Industrial
Bank of Korea

Industrial Bank of Korea

ESG Reporting

2023 November

ESG Strategy & Achievement

ESG Management Vision and Strategy

IBK Vision

“Focus on the Fundamentals”

Goals	**Green management**	**Responsibility in management**	**Compliance and ethical management**
Key Tasks	✓ Climate action ✓ Expand green finance ✓ Create eco-friendliness	✓ Protect financial consumers ✓ Respect for employees ✓ Expand inclusive finance ✓ Expand social contribution	✓ Practice compliance and ethical management ✓ Risk management ✓ Information protection

Sustainability Footprints

Environment	Joined the **Equator Principle** (September 2022)	First policy FI to declare **Coal Free Finance Principle** (April 2022)	**CDP Leadership Grade A**
	1,256 companies completed IBK’s ESG Self Assessment (As of September 2023) 	Provided ESG consulting to **92 companies** (As of September 2023) 	Founding Member & Co-chair of **OECD Platform** on financing SMEs for sustainability
Social	Newly Added **Bloomberg Gender Equality Index**	Newly Added **FTSE4Good Index**	Job Creation Project Cumulative Employment **200,000** (Since 2009) 
Governance	Introduced **Board Skills Matrix Disclosure**	Established **ESG Committee** 	Applying **ISO 37001 & 37301**
ESG Awards	CDP Korea Awards awarded **Carbon Management Honors Club**	**LACP Vision Awards Platinum Prize**	Awarded in **SME Finance Awards**

ESG Financing Summary

Allocation & Impact Highlights

Total Allocated Amount: **USD 1,804mn equiv.**

Total Refinancing Ratio: **0.2%**

No. of Eligible Categories for Allocation: **1 Social , 3 Green**

No. of Corporate Financed: **5,591**

No. of Jobs Created: **442**

Daily Wastewater Treatment (ton): **24,699**

Daily Water Reuse (ton): **9,722**

No. of Hydrogen EV Manufactured: **50**

No. of EV Served: **618**

Annual Expected CO_2 Emission Avoided ($kgCO_2e$): **8,097,844**

Syndicated Loans

Value Date	Drawdown Date	ESG	Amount	Tenor	Interest Rate
2022.10.25	2022.11.01	Social	USD 300mn	5yr	Term SOFR 3M + 89bp
2022.12.22	2023.02.14		USD 300mn	5yr	Term SOFR 3M + 100bp
2023.05.30	2023.08.30		USD 200mn	3yr	Term SOFR 3M + 80bp

ESG Bonds

Pricing Date	Maturity Date	ESG	Amount	Tenor	Coupon	ISIN
2022.03.10	2027.03.17	Social	AUD 125mn	5yr	3.261%	AU3CB0287456
			AUD 285mn	5yr	BBSW+93bps	AU3FN0067385
2022.10.18	2024.10.25	Social	USD 600mn	2yr	5.125%	US45604HAL15/ US45604GAL32
2023.04.21	2026.04.28	Green	USD 50mn	3yr	SOFR+85bps	XS2616615519
2023.05.03	2026.05.11	Green	HKD 390mn	3yr	4.000%	XS2620912795
2023.05.18	2025.05.25	Sustainability	GBP 37mn	2yr	4.780%	XS2628706694

Allocation Reporting (1/2)

Social Details

$ 1.6bn+	3 Loans 3 Bonds	Employment Generation	SMEs	Job Creating Companies	Start-ups

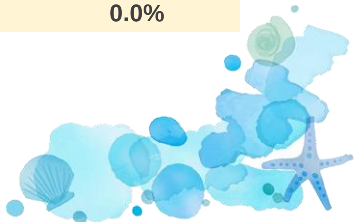
Syndicated Loans

Loan	Eligible Projects	Allocated (USDmn)	% of Total	Refinancing Ratio
2022.10.25 USD 300mn	**Loans to SME**			
	Haenaeri Loan	100.5	33.5%	0.0%
	Loans to Job creating companies			
	IBK Career Plus Loan	49.5	16.5%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	150.0	50.0%	0.0%
	Total	**300.0**	**100.0%**	**0.0%**
2022.12.22 USD 300mn	**Loans to SME**			
	ESG Management Success Support Loan	100.0	50.0%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	200.0	50.0%	0.0%
	Total	**300.0**	**100.0%**	**0.0%**
2023.05.30 USD 200mn	**Loans to SME**			
	ESG Management Success Support Loan	40.0	20.0%	0.0%
	Loans to Job creating companies			
	IBK Career Plus Loan	160.0	80.0%	0.0%
	Total	**200.0**	**100.0%**	**0.0%**

Social Bonds

Bond	Eligible Projects	Allocated[1] (USDmn equiv.)	% of Total	Refinancing Ratio
2022.03.10 AUD 125mn (AU3CB0287456)	**Loans to SME**			
	Haenaeri Loan	15.0	18.9%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	40.0	50.5%	0.0%
	IBK Innovative Start-up Loan	24.2	30.6%	0.0%
	Total	**79.2**	**100.0%**	**0.0%**
2022.03.10 AUD 285mn (AU3FN0067385)	**Loans to Job creating companies**			
	IBK Career Plus Loan	100.0	55.4%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	80.6	44.6%	0.0%
	Total	**180.6**	**100.0%**	**0.0%**
2022.10.18 USD 600mn (US45604HAL15/ US45604GAL32)	**Loans to Job creating companies**			
	IBK Career Plus Loan	200.0	33.3%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	400.0	66.7%	0.0%
	Total	**600.0**	**100.0%**	**0.0%**

Note [1]: USDAUD = 1.5780 as of end Oct 2023 (source: BBG)



Allocation Reporting (2/2)

Green Details

$ 99mn+	IBK's Inaugural Green Bond	6 Types of Green Loan	Low Carbon Transport	Renewable Energy	Environment Improvement

Green Bonds

Bond	Eligible Projects	Allocated[1] (USDmn equiv.)	% of Total	Refinancing Ratio
2023.04.21 **USD 50mn** (XS2616615519)	**Loans to Renewable Energy**			
	Solar Power Generation (building-integrated)	1.1	2.2%	100.0%
	Solar Power Facility Loan	2.9	5.9%	100.0%
	Loans to Environment Improvement & Protection			
	Wastewater Treatment Plants PF	46.0	91.9%	0.0%
	Total	**50.0**	**100.0%**	**8.0%**
2023.05.03 **HKD 390mn** (XS2620912795)	**Loans to Low Carbon Transport**			
	EV Infrastructure	0.5	1.0%	100.0%
	Hydrogen EV Components Production	5.5	11.1%	0.0%
	Lithium Battery Production	3.5	7.1%	0.0%
	Loans to Environment Improvement & Protection			
	Wastewater Treatment Plants PF	39.9	80.8%	0.0%
	Total	**49.4**	**100.0%**	**1.0%**

Sustainability Bonds

Bond	Eligible Projects	Allocated[1] (USDmn equiv.)	% of Total	Refinancing Ratio
2023.05.18 **GBP 37mn** (XS2628706694)	**Loans to Environment Improvement & Protection**			
	Wastewater Treatment Plants PF	4.5	10.0%	0.0%
	Loans to Start-up companies			
	IBK Successful Start-up Loan	40.5	90.0%	0.0%
	Total	**45.0**	**100.0%**	**0.0%**

Note [1]: USDHKD = 7.8924, USDGBP = 0.8228 as of end Oct 2023 (source: BBG)

Impact Reporting (1/2)

Social

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES

Green

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Sustainability

6 CLEAN WATER AND SANITATION
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Syndicated Loans

Project Location: Korea

Loan	Eligible Projects	No. of Corporate Financed	Avg. Amount of Financed per Corporate	No. of Jobs Created
2022.10.25 USD 300mn	Haenaeri Loan	783	USD 0.13m	-
	IBK Career Plus Loan	-	-	272
	IBK Successful Start-up Loan	917	USD 0.16m	-
	Total	**1,700**	**-**	**272**
2022.12.22 USD 300mn	ESG Management Success Support	346	USD 0.29m	-
	IBK Successful Start-up Loan	841	USD 0.24m	-
	Total	**1,187**	**-**	**-**
2023.05.30 USD 200mn	ESG Management Success Support	138	USD 0.29m	-
	IBK Career Plus Loan	-	-	55
	Total	**138**	**-**	**55**

Social Bonds

Project Location: Korea

Bond	Eligible Projects	No. of Corporate Financed	Avg. Amount of Financed per Corporate	No. of Jobs Created
2022.03.10 AUD 125mn (AU3CB0287456)	Haenaeri Loan	115	USD 0.13m	-
	IBK Successful Start-up Loan	168	USD 0.24m	-
	IBK Innovative Start-up Loan	92	USD 0.26m	-
	Total	**375**	**-**	**-**
2022.03.10 AUD 285mn (AU3FN0067385)	IBK Career Plus Loan	-	-	38
	IBK Successful Start-up Loan	339	USD 0.24m	-
	Total	**339**	**-**	**38**
2022.10.18 USD 600mn (US45604HAL15/ US45604GAL32)	IBK Career Plus Loan	-	-	77
	IBK Successful Start-up Loan	1,682	USD 0.24m	-
	Total	**1,682**	**-**	**77**

Impact Reporting (2/2)

Green Bonds

Project Location: Korea

Bond	Eligible Projects	CO_2 Avoided ($kgCO_2$/Year)	Wastewater Treated (ton/day)	Water Reuse (ton/day)
2023.04.21 **USD 50mn** (XS2616615519)	Solar Power Generation (building-integrated)	123,486.1	-	-
	Solar Power Facility Loan	1,828,500.2	-	-
	Wastewater Treatment Plants PF	-	12,561.1	4,944.3
	Total	**1,951,986.3**	**12,561.1**	**4,944.3**

Bond	Eligible Projects	No. of EV Served	No. of Hydrogen EV Manufactured	CO_2 Avoided ($kgCO_2$/ Year)	Wastewater Treated (ton/day)	Water Reuse (ton/day)
2023.05.03 **HKD 390mn** (XS2620912795)	EV Infrastructure	618	-	2,450,780.2	-	-
	Hydrogen EV Components Production	-	50	201,519.3	-	-
	Lithium Battery Production	-	-	3,493,558.1	-	-
	Wastewater Treatment Plants PF	-	-	-	10,908.3	4,293.8
	Total	**618**	**50**	**6,145,857.6**	**10,908.3**	**4,293.8**

Sustainability Bonds

Project Location: Korea

Bond	Eligible Projects	No. of Corporate Financed	Avg. Amount of Financed per Corporate	Wastewater Treated (ton/day)	Water Reuse (ton/day)
2023.05.18 **GBP 37mn** (XS2628706694)	Wastewater Treatment Plants PF	-	-	1,229.8	484.1
	IBK Successful Start-up Loan	170	USD 0.24m	-	-
	Total	**170**	**-**	**1,229.8**	**484.1**

Detailed Criteria & Methodology - Social

Detailed Criteria for Social Projects

	SMEs	Start-ups	Job Creation
Requirements:	✓ SMEs with less than 10 employees	✓ Start-ups less than 7-years since establishment	✓ SMEs that hired more than one employee versus last fiscal year end
Targets:	✓ Supporting SMEs facing a hardship due to rising interest rates and inflation ✓ Supporting SMEs with an established ESG management strategy (SLL)	✓ Supporting Start-ups with innovative technology ✓ Supporting Start-ups in early stages of incorporation (less than 3-years)	✓ Supporting SMEs investing in ESG facilities ✓ Supporting exemplary SMEs for job creation
Related Loans:	✓ **Haenaeri Loan** ✓ **IBK ESG Management Success Loan**	✓ **IBK Innovative Start-ups Loan** ✓ **IBK Successful Start-ups Loan**	✓ **IBK Successful ESG Management and ESG Facilities Loan** ✓ **IBK Career Plus Loan**

Methodology Examples

- **The number of Jobs Created**

Total.kromwel.or.kr
Check employment insurance status for target company

Record # of employees being covered by insurance

Review and confirm change in # of employees (at least every year)

Detailed Methodology – Green

Methodology for Impact Calculation

Renewable Energy

1. Solar Power Generation

✓ Following the EIB Carbon Footprint Methodologies, the expected impact of CO_2 emission avoided in the solar power generation project is assessed against country-specific baselines for intermittent electricity generation. The expected CO_2 emissions avoided are calculated by multiplying the solar energy production with these baselines.

**Source: ~~1) Country~~-specific baseline, EIB Project Carbon Footprint Methodologies*

2. Solar Power Facility Loan

✓ The expected impact of CO_2 emissions avoided from the solar power facilities loan is evaluated based on the cost to produce 1 kilowatt and country-specific baselines for intermittent electricity generation. The calculation of CO_2 emissions avoided involves multiplying the loan amount by the cost to produce 1 kilowatt with these baselines. Additionally, the calculation takes into account the country-specific solar power utilization rate.

**Source: 1) Country-specific baseline, EIB Project Carbon Footprint Methodologies*
2) Cost to produce 1 kW & country-specific solar power utilization rate, IEA Projected Costs of Generating Electricity

Low Carbon Transportation

1. EV infrastructure

✓ The expected impact of CO_2 emissions avoided from the EV infrastructure manufacture project is assessed by multiplying the number of EVs served by this infrastructure and annual average mileage of a passenger car and the baseline transport emission factors.

**Source: 1) Average annual km driven by vehicles, Statista data*
2) Baseline transport emission factors, EIB Project Carbon Footprint Methodologies

2. Hydrogen EV components

✓ The expected impact of CO_2 emissions avoided from hydrogen EV components production projects is assessed by first calculating the number of hydrogen EVs served by dividing the total amount of hydrogen EV components sold by the average cost of a hydrogen EV. Then, CO_2 emissions avoided are calculated by multiplying the number of EVs served by the annual average mileage of a passenger car and the baseline transport emission factors.

**Source: 1) Average cost of hydrogen EV, U.S. Department of Energy*
2) Average annual km driven by vehicles, Statista data
3) Baseline transport emission factors, EIB Project Carbon Footprint Methodologies

3. Lithium Battery

✓ The expected impact of CO_2 emissions avoided from Lithium Battery projects is determined by first calculating the total energy delivered by the battery. This is done by multiplying the energy capacity of the battery by the number of times the battery is charged. The CO_2 emissions avoided are then calculated by multiplying the total energy delivered by the battery with the baseline carbon intensity of the energy generation mix.

**Source: 1) Baseline carbon intensity of the energy generation mix, Statista data*

Environment Improvement & Protection

1. Wastewater Treatment Plants

✓ The environmental impact of the wastewater treatment plants is assessed by considering the proportion of green bond allocation relative to the overall project size.

Sustainability Financing Framework (May 2023)

Key Updates

Category	Description
Use of Proceeds	- Expanding the scope of eligible assets from loans to a full range of ESG assets
ESG Strategies	- Added IBK's Roadmap for Carbon Neutrality - Updated Sustainability Financing Working Group ("SFWG")
ESG Achievement	- Achieved CDP Leadership Grade A - Included in Bloomberg Gender-Equality Index
Support Target	- Reflected Common Criteria for Innovative Growth (5th Edition)

INDUSTRIAL BANK OF KOREA
Sustainability Financing Framework
May 2023

Framework Overview

Use of Proceeds	- The lookback period for refinancing Eligible Social and Green Assets is **36 months**	
	< Social Eligible Categories > ✓ Employment Generation ✓ Socioeconomic Advancement and Empowerment ✓ Affordable Housing	**< Green Eligible Categories >** ✓ Low Carbon Transport ✓ Renewable Energy ✓ Energy Efficiency ✓ Green / Zero Energy Buildings ✓ Environment Improvement & Protection (Pollution Prevention and Control) ✓ Alignment Eco-efficient Farming (Sustainable Land Use)
Project Evaluation and Selection	- **Sustainable Financing Working Group ("SFWG")** will assess, screen, monitor, and review Eligible Projects and Assets.	
Management of Proceeds	- IBK will establish a Green, Social and Sustainability Financing **"allocation register"** to record the allocation of Green, Social and Sustainability Financing proceeds.	
Reporting	- IBK will publish a Green, Social or Sustainability Financing Progress Report **within one year of issuance**, …**annually** until the full allocation of proceeds and on a timely basis in the event of material developments. https://global.ibk.co.kr/en/investor/esgbond	

Second Party Opinion: Sustainalytics (2023)

> *"Sustainalytics is of the opinion that the Industrial Bank of Korea Sustainability Financing Framework … aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021, the Green Loan Principles 2023 and Social Loan Principles 2023."*
>
> SUSTAINALYTICS

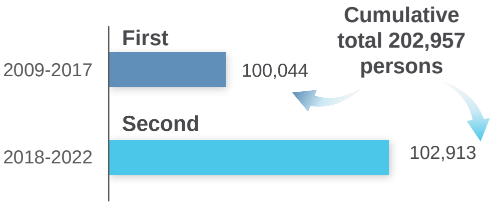
Case Study

Case Study 1: Job Support for SMEs

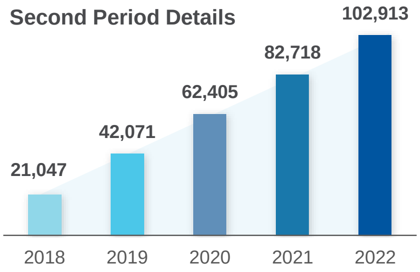
In 2009, IBK launched the “Youth Employment Project for SMEs” and since 2018, IBK has led the “Project to Create 100,000 New Jobs.” Through implementing of various initiatives such as operating i-ONE JOB, an employment portal dedicated to SME’s organizing job fairs, and providing financial support to recruiting companies, the second project surpassed the first by accelerating job matching by four years and two months. As a result, a cumulative total of 200,000 jobs were successfully created.

Starting 2023, IBK plans to transition from existing performance-based approach to the “Job Matching System” in response to the evolving job market. This upgraded system aims to provide tailored support for each SME, facilitating the recruitment of talent that aligns with their needs and requirements. In addition, IBK targets to provide practical training to employees in SMEs by strengthening links with external educational institutions.

Job Creation Project Status



Second Period Details



i-ONE JOB

✓ Free recruitment portal for SMEs

Job Fairs

✓ 66 fairs, 590,000 job seekers

Job “Chaeum” Fund

✓ Supported 1,486 companies, KRW 19.5bn

Case Study 2: ESG Consulting for SMEs

Global “Supply Chain ESG” Risk Management

Company Overview:

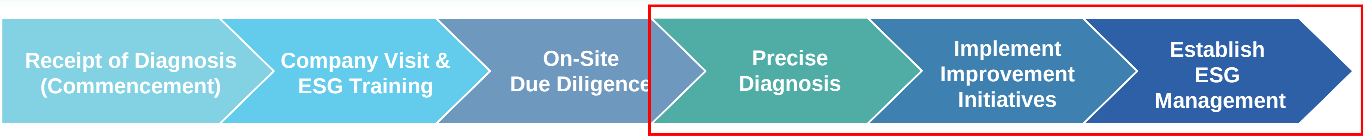
- Special alloy steel manufacturing SMEs that supply ally steel to domestic and overseas companies

ESG Consulting Application Background:

- Companies started to exclude suppliers with insufficient ESG management and the EU’s full introduction of CBAM placed a great burden on the domestic steel industry

ESG Consulting Process

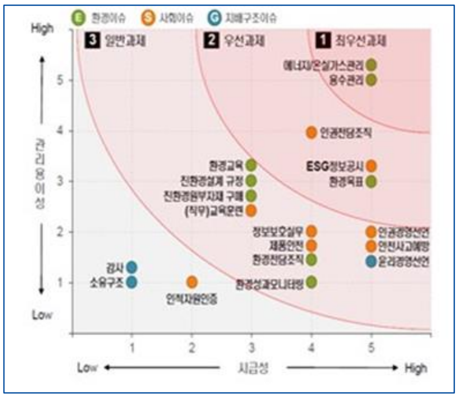
- IBK has conducted a precise ESG diagnosis including on-site due diligence, and provided tailored advices on the companies’ ESG directions



Receipt of Diagnosis (Commencement) → Company Visit & ESG Training → On-Site Due Diligence → Precise Diagnosis → Implement Improvement Initiatives → Establish ESG Management

Precis Diagnosis

Implement Improvement Initiatives



Establish ESG Management