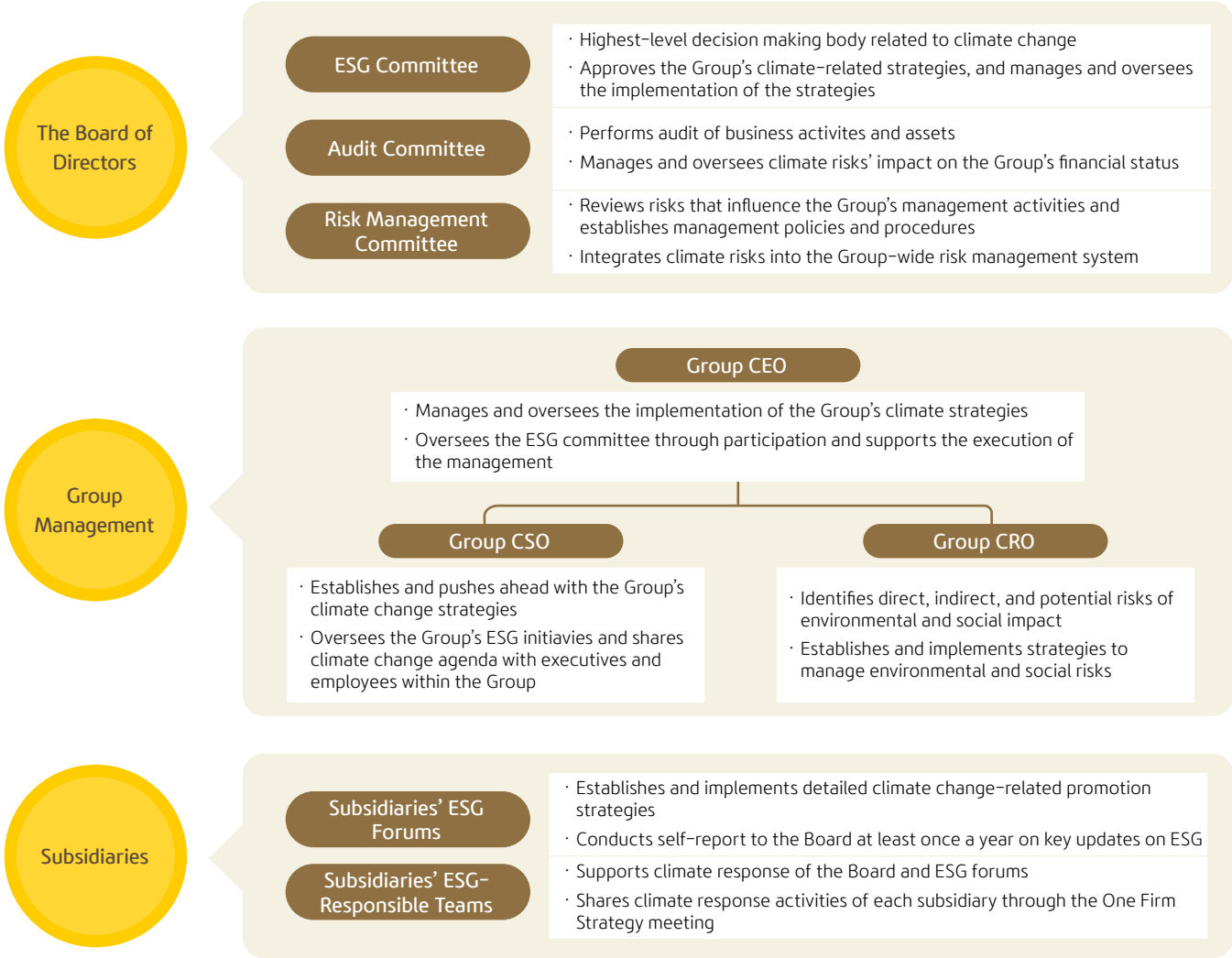
KB Financial Group endeavors to overcome the climate crisis by leveraging Group-wide capability. Robust governance is a basis for effective response and proper decision-making related to climate issues. Swift response to internal and external environmental shifts caused by climate change is a must, which should be driven by in-depth and expertise-based discussions and the decision-making of each party within the governance structure.

We built a governance structure for climate response. Our governance structure for climate response is composed of the Board, the group management, and subsidiaries. The ESG Committee, Audit Committee, and Risk Management Committee manage climate issues according to each committee's roles, with the highest-level decision-making body, the Board at the center.

For the group management, the Group CEO is leading CSO and CRO to manage climate risks with their area of expertise. In recognition of the importance of ESG management, KBFG has elevated a team responsible for ESG from the Group's Brand·ESG Division to the ESG Division under the supervision of the Group CSO (Chief Strategy Officer) during its organizational reform in 2021. Furthermore, ESG forums and responsible teams are responding to climate issues, reflecting each subsidiary's business.

We engage in seamless communication between each party within the governance structure to understand the impact of climate-related risks and opportunities on our business model and reflect the impact in management activities including business strategies and financial planning. In addition, climate response strategies are being comprehensively reflected in the Group risk management, and the roles and responsibilities of the Board and management are clearly defined for effective climate response.

[Climate Response Governance Structure]



Climate Change Response Governance

Board Level

KBFG is responding to climate change with the Board, the highest-level decision-making body, at its center. The Board oversees the Group's climate response strategies and goals and manages the activities of each committee under the Board. The ESG Committee, the Audit Committee and the Risk Management Committee maintain organic cooperative relationship according to each committee's role.

ESG Committee

The ESG Committee was established in 2020 as the first of its kind in the financial industry to oversee ESG-related issues. The Committee, composed of the entire standing and non-standing directors, reflects diverse perspectives of stakeholders given the significance of ESG management and demonstrates ESG values within the Group by strengthening its capability to execute.
The KB Financial Group ESG Committee establishes the Group's ESG strategies ad policies including climate change-related issues and serves as the highest-level decision-making body for the Group and its subsidiaries' key ESG initiatives. Moreover, it monitors the progress of major implementation tasks related to the Group's ESG strategies as well as the scale of ESG products, investments, and loans, and the performance of activities for greenhouse gas abatement, as the highest-level decision-making body that guarantees the implementation of ESG management.

[Key Resolutions by and Reporting to the ESG Committee]

Category		Resolutions and Reports
1st meeting in 2020	Resolved	Set strategic ESG direction of the Group
2nd meeting in 2020	Resolved	Declare anti-coal financing
3rd meeting in 2020	Reported	Report on the Group's ESG progress
1st meeting in 2021	Resolved	Develop the Group's carbon neutrality strategy
2nd meeting in 2021	Resolved	Develop the Group's Environmental and Social Risk Management (ESRM) policy framework
3rd meeting in 2021	Reported	Establish key plans for the Group's ESG Initiatives in 2022

Audit Committee

The Audit Committee's basic responsibility is to perform audits of the Group's businesses and assets. The Committee contributes to ensuring the reliability of the Group's management activities by reviewing financial data that is released to secure the transparency of the Group's financial data.
The committee plans to review the impact of climate risks on the Group's financial status and audit whether the process of reflecting climate issues in management activities is being reasonably implemented.
KB Financial Group provides training on climate issues for members of the Audit Committee, recognizing that the role of the Committee will increase when it comes to climate change response. As such, we are looking to secure the appropriateness and reliability of our climate change response activities with the Audit Committee at the center.

Risk Management Committee

The Risk Management Committee reviews diverse risks the Group faces and establishes relevant management policies and procedures. The Committee also develops risk management strategies that align with the Group's strategic direction determined by the Board and decides the risk appetite which is the amount of risk the Group could afford.
Particularly, the Committee is developing a response system, considering climate issues as one of the major risks facing our Group. On top of this, risk factors that may hinder KB Financial Group from achieving our net-zero target are being preemptively identified and a relevant response system is being established.

Capability Building for the Board Members

KB Financial Group is providing training on climate issues for the Board members to raise their awareness and build capability on the issues. Topics including climate change-related global trends, supervisory and regulatory trends, directions of response within the financial industry, and changes in the disclosure system are being covered in special lectures from outside experts, thereby, providing a comprehensive insight into climate issues. In 2021, we also hosted a training session on ESG issues such as the Korean ESG model and ESG management strategy, and the roles of financial institutions.
KB Management Research Center provides quarterly research reports on ESG trends at home and abroad, including climate change, to outside directors to support their timely and reasonable decision-making.

Group Management Level

The management of the Group including the CEO leads the practical execution of climate change response strategies. In particular, the CSO and CRO consider climate change response as a key determining factor of the Group's sustainable growth and oversee management activities related to business strategies according to their field of expertise.

Group CEO

The Group CEO is responsible for the continuous review of the Group's climate change strategy activities. In addition, the CEO participates in the ESG Committee as a member to achieve harmony between the Committee's supervision and the management's implementation.

Group CSO

The Group CSO's role is to develop and promote climate change strategies. In addition, The Group CSO shares agenda related to ESG including climate change with executives and employees to encourage their participation in ESG activities.

Group CRO

The Group CRO lays a solid foundation for management by overseeing the financial and non-financial risks of the Group. In particular, ESG risks including climate risks, are being reflected in the risk management system to preemptively manage direct, indirect, and potential risks stemming from their environmental and social impact.

Strengthened Responsibility of the Management

KBFG includes climate change metrics in its management KPIs to put climate change response strategies into action. We have been increasing the management's responsibility by reflecting metrics linked to the Group's climate change response strategies in KPIs, such as carbon emissions reduction and ESG financial products expansion.

Subsidiaries

KBFG has ESG forums and responsible teams in each subsidiary for the practical implementation of ESG management. Our subsidiaries are faithfully implementing the Group's climate change response strategies by reflecting climate issues in their management activities.

ESG Forums

We established ESG forums for each subsidiary to promote ESG management. The forums oversee ESG issues including climate change and conduct self-reporting on key updates to the Board.

ESG-responsible Teams

KB Financial Group and its 13 subsidiaries have formed ESG teams and are enhancing working-level ESG capabilities. The teams actively promote ESG activities, including climate change, by reflecting each subsidiary's unique characteristics, in a view to supporting the Group's achievement of its climate change response and ESG management strategies.

Strategy

Climate change brings about various changes across industries and also serves as a strategic opportunity to create new markets and businesses. As demands for financial services and financing to transition from traditional carbon-intensive to eco-friendly businesses such as renewable energy are on the rise, new business opportunities such as investments, lending, green bond issuance, and climate risk insurance will emerge. Financial institutions should redefine the role of finance in line with the new climate regime and preemptively respond to climate risks to find new innovation drivers and promote sustainable growth.

Before establishing strategies, KBFG contemplated on which climate issues are important from the financial institutions' viewpoint.

First, an increase in carbon costs across the industry is projected to be inevitable due to the worldwide strengthening of carbon regulations, and this could have an impact on KBFG's asset portfolio.

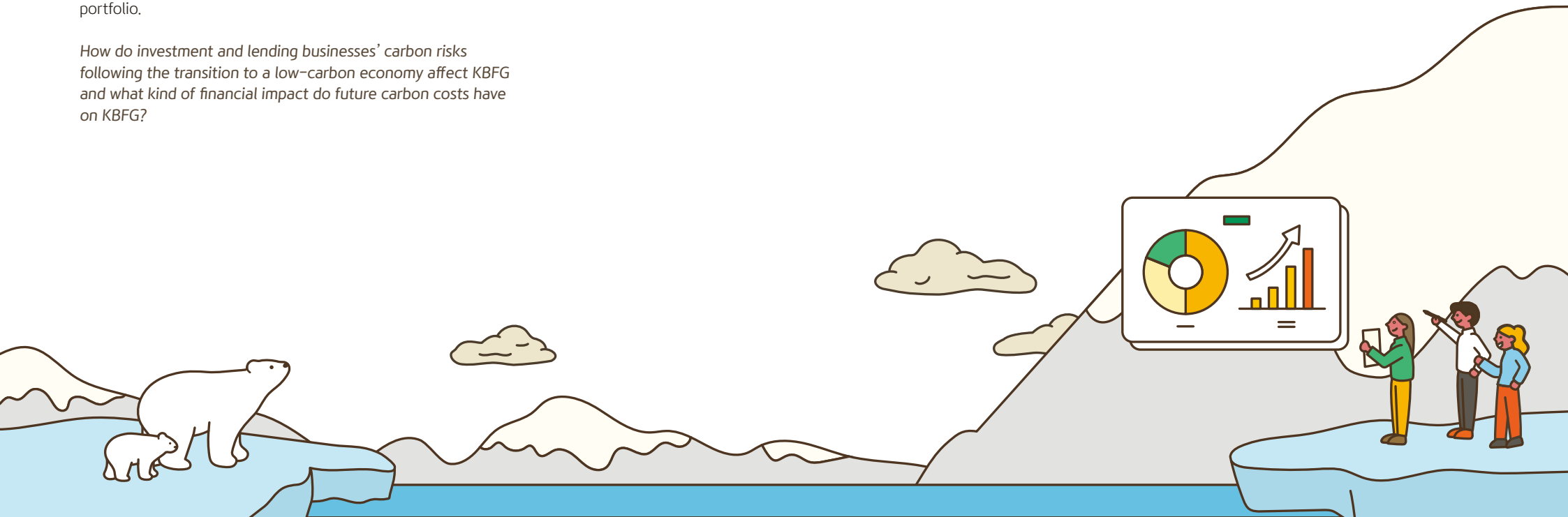
How do investment and lending businesses' carbon risks following the transition to a low-carbon economy affect KBFG and what kind of financial impact do future carbon costs have on KBFG?

Second, the past decade has witnessed an increase in the frequency of weather anomalies, leading to a surge in human and property damage, with buildings and infrastructure being flooded due to heavy rainfalls, typhoons, and others.

What is the potential impact and scale of climate change on KBFG's asset portfolio in the mid-to-long term?

Two fundamental questions about climate issues can be boiled down to two risks, transition risk and physical risk, mentioned in the TCFD recommendations.

Accordingly, KB Financial Group reviewed transition risks, physical risks, and opportunities stemming from climate change facing our Group. Moreover, a scenario analysis was conducted to substantially analyze the impact of transition and physical risks on the Group's management activities.



Risk Analysis on Climate Change

KB Financial Group analyzed climate-related risks before developing climate change response strategies. First, we identified the risks by dividing them into two, transition and physical risks, in accordance with the TCFD recommendations. Transition risks are risks that arise from the shift toward a low-carbon economy such as policy and legal, technology, market, and reputational risks. Physical risks refer to those caused by the physical impact of climate change and can be divided into acute and chronic risks depending on the duration in which a risk factor has an influence. We identified the potential financial impacts of transition and physical risks as well as their influence on the financial industry to establish a rigorous response system against each risk.

Category			Potential impact on finance	Impact on the financial industry
Transition Risk	Policy and Legal Risk	· Strengthening of carbon regulation such as emissions trading scheme and EU carbon border tax, and increase in emission prices · Introduction of new environmental disclosure standards, strengthening of disclosure duties, and increase in climate-related litigation claims	· Increase in operating expense following the rise of greenhouse gas emissions permit prices · Increase in legal and financial burden due to unsecured emissions permits and exceeding the cap · Decline in industrial competitiveness and the value of tangible assets due to regulations against high-carbon businesses · Potential confusion caused by the mismatch between the existing and new disclosure standards	· Financial burden stemming from the purchasing of emissions permits and compliance with environmental regulations · Deterioration of reliability and profitability of supply chain and asset portfolio when partner companies or businesses within the Group's asset portfolio fail to secure emissions permits, exceed the cap or face environmental litigation claims · Limitations in customer and investor communication due to confusion related to disclosure
	Technology Risk	· Transition to green and low carbon technologies · Improvement of energy efficiency and increase of technology investments to cut emissions · Possibility of investment failure in new technologies	· Increase in costs related to the research, development, and adoption of new technologies · Increase in financial risks due to failures in new technology investment · Amortization and early disposal of existing assets	· Changes in lender and investment companies' profitability following the adoption of new technologies · Deterioration of reliability and profitability of supply chain and asset portfolio when partner companies, lenders, and investment companies avoid the adoption of green and low-carbon technologies
	Market Risk	· Decrease in the demand for high-carbon products · Shifts in demand and supply for commodities, products, and services · Increase in uncertainty due to changes in market conditions	· Changes in demand and sales due to the increase in customer preference for green products and businesses · Fluctuations in production costs following the changes in commodity prices and waste treatment costs · Changes in value due to asset revaluation	· Increase in the necessity to develop green products and services, and build an eco-friendly asset portfolio · Decline in demand and operating profits if a product or service is found to have an adverse environmental impact · Deterioration of customer and investor trust and withdrawal of investment, if green management is not implemented,
	Reputational Risk	· Changes in customer and investor preference · Increase in negative feedback from stakeholders	· Changes in corporate operational strategies and relevant costs due to rising customer interest in eco-friendly activities · Deterioration of reputation due to a failure to disclose eco-friendly information and carry out climate change response activities	· Deterioration of reputation upon the rise of issues such as greenwashing and ESG washing · Deterioration of reputation when negative environmental issues arise amongst partner companies and businesses within the Group's asset portfolio
Physical Risk	Acute Risk	· Increased frequency and severity of extreme weather events such as cyclones, floods, and forest fire	· Production suspension and fall in operating profits due to damage to business sites and supply chain · Increase in costs to restore business sites	· Increase in nearby customers' inconvenience if a physical risk causes damage to financial institutions' branches · Restrictions on the use of online customer services in the event of computer network error · Increase in financial burden following the early disposal of existing assets and devaluation of asset portfolios
	Chronic Risk	· Long-term shifts in climate patterns that may cause sea-level rise, average temperature increase, or chronic heatwaves		

Opportunity Analysis on Climate Change

Climate change presents opportunities as well as crisis for businesses. The fact that the impact of climate change is spreading throughout society means that it is a strategic opportunity to create new markets and businesses.
Already, many companies are moving from traditional carbon-intensive businesses to businesses centered on renewable energy and eco-friendly businesses, which are also affecting the financial industry. KB Financial Group analyzes the opportunity factors caused by climate change and reflects them in its management activities in order to respond quickly to the transition of the industrial paradigm caused by climate change.
First of all, we analyzed the potential financial impact and impact of each opportunity factor on the financial industry by classifying the opportunity of climate change into resource efficiency, energy resources, goods and services, and market resilience according to the TCFD recommendation.

Category		Potential financial impact	Impact on the financial industry
Resource efficiency	· Increase in energy and water resources efficiency · Improvement in recycling and waste management systems · Increase in the use of green transportation · Expansion of green construction	· Operating cost reduction following the increase in energy efficiency · Cost reduction and profit increase following productivity increase · Expansion of low-carbon industries including recycling, waste management, and green transportation	· Increase in demands for financing from corporate clients that seek to increase resource efficiency · Preemptive securement of clients in need of financing through industrial monitoring and asset portfolio diversification
Energy sources	· Increase in the use of green (low-carbon and renewable energy) energy sources · Expansion of green and low-carbon technologies · Participation in the carbon market	· Decrease in emissions permit or carbon tax-related financial risks following the reduction of greenhouse gas emissions · Increase in profitability following the reduction of long-term operating costs · Demand generation following the enhancement of corporate image	· Increase in demands for financing from corporate clients that seek to adopt renewable energy sources · Expansion of investment for large-scale projects
Products and services	· Increase in customer preference for green products · Development of green products and increase in technology application · Expansion of green businesses	· Increase in the demand for green products and services, and sales expansion · Establishment of a foundation for sustainable growth based on green business expansion	· Expansion of the scale of green products, loans, and investments · Strengthen competitiveness by developing green financial solutions
Markets	· Entry into new markets related to climate change response · Diversification of business portfolio	· Expansion of revenue streams following entry into new markets · Establishment of a foundation for sustainable growth based on business portfolio diversification	· New market entry by discovering green products and services · Advancement of profit structure by building a green asset portfolio
Resilience	· Expansion of renewable energy and enhancement of energy efficiency · Discovery of green alternative resources and resource diversification	· Securing stability in fixed assets and supply chain based on enhanced resilience · Enhancement of corporate image and increase in product demand · Increase in market value following positive evaluations from stakeholders and increase in the inflow of investment	· Increase in the reliability of supply chain and asset portfolio · Business portfolio diversification and establishment of a foundation for sustainable growth

Scenario Analysis on Transition Risk

Analysis Overview

Stronger regulations on carbon emissions around the world will inevitably increase carbon costs across industries, and transition risks are also projected to rise accordingly. KBFG identified the potential financial impact of transition risks as well as their influence on the financial industry following the reinforcement of carbon regulations. In addition, a scenario analysis was conducted to analyze the actual impact of transition risks on the Group's asset portfolio.

Analysis Method

KB Financial Group identified the impact of stronger carbon regulations on each industrial sector in the asset portfolio and our Group through the scenario analysis. The scenario analysis, conducted with S&P Global Market Intelligence, followed three procedures. First, we compared the exposure and carbon emissions of each industrial sector and analyzed carbon intensity. Next, we analyzed the Unpriced Carbon Cost (UCC) in connection with the 2°C scenario's target based on the OECD and IEA research. The analysis scope was the corporate finance portfolio including corporate lending, corporate bonds, and stocks.

[Transition Risk Scenario Analysis Procedure]

① Analysis on the Share of Exposure and Carbon Emissions of Each Industrial[1] Sector

First, KB Financial Group compared the share of exposure and carbon emissions of each industrial sector of its asset portfolio.

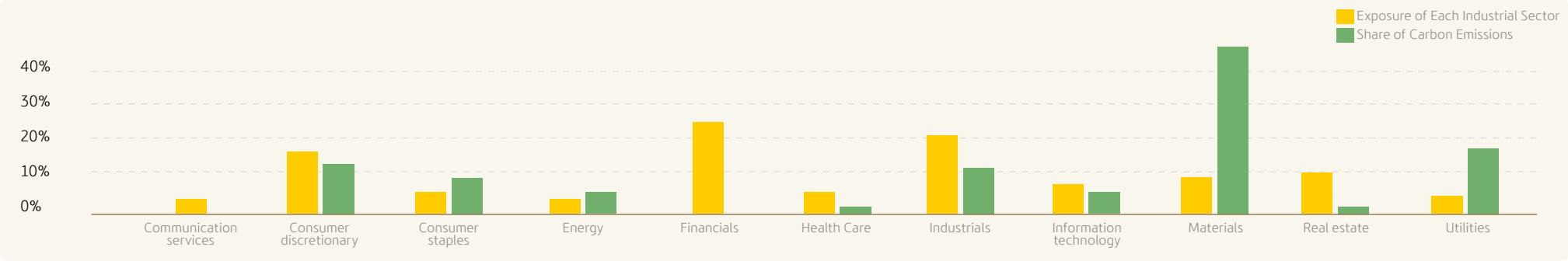
The industrial sectors with high exposure (Value of Holdings, VOH) in the asset portfolio were finance (26%); industrials such as capital goods, commercial service, and transportation (20%); and consumer discretionary (16%). Materials (40%), utilities (16%), and consumer discretionary (13%) were the industrial sectors that had a high share of carbon emissions in our asset portfolio.

This means that the share of carbon emissions in industrial sectors with high exposure is not high in absolute terms and that both the share of exposure and carbon emissions should be taken into account when managing financed emissions. Hence, KBFG is preparing a response system that considers both indicators to manage transition risks in our asset portfolio.

[Major Business of Each Industrial Sector]

Category	Description
Consumer discretionary	Automobiles (including the parts industry), consumer durables (home appliances, fashion accessories, apparel and luxury goods, etc.), consumer services (hotels, leisure facilities, education, etc.), department stores, etc.
Consumer staples	Production and sales of food and beverages, production and sales of personal items, supermarkets, etc.
Materials	Steel, aluminum, copper, other metals, chemicals, fertilizer, specialty chemicals, building materials, paper, etc.
Utilities	Electricity generation (including hydroelectric, combined heat, and renewable energy power generation), power trading, etc.

[The Share of Exposure and Carbon Emissions of Each Industrial Sector]



1) Industrial sector categorization followed the Global Industry Classification Standard (GICS) ※ Major business of each industrial sector

② Analysis on Carbon Intensity of Each Industrial Sector and Asset Portfolio

In general, the absolute value of carbon emissions is high when a specific industrial sector or an asset portfolio is large. However financial companies need an objective indicator when choosing industrial sectors that need attention since the share of an industrial sector's exposure is not proportionate to the share of carbon emissions, as indicated by analysis ①.

Accordingly, KB Financial Group calculated the carbon intensity of each industrial sector and asset portfolio. Carbon intensity means Carbon to Revenue (C/R) and is used as an objective indicator of comparison since it minimizes the impact of scale when comparing carbon emissions.

The analysis of carbon intensity revealed that the utilities sector has the highest carbon intensity in the entire asset portfolio and three asset portfolios, followed by the materials sector. We are planning to establish an engagement strategy that encourages businesses' participation in green activities instead of excluding industrial sectors with high carbon intensity to reduce carbon emissions.

[Carbon Intensity of Each Industrial Sector and Asset Portfolio]

(Unit: tCO_2eq/₩m)

Portfolio Category	Financials	Health care	Communication services	Real estate	Industrials	Information technology	Consumer discretionary	Consumer staples	Energy	Materials	Utilities
Total	0.03	0.09	0.10	0.18	0.23	0.26	0.27	0.52	0.54	1.34	2.77
Stocks	0.03	0.13	0.07	0.12	0.21	0.27	0.28	0.60	0.60	1.70	2.66
Lending	0.05	0.09	0.09	0.18	0.23	0.26	0.27	0.54	0.54	1.34	2.42
Bonds	0.03	0.10	0.10	0.19	0.23	0.24	0.27	0.55	0.55	1.14	2.97

Low carbon intensity

High carbon intensity

③ Analysis on Unpriced Carbon Cost (UCC) of Each Industrial Sector

Whereas the share of exposure and carbon emissions, as well as the carbon intensity of each industrial sector, is an indicator for analyzing the current climate change risks in the asset portfolio, 'Unpriced Carbon Cost (UCC)' is an indicator used to analyze the future climate risks of the asset portfolio.

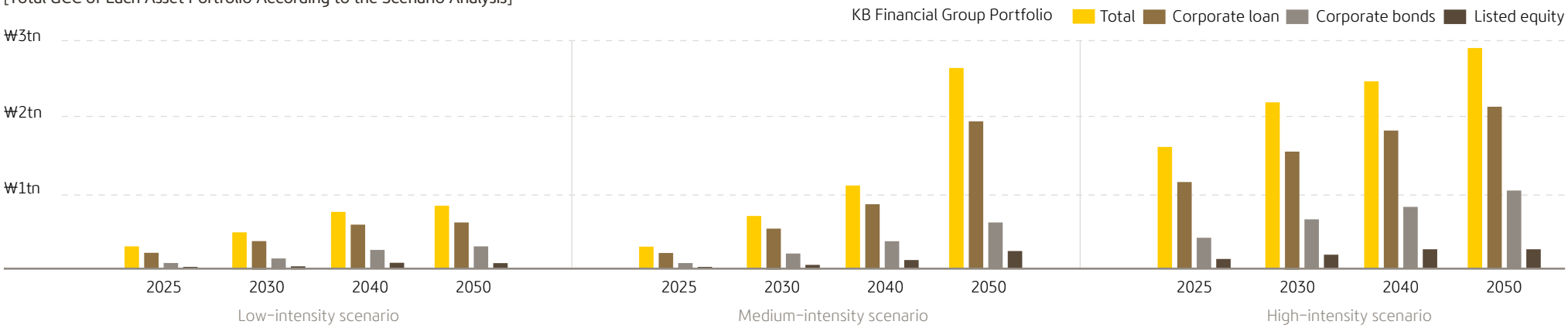
UCC is calculated by the difference between what a company pays for carbon emissions today and what it may pay in the future and is used as an indicator to assess each company's solvency regarding future carbon costs. High UCC indicates that a company's carbon costs will rise, increasing its exposure to climate risks.

Therefore, financial institutions should pay close attention to managing the industrial sectors with high UCC since the soundness of asset portfolios may deteriorate if UCC is high in their portfolios. KB Financial Group analyzed high, medium, and low-intensity scenarios based on how much the temperature rise due to climate change could be suppressed, reflecting the UCC's characteristic of changing according to the scenario and base year. The analysis showed that the stronger the scenario, the higher the total UCC of companies within each asset portfolio. This means that as greenhouse gas emissions reduction targets rise and relevant regulations become stronger, companies' financial burden within the asset portfolio increases.

[Scenario Classification]

High-intensity scenario	The scenario is based on the OECD and IEA research and assumes that policies to reduce greenhouse gas emissions are implemented according to the goal stated in the Paris Agreement: limiting the average global temperature rise to 2°C by 2100.
Medium-intensity scenario	The scenario assumes a reduction in greenhouse gas emissions and success in limiting the average global temperature rise to 2°C in the long run but considers that policy implementation may be delayed in the short term. Another assumption is that countries that failed to meet the 2°C scenario's target in the short term will ramp up their short-to-medium term greenhouse gas abatement efforts.
Low-intensity scenario	The scenario assumes a situation where every country fully implements NDCs according to the Paris Agreement based on the OECD and IEA research.

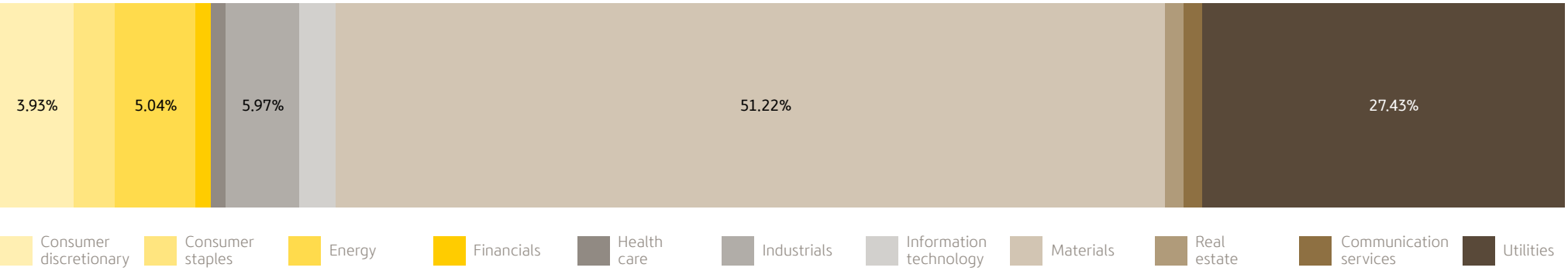
[Total UCC of Each Asset Portfolio According to the Scenario Analysis]



Furthermore, KB Financial Group analyzed the share of UCC of each industrial sector in the asset portfolio based on the high-intensity scenario. The materials (51.22%) and utilities (27.43%) sectors showed the highest UCC in the Group's asset portfolio when the high-intensity scenario was applied. The two sectors need attention when responding to climate risks since the analysis revealed that their share of carbon emissions and carbon intensity are also high.

In addition, we also discovered that 9.67% of our asset portfolio could be exposed to a negative margin risk if all the companies pay UCC. This implies that climate risks not only serve as a financial burden on businesses within the asset portfolio but also on the Group itself. Against such a backdrop, KB Financial Group plans to thoroughly respond to transition risks, focusing on industrial sectors with a high share of UCC such as utilities and materials, based on the scenario analysis results.

[Share of UCC of Each Industrial Sector]



Scenario Analysis on Physical Risk

The frequency of unusual climate events such as temperature rises and increased precipitation has increased over the last decade. Damage to human life and property, in particular, is rapidly increasing due to an increase in the rainy season on the Korean Peninsula, torrential rain, and changes in typhoon movement routes. As a result, KB Financial Group used physical risk scenario analysis to determine the potential impact and size of climate change on its asset portfolio in the mid-to long-term.
The analysis adopted the Representative Concentration Pathways (RCP) scenario. The scenario, discussed in the 5th IPCC Assessment Report in 2013, projects the level of regional risks based on greenhouse gas concentration. We analyzed physical risks by applying three scenarios: RCP 2.6, 4.5, and 8.5. The accuracy and reliability of the analysis were enhanced by adding an RCP 2.6 scenario to the existing analysis. To compare each scenario, RCP 2.6 assumes a situation with the lowest level of climate risk, while RCP 8.5 assumes a situation with the highest level of climate risk. We analyzed the impact of physical risks by comparing each scenario.

[RCP Scenario-Scenario Definition]

RCP Scenario		· A set of scenarios created by the Intergovernmental Panel on Climate Change (IPCC) assuming the different outcomes of climate change depending on the performance of greenhouse gas emissions policies. It refers to the degree of influence force that changes the energy balance of greenhouse gases, etc.
Low Level of climate risks High	RCP 2.6	· A scenario that assumes that the earth cannot recover from the impact caused by human activities on its own (not possible)
	RCP 4.5	· A scenario that assumes a situation where the majority of greenhouse gas reduction policies substantialize
	RCP 8.5	· A scenario that assumes a situation where greenhouse gas is emitted at the current pace

[RCP Scenario - Projection Per Scenario]

Scenario	CO_2 concentration in 2100	Projection of temperature rise from 2081 to 2100		Projection of sea-level rise from 2081 to 2100	
		Average	Range	Average	Range
RCP 2.6	421ppm	1.6℃	0.9~2.3℃	0.49m	0.35~0.69m
RCP 4.5	538ppm	2.4℃	1.7~3.2℃	0.59m	0.41~0.82m
RCP 8.5	936ppm	4.3℃	3.2~5.4℃	0.89m	0.54~1.13m

Analysis Methodologies

KB Kookmin Bank calculated the "climate risk exposure" of 250 cities and counties nationwide and estimated the possibility of damage to real estate collateral loans, considering the frequency of flood damage in the past, the relative difference of torrential rain-related factors due to climate change, and landslides derived from torrential rain.
Kookmin Bank estimated the impact of physical risks on real estate mortgage loans through the RCP scenario analysis according to the three following procedures.

[Physical Risk Scenario Analysis Procedure]

① Estimation of climate risk exposure (hazard map) → ② Estimation of the possibility of real estate mortgage loans' exposure to climate risks → ③ Estimation of the depreciation of real estate mortgage loans

① Estimation of Climate Risk Exposure (Hazard Map)

KB Kookmin Bank synthesized regional meteorological factors (annual precipitation, precipitation intensity, number of days of heavy rain) and landslide prediction warning occurrence information for the next 10 years based on the frequency of occurrence of flood damage in the past, and estimated regional climate risk exposure to assess physical risks from climate change.

[Climate Risk Exposure Estimation Method]

Frequency of flooding in the past	+	Regional meteorological factors	+	Landslide prediction information
Regions affected by flooding such as typhoons and heavy rainfalls [1]		Prediction data on annual precipitation, precipitation intensity, and days of precipitation per RCP scenario [2]		Regions of landslide alert/warning [3]

Climate risk exposure

As a result of analyzing the climate risk exposure according to the aforementioned procedures, we came up with the climate risk exposure based on the RCP scenario for 250 cities, counties, and districts across the country.

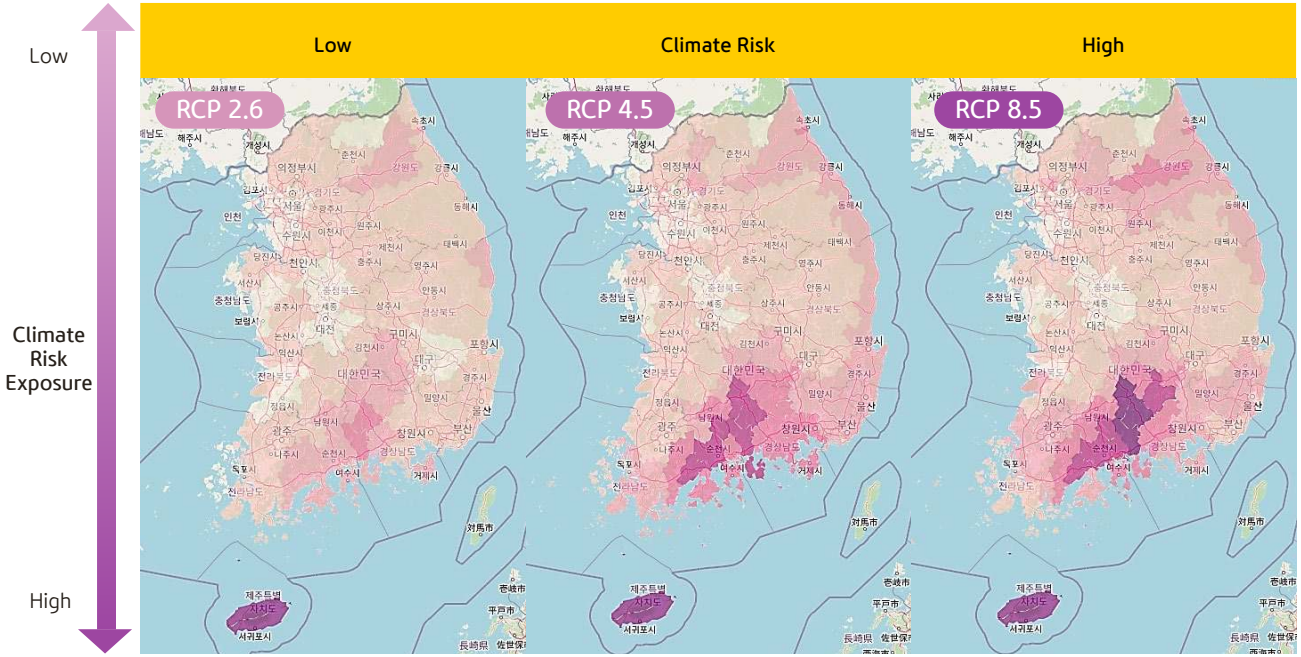
1) LX
2) Climate Information Portal, Korea Meteorological Administration
3) Landslide Information System, Korea Forest Service

[Status of Flood Damage Frequency by Region]

1) Goyang City had flooding damage during 2006~2010, but it did not occur after 2010. Wonju City has not experienced any flooding damage since 2013.
2) Since Busan, Gyeongnam, and Ulsan are located on the typhoon's moving route, five recent flooding damages have occurred.
3) Due to the typhoon, there was torrential rain in Jeju area and flood damage occurred.

According to the results of the simulation of climate risk exposure analyzed by KB Kookmin Bank, if the RCP changes from 2.6 to 8.5, the exposure to climate risk has increased across the country, including Seoul, Gyeonggi, and Chungcheong. On the other hand, some areas of Jeju, Gyeongnam, Jeonnam, and Gangwon were found to have high exposure to climate risks in all scenarios (RCP 2.6, 4.5, and 8.5).

[Simulation on Climate Risk Exposure per Scenario]



② Estimation of the Possibility of Exposing Climate Risk to Real Estate Collateralized Loans

KB Kookmin Bank analyzed how much KB Kookmin Bank's real estate collateral loans were exposed to climate risk by overlapping real estate collateral loans in the analysis of climate risk exposure by region. First, KB Kookmin Bank analyzed the size of loans with increased climate risk exposure and the size of loans with continuously high climate risk exposure as climate change increases through a comparative analysis between RCP scenarios.

As shown below, if climate risk increases from scenario I (RCP 4.5) to scenario II (RCP 8.5), the loan for expanding climate risk is the ● section (Group A → Group B · C, Group B → Group C). Also, loans with high climate risk exposure were selected in the ★ section (Group C → Group C).

In this way, the size of collateral loans for the ● and ★ sections was identified.

KB Kookmin Bank compared RCP 2.6 with RCP 4.5, RCP 4.5 and RCP 8.5 using a comparative analysis between scenarios, and identified the size of loans whose exposure to climate risk increases when changing scenarios. According to an analysis of the risk exposure level of collateral loans worth ₩99.7tn in domestic real estate as of March 2022, it is analyzed that collateral loans worth about ₩7.9tn are exposed to climate risk if they move from RCP 2.6 to 4.5. On the other hand, if climate risk intensifies from RCP 4.5 to RCP 8.5, it can be confirmed that up to ₩25.3tn in real estate collateral loans, or 25% of the loans analyzed, are exposed to climate risk. In other words, the total amount of loans that are expected to worsen climate risk exposure due to current scenario changes is ₩25.3tn.

[Methodologies to measure the climate risk exposure level of real estate mortgage loans]

① Basic Assumption: Scenario II has a higher climate risk than Scenario I and moves from Scenario I to Scenario II
- Scenario I (RCP2.6) -> Scenario II (RCP4.5)
- Scenario I (RCP4.5) -> Scenario II (RCP8.5)

② Screening the sections for increasing climate risk exposure and maintaining high risk exposure
- Increasing climate risk exposure : ● section (A group→B,C group, B group→C group)
- Maintaining high risk exposure : ★section (C group→C group)

Climate Risk Exposure		Climate Change Scenario II		
		Group A	Group B	Group C
Climate Change Scenario I	Group A		●	●
	Group B			●
	Group C			★

★ Loans that maintain a high level of climate risk exposure

● Loans that maintain a high level of climate risk exposure

※ 250 cities, counties, and districts across the country were classified as Group A to C based on their level of exposure to climate risk.
- Group A: Exposure to climate risk – less than 0.2
- Group B: Exposure to climate risk – 0.2 to less than 0.4
- Group C: Exposure to climate risk – 0.4 or more

[Result of Climate Risk Measurement Level of Real Estate Collateralized Loans]

	RCP 2.6→4.5	RCP 4.5→8.5
Loans subject to analysis	₩99.7tn	
Exposure increasing group	₩6.8tn	₩23.4tn
Group A→Group B,C	₩4.7tn	₩23.3tn
Group B→Group C	₩2.1tn	₩0.1tn
Maintaining high Exposure	₩1.1tn	₩1.9tn
Loan amount exposure to climate risk	₩7.9tn	₩25.3tn

③ Estimation of Damage on Real Estate Mortgage Loans

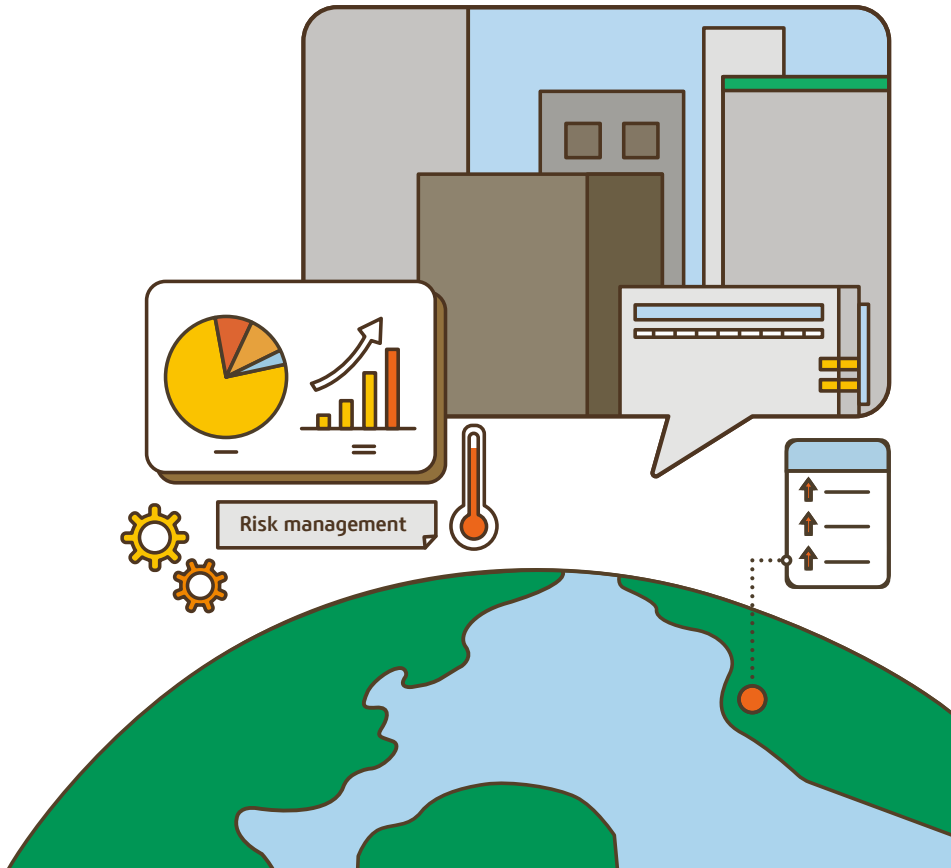
KB Kookmin Bank analyzed the scale of damage to real estate mortgage loans caused by climate change. The estimation was made by identifying the impact of natural disasters on loans that could take place if the average temperature rises by 3℃ compared to pre-industrial levels.

[Estimation of Damage to Real Estate Mortgage Loans]

Real estate mortgage loans' market value	×	Economic losses upon the occurrence of regional natural disasters	×	Climate change scenario weighed value		Estimation of damage to real estate mortgage loans
National total ₩236tn		Calculated through [(Damage from natural disasters + disaster relief cost) ÷ GRDP]		· 1.5℃ increase: 2.6-3.4x · 2℃ increase: 4.2-6.2x · 3℃ increase: 7.2-11x		**₩4.7tn~7.1tn**

The maximum amount of damage increased from ₩5.5tn, the figure from the 2021 scenario analysis, to ₩7.1tn. This is attributable to the expansion of collateral following the increase in loans, and the rise in collateral value with real estate price hikes, which lead to the overall increase in the market value for real estate mortgage loans. Moreover, the amount went up also due to more frequent natural disasters such as landslides after torrential rains which translated into an increase in economic loss.

Physical risks from climate change are being aggravated. Real estate mortgage loans' exposure to and scale of damage from the risks are also expanding, as shown in the scenario analysis results. Accordingly, we stand ready to identify their impact on the asset portfolio and thoroughly prepare for shifts in the management environment caused by climate change.



CASE STUDY

Efforts to Respond to Physical Risks by using Digital Technology

KB Insurance is building its technological foundation by adopting diverse technologies to proactively respond to physical risks.

AI-based Fire Risk Prediction Model

KB Insurance developed an "AI-based fire risk prediction model" to predict buildings exposed to a high level of fire risk in advance.
In Korea, 40 thousand cases of fire broke out annually from 2016 to 2020, leading to average annual property damage of ₩789.2bn. Pre-identification of buildings with a high risk of fire is critical since property damage from unexpected fire incidents increases the loss ratio of fire insurance.
In response, KB insurance developed a technology that predicts buildings with a high risk of fire in advance, by leveraging AI technology. KB Insurance developed an AI-based fire risk prediction model by selecting Gyeonggi province, the region with the highest cases of fire from 2016 to 2020, as a pilot area and chose small and medium enterprises that own relatively many buildings. The final model recorded a precision of 76% and 69% of recall, accurately predicting 7 out of 10 buildings where a fire broke out.

[Results of the AI-based Fire Risk Prediction]

Examples of buildings in Gyeonggi province

Examples of the final model's prediction result

KB Insurance is thoroughly analyzing fire risk cases to enhance model precision, and ultimately, plans to enhance AI technology capability. Moreover, insured buildings that have a high risk according to the prediction model will be subject to an inspection in advance, whereas preemptive measures such as adjustment of coverage for non-insured buildings will be taken to gradually decrease the loss rate of fire insurance.

GIS Platform

KB Insurance built a Geographic Information System (GIS) platform to detect risks in advance and reflect them in establishing contract policies and analyzing each business site's risks.
GIS platform, a system that transforms geographic information into data, serves as a basis to analyze risks from natural disasters and information about nearby properties on top of basic geographic information about buildings. The platform developed and operated by KB Insurance in 2022, is equipped with features such as risk information retrieval, natural disaster MAP, nearby property information MAP, statistical calculation, and customer service.

[GIS Platform Features]

Risk Information Retrieval Feature	Comprehensively displays information offered by the GIS platform by each business site
Natural Disaster MAP Feature	Map-based retrieval of information related to business sites' natural disaster risks and nearby risks
Nearby Property Information MAP Feature	Provides location-based risk management information of every business site insured by KB Insurance
Statistical Calculation Feature	Provides various statistical information based on user requirements (dashboard, by city and province/ by city, county, and district)
Customer Service Feature	Swift prevention of typhoon risks by linking to the Meteorological Administrations' real-time typhoon prediction information

KB Insurance is utilizing the GIS platform in a variety of ways. First, various information including building ledger information of a property, natural disaster risk rating, and information about nearby insured properties is used as a reference in the sales and subscription stage. In addition, a disaster hazard map is being used during property acquisition deliberation and regional statistical data is being harnessed by building a dashboard that categorizes insured properties' information by business, purpose, and product. Furthermore, KB Insurance is swiftly providing location-based natural disaster-related information to its clients by fully leveraging the GIS platform's natural disaster MAP feature. In the case of typhoon-related information, the platform automatically analyzes the affected areas and provides the information to its clients.
Going forward, KB Insurance is looking to actively respond to physical risks related to the properties-to-be-insured by fully utilizing innovative digital technologies such as the AI-based fire risk prediction model and GIS platform. In addition, KB Insurance will enhance its overall work efficiency by expanding the adoption of each technology.

Strategies for the Climate Change Crisis

KB Financial Group established the following three key climate change response strategies based on the review of climate risks and opportunities: "KB Net Zero S.T.A.R.", the Group's strategy to push ahead with carbon neutrality; "KB Green Wave 2030", the Group's goal for ESG finance; and "Risk Management", a strategy to thoroughly respond to climate risks.

STRATEGY 1

KB Net Zero S.T.A.R.

Operational emissions (Scope 1&2) net-zero by 2040, and financed emissions (Scope 3) net-zero by 2050

STRATEGY 2

KB Green Wave 2030

Expand ESG products, investments, and loans to ₩50tn by 2030 (₩25tn in environment sector)

STRATEGY 3

Risk Management

Establish a risk response system and environmental and social risk management standards in accordance with the TCFD recommendations

KB Net Zero S.T.A.R.

KB Net Zero S.T.A.R. aims to achieve net-zero for operational emissions (Scope 1&2) and financed emissions (Scope 3). The target for operational emissions is to achieve a 42% reduction compared to the 2020 levels by 2030 and net-zero by 2040. For financed emissions, the goal is to reduce 33.3% of the emissions by 2030 and 61% by 2040 compared to the 2019 levels and achieve net-zero by 2050. KB Financial Group utilized the SDA methodology and Temperature Rating method according to the SBTi methodology when setting our financed emissions targets and received an SBTi approval in October 2021. The approval means that KB Net Zero S.T.A.R. and its greenhouse gas emissions reduction targets are objective and reliable strategies and goals that go beyond mere declaration.

KB Green Wave 2030

The goal of KB Green Wave is to expand ESG products, investments, and loans to ₩50tn by 2030. Particularly, we are planning to increase the products, investments, and loans in the environment sector to ₩25tn. The ultimate goal of expanding ESG finance is to further spread the positive influence the financial industry has on the environment and society through engaging in financial activities that reduce greenhouse gas emissions and support the financially-vulnerable population. KB Financial Group's ESG products, investments, and loans stood at ₩25.16tn as of December 2021. Please refer to p.60 of this report for further details.

Risk Management

Risk management is a core task and goal in our response to climate issues. KBFG is managing transition and physical risks in accordance with the TCFD recommendations, which are integrated into the Group-wide risk management system. Furthermore, we developed a policy framework to preemptively predict and manage financial activities' environmental and social impact and are conducting thorough environmental and social risk reviews for large-scale projects. Please refer to p.45-50 of this report for further details about KB Financial Group's climate risk management.

Pathway to Achieve Net-zero

KB Financial Group is carrying out activities based on four initiatives to achieve net-zero in accordance with "KB Net Zero S.T.A.R.". In particular, we are focusing on the positive method to move towards a net-zero society with our customers. The negative method that rules out high-carbon industries or imposes cuts in greenhouse gas emissions could be effective in the short-term but has limitations in achieving net-zero as a society.

Accordingly, we are seeking to achieve net-zero based on the positive method by supporting our clients' transition to green business models and reduction of greenhouse gas emissions as well as continuing our own efforts to cut greenhouse gas emissions.

Positive way to
NET-ZERO

Support for the Green Transition of Small and Medium Enterprises (SMEs)

KB Financial Group supports SMEs green management. We are pushing ahead with an ESG consulting service that supports SMEs' establishment of a green business portfolio, reduction of greenhouse gas emissions, and expansion of renewable energy sources required to achieve net-zero by sharing relevant management know-how. In addition, we offer an ESG self-assessment service that SMEs could utilize to assess their level of ESG management including environmental management, and also provide each company's ESG rating and assessment report depending on the result. KB Financial Group also offers a loan for SMEs with excellent performance in ESG, which provides preferential interest rate and limit to companies that actively promote green transition.

Expansion of Investment in Green Finance

We are contributing to greenhouse gas abatement by expanding our investment in green finance. Investment in renewable energy generation such as solar and wind power is expanding, as well as our investment in low-carbon and new technologies and green buildings. On top of this, KBFG has set a goal of expanding products, investments, and loans in the environment sector to ₩25tn by 2030, and is actively carrying out green financial activities to achieve the goal. Please refer to pages 57~66 of this report for further details.

Asset Portfolio Management

KBFG regularly monitors the financed emissions. In particular, we manage emissions and carbon intensity by company, emissions by subsidiaries. The data on financed emissions is used as a reference for future loan reviews or investments.

Direct Reduction and RE100 Expansion

We are practicing eco-friendly activities to transition to net-zero together with internal and external stakeholders including executives and employees, as well as our customers. The ratio of renewable energy conversion of business vehicles into eco-friendly vehicles, and green buildings is on the rise, with operational emissions on the decline through eco-friendly campaigns. We are also participating in various global green initiatives including RE100 to promote international cooperation on the improvement of the earth's environment. Please refer to pages 86~94 of this report for further details.

Raising Awareness of Stakeholders

KB Financial Group is running various educational programs to raise awareness of internal and external stakeholders on climate change issues. KB Kookmin Bank provides ESG Live special lectures and expert special lectures to raise awareness of the climate change crisis and eco-friendly practices of all executives and employees, and provides various environmental education contents.

[Training on the Environment for Executives and Employees of KB Kookmin Bank]

ESG Live special lecture	· How to Overcome the Climate Crisis with Our People (Tyler Rash)
Special lectures by ESG experts	· Internal and external trends and challenges of ESG and green finance (Dae-woong Lim, Representative, UNEP FI KOREA) · Climate risk, making a bold transition amidst accelerating changes (Professor Chun-ho Cho, Kyunghee Cyber University) · Energy transition and our future (Dr. Sun-kyo Kim, Korea Institute of S&T Evaluation and Planning) · Trends of the global hydrogen economy and directions of national policies (Seung-hoon Lee, Director, H2KOREA)
ESG training contents	· Training courses on the implementation of the Equator Principles for the internalization amongst executives and employees · Green bubble: Expansion of the private carbon credit market and its problems · New challenges of offshore wind power and wind power · Current green bond market conditions in China and its future prospects

In particular, in June 2022, Tyler Rash, the author of 'There is No Second Earth', was invited to host a training session on 'How to Overcome Climate Crisis with Our People'. The training was carried out in accordance with the 'Environmental Training Cooperation MOU to Achieve a Sustainable Future', signed with the Ministry of Environment. With Tyler Rash's lecture as a start, KB Kookmin Bank plans to host various training sessions to create an environment for voluntary participation in carbon neutrality-related efforts. Moreover, it plans to discover social contributions projects about environmental training to form a consensus among stakeholders on the necessity of transitioning to net-zero.

KBFG is also endeavoring to raise external stakeholders' awareness of climate issues. KB Research and KB Securities Research Center continue to publish reports on ESG issues including climate change. They also regularly host ESG forums and seminars for institutional investors and corporate clients. Furthermore, KBFG holds the ESG Global Summit in connection with external institutions, suggesting a direction for the expansion of ESG management.

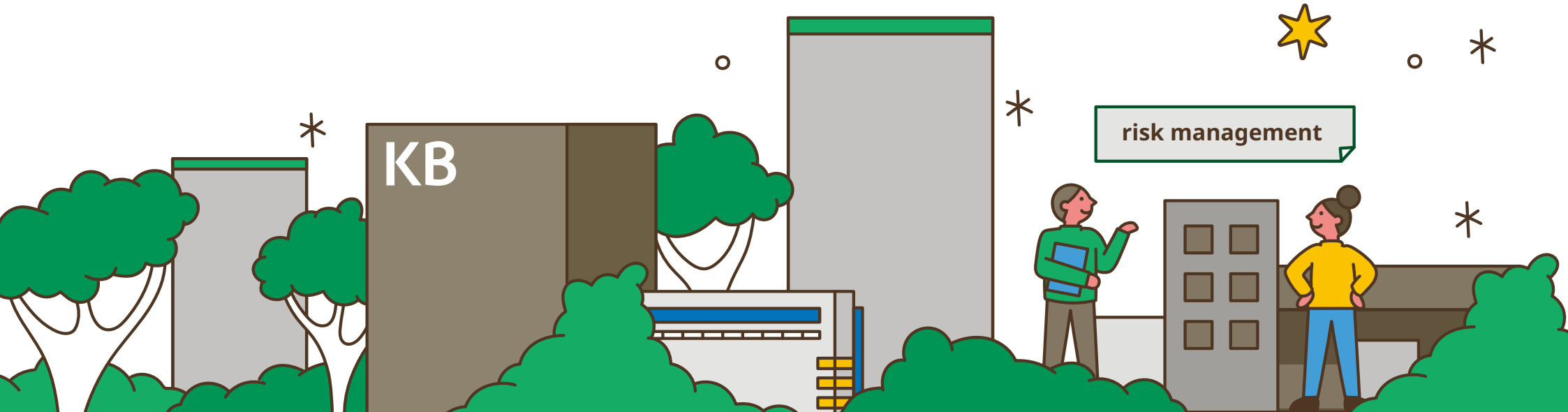
[Special Lecture on How to Overcome Climate Crisis with Our People]

Risk Management

Rapid changes in the management environment are bringing about more diverse risks for businesses. KB Financial Group categorizes and manages key risks that affect the Group's management with relevant teams for climate change response at the center, including the risk management team.

Climate risks not only directly bear on the Group's management activities but also trigger key risks, impacting the Group in various aspects. Accordingly, we identified the relationship between climate change risks and the Group's key risks following the TCFD recommendations to manage climate change issues within the Group-wide risk management system.

Furthermore, KB Financial Group is pushing ahead with response activities by identifying the extent and duration of climate risks' impact on businesses. We are also running an Environmental and Social Risk Management (ESRM) system after developing an environmental and social risk policy framework to thoroughly manage the risks related to the economic activities of the recipients of our financial services. Each industry is managed by dividing it into Areas for Exclusion, Attention on Climate Change, and Support for Green Industries depending on inherent risks, and financing of large-scale projects are being reviewed based on the Equator Principles. We will continue to faithfully implement risk management activities to minimize the negative impact of the Group's management activities on the environment and society.



Climate Change Risk Management

KB Financial Group is reflecting the analysis results of climate risks and opportunities in the overall business activities. In particular, we seek to take climate change as a turning point for growth instead of a crisis by considering climate-related opportunities when identifying climate risks and responding to the pre-identified risks. We divided the impact and duration of each risk to understand the urgency of response as follows: high/medium/low for the impact and short-term/medium-term, and long-term for the duration.

Risk		Impact	Duration*
Transition Risk	Policy and Legal Risk	High	Short-term/Mid-term/Long-term
	Technology Risk	Medium	Short-term/Mid-term/Long-term
	Market Risk	High	Short-term/Mid-term/Long-term
	Reputation Risk	Medium	Short-term/Mid-term
Physical Risk	Acute Risk	Medium	Short-term/Mid-term
	Chronic Risk	High	Mid-term/Long-term

*For the duration, short-term is 1-5 years, medium-term is 5-10 years, and long-term is over 10 years.

KB Financial Group aims to bring about tangible changes in the process of responding to climate risks. Accordingly, we are managing climate risks by taking into account quantitative factors such as project scale, the number of customers, profit, and operating cost, as well as qualitative factors including customer satisfaction and reputation. In particular, we are responding thoroughly to each risk based on what we have identified as the potential financial impact of each risk and its influence on the financial industry.

[Key Response Activities]

Category		Response activity
Transition risk	Policy and legal risk	· Active implementation of "KB Net Zero S.T.A.R.", the Group's carbon neutrality promotion strategy to cut greenhouse gas emissions · Offering ESG consulting services to support greenhouse gas emissions reduction of businesses and financial benefits to businesses that achieved the reduction · Strengthening of the application of global disclosure standards within the climate change response framework · Restrictions on the investments in high carbon emitting businesses and minimization of climate risks through the declaration of anti-coal financing and Environmental and Social Risk Management (ESRM) framework
	Technology risk	· Monitoring of green technologies and research trends · Reflecting the results of monitoring during products and services development and investment decision-making · Expansion of green technology-related investment · Offering financial benefits to businesses that adopt green technologies
	Market risk	· Expansion of green products and services · Promote the achievement of ₩25tn in products, investments, and loans in the environment sector by 2030 · Pre-identification of ESG risks within products and services following the categorization process of ESG financial products · Securing customer and investor confidence by strengthening environmental management
	Reputational risk	· Disclosure of the climate change response status through TCFD report, CDP, and sustainability report · Expansion of internal and external green communication · Enhancement of corporate image by practically implementing environmental management such as the practice of environmental management by executives and employees
Physical risk	Acute risk	· Development of climate change response strategies according to the physical risk scenario analysis · Establishment of a response system for serious industrial accidents · Establishment of a Business Continuity Plan (BCP) and execution of mock exercises and emergency evacuation drills
	Chronic risk	

Environmental and Social Risk Management

Environmental and Social Risk Policy Framework

KBFG established the "Environmental and Social Risk Policy Framework" in October 2021 to methodically manage direct and indirect risks that financial activities have on the environment and society, including climate change, based on consistent standards. The Policy Framework is composed of a "Policy Framework" that contains the background of the introduction of the Policy Framework, objectives and principles, information disclosure, and training and capability building for executives and employees, with the Environmental and Social Risk Management (ESRM) Framework at the center, along with a document titled "Rationale for Designating Areas for Attention Regarding Climate Change" which provides the rationale for designating businesses and industries (Areas for Attention) that adversely affect climate change.

[Key Content of the Policy Framework and Rationale for Designating Areas for Attention Regarding Climate Change]

Category	Policy Framework	Rationale for Designating Areas for Attention Regarding Climate Change
Definition	A comprehensive framework designed to identify, evaluate and manage how the economic activities of the recipients of financial services affect the environment and the society	A document that provides the rationale for designating businesses and industries (Areas for Attention) that may adversely affect climate change due to high greenhouse gas emissions, etc.
Key content	· Objectives and principles of the Policy Framework · Categorization of Areas for Exclusion, Attention, and Support, along with a management plan · Review of environmental and social risks for large-scale projects (based on the Equator Principles) · Environmental and Social Risk Management (ESRM) Framework · Information disclosure · Participation in global collaboration and standard-setting organizations · Training and capability building for executives and employees	· Designating Areas for Attention considering environmental risks (greenhouse gas, biodiversity and habitat, harmful chemical substances) and social risks (human rights in local communities and workers' rights) · Definition of each Area for Attention and monitoring checklist

Environmental and Social Risk Management (ESRM) Framework

KB Financial Group is rigorously managing climate change and environmental and social risks caused by financial activities through the "Environmental and Social Risk Management (ESRM) Framework" within the Policy Framework. ESRM is composed of management areas according to the inherent risks of each industry, a review of environmental and social risks for large-scale projects, and directions for establishing a framework for climate risks.

[Management Areas According to ESRM]

Category	Definition	Item
Areas for Exclusion	Areas to be excluded from financial support given the activities' or industries' profoundly adverse environmental and social impact	· Production or trade of products and activities that are construed to be illegal according to the respective countries' laws and regulations · Cases where child labor is included in the labor put in for production · Transactions related to illegal gambling and pornography industries · Production, trade, and transactions of radioactive substances whose appropriate protection, management, and supervision are deemed unfeasible · Support for new coal mining projects or the expansion of existing coal mining businesses · Support for the construction of new coal-fired power plants or the expansion of existing coal-fired power plants
Areas for Attention on Climate Change	Areas where carbon emissions reduction and relevant exposure management are significant given the projects' or industries' possibility to have an adverse impact on climate change such as high greenhouse gas emissions	· High carbon emitting industries including coal mining, coal-fired power generation, forestry, and others · Strengthening the monitoring of Areas for Attention and encouraging a shift to a net-zero economy at the same time
Areas for Support for Green Industries	Areas where preferential financial support is provided considering the impact on overcoming the climate crisis through carbon neutrality and Green New Deal as well as the possibility to support green industries that could serve as a new growth engine	· Activities designated by the "K-Taxonomy and Application Guidelines" · Activities related to the items designated by the "New Deal Fund Investment Guidelines" that are also included in the "K-Taxonomy and Application Guidelines"

Environmental and Social Risk Review for Large-scale Projects

KB Financial Group conducts a review of environmental and social risks when dealing with large-scale project financing that is subject to the Equator Principles (over USD 10mn). KB Kookmin Bank adopted the Equator Principles in February 2021 and carries out environmental and social risk reviews according to its own Equator Principles handling process. Moreover, the Bank published the "Report on Equator Principles Implementation 2020" for the first time as a commercial bank in May 2021 to implement the principle of "Reporting and Transparency" of the Equator Principles.

Subsidiaries that did not adopt the Principles also conduct environmental and social risk reviews for large-scale projects in Areas for Attention considering their business areas, roles in the business, and the level of environmental risk management infrastructure. KB Securities established the "ESG Risk Review Guideline" reflecting ESRM in December 2021. KB Insurance reflected environmental and social risks in its asset management guideline, such as suspending new investments in coal-fired power plants and ESRM Areas for Exclusion. On top of this, each subsidiary of KB Financial Group is thoroughly managing the environmental and social risks of large-scale projects by internalizing ESRM.

[Environmental and Social Risk Review Process]

Pre-Screening

- Identify whether a project is subject to environmental and social risk review (application of the Equator Principles)
- Identify details of a project including its type and objectives
- Identify the borrower's environmental and social impact as well as its management framework using the preliminary environment and social checklist

Risk categorization

- Categorize environmental and social risk rating of projects subject to review (Category A, B, and C)
  - Category A: Projects with significant adverse environmental and social risks and wide-ranging impacts that are irreversible and unprecedented
  - Category B: Projects with limited adverse environmental and social risks that have low frequency of occurrence and that have site-specific impact where few or if any of them are irreversible and mitigation measures can be readily taken
  - Category C: Projects with minimal or no adverse environmental and social risks and impacts

E&S impact assessment

- Conduct environmental and social impact assessment of Category A projects and Category B projects deemed to have high environmental and social risks
- Assess detailed impact of environmental and social risks and conduct an on-site inspection if necessary

Commitment

- Negotiate on the requirements (establishment and maintenance of environmental and social management system, stakeholder participation, grievance mechanism, etc.) between the borrower and lender based on the environmental and social impact assessment
- Reflect the agreement and requirements of the Equator Principles in the financing contract
- Require complementary measures in case of the non-compliance of the agreement, and exercising relief measures, including the declaration of default if needed, when the non-compliance is not resolved within the agreed-upon grace period
- Selectively apply the commitment process for subsidiaries that did not adopt the Equator Principles

Monitoring

- Decide a monitoring method in the commitment process
- Conduct monitoring at least once a year on the implementation of reduction measures to minimize environmental and social impacts and environmental and social issues in progress

Implementation of the Equator Principles

KB Kookmin Bank adopted the Equator Principles in February 2021 to establish an ESG framework that meets global standards. In addition, a roadmap for the promotion of the Equator Principles was established to ramp up the application of the Principles as of the period of adoption.

[Roadmap for the Promotion of the Equator Principles]

STEP 1 (’21.2)

- Adoption of the Equator Principles and establishment of a manual
- Raising awareness amongst executives and employees through training
- Publication of the implementation report (May 2021)

STEP 2 (’22.5)

- Establishment of the process for the Equator Principles and its inclusion in bylaws
- Defining R&R of relevant departments (Equator Principles-dedicated department, sales and screening department)

STEP 3 (’23~)

- Monitoring the compliance of the process for the Equator Principles and continuous strengthening of screening capability
- Continuous improvement of the process

KB Kookmin Bank established a process for the implementation and application of the Equator Principles in May 2022 to reflect the Principles in its management activities. The process determines whether or not the Equator-Principles-applied businesses are subject to environmental and social risk ratings depending on the risk level. Then, environmental and social risk ratings are calculated for high-risk businesses including Project Finance (PF), Project-Related Corporate Loans (PRCL), and project-related refinance or acquisition finance through independent assessment of external specialized institutions. This process was introduced to minimize errors where high-risk businesses are classified as low-risk businesses. Furthermore, KB Kookmin Bank has increased the efficiency of businesses by clearly defining the work scope of relevant departments of each business. 4 recent projects were subject to the Equator Principle, and all 4 projects were confirmed to comply with the Equator Principles.

[Process for the Implementation and Application of the Equator Principles]

Business category	Environmental and social risk ratings calculation	Defining R&R of relevant departments
Project Finance	Subject to calculation	Equator Principles-dedicated department + Sales department · Risk ratings classification · Independent environmental and social screening (high-risk businesses) · Signing of a financing contract · Monitoring
Project-related Corporate Loans		
Project-related refinance or acquisition finance		
Bridge loans	Not subject to calculation	Sales department · Signing of a financing contract (if needed) · Introduction and counseling of the Equator Principles to borrowers and request compliance, etc.
Project finance advisory services		

CASE STUDY

Report on Equator Principles Implementation

KB Kookmin Bank published a Report on Equator Principles Implementation in May 2021 for the first time as a commercial bank. The report included an environmental and social risk classification system and the procedures of the Equator Principles that had been established to reflect the Principles in our management activities since adopting the Equator Principles in February 2021. It also stated the scope of work each department is responsible for following the Equator Principles implementation and disclosed training activities carried out to raise executives' and employees' awareness of the Equator Principles.

Climate Change Risk Management Activities

ESG-based Investment and Loan Management

KB Financial Group conducts an ESG-based assessment of each product to enhance the reliability of investment and loan products.
KB Kookmin Bank has its Corporate Loan Guidelines in place, which state that ESG-related items such as the practice of green management, socially responsible management, and ethical management will be reflected in credit rating loans adjustment and loan reviews.
In addition, the Bank informs and receives confirmation from our customers that the credit rating and loan-related decisions could be affected by the ESG-related items when conducting investment or loan reviews. [1)]
We also manage ESG activity assessment results (Grade A-E) of domestic real estate PF, SOC loans worth than ₩30bn and subject to environmental impact assessment through an industrial credit rating system by checking an ESG checklist. [2)] KB Investment established ESG investment policies to strengthen ESG-based investment management and reflects ESG elements throughout the investment process. In particular,
KB Investment is reinforcing ESG-based investment by developing and operating its own ESG Materiality Framework to screen target investment companies and ESG Scoring Framework for the ESG evaluation and diagnosis of target investment companies.

ESRM Training

KB Financial Group provides training programs for its executives and employees to raise their awareness of ESG risks. An ESRM briefing session was held in November 2021 for 60 employees working for our subsidiaries who are in charge of ESG, risk, review, and business to train them on the key contents of ESRM, ESG global trends, and follow-up measures for each subsidiary after the development of the policy framework.

1) Applied to all credit ratings of corporate type SOHO in accordance with the Corporate Loan Guidelines

2) Items on the ESG checklist: composed of 20 items in total
- 14 items related to the environment (air, water quality, soil, environment, living conditions, etc.)
- 6 items related to social responsibility (social economy, fair economy, social contribution, etc.)

Declaration of Anti-coal Financing and Restrictions on Loans and Investments in High-carbon-emitting Industries

KB Financial Group declared "coal financing phase-out" which all our subsidiaries participated in for the first time in the financial industry in 2020. After the declaration, we fully suspended the financing of new projects and purchasing of bonds related to coal mining and coal-fired power plant construction at home and abroad.
In addition, KB Kookmin Bank is operating a policy that restricts coal-related loans and investments in line with the Group's anti-coal policy. In early 2022, the Bank established a policy that limits new loans and investments related to coal mining and coal-fired power generation by revising a relevant regulation and is implementing the policy.
KB Kookmin Bank also established a policy to restrict loans and investments in other (unconventional) fossil fuels, on top of coals, that are deemed to cause high carbon emissions and have a high risk of environmental harm. Other (unconventional) fossil fuels include the following three areas: tar sands, oil and gas from the sea in polar regions, and deep-sea oil and gas. The Bank has no exposure to other (unconventional) fossil fuel mining businesses as of June 2022 and plans to continue its restriction on financial support such as loans and investments for the sector in the future.

Monitoring

KB Financial Group carries out a risk analysis [1)] and monitoring based on its ESG framework through internal experts and independent third-party specialized institutions. The Corporate Loan Guidelines specifies that the practice of ESG is reflected in credit rating adjustment and loan reviews, and an ESG checklist is checked and reflected in decision-making during the initial credit rating for loans. Particularly, we monitor the implementation of the Group's ESG framework by designating an expert of the Equator Principles as an internal person in charge to identify projects subject to the Equator Principles and decide the ratings by taking into account potential risks.
In addition, KB Kookmin Bank has established "The Equator Principles Operating Guidelines" that reflect the Equator Principles manual. The Bank built a management system for the methodical implementation and application of the Principles by including them in its bylaws and is preemptively managing environmental and social risks by making the Equator Principles process and relevant departments' R&R clear.

1) Number of projects reviewed in 2021: 196 (Ratio of reviewed projects to total projects: 100%)
Financially closed projects in 2021: 195, no project was rejected

※ One project was reviewed in 2021 but financially closed in 2022

Metrics & Targets

What gets measured gets managed.

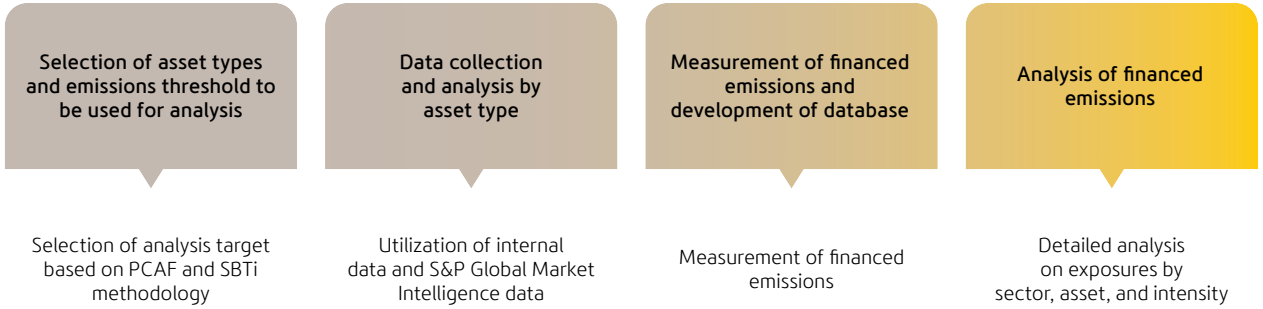
Climate-related information of a non-financial-information-centered company is relatively difficult to measure compared to its financial information. However, the management of measurable metrics is critical to identifying the impact of climate risks and opportunities. As the quote "What gets measured get managed" indicates, KBFG is determined to measure and manage climate risks and opportunities, and transparently disclose our progress in delivering our commitment to make a net-zero society a reality.

In the case of financial institutions, their operational emissions and greenhouse gas emissions from energy consumption (Scope 1&2) is relatively low, while Scope 3 financed emissions from financial support including investments and loans account for a higher proportion. Accordingly, KBFG has set and is managing net-zero targets that align with the Paris Agreement's pathway of below 2°C for not only Scope 1 and 2 operational emissions but also Scope 3 financed emissions that come from the asset portfolio. Furthermore, we have established and are promoting our ESG finance expansion goals to provide innovative financial support solutions to help our clients' climate response and predominate climate-related markets.

Financed Emissions (Scope 3) Measurement Process

KB Financial Group was the first financial institution in Korea to utilize the PCAF [1] methodology to measure financed emissions. The PCAF methodology is a consistent and validated measurement standard that was devised based on the GHG Protocol, a global accounting standard for greenhouse gas emissions.
In addition, we satisfied all the coverage requirements for each of the asset types-corporate financing, electricity generation PF, and commercial real estate-as requested by SBTi [2], a global initiative that enables companies to set science-based emissions reduction targets. As for corporate financing, exposure of ₩3bn and above was defined as the threshold for measurement; even if the exposure is less than ₩3bn, companies subject to a carbon trade scheme and target management system were included in the measurement to expand the range of the analysis.

[Financed Emissions Measurement Process]



1) Partnership of Carbon Accounting Financials
2) Science Based Targets initiatives

Greenhouse Gas Emissions Target and Performance

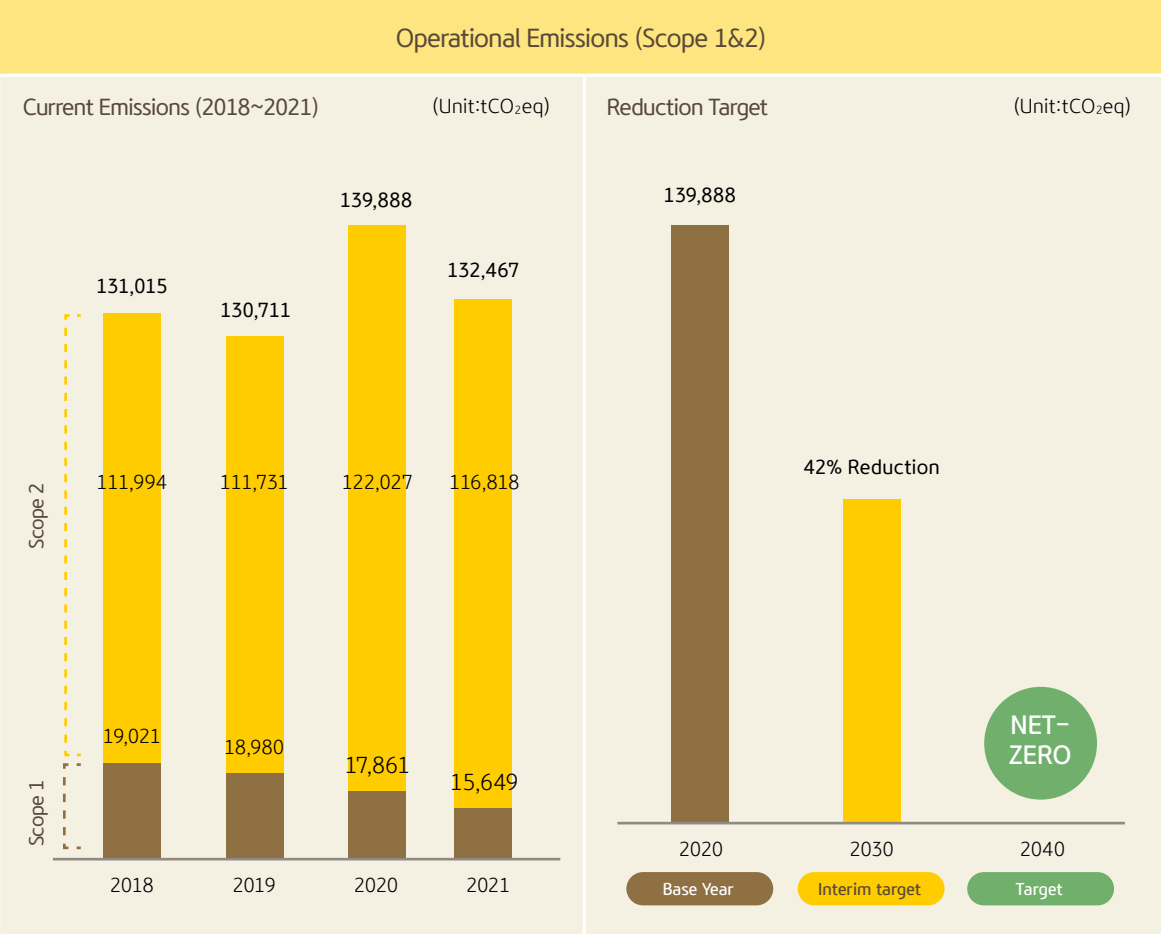
KB Financial Group utilized the latest emissions reduction target setting methodology proposed by the SBTi to establish our net-zero targets, and our carbon abatement target was approved by the SBTi in October 2021. We were the first Asian and Korean financial institution to obtain the SBTi's approval. With the experience and knowledge we gained while establishing a science-based reduction target and obtaining approval, we will proactively support our corporate clients in setting a clear emissions reduction target aligned with the SBTi's standards and achieving carbon neutrality by 2050.

Operational Emissions (Scope 1&2)

KB Financial Group has set our operational emissions (Scope 1&2) targets by using the 'Absolute Contraction Approach (ACA).' The Approach applies the same amount of absolute reduction required by the scenario each year by setting an absolute emissions reduction target to cut the overall greenhouse gas emissions in the target year compared to the base year. Following the SBTi recommendations, we plan to achieve a minimum of 4.2% greenhouse gas emissions abatement by setting 2020 as our base year and applying the 1.5℃ scenario. Ultimately, we aim to achieve 42% of greenhouse gas reduction by 2030 and net-zero operational emissions (Scope 1&2) by 2040 compared to the base year, by reflecting the 1.5℃ scenario's reduction rate.

Financed Emissions (Scope 3)

KB Financial Group has set our financed emissions (Scope 3) target based on the SBTi methodology. The 'Sectoral Decarbonization Approach (SDA)' was applied as a basis, and the corporate finance sector—excluding electricity generation, steel, cement, aluminum, and paper—applied the Temperature Rating method.



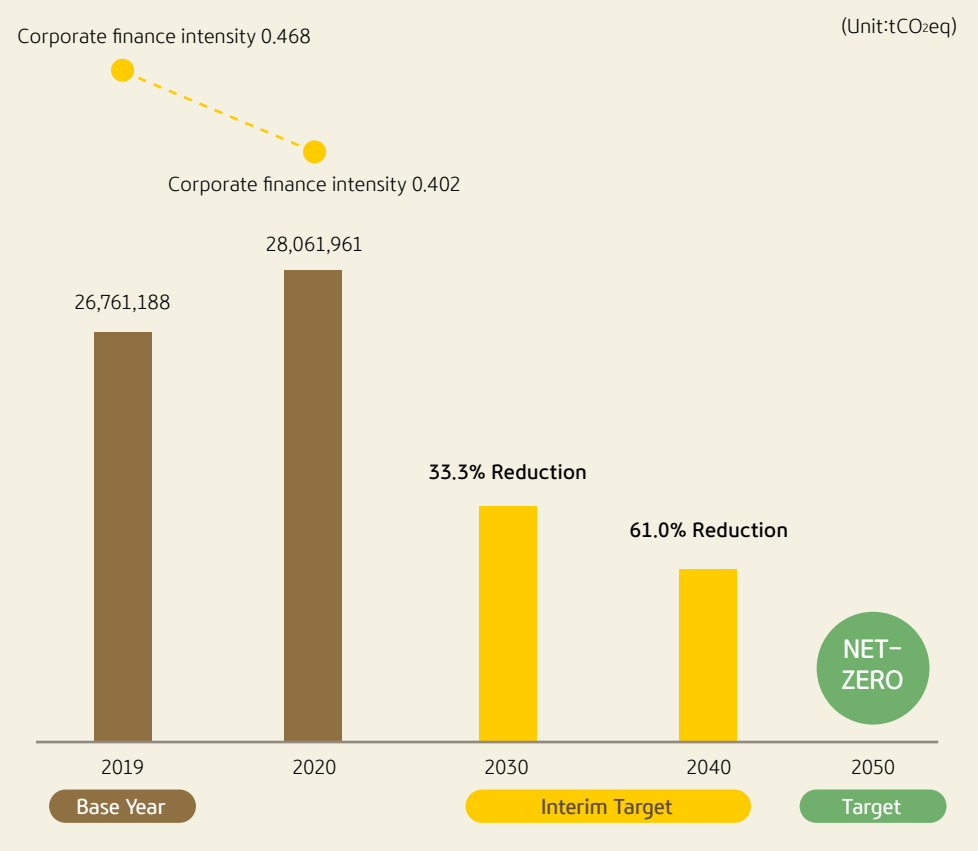
KBFG's 2020 financed emissions (Scope 3) were about 28.06 million tCO2eq, an increase of about 1.3 million tCO2eq from the 2019 emission. The main reason is that financed emissions (about 490,000 tons) of Prudential Life Insurance, which was newly incorporated into the group in 2020, were additionally reflected, and asset scope increased as the group's assets grew. Since the financed emissions of financial company (Scope 3) can increase as assets grow, 'carbon intensity' must be managed in parallel to measure the level of mid-to long-term transition to achieve carbon neutrality. Carbon intensity refers to carbon emissions per unit, which are used to eliminate the impact of asset size and compare relative emissions levels between portfolios. The carbon intensity of KBFG asset portfolio in 2020 decreased compared to the previous year in all types of assets such as corporate finance, project financing, and commercial real estate. The lower carbon intensity of corporate financial assets means that KBFG's corporate financial assets have changed their portfolio composition, focusing on "companies with good carbon efficiency". The lower carbon concentration of power generation project financing and commercial real estate assets means a decrease in carbon emissions per area or generation of those assets.

[Current Financed Emissions of Asset Portfolios] (Unit:₩tn, tCO_2eq)

Type	2019			2020		
	Asset	Emision	Intensity [1]	Asset	Emision	Intensity
Corporate Finance	51.5	24,526,555	0.468	66.9	25,714,931	0.402
Electricity generation PF	1.2	2,172,390	0.441	1.3	2,310,499	0.439
Comercial Real Estate	2.1	62,243	0.09	2.7	36,531	0.052
Total	54.8	26,761,188	-	80.9	28,061,961	-

1) Intensity : WACI(Weighted Average Carbon Intensity) is applied for corporate loan, physical intensity is applied for electricity generation PF and commercial real estate.

Financed emission (Scope 3) Target and performance



SBTi Methodology

In accordance with the SBTi methodology, we used the Sectoral Decarbonization Approach (SDA) and Temperature Ratings method when measuring financed emissions (Scope 3) and setting targets.

Sectoral Decarbonization Approach (SDA)

The Sectoral Decarbonization Approach (SDA) is an approach that sets industrial sector-specific reduction targets, considering that the speed at which each industrial sector reaches carbon neutrality is different. The Approach uses carbon intensity as a key indicator in setting reduction targets, and best fits the financial sector since it is the only approach in which a sector-based portfolio assessment is possible amongst the SBTi methodology. KBFG calculated the carbon intensity of our financed emissions, and based on this, set the target as follows: achieve a 33.3% reduction by 2030, 61% by 2040, and net-zero by 2050 compared to the 2019 levels. In addition, industrial sector-specific (electricity generation, steel, cement, aluminum, paper&pulp, electricity generation PF, and commercial real estate) targets and pathways were established.

[Target-Setting Based on the Sectoral Decarbonization Approach]

1	Target	Electricity generation, steel, cement, aluminum, paper&pulp, electricity generation PF, commercial real estate (based on the SBTi recommendations)
2	Base year	2019
3	Measurement of financed emissions' carbon intensity	① Measurement of the total carbon emissions of a loan or investment company · Operational (Scope 1&2) and financed emissions of a target company ② Measurement of financed emissions · Measurement of emissions that come from financial institutions ③ Measurement of financed emissions' carbon intensity · Measured as "financed emissions/activities per asset type"
4	Establishment of a carbon neutrality target	Establishment of reduction targets and pathways based on the well-below 2℃ scenario

Temperature Ratings

KBFG used SBTi's Temperature Ratings method to set goals for other sectors within corporate finance where the SDA methodology was not applied when setting reduction targets for financed emissions (Scope 3). The Temperature Ratings method is a method of converting companies' carbon-neutrality goals into a more intuitive temperature rating by connecting them with their long-term temperature targets.

For instance, the temperature rating for a goal of 30% reduction in carbon emissions by 2025 is 1.8℃, which means that achieving the target will suppress the temperature rise below 1.8℃ as of 2100.

We divided other sectors within corporate finance into loans, stocks, and bond portfolios and established carbon abatement goals according to the temperature rating of each portfolio. The interim targets for 2025 were set for each portfolio which were achieving the temperature rating of 1.75℃ for operational emissions (Scope 1&2) and 2℃ for financed emissions (Scope 3) compared to 2040.

[Target-setting Based on the Temperature Ratings Method]

Calculation of a temperature score for the reduction target of a company

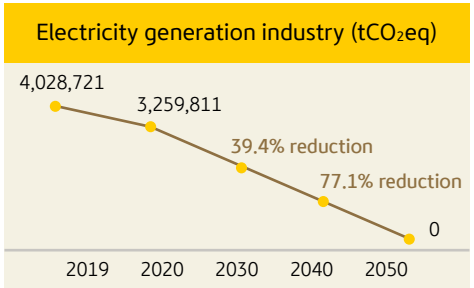
Calculation of the temperature score of a company

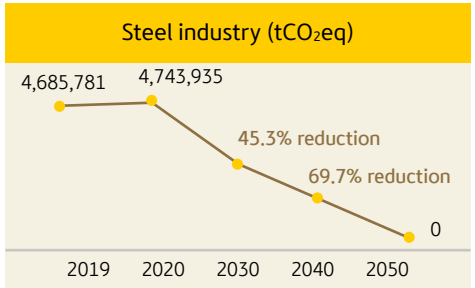
Calculation of a temperature rating for a portfolio

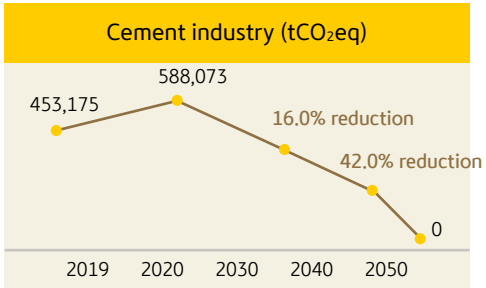
Establishment of a temperature rating target for each portfolio

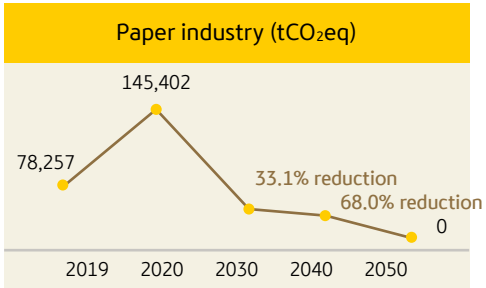
Reduction Target and Pathways of Financed Emissions

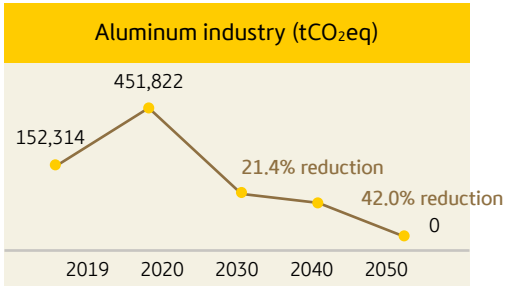
[Each industrial sector's reduction targets and pathways based on the Sectoral Decarbonization Approach (SDA)]

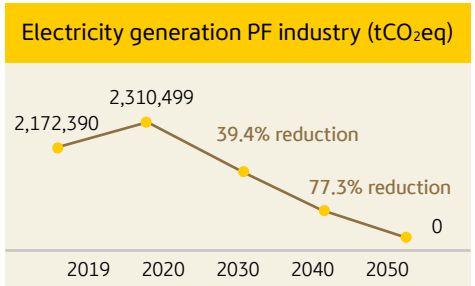


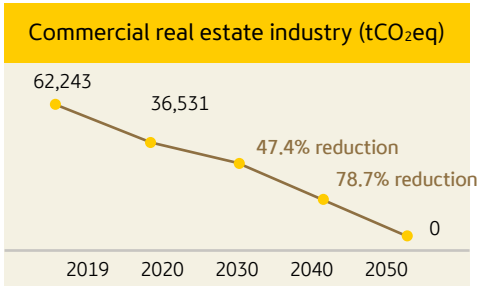






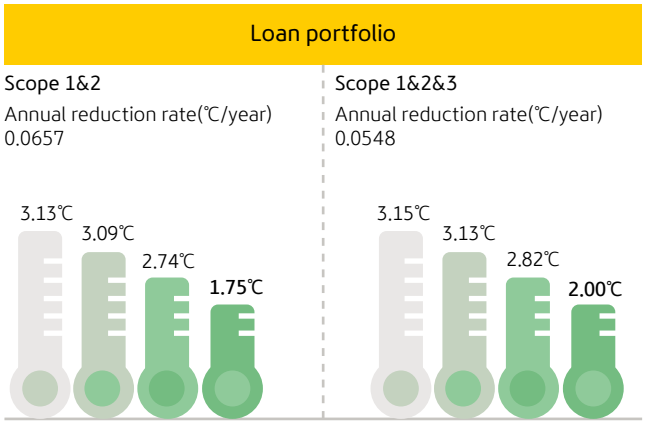


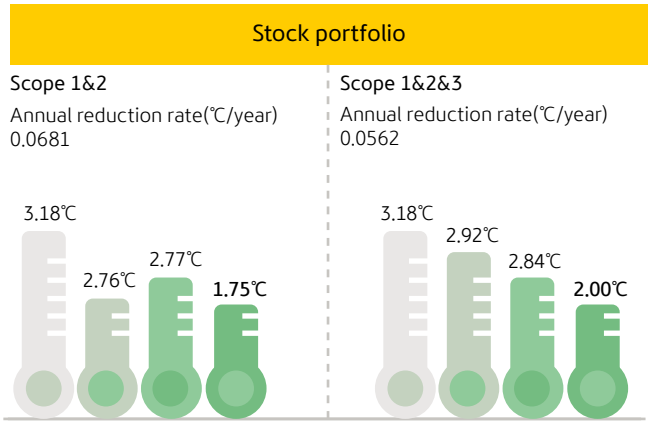


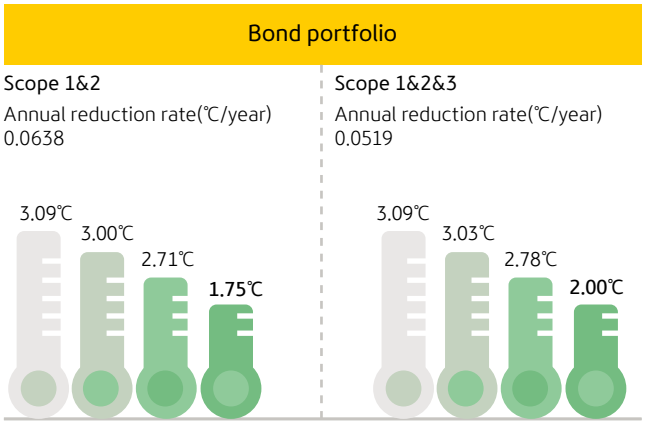


2019
2020
2025
2040

[Each industrial sector's reduction targets and pathways based on the Temperature Ratings method]







Next Steps

Climate change is the greatest crisis yet confronted by humanity.

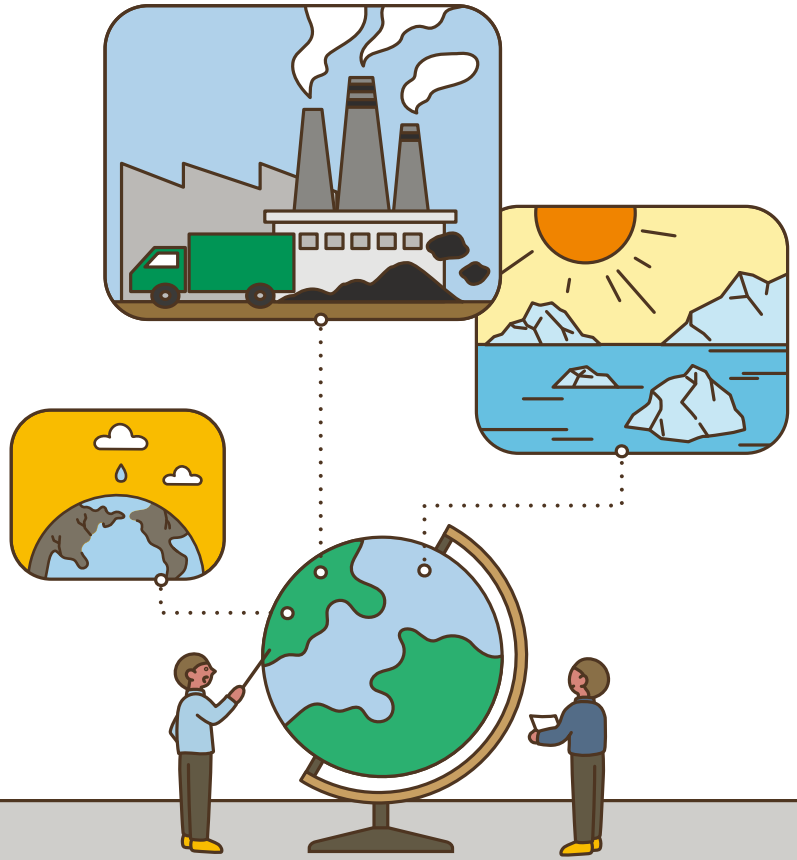
No single country or company can resolve climate change that is threatening the lives of the present and future generations alone. Accordingly, countries across the globe are working shoulder to shoulder to overcome the climate crisis, and research on this topic is well underway.

We must take the self-made crisis into our own hands.

Climate change is anthropogenic. An in-depth analysis of the risks and fundamental solutions must precede to address this human-induced crisis.

We will responsibly spearhead climate response as a top global financial group.

We will take the lead in combatting climate change based on our sense of responsibility and duty for the environment and society. We have thoroughly reviewed the risks and opportunities of climate change and established key climate change response strategies based on the review. We will guide our society towards sustainable green growth by implementing greenhouse gas reduction, ESG finance expansion, and climate risk management, placing response strategies that aim to transition to a low-carbon economy at the center.



Sustainable Finance

KB Financial Group practices sustainable finance by continuing to ponder over what the essential role of finance is.
We will continue to develop products and services for the betterment of our stakeholders, share our competencies with society, and lay the foundation for shared growth.

Contents

ESG Finance

The Role of Finance
ESG Financial Products Management System
KB Green Wave 2030
ESG Financial Products
Eco-friendly Loans and Investments

ESG Bonds

Issuance of ESG Bonds
Sustainable Finance Management System

ESG Consulting

KB ESG Consulting Services
ESG Self-Assessment Tool
ESG Consulting Services through MOU

Sustainable finance translates into a sustainable society. It also serves as a new growth driver engines for financial institutions companies to support sustainable growth. Therefore, KB Financial Group aspires to fulfill the essential role of finance in contributing to society by expanding promoting our sustainable finance.

First, we are expanding ESG finance. KBFG has built a management system for ESG financial products centered around the Group ESG Product Council. We are also expanding products under 'ESG Integration', 'Social Responsibility', 'Environment', and 'Governance' to meet our goal of reaching ₩50tn in ESG products, investments, and loans by 2030, dubbed 'KB Green Wave 2030'.

Second, we are issuing a wide range of ESG bonds. As of the end of 2021, we issued a total ₩10.9tn in ESG bonds. KB Financial Group continues to expand the issuance of ESG bonds based on the Sustainable Finance Management System for assessment and management of target projects.

Lastly, we are creating a healthy mutual industrial ecosystem by supporting ESG management activities of SMEs. KB Kookmin Bank recently started 'KB ESG Consulting Services' and 'ESG Self-Diagnosis Services'. Moreover, we are working closely with external institutions through MOUs to spread ESG consulting services to all parts of society.

ESG Finance

The Role of Finance

Financial companies are in nature, intermediaries who enhance efficiency in the economy by allocating funds to high productivity businesses. Therefore, the role of financial companies is more important than ever for funds to be supplied and circulate in various parts of the real economy related to sustainable finance. For example, if investment targets are selected only based on financial returns, funds may continuously flow into areas with high social risks such as gambling and porn industries. This will undermine the sustainability of society by having consequences on future generations.

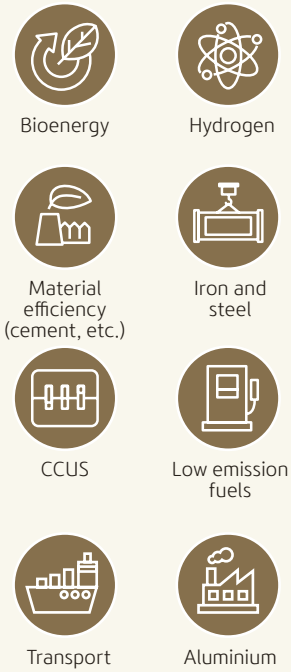
As a leading financial company representing Korea, KB Financial Group is conducting various activities to build a sustainable future through finance.
First, we have joined initiatives on sustainable finance such as the UNEP FI (United Nations Environment Programme Finance Initiative), proposing investment and business strategy principles that reflect the nature of financial companies and contributing to the advancement of investment principles for sustainable finance.

In addition, we joined the Net-Zero Banking Alliance (NZBA), which is a leadership group of global banks with the aim of bringing global GHG emissions to net-zero, to continue discussing the role of sustainable finance. We also made commitment to exit coal financing new coal power plants while conduting environment due diligence on large-scale projects before deciding on approving loans. To achieve our goal of ₩50tn in ESG products·investment·loans by 2030, we are expanding green financing such as project financing (PF) for renewable energy projects and arranging and undertaking green bonds.
In addition, we are faithfully playing our role in finance such as through KB Kookmin Bank's ESG consulting services to support ESG management of SMEs.

CASE STUDY

Participation in NZBA Transition Finance Guidelines

[Case study of Transition Finance]



As part of an activity of NZBA or the Net Zero Banking Alliance, which is organization under the UNEP FI among banks to transition to a net zero society, KB Financial Group is participating in the implementation track to build guidelines on transition finance.

Transition Finance refers to financial activities needed to transition to a net-zero society and includes funds to support companies that have net-zero goals.
For example, if a company needs a new technology or facility to reduce its carbon emissions, financial companies can support this effort with transition finance to help realize a true net-zero economy.

NZBA started operating an implementation track for transition finance in October 2021, and KBFG is taking part in preparing its guidelines.

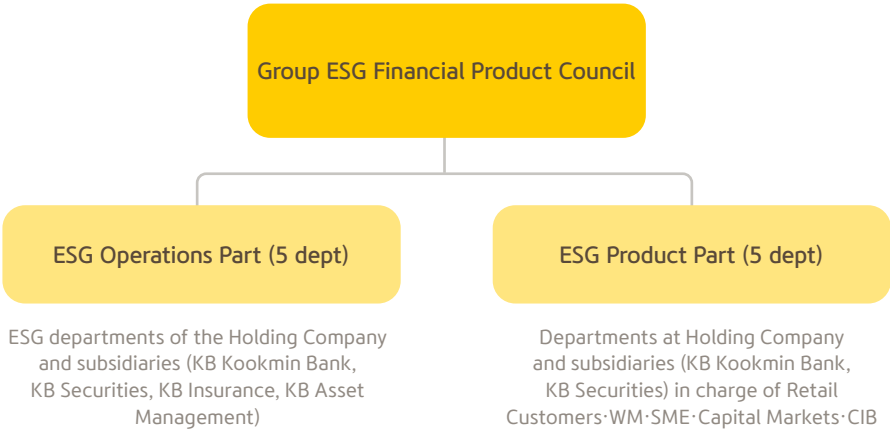
Currently, we are working together with global financial players companies including MUFG and Standard Chartered with discussions underway to establish the guidelines in the second half of 2022.

KBFG will continue to work toward developing financial products and supporting the net-zero efforts of corporation customers by sharing the preparation progress and direction of guidelines for transition finance.

ESG Financial Products Management System

Group ESG Financial Product Council

KB Financial Group established the 'Group ESG Financial Products Council' in March 2022 to integrate the existing ESG financial product selection and management system at the group level. The Group ESG Financial Products Council consists of the ESG Operation Part and the ESG Product Part, and departments with high relevance to ESG financial products participate in those parts.



ESG Financial Product Classification Process

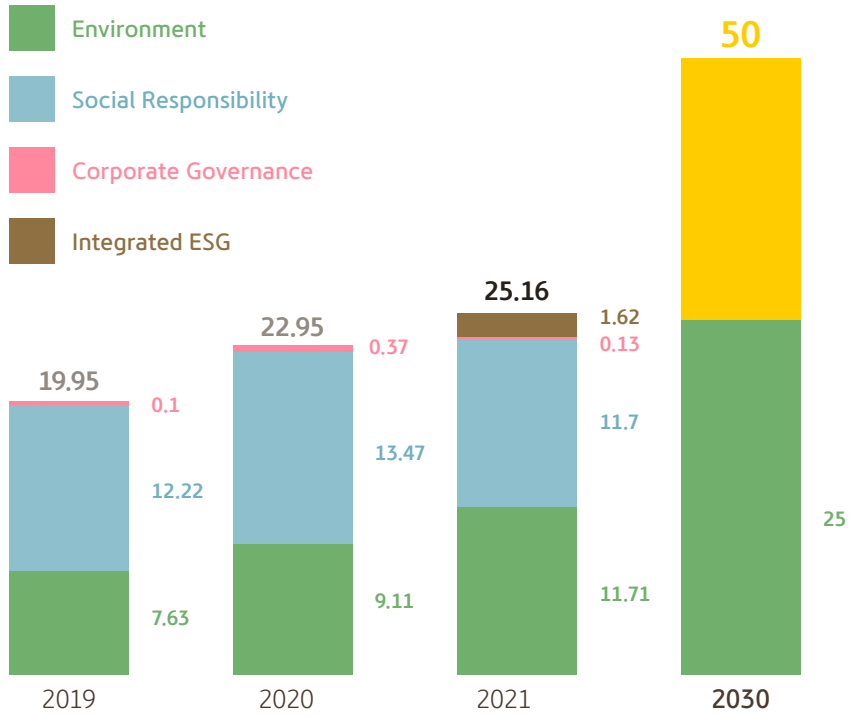
KB Financial Group established its own 'ESG Financial Product Classification Process in the absence of a standardized process related to ESG financial product.
This process is divided into 'clarity identification' and 'risk screening.' First, each product is validated if it meets ESG criteria and purposes and then the product risks are analyzed to be selected as an ESG financial product.

KB Green Wave 2030

We established KB Green Wave 2030 which sets a goal of achieving ₩50tn in ESG products, investments, and loans by 2030. As of the end of December 2021, ESG products, investments, and loans amounted to ₩25.16tn.

[2019~2021 ESG products, investments, and loans]

(Unit: ₩tn, balance)



* 'Integrated ESG' category was set up in 2021

* In the Social Responsibility, some products have been excluded due to changes in the classification criteria of ESG financial products which has brought a slight drop in figures compared to the previous year

ESG Financial Products

KB Financial Group manages ESG financial products, by classifying Environment, Social Responsibility, Corporate Governance, and ESG Integrated financial products based on their purpose and target.

Environment

- Renewable energy production
- Energy efficiency
- Sustainable water resources
- Natural resources and land
- Green buildings
- Green transportation
- Pollution prevention and control
- Biodiversity

Social Responsibility

- Job creation
- Access to basic social services
- Supports for SMEs and microfinance
- Housing support for the vulnerable and low-income class
- Socio-economic development and human rights advancement
- Accessible basic infrastructure
- Sustainable food production
- Sustainable cities

Governance

- Shareholder value enhancement
- Improvement of corporate governance

KB Green Wave_Loans for Outstanding ESG Companies

'KB Green Wave_Loans for Outstanding ESG Companies' is a sustainability-linked loan product.
This product provides preferential benefits to those companies that fulfill ESG assessment criteria and internal credit rating requirements set forth by KB Kookmin Bank
KB Kookmin Bank also has an MOU with the Korea Environmental Industry & Technology Institute, providing financial aid to companies with excellent performance in enVinance (the Green Management Company Finance Support System) and offering preferential services such as KB Wise consulting. As of March 2022, KB Green Wave_Loans for Outstanding ESG Companies is a total ₩555.6bn.

ESG Fund through CIB Platform

KB Financial Group established the CIB (Corporate & Investment Banking) Platform through collaboration between subsidiaries in order to operate ESG funds.
The CIB Platform aims to offer a single investment solution operating like 'one firm' by connecting the financial organizations and IB (Investment Banking) organizations of each subsidiary. We plan to further expand the CIB Platform, based on the expertise of each subsidiary.

[2021 CIB Platform Activities]

Program/Product Name	Scale	Participating subsidiaries
KB New Deal Infrastructure Fund	₩200bn	KB Kookmin Bank, KB Insurance, Prudential Life Insurance, KB Asset Management, KB Life Insurance
KB New Deal Innovation Fund (fund for venture companies and businesses with outstanding technology)	₩100bn	KB Kookmin Bank, KB Securities, KB Capital, KB Investment

KB Green Wave 1.5℃ Financial Product

We released 'KB Green Wave 1.5℃ Financial Product' in 2021 to encourage customers to adopt green practices. 'KB Green Wave 1.5℃ Financial Product' is a Group financial package that includes KB Kookmin Bank's 'KB Green Wave 1.5℃ Deposit' and 'KB Green Wave 1.5℃ Charitable Trust' and KB Kookmin Card's 'KB Green Wave 1.5℃ Card.' Benefits such as prime rates are offered to customers who practice ecofriendly activities, and funds are created in connection to the products to donate to projects on forming school forests and installing EV charging stations.

KB Net Zero S.T.A.R. Financial Products

In April 2022, we released 'KB Net Zero S.T.A.R. Financial Products.' By collecting products aimed at reducing carbon emissions and responding to climate change.
The KB Net Zero S.T.A.R. Financial Product Package is consists of a charitable trust, 2 carbon neutral ETFs, and 6 funds. The charitable trust donates part of the contribution customers pay the bank when subscribing to the product in the customer's name with the bank also matching the donation. ETFs and funds are also designed to share the same structure as the charitable trust. We uses the donations to support eco-friendly businesses related to carbon neutrality and plans to fulfill our green commitment through finance.

Specialized Product for Green Vehicles

We also provides various products and services to expand green vehicles. KB Kookmin Bank provides additional credit to customers purchasing green vehicles such as EVs and hydrogen vehicles through KB Magic Car Loans.
KB Insurance offers a product that applies discounts to electric business vehicles, and KB Capital has an alliance with a global EV brand as its exclusive financial partner to offer a tailored financing product.

Eco-friendly Loans and Investments

KB Financial Group is continually expanding investments in eco-themed private projects, new and renewable energy sectors, and eco-friendly vessels and vehicles. We are also actively serving as a financial adviser and syndicated loan arranger for solar power, wind power, fuel cell, and other new and renewable energy projects.

We are expanding support for eco-friendly industries in line with the nation's low-carbon green growth policy. KB Green Growth Loans, which is one of KB Kookmin Bank's most well-known eco-friendly loan products, and KB Preferential Loans for Solar Power Generation Businesses recorded ₩634.6bn and ₩102.3bn, respectively, as of the end of 2021.

① Gubbaberget Offshore Wind Power Generation Project in Sweden

The Gubbaberget offshore wind power generation project is a project constructing a 74.4MW offshore wind power plant in Gavleborg County, central Sweden. The construction period is scheduled from July 2021 to December 2022 with operations scheduled from January 2023 to December 2025. Out of the total project cost of €982mn, KB Kookmin Bank arranged €42mn and is committed to investing €11mn.
TUV SUD analysis shows that Ljusdal Municipality in Gavleborg has the conditions for stable production and supply of power with an average wind speed of 7.4m/s. In addition, the power plant being constructed will reflect the characteristics of the project site and has 32% more annual power generation than other turbines, not to mention applying a fault detection system and anti-icing technologies that prevent ice from accumulating on the turbine blades.

② Wondong Wind Power Generation Project

The Wondong Wind Power Generation Project aims to construct and operate a wind power plant in Wondong-myeon, Yangsan-si, Gyeongsangnam-do, expecting to produce around 100,463MWh of electricity per year and reduce annual GHG emissions of 42,596tCO_2. Out of the total investment of ₩115.3bn, KB Kookmin Bank arranged ₩98bn and committed to invest ₩38bn.
Wind condition analysis data for the last 35 months was collected prior to the project launch, which testified to the sufficient wind velocity required for stable power production and supply. ESG risk assessment was also performed to measure its overall impact on the environment (natural environment, air, GHG, soil, radio interference, etc.) and on local communities.
The assessments found that there was less possibility of complaints being raised as a wind power plant was already being operated nearby and that there would be impact in terms of environmental conservation including curbing GHG emissions.

③Yeongam Solar Power Generation Project

The Yeongam solar power generation project is a project for constructing and operating a solar power plant and ESS (energy storage system) in Geumjeong-myeon, Yeongam-gun, Jeollanam-do. The construction period was from September 2019 to October 2020 while operations are scheduled from June 2020 to May 2040. It is designed to produce and supply power efficiently in connection with the existing wind power complex. It has power generation equipment (PV) of 93MW with ESS capacity of 242MWh, boasting annual electricity production of approximately 121,039 MWh. Out of the total ₩337bn total investments, KB Kookmin Bank arranged ₩303bn and has committed to invest ₩73bn.
Prior to the project launch, KB Kookmin Bank performed an ESG risk assessment to see how the project may impact the environment in areas including animals and plants, the natural environment, weather, air, GHG, water quality, land, soil, and radio interference.
As a result of the assessment, it was determined that the project had little impact on the environment, and expected to reduce fossil energy and GHG emissions of 51,321tCO_2eq.

④ Solaseado Solar Power Generation Project

The Solaseado Solar Power Generation Project is a construction and operation project for a solar power plant and ESS in Haenam-gun, Jeollanam-do. It has power generation equipment (PV) of 98.37MW with ESS capacity of 306.27MWh, making it the largest solar power generation project in Korea. The Project is expected to produce around 114,987MWh of electricity per year and generate the GHG emissions reduction effect worth 48,754tCO_2eq.
Out of the total investment amount of ₩344bn, KB Kookmin Bank arranged ₩326bn and committed to invest ₩104bn.
The Haenam area has outstanding sunlight, making it an optimal location for a solar power plant. Prior to the project launch, KB Kookmin Bank performed an assessment on ESG risks taking into account various social and environmental effects that may result.
In addition, part of the total project cost was sourced from investments made by local residents, offering an opportunity to share profits from the project with the community.

ESG Bonds

Issuance of ESG Bonds

KB Financial Group issues ESG bonds with the aim of providing financial aid for projects that serve eco-friendly purposes and create social value. Since the issuance of sustainability bonds worth $300m by KB Kookmin Bank in 2018 for the first time among Korean banks, each subsidiary has continued to issue a variety of sustainability, social, and green bonds. As of the end of December 2021, the total cumulative amount of ESG bonds issued by KBFG reached ₩10.7tn.

*Cumulative as of the end of 2021
*Korean won currency bonds: ₩5.7tn, foreign currency bonds: $3.05bn, €1bn
(foreign currency bonds are converted into KRW based on the exchange rate of the end of Dec 2021)

As the nation's first financial holding company, KB Financial Holdings issued green bonds worth ₩110bn in 2021 to provide financial support for ecofriendly projects.
KB Kookmin Bank issued ESG bonds in both Korean won and foreign currencies over 5 different occasions in 2021 which amounted to around ₩2.2tn. In February 2021, it was the only commercial bank to conclude an MOU with the Ministry of Environment on 'Green Bond Promotions' which led to issuing ₩100bn worth of green bonds. In May 2021, 5-year maturity secured sustainability bonds were issued and in October of the same year, the first green euro covered bonds in Korea were issued.
KB Securities continues to strengthen its leadership role in the market by expanding its role as an arranger in issuing ESG bonds, directly issuing ₩110bn worth of ESG bonds in March 2021.

CASE STUDY

KB Sustainable Financing Report (KB Kookmin Bank)

KB Kookmin Bank has been publishing the "KB Sustainable Financing Report" since 2019 to enhance the transparency and reliability of ESG bonds.

The KB Sustainable Financing Report is a report containing various activities for KB Kookmin Bank's sustainable finance. Through the report, detailed information on bonds, such as the status of sustainability bond issuance and usage history, sustainable financial management system, social bond and green bond project cases are disclosed. The 2021 KB Sustainable Finance Report discloses information on eight sustainability bonds issued since June 2020.

Sustainable Finance Management System

To create a positive impact on the environment and society, KB Financial Group established a 'sustainable finance management system' to implement our long-term strategy and vision.
This system is designed to comply with the Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles established by the International Capital Market Association (ICMA), as well as with the Green Bond Guidelines set forth by the Ministry of Environment. The management system covers areas such as use of funds, project assessment and selection, fund management, and post-reporting, and has attained certification from a credible external institution.
All funds financed through ESG bonds issued by the group are used for eco-friendly or social projects defined by the Sustainable Finance Management System. The KB Sustainable Finance Operation Committee assesses each project's appropriateness and social and environmental impact.

[ESG Project Assessment and Management Process]

[Project Categorization]

Environment projects	· Renewable energy · Energy efficiency · Pollution prevention and control · Ecofriendly resources and land usage · Green transportation	· Biodiversity on land and in water · Sustainable water resources and wastewater management · Climate change · Green buildings
Social sector projects	· Accessible basic infrastructure · Accessible basic social services · Housing for the vulnerable and low-income class	· Job creation · Support for SMEs and micofinance · Social and economic development and strengthening Human rights advancement for the vulnerable

ESG Consulting

KB ESG Consulting Services

KB Financial Group offers consulting services to support the ESG activities of SMEs and companies ESG has become an essential element needed for corporate growth, but many SMEs and companies have difficulty in applying ESG to their businesses due to lack of management knowhow and relevant experience. KB Kookmin Bank set up a new organization dedicated to ESG consulting in 2022 and released 'KB ESG Consulting Services' for SMEs and companies in July 2022. KB ESG Consulting Services diagnose the ESG level of each company and offer customized solutions, free of charge.

Any SMEs and companies interested in ESG management can apply for KB ESG Consulting Services. KB Kookmin Bank's specialists will look into the financial and non-financial circumstances, as well as the surrounding environment of each company to carry out consulting and provide a tailored solution. Companies establish their own ESG strategies based on a non-financial performance index in accordance with the consulting.

In addition to consulting solutions, KB Kookmin Bank provides ESG assessment reports, Wise Consulting Services, and the opportunity to join the KB Good Job fair.

KB Kookmin Bank will continue to develop KB ESG Consulting Services to thrive together with SMEs and companies in rapidly changing business environment.

ESG Self-Assessment Tool

KB Kookmin Bank launched 'ESG self-assessment tool' to actively engage with customers on ESG risks and opportunities in April 2022. This tool allows corporate customers to assess the ESG level of their businesses through a set of questions based on quantitative data. At the end of the assessment, companies are given an ESG Assessment Report reflecting their ESG grade (grades 1~7). No separate documents are needed to apply for the service.

KB Kookmin Bank offers an 'ESG self checklist' for companies to check in advance whether they need the full version of ESG assessment services. This checklist is based on the ESG Checklist for SMEs' from the Ministry of SMEs and Startups. Additional services such as ESG Library, ESG Video Hub, and ESG Online Help Desk are also available. Companies with excellent results can apply for the KB Green Wave Loans for Outstanding ESG Companies, as well as enjoy various financial and non-financial benefits including prime rates and lower fees.

[ESG Self-Assessment Additional Services]

ESG Library	Offering ESG data and guidelines from the government, conglomerates, and specialized institutions
ESG Video Hub	Uploads video data on ESG basics and market trends
ESG Online Help Desk	1:1 online help desk for ESG inquiries

ESG Consulting Services through MOU

KB Kookmin Bank is expanding ESG consulting services based on MOUs with external institutions. In 2022, the Bank is supporting ESG practices at SMEs through partnerships with the Korea Trade-Investment Promotion Agency (KOTRA) and the Korea SMEs and Startups Agency.

KB Kookmin Bank concluded an MOU with KOTRA to foster leading green companies and support for export vouchers in March 2022.

KB Kookmin Bank and KOTRA will foster with outstanding ecofriendly capabilities and strengthen their exports to support sustainable business activities.

The key areas of cooperation include identifying prospective exporters to join the export voucher program and extending various financial and non-financial services to develop environment-friendly companies.

In accordance with the MOU, KB Kookmin Bank will provide consulting services to SMEs and companies selected by KOTRA. In addition, We will actively support the implementation of carbon neutrality of each company and provide domestic and global environment policies such as K-Taxonomy.

KB Kookmin Bank also signed an MOU with the Korea SMEs and Startups Agency in April 2022 on 'ESG support for SMEs.' KB Kookmin Bank and Agency plan to prepare incentives for businesses that practice ESG and offer ESG diagnosis and consulting services. Specific areas of cooperation include expanding funding for outstanding ESG companies, sharing information on ESG diagnosis and best practices, providing in-depth ESG consulting, and supporting the development of ESG talent at SMEs.

Environment, Social Responsibility and Corporate Governance Review

70 Corporate Governance
- KBFG Governance
- ESG Governance
- Risk Management System
- Ethics & Compliance

86 Environment
- Environmental Management
- External Communication on the Environment
- Participation in Environmental Initiatives

95 Social Responsibility
- Customer
- Employees
- Community
- Human Rights

ESG Framework

KB Financial Group established stable governance to promote ESG management. Also, We divide environmental and social sectors into Governance, Strategy, Risk Management, Metrics & Targets by referring ISSB (International Sustainability Standards Board)'s 'IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information' and 'IFRS S2 Climate-related Disclosures' announced in March 2022.

I . IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information)

Classification		Governance	Strategy	Risk management	Metrics and targets
Social Review	Customer	The Board of Directors in charge of information protection management and supervision Appointment of a consumer protection and ICT expert to the Board of Directors Separately appointed CIO (Chief Information Management Officer) and CISO (Chief Information Security Officer) Establishment of a financial consumer protection governance system	Establishment of a mid-to long-term information security strategy at the Group level Establishment of a customer-centric digital strategy	Establishment of a response process for information security incidents Information security certifications obtained Security inspections on partner companies/suppliers Establishment of AI-Based Counseling System for Financial Consumer Protection	Breaches of customer privacy and losses of customer data: 0 6 subsidiaries obtained information security certifications Customer satisfaction survey result: 89.98 points* In comparison to 2020, the number of voice phishing incidents and damage amount decreased by 23% and 42%, respectively* Customers who subscribe to and use online banking services accounted for 81.30% and 41.40%, respectively* * Based on KB Kookmin Bank data
	Employees	The Board of Directors in charge of diversity management and supervision The Board of Directors in charge of health and safety management and supervision	Established plan to cultivate digital talents Operation of the 'WE STAR' program to develop female talents and leaders Estabilishment of the Group's mid-to long-term diversity goal (KB Diversity 2027)	Participation in joint consulting to cope with the Serious Accident Punishment Act Establishment of Goals and Management Guideline for Occupational Safety and Health Establishment of Business Continuity Plan (BCP)	Recruitment diversity ratio target 15% or above Female executives ratio target 20% or above Female GM and branch heads ratio target 20% or above Female managers in HQ ratio target 30% or above Female members in HQ ratio target 40% or above Female leaders in corporate banking team ratio target 30% or above Female members in corporate banking team ratio target 50% or above
	Community	Establishment of ESG Financial Product Council Operation of Innovative Finance Council	Established a strategy for social contribution Establishment of an implementation strategy to strengthen SMEs' ESG capabilities	Operation of consulting services for SMEs and childcare support programs	Inclusive finance related loans and deposits: ₩25.8tn, ₩30.6tn, respectively All-Day Childcare Classes planned to open 2,500 classrooms by 2022, 1,790 classrooms in operation as of 2021 Jobs connected through the KB Good Job Fair: 19,610 jobs (cumulative)
	Human rights	Designation of departments in charge of human rights and monitoring of current status	Assessment of impact on human rights and remediation actions derived	Identification of major human rights risks	Sites with main issues selected and the remediation actions fully (100%) implemented

II. IFRS S2 (Climate-related Disclosures)

Classification		Governance	Strategy	Risk management	Metrics and targets
TCFD Report		The Board of Directors · Climate response based on the roles of the ESG Committee, Audit Committee, and Risk Management Committee Group Management · Climate response based on the roles of the Group CEO, CSO and CRO Subsidiaries · Annual self-report to the Board and execution of ESG activities	Review of climate risks and opportunities Conduct risk scenario analysis Establish climate response strategies · 'KB Net Zero S.T.A.R.', a strategy to pursue carbon neutrality of the Group · 'KB Green Wave 2030', a strategy to promote ESG financing · 'Risk Management', a climate risk response strategy Environmental campaign for employees to reduce GHG emissions Conversion of Business Vehicles to eco-friendly Vehicles and completion of eco-friendly buildings Reinforcing communication to raise stakeholders' awareness about climate change	Comprehensive risk management including climate risks Development of Environmental and Social Risk Policy Framework and Environmental and Social Risk Management (ESRM) Establishment of procedures to enroll and implement the Equator principles, and release reports Declaration of coal finance phase out for the first time among Korean financial companies Establishment of policies on unconventional oil and gas	Setting metrics and targets for the quantification and measurement of the level of climate response Greenhouse gas emissions · Achieve net-zero operational emissions (Scope 1&2) by 2040 · Achieve net-zero financed emissions (Scope 3) by 2050 ESG finance · Achieve ₩50tn in ESG products, investments and loans by 2030 · Achieve ₩25tn in products, investments and loans in the environment sector by 2030 Joining RE100 and 100% increase in renewable energy use by 2040
Environment Review	Environmental Management				
	External Communication on the Environment				
	Participation in Environmental Initiatives				

Corporate Governance

At a Glance

Through a transparent and stable governance structure, KB Financial Group protects various stakeholders and promotes financial market stability.
We ensure that our board composition upholds expertise in various fields and diversity so as to resolve the varied issues we face, and that the board of directors is independent to keep the management in check.
Also, we disclose our governance-related operational standards, procedures and outcomes so that our governance remains transparent and objective.
Furthermore, we review and improve our governance principles and policies on an on-going basis to respond to changes in business environment and the market in a preemptive and proactive manner.

In this Section

Theme	Major Activities and Achievements	Page	UN SDGs
KBFG Governance	· Ensuring independence and gender diversity of the board of directors (total 9 persons) with 7 non-executive directors (2 females), 1 standing director and 1 non-standing director · Promoting collective coherence and expertise by maintaining an non-executive director candidate group based on Board Skills Matrix · Connecting ESG performance and compensation by including ESG related performance (e.g. carbon emissions reduction, increase of ESG financial products) in the management's performance indexes	p.72~76	
ESG Governance	· An ESG Committee, which is a board level committee, established in 2020 for the first time in the Korean financial industry · Group Carbon Neutrality Plan, Group Environmental and Social Risk Policy Framework and KBFG Mid-to Long-term Diversity Promotion Plan approved by the Committee in 2021-2022 · Strengthening ESG implementation and discussions at group-level by forming ESG forums and ESG responsible teams at all subsidiaries	p.77	
Risk Management System	· CRO reports directly to the board · Reinforcing risk management experts pool and risk management capacity through risk manager exchange program · Promoting risk management culture via KB Protector system, a risk ombudsman program that acknowledges employees' contribution in risk management	p.78~79	
Ethics & Compliance	· Anti-corruption and bribery Policy covering all executives and employees and workers of all suppliers · Righteous Reporting System to prevent unethical behavior, an external channel to improve reporter protection and anonymity · Stewardship Code (6 subsidiaries) is applied, and its operational record is reported to the board.	p.80~85	

KBFG Governance

A sound governance structure is the foundation of a company, supporting its business activities and growth. In order to achieve the corporate governance target of 'enhancing corporate value and realizing shareholder value' KB Financial Group seeks to ensure independence of the board, enhance transparency in management, protect shareholders' rights and efficiently operate the audit function. As the result of implementing a governance structure that faithfully adheres to the basic principles of maintaining independence, transparency, expertise and diversity of the board, we were awarded A+ grade in corporate governance by Korea Corporate Governance Service (KCGS) in the ESG evaluation.

Governance Principles

Independence of the Board

KB Financial Group deploys diverse measures, including the appointment of non-executive directors and the composition of the board and sub-committees to ensure that our non-executive directors could faithfully perform their responsibilities of holding the executive management in check.

Non-executive directors are appointed through the following process: (1) listing of non-executive director candidates; (2) evaluation of non-executive director candidates; and (3) nomination of non-executive directors. The board of KBFG strictly segregates the owners of each process of appointment to make the process more independent, objective and fair. All non-executive directors of KBFG appointed through the aforementioned appointment process satisfy the requirement of the non-executive director as specified in the relevant laws and regulations.
According to internal policies, including the Article of Incorporation, non-executive directors constitute the majority of the board, with five or more people. As of March 2022, seven of the nine directors on the our board are non-executive directors, and the chairman of the board, who is not the CEO, is elected among and by the non-executive directors.
In addition, the non-executive directors hold meetings to effectively keep the management in check, and KBFG established the Board of Directors Secretariat, a group that supports the board. To support the non-executive directors in fulfilling their roles, our employees and external experts provide advisory to the non-executive directors when necessary, and offer education on the overall governance, economic and financial market trends, strategy, accounting, risk management and changes in the trend.

Diversity of the Board

We do not limit our board membership based on the candidate's gender, age, nationality, cultural background, race or ethnicity, so that the board does not represent the interest of a specific group. Two of our non-executive directors are females as of March 2022.

Transparency of the Board

KB Financial Group shares board related information with our stakeholders transparently. We post the board operational standards, procedures and outcomes on the company website and the key information subject to disclosure are prescribed in the Internal Governance Standard. Also, in our annual Governance and Remuneration Report, we disclose key information related to governance such as the composition of the board and the committees, their activities and remuneration scheme.

Expertise of the Board

KB Financial Group is reinforcing the expertise of the board for more accurate and efficient decision-making. First, according to the requirements of the non-executive directors as prescribed in the Act on Corporate Governance of Financial Companies, members of the board are mainly experts from the finance, business management, financial/risk management, accounting, legal/regulatory, digital/IT and ESG/consumer protection. The areas of expertise for each non-executive director are listed in the Board skills matrix.
The Board Skills Matrix represents the analysis on the areas of expertise of the current board members based on their experience and major. We constitute the candidate pool and nominate new non-executive directors in accordance with the matrix, so that the different expertise of the board members can blend with and supplement each other as much as possible.

[Board skills matrix]

As of March 2022

Category	Suk Ho Sonu	Myung Hee Choi	Kou whan Jeong	Kyung Ho Kim	Seon Joo Kwon	Gyu taeg Oh	Jae hong Choi
Finance		●			●		
Business Management					●		
Financial / Risk Management	●			●	●	●	
Accounting				●		●	
Legal / Regulatory		●	●				
Digital / IT							●
ESG / Consumer Protection	●	●	●			●	

Board Composition

	Suk Ho Sonu, Non-Executive Director	Myung Hee Choi, Non-Executive Director	Kou whan Jeong, Non-Executive Director	Kyung Ho Kim, Non-Executive Director	Seon Joo Kwon, Non-Executive Director
Tenure	Mar 23, 2018 ~ Mar 23, 2024	Mar 23, 2018 ~ Mar 24, 2023	Mar 23, 2018 ~ Mar 24, 2023	Mar 27, 2019 ~ Mar 24, 2023	Mar 20, 2020 ~ Mar 24, 2023
Field of expertise	Financial/Risk Management, ESG/Consumer Protection	Finance, Legal/Regulatory, ESG/Consumer Protection	Legal/Regulatory, ESG/Consumer Protection	Financial/Risk Management, Accounting	Finance, Business Management, Financial/Risk Management
Career or current position	(Former) Professor, Business Administration, Hongik University	(Former) Auditor, KEB Hana Bank	(Current) President Attorney, Nambujeil Law and Notary Office	(Former) Professor, Business Administration, Hongik University	(Former) CEO, IBK Industrial Bank of Korea
Gender	Male	Female	Male	Male	Female

	Gyu taeg Oh, Non-Executive Director	Jae hong Choi, Non-Executive Director	Jong Kyoo Yoon, Executive director	Jae Keun Lee, Non-Standing Director
Tenure	Mar 20, 2020 ~ Mar 24, 2023	Mar 25, 2022 ~ Mar 24, 2024	Nov 21, 2014 ~ Nov 20, 2023	Mar 25, 2022 ~ AGM date, 2024
Field of expertise	Financial/Risk Management, Accounting, ESG/Consumer Protection	Digital/IT	Finance, Business Management, Accounting	Finance, Business Management
Career or current position	(Current) Professor, Business Administration, Chung-Ang University	(Current) Professor, Multi Media, Gangneung-Wonju National University	(Current) Chairman & CEO, KB Financial Group	(Current) CEO, KB Kookmin Bank
Gender	Male	Male	Male	Male

As of March 2022

Board Level Committee

KB Financial Group operates eight board level committees. Each sub-committee is composed of non-executive directors with expertise in the subject area to ensure professional and independent operation. Six committees, excluding Subsidiary CEO Nomination Committee and ESG Committee, consist only of non-executive directors, and non-executive directors constitute the majority (60%) of the Subsidiary CEO Nomination Committee. All directors are members of the ESG Committee, considering the significance of ESG management.

Sub-committee	Function
Risk Management Committee	· Develop risk management strategy and decide on risk appetite · Review risk level and management status · Approve application of risk management system, methodology and improvement
Evaluation and Compensation Committee	· Develop evaluation and compensation schemes and policies; make relevant decisions
Non-Executive Director Nominating Comittee	· Develop, check and enhance non-executive director appointment principles · Manage non-executive director candidate pool in on-going manner · Recommend non-executive director candidates
Audit Committee Member Nominating Committee	· Validate qualifications of Audit Committee member candidates · Recommend Audit Committee member candidates
Audit Committee	· Manage overall audit processes
CEO Nominating Committee	· Develop chairman succession plan · Manage chairman succession pipeline in on-going manner (half-year) · Conduct succession process
Subsidiary CEO Nominating Committee	· Develop subsidiary CEO succession plan · Conduct succession process
ESG Committee	· Develop KBFG ESG strategy and policy · Manage and supervise KBFG ESG progress

Non-executive Director Appointment Process

KB Financial Group's core principles for appointing non-executive directors are shareholder representation, expertise, and diversity. These principles are incorporated in our non-executive director appointment process. First, the Non-executive Director Nomination Committee consists only of four non-executive directors and no executives. Also, the owners of the respective appointment processes including developing and evaluating the candidate pool of non-executive directors and nominating the non-executive directors are strictly segregated, and candidates are recommended and nominated through a multifaceted and objective process.

Develop non-executive director candidate pool

The Non-executive Director Nominating Committee examines the qualifications and the capacity of the preliminary candidates proposed by shareholders and external professional agencies to develop the candidate pool.

For the first time in the financial industry, we implemented the Non-executive Director Preliminary Candidate Recommendation System which allows any shareholder who holds one or more shares with voting rights to recommend a preliminary candidate. Also, to procure the expertise and the diversity of the board, we divided the fields of expertise into seven categories- finance, business management, financial/risk management, accounting, legal/regulatory, digital/IT and ESG/consumer protection- to manage the candidate pool.

Evaluate non-executive director candidate pool

The nomination advisory group members from diverse background including finance, governance and legal conduct an objective and independent evaluation of the recommended fields of new non-executive directors. Once the list has been narrowed down after the evaluation, the outside specialist conducts a reputation check on the candidates.

The Non-Executive Director Candidate Nominating Committee selects the final candidates through in-depth discussions and voting after comprehensively reviewing the objective evaluations of the nomination advisory group members and reputation risk checks by outside specialists.

Recommend non-executive director candidiate

The Non-executive Director Nominating Committee verifies whether the new and reappointed non-executive directors meet the requirements of a non-executive director as set out by the relevant laws and regulations including the Act on Corporate Governance of Financial Companies, and then nominates the candidates at the general meeting of shareholders.

We appoint Non-executive directors individually on a yearly basis. After the completion of the initial term of office for 2 years, reappointment is carried out annually.

Operation of the Board

Activities of the Board

The board meeting is consist of ordinary meeting and extraordinary meeting and summoned by the chairman. 13 meetings were held in 2021 and the average attendance rate of all the directors was 99.1%. KB Financial Group is listed in the New York Stock Exchange and strives to meet the attendance rate requirement of 75% for each individual director as guided by Institutional Shareholder Services (ISS).
We provide the meeting materials of the board and the committees no later than seven days prior to the meeting date to all the directors so that they could sufficiently review the agenda of the board and the committees in advance.

Restriction on Concurrent Directorship

According to Article 8, paragraph 3, subparagraph 4 of Enforcement Decree of the Act on Corporate Governance of Financial Companies, a non-executive director cannot hold non-executive director or non-standing director or non-standing auditor positions at another company concurrently and cannot hold concurrent director or executive manager or auditor positions at two or more companies other than KB Financial Group.

Evaluation of the Board

For the evaluation of the board, the directors conduct self-assessments consisting of 20 questions in four categories: composition and efficiency of the board, function and role of the board, responsibility of the board, and protection of shareholder rights and shareholder relations. The result of the evaluation is used to provide feedback to improve the efficiency of the board and is reported to the board and the annual general meeting of shareholders. 2021 board evaluation confirmed that the board was operated efficiently and is faithfully fulfilling its duty, which has been reported at the 2nd board meeting of 2022 (Feb 8, 2022) and the ordinary regular meeting of shareholders (Mar 25, 2022).

Evaluation of Non-executive Directors

KB Financial Group evaluates the performance of non-executive directors every year. The evaluation of non-executive directors consists of evaluation by internal executives on the individuals' activities and peer evaluation by the members of the board. The evaluation has four pillars: loyalty, expertise, leadership and contribution. The outcome of the evaluation is disclosed in the annual Governance Report to be used as reference by non-executive directors and also by the Non-executive Director Nominating Committee to decide whether to reappoint the respective non-executive directors. 2021 evaluation confirmed that all seven non-executive directors have performed excellently throughout the year, of which the details have been reported through the annual Governance Report.
Also, an independent assessment on board performance is carried out annually by the Korea Corporate Governance Service (KCGS). In 2021, we received the rating of A+ for governance in recognition of our efforts to achieve transparent and sound governance.

Performance Evaluation and Compensation of the Management

Compensation System

The executive management compensation program is approved by the Evaluation and Compensation Committee each year. The compensation program for the executive management consists of basic salary and incentives. Basic salary is the fixed-amount payment that is made every month similar to the employees' monthly salary. Incentives (long-term and short-term incentive) is the variable payment of which the amount changes according to the performance evaluation of the executive. The amount of basic salary and incentives are determined based on the scope of responsibility and control, and the level of compensation in the industry and within the group. In 2021, over 50% of the compensation made to the management were incentives.

Pay Linked to Sustainability

KB Financial Group incorporates ESG related criteria in the management's performance indicator to promote ESG management and ensure practical implementation of the group ESG strategies. The key indicators are reductions of carbon emissions and an increase in ESG financial products, among others.

Executive Performance Metrics

The enterprise-wide performance metrics, both financial and non-financial, are applied to the CEO of the Group. Financial performance metrics include such short-term performance indicators as profitability metrics (ROE, gross operating profit), soundness and risk management metrics (real NPL ratio, Tier 1 ratio, RAROC) and efficiency metrics (C/I ratio), and such long-term performance metrics as shareholder value metrics (relative total shareholder return, earnings per share), asset quality metrics (e.g. actual delinquency rate), HCROI and non-banking sector profit.
Non-financial performance metrics incorporate the performance in terms of implementation of mid- to long-term group strategy and management plans including strengthening core competitiveness, expansion of global and new growth engine, financial platform innovation, leadership in sustainable management including soundness, ESG and internal control, talent development, and development of open and creative organization.
The annual performance of the executive manager is evaluated based on company-wide performance measurement metrics and non-financial performance metrics that are defined differently according to the respective roles. As for the executive responsible for risk management, compliance officer and the executive responsible for audit, the performance metrics are irrelevant with the company's performance to ensure their independence.

Criteria for Incentive Deferral, Adjustment, Clawback

Incentives of managements are divided into short-term incentives (based on annual assessment) and long-term incentives (based on cumulative assessment spanning multiple years) according to the period of performance evaluation. Also, payment of minimum 40 out of 100 of the total incentive pay is deferred to be paid over three or more years in accordance with applicable law.

Regardless of the title, 40%-60% of the total incentive pay calculated is paid as one-time cash payment, and the remaining 60%-40% is converted to restricted stocks and paid over three or more years. In the case of the CEO, the deferral rate is 60%, higher than that of other executives, and the performance period (period subject to performance evaluation and payment deferral) applied to incentives are also longer than other executives.
Deferred payment of the incentives is made by applying the fair value that reflects business performance. This allows the incentives to be naturally adjusted if the stock price falls due to diminished corporate value, and the fair value is calculated in accordance with applicable law. In addition, compensation is adjusted to claw back performance compensation in cases of unethical acts, legal violations, loss occurrence, etc.

CEO Compensation

The total CEO compensation in 2021 stands at ₩1,726m. Deferred short-term incentive of 5,962 shares and deferred long-term incentive of 18,756 shares were provided as performance-linked stocks, of which the actual payment amount will be fixed later reflecting the fair value of the respective base dates for payment. Performance-linked stocks (22,712 shares for one year) were provided additionally as long-term incentive, and the actual number of granted shares will be fixed later according to the result of performance evaluation (Nov 21, 2020-Nov 20, 2023).

[2021 CEO vs. Employees Annual Total Compensation Ratio]

Category	Amount (₩m)	Ratio
Median value of employee compensation	153	x 11.28
Average value of employee compensation	170	x 10.15

* The total amount of CEO compensation in 2021 stood at ₩1,726m

Stock Ownership of the CEO and Executive Management

Domestic laws limit an individual investor's stock ownership of a commercial bank to 4% to ensure financial institutions' role in pursuing public interest. As any policy in relation to the executive management's stock ownership itself clashes with domestic laws, we do not have any policy concerning the executive management's stock ownership. However, the executive management owns the Group's stocks for the purposes of responsible management and shareholder value enhancement.

[Stock Ownership of the CEO and Executive Management]

Title	Name	#Shares	Multiple of Basic Salary
CEO	Jong Kyoo Yoon [1]	21,000 shares	x 2.31
Executives other than the CEO	Chang Kwon Lee [2]	2,010 shares	x 0.429
	Pil Kyu Im [2]	1,005 shares	x 0.215
	Sub-total	3,015 shares	x 0.322

1) The total value of the CEO's voting shares stands at ₩1,155m and the CEO's base salary is ₩500m (Based on the closing price on December 30, 2021)

2) Executives based on the disclosure of 2021 Business report

ESG Governance

KB Financial Group established our ESG Governance Framework to internalize and implement ESG management. For the first time in the financial industry in Korea, we organized the ESG Committee within the board in 2020 and is making advancements in ESG management through organic communication with the ESG Committees of the all subsidiaries. Furthermore, we formed dedicated ESG units at each subsidiary to support ESG management.

ESG Committee

ESG Committee is the highest decision-making body in the Group pertaining to ESG matters and develops Group-wide strategies and policies on non-financial elements (environment, society and governance) that affect corporate value and sustainability. It also sets the annual contribution limit and manages and supervises the implementation of ESG strategies and policies in order to promote and facilitate ESG management. All the directors of the board are members of ESG Committee, and the Committee convened three times in 2021 to discuss the development of Group Carbon Neutrality Promotion Plan (draft), and Group Environmental and Social Risk Policy Framework (draft) and the key ESG promotion plans for 2022.

Subsidiary-Level ESG committee

ESG committees, which are responsible for each subsidiary's ESG related matters, sets the direction of each company's ESG strategy and promotes cooperation between relevant departments for effective implementation of the strategic initiatives. It regularly monitors the progress of the ESG strategic initiatives and discusses the important activities of the company including ESG products and investments.
In addition, these subsidiary-level committees report to and update the subsidiaries' board of directors minimum once a year on a voluntary basis. They also share the progress with other subsidiaries, and report on the subsidiaries' ESG implementation progress to the Group Extended Business Management Committee on a quarterly basis to reinforce ESG management at the Group level.

ESG-responsible Teams of Respective subsidiaries

All subsidiaries have dedicated ESG-responsible teams to support the board and the ESG committees. The dedicated teams of each subsidiary participate in the 'One Firm Strategy Meeting' to share the major ESG initiatives of each subsidiary, and discuss ways to promote collaboration across businesses for, such as, loans, investments and insurance.

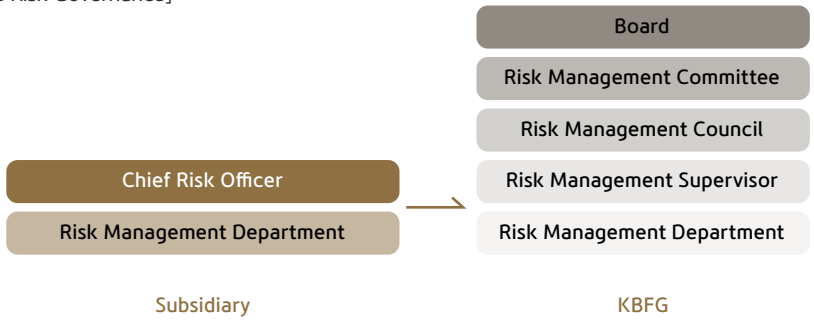
Risk Management System

Companies are facing increasingly diverse risks along the rapid change of the business environment. In order to secure a stable foundation for business, KB Financial Group established a pre-emptive management framework for the key risks. Risk Management Committee within the board of directors is the pivot for managing the key risks, and education programs and systems are in place to internalize the habit of risk management throughout our business activities.

Risk Governance

In order to establish a thorough response system against various risks and to efficiently support decision-making in business, we established the Risk Management Committee within the board of directors. The board delegates the authority to the Risk Management Committee to manage risks and develop risk management policies. It determines the risk appetite and risk levels and supervises the suitability of risk management policies and systems.
We implemented the Risk Management Council to drive the execution of risk management related operations. The Risk Management Council consists of CRO of the Group and its all subsidiaries, and discusses the matters delegated by the Risk Management Committee, matters requested to be reviewed by Group Executive Management Committee and the details of implementing risk management policies.
Moreover, we set up a structured reporting line for key risk related matters to enhance the efficiency of risk management. The risk management departments and CRO of the subsidiaries report major risk updates to the Group Risk Management Department, which reviews the materials and reports consecutively to Group CRO, risk management supervisor, Risk Management Council, Risk Management Committee and the board of directors.
In addition, we evaluates the achievements in risk management to ensure integrity. For the purpose of monitoring and auditing the performance of risk management, the holding company's Auditing Department audits the suitability of risk management operations of the risk management departments of KBFG and the subsidiaries more than once a year. The audit results are reported to the executive responsible for audit, the Audit Committee, and the board of directors at least once a year.

[KBFG Risk Governance]



Key Risk Management

KB Financial Group selects and manages key risks to enhance transparency and prevent transfer of risks across the subsidiaries. Key identified risks are credit risk, market risk, operational risk, interest rate risk, insurance risk, liquidity risk, credit concentration risk, strategic risk and reputational risk. We use statistical techniques to quantify the respective risks in the form of internal capital or value at risk (VaR) for measurement and management.

Preliminary Deliberation on Risks of Products

KB Financial Group established a preliminary deliberation process to prevent the risks that could arise from new products and new businesses, as well as existing products, and to implement responsible product provision.
Risks entailed by dealing with existing products, new products and new businesses are identified and reviewed through preliminary deliberation by risk control groups, according to their risk levels, such as Risk Management Council or Risk Management Committee. As for those products that require approval of the risk control groups of the subsidiaries, Group Risk Management Department conducts preliminary consultation for review at the Group level.
Also, we implement asset management policies and risk management policies across the Group to ensure consistency of the overall risk deliberation and management.

Internalization of Risk Management

Risk Management Training

KB Financial Group provides various training and education to strengthen the risk management capacity of employees and non-executive directors. First, education on overall risk management including group risk management policy and methodology and the risk status is provided to the members of the Risk Management Committee, and group's core initiatives and major updates regarding risk management are reported to the Committee minimum once per annum. In addition, annual training plan is developed, covering risk management related contents and major issues, to be used for educating the employees in the respective subsidiaries' risk management departments and all executives and employees.

Development of Risk Management Personnel

KB Financial Group implemented the Risk Management Personnel Exchange Program to enhance employees' practical risk management capabilities. The Program deploys skilled risk management personnel in other subsidiaries, aiming to expand the pool of employees with experience in risk management in diverse industries. KB Kookmin Bank also runs the Risk Management Group Pipeline Development Program to develop the risk management pipeline.

Risk Ombudsman System

KB Protector system is Group Risk Ombudsman Service where employees detect risks at an early stage and facilitate preemptive counteraction through voluntary participation.
The scope of KB Protector system includes reporting on product-related risks, system and operation risks and industry risk. Any member of the staff who finds a risk factor can report it through the intranet. Based on the content, the reported issue will be forwarded to the persons in charge (the head of Risk Management Department) of the respective subsidiary, who will investigate on the issue, take necessary measures and then report to the head of Group Risk Management Department. We strictly maintains the reporter and the reported issue confidential and rewards the reporter if the report makes an important contribution to establishing and operating the Group's preemptive risk management system.

Emerging Risk Management

KB Financial Group preemptively classifies the emerging risks that are expected to inflict material impact on the business activities and manages those risks as part of the Group-wide risk management framework.
Risks arising from demographic changes, paradigm shifts as a result of digital finance innovation, and ESG issues were identified as the key emerging risks in 2021, as well as their respective impact on business and prepared countermeasures.

[2021 Emerging Risks]

Risks	Business Impacts	Countermeasures
Risks related to demographic shifts		
· Decreased average income per household due to aging · Growing financial debt due to increasing consumption · Deteriorated Group sales base and profitability following reduced household lending	· Reduced loan demand following population aging · Reduced corporate investment capacity due to decreased demand in real economy · Group profitability to fall from 2025 due to slower increase of household lending, long-term interest rate fall, reduction of short- & long-term interest rate spread	· To move away from deposit margin based profit structure and diversify income source including CIB (Corporate&Investment Banking) and WM (Wealth Management) · To diversify investment portfolio by including emerging markets where population aging is less serious
Paradigm shift following the digital finance innovation		
· Increased risk related to IT and information protection · Increased illegal acts including innovative technology and financial fraud · Rapid change in technology and increased gap created by COVID19 pandemic	· Increased influence of digital technology and financial innovation within the value chain · Creation of new business models, products and services	· To strengthen preemptive risk management through in-depth analysis and review of risks following digital financial innovation · To build risk management infrastructure and capacity using machine learning
ESG issues		
· Non-fulfillment of non-financial requirements that affect corporate value and sustainability such as environment/society/governance related regulations and market demand	· Increased importance of ESG in investment due to increased interest of investors in ESG · Fluctuation in asset value and profitability in high-risk investment due to regulatory changes including emissions trading scheme	· To develop ESG Master Plan at Group level incorporating ESG framework · To organize dedicated ESG teams and reinforce their roles · To develop investment & lending portfolio reflecting ESG risks

Ethics & Compliance

Ethical management and compliance form the foundation of all activities performed by a company and serve as the basis for human rights management.
KB Financial Group established the Ethical Management Framework to create a practical ethical management culture and is internalizing ethical management through diverse means including ethics education.

Ethical Management Framework

For all the employees of Group, ethical value is the top priority. With the Charter of Ethics, the predominating ethics standard of the Group developed in 2010 at the center, we established the Code of Conduct, Code of Practice for Employees and the Supplier Code of Conduct for the purpose of creating a practical ethical management culture with all the stakeholders.

Code of Conduct	A universal and consistent standard applied across the Group that defines the criteria for appropriate value judgment and principles of action for all employees	· Corruption and bribery, discrimination, data protection · Conflict of interest, anti-competition · Money laundering and insider trade · Environment, health and safety · Whistle blowing
Code of Practice for Employees	Detailed guideline incorporating the characteristics of the industries of the respective subsidiaries designed to assist employees' compliance with the Code of Conduct while conducting their ordinary duties	· Conflict of interest · Investment such as securities · Fair trade · Important data management · Prohibition of Accepting Bribery and Entertainment · Regulation on external activities · Anti-money laundering
Supplier Code of Conduct	Code of Conduct established to recommend voluntary implementation by the suppliers	· Respecting basic labor rights · Safety and health · Environmental protection · Compliance with market competition order and co-existence with their respective suppliers · Suppliers compliance ethics

Ethical Management Activities

KB Financial Group requires all executives and employees including part-time workers and contract workers to take the Ethics Pledge and ethical management training every year as a means to internalize the practice of ethical management. First, all employees fill out the Employee Work Ethics Pledge annually as a commitment to comply with the basic philosophy and ensure that unethical acts do not occur.
In addition, all subsidiaries implement self-check on legal compliance, and provide ethical management training on subjects such as anti-corruption and anti-money laundering to serve as the criteria for sound judgment while the employees are working. We created video clips on ethical management in order to encourage attention and proactive participation of all executives and employees of the Group on ethical management. We also implemented campaigns to promote corporate culture in connection to each video clip with such themes as 'prohibition of personal use of company's tangible and intangible asset' and 'prohibition of acquisition of illicit profit by taking advantage of one's title or the company' and total 10,540 persons took part in the campaign. KB Kookmin Bank provides cyber training on ethics and legal compliance customized to each title and educational contents designed to prevent financial frauds exclusively for local and overseas branches. Also, the Knowledge e-Ongoing Education Program was put in place as a means to create an environment for all employees to take ethical management lectures anytime.
Furthermore, we request the employees to immediately report on any violation of the Code of Practice for Employees identified while working, and the department in charge provides consultation and support if there are any questions regarding the interpretation and the application of the standards. In particular, we have prescribed the definition of the terms, such as public officials and public institutions, used in the Improper Solicitation and Graft Act as mentioned in Article 6 Prohibition of Accepting Bribery and Entertainment in the Code of Practice together with the detailed description of the gift, and have them posted on the policy board at all times.

Internal Control System

KB Financial Group established an internal control system with the KBFG Chief Compliance Officer at the center for the purpose of stabilizing a sound internal control culture. The KBFG Chief Compliance Officer is appointed via board resolution and in charge of the Group's internal control related operations including verification of compliance with the ethics requirements and investigation of violations. Compliance Officers of the subsidiaries who are responsible for internal control of their respective companies also have the responsibility and the duty to report any violations to the Group. In addition, the Chief Compliance Officer receives regular reporting on the subsidiaries' compliance related operations and internal trading across the Group, provides feedback, and conducts on-site inspection on the subsidiaries. The KBFG Chief Compliance Officer convenes with the subsidiaries' Compliance Officers at the periodic Compliance Council to share each subsidiary's activities.
In accordance with the applicable law, we have been reporting the outcome of the investigation on subsidiaries' yearly internal control operation. We convene regularly at such forums as the Internal Control Committee, Compliance Operations Council and the Legal Operations Council so as to share the Group's compliance and legal matters promptly and take actions in a timely manner.
We also run the Compliance Monitoring Program. The Compliance Monitoring Program comprises diverse activities designed to enhance internal control including ethics education for employees, preliminary deliberation of important operations in terms of legal compliance, prevention of unfair trade of financial investment products, and management and monitoring of department-level Compliance Checklist.
Furthermore, we implemented tzhe Compliance Support System to prevent violations including unsound business activities and ensure effective monitoring. The Compliance Support System is a computerized system designed to facilitate internal control activities including the Ethics Pledge, reporting of provision and receipt of gifts and the Compliance Monitoring Program.

CASE STUDY

KB Kookmin Bank's Clean KB Award

Clean KB Award was adopted by KB Kookmin Bank to reward regional groups and regional partnership group (PG) that displayed excellence in internal control. Throughout the year, the activities performed by regional groups and PGs are assessed in seven categories: audit, non-compliance of ethical management, proper sales culture, internal control, consumer protection, RAS (Risk Analysis System) evaluation and autonomous implementation of internal control. Three regional groups and four PGs with the best evaluation are selected for the award.

Whistle-blowing Policy

KB Financial Group implemented the Group-level Upright Whistle-blowing Program by which our internal staff can report on any concerns pertaining to the operation of the internal control system. This Policy was introduced to prevent financial incidents and unethical acts and to stop such incidents and acts from spreading once they occur. All employees are subject to the Policy, which prescribes, for example, what to report, how to make a report, how the reported case is investigated and how the reporter is protected.
The Righteous Reporting Policy prohibits any unfair treatment or retaliatory acts against the whistleblower including disadvantage or discrimination at work, and protects the whistleblower from retaliation by, for instance, guaranteeing his or her anonymity. Also, a person who has no stake in the reported matter investigates the case in a fair and independent manner. We offer periodic staff training regarding whistle-blowing such as how to file a report, how the cases maintain secrecy and the protection measures to ensure effective implementation of the whistle-blowing system.

[How to File a Report]

Internal channel

- Phone number
- Registered mail
- Hotline (mobile)
- Intranet

External channel

· Reporting channel operated by an external agency (Red Whistle, www.redwhistle.org)

Anti-Corruption and Bribery Policy

For the purpose of taking practical ethical management to a higher level, KB Financial Group enacted the Anti-Corruption and Bribery Policy applied to all executives and employees including part-time and contract workers and the employees of the suppliers in April 2022. The Anti-Corruption and Bribery Policy is founded upon Code of Practice for Employees, Supplier Code of Conduct, Contribution Policy and the Internal Control Policy, as detailed in the table below.

[Details of Anti-Corruption and Bribery Policy]

Conflict of interest	· Employees should place company's interest before his/her personal interest · Prohibition of profit-seeking or immoral act for pursuit of personal interest · Prohibition of seeking profit or compensation for him/herself or for a third party through illegal or unlawful method
Fair operations	· Prohibition of investment using status at work or internal information · Prohibition of unfair trade and return of short-swing profit · Awareness of fair trade-related laws and regulations and prohibition of unfair trade · Promotion of fair competition
Prohibition of Accepting Bribery and Entertainment	· Prohibition on providing or committing to provide or showing an intention of providing gift, entertainment and benefit in violation of relevant laws and regulations to public officials · Prohibition on receiving gifts from stakeholders
Integrity Pact	· Supplier selection based on price, quality, and technology, with a focus on trustworthiness and integrity · Prohibition of preferential treatment to suppliers related to themselves or their relatives · Prohibition on receiving or requesting inappropriate profit such as gift or entertainment from suppliers
Contributions	· Application of Contributions Policy (including major criteria such as who is eligible or not eligible for contributions, and relevant process) · Prohibition on contributions to politicians and political groups

※ No judgment or case under litigation in connection with anti-competitive practices, corruption and bribery in the past four years

Prevention of Violation of Ethical Management

KB Financial Group analyzes the cause of violation of ethical management as a preventive measure. At the same time, we are strengthening the prevention and follow-up management of ethical violations by conducting regular monitoring of major tasks. We also take immediate action if any violation occurs to create an accountable and ethical culture. In particular, if an employee violates the code of conduct, disciplinary action is taken based on the severity of the action, and it is reflected in the evaluation related to internal control. In addition, We are raising employees' awareness by utilizing actual ethical management violation incidents in the compliance training.

CASE STUDY

Subsidiaries' Efforts to Prevent Violation of Ethical Management

KB Kookmin Card performs on-going monitoring of illegal credit card acquisition in order to establish a sound acquisition order. Thematic inspection is also conducted to prevent diverse types of illegal acquisition such as non-compliance with the Specialized Credit Finance Business Act and provision of economic benefit that exceeds 10% of the annual fee.

All KBFG's subsidiaries send employees responsible for high-risk operations on ordered leave as per Article 11.2 of the Act on Corporate Governance of Financial Companies. The intention of ordered leave is to order the absence of those employees responsible for high-risk operations for a certain period and to inspect whether the respective employees have been fulfilling their duty appropriately while they are absent. The subsidiaries are preventing possible occurrence of financial incidents by utilizing ordered leaves.

Anti-Money Laundering (AML) Policy

AML system

KB Financial Group established the AML Operational Policy and KBFG Management Guideline on AML to ensure discipline in AML operations.
AML Operational Policy incorporates the recommendations made by the Financial Action Task Force (FATF) and defines the requirements for operations related to AML and prohibition against financing for terrorism. The KBFG Management Guideline on AML is used by the Group to manage and supervise the subsidiaries' internal control related policies including AML.

AML Operations Council

KBFG AML Operations Council was organized to facilitate efficient AML operations and information sharing among subsidiaries. The Council convened twice in 2021 to discuss identified types and cases of fake or evasive account in relation with virtual asset exchanges, and special inspection on large-amount transactions by minors.

AML Activities and Achievements

KB Kookmin Bank is enhancing its domestic and overseas AML processes. First, the AML process implementation has been advanced using digital technology. Following the development of AI-based Suspicious Transaction Classification Model in 2020, Digital Technology-based CDD Process was established in 2021. Through the Digital Technology-based CDD Process, the head office verifies whether CDD was conducted appropriately before processing the financial transaction requested by the customer. KB Kookmin Bank operates these processes based on digital technology in order to enhance the efficiency of CDD.

Second, KB Kookmin Bank reinforced internal policies and regulations by improving the AML process for virtual asset businesses.

Third, it joined hands with an external consultancy firm to improve onshore and offshore AML processes; they diagnosed the AML processes of 10 departments and branches in eight counties and identified tasks for improvement and introduced SAS AML in 11 departments and branches in nine countries and established the AML process that meets the advanced global standards.

As the result of improving the AML processes and stable risk management, KB Kookmin Bank received the highest score in the banking sector consecutively in 2020 and 2021 in the Comprehensive Assessment of AML Implementation conducted by KoFIU.

AML Training

All members of KBFG take part in AML training regularly. In order to increase the management's interest and capability in AML, the training on 'Key Points Regarding AML that all Executives Should Know' was rolled out in 2021, targeting the management and the non-executive directors of KBFG.

[Key AML Activities]

CDD (Customer Due Diligence)	To verify and validate customer's identity, actual owner, purpose of transaction and source of fund so that financial transaction or service is not used for such illegal acts as money laundering
EDD (Enhanced Due Diligence)	To conduct CDD on major high-risk customers
CTR (Currency Transaction Reporting System)	To automatically report on the identity of the person conducting the transaction, time and date of transaction and transaction amount to Korea Financial Intelligence Unit (KoFIU) via system, if cash transaction exceeds a certain amount (₩10m or above in one business day)
STR (Suspicious Transaction Report)	To report to the Commissioner of KoFIU if there is reasonable grounds to judge that the received asset used for financial transaction is suspected to be illegal or that the transaction counterpart is laundering money
RBA (Risk-Based Approach)	To assess the risk of AML and terrorism financing inherent in a financial transaction and to establish a corresponding control system

Reinforcing Implementation of Stewardship Code

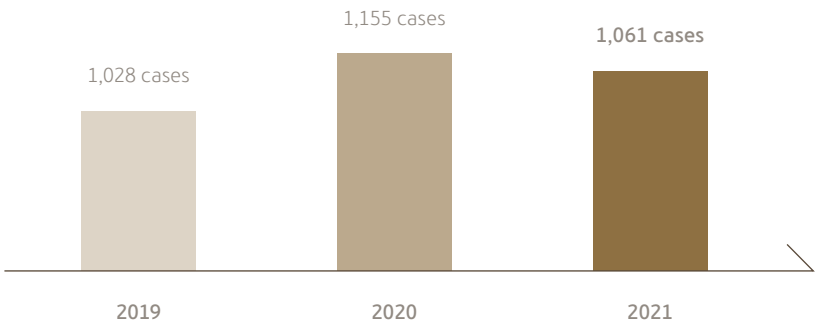
KB Financial Group was the first Korean financial group to introduce the Stewardship Code. As of December 2021, six of our subsidiaries – KB Kookmin Bank, KB Securities, KB Life Insurance, KB Asset Management and KB Investment– have adopted the Stewardship Code.

We report on the progress of the Group's Stewardship Code to the board every year. Each subsidiary specifies the accountability principles of the trustee, policy and guideline on exercise of voting rights and the internal regulations on its website, together with a transparent disclosure of how the voting rights were exercised.

In 2021, we exercised the voting right on 1,061 cases. Also, mindful of our responsibility as the trustee of our customers' assets, we proactively fulfilled the duty as the trustee by, for instance, publishing public letters and answering undisclosed questions.

As a means to facilitate communication with the stakeholders regarding accountable investment, KB Asset Management published 2021 Trustee's Responsible Activity Report, describing the progress of implementing the Stewardship Code, exercised voting rights and shareholder engagement activities. In 2022, it established the Responsible Investment Principles that factor in ESG criteria in investment decisions and the Trustee Accountability Instructions that promotes responsible activities by the trustee, both to serve as the foundation for implementing the Stewardship Code.

[Exercised Voting Rights]



[Responsible Investment Principles of KB Asset Management]

Responsible Investment Principles of KB Asset Management

Principle 1: In addition to the traditional corporate analysis methodology, KB Asset Management proactively considers a company's environmental, social and governance (ESG) factors from the perspective of sustainability and risk management when making investments.

Principle 2: KB Asset Management continuously examines the investee companies and engages with them constructively according to the Trustee Accountability Principle to fulfill the duty of managing customers' assets.

Principle 3: KB Asset Management applies these Principles not only to domestic stocks but also to domestic bonds, considering the characteristics of the asset, investment period and management method.

Principle 4: For the purpose of maximizing profit of the customers and the beneficiaries, KB Asset Management implemented and faithfully follows the accountable investment process that factors in financial and non-financial aspects when making investment decisions.

Principle 5: KB Asset Management regularly checks upon the investee companies to preserve and enhance the value of the invested asset, and proactively engages with the companies and exercises the voting rights to improve the corporate value of the investee companies from a long-term perspective.

Principle 6: In order to be successful in accountable investment activities, KB Asset Management ceaselessly develops the corporate analytic capacity, expertise in the respective industries and the ESG performance analytic capacity and shares the company's cumulated experience and knowledge in accountable investment. Through these efforts, we seek to encourage improvement of the disclosures made by the investee companies and contribute to creating a sound capital market and culture.

Fair Trade

KB Financial Group developed various measures to establish fair trade relationship with the suppliers. First, Based on our conflict of interest prevention policy, our employees are required to report to the head of their department or Compliance Officer if any of their stakeholders (including lineal family members, relatives, etc.) is involved in the contract process or in the department responsible for the contract process at a candidate supplier before determining suppliers of products and services. We also leverage the Integrity Pact for heightened transparency of contracts. When signing contracts with the suppliers, we can include a section on the Integrity Pact in the contract or ask the counterpart to submit the Integrity Pledge; violations of the Pact or the Pledge would result in such measures as loss of qualification in the tender and greater transparency in the contractual relationship.

Win-win with Suppliers

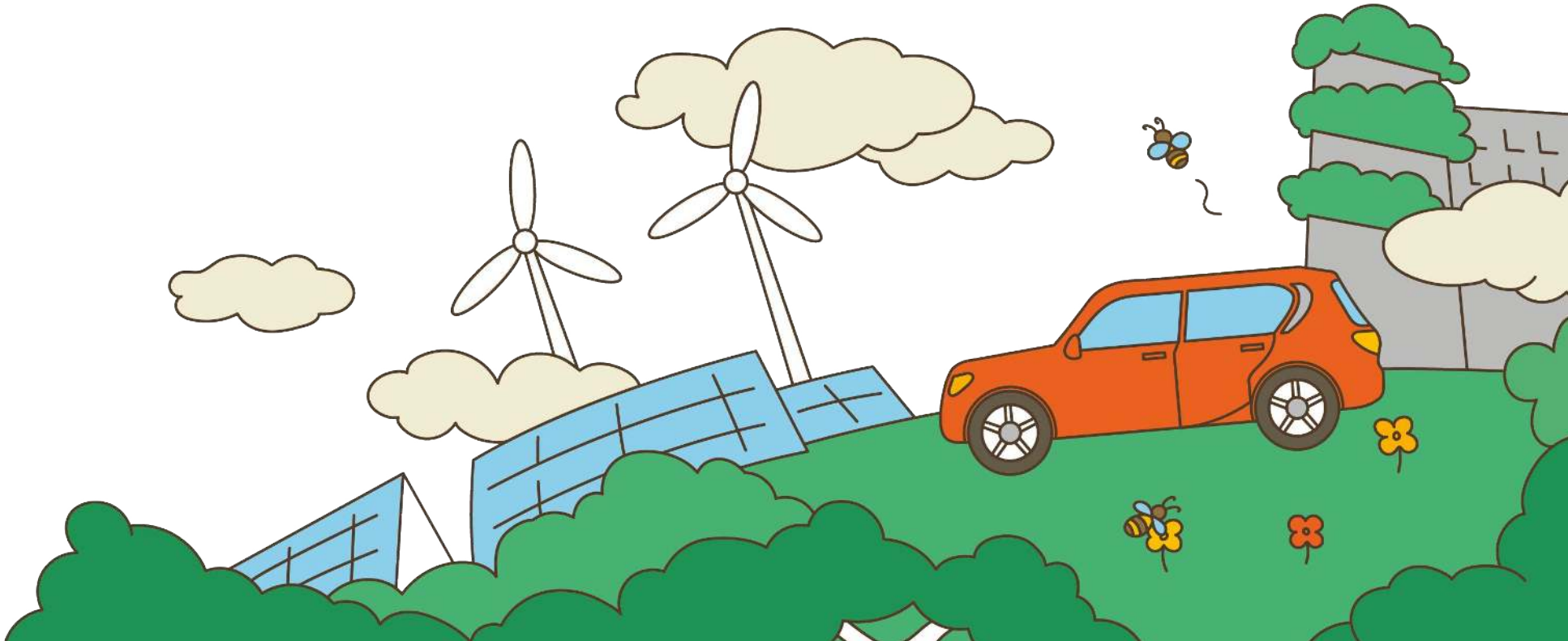
Activities to Support Win-win Relationship

KB Kookmin Card is improving the office and resting spaces created for the suppliers so that the workers could work in a better environment. In 2021, IT workstation was relocated, and the individual workers' work space was expanded by 30~40% and resting lounges were created. After the outbreak of COVID-19, through consultation with the suppliers, KB Kookmin Bank is encouraging the use of flexible working hours by their workers and is providing them with various supplies for prevention of the disease.

Communication with Suppliers

All subsidiaries promote communication with the suppliers. We established various communication channels including telephone and email to listen to our suppliers and we reflect their feedback in the overall business management. We regularly meet with the suppliers and have implemented the complaint handling process. KB Securities meets with the suppliers every half-year in order to listen to suppliers' feedback on inconveniences and ideas for improvement, and to enhance the operational and management procedures. KB Kookmin Card hosts periodic meetings with representatives of business sites to constantly check upon the difficulties and the complaints of the suppliers and make necessary improvements. Furthermore, it continuously ensures that the principle of mutual respect with the suppliers is in place.

Environment



At a Glance

As corporate responsibility to address the climate crisis grows in importance around the world, the need for standardized financial disclosure becomes more pronounced. Furthermore, global capital market investors are evaluating corporate value considering the risks and opportunities related to climate change.
As a proactive response to such global trend, KBFG discloses climate change related information through the Task Force on Climate-Related Financial Disclosures (TCFD) Report. We also make efforts to control the influence of corporate activities on the environment by engaging with our internal and external stakeholders including employees and customers.

In this Section

Theme	Major Activities and Achievements	Page	UN SDGs
Environmental Management	· KB Kookmin Bank newly acquired the ISO 50001 · Application of eco-friendly energy sources such as solar, geothermal power and fuel cells in KB Kookmin Bank's new building · KB Kookmin Bank joined the 'K-EV100' · Implementation of environmental management campaigns through voluntary staff participation	p.88~89	
External Communication on the Environment	· Stronger Communication on the Environment with employee and customer · Reducing the use of paper by discontinuing the issuance of paper passbooks and converting credit card bills to mobile devices · Promoting mobile-based financial services and issuing eco-friendly cards to reduce the use of plastic cards · Expending preservation of environment and biodiversity (KB Kookmin Bank 'Clear Sky Forestation Project')	p.90~92	
Participation in Environmental Initiatives	· Selected as represent banks in the Asia-Pacific region in the Steering Group, the highest decision-making body of NZBA (Net-Zero Banking Alliance) · Participating COP26 (Conference of Parties) High Level Meeting for response to climate change · Joining RE100 and promoting 100% transition of renewable energy · Invited as a advisory board member of GFANZ (Glasgow Financial Alliance for Net-Zero) APAC Network · KB Insurance joined NZIA (Net-Zero Insurance Alliance)	p.93~94	

Environmental Management

Environmental Management Certification

KB Financial Group identifies and manages the environmental impact of our business activities in a structured manner, and strives to continuously improve environmental performance. KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, and KB Capital have received ISO 14001 (environmental management system) certification and are conducting business in accordance with international standards. In particular, KB Kookmin Bank newly acquired the ISO 50001 (energy management system) certification in 2021, which serves as the foundation for enhancing energy efficiency at the business sites.

Installation of New and Renewable Power Generation Facility at Business Sites

KB Financial Group business sites are environmentally friendly and are contributing to GHG reduction. KB Kookmin Bank installed solar power generation facilities at its major, large business sites including the Yeouido head office, new company building and educational institution, and plans to expand such facilities. The new KB Kookmin Bank building that was completed in 2020 uses such eco-friendly energy sources as solar and geothermal power and fuel cells, and was designed to save energy by using eco-friendly materials. KB Kookmin Bank generated approximately 833,000kWh of solar power in 2021, which corresponds to approximately 380 tons less GHG emissions. KB Securities is planning to complete installation of solar power facilities at the company building and the Learning Centre within the second half of 2022. KB Insurance is running solar power generation facilities at the company building and Ingenium Learning Centre, and produced 201,416kWh of renewable energy in 2021.

[Solar Power Generation Facility at KB Insurance Building in Hapjeong]

Conversion to Eco-friendly Vehicles

We are converting our business vehicles to eco-friendly vehicles to reduce GHG emissions. KB Kookmin Bank joined the K-EV100 (commitment by Korean companies to convert 100% to zero-emission vehicles) in 2021 and aims to convert all of the business purpose vehicles to zero-emission vehicles (electric vehicles and hybrid vehicles) by 2030.

[Introduction of zero-emission vehicles by KB Kookmin Bank in Connection with K-EV100 by Phases]

Preparation ('21~'24)	Phase 1 ('25)	Phase 2 ('28)	Phase 3 ('30)
Build infrastructure Pilot operation	**30%** to be Zero-emission Vehicles (Approximately 437 units)	**70%** to be Zero-emission Vehicles (Approximately 1,019 units)	**100%** to be Zero-emission Vehicles (Approximately 1,455 units)

* Excluding electric and hybrid vehicles in possession

[Declaration on Joining K-EV100 by KB Kookmin Bank]

[KB Kookmin Bank's Zero-emission Vehicles for business]

Implementation of Environmental Management by Employees

KB Financial Group is utilizing various campaigns to practice environmental management through voluntary staff participation.
KB Kookmin Bank's Economic Energy Consumption Playbook (EEC Playbook) was designed to enhance employees' awareness on GHG emissions and to encourage their voluntary participation in emissions reduction. The EEC Playbook started out as a campaign to cut unnecessary energy consumption and make energy saving a habit by turning off lights in unused areas. KB Kookmin Bank also implemented the ECO Star Power Station campaign to generate the effect of power production by setting the air conditioner at a higher temperature, and the Staying Warm and Chic campaign aims to decrease the indoor heating temperature and save energy by wearing warmer clothes.
KB Kookmin Card opened the DADA Café in August 2021, which only uses reusable cups. DADA Café was launched as a means to implement the joint initiative with Jongno-gu Office to promote the use of reusable cups so as to use less disposable cups and cut carbon emissions.

[KB Kookmin Card's DADA Café]

External Communication on the Environment

Stronger Communication on the Environment

Environmental Campaigns

KB Kookmin Bank is continuing 'KB Green Wave Go Green Campaign' engaging both employees and customers. This campaign is actively carrying out activities such as reducing paper bankbooks and copy paper, saving energy, and reducing the use of single-use products, with a focus on three key themes: Less Paper, No Plastic, and Save Energy. The money saved from the campaign is donated in the name of the employees to support environmental groups and families that have limited access to energy supply.
KB Life Insurance launched the Earth Defense Corps Campaign to encourage customers to become more environmentally friendly. As per the Earth 9 Defense Corps Campaign, KB Life Insurance proposes nine ways to save the earth and customers conduct and submit proof of activities related to the nine suggestions. KB Savings Bank uses the company's social media account and the Liiv Talk Talk application to promote customers' participation in the save-the-environment challenge by using tumblers, walking 10,000 steps a day and using eco-bags and so on.

[KB Green Wave Go Green Campaign]

Disclosure of eco-friendly activities

KB Financial Group is sharing the details of environmental management through numerous channels. In September 2021, We Research Institute released the 'Report on ESG from Consumers' Perspective and their Eco-friendly Consumption Behavior,' which examines how consumers perceive and practice eco-friendly consumption. The Report on ESG from Consumers' Perspective and their Eco-friendly Consumption Behavior was developed to share information on ESG and eco-friendly consumption, and contains analysis on consumers' ESG values, eco-friendly behaviors, perception and trend of eco-friendly consumption and eco-friendly industries.
KB Kookmin Bank publishes 'KB Green Wave Report' for proactive communication with external stakeholders and transparent disclosure of environment-related data. The Report comprises detailed description of the activities related to environmental management including green financial products, laying the foundation to achieve Net-Zero, environmental and social risk management and building eco-friendly partnerships.
KB Kookmin Card is sharing its climate actions and ESG activities on YouTube. It uploaded three contents in 2021: two 'KB ESG Class' videos describing ESG management of KB Kookmin Card and one on 'KeeB Card' promoting KeeB Card that seeks to cut off standby power.

[KB ESG Class #1]

[KB ESG Class #2]

[KeeB Card to Cutoff Standby Power]

Using Less Paper

By sending less direct mails to customers and using less paper passbooks, KBFG is reducing the use of paper and GHG emissions. KB Kookmin Bank stopped issuing paper passbooks for new foreign currency deposits in March 2022. It also launched the 'withdrawal by hand service' which enables banking transactions without paper passbooks. Through bio-certification, customers can withdraw their deposits without passbooks, seals or passwords at the branches.
KB Kookmin Card is sending more credit card statements via mobile devices. It informed the customers how using less paper is helpful in preserving the environment and held various events for customers to convert to mobile statements in 2021. As a result of such consistent events, the number of mobile statement subscribers soared by 790,000 year on year to 4.2 million, while the number of statements sent via mail decreased by approximately 4.8 million cases compared to the previous year, allowing us to save 24 million sheets of paper. In addition, KB Kookmin Bank revamped the design of the welcome coupons that used to be sent via mail to new customers and started to use QR codes instead, thereby saving 9 million sheets of paper per annum.
KB Capital also accelerated the use of mobile and email statements, and 98.4% of customer communication was conducted via mobile or email in 2022. KB Life Insurance completed the development of 34 types of smart communication templates in January 2022 to replace currently paper-based customer communication with 'Smart Communication,' and is quickly completing such conversion by implementing the 'Switch to Smart Communication campaign.'

Reducing the Use of Plastic Cards

KB Kookmin Card is reducing the use of plastic cards to address the environmental issues caused by plastic. First, it is promoting the use of KB Pay, a mobile payment and digital wallet service. KB Pay is a financial platform that offers various banking services including payment, remittance and currency exchange and functions as the membership card. KB Kookmin Card is extending the use of KB Pay for offline payment in addition to online payment so that it could replace the plastic credit card. The scope of possible replacement of plastic cards by KB Pay was expanded in 2021 with the addition of the KB Pay Mobile Transportation Service, which allows KB Pay to function as a transportation card even when the mobile screen is inactive, and the KB Kookmin Mobile Student ID Check Card Service, which generates the mobile student ID card when one registers his/her student ID check card.
Also, KB Kookmin Bank uses eco-friendly materials for cards. The KB Kookmin EVO Titanium Card is made from certified eco-friendly materials, and it offers discounts when used at electric or hydrogen charging stations and environmentally friendly merchants. Customers' points are donated to the Korea Green Foundation. In addition, KB Kookmin Card implemented the Yellow Edition Campaign to raise awareness on the severity of the environmental issues caused by plastic. Under the Yellow Edition Campaign, plastic cards that are no longer in use were recycled and reproduced to be used as parts for the board game, Blue Marble; as the result, we were able to produce eco-friendly board games and donate the proceeds to environmental groups. KB Kookmin Card sold all of the 365 limited edition Blue Marble games and the proceeds were donated to Wiper.th, an environmental group.

[KB Pay]

[KB Kookmin EVO Titanium Card]

[Yellow Edition Campaign]

Preservation of Environment and Biodiversity

The subsidiaries of KBFG are conducting diverse activities to preserve the environment and biodiversity. KB Kookmin Bank has been working on the 'KB Kookmin Clear Sky Forestation' project to reduce find dust and address other environmental issues since 2018. As of end-2021, it planted 36,000 windbreak trees and 34,000 fruit trees in the desertification areas of Mongolia and created Liiv Garden within the Korea National Arboretum in Gwangneung.

KB Kookmin Card conducted the School Challenge and Classroom Forestation, designed to practice carbon reduction in everyday lives, Project with the Ministry of Environment (MOE). School Challenge refers to the campaign that utilizes the mobile application, 'Climate Action 1.5℃,' which is developed by MOE to make carbon reduction an everyday habit. Users can take part in the action items proposed by KB Kookmin Card, namely making props by recycling plastic and solving the quiz on being environmentally friendly, via the Climate Action 1.5℃ app. Also, KB Kookmin Card is donating the air purifying plants grown by the employees to childcare facilities and planting endangered tree species for forestation projects in order to contribute to preserving biodiversity.

KB Life Insurance conducted a project called 'Sharing Computer of Love,' which involved donating end-of-life computers and monitors. After upgrading the specifications or replacing the parts with new ones, computers and monitors were presented to children who need but cannot afford computers through the Yeongdeungpo-gu Community Center and Gwanak Grassroot Foundation. Furthermore, KB Life Insurance signed an MOU for Forestation for 2022 Gangwon Forestry Exhibition with Gangwon Province, Gangwon Forestry Exhibition Organization Committee and Gangwon Economic Promotion Agency in November 2021. Based on the MOU, KB Life Insurance contributed ₩100m to the Gangwon Forestry Exhibition Project for Creation of Carbon Offset Forest, and participated in the tree planting ceremony that was held at the site designated as the main venue of the World Forestry Exhibition in April 2022.

[KB Kookmin Bank 'Clear Sky Forestation Project']

[KB Kookmin Card 'School Challenge' and 'Classroom Forestation Project']

[KB Life Insurance 'MOU on Forestation for 2022 Gangwon Forestry Exhibition']

Participation in Environmental Initiatives

Net-Zero Banking Alliance (NZBA)

In April 2021, KBFG joined the Net-Zero Banking Alliance (NZBA), which is a forum for global bank leaders who share the goal of achieving net-zero by 2050. KBFG was part of the incubation group organized to establish NZBA since March 2021, APAC Advisory Board Members. In September, KBFG was selected to represent banks in the Asia-Pacific region in the Steering Group, the highest decision-making body of NZBA. The NZBA Steering Group develops the execution plan for global financial institutions to achieve net-zero transition and encourages support for and participation in global policies. Total 12 global financial institutions were elected by the member companies to represent the respective continents at the Steering Group, including KBFG, Standard Chartered Bank, Bank of America and Banco Bilbao Vizcaya Argentaria. KBFG is a member of the Steering Group, representing banks in Asia-Pacific region.

COP (Conference of the Parties) of the UN Framework Convention on Climate Change (UNFCCC)

KBFG was the first Korean financial institution to take part in the COP26 High Level Meeting in November 2021. COP provides the venue for the global leaders of respective areas to discuss how we can overcome climate crisis and to disseminate the effort and the need to convert to a low-carbon society. KBFG was invited to the conference as a representative of the financial industry, in recognition of our leadership in ESG management as demonstrated by the fact that we joined the Science Based Targets initiative (SBTi) for the first time in the Asian financial industry and that we represent the banks of Asia-Pacific region at NZBA. Jong Kyoo Yoon, Chairman & CEO of KBFG, shared our portfolio strategy aiming to respond to climate change and the cooperation between NZBA and stakeholders to achieve net-zero. Furthermore, KBFG was the only Korean company to be invited to the Business Leaders Group (BLG), the COP26 Hub, by UN and the UK government, and attended the meeting for the first time in May 2022. BLG is the group of business leaders of which the executives of global companies committed to improve the environment are members. KBFG shared diverse cases of climate action including investment in eco-friendly technologies and infrastructure and extension of ESG consulting.

RE100 (Renewable Electricity 100%)

KB Financial Group joined RE100, a global initiative bringing together those businesses committed to using 100% renewable electricity at all business sites, in September 2021. In recognition of its leadership on climate change, such as declaring a coal phase out and establishing net-zero goals, and its influence, We were accepted in the group for the first time as a Korean financial group. Accordingly, We plan to switch all sources of its energy consumption to renewable energy by 2040. We installed solar panels on the Group building, and plan to proactively achieve RE100 by examining the use of the power purchase agreement (PPA), under which power will be purchased from renewable energy supplier, and the Renewable Energy Certificate (REC).

Glasgow Financial Alliance for Net-Zero (GFANZ)

KBFG became APAC Advisory Board Members in the Glasgow Financial Alliance for Net Zero (GFANZ) in May 2022. GFANZ is a global coalition of leading financial institutions committed to using finance to achieve net-zero emissions and overcome the climate crisis. Considering the significance of Asia-Pacific region to promote net-zero globally, GFANZ opened its first Asia-Pacific office in Singapore and organized the advisory committee. KBFG was the only Korean financial institution to join the advisory Board. By acting as a member of the advisory committee, we will encourage participation of financial institutions and share our knowledge on achieving net-zero so that the Asia-Pacific region can shift to an environmentally friendly economy.

Net-Zero Insurance Alliance (NZIA)

In June 2022, KB Insurance joined the Net-Zero Insurance Alliance, a coalition of global insurers and reinsurers to achieve net-zero by 2050. A member of NZIA must have adopted the PSI and should establish its goals to achieve net-zero within 18 months of joining the membership. KB Insurance adopted PSI in October 2021.
With NZIA membership as the foundation, KB Insurance will continue to cooperate with global insurers and actively promote the transition to a net-zero society.

Taskforce on Nature-related Financial Disclosures (TNFD)

KB Financial Group joined the Taskforce on Nature-related Financial Disclosures, an initiative aiming to protect and restore the natural ecosystem, in April 2022. TNFD is a global initiative that started off with the acknowledgment that corporate activities could lead to decrease of biodiversity and destruction of the ecosystem, and with the intention of protecting nature and biodiversity.

Acquiring TNFD membership will be KBFG's first step in joining the efforts to develop nature-related financial disclosure standards. Moreover, we will ensure that more Korean companies recognize the need to preserve nature and will expand the scope of our activities to protect biodiversity. In April 2022, we embarked on the K-Bee Project to restore the ecosystem of the bees whose number is rapidly decreasing due to climate change. In addition, KB Kookmin Bank joined the 'Biz N Biodiversity Platform (BNBP)' for the first time as a local financial institution in May 2020 and is leading the efforts to preserve biodiversity through the KB Kookmin Clear Sky Forestation project.

CASE STUDY

K-Bee Project

KBFG launched the K-Bee Project with the purpose of increasing the number of bees in May 2022. Honeybees are important because they pollinate 70 percent of the world's food crops. However, the number of bees is quickly decreasing all over the world including Korea, US and Europe due to aggravating environmental issues including climate change. Particularly in Korea, colony collapse disorder is being witness nationwide since the end of 2021, with approximately 7.8 billion honeybees disappearing. Likewise, measures to preserve the honeybee ecosystem is in urgent need.

Hence, we started the K-Bee Project to stop honeybees from disappearing and grow their population. We are exerting diverse efforts to preserve the bee ecosystem such as planting honey plants that supply food for honeybees and making honey plant forests and creating urban bee farms and bee hotels

K-Bee Zone

KBFG is engaging in various activities so that the K-Bee Project could be better known. In May 2022, we developed the K-Bee Zone with Roblox, a metaverse platform, where players can plant honey trees in a virtual space. The K-Bee Zone uses Roblox gaming elements to target the MZ generation. When a player catches a wasp, the natural enemy of the honeybee, he/she will earn a seedling; when the player plants honey trees in the K-Bee Zone, 5,000 honey trees are planted in the Gangwon Hongcheon in the player's name. We launched an event that offered gifts to lucky draw winners in order to attract more interest on the K-Bee Zone; those people who played the game and posted a relevant photo on their social networking service account were able to participate in the event.

'Colony Collapse Disorder (CCD), Respond to the Warning of the Bees'

KBFG published the Report on Colony Collapse Disorder (CCD), Respond to the Warning of the Bees in May 2022 in order to increase social attention and action to protect the bees. The Report explains why we need to protect the honeybees, why bee extinction is a problem and how we could resolve the issue.

'Warning of the Bees'

In honor of the World Environment Day (June 5), KBFG released a video clip titled 'Warning of the Bees' to explain how the disappearance of honey bees affects the ecosystem and why they need to be restored.

'Warning of the Bees' created with Professor Kyoung-duk Seo and actress Hyo-jin Kim, depicts the reality of honeybee extinctions due to abuse of pesticides and the efforts to restore the honeybee ecosystem.

[K-Bee Project]

Honey plant forest	· Creating honey plant forest in Hongcheon, Gangwon Province, by planting 100,000 honey trees such as oriental raisin trees and black locusts · Promoting the creation of honey tree forest in Uljin County, North Gyeongsang Province, where devastating forest fire broke out in early-2022
K-Bee Urban bee farm	· Built Urban Bee Farm that houses 100,000 honey bees on the rooftop of KB Kookmin Bank Head Office Building in Yeouido and providing education on bee ecology · Honey harvested from the Urban Bee Farm offered to low-income households in the community
Bee hotel	· Built Bee Hotels for wild bees in Seoul Botanical Garden and provided education on bee ecology

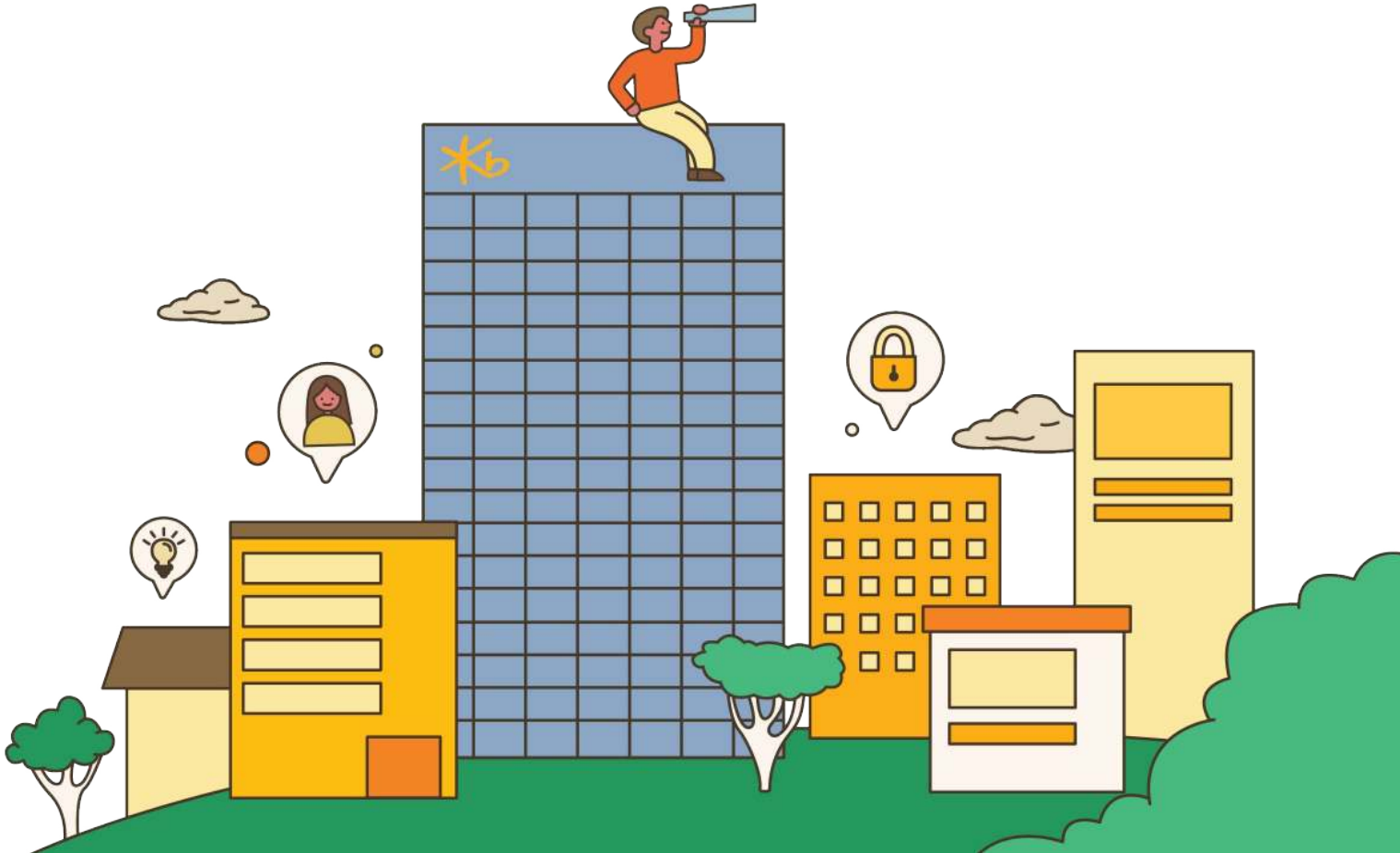
[K-Bee Urban bee farm]

[K-Bee Zone]

[Colony Collapse Disorder (CCD), Respond to the Warning of the Bees]

[Warning of the Bees]

Social Responsibility



At a Glance

KB Financial Group internalizes responsible management for customers, employees and local communities. First, we recognize customer-centric management as a core value and is striving to improve customer satisfaction. Second, through a horizontal organizational culture and a culture that values work-life balance, we help its employees realize their full potential and maximize work efficiency and productivity.

Third, we offer financial services and products to SMEs, micro businesses, low-income households, and socially vulnerable groups. Furthermore, we strive to be a company that works with the local community through various social contribution activities.

In this Section

Stakeholders	Reporting Topics	Major Activities and Achievements	Page	UN SDGs
Customer	Digital Innovation Information Security and Customer Information Protection Customer Satisfaction Management Financial Consumer Protection	· Provision of KB MyData service and expansion of AI technology application · Protection of customer personal information and response to related risks based on information security management System and personal information protection policies · Improving customer satisfaction and gathering customer feedback · Implementation of Financial Consumer Protection Governance and reinforcement of financial consumer protection education · Execution of Financial Fraud Prevention Activities and adoption of the 'KB Financial Group Responsible Advertising Policy'	p.97~102	
Employees	Hiring and Nurturing Employees Employee Health and Safety Welfare & Organizational Culture	· Implementation of a Talent Development Strategy and training to improve employee capabilities · Establishment of Safety and Health Objectives and Management Policy, as well as a Safety and Health Management Plan · Establishment of a Serious Industrial Accident Response System · Providing employee health management services and achieving health-friendly company certification · Improvement of work environment through adoption of flexible working system, digital office and RPA · Operation of a family-friendly and maternity protection system, as well as promotion of work-life balance · Employee engagement evaluation (82.3 points in 2021)	p.103~110	
Community	Supporting SMEs and Micro Businesses to Build Capacity Innovative Finance Social Contribution	· Providing Consulting service for SMEs and Micro Businesses · Uncovering and fostering startups through KB Innovation HUB Center and FUTURE9 · Operation of Innovative Finance Council · Nurturing future generation and Creating social values according to Social Contribution Strategy	p.111~116	
Human Rights	Human Rights Management Philosophy Identification of Major Human Rights Risks Conducting Human Rights Impact Assessment	· Adoption of a Human Rights Policy as well as a 'Statement on the Prevention of Workplace Sexual Harassment, Non-Sexual Harassment, and Discrimination' · Identification of human Rights impact and risks through materiality assessment · Conducting human rights impact assessment and implementation of major tasks	p.117~120	

Customer

Digital Innovation

Since KB Financial Group declared in 2018 that it will pursue Digital Transformation in full-scale, we have been accelerating digital innovation across all parts of the company including its organization, business method, platform and services with a goal to become 'the most beloved No.1 financial platform' to our customers.

KB MyData Service

KB Financial Group is launching new services to its subsidiaries, as we acquired final approval to operate the MyData business. MyData service allows convenient integration and management of personal credit information scattered through various financial institutions in one place, with the consent of the customer. KB Kookmin Bank provides key contents such as asset, expenditure, financing plus and pension management based on API (Application Programming Interface) or data, through 'MyData Asset Management' within 'KB Star Banking'. Also, we ensure safety of the service by strictly managing security of the MyData service. Throughout the development of the MyData service and until its launch, we conducted phased security checks, and follow-up actions were taken to improve insufficient areas, and it was checked whether the relevant results were implemented appropriately.

AI Technology Application Expansion

KB Financial Group applies AI technologies across all of its business activities. We have set up a dedicated organization to supervise AI-related businesses and enhances work efficiency through AI technologies. Moreover, KBFG provides better financial experiences to its customers by expanding the range of AI-based financial products and services.

Estabilshment of Financial AI Center

KB Financial Group is making efforts to enhance its AI technology-related capabilities and sophisticate its AI-based business activities. Especially, KB Kookmin Bank newly established its Financial AI Center, a dedicated organization for AI activities, managing overall AI-based businesses and establishing related policies. The Center has been leading digital financial innovation by supporting the introduction and management of AI technologies.

AI Ethics

As more AI-based products and services are introduced, KB Financial Group is making preemptive efforts to avoid AI ethics risks. While it is true that AI technologies bring positive effects such as enhancing employees' work efficiency and improving customer conveniency, it is also true that the technology bears fundamental risks such as ethical risks. As a result, we are is working with the Financial AI center to create a system that prevents issues caused by AI technology, such as human rights violations, invasion of privacy, damage of public character, and data leakage. Especially, we continue to cooperate and have discussions with external organizations related to the financial sector. Moving forward, we will thoroughly disclose data from the entire process of introducing and applying AI technology, and will preemptively manage any AI related ethics risks by constantly monitoring relevant issues.

[AI Financial Helper]

AI Financial Helper

KB Financial Group is paving the way to automate financial services for our customers using AI technologies. In 2022, KB Kookmin Bank opened the AI Financial Helper kiosk branch. Customers visiting the branch can receive information on financial products, ask finance-related questions, and get information on the branch's business hours and facilities via real-time voice chat with the AI Financial Helper kiosk. In the second half of 2022, KB Kookmin Bank intends to advance the AI Financial Helper service by launching independent mobile services that will allow customers to check accounts and even transfer money.

Expansion of Mobile Financial Platform

KB Financial Group is expanding the functions of its mobile services so that customers can have access to more diverse and convenient functions. In 2021, KB Kookmin Bank established the New KB Star Banking service based on its 5S strategy.

[New KB Star Banking's 5S Strategy]

Simple & Easy	Simplified home screen and menu, improved convenience of transfer transactions
Speed & Secure	Introduced automated login, improved app speed and beefed up login security
Suitable for Me	Internalized notification service for money received/paid and other information, personalized recommendations and customized banner display
Specialized WM	Introduced My Asset Management, offered customized service for each customer type
Super Platform	Added subsidiaries' services, increased external partnership services

Information Security and Customer Information Protection

Information Security Management System

KB Financial Group established a system to manage information security and customer information protection. Board directors with cyber security experience take part in establishing the relevant strategies, which are then overseen by the executives. Cyber security strategies including the information security management system and personal information protection policies as well as the quarterly inspection results regarding the provision and use of customer information between subsidiaries, are reported to the Board of Directors. Also, results of the monthly security checks and improvement plans are reported to the CEO to handle information protection issues at the Group level.

We operate a separate Information Security Department within the Group to promote the Group's information security capabilities, such as managing joint information protection projects and inspecting subsidiaries on-site. Also, to maintain an independent cyber security system, major subsidiaries appointed both a CIO (Chief Information Officer) and a CISO (Chief Information Security Officer) seperately. In addition, at KB Kookmin Bank, the proportion of the information protection budget to the total IT budget reached 7.95% (based on the budget execution at the end of 2021). As a result of rigorously managing information security issues, zero cases of information security and cyber security violations (e.g. fine and penalty) were recorded for the past three years from 2019 to 2021. There were also zero cases of IT infrastructure-related incidents in 2021.

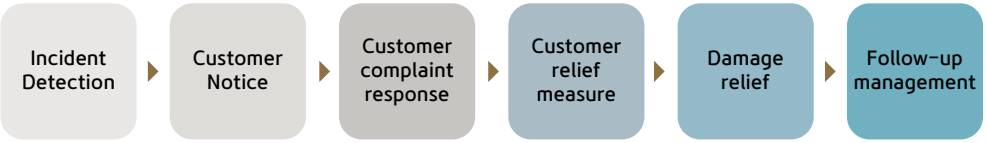
Privacy Policy

According to the Personal Information Management Policy, KB Financial Group manages personal information of all customers using the Group's services, minimizes the collection of personal information and does not use the information for other purposes nor provides it to a third party. Personal or credit information related to financial transactions is retained and used from the date of consent for a fixed period. If the personal information is no longer required, the relevant personal information will be purged without delay. Also, personal or credit information that has been deleted will not be recovered nor reused. We provide the right to data portability which allows the customer to request his/her personal credit information to be transferred to other service providers or to withdraw such transfer request.

Information Security Incident Response Process

KB Financial Group developed a personal information leakage response manual in order to prevent the spread of the damage caused by such leakage and to quickly handle the situation. If a leakage incident occurs, the relevant department or branch reports the incident to the Information Security Department according to the internal reporting process. The Information Security Department will operate an incident response team and call an emergency executive meeting to deal with the incident. Not only will the incident be notified to the customer, but also any customer inconvenience will be minimized through actions taken to relieve the customer, along with handling the relevant complaints. Then, the Information Security Department carries out procedures for actual damage relief, such as preparing compensation criteria (proposal), and conducting follow-up management to prevent the incident from recurring.

[Information Security Incident Response Process]



Establishing Environment to Protect Personal Information of Customer

KBFG applies technologies such as personal information search, encryption of personal information within the DB, and automatic checking of encryption in the DMZ (Demilitarized Zone) server, and a pseudonymous/anonymous processing system is set up and running for statistical use and provision of pseudonymous information. In the product and service development stage, source code vulnerability inspection is included in IT development requests, development, testing, and application, including the homepage. Products and services are reflected in the operating system only when the source code vulnerability inspection is completed.

Information Security System Inspection and External Verifi ation

KB Financial Group regularly and frequently conducts vulnerability checks through external agencies, such as mock hacking on its website, apps, and major business systems. Especially, we conduct a variety of tests to respond to external infringement incidents, such as vulnerability analysis and evaluation of electronic financial infrastructure (once a year), vulnerability inspection of public websites and mock hacking (twice a year). In addition, we establish action plans for the discovered vulnerabilities and conduct follow-up inspections to check whether the actions have been completed or not. Furthermore, KB Financial Group Inc., KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, and KB Life Insurance receive certification examinations on a regular basis by external specialized agencies to renew their information security certifications.

[Current Status of Information Security Certifications Acquired]

KB Financial Group Inc.	ISMS [1]
KB Kookmin Bank	ISO 27001 [2], ISMS, ISO 20000 [3], BS 25999 [4]
KB Securities	ISO 27001, ISMS-P [5]
KB Insurance	ISMS
KB Kookmin Card	ISMS-P, PCI DSS [6]
KB Life Insurance	ISMS

1) ISMS: Certification for information security management system and protection measures established, managed, and operated to protect information assets

2) ISO 27001: Certification for information security related items such as information protection policy and information access control

3) ISO 20000: Certification for the requirements for the establishment of an IT service management system

4) BS 25999: Certification for business continuity management

5) ISMS-P: Certification for information security management system and protection measures, personal information processing steps

6) PCI DSS: Payment industry data security standard including customer payment information protection

Information Security Risk Assessment

KB Financial Group analyzes the frequency and impact of threats to information assets to derive risk factors and establish protection measures. We conduct risk assessment for protection measures every year and determine the appropriate risk levels based on the risk assessment results and identified managed risks. In addition, we have strengthened protection measures for the matters identified as important in the risk assessment results and carried out risk management.

Strengthening of Information Security capacity and Employee Training

KB Financial Group semi-annually conducts information security-related cyber education provided by the Financial Security Institute. Executives receive more than 3 hours a year, general employees more than 6 hours a year, IT staff more than 9 hours a year, information security staff more than 12 hours a year, and CISOs receive more than 6 hours a year.
Moreover, anyone who breaches privacy policy is subject to disciplinary actions so that every employee can be more cautious when dealing with information security issues. In addition, by setting the violation of information security laws as an indicator to the KPI evaluation of branches and business groups, KPI points are taken away if a violation occurs, for the purpose of thorough review and management.

Security Inspections for Subcontractors and Suppliers

KB Financial Group signs a security management agreement with personal information processing subcontractors and suppliers so that those companies will also comply with the Group's technical, physical and administrative information protection measures. We also conduct periodic inspections to check whether the agreement is complied with.

Customer Satisfaction Management

KB Financial Group offers various activities with the goal to help our customers live a happier life. We are improving our services listening to our customers' opinions, and we are enhancing the level of customer satisfaction through programs that improve employees' capabilities and motivate employees dealing with customers.

Customer Satisfaction Index Survey

KB Kookmin Bank has conducted a new 'Mobile Customer Experience Survey' for branches since 2021. This is an advanced combination of the previous 'Customer Satisfaction Survey (CSI)' conducted by the phone-centered and another 'face-to-face channel service satisfaction survey' with different scoring systems. Newly implemented 'Mobile Customer Experience Survey' enables customer satisfaction to be analyzed and measured in a variety of ways, thereby helping to enhance customer satisfaction. (2021 score: 89.98). In recognition of these accomplishments, KB Kookmin Bank ranked first in the National Customer Satisfaction Index (NCSI) survey 15 times in 2021 for the first time among commercial banks.

Customer Panel and Advisory Group System

KB Financial Group manages a customer panel or advisory group to check the customer contact point services and collect customer suggestions and opinions. Also, suggestions made by customers are reflected in our business activities.

[Status of customer panel and advisory group operations]

Classification	Major Customer Panel and Advisory Group Names
KB Kookmin Bank	KB Kookmin Fansumers
	KB Golden Life Customer Advisory Group
KB Securities	KB Star Messenger
KB Insurance	KB Hope Supporters
KB Kookmin Card	The Easy Talker

Training Programs to Improve Customer Experience

KB Kookmin Bank runs a consulting program to improve customer experience and provides internal employee training. Customer experience consultants provide KB Kookmin Bank's training contents on customer experience management to all employees, and provide various types of training through meetings, visits, and video conferencing to regional sales groups, PGs and branches. For branch trainings, customer-centric improvement activities are carried out such as sharing improvement tasks with relevant branches based on the voice of the customer (VOC) collected through customer experience surveys, and finding solutions customized for the branch together with the employees.

Branches with special business hours

Since 2017, KB Kookmin Bank has been operating branches with special business hours based on the flexible working hours system for employees, in order to provide better convenience for customers visiting the branch offices. At our branches with special business hours, customers can handle their banking business face-to-face outside the regular banking hours. There are 72 branches called the '9To6 Bank', which are open for two more hours until 6 p.m. through two shifts, and 11 branches
(8To5 Bank branches, 3To6 Bank branches) called the 'After Bank' that open and close later than the existing business hours based on staggered office hours. Particularly, in March 2022, 9To6 Bank branches expanded nationwide to include Seoul, the metropolitan area and the regional hub cities.

Financial Consumer Protection

KB Financial Group is laying the groundwork for customers and companies to enjoy a mutually benefitting relationship through its activities to protect the rights and interests of financial consumers.

Financial Consumer Protection Governance

KB Financial Group established a 'financial consumer protection governance system' that is independent of the development and sales of financial products. KB Kookmin Bank clearly specifies the reporting and handling process for financial consumer complaints on its website. Financial consumers who experienced inconvenience or had complaints during the transaction process, can request counseling and problem-solving through the Internet, branch offices, and headquarter department/customer center. KB Kookmin Bank handles the complaints in accordance with the financial consumer protection governance. In addition, KB Kookmin Bank runs the 'Advisory Committee on Reinforcing Consumer Rights', an external advisory body to objectively review consumer protection systems and processes. The Advisory Committee, consisting of 4 external expert members and 1 internal member, provides consultation to strengthen the rights and interests of financial consumers by reviewing consumer orientation for new products and services and suggesting opinions for improvement.

[KB Kookmin Bank Financial Consumer Protection Governance]

Board of Directors	· Enacting basic policies for the establishment and operation of internal control systems related to financial consumer protection · Approving management strategies and policies affecting internal control related to financial consumer protection
CEO of the Bank	· Establishing and operating internal control system related to financial consumer protection · Managing and supervising the implementation of financial consumer protection work of employees · Conducting key decision-making as the head of the 'Financial Consumer Protection Internal Control Committee'
Executives supervising financial consumer protection	· Executives in charge of the financial consumer protection business reports to the CEO when the rights and interests of the financial consumer has been infringed upon or there are concerns for infringement
Institution supervising financial consumer protection (Consumer Protection Head Office)	· Operating the independent 'Consumer Protection Head Office' under the direct control of the CEO to carry out internal control business for financial consumer protection

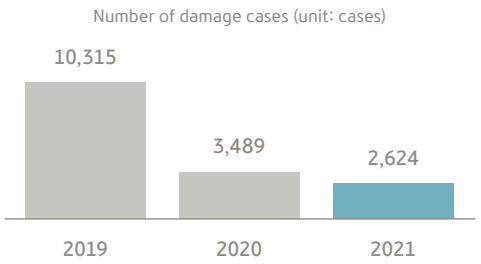
Financial consumer protection education for employees

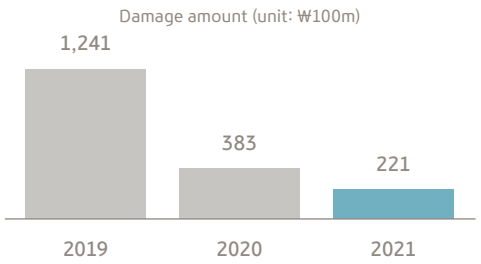
KB Financial Group provides education to build consensus on financial consumer protection and to help our employees better protect financial consumers. Particularly in 2021, we strengthened the relevant education system for employees in accordance with the enforcement of the Financial Consumer Protection Act. In addition to the monthly education on financial consumer protection, cyber education is also provided for all employees every year.

Financial Fraud Prevention Activities

To prevent financial fraud, KB Kookmin Bank has established a monitoring system and is actively promoting its system to the customers. In particular, the Bank built a next-generation monitoring system for AI voice phishing to cope with voice phishing scams. Furthermore, we introduced a RCS (Rich Communication Service)-based text service that allows customers to check the bank logo information in the text messages. The RCS-based text service can prevent customer damage caused by phishing text messages, by exposing the company logo and company name in the calling information without the customer having to store the phone number.
KB Kookmin Card applied a machine learning model to predict voice phishing scams. In addition, when a customer applies for a card loan, the company will check in advance whether the customer has been exposed to a phishing scam, by delaying the deposit process for high-risk customers and making additional follow-up calls from the head office. KB Kookmin Card also introduced a malicious app blocking service to its app. As a result, as of 2021, the number of customers who reported phishing damage as well as the amount of damage decreased by more than 50% compared to the past year, and we also managed to prevent phishing accidents by informing 5,000 customers who were exposed to potential phishing scams.

[KB Kookmin Bank's voice phishing damage prevention record]





Motivational System to Strengthen Consumer Protection Awareness

KB Financial Group deploys a system to raise employees' awareness on financial consumer protection and to motivate them to engage in financial consumer protection business. KB Kookmin Bank provides additional KPI points and commendations from the CEO to branches that have good track records of preventing voice phishing scams. KB Securities, Prudential Life Insurance, and KB Life Insurance also have KPIs and reward systems pertaining to consumer protection so that employees can actively embark on protecting consumers.

Debt Collection Principles and Debt Adjustment System

KB Financial Group has its own set of principles and systems for fair debt collection activities and debtor protection. KB Kookmin Bank carries out debt collection procedures based on its debt collection policy and implements internal controls to avoid illegal, fraudulent acts or unnecessary disputes. In addition, the person supervising internal control at the relevant department and branch conducts regular training every year for executives and employees regarding compliance with relevant laws and regulations. Furthermore, KB Kookmin Card, KB Capital, and KB Savings Bank regularly provide training on the Financial Services Commission's 'Guidelines for debt collection and loan sale'.

Also, subsidiaries operating personal loan businesses such as KB Kookmin Bank, KB Kookmin Card, KB Capital, and KB Savings Bank manage internal and external debt adjustment systems to support customers facing financial difficulties.

Fair Advertising and Marketing

KB Financial Group does not display or advertise information that could be misunderstood by consumers or undermine fair trade order. The Group complies with fair advertising standards, and we have established prior and follow-up procedures for each major subsidiary to check whether advertisements, promotions, and descriptions are unreasonable or misleading. In 2022, the 'KB Financial Group Responsible Advertising Policy' was enacted to establish a sound financial order and build consumer trust. According to this policy, we are complying with relevant laws, established internal control procedures, and conducted trainings. We have designated a department and staff to oversee the policy of prohibiting unfair display and advertising, and to be independent of the product and service development business. When advertising and marketing are implemented, changed, or suspended, the compliance officer reviews the adequacy of advertisements for products and financial investment products, and the consumer protection department checks whether the level of consumer protection was appropriate through the 'consumer protection prior agreement' procedure.

Misselling Prevention

KB Kookmin Bank monitors misselling activities through the AI financial consulting system. The AI financial consulting system recommends products that meet the customers' investment propensity and records the call to identify any misselling activities. After the Bank has checked whether the product was mis-sold, the analyzed results will be provided to the counseling staff, who will then improve the sales process based on the results.

KB Securities also strives to prevent the practice of misselling by monitoring relevant activities and operating the Advanced Monitoring System (AMS), and thoroughly implementing follow-up measures through consumer protection procedures. In particular, KB Securities separately appointed a Chief Customer Officer (CCO), established the Financial Consumer Protection Committee and the WM Product Working-Level Council to create a systematic governance structure and strengthen internal control monitoring processes for each step of product sales.

KB Insurance operates a full sales inspection system and subscription approval system to comply with the sales process. In addition, in order to prevent the recurrence of misseling activities, the company operates the 'Sales Promotion Committee' to impose penalties on misselling solicitors. In particular, the company distributed a checklist that solicitors must comply with pertaining to the Financial Consumer Protection Act, which went into effect from March 2021, and conducted a self-diagnosis questionnaire so that the new system under the Financial Consumer Protection Act can make an early soft-landing.

KB Kookmin Card has set up an 'automated system to monitor telemarketing misselling'. By using the AI model of the big data platform, the company detected shortcomings by comparing the sales staff's conversation with the telemarketing scripts and detecting prohibited words. The company then improved the sales process and provided training to the sales staff based on the inspection results.

CASE STUDY

KB Kookmin Bank Acquires 'Good' Rating in Financial Consumer Protection Evaluation

The Financial Supervisory Service conducts an annual evaluation on financial consumer protection to make an overall assessment of the consumer protection level of financial companies. Financial consumer protection evaluation mainly evaluates the operation of internal control systems, such as a dedicated consumer protection organization, a consumer protection system related to product developmentand sales, and a consumer protection system related to product sales. In the 2021 evaluation, KB Kookmin Bank was the only bank to receive a 'good' rating among the evaluated banks, ranking first in the banking and joint first place in the financial sector.

Employees

Hiring and Nurturing Employees

KB Financial Group believes that employees are the key force driving sustainable growth of companies. We select talents from diverse fields to lead the financial paradigm shift and is creating an environment in which employees can sufficiently demonstrate their own qualities.

Talent Development Strategy W.I.T.H

KB Financial Group established a talent development strategy to swiftly cope with changes taking place in the domestic and external environment, and to effectively implement tasks we face internally. With the goal to 'nurture world-class talents who will drive sustainable growth', we are implementing our talent development strategy 'W.I.T.H' which reflects changes in the internal/external environment along with the organization's internal initiatives.

Develop world-class talent who will drive sustainable growth of KB Financial Group

W World Class	I Innovation	T Together	H Hybrid
Develop world-class multi-specialists who will drive changes in the financial environment Develop digital talent needed to leap forward as the 'No.1 financial platform'	Provide creative and innovative training programs Up-skill & Re-skill through culture of self-directed learning	Conduct Group-wide joint training based on one-firm mindset Share on/offline HRD infra among subsidiaries	Share HRD Best Practices to create converged synergy among subsidiaries Reinforce digital/core business/leader capabilities to lead future finance
Target level	Method of talent nurturing	Target & Channel	Contents

Based on One-firm mindset

Position-Specific Training

KB Financial Group implements customized training by position in order to help our employees, from a newly hired staff to the Group CEO, build capabilities relevant to their positions. In 2021, a joint training was provided to 257 newly hired employees and 75 employees from external partner companies. We also have training programs such as the 'KB Financial Group leaders' life planning program' and the 'KB Financial Group new department and branch manager course' to strengthen the capabilities of the leadership positions. In addition, there are also leadership training programs customized for management candidates, new and re-appointed management members.

[Leadership Training Programs for Management]

Program Name	Target Group	Content
FMC (Future Management Course)	Management candidate	MBA essential special lecture, discussion of management issues, Biz Insight lecture course
FGC (Future Group CEO Course)	Candidate group for Group CEO	Providing consulting from leadership and digital specialists
NMC (New Management Course)	Group's newly appointed management	Leadership, Group CEO's special lecture, 4th industrial revolution, business strategy, training on how to deal with the press
EMC (Existing Management Course)	Re-appointed management	Top management course in association with external universities

Job-Specific Training

KB Financial Group supports its employees to develop job expertise by providing customized training by jobs.

Nurturing Digital Specialists

KB Financial Group has been managing a variety of programs to foster digital talents. In 2021, we have run the 'Digital Championship' and the 'Group joint online coding course' to enhance the digital literacy level of our employees and carried out the 'KB Financial Group DLC (Digital Leader Course)' for department head level executives and employees. Furthermore, other programs to foster digital specialists were carried out such as the 'KB Data Analysis Academy' and 'pilot training of ICT programs certified by global companies including Google'.

Nurturing Global Talents

KB Financial Group has been deploying various programs to nurture global talents. In 2021, we carried out the 'Group Global Language Lecture' in which 138 employees took part, the GMC (Global Management Course) and the Global Language Appraisal. We have also created the 'Group Global Bulletin Board' for our employees to better understand the Group's global businesses and to share knowledge that will boost their global competencies.

Nurturing Business Talents

Through the 'KB ACE Academy', a group-wide joint training on core businesses including IB, capital market and risk management, KB Financial Group is enhancing the level of job expertise of its employees. Also, we have carried out the small talk seminar 'Thank you' to strengthen the competencies of our sales staff, the 'program to develop the Group's accounting reserve staff' and the 'training for the Group's alternative investment screening staff', to support our employees build up job expertise.

Degree and Certification Assistance Program

To encourage our employees to keep on developing their career, KB Financial Group offers programs that support employees to acquire degrees and certifications. We provide scholarship for employees getting into regular universities or graduate schools, and we also support the costs of acquiring certifications. Since August 2021, we have been supporting employees' self-learning activities to develop vocational skills by utilizing the 'Tomorrow Learning Card' scheme developed by the Ministry of Employment and Labor, which is a system supporting vocational development and training.

Collaborative Training with External Institutions

KB Financial Group works with external institutions to provide diverse training opportunities to its employees. In partnership with Coursera, the world's largest online learning platform, we provide opportunities to have access to lectures from the world's top universities. In addition, we carried out the 'KB-Seoul National University Finance Academy' with Seoul National University to nurture middle management level experts. We are also running the 'Aalto University EMBA' course together with the Seoul Business School at aSSIST and Finland's Aalto University. The Aalto University EMBA course, which is the only MBA course in Korea that acquired certifications from all top three global certification authorities for business management universities, grows next-generation talents with its latest management trends and financial expertise courses.

CASE STUDY

Level-up Leave

KB Financial Group offers the 'Level-up leave' to help employees enhance their capabilities and explore creative ideas. The purpose of this scheme is to give a leave of up to three months to those employees willing to take some time off to do research on future businesses and markets, to participate in projects and to acquire degrees. Using the Level-up leave, we will continue to encourage its employees to make a progress, as this will eventually contribute to the growth of the company.

Fair Assessment and Compensation

KB Financial Group has a fair assessment system in place to ensure that employees' performance is properly assessed and compensated. Assessment consists of individual, bottom-up leadership and peer review, of which the results of the three assessments will be used in the appointment and compensation of employees accordingly.
Individual assessment is divided into performance assessment, which assesses the level of achievement against the target through Management By Objective (MBO), and capacity assessment which assesses the level of key vocational capabilities of the individual. The bottom-up leadership assessment is a multifaceted assessment by which the junior assesses the management abilities of the senior, with the goal to enhance the level of capacity and leadership of the manager. Peer review is another multifaceted assessment conducted between peers to assess and enhance teamwork and communication skills. These multifaceted assessments such as the bottom-up leadership and peer review help us enhance the level of fairness and objectivity of the assessments.
Furthermore, we provide regular trainings for appraisers to create a fair and receptive assessment culture, and maintain a regular interview and coaching system to facilitate communication between the appraiser and the appraisee.

[Evaluation System]

Individual Assessment	Bottom-up Leadership Assessment	Peer Review
Performance Assessment Assessing the level of achievement compared to the target that is based on objective management (MBO)	Multifaceted assessment aimed at improving the capacity and leadership of managers	Multifaceted assessment to assess and enhance teamwork and communication skills
Capacity Assessment Assessing the level of key capabilities of the individual to perform position-relevant tasks		

Employee Health and Safety

Having a pleasant and safe working environment leads to better efficiency and productivity. In this aspect, KB Financial Group has established a health and safety policy that applies to the entire Group along with a program that help employees manage their individual health. We also have a thorough response system to cope with the COVID-19 and various disaster-related scenarios.

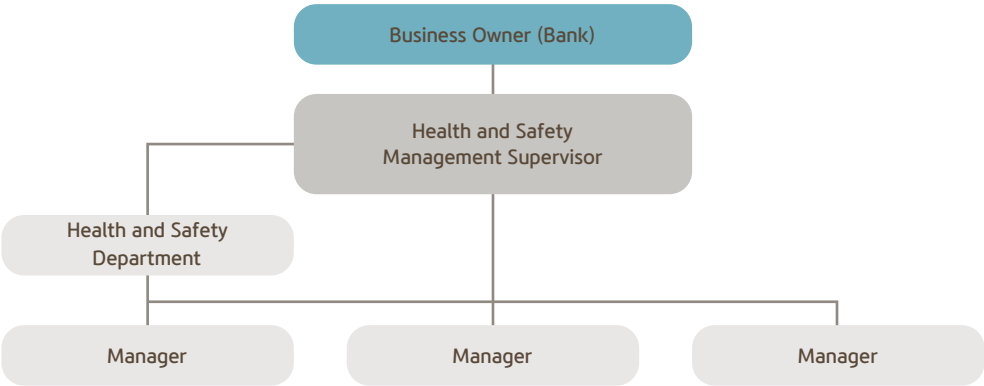
Occupational Health and Safety Policy

In 2022, we enacted the 'Group Goals and Management Guideline for Occupational Health and Safety', which is a health and safety policy that applies to all employees and suppliers. To make sure that the Group's subsidiaries uphold the policy, either the board of directors or management will serve as the highest-level decision-making group for health and safety related plans and policies. We have secured sufficient human resources and budget required to accomplish the health and safety objectives.

Occupational Health and Safety Management Plan

KB Financial Group set up health and safety related priorities, quantitative and qualitative targets based on the Group's Health and Safety Policy, and also established health and safety management plans accordingly.
In December 2021, KB Kookmin Bank formulated the 'Health and Safety Management Plan' with the endorsement of the board of directors, the highest-level decision-making group, to protect the lives of all employees, contract workers and customers. In particular, prior to establishing a health and safety management plan, we specify preliminary consultations with labor unions through the Occupational Health and Safety Council in the Occupational Health and Safety Management Regulations, and faithfully collect the opinions from workers. KB Kookmin Bank's health and safety management plan specifies the removal of risk factors discovered through the role of the health and safety management organization and risk assessment, as well as the establishment and implementation of mitigation measures. KB Kookmin Bank's health and safety management plan specifies the role of the health and safety management organization and establishment and implementation of measures to eliminate and mitigate harmful risk factors discovered through risk assessment.

[KB Kookmin Bank's Health and Safety Management Organization]



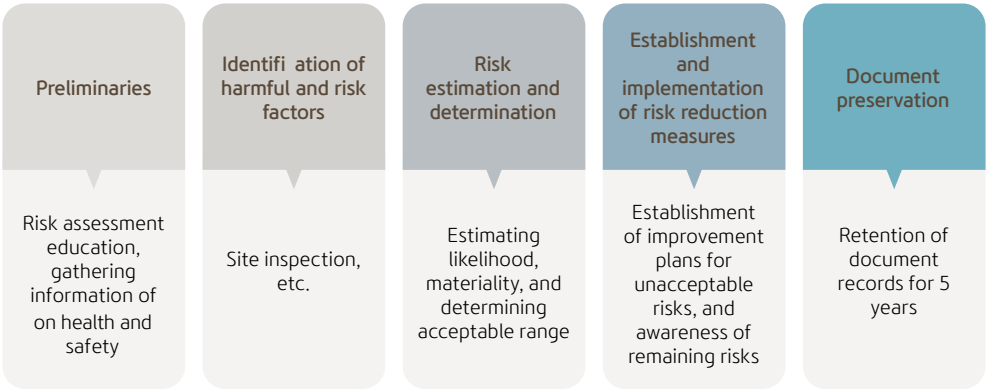
Establishment and Evaluation of Health and Safety Targets

In accordance with the Group's Health and Safety Policy, KB Financial Group established health and safety goals centered on the board of directors or management of each subsidiary.
In addition, we are advancing health and safety management through evaluating the achievement of each goal.
KB Kookmin Bank established health and safety targets such as the number of accidents and accident rates, evaluates and manages performance and progress every year. The bank specified the organization and role of health and safety management and required managers to prioritize risks and hazards identified as risk assessment results, and take countermeasures.
KB Securities and Prudential Life Insurance also uses the 'number of accidents and accident rate' as the health and safety objective and manages the increase or decrease compared to the previous year. Based on its health and safety goal of 'achieving zero accident and disaster', KB Kookmin Card assesses the achievement level and status every year and submits an implementation plan to the Board of Directors.

Risk assessment

KB Financial Group conducts health and safety risk assessments to identify hazards and risks in the workplace in accordance with the Occupational Health and Safety Management Plan. The Head of health and safety department conducts inspections of risks and hazards that can occur due to the nature of the workplace based on the risk assessment manual, and makes improvements. In addition, the results which include improvement measures and whether the measures have been implemented, are reported to the supervisor of the health and safety management once a year. In order to improve risks and hazards identified through risk assessment, KB Kookmin Bank expanded and operated environmental improvement projects at old business sites as well as employee health promotion programs, among other things, in 2021. As a result of these efforts, not only work efficiency and satisfaction have increased, but also the accident rate has decreased every year for the past three years.

[Risk Assessment Manual]



Serious Industrial Accident Response System

KB Financial Group has established a thorough response system for serious industrial accidents to create a working environment in which all of our employees, suppliers and contract workers can work safe and sound.
KB Kookmin Bank has established a Response Manual for Serious Industrial Accidents that includes countermeasures such as immediately suspending work when an accident occurs, removing risk factors, as well as protective measures for victims of serious industrial accidents. If a serious accident occurs, the manager of the relevant work will promptly notify the safety management department of the accident in accordance with the manual. The safety management department will then report to the health and safety management supervisor, take necessary measures to deal with the accident and form the 'Serious Accident Rapid Response TF (Task Force)' chaired by the health and safety management supervisor. The Serious Accident Rapid Response TF will conduct investigations into the details and progress of the accident according to the investigation procedure of the Occupational Health and Safety Management Regulations.

Establishment of the Business Continuity Plan (BCP)

KB Financial Group established a Business Continuity Plan (BCP) and carried out mock exercises and emergency evacuation drills to recover core businesses in case business activities are suspended due to natural disasters, fire, terrorism and infectious diseases.
In 2021, KB Kookmin Bank conducted a Business Impact Analysis (BIA) before establishing the BCP. The Bank defined unit businesses of a total of 826 HQ departments and confirmed 319 unit businesses that should be restored within one day considering the Recovery Time Objective (RTO), as well as the resources required for each unit business in case a disaster occurs. The Bank also conducted mock trainings to review the possibility of returning to business from distributed workplaces such as alternative workplaces, digital offices, and strengthened the crisis response management system at overseas branches as well.

Health and Safety Training

KB Financial Group provides trainings for all employees to enhance employees' awareness on health and safety and reduce related incidents. KB Kookmin Bank carries out safety and health-related training for its employees. Health and safety training is provided during extended management meetings and trainings for department and branch managers, and fire prevention training is also provided on a regular basis. Prudential Life Insurance provides health and safety training for employees engaging in customer service, including customer service manuals and health hazard prevention contents.

Health and Safety Management of Supply Chain

When signing contracts with service providers and contractors, we include items pertaining to health and safety in the terms of the contract. We are equipped with standards and processes to evaluate the company's ability and technology to prevent incidents as one of the key factors considering making contracts. KB Kookmin Bank specifies the qualifications of subcontractors regarding health and safety in its work manual and makes efforts such as doing site inspections and running relevant consultative groups, so that contract-based workers are not exposed to industrial accidents.

Employee Health Management

Physical Health Management

We provide a health checkup package for its employees and their spouses every year. We make real efforts to improve the health of our employees through programs that help smokers quit smoking, manage blood pressure, weight, and blood sugar. Furthermore, as we have a group accident insurance and support medical expenses, we take care of the employees' families so that the employee or the spouse is prepared for any unexpected accidents or diseases.
There are many schemes within KB Kookmin Bank that encourage employees to continuously manage their health. For instance, we provide rewards to employees who have improved in the five major cardiovascular disease indicators compared to the previous year, to spread the motivation to keep on managing their health.

Mental Fitness Management

To manage the mental health of its employees, we have a psychological counseling program that is linked to a specialized psychological counseling center. In particular, we help improve the mental health of our employees by managing not only job stress, but also other causes for stress such as interpersonal and family relationship stress.
KB Kookmin Bank provides a psychological counseling program called 'KB Hearim' for its employees, spouses, and children in connection with psychological counseling centers and hospitals. Furthermore, through our business agreement with the Suicide Prevention Center of the Seoul Metropolitan Government, the Bank distributes educational videos for suicide prevention. In 2021, KB Kookmin Bank provided a more in-depth training through the gate keeper education run by the Korea Foundation for Suicide Prevention.

Health-friendly Company Certification

KB Kookmin Bank received a commendation from the Minister of Health and Welfare for being an outstanding company in the health-friendly company certification pilot project that was based on independent and external evaluation on health, safety and welfare. Items such as health-friendly management, health-friendly system, health-friendly activities, and employee satisfaction were evaluated. The bank has strengthened its employee health management system by diagnosing current conditions and developing improvement plans based on the findings.

Welfare & Organizational Culture

We believe that welfare systems and organizational culture are the key elements determining the employees' level of commitment to the organization. In this regard, we are making relentless efforts to improve work efficiency and productivity by creating an immersible work environment. We are reshuffling our systems to help our employees strike a work-life balance, and we are also creating an organizational culture in which everyone can work happily through active communication between one another.

Improvement of the Working Environment

KB Financial Group is systematically and physically improving the working environment so that employees can better engage in their business activities.

Various Types of Working Schemes

As for its flexible working system, we introduced the 'work from home' scheme which is implemented differently by each department depending on their own situation.
Furthermore, we have a PC-OFF system to comply with the statutory working hours of 52 hours a week and we have a variety of flexible working systems in place to help employees work efficiently in their respective circumstances. In addition, to encourage employees to go on vacation and take a break, we have the half-day (4hours) leave and half-half day (2hours) leave as well. To enhance employee engagement, KB Kookmin Bank has various systems such as hiring part-timers to handle the temporary increase in workload. In 2021, KB Kookmin Card introduced the 'Refresh leave scheme' to reduce work stress and prevent burn-out syndrome.

[KBFG Flexible Working Arrangements]

Classification	Details
Work from home	Employees can do the assigned work at a designated place (e.g. home)
Staggered working hours	Employees who need to adjust their start and finish times due to the nature of the work or childcare, can work 8 hours at different times within the fixed working hours throughout the day
Selective working hours	Employees can determine their own working hours within the scope of total working hours for a month (number of business days × 8 hours)
Deemed working hours	Recognizing certain hours as working hours when it is difficult to calculate the employee's working time outside the workplace
Flexible working hours	Flexible work schedules for departments with regular work-intensive periods
Substitute holidays	If an employee worked on a specific holiday, the employee can take a day off from a regular working day to substitute the holiday

RPA (Robotic Process Automation) 'Jadongi'

Since the pilot introduction of RPA (Robotic Process Automation) in 2017, KB Kookmin Bank has been increasingly applying RPA in businesses within the bank. RPA is an office automation software that automatically handles tasks requested by the employees or under certain conditions. KB Kookmin Bank named RPA as 'Jadongi' and applied it to 240 tasks of the head office and branch offices as of May 2022.
KB Kookmin Bank has been expanding the use of Jadongi and sophisticating it at the same time. In 2021, the KB Kookmin Bank introduced the 'RPA Personal Bot,' which enables employees to develop RPA through programming based on their own needs and to do maintenance accordingly. To develop the RPA personal bot, employees took relevant basic training courses and developed RPAs with the help of expert coaching.

KB Digital Office

To provide an autonomous and creative work environment to its employees, we maintain digital offices within its regional sales group. As the digital office has the same office environment as a regular office and is equipped with a video conference room and a rest area, it can be used for remote working such as working from home or at other places. If an employee is on a business trip or is working outside the workplace, the employee can work in the digital office without returning to the office and then get off work from there. As of March 2022, KB Kookmin Bank runs digital offices with a total of 287 seats in Seoul and the metropolitan area.

CASE STUDY

Smart Office of Prudential Life Insurance

Prudential Life Insurance was the first in the insurance industry to introduce a smart office in the entire office space of its headquarters. The Prudential Life Insurance Smart Office is not just another typical office space, but a future-oriented and efficient workspace suitable for the digital and untact era. With the autonomous seating system, employees can sit wherever they want to, and communication becomes more vibrant as there is more space for collaboration.

Achieving Work-Life Balance

Family-friendly and Maternity Protection System

There are many systems at KB Financial Group pertaining to childbirth and childcare to help employees find the right balance between work and life.

- 6 months of paid maternity leave (longer than the legally required 90 workdays)
- 10 business days of paid spouse maternity leave
- 1 years of paid parental leave per child guaranteed for both men and women*
  [a maximum of two years for female employees (including six months of maternity leave) and a maximum of one year and six month for male employees]
- Reduced working hours during pregnancy, child-rearing period, and when child enters elementary school
- Paid family care and infertility related leave programs
- Supporting educational expenses for preschool children, living expenses for children with disabilities, school expenses for children
- Sending newsletters and supporting competency development to prevent career disruption of employees on parental leave
- Breastfeeding room operation

* For employees with children under the age of 9 or under the third grade of elementary school

Workplace Childcare Centers

KB Kookmin Bank, KB Insurance, and KB Kookmin Card all have childcare centers so that employees with young children can work comfortably. KB Securities runs its childcare center together with the Financial Investment Association and uses the childcare centers of KB Kookmin Bank and KB Insurance based on business agreements. The workplace childcare center provides high-quality childcare services to infants and toddlers, easing employees' burden of childcare.

Family-friendly Company Certification

We are at the forefront of creating a family-friendly corporate culture for employee work-life balance. In particular, KB Kookmin Bank, Prudential Life Insurance, and KB Life Insurance were recognized for their efforts by acquiring family-friendly company certifications. Family-friendly company certifications are given to companies setting examples in relevant activities, such as childbirth and child rearing support, and adoption of a flexible working system.

Improvement of the Organizational Culture

Healthy labor-management relations

KB Financial Group has been building a rational and sound labor-management relationship through continuous communication between the company and its employees. The Group's subsidiaries also strengthened mutual trust by actively communicating through various channels such as the labor-management councils and labor-management meetings.

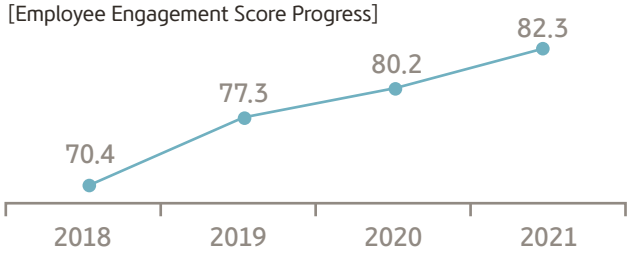
Since 2018, KB Kookmin Card has been promoting a labor-management joint activity brand called 'Harmony, drawn by both labor and management'. By jointly conducting various labor-management events such as volunteer activities, academic activities, and communication events, the company increased communication opportunities and built a labor-management culture based on trust and coexistence. In 2021, in recognition of these achievements, the company received the presidential award on Labor Day as well as the presidential award for its contribution to building the labor-management culture.

Employee Engagement

Every year we evaluate employee engagement based on the elements we consider highly relevant to employee engagement. We assess employee engagement on a scale of seven points regarding the following six elements: Work-life balance, learning and innovation (capacity building), employee welfare, organizational culture, teamwork, and work engagement. The evaluation results for each element were converted into a 100-point scale and then analyzed accordingly.

As a result of evaluating employee engagement in 2021, the level of employee engagement was 82.3 points, with the score having increased for four consecutive years. Especially In 2021, we acquired high scores in the areas of teamwork and work engagement.

[Employee Engagement Score Progress]



Employee Stock Ownership Association System

Through the employee stock ownership association system, KB Financial Group supports its employees to form property and have a stronger sense of ownership and enhances labor-management cooperation. All workers, directly employed by the subsidiaries, except for registered executives, can join the employee stock ownership association. Employees can purchase employee stocks with their own funds through monthly payroll deductions and can receive income deduction benefits of up to ₩4m per year. As of March 2022, the employee stock ownership association consists of 22,000 members from the holding company and 13 subsidiaries.

Vitalizing Communication

We are building a dynamic and horizontal corporate culture by stimulating communication between the management and employees. Particularly, due to the COVID-19 pandemic, we have increased non face-to-face communication between the CEO and employees. In 2021, we held a total of 15 CEO e-Townhall meetings and communicated with more employees through video and YouTube broadcasting as well as simultaneous interpretation services for overseas local employees. Furthermore, we are expanding communication programs based on employee participation, such as the year-round campaign 'I am a KB person' and the group webzine 'KB Friends' to practice the Group's core values.

[KB Financial Group CEO e-Townhall Meeting]

Retiree Supporting System

We offer various schemes for its employees to plan their future after retirement. KB Kookmin Bank improved its re-employment support system in 2021. First, the Bank provides career and life-design education and job placement programs through a specialized company, for people who are expected to retire or will voluntarily retire. Furthermore, the Bank also runs the 'Lifetime design program and career change school' so that employees over the age of 50 can concentrate better on their work during their tenure and make overall plans for their entire lives. In addition, the KB Kookmin Bank expanded the scope of participants for the communication training course to include those over the age of 40, and provided a life design training course for six months for those employees who are already subject to the peak wage in the first and second half of the year, and wish to take part.

Grievance Handling Procedure

We maintain a grievance handling system to provide practical solutions to its employees regarding difficulties they may experience while working. Employees experiencing complaints and grievances can report their complaints and grievances through the grievance handling center bulletin board, telephone, and e-mail. When a report is received, we strictly gurantee the confidentiality of the reported matter, and promptly informs the result of the case after consulting with the relevant department and individual. Responsible organizations such as the grievance handling center of each subsidiary will then take actions to protect the employee and, if necessary, will deploy a practical employee protection system, such as making personnel changes through consultation with the relevant department.

Prevention of Discrimination and Harassment

We operate a reporting channel for workplace or sexual harassment and are fully committed to protecting the victims by maintaining confidentiality of the informant and preventing disadvantages in personnel management. Also, internal standards have been established and implemented so that appropriate corrective and preventive measures can be taken when a discrimination or harassment incident occurs. In addition, to prevent discrimination and harassment in advance, compulsory education on workplace harassment and sexual harassment is provided at least once a year for all employees.

Community

Supporting SMEs and Micro Businesses to Build Capacity

KB Financial Group aims to create a healthy industrial ecosystem by supporting the growth of SMEs and micro businesses. By providing various consulting services in the areas of finance, human resources, public relations, and risk management, we are building a financial infrastructure in which we can coexist with both the SMEs and micro businesses.

KB SOHO Consulting

In 2016, KB Kookmin Bank opened the 'KB SOHO Consulting Center' to help micro businesses and prospective entrepreneurs reinforce their competitiveness. KB SOHO Consulting Center also provides free management consulting services to the self-employed and prospective entrepreneurs.
We provided 6,150 consulting cases relevant to business start-up process, commercial area analysis, finance, and management along with consulting linked with relevant institutions. As of December 2021, the cumulative number of consulting cases was 16,200. Since 2020, the KB SOHO Consulting Center has switched to a consulting system focusing on crisis management to support the self-employed who were suffering from the COVID-19 pandemic. In 2021, the Group has increased the proportion of the young self-employed and provided consulting to delivery apps, following the current contactless trend.

[KB SOHO Consulting]

KB Wise Consulting

Since 2006, KB Kookmin Bank has been operating the 'KB Wise Consulting' service. The KB Wise Consulting consists of two parts. First, 'management consulting' diagnoses and analyzes issues that occur in a company's growth process and offers alternatives by providing consulting on finance, human resources, taxation, cost analysis, and valuation. Then there is the 'family business succession consulting' that minimizes management succession risks of SMEs preparing for a generational change in management The Wise consulting team, composed of experts such as accountants and tax accountants, provides customized advisory services to SMEs and completed about 2,290 consulting cases as of the end of 2021. KB Kookmin Bank plans to expand KB Wise consulting to about 3,000 cases by 2025.
Furthermore, KB Kookmin Bank is collaborating with our other subsidiaries to provide high-quality consulting to its corporate customers. KB Kookmin Bank and each subsidiary have established a 'One-Stop Consulting System' to provide a customized package of solutions to meet the diverse financial and non-financial needs of the SMEs.

Consulting to Enhance SME Competency

KB Financial Group provides a variety of consulting services to strengthen the management capabilities of SMEs. As part of its first efforts, KB Kookmin Bank released the KB ESG Consulting Service to support SMEs planning to introduce ESG management.
KB Insurance provides risk management consulting for better workplace safety to companies having insurance contracts. In 2021, the company provided a total of 83 consulting cases for SMEs and companies. A consulting staff will visit the relevant company to analyze major risks of the facilities and processes for a fire accident and provide recommendations for improvement. Since 2022, the company has been regularly providing the 'risk management newsletter' to prevent damages inflicted on SMEs due to unexpected accidents such as natural disasters and fires.

KB bridge

In 2019, KB Kookmin Bank released the 'KB bridge' app. The number of consultation cases provided through the KB bridge was 4,212 in 2021. KB Kookmin Bank plans to further expand this service to benefit more SMEs and micro businesses.

Innovative Finance

Supporting the growth of innovative companies means investing into the future. Through its programs aiming to support next-generational unicorn startups, KB Financial Group is creating an infrastructure by which promising startups can make a great leap.

Uncovering and Fostering Startups

KB Innovation HUB Center

In 2015, KB Financial Group opened the 'KB Innovation HUB Center', an organization dedicated to supporting startups within the Group. The KB Innovation HUB Center selects startups with excellent growth potential as 'KB Starters' and runs programs to foster the startups by offering office space, business mentoring, and investment connections. Since its launch in 2015, a total of 156 KB Starters have been designated as of December 2021, and 222 partnerships were formed with our subsidiaries. Also, a total of ₩106.2bn was invested in connection with the Corporate Venture Capital (CVC). We plan to discover a total of 200 KB Starters in cumulative numbers by 2022, and aims to continuously promote partnerships with subsidiaries so as to expand the businesses of KB Starters.

FUTURE9

Since 2017, KB Kookmin Card has been managing 'FUTURE9', an open innovation program to nurture promising startups. In the 5th program in 2021, the FUTURE9 consortium consisting of government and public institutions, investment institutions, and accelerators helped select 14 startups with outstanding collaboration potential and innovative technologies out of a pool of 702 companies.

[KB Innovation HUB Center]

[Introductory Video of the 5th Program of FUTURE9]

KB Innovative Finance Council

KB Financial Group is planning to support innovative finance worth ₩66tn by 2023 under the Group-level council consisting of the CEO and executive management of major subsidiaries. In 2021, a total of three meetings were held to discuss the current implementation status and make plans for the key agenda such as expanding loans for innovative companies, expanding investment for innovative growth, and supporting start-ups and job creation, etc. We achieved ₩48tn in innovative financial support as of the end of December 2021. As a leading financial group, we are taking the lead in the ESG management through investments and loans in renewable energy, as well as ESG consulting for SME customers. Also, we are boldly implementing 'Finance that Creates Happiness and a Better World for Customers'.

[Major Agendas and Core Tasks of KBFG's Innovative Finance]

Agenda	Core tasks
Expanding loans for innovative companies	Expanding technology finance Vitalizing supply chain finance/contactless corporate finance Vitalizing innovative finance
Expanding investment for innovative growth	Creating venture funds and expanding investment Expanding investment for innovative companies Creating KB social investment fund
Supporting startup and job creation	Strengthening support for startups through the KB SOHO Consulting Center Strengthening support to connect jobs through KB Good Job Supporting ESG management (SME customer consulting, preferential loan support)
Nurturing startups and innovating finance-linked platforms	Fostering startups (KB Starters, FUTURE9) Joint growth of innovative companies and KB through open innovation Vitalizing KB bridge (policy fund platform)

Social Contribution

KB Financial Group is committed to fulfilling its role as a corporate citizen by sharing and bringing more warmth to the world. We conduct the Group-level assessment on social contribution projects on an annual basis to measure and manage non-financial values such as sustainability, social value creation, and brand value creation. Through various social contribution activities, we will uphold the precious value of 'sharing with the local community'.

Community Outreach Policy

Our community outreach policy is structured around our mission statement "financial service delivering changes for happier life and better world", aiming at nurturing future generations and creating greater social value. We focus on expanding fair learning and hands-on experience opportunities for youth to develop dreams and envision a brighter future, while also engaging in diverse projects to create jobs, advance co-prosperity of communities in which we operate, and ensure environmental conservation.

Mentoring for Youth

With the aim to spread ESG management and foster the future generation, KB Kookmin Bank has reorganized the project it has been carrying out since 2006 to support young people, into the 'KB Dream Wave 2030'. 'KB Dream Wave 2030' is a mentoring program designed to support young people based on their each life cycle so that they can grow in a systematic and proper way. 'KB Dream Wave 2030' consists of three parts. The first part is 'learning mentoring' that supports learning and growth programs according to every growth stage from preschoolers to university students. Second, 'career mentoring' provides career-related lectures from experts, and specialized training to develop digital talents. Lastly, 'supporting projects' improves learning conditions by providing scholarships and creating learning spaces. Moreover, the Bank has been carrying out the 'Study Room Project' since 2012 to help underprivileged youth develop their dreams and hopes in their own space. A total of 1,000 study rooms are in operation as of the end of 2021. Furthermore, KB Kookmin Bank conducted the 'KB Dream Wave, It's Your Life' to nurture digital talents and provided IT education including data analysis and digital finance to a total of 100 university graduates and prospective graduates in 2022.

[Community Outreach Programs]

Mission	**Financial service delivering changes** (happier life & better world)	
Basic direction	**Fostering future generations**	**Creating greater social value**
Business areas	Laying the foundation for the growth of youth and children of global families Offering financial education utilizing our financial expertise	Catering to social needs Driving co-growth of local communities
Focus areas	**Youth and global families** **Dreaming Youth** KB Dream Wave 2030 **Dreaming School** Establishment and expansion of after-school care classes and affiliated kindergartens	**Employment** **Dreaming Job** KB Good Job **Dreaming Impact** Support for social enterprises
	Community **Dreaming Neighbor** Local community development **Dreaming Global** Support for global families	**Environment** **Dreaming City** Urban regeneration **Dreaming Green** Eco-friendly projects
UN SDGs	4, 10	8
	3, 8, 10	11, 15

Financial Literacy Education

Founded in 2011, the KB Foundation has been offering a variety of programs to help people form good financial habits based on economic knowledge necessary in real life, and the Financial Education Experience Center (KB Star*D) was established. Some of its programs include on-site education at schools, military bases, and regional children's centers by our group of expert lecturers. Financial education programs are also provided to the underprivileged, such as self-reliant young people, global families, and North Korean defectors.

[Financial Education Programs] *Beneficiaries of our financial education : 108,383 people

KB Kookmin Bank	· KB Star financial class: Financial education for low-income, global families, youth and financially underprivileged classes, providing financial education to students living in rural communities and remote areas through ICT technologies and reading buses · KB Financial Concert: Providing education for teenagers using local children's centers and middle and high school students nationwide about living a safe financial life · KB La School: Providing real-time online lectures and mentoring of famous lecturers
KB Securities	· Provides card news and YouTube materials related to financial knowledge for the financially vulnerable and general investors · Providing online and offline financial education for elementary, middle, and high school students in collaboration with branches and KB Foundation
KB Kookmin Card	· Providing education so that young people can develop proper economic knowledge by visiting elementary, middle and high schools and local children's centers, the one company & one school financial musical, and YouTube video production

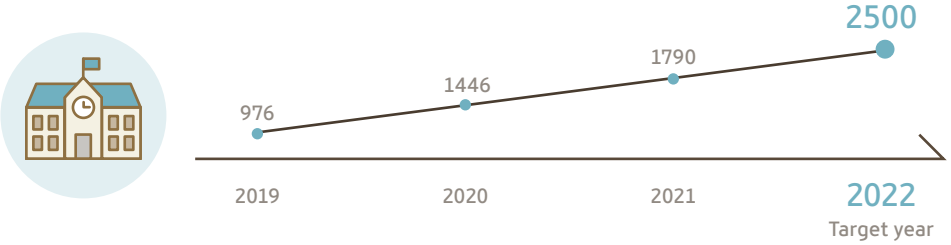
[KB Financial Concert]

[KB La School]

Supporting All-Day Childcare Classes

In order to build a sustainable society by nurturing future generations, KB Financial Group is promoting an all-day care project to address the need for childcare of children and youth. In 2018, we concluded an MOU worth ₩75bn with the Ministry of Education to open more childcare classrooms in elementary schools and public kindergartens nationwide, so that children have a space to develop creativity and EQ, and kindergartens can be opened in areas in need of childcare facilities. A total of 1,790 classrooms at 1,055 schools were in operation with our support as of December 2021. We aim to increase the number of classrooms to 2,500 by 2022 to benefit over 50,000 children.

[Status and Targets of After-school Care Classes and Public Kindergartens]



Support for Global Families*

To help global family members settle into the Korean society, we provide Korean language education programs and vocational trainings. KB Kookmin Card operates the 'KB Kookmin Card Korean Language School for Children of Global Families' to help youth from global families and young North Korean defectors as well as youths coming to Korea to overcome language barriers and have a better understanding of the Korean society and its culture. Also, by providing employment education to immigrant women, we are laying ground for global family members to safely settle down in the Korean society. KB Savings Bank provides a bilingual education program for youth from global families and holds bilingual speech contests as well. Furthermore, to help low-income global families, the Bank manages a job placement project that fosters and dispatches cooks.

* We replaced the term "multicultural families" with "global families" to expand our perspectives on business activities including social contribution projects, and promote diversity.

KB Good Job Program

To resolve youth unemployment and create decent work, KB Financial Group launched the 'KB Good Job Program' in 2011. The KB Good Job program consists of the KB Good Job website, job fairs, job training programs, and collaboration projects with job-related organizations. Young job seekers can get practical help through the KB Good Job website, which offers various contents such as information on the entire hiring process, from writing resumes to getting ready for interviews. The KB Good Job fair is the largest single job fair in Korea. Since its opening, around 4,330 recruitment companies participated and around 918,000 job seekers have visited the fair. Moreover, we make substantial efforts to encourage companies to recruit and ensure job stability, through the 'KB Good Job Employment Fund', a fund granted to companies that hire regular employees through the fair and maintain their employment for a certain period. As of the end of 2021, ₩6.4bn was granted to 2,072 companies and 9,648 people. In addition, KB Kookmin Bank introduced the 'KB Good Job Preferential Interest Rate Program', which provides preferential interest rates to companies participating in the fair when they apply for new loans. As of the end of 2021, the KB Kookmin Bank provided new loans worth ₩586bn in cumulative sum and connected jobs for 23,280 job seekers through the KB Good Job program, among which 19,613 were connected through the 'KB Good Job fair'.
The job education program consists of the following: the 'KB Good Job Academy' held in conjunction with the KB Good Job Fair; the 'KB Good Job School' that provides job consulting and matching for students from specialized high schools; the 'Job Camp' providing education and job matching opportunities over one night and two days; the 'One-Stop Job Support Service', which is a one-to-one online consulting program with professional job consultants.

[2021 KB Good Job Fair]

Support for Social Enterprises

With the goal to foster social enterprises and create a self-reliant social and financial ecosystem, KB Financial Group raised the 'KB Social Investment Fund'. A total of ₩100bn was raised and invested in social enterprises with potentials for creating positive values in the social and environmental sectors in accordance with the UN SDGs (UN Sustainable Development Goals). In particular, we invested not only in certified social enterprises, but also in social ventures that create socially meaningful values, with the aim to realize social effects as well as financial performance of the fund at the same time. As of the end of December 2021, KB Social Investment Fund invested in 27 companies with an investment amount of ₩39.71bn.
KB Kookmin Bank has been managing the 'KB Financial Campus S.I.N.G (Social Innovation Startup New Guru) project' since 2019 to assist social and innovative startups in improving their business capabilities. The Bank selects start-ups pursuing social values and that have more than three years of experience, and provide business management training, one-to-one customized consulting, and mentoring from KB Kookmin Bank executives and employees for ten weeks. As of December 2021, a total of 46 companies participated in the project.
KB Investment formed the 'KB Social Impact Investment Association' worth ₩15bn in 2019 and invested in social innovation-type ventures that seek to solve social problems through financial performance. As of December 2021, the KB Social Impact Investment Association invested ₩12bn in eight social venture companies, of which the investment performance in 2021 was ₩5.8bn.

Win-win with Local Communities

KB Financial Group is committed to serving the community and revitalizing the local economy through its various social contribution activities. In March 2022, we donated ₩1bn for damage repair caused by fires in Gangwon and Gyeongsangbuk-do along with 1,200 sets of disaster relief kits, catering and laundry vehicles to the site.
Since 2016, KB Insurance has been promoting projects to build lounges for fire fighters' mental and physical stability in cooperation with the National Disaster Relief Association and has been delivering funds for heavy rain or forest fire damage. In 2021, on the recommendation of the National Disaster Relief Association, the company received a commendation from the Minister of the Ministry of the Interior and Safety, in recognition of its contribution to advancing disaster relief. Furthermore, the company was recognized for its various social contribution activities dedicated to the community such as supporting sensory integration therapy rooms for children with developmental disabilities and traffic safety contest projects in conjunction with the Seoul Metropolitan Police Agency. KB Insurance was also selected as the 'Company recognized for Community Contribution' by the Ministry of Health and Welfare and the Korea National Council on Social Welfare for three consecutive years. In addition, KB Insurance is carrying out insurance business-based social contribution activities such as the 'Shelter of Hope' projects and reserving a certain amount of the insurance fee for children and donating it to the Korean Parents' Network for People with Disabilities.

[Traffic Safety Contest]

[Shelter of Hope House-building Project]

Global Social Contribution

KB Financial Group believes that social contribution activities should not be limited to borders. In 2022, we raised a fund to support the increasing number of refugees coming from the prolonged Ukraine crisis. We raised funds from our customers through online channels of KB Kookmin Bank, KB Securities, KB Kookmin Card and also donated about ₩70m to match the amount of customer contribution. Furthermore, each subsidiary is faithfully fulfilling its role as a corporate citizen by expanding various social contribution activities for the underprivileged around the world.

[KBFG's Global Social Contribution Activities]

KB Kookmin Bank	Raonatti (University Student Overseas Volunteer Group), Yangon KB Korean Language School (Korean language and Korean culture education for Myanmar youth)
KB Kookmin Card	Opened library at KDSB elementary school within Phnom Penh, Cambodia, held ground-breaking ceremony and delivered financial educational books to KDSB school within Kampong Thom, Cambodia
KB Capital	Supported activities to help residents of Pakse, Laos to recover from COVID-19
KB Life Insurance	Mineral water project to enhance access to drinking water in Kenya (corporate project designated by the Life Insurance Social Contribution Committee), 'T-shirts made with love' project for children from low-income families in the Philippines
KB Savings Bank	Online volunteer work of assembling solar lanterns to support night learning of Indonesian children

[Opened library at KDSB elementary school within Phnom Penh, Cambodia]

[Mineral Water Project in Kenya]

[Lantern Assembly Volunteer Work]

Human Rights

Human Rights Management Philosophy

As a member of the society, creating a society that protects and respects human rights is a company's responsibility. As external environmental factors diversify, there are many more types of human rights violations that we can see these days. In this regard, KB Financial Group strives to protect and promote human rights of all stakeholders with the top priority of identifying possible human rights issues and preventing negative impacts across all areas our services have an impact on.

Human Rights Policy

KB Financial Group enacted the human rights policy in 2016 to protect and promote the human rights of all stakeholders including customers, employees, shareholders and investors, suppliers, and local communities. We comply with international standards and guidelines pertaining to human rights and labor such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labor Organization Constitution. KB Financial Group Human Rights Policy applies to not only our subsidiaries but also joint ventures, suppliers and companies expected to be acquired. We also recommend all stakeholders involved in any business interaction with the Group, such as our customers and partner companies, to respect our human rights policy. In 2021, we enacted a 'Statement on the Prevention of Workplace Sexual Harassment, Non-Sexual Harassment, and Discrimination' to provide institutional support for our employees to work in a sound working environment.

Human Rights Issue Management Process

KB Financial Group manages human rights issues according to the management process specified in the Human Rights Policy. We are constantly monitoring the possibility of potential human rights risks that are inherent throughout our business operations, inspecting and improving each risk, and disclosing the results. Our human rights impact assessment includes the human rights risk identification process and the status of implementation on major issues, and can be found in details on pages 119~120 including the assessment results.

[Human Rights Issue Management Process]

Identification of Major Human Rights Risks

KB Financial Group is practicing human rights management based on the Human Rights Policy. To identify human rights risks pertaining to KBFG's stakeholders, we conduct periodic inspections and come up with areas for improvement in accordance with the UN Guiding Principles on Business and Human Rights. In 2022, we have analyzed human rights impacts within ESG issues in the materiality assessment to identify areas where there are human rights impacts on ESG factors that are crucial to the Group and identified risks accordingly.

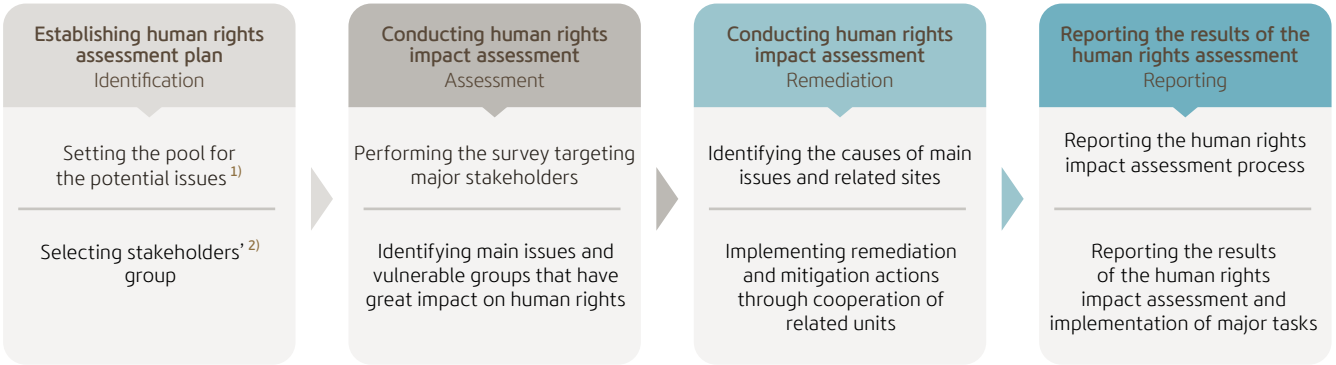
Sustainability Topics	Major Human Rights Elements	Potential Risks	Affected Stakeholders
Reinforcing greenhouse gas emission reduction management Setting up a climate change response system Saving resources and expanding recycling Establishing an environmental management system Strengthening customer privacy protection Improving accessibility and convenience Responsible Investments and Loans Strengthening customer satisfaction management Developing products and services considering the environment and society Strengthening employee safety and health Developing employee competency and nurturing financial experts Establishing a good corporate culture to work Establishment of a sound labor-management culture system Strategic social contribution activities Support for SMEs and small business owners Supply chain management based on ESG	The right to live healthily	Business continuity disrupted due to failure to respond to climate risks (e.g. asset value and employee health)	All stakeholders
	The right to work in a decent environment	Decreased work efficiency due to lack of risk management of the work environment	Employees
	The right to education	Decreased HR competitiveness due to failure to secure and retain talents	Employees, Customers
	The right to privacy	Failure to respond to cyber security attacks leading to information leakage and subsequent loss	Employees, Customers
	The right to work-life balance	Decreased productivity as employees failed to manage physical and mental health	Employees
	The right to freedom of association	Disputes arising from failure to secure basic labor rights leading to losses	Employees
	The right to equal treatment	Failure to secure corporate competitiveness due to failure to create a culture of mutual respect	Employees, Suppliers and Local communities

* Human rights-related issues are mapped from the materiality assessment issue pool, and the issues mentioned in the topic do not represent the human rights issues occurring across the entire KBFG

Conducting Human Rights Impact Assessment

KB Financial Group conducts human rights impact assessments to identify risks based on human rights policies, check potential risks in advance, and mitigate the risks. The human rights impact assessment is carried out at all business sites to identify and prevent human rights risks that could arise from employees and business partners. We also take into account all stakeholders maintaining business relationships with KBFG such as companies expected to be acquired or merged. In 2021, according to the results of the human rights analysis pertaining to ESG issues, we have advanced the improvement activities of the human rights impact assessment conducted in 2020. For areas that need further improvement, we identified tasks by discussing with relevant departments and completed the tasks at the relevant business sites. Moving forward, we will continue to contribute to improving the human rights of our stakeholders by regularly reviewing major human rights-related concerns.

[Human Rights Impact Assessment Process]



1) Forced labor, child labor, discrimination, human trafficking, fair compensation, freedom of association and collective bargaining
2) Employees, children, local community residents (indigenous people), migrant workers, emotional workers (third-party contract-based workers), women

Focused improvements and reinforcements in 2022

Stakeholder	Potential issues and main issues identified (vulnerable groups)	Number of sites with mitigation plans	Details of remediation actions taken	
Suppliers	Responsible supply chain management - Protection of workers engaging in emotional labor (emotional workers)	No. of sites with main issues identified: 4 No. and % of sites with remediation plan implemented: 4 (100%)	Programs to support the mental stability of emotional workers in accordance with the emotional labor protection system	· Implemented programs to support mental stability of call center staff and operated a customer service bulletin board · Held meetings twice a month to deal with complaints (sharing complaint cases and countermeasures)
Local communities	Guarantee of environmental rights - Removal of environmental risk concerning places of business (local community)	No. of sites with main issues identified: 1 No. and % of sites with remediation plan implemented: 1 (100%)	Strengthening environmental impact assessment for project financing	· Specifying obligations in relation to environment-related laws, regulations, and authorization in the loan agreement for project financing · Conducted environmental and social risk assessments based on the Equator Principles
			Establishing the environmental and social risk management system	· Industrial areas are classified into areas of exclusion, areas of climate change concern, and areas supporting green industry

[Human Rights Impact Assessment Results]

Focused improvements and reinforcements in 2022

Stakeholder	Potential issues and main issues identified (vulnerable groups)	Number of sites with mitigation plans	Details of remediation actions taken	
Employees	Prohibition of discrimination in relation to employment - Support for training and Development (careerinterrupted female employees)	No. of sites with main issues identified: 4 No. and % of sites with remediation plan implemented: 4 (100%)	Establishment of 'KB Diversity 2027', a long-term goal for group diversity	· Establish a plan to increase the proportion of women in the group by 2027 (20% female leaders, 30% female core experts) · Reducing risk for women taking a career break by extending paid maternity leave (second half of 2021), etc.
			Support for competency development of female employees	· Establishment and operation of WE STAR system · WE STAR mentoring program, KB WE female leadership course, junior female talent training, etc.
			Expanding family-friendly and maternity protection systems	· Reducing working hours during childrearing and elementary school enrollment period · Establishment of a healing academy for those on parental leave and employee training
			Establishment of a system to promote women's rights	· Joining Women's Empowerment Principles (WEPs) · Enactment of the Group Human Rights Policy and 'Statement on the Prevention of Workplace Sexual Harassment, Non-Sexual Harassment, and Discrimination'
	Prohibition of forced labor - Prevention of mandatory overtime work (employees)	No. of sites with main issues identified: 4 No. and % of sites with remediation plan implemented: 4 (100%)	Establishing a process to comply with statutory working hours	· Operating a PC On/Off system to ensure on-time commuting and lunch time · Expanding flexible working systems such as telecommuting, staggered commuting, selective working hours, flexible working hours, and holiday alternatives
	Occupational Health and Safety - Physical/psychological health management (employees)	No. of sites with main issues identified: 2 No. and % of sites with remediation plan implemented: 2 (100%)	Establishment of safety and health management system	· Establishment of safety and health policy, safety and health management plan, and occupational safety and health management regulations
			Employee physical health management	· Annual health checkups for employees and their spouses and rewards for employees with improved indicators · Providing group accident insurance, medical expenses, and ₩200,000 worth of health care welfare points per person
			Employee mental health checkup	· Implementation of psychological counseling program 'KB Hearim' and healing program 'KB Healing Camp' · Suicide prevention education video distribution with Seoul Suicide Prevention Center
			Participation in the health-friendly company certification pilot project	· KB Kookmin Bank Selected as an excellent company among institutions participating in the pilot project (Received a commendation from the Minister of Health and Welfare)
Customers	Customers' human rights protection - Reinforcing privacy protection (financial consumers) - Ensuring accessibility of financial products and services (financial vulnerable consumers)	No. of sites with main issues identified: 4 No. and % of sites with remediation plan implemented: 4 (100%)	Establishing management system for information security and customer information protection	· Board members with IT background participated in the cyber security strategy process · Established mid- to long-term strategy for information protection in 2020 · Segregated appointment of CIO and CISO
			Strengthening financial consumer protection	· Established a financial consumer protection governance structure that is independent from the development and sales of financial products · Separately operated the Consumer Rights and Interest Enhancement Advisory Committee, an external advisory body
			Strengthening financial access for the financially vulnerable	· Improved ATMs for the disabled and elderly, produced and distributed separate manuals · Operated special branches for immigrant workers' accessibility and hired native speakers

* We fully(100%) implemented remediation actions for sites of operations(46.15%) and suppliers(30.77%) where risks have been identified.

ESG Data Pack

122 Financials
128 Environment
131 Customer
132 Employees
140 Community

Financials

Financial Performance [1)]

	Unit	2019	2020	2021
Total assets	₩tn	519	611	664
Operating Profi	₩tn	47	56	59
Net income	₩tn	3.3	3.5	4.4

Credit Ratings

		2019	2020	2021
KB Financial Holding	Moody's	A1	A1	A1
	Standard & Poor's	A	A	A
KB Kookmin Bank	Moody's	Aa3	Aa3	Aa3
	Standard & Poor's	A+	A+	A+
	Fitch	A	A	A
KB Securities	Moody's	A3	A3	A3
	Standard & Poor's	A-	A-	A-
	Fitch	A-	BBB+	-
KB Kookmin Card	Moody's	A2	A2	A2
	Fitch	A-	-	-
KB Capital	Moody's	-	A3	A3
KB Insurance	A.M.Best	A	A	A

1) Based on consolidated data of all subsidiaries including the holding company

Distribution of Economic Value [1)]

		Unit	2019	2020	2021
Customer	Interest on deposits	₩100m	34,811	29,168	22,186
Shareholders and investors	Dividend	₩100m	8,611	6,897	8,533
Employees	Pay and benefits	₩100m	39,553	43,432	46,351
Community	Total social contributions	₩100m	2,000	2,279	1,896
Government	Corporate tax	₩100m	12,208	12,594	16,972
Total		₩100m	97,183	94,370	95,938

Stock Types and Voting Rights [2)]

	Unit	Issued stocks(shares)	Percentage(%)
Preferred stock	shares	-	-
Common stock - with voting rights	shares	389,634,335	93.71
Common stock - treasury stock	shares	26,173,585	6.29
Total	shares	415,807,920	100

Shareholders with Over 5% Ownership [3)]

	Unit	Number of shares held	Percentage(%)
National Pension Service	shares	37,626,516	9.05%
JP Morgan Chase Bank [4)]	shares	23,929,641	5.76%
BlackRock Fund Adviors	shares	25,050,939	6.02%

1) Based on consolidated data of all subsidiaries including the holding company

2) · One voting right per share pursuant to the Commercial Act. We do not offer a dual class right based on our Articles of Incorporation.

· Pursuant to Article 29 of the Articles of Incorporation, only one voting right is given per share.

· The total number of our issued stocks stands at 415,807,920 as of December 31, 2021, and the number of treasury stocks is 26,173,585

3) As of April 2022, KBFG does not hold golden shares for the government

4) JP Morgan Chase Bank is a DR depository and voting rights are granted to DR owners

Tax Information [1)]

	Unit	Operating revenue	Operating income	Income tax accrued	Corporate tax [2)]	Taxes and dues by region(%)
Korea	₩100m	577,422.3	58,767.0	5,929.2	16,559.8	98.28%
China	₩100m	2,201.7	204.4	21.0	63.7	0.27%
U.S.	₩100m	692.9	223.7	0.0	60.7	0.25%
Vietnam	₩100m	622.8	183.8	15.5	42.1	0.18%
U.K.	₩100m	372.9	116.3	0.0	44.3	0.19%
New Zealand	₩100m	173.8	97.1	13.1	27.8	0.12%
Cambodia	₩100m	3,510.6	2,960.9	523.8	570.0	2.38%
Japan	₩100m	243.6	137.1	20.8	23.1	0.10%
Laos	₩100m	114.2	60.5	5.2	9.6	0.04%
Singapore	₩100m	12.6	(0.2)	0.0	0.0	0.00%
Indonesia	₩100m	2,010.6	(2,180.7)	2.2	(535.2)	-2.24%
Hong Kong	₩100m	880.6	363.1	11.6	36.6	0.15%
India	₩100m	138.2	13.9	6.1	5.9	0.02%
Myanmar	₩100m	65.0	(89.3)	0.0	3.1	0.01%
Others	₩100m	714.7	118.6	78.2	60.8	0.25%
Total	₩100m	589,176.5	60,976.2	6,626.7	16,972.3	100.00%

BIS Leverage Ratio

	Unit	2019	2020	2021
(Basel III) Tier 1 capital	₩100m	354,261	368,958	**423,054**
(Basel III) Total exposure	₩100m	5,494,772	6,178,303	**6,931,317**
(Basel III) Leverage ratio	%	6.45	5.97	**6.10**

Net Defined Benefit Liabilities

	Unit	2019	2020	2021
Current value of net defined benefit liabilities	₩100m	23,418	24,919	**25,725**
Fair value of plan assets	₩100m	(20,887)	23,030	**24,471**
Net defined benefit liabilities	₩100m	2,530	1,890	**1,254**

1) The sum may not equal the total due to rounding of

2) K-IFRS accrual basis

Inclusive Finance – Loans

	Unit	2019	2020	2021
KB Miso Microfinance	₩100m	294	269	274
KB New Hope Spore II	₩100m	11,740	12,170	12,281
KB Sunshine Loan	₩100m	2,101	2,024	2,968
KB Sunshine Loan 17	₩100m	441	789	528
KB College Student and Youth Sunshine Loan	₩100m	289	183	110
KB "Sah-it-dol" Middle Interest Rate Loan	₩100m	659	426	263
KB "Sah-it-dol II" Loan	₩100m	175	141	185
KB Change Dream Loan	₩100m	400	217	103
KB Happy Dream Loan II	₩100m	9	10	11
KB Stepping Stone Loan	₩100m	5	6	3
Assistance for People with Disabilities Loan	₩100m	73	62	52
KB Safety Net Loan	₩100m	44	34	26
KB Vita Loan	₩100m	2,755	6,418	9,003
Total	₩100m	18,985	22,749	25,807

Inclusive Finance – Deposits

	Unit	2019	2020	2021
KB Miso Dream Installment Savings Plan	₩100m	4	2	2
KB Kookmin Property Formation Savings	₩100m	35,033	24,139	21,849
KB Kookmin Fixed Rate Property Formation Savings	₩100m	2,626	2,899	2,962
KB Good Nuri Installment Savings Plan	₩100m	65	131	101
KB Kookmin Happiness Installment Savings Plan	₩100m	1,281	1,703	1,512
KB Love Sharing Installment Savings Plan	₩100m	133	15	9
KB Young Youth saving plan	₩100m	3,779	2,809	2,873
KB Happiness Keeper Bank Account	₩100m	122	181	231
KB Kookmin Hope Keeper Bank Account	₩100m	79	90	101
KB Patriotic War Veterans Keeper Assurance Bank Account	₩100m	32	44	50
KB National Pension Assurance Bank Account	₩100m	396	589	815
KB Kookmin Government Employee Pension Lifetime Assurance Bank Account	₩100m	38	53	65
KB Teachers Pension Lifetime Assurance Bank Account	₩100m	22	26	32
KB Military Pension Lifetime Assurance Bank Account	₩100m	2	5	7
KB Love Sharing Installment Bank Account	₩100m	44	62	65
Total	₩100m	43,656	32,748	30,673

ESG Finance – Corporate/ Investment Banking

	Category	Unit	2021
Green credit, ESG loans	Prevention of environmental pollution	₩100m	34,843
	Support for SMEs	₩100m	27,818
	Accessibility to Social Basic Services	₩100m	11,103
	Multiple themes [1]	₩100m	18,742
	Subtotal	₩100m	92,506
Total amount of corporate loan products		₩100m	1,506,409
Ratio of ESG loans		%	6.1
ESG bond	Green bond	₩100m	9,912
	Social bond	₩100m	11,156
	Sustainability bond	₩100m	19,228
	Subtotal	₩100m	40,296
Total amount of bond issued		₩100m	163,895
Ratio of ESG bonds		%	24.6
Green and sustainable infrastructure financing	Renewable energy production	₩100m	13,653
	Sustainable water management	₩100m	3,754
	Housing support for the vulnerable and the working class	₩100m	3,182
	Multiple themes [2]	₩100m	9,310
	Subtotal	₩100m	29,899
Total amount of PF investment		₩100m	186,031
Ratio of ESG PF		%	16.1

1) Renewable energy production, Energy effciency enhancement and etc.

2) Increase in green buildings, Use of green transportation and logistics, Prevention of environmental pollution and etc.

ESG Finance – Asset Management

	Category	Unit	2021
ESG asset management	New and renewable energy	₩100m	15,722
	Support for SMEs	₩100m	8,520
	Sustainable water management	₩100m	4,232
	Multiple themes [1]	₩100m	10,024
	Subtotal	₩100m	38,498
Total amount of asset management		₩100m	514,799
Ratio of ESG investments		%	7.5

ESG Finance – Retail Banking

	Category	Unit	2021
Green credit, ESG loans	Socioeconomic development and human rights advancement	₩100m	22,093
	Housing support for the vulnerable and the working class	₩100m	4,076
	Increase in green buildings	₩100m	538
	Subtotal	₩100m	26,707
Total amount of retail loans		₩100m	1,724,715
Ratio of ESG loans		%	1.5
ESG investment product	ESG integrated investment	₩100m	9,210
	Environment	₩100m	24,208
	Social	₩100m	29,332
	Governance	₩100m	1,192
	Subtotal	₩100m	63,942
Total amount of retail banking investment products		₩100m	3,318,453
Ratio of ESG investment		%	1.9

1) Building sustainable cities, Energy effciency enhancement , Socioeconomic development and human rights advancement and etc.

Environment

Operational GHG Emissions (Scope 1+2)

		Unit	2018	2019	2020	2021
GHG emissions	Scope 1	tCO_2eq	19,021	18,980	17,861	**15,649**
	Scope 2	tCO_2eq	111,994	111,731	122,027	**116,818**
	Total GHG emissions	tCO_2eq	131,015	130,711	139,888	**132,467**
Emissions intensity	Operating revenue [1]	₩bn	42,027	47,169	55,680	**58,917**
	Intensity	tCO_2eq/₩bn	3.12	2.77	2.51	**2.25**

Asset Portfolio's GHG Emissions [2] (Scope 3)

	Data Score [3]	Exposures by asset class (₩tn)	Financed emissions (tCO_2eq)	Target coverage
Corporate loans [4]	3.62	46.1	19,427,480	67.60%
Corporate bonds [4]	3.45	28.1	5,213,540	Listed companies : 100%
Listed equity [4]	3.08	2.7	1,073,911	Listed companies : 100%
Electricity generation Project Finance	1.91	1.3	2,310,499	Power generation: 100%
Commercial Real Estate	1.43	2.7	36,531	Gross floor areas : 69.8%
Total	-	80.9	28,061,961	

1) Based on the Group's operating revenue

2) · As of 2020

· Carbon emissions of our asset portfolio were calculated based on the methodology of PCAF. Only those assets, for which carbon emissions data could be attained, were included in the calculation.

· We meet portfolio target requirement of each asset class of Science-Based Targets initiative (SBTi).

3) Data Score : A score from 1 to 5 is given based on the data quality as defined by PCAF with data credibility being higher the closer the score is to 1

4) Corporate loans, corporate bonds, and listed equity refer to companies with total exposures of ₩3bn or more and companies subject to emissions regulations such as emissions trading scheme and target management system from among those with total exposures or less than ₩3bn

Energy Consumption

	Unit	2018	2019	2020	2021
Energy consumption	MWh	240,227	239,663	261,748	**254,276**
New and renewable energy consumption	kWh	345,951	487,272	471,128	**1,048,753**

Water Consumption

	Unit	2018	2019	2020	2021
Water consumption	m^3	277,999	273,723	278,135	**410,807**
GHG emissions	tCO_2eq	183	181	184	**271**

Paper Consumption

	Unit	2018	2019	2020	2021
Paper consumption	ton	2,063	1,976	1,847	**1,622**
GHG emissions	tCO_2eq	2,311	2,213	2,069	**1,817**

Waste

	Unit	2018	2019	2020	2021
Waste to landfill	ton	1,964	1,915	1,948	**2,402**
GHG emissions	tCO_2eq	668	651	662	**817**

Business Travel

		Unit	2018	2019	2020	2021
Business Travel	Air	km	11,259,618	12,714,701	1,783,669	**3,769,889**
	Train	km	2,892,919	2,085,149	1,496,211	**2,197,137**
	Bus	km	112,278	79,718	8,342	**112,810**
	Total	km	14,264,815	14,879,569	3,288,222	**6,079,836**
GHG emissions	Air	tCO_2eq	1,689	1,907	268	**565**
	Train	tCO_2eq	87	63	45	**66**
	Bus	tCO_2eq	3	2	0.2	**3**
	Total	tCO_2eq	1,779	1,971	313	**634**

Capital Goods and Purchased Goods

		Unit	2019	2020	2021
Capital Goods	Desktop	#	4,335	9,833	**8,191**
		tCO_2eq	142	321	**268**
	Laptop	#	492	2,376	**738**
		tCO_2eq	9	44	**14**
	Monitor	#	13,809	5,509	**3,859**
		tCO_2eq	214	85	**60**
	Multi-functioning printer	#	612	514	**186**
		tCO_2eq	243	204	**74**
Purchased Goods	Bankbook	kg	246,812	214,124	**212,682**
		tCO_2eq	276	240	**238**
	Credit card	kg	56,171	57,567	**46,222**
		tCO_2eq	75	77	**62**

Usage and Disposal of Goods Sold

		Unit	2019	2020	2021
Usage of goods sold	E-banking	tCO_2eq	9,976	14,412	**20,947**
Disposal of goods sold	Bank passbook	kg	70,944	62,327	**56,526**
		tCO_2eq	9	8	**7**
	Cards terminated	kg	29,360	26,001	**20,374**
		tCO_2eq	69	61	**48**

Downstream Rental Assets [1)]

	Unit	2019	2020	2021
Rental Assets	tCO_2eq	-	-	**5,471**

Eco-friendly Vehicle

	Unit	2019	2020	2021
Electric	#	12	26	**32**
Hydrogen	#	-	-	**2**

1) Data counted from 2021 onwards

Customer

Customer Satisfaction

		Unit	2019	2020	2021
KB Kookmin Bank	NCSI	rank	1	1	1
KB Securities	NCSI	rank	-	-	2
	KCSI	rank	-	-	3
	KS-SQI	rank	-	-	5
KB Insurance	NCSI	rank	2	2	2
	KCSI(Long-term Insurance)	rank	3	4	3
	KCSI(Car Insurance)	rank	4	4	3
	KS-SQI(Long-term Insurance)	rank	3	3	3
	KS-SQI(Car Insurance)	rank	4	3	3
KB Kookmin Card	NCSI	rank	3	3	1
	KCSI(Credit Card)	rank	3	3	3
	KCSI(Debit Card)	rank	1	1	1
	KS-SQI(Credit Card)	rank	3	3	3
	KS-SQI(Debit Card)	rank	1	1	1

Customers Using Online Banking Services[1)]

	Unit	2019	2020	2021
Customers subscribing for online banking services	%	76.5	79.0	81.3
Active users of online banking services	%	39.0	39.2	41.4
Actual users of KB Star Banking app	#m	7.1	8.0	8.8

Customer Accessibility[1)]

	Unit	2019	2020	2021
Universal counters	#	799	755	797
ATMs with zoom-in screen features for visually impaired	#	6,723	5,733	5,131
Braille and audio guidance ATMs	#	6,773	5,733	5,175
Wheelchair accessible ATMs	#	6,772	5,733	5,175
ATMs with biometric authentication(Easy Banking)	#	3,750	3,906	3,762

1) Based on KB Kookmin Bank data

Employees

			Unit	2019	2020	2021
Gender	Total		#	28,104	28,557	27,933
	Male		#	15,050	14,956	14,359
	Female		#	13,054	13,601	13,574
Conditions of contract [1]	Executives	Total	#	218	272	291
		Male	#	-	-	272
		Female	#	-	-	19
	Full time [2]	Total	#	25,210	25,727	24,798
		Male	#	-	-	12,572
		Female	#	-	-	12,226
	Temporary	Total	#	2,676	2,558	2,844
		Male	#	-	-	1,515
		Female	#	-	-	1,329
Position [1)3)]	Section Chief~General Manager	Total	#	14,230	15,266	14,385
		Male	#	-	-	9,740
		Female	#	-	-	4,645
	Associate ~ Assistant Section Chief	Total	#	13,656	13,019	13,257
		Male	#	-	-	4,346
		Female	#	-	-	8,911
Age [1]	<30 years	Total	#	-	2,767	2,624
		Male	#	-	-	925
		Female	#	-	-	1,699
	30~49 years	Total	#	-	18,533	17,760
		Male	#	-	-	7,788
		Female	#	-	-	9,972
	50+ years	Total	#	-	7,257	7,549
		Male	#	-	-	5,645
		Female	#	-	-	1,904

1) Gender classification data accumulated from 2021 onwards

2) Including unlimited contract workers

3) Excluding executives

Employees

		Unit	2019	2020	2021
Nationality [1]	Korea	#	-	28,490	27,875
	U.S.	#	-	13	8
	Canada	#	-	12	9
	China	#	-	11	7
	Others	#	-	31	34

Diversity[2]

		Unit	2019	2020	2021
Children of veterans	Total	#	1,332	1,321	1,264
	Male	#	-	-	759
	Female	#	-	-	505
Employees with disabilities	Total	#	328	340	331
	Male	#	-	-	252
	Female	#	-	-	79
High school graduates [3]	Total	#	277	299	273
	Male	#	-	-	38
	Female	#	-	-	235

1) · Non-Korean employees at domestic corporations
· Data accumulated from 2020 onwards
· Percentage of Korean nationals and foreigners in management positions: Korean nationals(99.84%), U.S.(0.05%), Canada(0.07%), China(0.02%), Others(0.02%)

2) Gender classification data accumulated from 2021 onwards

3) Employees recruited through the screening process providing preferential benefits to high school graduates; the figures herein are the number of those in service as of the end of each year)

Ratio of Female Employees [1)]

	2020	2021
Executives	7.3%	6.5%
All management positions (Section Chief~Executives)	32.1%	33.6%
Junior management positions (Section Chief and Senior Manager)	44.1%	44.9%
Management positions in revenue-generating units(Branches and corporate finance-related units)	41.2%	39.2%
STEM [2)]-related positions	28%	26.2%

New Recruits

			Unit	2018	2019	2020	2021
Gender	Total		#	1,396	1,074	765	1,151
	Male		#	710	580	455	683
	Female		#	686	494	310	468
Age [3)]	20s and younger	Total	#	777	552	394	601
		Male	#	-	-	-	297
		Female	#	-	-	-	304
	30s	Total	#	412	315	212	355
		Male	#	-	-	-	238
		Female	#	-	-	-	117
	40s	Total	#	147	144	102	125
		Male	#	-	-	-	93
		Female	#	-	-	-	32
	50s and above	Total	#	60	63	57	70
		Male	#	-	-	-	55
		Female	#	-	-	-	15

1) Based on KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, Prudential Life Insurance

2) STEM: Science, Technology, Engineering, Mathematics

3) Gender classification data accumulated from 2021 onwards

Employees Repositioned through Annual Personnel Reshufflin

			Unit	2018	2019	2020	2021
Gender	Total		#	9,595	10,075	9,265	7,747
	Male		#	5,085	5,271	4,640	4,140
	Female		#	4,510	4,804	4,625	3,607
Position [1]	Executives	Total	#	65	60	65	45
		Male	#	–	–	–	41
		Female	#	–	–	–	4
	Section Chief–General Manager	Total	#	4,704	5,076	4,609	4,381
		Male	#	–	–	–	3,062
		Female	#	–	–	–	1,319
	Associate–Assistant Section Chief	Total	#	4,826	4,939	4,591	3,321
		Male	#	–	–	–	1,037
		Female	#	–	–	–	2,284

Internal Hires [2]

	Unit	2018	2019	2020	2021
Percentage of internal hires	%	87.30	90.37	92.37	87.10%

Years of continuous service [3]

	Unit	2019	2020	2021
Average for male and female	years	–	–	14.5
Average for female	years	–	–	12.8

1) Gender classification data accumulated from 2021 onwards

2) Calculation method: Employees repositioned through annual personnel reshuffling/(Number of new recruits+Employees repositioned through annual personnel reshuffling

3) Data accumulated from 2021 onwards

Turnover

	Unit	2019	2020	2021
Total turnover rate	%	5.4	4.5	6.5
Voluntary turnover rate	%	1.7	1.8	2.3

Total Turnover [1)]

		Unit	2019	2020	2021
Gender	Male	%	-	6.9	8.3
	Female	%	-	1.7	4.6
Age	<30 years	%	-	1.3	6.9
	30~49 years	%	-	1.2	3.6
	50+ years	%	-	11.2	13.8
Position	Executives	%	-	13.6	7.0
	Section Chief-General Manager	%	-	5.3	4.5
	Associate-Assistant Section Chief	%	-	3.1	26.2

Voluntary Turnover [1)]

		Unit	2019	2020	2021
Gender	Male	%	-	2.5	2.8
	Female	%	-	0.9	1.8
Age	<30 years	%	-	1.3	5.2
	30~49 years	%	-	1.1	2.3
	50+ years	%	-	2.8	1.1
Position	Executives	%	-	13.6	4.0
	Section Chief-General Manager (L2 and above)	%	-	0.8	1.3
	Associate-Assistant Section Chief	%	-	2.4	12.0

1) · Data accumulated from 2020 onwards
· 2020: Based on KB Kookmin Bank, 2021 : Based on KB Financial Group

Equal Pay [1)]

		Unit	Female	Male	Ratio of female to male
Executives	Base salary	₩m	155	155	100%
	Base salary + other cash incentives	₩m	414	414	100%
Management positions	Base salary	₩m	96	96	100%
	Base salary + other cash incentives	₩m	135	135	100%
Non-management positions	Base salary	₩m	63	63	100%

Childcare Leaves

		Unit	2019	2020	2021
Employees eligible for childcare leave [2)]	Total	#	7,516	7,546	6,965
	Male	#	3,277	3,394	3,041
	Female	#	4,239	4,152	3,924
Employees who used childcare leave	Total	#	1,201	1,092	873
	Male	#	89	105	97
	Female	#	1,112	987	776
Employees who returned to work after childcare leave	Total	#	2,507	4,882	4,082
	Male	#	67	120	136
	Female	#	2,440	4,762	3,946
Employees who served for over 12 months after returning from childcare leave	Total	#	2,094	4,589	4,148
	Male	#	35	116	137
	Female	#	2,059	4,473	4,011

1) · Based on KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card
· There is no difference in pay between male and female employees.
· Numbers are average of each grade/level with the most people.
2) Employees with children aged 9 or younger or children in the third grade or younger

Labor Practices

	Unit	2019	2020	2021
Employees covered by labor union [1]	%	81.6	80.8	**77.7**
Employee grievances resolved [2]	#	84	90	**159**

Industrial Accidents [3]

	Unit	2019	2020	2021
Absence due to industrial accidents	days	46	160	**204**
Absentee rate	%	0.001	0.002	**0.003**

Employee Engagement Score

	Total	Gender		Position			Age		
		Male	Female	Executives	Section Chief-General Manager	Associate-Assistant Section Chief	<30 years	30~49 years	50+ years
Score	82.3	82.9	80.8	92.8	81.9	77.8	80.2	82.9	85.7

Training [4]

			Unit	2019	2020	2021
Average training expense per employee			₩10k	142	84	**89.8**
Average training hours per employee	Total		hours	113	98	**105.89**
Gender&Age [5]	Gender	Male	hours	-	87.7	**92.89**
		Female	hours	-	110.3	**119.65**
	Age	<30 years	hours	-	134.9	**164.56**
		30~49 years	hours	-	101.7	**111.14**
		50+ years	hours	-	73.7	**73.17**

1) 2019~2020: Based on KB Kookmin Bank, 2021 : Based on subsidiaries those operate labor unions (Subsidiaries those do not have labor unions operate 'labor-management council' which is covering collective bargaining agreement)

2) 2019~2020: Based on KB Kookmin Bank, 2021 : Based on KB Financial Group
· Including harassment cases based on KBFG (in 2020: 3 cases, in 2021: 6 cases)

3) 2018 : Absence due to industrial accidents 49 days, Absentee rate 0.001

4) 2019: Based on KB Kookmin Bank, 2020~2021 : Based on KB Financial Group

5) Data accumulated from 2020 onwards

Ethical Management [1)]

		Unit	2019	2020	2021
Average ethics training hours per employee		hours	9.7	9.3	**9.7**
Employees' violation of code of conduct [2)]	Conflict of interest	#	0	0	**0**
	Investment in securities, etc.	#	0	0	**1**
	Violation of fair trade	#	1	5	**0**
	Violation of important information management	#	4	4	**1**
	Receiving graft and entertainment	#	0	0	**0**
	Violation of external activity policy	#	0	0	**0**
	Violation of anti-money laundering	#	0	3	**1**
Actions taken on violations [3)]	Pay cut	#	0	0	**0**
	Reprimand	#	0	1	**0**
	Warning	#	1	3	**0**
	Others	#	4	8	**0**

1) 2019: Based on KB Kookmin Bank data
2020~2021: Based on KB Financial Group, Written/Digital Acknowledgment rate of code of conduct 100%

2) Violations of the Employee Code of Conduct for Compliance(2021)

- Investment in securities, etc.: Delay in submitting report on acquiring foreign securities
- Violation of important information management: Violation of obligation to maintain credit information accurate and up-to-date
- Violation of anti-money laundering: Violation of customer due diligence obligation

3) We imposed sanctions on the violators based on our internal standards and reinforced our supervision and internal control system as well as employee training to prevent the recurrence of such violations.

Community

Charitable Contributions and Volunteering Hours

	Unit	2019	2020	2021
Charitable contributions [1]	₩100m	1,031	1,136	**1,031**
Total employee volunteering hours [2]	hours	171,296	77,859	**65,253**
Average volunteering activity hours per employee	hours	6.0	2.7	**2.3**
Monetary value of employee volunteering during daily working hours	₩100m	38	27	**22**
Management overhead [3]	₩100m	30.2	29.2	**26.0**
Political contributions [4]	₩	–	–	**–**

Community Contributions for Youth

			Unit	2019	2020	2021
KB Dream Wave 2030 [5]	Beneficiaries	Study Mentoring	#	6,021	2,980	**8,486**
		Career Mentoring	#	9,005	231	**41,211**
		Digital Mentoring	#	3,194	5,480	**490**
		Total	#	18,220	8,691	**50,187**
	Contributions		₩100m	62	74	**69**
Building and expanding Childcare classrooms in elementary schools	Schools supported		#	204	162	**112**
	Classrooms built		#	320	212	**243**
	Contributions		₩100m	100	96	**91**
Building and expanding public kindergartens	Schools supported		#	129	101	**49**
	Classrooms built		#	211	180	**101**
	Contributions		₩100m	50	54	**51**
KB Foundations scholarship	Beneficiaries		#	391	264	**349**
	Contributions		₩100m	6	4.89	**5.99**

1) Charitable contributions composition: Charitable donations(0.6%), Community investments(73.9%), Commercial initiatives(25.5%)

2) Decrease in face-to-face volunteer work hours of employees due to the COVID-19 pandemic

3) Costs associated with having in place a community affairs functions

4) In Korea, businesses are prohibited from making political contributions by the Political Funds Act. KB Financial Group prohibits political contributions to organizations based on our internal policy on charitable contributions

5) Former 「KB Youth Mentor!」 program

Support for Global Families

	Unit	2019	2020	2021
Employees who participated in KB Hopeful Voice Sharing [1]	#	18	-	-
Beneficiaries of KB Korean Language Class in Myanmar	#	523	381	354
Beneficiaries of medical support for migrant workers [1]	#	2,034	-	-

Financial Education

	Unit	2019	2020	2021
Beneficiaries of financial education(offline)	#	163,900	73,031	84,339
Beneficiaries of financial education(online & mobile web)	#	97,425	53,813	24,044

Job Creation through KB GoodJob

	Unit	2019	2020	2021
Individual members of KB GoodJob website(cumulative)	#	65,958	73,390	80,154
KB GoodJob Academy participants [1]	#	515	-	-
KB GoodJob School participants	#	240	228	239
People employed through KB GoodJob Fair(cumulative)	#	11,656	15,058	19,613

Consulting Services for SMEs and Small Businesses

		Unit	2019	2020	2021
Consulting Services for SMEs and Small Businesses	KB Wise Consulting services offered	#	247	218	221
	KB SOHO Business Incubating Consulting services offered	#	1,674	6,875	6,150
Policy Fund Platform (KB bridge) [2]	Mobile app downloads (cumulative) [3]	#	12,689	135,195	239,911
	Cases linked with SOHO consulting [3]	#	-	3,196	4,212

1) Cancelled due to the COVID-19 situation

2) Launched in the second half of 2019

3) Cumulative

Support for Fintech Startups [1)]

		Unit	2019	2020	2021
KB Starters	Startup partners	#	76	111	**156**
	Investment	₩100m	326	523	**1,062**
FUTURE9	Startup partners	#	29	40	**54**
	Investment	₩100m	14.7	16.2	**26.2**
Total	Startup partners	#	105	151	**210**
	Investment	₩100m	340.7	539.2	**1088.2**

Expenses for Supporting Major Associations [2)]

	Unit	2019	2020	2021
Korea Financial Investment Association	₩100m	33.5	34.0	**32.5**
Korea Federation of Banks	₩100m	26.9	29.1	**30.4**
General Insurance Association of Korea	₩100m	22.4	29.7	**29.7**
The Credit Finance Association	₩100m	12.0	14.5	**19.9**
Korea Life Insurance Association [3)]	₩100m	3.3	9.6	**9.2**
Korea Federation of Savings Banks	₩100m	2.3	1.8	**2.1**
Others	₩100m	3.9	3.4	**4.5**
Total	₩100m	104.3	122.1	**128.3**

Supply Chain Self-Assessment [4)]

	단위	2019	2020	2021
Business partners self-assessed for supply chain sustainability	#	135	139	**133**

1) Cumulative

2) Pursuant to Article 31 of the Political Funds Act, foreigners and corporations or groups both in Korea and abroad are prohibited from contributing political funds, and no one is allowed to contribute political funds with funds related to any corporations or groups in Korea and abroad. We stringently comply with these legal requirements and do not provide any political funds, election campaign funds, and funds for political lobbying. However, we sponsor politically neutral organizations for public interest, etc.

3) Increased from 2020 onwards due to the inclusion of Prudential Life Insurance

4) Based on KB Kookmin Bank data

APPENDIX

144 Material Assessment
145 Stakeholder Engagement
146 Our Membership in Global Initiatives
148 Reporting Methodology
149 GRI Index
153 SASB Index
161 PRB Index
163 Third Party Assurance Statement

Materiality Assessment

KB Financial Group has been conducting materiality assessment by introducing the concept of double materiality. Double materiality is about considering both the impact of corporate management activities related to sustainability management issues on society (Inside-out) and the impact of each issue on corporate management activities (Outside-in). Through double materiality assessment, we comprehensively considered how the company and the society mutually impacts each other and thereby selected 12 key issues, we should place emphasis on for sustainable management.

Materiality Assessment Process

STEP 1. Create a pool of issues

- Analyze international standard (16 indicators such as MSCI, KCGS, DJSI, GRI, SASB, etc.)
- Benchmark industry peers (6 leading financial groups)
- Analyze media (406 news articles on ESG in 2021 (exclude overlapping ones among total of 7,375)
- Review previous year's issues related to sustainability management

Create a pool of 32 issues

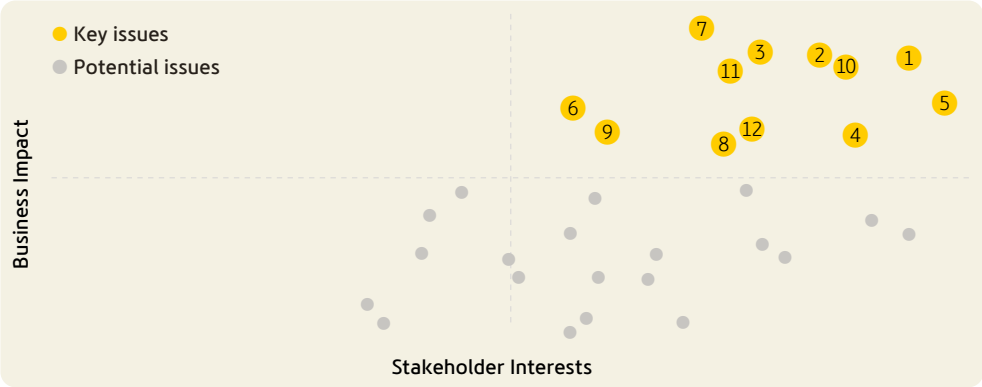
STEP 2. Conduct materiality assessment

Analyze business impact	Analyze level of social interest
· Management strategy of KB Financial Group & all of its subsidiaries · CEO message from KB Financial Group & all of its subsidiaries · Investor Q&A · Employee survey	· Analyze media · Analyze industry peers and international standard · Customer survey · Stakeholders survey(ESG experts, etc.)

STEP 3. Identify key issues

- Select 12 key issues through materiality assessment
- Analyze the extent of stakeholders (Inside-out) that key issues have impact on as well as extent of impact (Outside-in) each issue has on company's business activities (cost, profit, reputation, regulation)

Result of Materiality Assessment



High Mid Low

Key Issues in 2021	Scope of Stakeholders						Business Impact			
	Customer	Employees	Gov.	Investor	Supplier	Community	Cost	Profit	Reputation	Regulation
1 Digitalize & innovate finance	High	High	Mid	High	Low	Low	Low	Low	High	Low
2 Reinforcing integrated management of finance/ESG risk	High	High	Low	High	Low	Mid	High	High	High	Low
3 Reinforcing ethical & compliance management activities	Low	High	Low	Low	Low	High	Low	Low	High	High
4 Establishing sound governance	Low	High	Low	High	Mid	Low	High	High	High	Low
5 Setting up a climate change response system	High	High	Low	High	High	Low	High	High	High	High
6 Reinforcing greenhouse gas emission reduction management	High	High	Low	High	High	High	High	High	High	High
7 Establishing a good corporate culture to work	Low	High	Mid	Mid	Mid	Mid	Low	Low	Low	Low
8 Strategic social contribution activities	Low	High	High	Mid	Mid	High	Low	Mid	High	Mid
9 Reinforcing inclusive financial activities	High	Low	Mid	Mid	High	High	Low	Low	High	Mid
10 Strengthening customer privacy protection	High	Low	Low	Low	Mid	Low	High	High	High	Low
11 Improving customer accessibility and convenience	High	Low	Low	Low	Mid	Low	High	High	High	Low
12 Developing products and services considering the environment and society	High	High	Low	High	Low	High	High	High	High	Low

Stakeholder Engagement

KB Financial Group categorizes internal/external stakeholders that are relevant to the company as customer, employee, government & local gov., shareholder & investor, supplier, and local community. It also actively communicates with stakeholders through various communication channels and reflects stakeholders' opinions in overall business activities.

Stakeholders	Key communication channel	Major areas of interest	Status of communication in year 2021-2022
Customer	· Homepage, SNS · Customer experience survey & FGI(Focus Group Interview) · Complaint handling process	Information security & customer information protection, Customer satisfaction management, Financial consumer protection, Digital innovation, Inclusive finance, Supporting SMEs and micro businesses to build capacity	· Regular mobile-based survey on customer experience · Case study & FGI on customer experience · Operate customer panel/advisory group system · Expedited complaint handling system · Complaint handling for protection of financial consumers
Employees	· Employee communication program · Employee communication channel · Labor-Management Council, Labor-Management Meeting · CEO Townhall Meeting	Talent recruitment & development, Employee health and safety, Enhancing welfare and improving organizational culture	· 'I am the KB person' (the communication program) · Group webzine, 'KB Friends' · Labor-Management Council, Labor-Management Meeting · CEO e-Townhall Meeting
Gov. & local gov.	· Consultative body related to policy by financial authority · Briefing session on government financial policy · FSS meeting	Environmental management, Inclusive finance, Innovative finance, Environmental regulations & policy responses, Creation of jobs	· Participate in Green Finance Task Force · MOU with FSS with regard to climate change risk · Participate in forums, conferences, etc.
Shareholder & investor	· Company briefing session · General shareholders' meeting · Earnings announcement · Company management disclosure	Corporate governance, ESG governance, Risk management, Corporate ethics and compliance	· IR meeting (Feb., July and Oct. of 2021) · Regular general meeting of shareholders · Regular disclosure of corporate management related contents
Supplier	· Meeting with suppliers	Fair trade, Win-win with suppliers	· Occasional Meeting with suppliers
Local community	· Consulting service · Social contribution project	Inclusive finance, Supporting SMEs and micro businesses to build capacity, Innovative finance, Social contribution	· Consulting service such as KB SOHO Consulting, KB Wise Consulting, KB ESG Consulting, etc. · Social contribution project such as All-day care support, Global family support, KB Good Job, KB Foundation, etc.

Our Membership in Global Initiatives

KB Financial Group has joined and become active member of various global initiatives for execution of responsible ESG management.

Initiative		Details	When we joined
United Nations Global Compact	UN Global Compact	The world's largest voluntarily formed private initiative for promoting sustainable management and the implementation of the ten principles in relation to human rights, labor conditions, environment, and anti-corruption.	Apr. 2009
CDP DRIVING SUSTAINABLE ECONOMIES	CDP (Carbon Disclosure Project)	A global initiative on information disclosure and an evaluation agency led by financial institutions around the world in relation to environmental sectors such as climate change, water, and forest resources.	July 2009
UN environment programme | finance initiative	UNEP FI(United Nations Environment Programme Finance Initiative)	A global initiative participated in by over 300 leading financial institutions and the only international partnership between UNEP and international financial sectors.	Aug. 2018
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	TCFD (Task Force on Climate-related Financial Disclosure)	An initiative that recommends corporations to incorporate climate change risk into their financial information.	Oct. 2018
UN environment programme | finance initiative Principles for Responsible Banking	UN PRB (United Nations Principles for Responsible Banking	As an international agreement that stipulates financial industry's roles & responsibilities for implementation of the Partis Agreement and the UN Sustainable Development Goals (SDGs), it presents what leading role the finance should play for sustainable future	Sep. 2019
Collective Commitment to Climate Action	CCCA (Collective Commitment to Climate Action)	Agreement for implementing UN PRB and for joint response from banks such as low-carbon, climate-friendly activities according to Paris Agreement	Sep. 2019
WOMEN'S EMPOWERMENT PRINCIPLES EQUALITY MEANS BUSINESS	WEPs(Women's Empowerment Principles)	A joint initiative undertaken by UN Women and UN Global Compact for women's empowerment.	Sep. 2019
BNBP 기업과 생물다양성 플랫폼 Biz N Biodiversity Platform	BNBP(Biz N Biodiversity Platform)	An initiative to help corporations recognize their global and social responsibility for biodiversity preservation and utilization, ensure biodiversity across all areas of activities from purchase to production, distribution, and assessment, and thereby driving action towards sustainability.	May 2022
CoREi 기업 재생에너지 이니셔티브	CoREi(Corporate Renewable Energy initiatives)	An initiative designed to help corporations voluntarily pledge to move into renewable energy and establish and implement renewable energy-related targets.	June 2022

By becoming the new member of following 10 initiatives between 2021~2022, KB Financial Group has strengthened global alliance for ESG management advancement.

Initiative		Details	When we joined
EQUATOR PRINCIPLES	Equator Principles	Voluntary agreement by financial companies to stop funding projects worth $10m or more when they are likely to incur environmental destruction or violations of the human rights of local residents.	Feb. 2021
PCAF	PCAF(Partnership for Carbon Accounting Financials)	An initiative designed to develop unified standards for assessing and reporting GHG emissions of the financial industry's investment projects and to encourage financial institutions to follow the Paris Agreement.	Apr. 2021
SCIENCE BASED TARGETS	SBTi(Science Based Targets initiative)	An initiative designed to provide guidelines and methods for corporations to set GHG emissions targets in line with the Paris Agreement and ensure their climate-conscious activities.	Apr. 2021
Net-Zero Banking Alliance	NZBA(Net-Zero Banking Alliance)	A leadership group of global banks with the aim of bringing global GHG emissions to net-zero by 2050.	Apr. 2021
RE100	RE100	Global campaign on converting 100% of enterprise power into renewable energy	Sep. 2021
PSI Principles for Sustainable Insurance	PSI(Principle for Sustainable Insurance)	An international agreement on sustainable management of insurance companies that takes into account sustainability in all management activities, including operational strategies, risk management, and product and service development	Sep. 2021
avpn	AVPN(Asian Venture Philanthropy Network)	Asia's largest impact investment network pursuing CSR capability improvement suited to the financial investment company	Feb. 2022
TNFD	TNFD(Task Force on Nature-related Financial Disclosures)	Global consultative body launched to protect nature and biodiversity by reducing the impact companies have on ecosystems	Apr. 2022
GFANZ Glasgow Financial Alliance for Net Zero	GFANZ(Glasgow Financial Alliance for Net Zero)	Global alliance for net zero transition and overcoming climate crisis through finance (Joined GFANZ in 2021, and Joined as a foundation member of GFANZ APAC Network in 2022)	May 2022
UN convened Net-Zero Insurance Alliance	NZIA(Net-zero Insurance Alliance)	Global alliance of insurers and re-insurers to achieve carbon neutrality under the Partis Convention	June 2022

Reporting Methodology

Overview

The 2021 KB Financial Group Sustainability Report is aimed at sharing our activities and performance in practicing the Group's strategy and working to achieve our goals with our stakeholders.

Reflecting our efforts to fulfill our role and responsibilities as a leading global financial group, this year's report includes Special Reports under the 3 themes of Diversity & Inclusion, TCFD report and Sustainable Finance, not to mention coverage of our performance in the areas of Environment, Social Responsibility and Corporate Governance (Environment, Social Responsibility, Corporate Governance Review). In disclosing our ESG activities and performance, we referred to the 'IFRS S1 General Requirements' and 'IFRS S2 Climate-related Disclosures' published by the International Sustainability Standards Board (ISSB).

Reporting Standard

This report aligns with the Global Reporting Initiatives (GRI) Standards: Core Option, which are global standards for sustainability reporting. It also reflects the 5 industry standards (Commercial Banks, Consumer Finance, Investment Banking & Brokerage, Asset Management & Custody Activities, Insurance) of SASB, the UN PRB(United Nations Principles for Responsible Banking) and SDGs(Sustainable Development Goals). Unless mentioned otherwise, financial performance is based on K-IFRS consolidated financial statements.

Reporting Period and Scope

The 2021 KB Financial Group Sustainability Report presents our ESG performance and activities during the period of January 1 – December 31, 2021.

Data from the last three years (2019-2021) is provided to measure yearly changes in quantitative performance. Specific reporting periods for each quantitative data can be viewed in the ESG Data Pack, and comments have been added where necessary. Some qualitative performance include data from before 2021 and the first half of 2022 with the period for each given performance indicated in the report.

Financial performance is reported based on consolidated financial statements. Non-financial performance is based on areas that apply to the entire Group. We state the specific subsidiary when referring to a non-financial performance that is limited to a certain subsidiary only.

Changes in 2021

In our economic performance, as a new ESG financial product classification process was introduced in 2022, ESG financial product figures are only presented for 2021.

In the environmental performance sector, data on downstream lease assets and eco-friendly vehicle started collection and disclosure in 2021. Data for downstream lease assets only includes performance for 2021, and eco-friendly vehicle is for the recent 3 years (2019~2021).

In the employee performance section, data collection on current female employees and information on compensation by gender started in 2021. Breakdown on executives by contract terms, position, nationality, and age, as well as employee diversity, new recruits by age group, and employees repositioned through annual personnel reshuffling by staff level based on gender, also started data collection and reporting in 2021. In addition, the scope of data including ratio of female employees, voluntary turnover rate, industrial accidents, and training was expanded to KB Financial Group from 2021 and collected and reported.

GRI Index

GRI Standards Index (Core Option)

Universal Standards (GRI 100)

Topic	Index	Description	Page	Remark
Organizational Profile	102-1	Name of the organization	2	
	102-2	Activities, brands, products, and services	6	
	102-3	Location of headquarters		2021 Business Report p.8, Annual Report p.65~67
	102-4	Location of operations		2021 Business Report p.10, Annual Report p.65~67
	102-5	Ownership and legal form		2021 Business Report p.10, Annual Report p.65~67
	102-6	Markets served	6	
	102-7	Scale of the organization	122~123	
	102-8	Information on employees and other workers	132~133	
	102-9	Supply chain	6, 85	
	102-10	Significant changes to the organization and its supply chain		No critical changes
	102-11	Precautionary Principle or approach	78~79	
	102-12	External initiatives	146~147	
	102-13	Membership of associations	142	
Strategy	102-14	Statement from senior decision-maker	5	
	102-15	Key impacts, risks, and opportunities	11~66, 78~79, 144	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	80	
	102-17	Mechanisms for advice and concerns about ethics	81	
Governance	102-18	Governance structure	72~76	
	102-19	Delegating authority	72~76	
	102-20	Executive-level responsibility for economic, environmental, and social topics	77	
	102-22	Composition of the highest governance body and its committees	74	
	102-23	Chair of the highest governance body	73	
	102-24	Nominating and selecting the highest governance body	74	
	102-26	Role of highest governance body in setting purpose, values, and strategy	72~76	
	102-27	Collective knowledge of highest governance body	72~73	

GRI Standards Index (Core Option)

Universal Standards (GRI 100)

Topic	Index	Description	Page	Remark
Governance	102-28	Evaluating the highest governance body's performance	75	
	102-29	Identifying and managing economic, environmental, and social impacts	77	2021 Business Report p.696
	102-31	Review of economic, environmental, and social topics	77	
	102-35	Remuneration policies	75~76	
	102-36	Process for determining remuneration	75~76	
	102-37	Stakeholders' involvement in remuneration	74~76	2021 Business Report p.695~696
	102-38	Annual total compensation ratio	75~76	2021 Business Report p.392~398, p.749~755
Stakeholder Engagement	102-40	List of stakeholder groups	145	
	102-41	Collective bargaining agreements	146~147	
	102-42	Identifying and selecting stakeholders	145	
	102-43	Approach to stakeholder engagement	145	
	102-44	Key topics and concerns raised	145	
Reporting Practice	102-45	Entities included in the consolidated financial statements		2021 Business Report p.10~17, Annual Report p.65~67
	102-46	Defining report content and topic Boundaries	2, 148	
	102-47	List of material topics	142	
	102-48	Restatements of information	148	
	102-49	Changes in reporting	148	
	102-50	Reporting period	2, 148	
	102-51	Date of most recent report	2, 148	
	102-52	Reporting cycle	2, 148	
	102-53	Contact point for questions regarding the report	2	
	102-54	Reporting in accordance with the GRI Standards	2, 148	
	102-55	GRI content index	149~152	
	102-56	External assurance	163~165	

GRI Standards Index (Core Option)

Economic Performance (GRI 200)

Topic	Index	Description	Page	Remark
GRI 103 : Management Approach 2016	103-1~3	Management Approach	24, 58, 68~69, 71, 96	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	123	
	201-2	Financial implications and other risks and opportunities due to climate change	30~44	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	82	
	205-3	Confirmed incidents of corruption and actions taken	80~85, 139	
GRI 207: Tax 2019	207-4	Country-by-country reporting	124	

Environmental Performance (GRI 300)

Topic	Index	Description	Page	Remark
GRI 103 :Management Approach 2016	103-1~3	Management Approach	24~25, 68~69, 87	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	88~89, 129	
	302-2	Energy consumption outside of the organization	129	
GRI 303: Water 2016	303-5	Water consumption	129	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	51~55, 128	
	305-2	Energy indirect (Scope 2) GHG emissions	51~55, 128	
	305-3	Other indirect (Scope 3) GHG emissions	51~55, 128	
	305-5	Reduction of GHG emissions	43, 88~89	
GRI 306: Waste 2016	306-2	Waste by type and disposal method	129	
Business Travel	G4-EN15	Business travel by using corporate vehicles or transportation methods	129	

GRI Standards Index (Core Option)

Social Performance (GRI 400)

Topic	Index	Description	페이지	추가 정보
GRI 103 : Management Approach 2016	103-1~3	Management Approach	12, 58, 68~69, 97	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	134~135	
	401-2	Benefits provided to full-time employees	108~110	
	401-3	Parental leave	15, 108, 137	
GRI 403: Occupational Health and Safety 2018 (OHS)	403-1	Occupational health and safety management system	105~106	
	403-3	Occupational health services	107	
	403-4	Worker participation, consultation, and communication on OHS	105~107	
	403-5	Worker training on OHS	107	
	403-6	Promotion of worker health	107	
	403-7	Prevention and mitigation of OHS impacts linked by business relationships	105~107	
	403-8	Workers covered by an OHS management system	105	
	403-9	Work-related injuries	138	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	138	
	404-2	Programs for upgrading employee skills and transition assistance	103~104	
	404-3	Percentage of employees receiving regular performance and career development reviews	105	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	11~22	
	405-2	Ratio of basic salary and remuneration of women to men	137	No difference in base salary between male and female employees
GRI 412: Human Rights Assessment 2016	412-1	Operations subject to human rights reviews or impact assessments	119~120	
	412-2	Employee training on human rights policies or procedures	110, 117~120	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	113~116	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	98~99	Complaints from outside parties: 0 Complaints from regulatory bodies: 0
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	139	1 violation of environmental regulations in 2021 [1)]
Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose and impact	125~127	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose and impact	126~127	
Local Communities	FS14	Initiatives to improve access to financial services for disadvantaged people	18~22	

1) Prudential Life Insurance : Violating the Clean Air Conservation Act (Non-fulfillment of self-measurement of pollutants in air pollutant discharge facilities)

SASB Index

We have been disclosing ESG information since 2019 based on Sustainability Accounting Standards Board (SASB) Standards.

The following sectors, which form the core of our business portfolio, were selected for disclosure.

· Commercial Banks, Consumer Finance, Investment Banking & Brokerage, Asset Management & Custody Activities, Insurance

Among the metrics in relation to the above five sectors, those deemed to have the highest relevance with our business were selected and reported. The metrics that overlap were marked separately as 'multiple sectors'.

We will continue to enhance the scope and level of disclosure based on SASB Standards to provide quality ESG information to our investors and stakeholders.

Multple Sectors[1)]

Topic	Accounting Metric	Code	Response
Data Security	Number of data breaches - Percentage involving personally identifiable information - Number of account holders affected	FN-CB-230a.1 FN-CF-230a.1	No data breaches was detected in the report year.
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2 FN-CF-230a.3	KB Financial Group is setting up management system for information security & customer information protection and operating it by setting up mid/long-term strategy on information protection. In addition, it is also establishing and operating policies and technological environment & system for privacy. Refer to page 98 of this report for details.
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1 FN-IB-510a.1	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
	Description of whistleblower policies and procedures	FN-CB-510a.2 FN-IB-510a.2	Refer to page 81 of this Report for more details.
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group	FN-IB-330a.1 FN-AC-330a.1	Refer to page 11~22, 132~133 of this Report for more details.

1) Commercial Banks, Consumer Finance, Investment Banking & Brokerage, Asset Management & Custody Activities

Multiple Sectors (continued)

Topic	Accounting Metric	Code	Response
Systemic Risk Management	Global Systemically Important Bank(G-SIB) score, by category	FN-CB-550a.1 FN-IB-550a.1	KB Financial Group Inc. and KB Kookmin Bank was selected as D-SIB of 2022 in July 2021(KBFG: systemically important bank holding company / KB Kookmin Bank: systemically important bank). We submit related data every year upon the relevant authorities' request for G-SIB and D-SIB selection, and Financial Stability Board(FSB) and Financial Services Commission(FSC) select and announce G-SIB and D-SIB, respectively, based on the submitted data. FSC has been selecting D-SIB on a yearly basis since 2016 based on the recommendations of the Basel Committee on Banking Supervision and imposing the regulatory capital surcharge(additional capital surcharge of 1%p to the minimum capital requirement). We have been selected as D-SIB every year in recognition of our significant impact on Korea's financial system and economy. The Group has also been maintaining the BIS capital adequacy ratio at an appropriate level by keeping capital at the level that exceeds the regulatory capital surcharge. Refer to page 21~22 of 2021 Form 20-F for more details.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2 FN-IB-550a.2	We perform the biannual Group-wide integrated crisis analysis to assess potential vulnerabilities concerning exceptional yet credible accidents and measure profit and loss, capital adequacy, and impact by risk type for each crisis scenario. A crisis analysis process consists of crisis scenario creation through potential risk factor analysis; major risk factor projection by risk type; projection of impact on major business indicators for each scenario; and scenario-specific capital adequacy assessment and response measure establishment. We reflect the results of crisis analysis in our risk management directions and business plans for the following year and perform additional crisis analysis in accordance with internal and external economic conditions.

Commercial Banks

Topic	Accounting Metric	Code	Response
Financial Inclusion	Number and amount of loans outstanding qualified to programs designed to promote small business and community development	FN-CB-240a.1	KB Financial Group is providing inclusive financial product & service to SMEs & small business owners, local communities and financially vulnerable groups. Refer to page 18~22 of this report for details. For information on inclusive financial loan products such as Miso Finance, Sunshine Loan, etc., refer to page 125 of this report.
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	With the launch of COVID-19 special financial assistance program in 2020, KB Financial Group is reducing repayment burden of customers such as SMEs, small business owners, and local communities. Furthermore, to support SMEs and small business owners to overcome management difficulties and to reinforce their management capabilities, KB Financial Group is offering KB SOHO Consulting, KB Wise Consulting, KB ESG Consulting, etc. For details, refers to page 18~22, 111, 141 of this report.
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	We offer diverse inclusive financial products and services for financially vulnerable groups. Refer to pages 18~22 of this Report for more details. KB Kookmin Bank does not charge extra expenses for account opening and transactions.
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	We operate a range of financial education programs to help cultivate sound financial habits for the public. As of the end of 2020, the number of beneficiaries of our education programs reached 108,383(cumulative). Refer to pages 114 of this Report for more details.
Incorporation of ESG factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-410.a1	Refer to page 99 of 2021 Annual Report for industry-specific credit offering.
	Description of approach to incorporation of environmental, social, and governance(ESG) factors in credit analysis	FN-CB-410a.2	KB Financial Group executes investment and loan based on environmental and social risk review when carrying out large-scale development projects. By becoming a member of Equator Principles, KB Kookmin Bank evaluates environmental & social risks of each project according to its process of handling Equator Principles. It also operates 'Corporate Loan Guidelines' which states that the KB Kookmin Bank will reflect ESG related items in credit rating/loan adjustment and credit review. For details, refers to page 47~50 of the report.
Activity Metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A	Refer to page 11 of 2021 Business Results for deposits in KRW.
	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	FN-CB-000.B	Refer to page 11 of 2021 Business Results for loans in KRW for general households, SMEs, and SOHO customers.

Consumer Finance

Topic	Accounting Metric	Code	Response
Customer Privacy	Number of account holders whose information is used for secondary purposes	FN-CF-220a.1	We monitor customer data used for secondary purposes, and there was no such case.
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	FN-CF-220a.2	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
Data Security	Card-related fraud losses from (1) card-not-present fraud and (2) card-present and other fraud	FN-CF-230a.2	KB Kookmin Card operates the FDS(Fraud Detection System)to prevent illicit use of customer information. The company has also introduced AI model reflecting the latest illicit use pattern and reinforcing response to illicit use both online and offline. We do not disclose the loss amount as it is sensitive business information.
Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold	FN-CF-270a.1	Remuneration for sales staff members(at our branches and regional headquarters) consists of base pay and performance-based variable pay. The rate of variable pay varies in accordance with the performance-based appraisal ratings.
	(1) Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), (2) percentage with monetary or nonmonetary relief, (3) percentage disputed by consumer, (4) percentage that resulted in investigation by the CFPB	FN-CF-270a.4	In 2021, KB Financial Group received 0 case of complaints from regulatory bodies
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	FN-CF-270a.5	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
Activity Metrics	Number of unique consumers with an active (1) credit card account and (2) pre-paid debit card account	FN-CF-000.A	<As of December, 2021> · Credit card: 11,433 thousand · Debit card: We do not disclose the number as it is sensitive business information.
	Number of (1) credit card accounts and (2) pre-paid debit card accounts	FN-CF-000.B	<As of December, 2021> · Credit card: 15,451 thousand · Debit card: We do not disclose the number as it is sensitive business information.

Investment Banking & Brokerage

Topic	Accounting Metric	Code	Response
Incorporation of ESG factors in Investment Banking & Brokerage Activities	Profit from acquisition, advisory, and securitization incorporating integration of ESG factors by industry	FN-IB-410a.1	In 2021, KB Financial Group was the representative organizer and acquirer of 71 ESG bonds (We do not disclose the profit as it is sensitive business information.)
	(1) Number and (2) total value of investments and loans incorporating integration of ESG factors, by industry	FN-IB-410a.2	Refer to page 47~50 of this Report for more details.
	Description of approach to incorporation of ESG factors in investment banking and brokerage activities	FN-IB-410a.3	Our investments and loans are executed based on ESG principles. Refer to page 47~50 of this Report for more details.
Professional Integrity	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	FN-IB-510b.2	KB Financial Group had only one financial dispute case that was arbitrated by FSS in 2021. Accordingly, KB Financial Group took measure on affected customers and collected advances for payment on loss compensation from relevant employees.
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	FN-IB-510b.3	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
	Description of approach to ensuring professional integrity, including duty of care	FN-IB-510b.4	We enacted the KB Charter of Ethics which is the Group's uppermost ethical standards. Code of Conduct, Code of Practice for Employees and Supplier Code of Conduct were also established to clearly define and realize the highest level of ethical standards in every action and decision taken by our employees and suppliers. All of our employees make the Employee Work Ethics Pledge every year. We also operate Compliance Day, Compliance Check, Internal Control Check list, and the whistleblowing system to ensure ethical management. Refer to pages 80~85 of this Report for more details.
Activity Metrics	(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions	FN-IB-000.A	· 274 corporate bond acquisitions(₩14.13tn), · 13 IPO acquisitions(₩5.32tn), · 22 paid-in capital increase acquisitions(₩3.54tn) · 2 ELB acquisitions(₩45bn)
	(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products	FN-IB-000.C	· Stock: ₩95.2bn from 71,701 transactions · Derivatives: ₩17.44tn from 438,913 transactions (excluding those transactions assessed to be hedging activities) · ETN: ₩74.89bn from 103,735 transactions · ELW: ₩3.18tn from 1,044,370 transactions · ETF: ₩14.71tn from 2,393,455 transactions

Asset Management & Custody Activities

Topic	Accounting Metric	Code	Response
Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of covered employees with a record of investment-related investigations,consumer-initiated complaints, private civil litigations, or other regulatory proceedings	FN-AC-270a.1	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial productrelated information to new and returning customers	FN-AC-270a.2	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
	Description of approach to informing customers about products and services	FN-AC-270a.3	To strengthen the protection of financial consumer, KB Financial Group has in place investor protection mechanism. During when selling funds, investment propensity is categorized into 5 steps based on investor information & propensity analysis. Based on the results from investor information analysis, the seller explains investor propensity and its meaning and make appropriate investment recommendation accordingly. When making investment recommendation, details of the investment product, risk associated with the investment, structure & characteristics of investment product, fees investor has to burden, conditions of early repayment, items regarding release/termination of contract, etc. should be explained for the benefit of investor's better understanding. Meanwhile, receive signature, registered seal, recording, etc. from the investor as a confirmation that the investor understands what's been explained. Especially when selling derivatives-linked securities to new investors, senior investors, and super senior investors, to help the investor make right investment decision, an investment suitability report that includes reason for recommendation and precautions, etc. is issued.
Incorporation of ESG factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance(ESG) issues, (2) sustainability themed investing, and (3) screening	FN-AC-410a.1	Refer to page 126~127 of this Report for more details about our ESG-based investments.
	Description of approach to incorporation of environmental, social, and governance(ESG) factors in investment and/or wealth management processes and strategies	FN-AC-410a.2	Our ESG investment process is designed to ensure the effective reflection of ESG factors in our investments. Refer to page 47~50 of this Report for more details.
	Description of proxy voting and investee engagement policies and procedures	FN-AC-410a.3	KB Financial Group is the first Korean financial group to adopt stewardship code, which is being applied and implemented at six subsidiaries: KB Kookmin Bank, KB Securities, KB Insurance, KB Asset Management, KB Life Insurance and KB Investment. In 2021, KB Financial Group executed voting right for 1,061 cases. With sense of responsibility as a fiduciary that manages customers' asset, it is actively fulfilling its duties as a fiduciary by sending public letters, making confidential questions, etc. Also, investee companies are under regular review and customers & beneficiaries receive regular report on matters regarding voting right exercise and activities for fulfilling fiduciary responsibilities. Refer to page 84 of the report and KB Asset Management Homepage for details.
Activity Metrics	(1) Total registered and (2) total unregistered assets under management(AUM)	FN-AC-000.A	· Entrusted amount: ₩51.48tn; net asset value: ₩54.16tn(as of December 31, 2021) · Contract amount of discretionary investment asset: ₩64.50tn; appraised value: ₩72.67tn(as of December 31, 2021)
	Total assets under custody and supervision	FN-AC-000.B	· Entrusted amount + contract amount: ₩115.98tn(as of December 31, 2021) · Net asset value + appraised value: ₩112.63tn(as of December 31, 2021)

Insurance

Topic	Accounting Metric	Code	Response
Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	FN-IN-270a.1	Refer to pages 169~171 of 2021 Form 20-F for disclosure of material legal proceedings.
	Description of approach to informing customers about products	FN-IN-270a.4	To protect financial consumer, KB Financial Group fulfills its duty of explanation at the stage of signing insurance contract. Key details of insurance product that are explained to customers are all included in product manual and insurance solicitors shall inform customers about all the details (Suitability of the product, business expenses and cancellation refunds, what is covered and not covered, insurance claims and payment procedures, etc.) included in the product manual. The solicitor gives handwritten signature on the fact that provided description is same as what's included in the product manual, delivers it to the customer, and the customer signs the issued application form to confirm that key details of product manual were explained. After contract signing, the insurer conducts follow-up monitoring to check whether or not the details of insurance product were properly explained. When the insurer violates duty of explanation, contract can be cancelled within 3 months after finalizing the insurance contract.
Incorporation of ESG Factors in Investment Management	Total invested assets, by industry and asset class	FN-IN-410a.1	ESG investment balance is ₩1034.8bn. (Environment sector ₩796.4bn, social sector ₩238.4bn)
	Description of approach to incorporation of ESG factors in investment management processes and strategies	FN-IN-410a.2	KB Financial Group applies ESG factors in investment management strategy and process. It reviews environmental and social risks related to large-scale project according to ESRM framework and also reviews risk associated with each product and service via ESG financial product process on ESG product, loan and investment. Refer to page 47~50 of the report for details.
Policies Designed to Incentivize Responsible Behavior	Net premiums written related to energy efficiency and low carbon technology	FN-IN-410b.1	KB Financial Group's net insurance premiums for assembly insurance and comprehensive machinery insurance for wind and solar power plants is around ₩2.5bn.
	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	FN-IN-410b.2	KB Insurance offers a variety of auto insurance products aimed at reducing GHG emissions and promoting safe driving. · Mileage advantage: Auto insurance premium discount based on mileage · Public transit advantage: Auto insurance premium discount based on public transit use · T Map advantage: Auto insurance premium discount based on T Map safe driving scores to elicit safe driving and compliance with traffic regulations · Step count discount rider: Encourage habit of walking by offering discounts to over 5,000 daily step counts for over 50 days within 90 days period

Insurance

Topic	Accounting Metric	Code	Response
Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	FN-IN-450a.1	KB Insurance has estimated the maximum insurance product loss brought on by Typhoon, the biggest natural disaster related to climate. Based on information such as insurance amount, address of the location, business type, number of buildings, deductible amount and etc. of insurance policies effective as of end of Aug. 2021, analyzed the amount of loss according to various cycles (50yrs, 100yrs, 200yrs, 250yrs) using natural disaster analysis model developed by agencies such as AIR Worldwide, RMS and etc. KB Insurance's original amount of loss brought on by Typhoon is ₩500.4Bn with underlying retention of ₩197.4Bn. After applying Cat XL (Catastrophe Excess of Loss), the underlying retention is ₩10Bn based on cycle of 250 years.
	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	FN-IN-450a.3	KB Insurance is thoroughly implementing environmental and social risk management in acquiring individual contract and managing corporate-wide risk & capital adequacy. Asset risk related departments annually establish guideline on asset management, share it with asset management departments and report it to Asset Management Council. 2021 Guideline on Asset Management incorporates details regarding ESG investment while 2022 Guideline covers details on ESRM framework. Refer to page 47~50 of the report for details on Environmental and Social Risk Policy Framework and ESRM framework.
Systemic Risk Management	Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with theCentral Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	FN-IN-550a.1	KB Financial Group discloses the status of credit derivatives exposure as well as central counter party exposure. For details, refer to page 191 of '2021 Current status of KB Financial Holding Company'.
	Total fair value of securities lending collateral assets	FN-IN-550a.2	KB Financial Group discloses information on fair value measured marketable securities. Refer to page 77~81 of '2021 Current status of KB Financial Holding Company' for details.
	Description of approach to managing capitaland liquidity-related risks associated with systemic non-insurance activities	FN-IN-550a.3	To manage capital and liquidity risks, KB Insurance has set up a risk appetite, which is the endurable level of risk. The risk appetite is set by applying the management level of solvency ratio, the goal of the management plan, and crisis situation analysis, and is approved by the Risk Management Committee once a year. Also, KB Insurance manages overall exposure limit to prevent excessive credit risk exposure & asset concentration on specific industry and to promote healthy asset operation and establishes country-specific credit limit to manage the level of risk exposure by country.
Activity Metrics	Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	FN-IN-000.A	KB Insurance: 18,852,702 cases

PRB Index

The UN PRB(United Nations Principles for Responsible Banking) offers the Self-Assessment template in which companies can evaluate the level of implementation to encourage the implementation of the PRB principles. KBFG discloses a discloses the level of implementation of PRB principles by filling out Self-Assessment template.

Principle	Accounting Metrics	Reference
Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	1.1 Describe your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	2021 Annual Report p.17, 32~33 2021 Sustainability Report p.6
	1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	2021 Sustainability Report p.113
Principle 2: Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.	2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services."	2021 Sustainability Report p.30~50
	2.2 Target Setting: Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks."	2021 Sustainability Report p.8~9, 51~56
	2.3 Plans for Target Implementation and Monitoring: Show that your bank has defined actions and milestones to meet the set targets.	2021 Sustainability Report p.30~44, 68~69. 87
	2.4 Progress on Implementing Targets: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in.	2021 Sustainability Report p.8~9, 68~69
Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers.	2021 Sustainability Report p.18~22, 111~116
	3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities.	2021 Sustainability Report p.90~92

Principle	Accounting Metrics	Reference
Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts.	2021 Sustainability Report p.144~145
Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking	5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	2021 Sustainability Report p.77
	5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees.	2021 Sustainability Report p.75~76
	5.3 Governance Structure for Implementation of the Principles a) target-setting and actions to achieve targets set. b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	2021 Sustainability Report p.77
Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	6.1 Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory)	2021 Sustainability Report p.146~147

Third-Party Assurance Statement

Third-Party Assurance Statement

To Management and Stakeholders of KB Financial Group
Korean Sustainability Investing Forum (hereinafter "KoSIF") was commissioned by KB Financial Group (hereinafter the "Company") to provide an independent assurance statement for its "KB Financial Group Sustainability Report 2021(hereinafter the "Report") and hereby presents the following third-party assurance statement.

Responsibility and Independence

Other than providing the independent assurance statement, KoSIF does not hold any interest in the Company that may affect the independence and fairness of the verification. Although this assurance statement is written for the management and stakeholders of the Company, KoSIF expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this assurance statement.

Assurance Criteria and Principles

- This assurance statement is based on AA1000AS(v3) to perform Moderate Level validation of Type1 and Type 2 data types. Detailed verification criteria are as follows.
- Includes key data, sustainable management policies, strategies, goals, projects, and performance
- Accountability Principles (AA1000AP) (2018) conformity to the four principles (inclusivity, materiality, responsiveness, and impact)
- Sustainable management strategy and performance information system, process evaluation
- Accordance with the core requirements of GRI Standard
- Reporting points according to International Initiatives (TCFD, PRB, SASB)
- The followings are excluded from the verification
  - Data on KB Financial Group's partner companies and contractors are excluded from the scope of verification. The results may vary if future verification is performed.

- Universal Standards
  Profile 102-1~13 / Strategy 102-14~15 / Ethics and Integrity 102-16~17 / Governance 102-18~38 / Stakeholder Engagement 102-40~44 / Report Profile 102-45~56 / Management Approach 103-1~3
- Topic-specific Standards
  - Economy: Economic Performance 201-1~2/ Anti-corruption 205-2~3 / Tax 207-4
  - Environment: Energy 302-1~2 / Water 303-5 / Emissions 305-1~3, 305-5 / Effluents and Waste 306-2, G4-EN15 ※ Overall indicators were verified by Type2
  - Social: Employment 401-1~3 / Occupational Safety & Health 403-1, 403-3~9 / Training and Education 404-1~3 / Diversity and Equal Opportunity 405-1, 405-2 / Human Rights Assessment 412-1~2 / Local Communities 413-1 / Customer Privacy 418-1 / Compliance 419-1 / Product Portfolio FS7~8 / Local Community FS14

Assurance Process and Limitations

KoSIF has carried out the following verification activities:

- Reviewed the overall contents described in the report
- Reviewed the criticality issue derivation and analysis process and verifying suitability
- Reviewed systems and processes to implement sustainability strategies
- Identified the process of generating, collecting, and reporting performance data for each area
- Reviewed the suitability of evidence for information, data, and various claims through interviews with the person responsible for the report
- Verified the consistency of financial information in the report and business report figures in the electronic disclosure system
- Verified the consistency of greenhouse gas emissions with the greenhouse gas verification statement

Assurance Result and Opinion

KoSIF confirmed that nothing has come to KoSIF's attention that causes to believe the information and data provided were misplaced or misleading. KoSIF believes that KB Financial Group's report complies with the GRI Standard's "core option" requirements and reports relatively faithfully in accordance with TCFD, PRB, and SASB indicators.

KoSIF's opinion regarding the 4 principles of AA1000AP is as follows:

Inclusivity

The Company identifies customers, employees, central and local government, shareholders, investors, business partners, and local communities as its stakeholders. The Company has established communication channels for each stakeholder group and collects feedback, expectations, and opinions of the respective stakeholder groups. In addition, the Company reflects the interests and expectations of stakeholders through the annual survey for materiality assessment. As a result of checking the operation and performance of major communication channels for each stakeholder, and surveys, KoSIF could not find any evidence that important stakeholders were omitted from the process. However, it is recommended to identify each stakeholder for 'SNS survey respondents' when evaluating.

Materiality

KB Financial Group identified important issues with three steps: organizing an issue pool, conducting a serious evaluation, and deriving key issues. After forming 32 issues pools through international standard analysis (GRI, SASB, 16 others), industry benchmarking (6 companies), media analysis (406 articles related to ESG issues in 2021), and sustainability management issues in the previous year, 12 key issues were selected by analyzing business impact and social interest. KoSIF has reviewed related documents in the KB Financial Group's importance assessment process and found no evidence that important issues were omitted in the process.

Responsiveness

The Company reports response activities and performance for 12 core issues identified as having a significant impact on stakeholders, as well as issues that are not included in the core issues but deemed important. KoSIF has not found any evidence that Company's activities and performance to important stakeholder issues were inappropriately reported. However, 'Digitalization and Innovation of Finance', which was selected as the most important issues, is judged to be relatively lacking compared to KB Financial Group's response activities and performance.

Impact

According to KB Financial Group's TCFD framework, it reports detailed governance structures, strategies, risk management, indicators, and reduction goals related to climate change. In this process KB Financial Group identified, monitored, evaluated, and reported climate change impacts. Based on this report, KB is working on reducing activities by establishing net zero goals and strategies that consider the characteristics of the organization's business. It is recommended that impact identification and assessment be extended to a wider range of issues in the future.

Recommendations

In anticipation that the Company will advance its sustainability management and respond on timely manner to current sustainability issues, and contribute to enhancing the sustainability of stakeholders, KoSIF recommends the following:

- The mainstream of ESG has also raised stakeholder concerns about ESG washing. It is recommended that KB Financial Group take the lead in establishing policies and systems that prevent ESG washing at a corporate level beyond financial products.

- Creating a sustainable report means having both tangible and intangible positive and negative impacts on the business processes. It is recommended that KB Financial Group reports both positive and negative information to increase the trust of stakeholders in the future.

July 18th, 2022

Korea Sustainability Investing Forum

Chairman
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