

KB FINANCIAL GROUP  
SUSTAINABILITY  
REPORT

—  
2018

# About This Report

KB Financial Group has been publishing its annual Sustainability Report since 2011, building on KB Kookmin Bank's Sustainability Report published in 2009 and 2010. With this report, we wish to share with all of our stakeholders our commitment to sustainability in financial, social and environmental areas and our journey going forward.

## Reporting Period

This year's Sustainability Report presents our activities and performance made from January 1, 2018 to December 31, 2018. Some quantitative data include those of the latest three years (2016–2018) to demonstrate year-on-year trends. For some important sustainability activities, we also provide 2015 data and performance made in the first half of 2019.

## Scope

The 2018 Sustainability Report provides an overview of the sustainability activities conducted by KB Financial Group (holding company with 12 subsidiaries) and covers the head office and all of its business locations in Korea.

## Preparation and Assurance Standards

We prepared this report in accordance with the Global Reporting Initiative's Standards: Core Option. We focused on material issues, identified through a materiality test, that matter to both internal and external stakeholders. For the reliability and quality of the information presented, external assurance was performed and the results can be found in the Third Party's Assurance Statement starting on page 92–93 of this report.

MEMBER OF  
**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

KB Financial Group has been listed on 2018 DJSI World and selected as the best corporation in domestic bank industry for three consecutive years.

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# 2018 Highlights

Customers in total	<b>34.2 million</b>
In the National Customer Satisfaction Index (NCSI)	<b>1<sup>st</sup> place for 12 times</b>
Active Users of Online Banking Services	<b>37.8%</b>

## Customers

Conducting Customer-centric management prioritizing customer's position and benefits

Achieving the work-life balance through corporate culture innovation

## Employees

Employees	<b>28,457</b>
Of Average Training Hours per Employee	<b>176 hours</b>
Bloomberg Gender-Equality Index	<b>First Korean Company to be Listed</b>

In Net Income KRW **3.1** trillion

In Dividend Payment KRW **759.7** billion

Credit Ranking	Moody's	Aa3
	S&P	A+

## Financial Performance

Fostering a sustainable financial performance

Fulfilling social responsibility utilizing capabilities of financial industry

## Community

Donated for Philanthropic Causes KRW **130.4** billion

KB Miso Microfinance Supported (cumulative) KRW **156** billion

Of New Employment Created through KB Good Job Programs (cumulative) **8,433** people

In Green Loans

KRW **1.5** trillion

Investment in New and Renewable Energy

KRW **500.5** billion

At the CDP Climate Change 2018  
Named with Sector Honors

## Environment

Promoting Eco-Friendly Finance

## CEO's Message



Dear valued stakeholders of KB Financial Group.

I would like to take this opportunity to express my sincere appreciation to all the customers and stakeholders for your unchanging support and trust in KB Financial Group, and to all of our employees who tirelessly worked together for the growth and development of KB.

In 2018, the financial market is facing the change of global market as the result of US-China trade dispute and financial crisis of a developing nations, instabilities in business environment has increased due to falling economic growth and weakened corporate investment confidence. In the midst of such unstable internal and external circumstances, KB Financial Group has strived to ensure sustainable growth engine through proactive measures and focus on its capabilities for strengthening corporate competitiveness. For the ‘customers’ happiness’ and a ‘better world’, the group goes for ‘customer-oriented management’, and would like to keep our promise of ‘happier life & better world’ through various efforts to fulfill corporate social responsibility and shared growth with the society.

**Fulfilling customer-oriented management to put customers' position and benefits first**

Our 2018 mission was to concentrate on entire capabilities of the group through 'happier life & better world' based on the achievements of 'One Firm, One KB'. We will continuously lead the way in financial innovations and preemptively respond to new changes to establish our status as a leading financial group based on a strong faith in customer-oriented management that prioritizes customers' benefits and reflects it in every step of our decision-making processes. We will establish a balanced business portfolio by reinforcing all our non-bank subsidiaries, including securities, insurance, card and capital, and promote KB's unique 'One-stop Service' process through active collaborations among the 12 subsidiaries.

**Becoming a leader of digital finance for steering changes and innovations**

In order to be a leading digital innovation in the 4<sup>th</sup> Industrial Revolution, we created the slogan 'Play Digital KB', and are endeavoring to be the 'First Mover' of digital finance. For a customer service that can offer values beyond pure finance, Digital Innovation Sector was newly established for supervising 'digital-IT-data' businesses across the KB Financial Group, to provide customer with Speedy/Simple/Secure financial services. We will expand customer convenience through a customer-oriented infrastructure innovation, and will foster digital talents. Taking advantage of all these processes, we will make KB an unique, creative organization that constantly learns and moves around, thereby becoming a leader of digital finance who drives changes and innovations.

**Creating a society growing together through sustainable finance**

KB Financial Group discloses details of the group's sustainable activities, applying ESG(Environmental, Social, Governance) standard throughout overall corporate activities. In 2018, the group drew attention from global investors as the first domestic commercial bank to issue the foreign sustainable bonds, and steadily increase investment in eco-friendly renewable energy source. While striving to reduce greenhouse gas emission and achieving efficient energy use in consideration of the impact and the risk of climate change, we also invest in and provide green financial products such as 'KB Clean Sky' package. Furthermore, we will perform a leading role in domestic ESG financial market by establishing sustainable financial management system and expanding base for investors.

**Fulfilling inclusive finance with social responsibility**

KB Financial Group is constantly attempt to expand its social responsibility which consummate with its status as a leading financial group. In 2018, the group released 'KB Dream's Coming Project' and is pushing forward the three themes to make changes that the people and the society can feel: increasing social responsibility, creating quality jobs, and creating an ecosystem for innovative start-ups. KB Financial Group will continue to practice inclusive financing and to grow with customers by providing diverse financial products and services for the less privileged and substantial support for small and medium-sized companies.

I would like to appreciate your unchanging support and trust for the past year with our 8<sup>th</sup> Sustainability Report, and I would like to ask you for advice and support in the future.

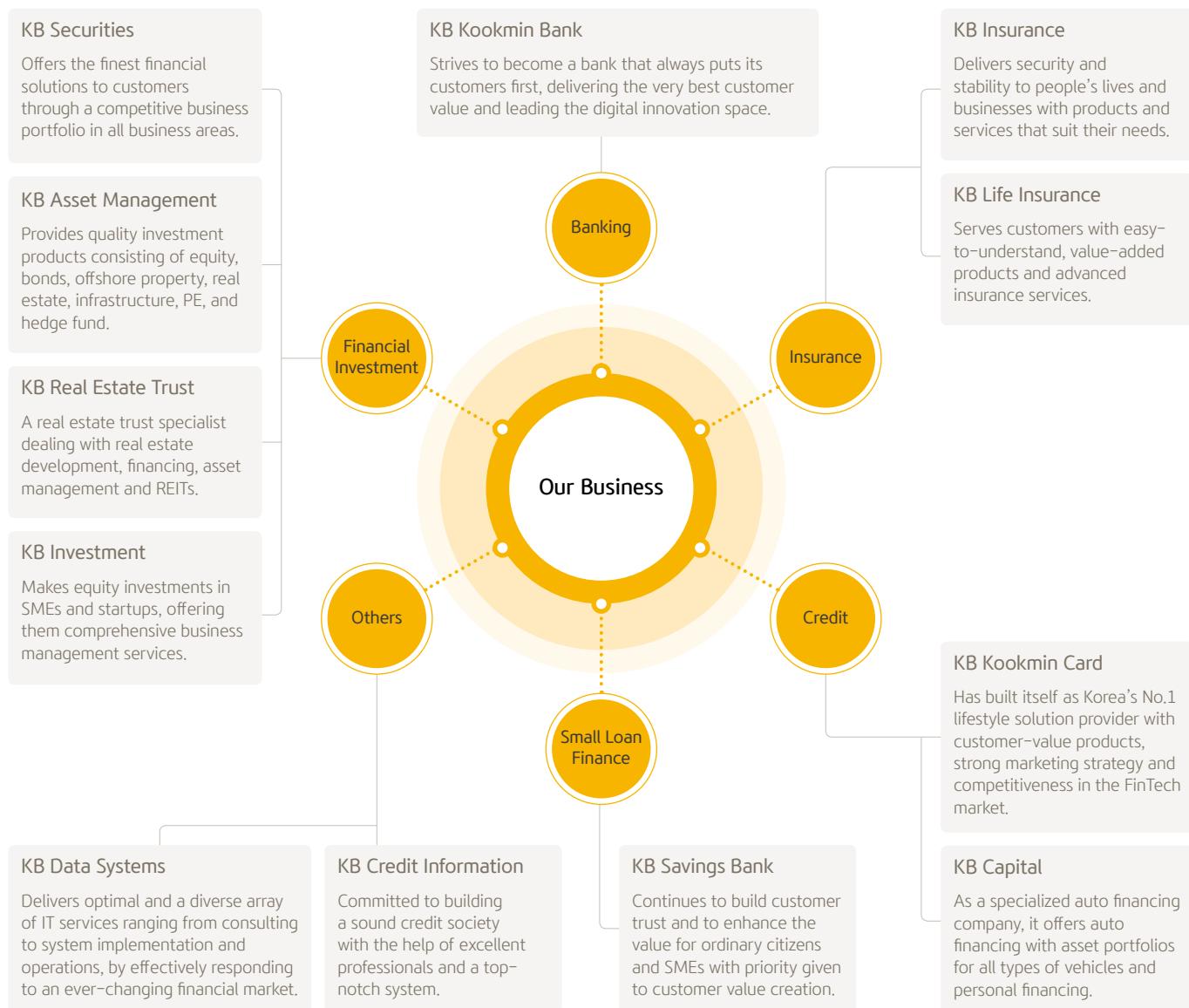
Jong Kyoo Yoon  
Chairman & CEO  
KB Financial Group Inc.



# Company Profile

As the leading financial group with the country's biggest customer base and branch networks, we provide various financial services in retail, corporate financing, financial investment, insurance, credit card, asset management, etc. We have twelve subsidiaries and 1,636 branches in Korea, with 50 overseas offices spread over 13 countries including China, US, Japan and Vietnam.

As a 'Lifetime financial partner of the customer', KB Financial Group prioritizes customers' prosperity and their financial happiness. With innovation in the business model in line with the Fourth Industrial Revolution and customer-centered one-stop financial services, the group has solidified the position in the domestic markets and continues to grow as a leading financial services provider in Asia.





\* KB Kookmin Bank acquiring a 22% of stake in  
Bukopin Bank, Indonesia

As of Dec. 31, 2018

### Domestic Branch Total 1,636

KB Financial Group Inc.	KB Kookmin Bank	KB Securities	KB Insurance	KB Kookmin Card	KB Asset Management	KB Capital
1	1,057	118	308	70	1	29
KB Life Insurance	KB Real Estate Trust	KB Savings Bank	KB Investment	KB Data Systems	KB Credit Information	
23	3	8	1	1	16	

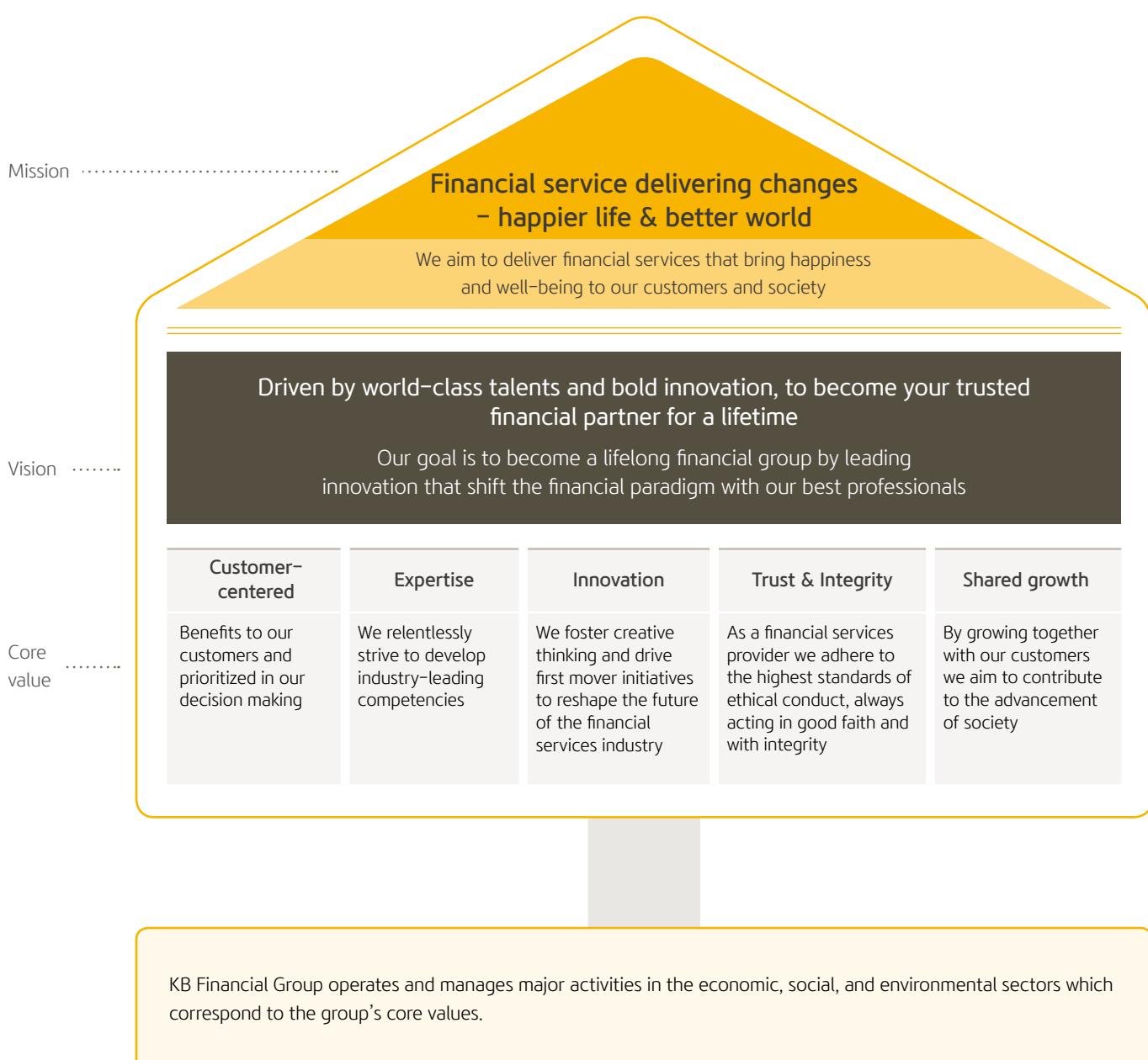
※ The Head Office: deemed as a branch

### Global Network Total 50

KB Kookmin Bank	KB Securities	KB Insurance	KB Kookmin Card	KB Asset Management	KB Capital
29	6	10	2	2	1

### KB Financial Group's Mission · Vision · Core Value

KB Financial Group has established its Mission to provide financial service delivering changes for happier life & better world, and its Vision to become the trusted financial partner for a lifetime driven by world-class talents and bold innovation. Based on prompt decision making and agile execution, we will continue to be recognized as the most trusted leading financial group by offering differentiated products and services through constant innovation.



**Step 1****Identifying the main topic in sustainable management**

As a member of our society, KB Financial Bank has influences on, and is influenced by a variety of societal elements. In order to thoroughly identify the main topic of sustainable management, we proceed with an all-around interest identification process, which includes the following: Our field of business (financial elements and competitive elements), and social and environmental elements (political, geological elements).

**Step 2****Participation of stakeholders**

KB Finance Group listens to the opinion on the topic of sustainable management from major stakeholders such as customers, shareholders, investors, local community, government, academia and employees. The group strives to promote genuine sustainable management, based on the various opinions on how to respond to each topic, goals and directions to be pursued in the future.

**Step 3****Connection with core values of KB Financial Group**

Based on the 5 topics selected that the group is creating, with regards to the interest of diverse stakeholders, KB Financial Group discloses new value and both financial and non-financial achievements that the group is creating, from the perspective of customers, innovation, environment, community and employees.

KB with  
Customers

KB with  
Innovation

KB with  
Environment

KB with  
Community

KB with  
Employees

**Step 4****Selecting the topic of Sustainable Management**

# Material Issues

KB Financial Group identifies material issues annually by regular examination on opinions of both internal and external stakeholders, and on trend in sustainable activities. Disclosing the subject materials in detail, we share and develop the group's sustainable activities with the stakeholders.

- 14 KB with Customers
- 22 KB with Innovation
- 30 KB with Environment
- 34 KB with Community
- 48 KB with Employees





# KB with Customers

## Materiality

As the era of slow growth and low-interest rates continues along with long-term domestic and international economic downturn, developing products suitable for the market change and customers' demand is of great importance: customers' expectation on financial instruments for post-retirement asset management is particularly increasing. Such being the case, analyzing customer needs and the market trends is essential, and therefore, the group commits itself to activities for responding proactively by implementing customer-centric management and empowering customers, in order to secure the sustainability.

## Trend

### Risks

The direct impact of finance on the customer is markedly weakened, since the domestic market reached a saturation point and substitutes for existing financial services are in rapid increase.

### Opportunities

Opportunities to gain consumer-centric competitiveness would be created by realizing higher customer values, through digital finance innovation based on the high share of the domestic financial market and on customer needs.

## Our Response

KB Financial Group provides customized products and services by analyzing the changing market trends and understanding customer needs, and thus practices customer-oriented management through an increased customer accessibility and active communication. The group continuously strives to strengthen rights and interests of our customers, through the increased privacy protection and financial consumer protection policy.

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KB with Environment  
KB with Community  
KB with Employees

# Customer-Oriented Management



## Efforts for Greater Customer Satisfaction

KB Financial Group endeavors to innovate in all group-wide services and processes with a focus on customers, in order to ultimately become a ‘customer-centric’ group for putting the benefits of customers as the top priority. The group tailors the entire system for customers based on our customer-centric management philosophy, and continues to make improvements by measuring the customer satisfaction level on a regular basis. The group realizes customer values by listening to the needs of customers, through various communication channels and by increasing customer satisfaction through a better customer experience.

KB Kookmin Bank has scored an average of 95 or above (95.87 in 2018) on customer satisfaction index surveys for branches after improvements were made based on standardized guidelines and in-depth analysis of survey results by gender, age, visiting hour, and product type. Moreover, KB Kookmin Bank provides a CS Self-checklist to all employees for them to self-check the service level and CS performance through the service quality management system and supports each branch with weekly customer opinions and net promoter score to promote practical customer satisfaction. In addition, KB Kookmin Bank strives to strengthen the ability to focus on customers through customized CS training programs for top CS managers such as branch visiting education, media education, video education, etc.



**KB Kookmin Bank Ranked 1<sup>st</sup> in NCSI for 12 times**

Powered by such continued efforts towards customer satisfaction management, KB Kookmin Bank ranked first in the banking sector of the National Customer Satisfaction Index (NCSI) for twelve times, for the first time in the industry. KB Insurance won the Korea Service Grand Prix hosted by Korea Standards Association for four consecutive years, as a result of its continued efforts to improve the quality of its services mainly by conducting real-time mobile customer satisfaction surveys. KB Kookmin Card ranked first in the check card sector of Korean Standard Service Quality Index (KS-SQI) and Korean Customer Satisfaction Index (KCSI) in 2018 for four consecutive years, in recognition of its efforts to improve the service at points of customer contact and a wide range of activities to bolster customer satisfaction.

# Communication with Customers

## Improving Customer Value through Communication

KB Financial Group has set its strategy as 'dynamic and innovative digital KB for customers and employees' to promote a 'Digital Transformation'. KB Financial Group has expanded the representative SNS channels to Facebook, Instagram, YouTube, blog and posts to communicate with today's young generations that are more familiar with digital interfaces and prefer virtual and telephonic transactions: the group proves them useful financial information and benefits. As an attempt to improve customer values through communications customized for all customer groups from the youth to senior customers, KB Kookmin Bank conducted the 'KB Golden Life 60+' seminar for senior customers to offer information about post-retirement financial assets and included a feature for connecting aged customers in the intelligent routing system in October, 2018.

## KB Financial Group SNS Channel

	Facebook	Instagram	Youtube	Blog	Post	Twitter
KB Financial Group	●	●	●	●	●	
KB Kookmin Bank	●	●	●	●	●	
KB Securities	●	●	●	●		●
KB Insurance	●	●	●		●	●
KB Kookmin Card	●	●	●	●		
KB Capital	●	●	●	●	●	
KB Life Insurance	●		●		●	
KB Savings Bank	●	●	●	●		

## Customer Communication Channel

KB Kookmin Bank						
	KB Tribunus Plebis	KB Customer Advisory Panel	KB Golden Life Customer Advisory Panel	KB Expat Customer Advisory Panel	KB Digital Customer Advisory Panel	KB Campus Star
	The 5 <sup>th</sup>	The 7 <sup>th</sup>	The 3 <sup>rd</sup>	The 3 <sup>rd</sup>	The 1 <sup>th</sup>	The 13 <sup>th</sup>
Activities	• Opinions on new products/services are gathered, and activity tasks are promoted.	• Surveys conducted on product/system/process.	• Opinions and suggestions of the panel are gathered to reinforce the products and services targeting senior customers.	• A panel composed of expatriate customers. Ideas are gathered via surveys and offline channels.	• The panel seeks to achieve customer-oriented digital innovation to keep abreast of the latest digital developments.	• Innovative ideas from college students related to finance are gathered.
Achievements	• The virtual and telephonic process of subscribing funds was improved and a smartphone specialized for financial services was launched.	• Opinions on the dress code of employees, services to be improved when visiting branches, etc. were reflected.	• Complaints about financial transactions were gathered through the 'Senior Customer On-site Meeting' and improvements were made.	• Discussion to add multi-language virtual and telephonic channels (mobile/ATM) was made through the meeting. • Survey on new areas to install a foreign exchange remittance center was conducted.	• 57 opinions among 86 opinions for improvement gathered from service review, FGI, etc. were reflected during the reform.	• KB Campus Start directly participated in planning and running youth-centric marketing such as 'KB Rockstar Youth Lounge'.

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**Activating Customer-Engaging Communication**

KB Financial Group operates various customer-engaging systems for product development and marketing by continuously identifying the opinions and demands of their customers. KB Kookmin Bank launched an expatriate customer panel for the first time in the industry and reinforced customer engagement through existing channels, including KB Tribunus Plebis and KB Customer Advisory Panel to invigorate customer communication. KB Securities operates 'KB Youth Star' supporters, composed of students, to provide an opportunity for college students to easily and entertainingly learn the necessity of asset management. KB Insurance operates a customer panel to continuously improve their product services from the perspective of customers, and KB Kookmin Card identifies customers' needs and fully takes advantage of them as they develop products and services by regularly conducting surveys on consumer spending patterns.



▲ KB Tribunus Plebis

**KB Securities**

## KB Youth Star

**The 3<sup>rd</sup>**

- KB Securities supporters for college students.

## KB Silver Star Messenger

**The 3<sup>rd</sup>**

- A panel composed of customers aged 60 or above, who are residing within the metropolitan area to protect senior financial consumers.

## KB Para Star Messenger

**The 1<sup>st</sup>**

- For customers with physical difficulties in using financial services.

**KB Insurance**

## KB Hope Supporters

**The 12<sup>th</sup>**

- Services are reviewed and improvement ideas are proposed by customers.

- Ideas about online content for young customers were suggested and campaign activities were carried out.

- Evaluation and improvements for the financial instrument process by visiting branches were suggested.

- The panel solved difficulties experienced in financial services caused by malfunction through in-depth interviews.

- Suggestive services for app development were additionally reflected.
- Opinions to improve service quality through a visit by regional customer panels across the country were applied.

## Customer Convenience

KB Financial Group is increasing the convenience of customers by consistently improving the systems and products for all customers regardless of their age, nationality and disability to provide greater and more convenient accessibility for financial services.

### Expanding Financial Services to Senior Customers

KB Kookmin Bank has been operating the 'KB Golden Life Customer Advisory Group' to accept the financial and non-financial needs of our senior customers in a timely manner. While promoting ways to solve difficulties of senior customers with financial transactions and to improve the financial systems, the customer panel, the identification and authentication processes for digital transactions have been simplified to provide easier and simpler services with improved security. KB Kookmin Bank aims to introduce customer-friendly digital infrastructure for senior customers to promote their convenience as well as rights and benefits.

### Supporting Convenience for Expats

To keep pace with globalization of the financial market in 2018, KB Kookmin Bank has operated 'KB ONE Asia Money Transfer', an overseas cash wire service within 24 hours, for customers of Asia through a partnership with 126 banks in 18 countries. In addition, 'KB Welcome Package' was launched with credit card and savings for expats. The Bank operates seven branches with a weekend remittance service to expand its accessibility to expats and hires foreign staff from Thailand, Laos, Russia, etc. to reduce language barriers for face-to-face channels. KB Kookmin Card has prepared English and Chinese brochures for expatriates to introduce and allow them to access financial services, without any language barrier.

**First finance industry to open a nursing home in the form of advanced country (KB Insurance Wirye Village)**



KB Golden Life Care, a subsidiary of KB Insurance on nursing industry, opened 'Wirye Village', an advanced country-style nursing home for the first time in finance industry. It is a 2<sup>nd</sup> nursing home, following the 1<sup>st</sup> nursing home called 'Gangdong Care Center' which opened in December 2016. It is a nursing home that supports the daily life of the elderly who has difficulty in living alone for 24 hours. Unlike the original nursing homes locating in countryside with bad accessibility, Wirye Village is located in the center of city with good accessibility. In consideration of customers' convenience, it provides secure and progressed nursing infrastructure. By doing so, it takes the lead in revitalization of retirement preparation due to aging.

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**Increasing Accessibility of People with Disabilities**

KB Kookmin Bank installed ATM for people with disabilities and supplied universal counters that allow the access of 6,549 wheelchairs at 803 branches, as of 2018 to increase the convenience of users.

'KB One Fence Trust' for supporting financial issues of children with disabilities was released to perform the public role of finance and allow children with disabilities to have a stable fund after their parents' death. KB Kookmin Card supports a sign language service regarding comprehensive counseling for hearing-impaired people and for special purposes such as corporate card, accident reporting, affiliate, platinum, VVIP, etc.

**Supporting Use of Office Workers**

KB Kookmin Bank started and expanded branches with flexible working hours for office workers who cannot visit bank during working hour, in order to provide financial services that meet customers demand. The bank operates 14 '9 to 7' branches, 24 After Bank branches (open from 10am to 5pm, from 11am to 6pm, from noon to 7pm). 65 WM complex branches are operated, where comprehensive asset management system of bank and securities is available. KB Kookmin Card offers 24/7 counseling service for a new credit card approval and a credit card use. It has also improved customers' accessibility and counseling system. KB Insurance developed mobile-based 'Simplified insurance claim service' which allows customers to claim the premium with ease and convenience.



▲ A front view of 9 to 7 branch

# Customer Information Security



▲ KB Financial Group Security Control Center

## Advancement of Information Security System

KB Financial Group operates a separate information production division within the group to focus on strengthening the group's ability in the field of information protection, with efforts such as a joint project for group-wide information protection and site inspection of subsidiaries. KB Financial Group and its subsidiaries, including KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, all have separate CIO (Chief Information Officer) and CISO (Chief Information Security Officer) to ensure the security independence.

KB Kookmin Bank is equipped with an integrated monitoring system, which is a GRC (Governance, Risk, and Compliance)-based personal information protection system that monitors and tracks any fraudulent activities in compliance with pertinent laws and regulations. In addition, an integrated information protection platform, that allows an interconnected analysis of fraudulent activities and comprehensive monitoring of policies by combining data analysis functions of each security system, was established to secure competitive advantage in information protection.

KB Kookmin Bank and Securities obtained ISO27001, certification for Korea Internet & Security's ISMS (Information Security Management System) and maintain them meticulously. KB Insurance established and now operates a monitoring system that monitors any fraudulent activities through a machine learning statistical technique to prevent information leak and prepare against the misuse of personal information. KB Insurance also holds an ISMS certification. KB Kookmin Card introduced ISMS and PCI-DSS (Payment Card Industry Data Security System) and successfully reinforced customers' trust in information security.

## Enabling Safe Financial Transactions

KB Financial Group operates KB Financial Group Security Control Center for external cyber threats, and shares security control and information of its subsidiaries through the center. KB Kookmin Bank developed a total of 11 systems and solutions, including an intrusion prevention system and DDoS response system to better prevent ever-evolving crimes such as voice phishing. The Bank's operators are available all year round to protect the customers' financial assets. In the future, a user's biometrics technology will be applied to enhance user convenience such as a user authentication system equipped with the next-generation FIDO (fingerprint recognition) technology.

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# Production of Customer Rights and Benefits

## Improving Consumer Protection Framework

KB Financial Group actively promotes the improvement of process by reflecting the results of Voice of Customer (VOC) to carry out social responsibilities and roles for financial consumers and the underprivileged.

KB Kookmin Bank operates the Financial Consumer Protection Council to make effective decisions on various issues pertaining to consumer protection and carry out prevention and fair handling of civil complaints. In addition, matters for resolution including the direction of consumer protection policies and system improvement are quickly carried out by the Financial Consumer Protection Working Council.

The Consumer Protection Team at KB Kookmin Card mandates consultation prior to the launch of new financial products or marketing programs to protect the rights and interests of financial consumers. In addition, a monthly Financial Consumer Day event is held to discuss the issues and concerns relevant to financial consumer protection and raise the awareness of all employees on consumer protection.

## Raising Employee Awareness on Consumer Protection

KB Kookmin Bank operates a Consumer Website within the internal bank network to improve employees' awareness regarding consumer protection, and continues to improve work utilization through an enhanced accessibility to information and complaints relevant to consumer protection. The Bank also operates a variety of educational programs related to consumer protection for all employees, including KB financial consumer protection cyber education, monthly consumer protection (complaint prevention) education. The Consumer Protection Mileage program offers a solid framework for the Bank to evaluate employees' performance based on their consumer protection efforts through prevention and handling of complaints, consumer protection activities, customer compliments, etc. and reflect it individually. These efforts were recognized and took the first rank in '2018 Good Bank' announced by the Korea Finance Consumer Federation, and received 3 'Excellence' ratings, the highest rating, from the FSS Financial Consumer Protection Assessment.

## Stewardship Code Compliance

In March 2018, KB Financial Group has applied a stewardship code to its six subsidiaries (KB Kookmin Bank, KB Securities, KB Insurance, KB Life Insurance, KB Asset Management, KB Investment) as part of the beneficiary responsibility policy. With a stewardship code in place at the Group level, the group aims to promote mid-to-long term growth of investee companies and take responsibility for growing the customers' assets by reflecting financial and non-financial ESG (Environmental, Social, Governance) elements of companies in the enterprise value. The group believes in the principle that investors' interests must take precedence over the benefits of our shareholders and employees, mutual benefits between investors must be handled equally through policies for preventing conflict of interest that may occur in beneficiary responsibility activities, and internal control regulations and compliance manual (internal control manual). Fulfilling our fiduciary responsibilities is expected to help us have a voice in the managerial matters as shareholders, take business decisions in the best interests of the shareholders, ensure that market surveillance works soundly. The principles of Stewardship Code and related performance data are transparently disclosed on the websites of our subsidiaries.

# KB with Innovation

## Materiality

As we are entering the era of the Fourth Industrial Revolution, a new form of finance using AI, big data and cloud services is appearing, along with a rapid change in the financial environment, based on digital technology, as if a paradigm shift of the financial industry is happening. Safety of a digital-based finance system today, is more important than anything and therefore both digital capabilities and risk management capabilities are required to take proactive actions.

## Trend

### Risks

Regulations on finance are ever more complex with the development of the financial industry, and the industry demands for innovation of the overall business and process, as the boundary between finance and non-finance is gradually getting blurred with cross-industrial convergence.

### Opportunities

The group can realize customer satisfaction values by developing products and services that consider the convenience and needs of customers, with the help of new technologies based on digital capabilities.

## Our Response

KB Financial Group strives to promote a digital transformation across the company. The group declared promotion of digital transformation (DT) and carry out 'DT Innovative Change Program' to convert the minds and work processes of employees into a digital perspective, and secure company-wide initiative and execution ability. KB Financial Group is also aware of the importance of digital talents with professional minds and capabilities related to digital finance, and is thus focused on developing digital professionals.

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**KB with Innovation**  
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 KB with Employees

# KB Digital Transformation

For group-wide digital transformation, KB Financial Group newly established a ‘digital innovation sector’ for supervising digital, IT, data and information protection within the group with an aim of quick and consistent responses to technical changes taking place in the Fourth Industrial Revolution.

## Play Digital KB

KB Kookmin Bank announced the slogan ‘Play Digital KB’ with the direction of digital transformation, to prepare its for transformation into a digitally innovative organization that leads the era of the Fourth Industrial Revolution. The Bank plans total KRW 2 trillion of investments in digital resources and infrastructure by 2025, along with a training of digital talents. To achieve this goal, a ‘digital index’ for reinterpreting and reorganizing all work processes from a digital perspective will be developed for employees to check the level of their engagement in digital innovation. In addition, a program for reinforcing ABCDE\* digital- new technology capabilities and IT Technology Innovation Center are operated to help employees recognize changing trends and innovations, and continuously participate in relevant programs. The Bank strengthened partnership activities with many global digital companies and Fintech start-up companies, and therefore successfully expanded digital counters at major branches, developed the AI chat bot, launched the Galaxy KB START phone (KB financial phone), established the IT Technology Innovation Center and introduced RPA(Robotics Process Automation). KB Innovation Hub is operated at a group-level to discover new technologies and innovation projects, and promote ways to reinforce the group’s ability to cope with digital technologies by integrating them and collaborating with the financial business.

\* ABCDE: Artificial intelligence (AI), Block-chain, Cloud, Data, Eco-System

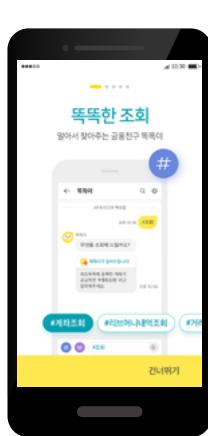
## PLAY digital KB

Digital Transformation will create a pleasant digital KB for both customers and employees.

People-oriented      Leading      Agile      Young

+

KB



▲ Liiv Talk Talk

▲ Launch of KB Kookmin Bank  
'Withdrawal by Hand'

### Developing Product Services based on Digital Technology

KB Financial Group develop and reorganize key products and services for Speedy/Simple/Secure customer satisfaction. KB Kookmin Bank developed and applied the Liiv Bank Pay/Zero Pay service that offers account-based online and offline payments to improve mobile content, and extended the service to life-friendly platform Liiv in August 2018. Liiv Talk Talk, an interactive financial platform, uses a messenger instead of face-to-face transactions for which earlier customers had to visit branches, was developed and also received a patent in 2018 for its innovativeness. The Robo Advisor K-bot Sam, developed and launched in March 2018, applied the AI algorithm to the robo advisory field for the first time in the banking industry to provide the best fund portfolio solutions to customers 24/7 anywhere, anytime. In addition, the bank launched 'Withdrawal by Hand' in April 2019, a new counter service which allows deposits to be paid without bankbook, transfer or password at the store's counter through palm intravenous authentication.

In 2018, KB Insurance introduced the easy insurance claim service for the first time in the industry and significantly increased customer convenience through automated insurance claims. The service allows the customers to claim loss insurance premium upon paying medical expense without documentation and receipt to the insurance company. KB Kookmin Card newly launched the 'approval counseling talk' service that handles approval of a new credit card automatically via mobile chatting instead of direct contact (face-to-face, phone, etc.) in January 2018, which provided an environment to reduce the time required for approval and issue of a credit card from anywhere, at any time. KB Capital developed a used car price model that applied AI-based deep learning and included it in KB Cha Cha Cha, securing a leading position in the used car market, where it was difficult to figure out the market price due to information asymmetry. KB Savings Bank was the nation's first bank to launch a 'recipient confirmation transfer service', which transfers money through a mutual agreement between the sender and the recipient.

### Developing Digital Product Services for Businesses

For corporate customers, the non-face-to-face corporate money management service 'STAR CMS' was launched in June, 2018 to effectively manage decentralized funds. This gives customers a quick view of all bank accounts, sales/purchase information of credit card companies, and enables them to efficiently manage funds decentralized across financial institutions through real time/automatic collection. In addition, services for restaurant business owners such as integrated delivery app review, smart leger, and business site analysis are provided. 'KB Digital SOHO Personal Loan' was developed and is provided to busy individual business customers. It is an exclusive non-face-to-face, corporate targeted loans that allows the customers can apply to the loan, submit documents, and even make arrangements on the Internet/Mobile without visiting the branch. It is a service that choosing product type depending on needs of customers. And also, it can check the status of loan application in real time. In addition, 'KB Sellerloan', a non-face-to-face financial product is launched and operated, targeted to small and medium-sized retailors in online market. Based on digital data, the group also supports the automation of trade operations of import and export companies. 'KB One Trade' was launched in September 2019, for the first time in the banking industry. It is an electronic trade solution which facilitates the general trade management of the import-export company, such as filing, custom clearance, and foreign exchange settlement. Furthermore, it enabled One-Stop trade operation through real-time link with related agencies, while dealing with banks in relation to import and trade in nonface-to-face manner.

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## KB Group Applications

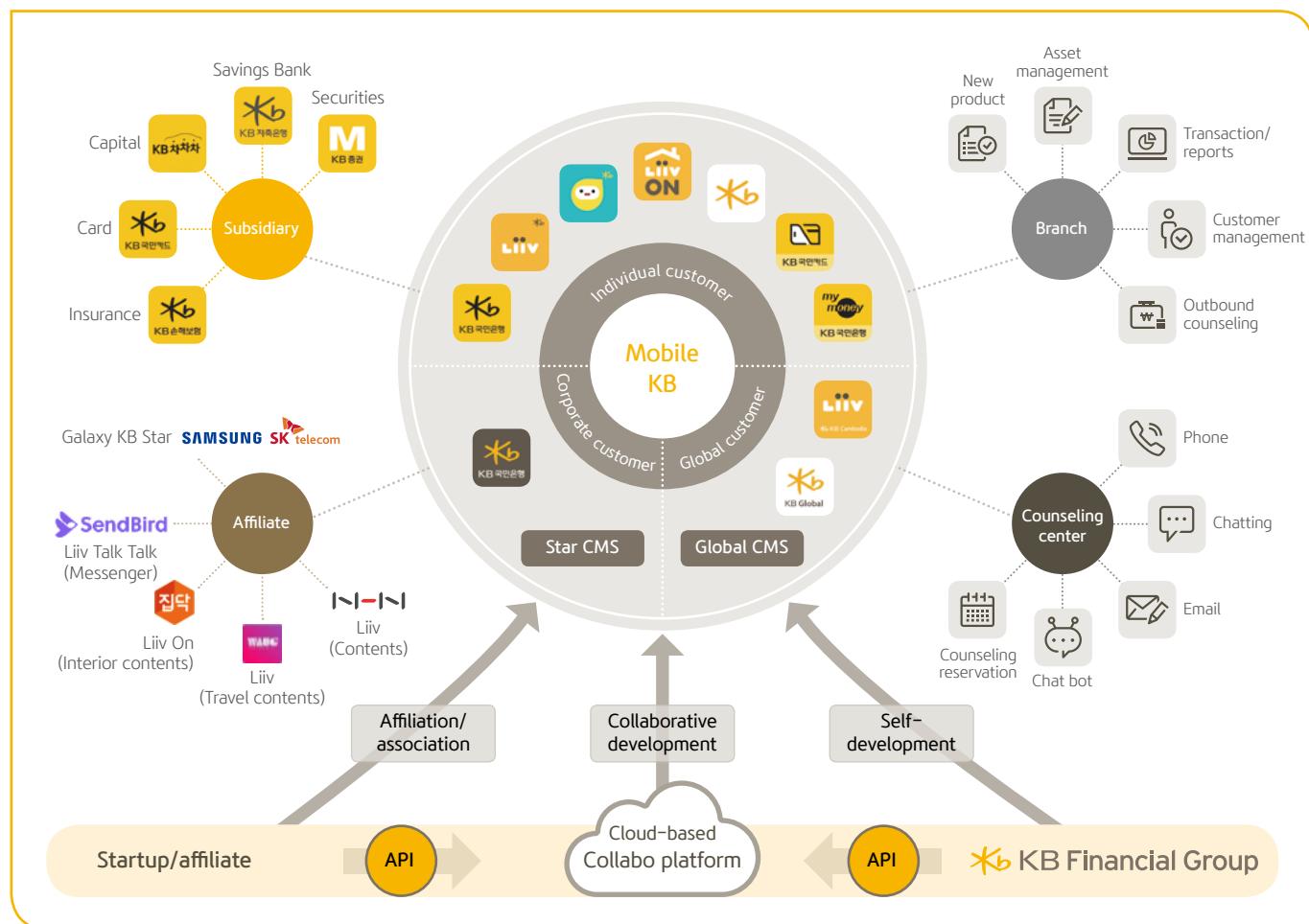
KB Kookmin Bank	 KB Star Banking	Providing full banking service to individual customers
	 Liiv	Providing financial-related convenient services such as currency exchange and remittance
	 Liiv Talk Talk	Providing interactive banking service and messenger
	 KB Star Alarm	Providing notification service on financial information
	 KB Real Estate Liiv ON	Providing information upon real-estate and specialized services
	 KB My Money	Providing mobile integrated asset management service
	 KB Start Corporate Banking	Banking service for business customers such as fund/payment management
KB Securities	 M-able	Providing trading, financial product, business service
KB Insurance	 KB Insurance	Supporting mobile-specialized insurance financial service
	 Mobile Direct	Supporting non-face-to-face insurance vendor and calculation service
KB Kookmin Card	 KB Kookmin Card	Supporting services related to credit cards and finance
	 KB Kookmin App Card (Easy Pay) Kmotion	On/Off-line payment and checking
	 Liiv Mate	Providing services on Pointree and customer participation service
	 KB Koomin Card Life #	Providing card related services (travel, shopping, culture, etc.)
KB Capital	 KB ChaChaCha	Platform of online distribution of used cars and providing services about car dealing
KB Life Insurance	 KB Life Insurance	Providing product guidance and contract management service
KB Savings Bank	 KB Good Banking	Supporting banking and loaning service through simple identification service

### Preparing Digital Basis for Financial Innovation

KB Financial Group aims to establish a digital ecosystem to form an open development environment and invigorate the development of cooperative biz models. The group carries out education and assessment activities on a regular basis to increase employee awareness on information security, recommend them to take voluntary activities to protect information and thereby reinforce internal control.

KB Kookmin Bank's mission is to make a full shift of work processes by reinterpreting and reorganizing them from a digital perspective, and develop and operate digital indices for checking the level of engagement in digital innovation to secure executive power. Furthermore, the Bank will establish an IT Technology Innovation Center, which will secure digital technology capabilities such as AI, block-chain, cloud, big data, eco system, etc. and play a key role in strengthening the firm's ability to respond to customers through new technologies that can be integrated into the finance industry. In 2018, 'CLAYON', a cloud-based collaboration platform, was established in partnership with KB Financial Group. By providing open source and API data, the Bank will expand transfer/authentication/non-finance APIs based on the environment that allows for quick development of finance biz-link services.

### KB Digital Innovation with Cloud



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▲ KB Innovation Hub



▲ The 2<sup>nd</sup> KB Kookmin Card 'FUTURE9' program

### Startup Support

Beginning with KB Starters in 2015, KB Financial Group built KB Innovation HUB which is a collaborative space for Fintech startups in August and formed HUB Partners, a Fintech fostering network, to lay the groundwork for startup promotion programs. So far, 62 companies have been selected and promoted as KB Starters and more than 100 KB Starters will be promoted additionally by 2020, through matching partnerships with KB Financial Group subsidiaries and investing KRW 10 billion through group corporate venture capital (CVC). Through this, we are expected to realize the values of 'win-win growth' and 'coexistence' through new technologies, and improve the overall corporate image and investment returns.

Each subsidiary promotes various support programs through the KB Innovation Hub. To discover a new project model tailored for the digital era, KB Insurance collaborated with KB Bank and launched the service linked with insurance payment/statement inquiry service and car insurance emergency dispatch service in November 2018. KB Kookmin Card carried out the 2<sup>nd</sup> Future9 program, a project that supports startups working in 9 living innovation areas related to customers' daily lives, and selected 7 collaborative startups and 3 innovative startups among a total 323 applicants in 2018, to support the expansion of sales channels through its platform.

In addition, KB Capital supports startup companies through strategic business collaborations. KB Life Insurance carried out the pilot project to verify our service with Fintech startups (FlyHigh, Habit Factory) and reflected the results through a renewal of the digital channel platform. KB Savings Bank recommended subsidiary funding investments and developed an easy authentication service in collaboration with the authentication startup 8BYTE, Inc. KB Investment received the state fund as an accelerator registered by the Support For Small and Medium Enterprise Establishment Act to operate private investment-led technology startup (tip program) and support fintech startups.

### Training Future–Oriented Digital Financial Talent

KB Financial Group is operating various training programs in order to improve digital literacy and strengthen digital expertise of all KB employees.

We operate several courses including the following. Digital Coding Collective Course, teaches the way using programs such as Java and Python in order to improve digital literacy, thereby developing digital language, knowledge and mind. Digital Launch Special Lecture provides lecture of domestic and digital experts during the lunch time. Digital Video Course enables the employees to take courses in digital fields anytime, anywhere via PC and mobile devices.

In order to foster digital experts, the group is equipped with a system for training data and digital experts, promoting the 'level up' of capability in each step. In particular, in terms of data analysis, 'KB Data Analysis Academy', 'AI Intensive Course' are, and in terms of block chain, 'Block chain Expert Training Course' is co-operated throughout the training program, fostering the best expert in the industry. We are further planning to create another digital expert program such as cloud experts, and to strengthen our human resources so that we can take the lead in digital finance by rapidly applying new technologies.

# Global Growth Engine

## Advancement to the Global Market and Portfolio Expansion

Under the Group's vision of a Global Financial Group that leads Asian Finance, we exert our efforts to improve the long-term global talent training system and secure future growth engines based on a solid portfolio, by accelerating overseas expansion of banks and non-bank subsidiaries. In particular, we are carrying out Group-wide collaborations based on our 'One KB' strategy to diversify and expand the global business sector through our two-track strategy of advancing into the South Asian market and the advanced country market.

KB Kookmin Bank switched the London corporate office into a branch in 2018 to expand CIB business, and newly established the 5<sup>th</sup> and 6<sup>th</sup> branch of KB Kookmin Bank, Cambodia and 6 branches of KB Microfinance, Myanmar to reinforce the retail business in South East Asia. To extend domestic IB business, new IB units were established in New York and London in addition to Hong Kong, and Gurugram Branch in India and Hanoi Branch in Vietnam opened their doors. In 2018, we acquired the position of the second major shareholder of Bank Bukopin of Indonesia for business expansion within South Asian countries that have high growth potentials. We also conducted workshops and programs with our affiliate bank of Myanmar to enter its housing financial market, and we are currently in the process of upgrading Liiv KB Cambodia.

KB Securities jointly organized financing of USD 150 million for the U.S. Combined Cycle Power Plant Project Financing (PF) through enhancement of the global business. KB Kookmin Card took over specialized bank of Cambodia in July 2018 and launched the first overseas corporation 'KB Daehan Specialized Bank'. In 2018, KB Asset Management established the local subsidiary in China, following its establishment in Singapore to enter the hedge fund market in Asia.



- 1. Opening of KB Kookmin Bank's London Branch
- 2. Housing Finance Workshop in Myanmar
- 3. KB Securities' new Hanoi Branch in Vietnam
- 4. Establishing 5<sup>th</sup> and 6<sup>th</sup> Branch of KB Cambodia Bank



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### Fostering Global Talents

In preparation for the expansion of the global business, KB Finance Group endeavors to foster a balanced group of candidates well aware of job, language, local culture, and so on, by providing various training programs: expansion of the base of Junior level, raising global exports, and operation of training programs ranging from deployment to actual deployment. KB Kookmin Bank is operating regional experts' courses for fostering localized human resources, Expert OJT and Korea Desk for working experience at global business site, Global Language courses for raising talented language speakers, Global Knowledge Sharing for strengthening global Biz capabilities through voluntary learning and training. In 2018, it conducted global talent training program with regards to regions such as China, Japan, Vietnam, the United Kingdom, Myanmar, India, New Zealand, to the employees selected through public contest among employees.

In addition, we also focus on strengthening capabilities of local employees. In 2018, KB Kookmin Bank conducted training program organized by the Head Quarter for local employee of each region, including domestic collective work training, leadership training for fostering local global leader, workshops for local employees for outstanding local employees.



▲ KB Financial Group Workshop for international employees

# KB with Environment

## Materiality

As the impact of climate changes such as global warming and fine dusts on our lives is increasing, our awareness on the environment of financial institutions is also changing. A direct and indirect impact relationship between environmental risks inherent in enterprises and businesses, for brands and the business performance of financial institutions is also getting revealed. And fulfilling responsibilities to realize a sustainable society as a corporate citizen, just like the birth of financial institutions specializing in environmental and social issues, is ever more important.

## Trend

### Risks

The impact of climate change is extensive and therefore requires an unexpected change in the social and economic system. Failing to establish and manage an institutional risk assessment system can lead to falling behind in environmental finance and low-carbon trends to be required at home and abroad.

### Opportunities

Financial impacts of risks related to the climate change shall be reflected on an assessment of business and products. Through this, it is possible to express KB Finance's will to actively participate in environmental issues by pioneering new financial products related to the environment through an understanding of impacts on future values, costs and sales structure of assets, and finding an opportunity to fulfill social responsibilities at the same time.

## Our Response

We will establish a management system based on climate change scenarios and disclose information related to climate change financial reporting, energy innovation, environmental product development and operation transparently. In addition, we will continue to be at the forefront of increasing our competitiveness in the future finance industry and taking social responsibility by promoting environmental-friendly management along with the expansion of investments in the environment-friendly sector and with release of sustainable financial products, green investment and setting standards for the market.

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# Environment-Friendly Management

## Investment and Responsibility in Environmental Social Sectors

KB Financial Group incorporated ESG (Environment, Social, Governance) factors into the loan and investment approval process. Based on our Principle Code of Loan and Standards of Loan Practice reflecting EGS factors, strict internal restrictions are placed on credit offerings for and investing in illegal activities like drugs and armaments, as well as enterprises that go against public interests or sound economic development. In addition, when making a financing decision, we also look at the progress a company has made in its social responsibility. For large-scale financing projects with huge environmental and social impact, in particular, we perform on-site review with internal assessment officers, risk experts and independent specialists to conduct an environmental and social impact assessment before making the final decision.

KB Asset Management's KB STAR ESG Socially Responsible Investment Exchange Traded Fund (ETF) reflects a company's performance in social responsibility in its investment decisions and invests in businesses that score highly on ESG factors including workers' basic rights, fair trade among partners and competitors, consumer rights protection, and community contribution. In addition, KB Financial Group takes part in the Principles for Responsible Banking announced by UNEP FI and plans to continuously expand the positive impact on our society by integrating these into management activities.

## Response to Climate Change

KB Financial Group is devoted to reduce carbon emissions generated from our business activities and enhance energy efficiency based on the impact and risk of climate change. KB Kookmin Bank reports GHG emission each year to the government as an enterprise participating in the environmental goal management system. We promote continuous improvement environmental indices through the measurement and systematization of environmental data such as aggregation of yearly environmental data (GHG and energy usage, paper usage, waste, waterworks, etc.) and operation of monthly Energy Savings Day. In particular, we carried out replacement of LEDs at the HQ and branches to reduce GHG emissions in 2018. The Environment Management System (ISO14001 certification) was applied to six large buildings including the head office and factors affecting climate change and environment such as waste generation and the GHG emissions are figured out for each building based on their environmental scorecard.

KB Financial Group Integrated IT Center and KB Kookmin Bank Office Building to be completed includes the environmental-friendly facilities, that apply new and renewable energy (solar heat, geothermal heat), recycled heavy water and green space with a goal to becoming an environmental-friendly leading financial center.

KB Securities, KB Insurance, KB Kookmin Card and KB Capital also obtained ISO 14001 certification and adopted internal policies and guidelines on environmental management, embodying the CEO's leadership and commitment.

KB Financial Group operates continuous activities to reduce GHG and response to fine dusts. KB Kookmin Bank signed the Business Agreement for Climate Change Response and Fine Dust Source Control with KOICA and Green Asia, and created KB Kookmin's Clean Sky Forest in Mongolia. We are also taking the lead in dealing with environmental issues related to fine dust by installing fine dust signal lights, based on our business contracts to solve the fine dust issue with the Ministry of Environment and Korea Green Foundation.



### Selected as CDP\* Honors

KB Financial Group was selected at the CDP Climate Change 2018 as a sector honors in the field of carbon management in financial industry for two consecutive years.

\* CDP

It stands for Carbon Disclosure Project, a system which evaluate the sustainability of world's major corporation in terms of response to climate change

# Sustainable Finance

## Investment in Environment-Friendly New & Renewable Energy Sector

KB Financial Group is committed to taking lead in domestic banking industry and actively participating in new and renewable energy projects. Since 2007, KB Kookmin Bank has provided financial advice and arranged syndicated loans for a wide range of new and renewable energy projects including solar power, wind power and solid refuse fuel. In 2018, we were selected as the financial consulting and arranging company of large new and renewable power projects for Jeju Hallim Offshore Wind Power (KRW 447.3 billion), Solaseedo Photovoltaic Power (KRW 319.5 billion), Yeongam Photovoltaic Power (KRW 315 billion) and Incheon Fuel Cell power (KRW 219.5 billion), and performed a role of a representative financial institution in the new and renewable energy sector.

KB Securities has formed a blind fund of KRW 65 billion, with a Canadian investment and management company in resources and energy, directly acquired, investing in, and operating solar power business.

KB Asset Management has been steadily raising investments in the new and renewable energy sector since 2007. The accumulated amount of investment regarding floating photovoltaic power, biogas and ESS (Energy Storage System) has now exceeded KRW 1 trillion. KB Asset Management made new investments in Chile photovoltaic power project after 4 years from its advancement to Japan's photovoltaic power market in 2014, attempting to make a diversification of investments and active overseas expansion, through additional global funds of USD 40 million.

## Environment-friendly Financial Products



▲ KB Kookmin Bank 'KB Clean Sky' Package

KB Kookmin Bank launched the KB Clean Sky package to join its customers in resolving the fine dust issue. This package product consists of installment savings and trust, and customers are provided with preferential interest rate and fee discount if they decide to make efforts to reduce fine dusts such as no paper bankbook and using public transportation. KB Clean Sky Trust (public interest) is a product that can enjoy fine dust reduction and tax exemption for each subscription product. In addition, the Bank has started to sell three types of environmental responsible investment funds that pursue long-term performance by investing in companies with healthy ESG factors, in 2018. There are also KB Green Growth Loans for providing preferential interest rates to green growth businesses and donating a portion of its proceeds to green growth associations, energy usage rationalization fund which is the policy fund loan, green loan product, etc. In March 2018, the Bank improved the merchantability of KB Solar Power Generator Loan that offers preferential interest rates for solar power generation, by easing up the requirements to invigorate loan management.

KB Kookmin Card offers a service for saving eco-money points to consumers who purchase environment-friendly products with a green card and saving carbon points (eco mileage) to customers participating in GHG reduction managed by the Ministry of Environment and Seoul Metropolitan Government to practice environment-friendly finance.

KB Life Insurance developed the Non-dividend KB Environmental Love Hospitalization Insurance (Term) product for guaranteeing hospitalization for diseases that may occur from environmental and climate changes. KB Insurance applies special discount for public transportation use, special discount for mileage (driving distance) and special discount for the use of environment-friendly parts. KB Asset Management operates various funds to support growth of the new and renewable energy industry at home and abroad.

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### Issuance of Sustainable Bonds

In September 2018, KB Kookmin Bank established a sustainable finance management system to expand its support for environmental-friendly and pro-social projects. KB's sustainable finance management system not only accords with the Sustainability Finance Guideline legislated by the International Capital Market Association (ICMA) and obtained the qualification report from Sustainalytics, a global ESG financial consulting company. In October 2018, the Bank issued a sustainable bond of USD 300 million with a 3-year maturity for the first time in Korea and this bond attracted global investors, increasing the subscription scale up to 6.3 times of the amount issued. We were Asia's first bank to successfully issue a sustainability subordinated bond of USD 450 million with a 10-year maturity in February 2019, and it received a lot of attention and interest from investors and foreign press, in the respect that it is Asia's first subordinated sustainable bond. So far, the fund financed through the issuance of sustainable bonds have been distributed to appropriate investment and lending projects such as support for socially vulnerable classes, job creation, development of new and renewable energy, support for environment improvement projects, etc.

In an effort to realize socially responsible investments through the sustainable finance management system, KB Financial Group is taking a leading role in the ESG financial market and expanding its investor base to global SRI (Socially Responsible Investment) investors in addition to existing investors.



Source : GlobalCapital Asia, Cartoon of the week

**IFR ASIA**

Thomson Reuters

**Kookmin Bank sets Sustainable benchmark for Korea T2**

29 January 2019

By Frances Yoon

South Korea's Kookmin Bank, rated Aa3/A+ (Moody's/S&P), has priced the country's inaugural US dollar-denominated Tier 2 bond offering in Sustainable format.

The US\$450m 4.5% 10-year bond, which is also its first US dollar T2 since Kookmin's 2001 merger with H&CB, was priced at Treasuries plus 187.5bp, inside initial guidance of Treasuries plus 215bp area.

⋮

<http://www.ifrasia.com/kookmin-bank-sets-sustainable-benchmark-for-korea-t2/21372242.article>

**THE ASSET ESG FORUM**

**Kookmin Bank prices tier 2 sustainability bonds**

29 January 2019

This bond offering generated a strong demand despite global uncertainty and promoted investor diversification, and whose proceeds are for green or social projects or both

By Chito Santiago (29 January 2019)

South Korean lender Kookmin Bank on January 28 priced a Basel III-compliant tier 2 sustainability subordinated bond offering amounting to US\$450 million.

The Reg S 10-year issue represented the bank's first US dollar-denominated tier 2 bond offering since 2001 when the new Kookmin Bank was launched.

⋮

<https://esg.theasset.com/ESG/35730/financial-magazine-for-asias-decision-makers>

▲ Foreign article on sustainable bonds

# KB with Community

## Materiality

With an increasing role of the financial industry being based on digital innovation, the emphasis is placed on financial inclusion and social responsibility, to lead towards sustainable growth of the society as a whole. Along with the role of increasing social values, the importance of financial inclusion is increasing to provide financial services and products for small and medium enterprises, small business owners, common people and vulnerable class and to get rid of financial blind spots.

## Trend

### Risks

Companies are increasingly required to fulfill their social responsibility. In addition, financial instruments and systems are getting urgently demanded to prevent churning of the vulnerable assets to the institutional and financial markets. Therefore, it would be necessary to come up with a method of resolving financial difficulties of the common people and revitalize financial activities of the vulnerable by reinforcing the protection of debtors.

### Opportunities

We are leading the efforts to fulfill corporate social responsibilities in order to act as an ethical corporate citizen that grows with the society. We revitalize refinancing loans and manage the risks of financial services for commoners, through constant monitoring of policies and financial instruments. By fulfilling social responsibilities and managing risks of financial inclusion, we aim to promote shared growth with our customers.

## Our Response

We are committed to fulfill social responsibilities based on our customer-centric communication and trust. We make such efforts by supporting commoners, innovative companies and small, medium and mid-sized enterprises and sharing knowledge and know-how as a financial institution.

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## Financial Inclusion and Innovative Finance

We provide stable financial services through support for working class finance and a culture of sharing. We strive to fulfill the social responsibilities of a financial company.

### Direction of Financial Inclusion

We aim to protect financially underserved groups and provide them with stable financial services. We provide policy financial products for the underprivileged based on a continued financial support for the working class and monitoring of customer groups with feeble credit management. Regarding these products, we offer loans based on separate guidelines and we make an effort to prevent overdues and loss.

### Financial Inclusion Activities and Key Products

KB Kookmin Bank signed the agreement with the Seoul Metropolitan Government, with regards to assistance for the working class to offer a loan product for newlyweds and youths who can receive special interest rate allowance for lease deposit. This product contributes to residential stability by relieving the burden of housing costs for newlyweds and youths. We also install and operate designated counters for working class finance and Hope Finance Plazas, for supporting a financial counseling service for the working class to enhance protection of privacy of working class groups through better accessibility to counseling. We prevent working class consumers from being forced to the illegal private loan market with high interests, by connecting subsidiaries with possible loan schemes and provide counseling for overdues through the advanced loan 119 program. In addition, we try to reduce the burden of working class and prepare the foundation for invigorating the segment of working class finance by decreasing the highest overdue interest rate through protection of vulnerable debtors and imposing interest rates by period.



▲ Counter for the finance of people

### **Invigorating Startup of Innovative Businesses**

KB Financial Group seeks innovative growth where businesses and finance develop together through future growth and innovative finance, based on venture capital. To achieve this, we established KB Innovative Finance Council that consists of 12 members including president and executives of subsidiaries related to the supporting of innovative businesses, in April 2019. In order to share support plans for each subsidiary and discuss detailed plans.

KB Kookmin Bank has been running KB SOHO Business Centers nationally since 2016. The Bank established a national small business consulting system through Yeouido Hub and 12 other centers, to offer comprehensive startup consulting services to startups from location/commercial sphere analysis to startup process, startup funds, financing through guarantee institutions and consulting associated with startup interagency. A total of 1,600 cases of consulting through 2018 were provided and received positive responses from private businesses.

In July 2018, KB Securities formed KB Digital Innovation Growth New Technology Investment Association and opened a fund of KRW 10 billion for open innovation collaboration with external innovative businesses. KB Investment plans to make an investment of KRW 201 billion by forming five venture investment funds, including KB Digital Innovation Venture Investment Association.

### **Support for Innovative Growing Businesses**

KB Kookmin Bank supports technology financing for innovatively growing businesses such as startups with excellent ideas and climate technology companies through a collaboration with Korea Technology Finance Corporation. To target businesses, the Bank provides technical advisory services (IP, R&D, authentication consulting, etc.) tailored for each growth stage of the business. And cooperation with the relevant institutions will be strengthened to secure a pool for innovatively growing businesses. KB Personal Property Intelligent Maintenance-Platform (PIM) was established through the business agreement with KT for invigoration of innovative finance for startups and SMEs. The Bank plans to generate new support of KRW 300 billion for the next 5 years, based on this platform, to establish a systematic mortgage management process and activate support for innovative financing of SMEs.

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# Support For Small and Medium-Sized Merchants

## Support for Small and Medium-Sized Businesses

In support of sustainable growth of a business, KB Kookmin Bank has provided 'KB Wise Consulting' for small and medium-sized businesses, who is composed of expertise such as accountants and tax accountants since 2006. In December 2018, the bank further lunched the 'KB Biz-Matching Service (<https://www.kbbizmatch.com>)' to support small and medium-sized enterprises' market opining for the first time in the banking sector.

'KB Wise Consulting' consists of management consulting such as finance, personnel, tax, cost analysis and valuation and family business succession consulting which provides saving points through stock value assessment. It, in particular, provided 1,750 cases of comprehensive consulting on corporate finance as of May 2019. The bank is strengthening its service position as a win-win model by, for example, holding 'KB Invitational Seminar for Tax and Labor Practices,' and offering tax, accounting, and labor information to CEO and the practitioners of small and medium-sized enterprises. Reflecting the societal issues such as '52-hour work week', or 'lowest wages increase', the representative certified labor attorney of the labor corporation explained '52 hour workweek and revised Labor Standards Act', along with hiring, working time management, and wage management, with easy-to-understand cases, which was well-received by the corporate customers.

In addition, we are striving to establish the infrastructure by promoting MOUs with relevant institutions (Commission on Shared Growth for Large and Small Companies, Seoul Metropolitan Government) to revitalize the market opening for small and medium-sized businesses through 'KB Matching Service', released for the first time in the banking sector. We will continue to discover and support each business, in order to figure out their needs in accordance with the life cycle, and to solve the needs together for everyone's benefits.



▲ 1<sup>st</sup> KB SOHO Mentoring School Entrance Ceremony



▲ KB SOHO Consulting



▲ Small Business Start-Up Counseling

## Support For Small and Medium-Sized Merchants

KB Financial Group has steadily been developing and operating various supporting programs in order to strengthen competitiveness of small businesses and of the self-employed. Establishing 'KB SOHO Consulting Center' for the first time in the banking business in September 2016, KB Kookmin Bank is now running 12 centers over the country. It provides free management and start-up consulting to strengthen the competitiveness of the self-employed having trouble in managing and prospective start-ups. As of May 2019, it provided a total of 2,000 consulting services.

In addition, 'SOHO Mentoring School' was established in April, 2019, which aims to enhance the competitiveness of the self-employed, and provides the analysis on business district/big data, on SNS marketing and on tax affairs and management know-hows of the experts in the dining field. Renowned chief passing on the know-how using special recipes and organizing high-value-added menus gained great response from the self-employed. Continuous follow-up management is supported even after the end of the program, by matching the director of 12 SOHO Consulting Center nationwide with the attendees. We expanded the 'Small Business Start-Up Academy' from 2 times a year to 4, offering courses on start-up, special lectures from investment specialists, legal counsels, 1:1 SOHO consulting services for about 230 people who want to switch their businesses.

# Mutual Cooperation and Shared Growth

## Fair Trade Compliance Program

KB Financial Group is establishing and carrying out fair and equitable trade by establishing a company-wide ethics charter and code of ethics. We are implementing integrity pacts that disclose conflicts of interest in advance of procurement of goods and services. A provision on integrity pacts will be incorporated into contracts for greater transparency. Limiting a bid or discriminating in assessment based on the size of a company is banned, and transparent transactions are encouraged by disclosing clear guidelines and clear contracting methods for all prospective suppliers.

KB Kookmin Bank seeks shared growth with its suppliers. In all contracts with its partners, a provision clearly states that partnership should be built and flourish based on mutual respect. We actively communicate with our suppliers about their concerns and areas of improvement through regular communication channels that include periodic seminars and satisfaction surveys.

In addition, the Fair Trade Compliance Program monitoring system specifies sanctions against employees who breach applicable laws and regulations. The Bank receives rigorous controls and supervision over compliance of fair trade through internal and external audits on a periodic basis and voluntary special inspections by the relevant department. We have Duties Management Guidance in place for sanctions against and discipline of those in breach. We also establish internal fair trade principles to manage and control satisfaction surveys conducted on partner businesses and assessment of the Bank's employees with regard to our fair assessment pledge and a memorandum of integrity agreement.

## Promoting Ethical Management within Supply Chain

To abide by the principles of socially responsible management, KB Financial Group has developed a Supplier Code of Conduct and encourages them to voluntarily implement the standards in their own business. The standards comprise of five sections: Workers' Basic Rights and Compliance, Safety and Welfare, Environmental Protection, Fair Competition and Market Order and Co-prosperity with Business Partners, and Ethics for Partners. More detailed information is available at KB Financial Group's website.

## Supplier Code of Conduct



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# Social Contribution

## Our Approach

With the mission of happier life & better world, KB Financial Group aims to make a better world, as a leading financial group in Korea. Based on efforts of fostering future generations and creating greater social value, we are taking initiatives to fulfill the social responsibility of a corporate to build a possible society.

## KB Financial Group's CSR Strategy

Mission	Happier life & better world (for customers' happiness and a better world)		
Direction	Fostering future generations		Creating greater social value
Priority	Support for youth and multicultural families	Support for individual needs	
	Education on Economy and Finance using our expertise	Support for the co-growth of local communities	
Focus area	Youths and multicultural families	Employment·Local Communities·Environment	
SDGs	 	 	

KB Financial Group's social contribution activities are distinguished with simple support, in the regard that we aim for virtuous circulation where we can grow as a proud member of the society, with confidence and dignity. KB Financial Group announced 'Dream's Coming Project' in May 2018, aiming to make a better world where all people achieve their dream and hope. This is medium and long-term social contribution plan of the KB Financial Group, devised to fulfill social responsibility in accordance with its status as the leading group. To be specific, the group is promoting diverse activities to contribute to the society under three themes: expanding social responsibility, creating quality jobs, and creating an ecosystem for innovative start-ups. In terms of realizing a sustainable society, we strive to provide an opportunity of fair learning and experiences for healthy growth of future generations, and create social values through support in job creation and environment-friendly social contribution.

# Fostering Future Generation

## Support for All Day Care System Building

KB Financial Group jointly supports the All Day Care System Building with the Ministry of Education to solve issues of child care caused by the low birth rate, educational expenses and career breaks of females. In May 2018, these two institutions signed a business agreement for an All Day Care System Building to increase the publicness of education for future generations. KRW 15 billion of support funds will be put into the establishment and extension of national and public preschools each year for 5 years until 2020, which will add up to a total of KRW 75 billion. Through KB's support, total 534 care classes and 180 classes, at national and public preschools attached to elementary schools across the country, will be newly created, benefiting 10,800 elementary students and 3,600 preschool children.



▲ Kindergarten attached to Jangwi Elementary School

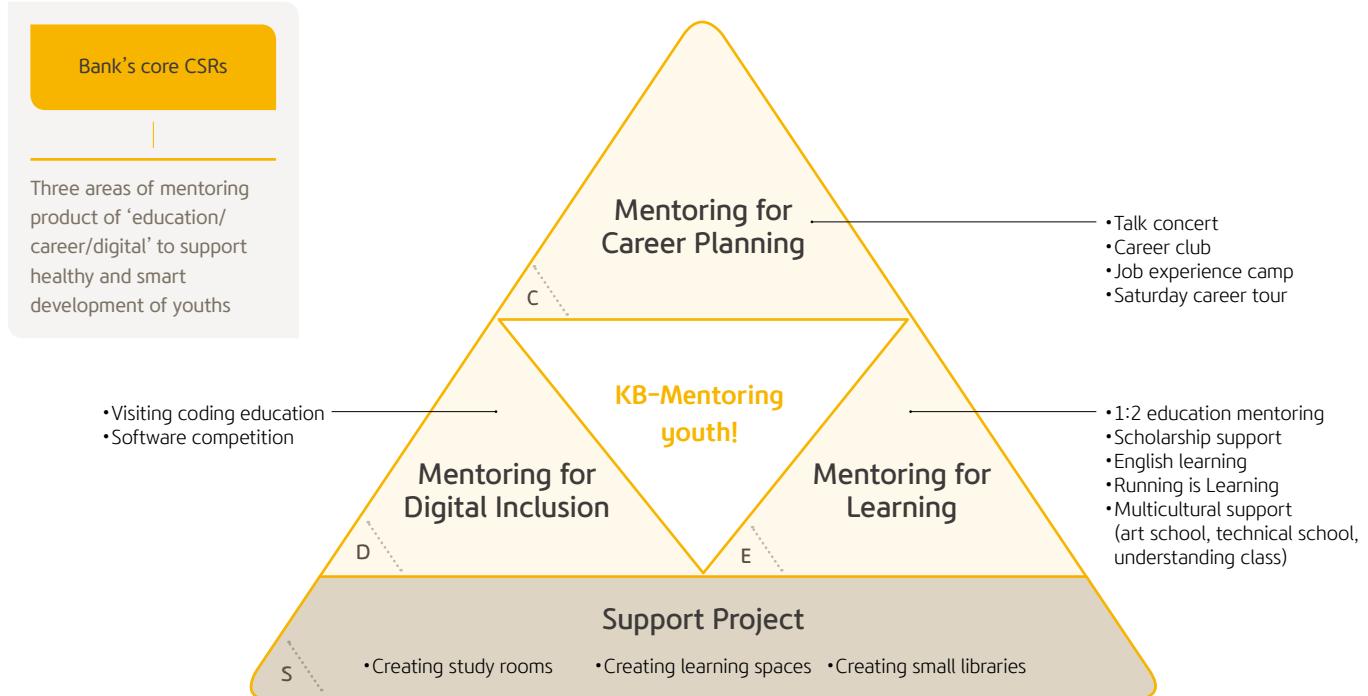
## Youth Education (Mentoring) Business

KB Kookmin Bank newly launched a brand called 'KB-Mentoring youth!' to promote the healthy growth of adolescents and thus foster future generations, which had been steadily performed under the same goal. 'KB-Mentoring youth!' is a leading social contribution business vertical of KB Kookmin Bank that provides high-quality education programs in three domains including education, career and digital to follow the social and educational trends of the 4<sup>th</sup> industrial revolution. In particular, the coding education, which is a compulsory language of digital area and which can develop adolescents' data processing skills and creative thinking skills, is a unique social contribution activity of KB Kookmin Bank, reflecting the social trend. Based on the mentoring system specialized in each area, KB Kookmin Bank supported healthy growth of future generations for 12,500 teenagers in 2018.

In addition, KB Kookmin Card offers professional education programs for youths with disabilities in the fields of arts and sports. KB supports visiting education, exhibition and making of art products in the field of arts and provides sports equipment and training expenses for students in the field of sports. These are the efforts to help youths with disabilities develop their skills in arts and sports domain to become independent members of the society.

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## KB-Mentoring youth! business



1. 1:2 education Mentoring
2. Software Competition
3. Job Experience Camp
4. Training on Coding





▲ Multicultural Understanding Classroom

### Multicultural Community Support

With the acceleration of entry into a multicultural society, we engage in activities to help multicultural families gain independence in the Korean society.

KB Rainbow Love Camp is a program where employees of all affiliates of KB Financial Group participate. This program not only conducts cultural experience activities but aids multicultural families in becoming members of the Korean society through economic and financial education. About 2,700 children have participated in the camp since 2011: In 2018, when there were many natural disasters, the safety experience education programs were organized to help children cope with disasters.

KB Kookmin Bank operates various programs contributing to social responsibility with regards to the multicultural society. 'Multicultural Art School' offers art and mental education to children of multicultural family. 'Multicultural Technology School' help immigrated or migrated youths acquire certificates needed for employment and stand on their own feet as economic entities. 'Multicultural Understanding Classroom' offers provides education curriculum aiming children of multicultural family to understand diverse culture of world and migrated women to adapt to Korean society.

KB Kookmin Card provides Korean language education for children attending 16 regional children's centers and multicultural family centers around the nation to help them adapt to the Korean society and overcome learning disabilities. It also sponsors 'Korean Speech Contest' to inspire learning of the Korean language for foreigners and spread the excellence of the Korean alphabet system.

### Multicultural Care Center



'KB Multicultural Care Center' was established in September, 2018 to help Vietnamese and Cambodian multicultural families and foreign workers living near Gwangju, Gyeonggi Province, with the support of initial facility investment and remodeling cost of KB Kookmin Bank. It provides various programs to smoothly settle down in Korean society and to prevent the dissolution of multicultural families.

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### Economic and Financial Education using Financial Competencies

KB Financial Group has focused on financial education as the Group's major CSR program since 2012, to spread knowledge sharing using our financial competencies. The finance education is performed with the subsidiaries having interface channel with customers as the center, matching a school with a branch. As of 2018, the company provided financial education for 5,200 students with 915 schools. Along with the aforementioned program, the specialized lecturers have been selected to maximize the effect of economic and financial education since 2012. In 2018, 900 specialized lecturers were sent to elementary school, middle school, high school, university, military camp, and other institutions, providing customized lectures to about 137,000 students, soldiers and the public. KB Financial Group's economic and financial education programs are uniquely designed to promote timely education by organizing education curricula in light of the latest such as 'social economy', 'united economy', and 'digital finance class' in order to respond to rapidly changing economic conditions. In addition, we operate 'KB Star Economic Education' mobile web to strengthen economic education for future generation and also digital education based on VR/AR technology, solidifying our position as the leader of economic and financial education.



▲ 2018 Korea Education Donating Fair

# Creating Value

\* UN SDGs :

It stands of the ‘UN Sustainable Development Goals’, global goal adopted by the United Nations in 2015 for sustainable developments.

## Creating Social Financial Ecosystem

In June 2018, KB Financial Group signed the MOU for a Social Investment Fund with Korea Growth Investment Corp. to create a self-standing social financial ecosystem for fostering social enterprises. Through this MOU, both companies will form a social investment fund of KRW 100 billion for next 5 years and invest it in social businesses that can create positive impacts in social and environmental fields by applying the UN SDGs\* (UN Sustainable Development Goals). By doing so, we can help support growth potential companies contributing to solving social problems to stand on their own feet and grow, and we would like to set the stage for new technologies and industries which change the world beyond social contribution.

## Co-Growth with Local Community

KB Financial Group pursues co-growth with local communities through fast disaster recovery, supporting neglected classes, employee volunteer activities, etc. The community-tailored activity in accordance with the characteristic of each subsidiaries’ businesses is the original social contribution strategy of KB Financial Group, which takes advantage of the nation’s largest business network.

All employees participate in KB Star Dream Volunteer Corps, which are composed of Theme Volunteer Corps for supporting youth, multicultural families, etc., Talent Dream Volunteer Corps for pro bono services and Speed Dream Volunteer Corps for providing relief aid towards damage from natural disasters. All employees of KB Financial Group actively participate in volunteering activities all year along to contribute to local communities for neglected youths, senior citizens living alone, the disabled, environmental protection, etc. May and December of each year are designated as periods of focused social contributions for employees of all subsidiaries, to promote the value of sharing through philanthropic activities, and employees of KB Financial Group participated in these volunteering activities for 236,000 hours in 2018 alone on a cumulative basis.



▲ Free meal service of Speed Dream Volunteer Corps  
(Gangwon forest fire)



▲ Employees’ Volunteering to ‘make breathing river’

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### Job Creation



▲ 2018 2<sup>nd</sup> KB Good Job Fair

KB Kookmin Bank launched 'KB Good Job' in 2011, a job information offering business, in order to resolve youth unemployment and create quality jobs. The bank also holds job fairs 15 times and operates 'KB Good Job' homepage (<https://kgoodjob.kbstar.com>), thereby providing a substantial on- and off-line meeting between job seekers and high-quality small and medium-sized enterprises.

KB Good Job Fair, is the nation's unique largest job fair that leads the paradigm of job fair business with the visit of 2,700 employing enterprises and 290,000 job seekers. Since 2019, the annual job fair has been expanded to 5 times a year, including co-hosts with related agencies (Korea International Trade Association, Korea Industrial Technology Association, etc.), contributing to reducing the gap in unemployment among regions and addressing job problems by holding in regions such as Busan, Daejeon, Incheon, Goyang, and so on. As of the end of May 2019, KB Good Job linked 11,895 jobs, including 8,400 job links for the 'KB Good Job' Fair.

If an enterprise participated in the KB Good Job Fair employs a permanent employee, 'KB Good Job Employment aid' is also doubled to KRW 1 million per person, up to KRW 10 million per company. If companies participating in the job fair handle new credit, they will benefit from 0.5%p up to a maximum of 1.3%p. Through these supports, we are striving to alleviate the labor cost and financial burden of SMEs.

In addition, along with KB Good Job Employment Academy, a pre-employment support program linked to the job fair with 2,300 graduates, KB Good Job Employment Academy which ran 7 times with total 700 graduates, provide employment competency development education/job matching program of 6 month for specialized and meister high schools. All these One-Stop career support service are for strengthening the job seekers' employment capabilities.



▲ 7<sup>th</sup> KB Good Job Employment Academy

### Spreading Global Sharing

KB Financial Group, which has more than 50 business channels in 13 countries, is giving hands to global society for mutual growth. ‘Cambodian Heart Diseased Children Surgery Project’ is the program of KB Kookmin Bank and Financial Supervisory Service that invites Cambodian children with heart diseases and help them operate for free of charge. The project has given a new life to 76 children so far, since it initiated in 2012. In order to expand the support for children with heart disease, KB Kookmin Bank established ‘KB Kookmin Bank Hebron Heart Center’ in Cambodia, and continue to manage those child back in the country so that they can grow healthy. In addition, scholarship for low-income students in Cambodia was steadily provided, totaling more than \$200,000 from 2014 to 2018.

‘Raonatti’ is an oversea volunteer consist of selected Korean university students, which practices the volunteering work needed for local communities of underdeveloped countries. It is KB Kookmin Bank’s old global social contribution activity, celebrating its 12th anniversary. ‘Raonatti’ is a pure Korean word meaning ‘amusing friends’, and is the volunteering program which the members visit an Asian country for 6 months and support regional development and education for children. KB Kookmin Bank has sent 527 university students to 11 Asian Countries including Laos, Myanmar, the Philippines, etc., and spread the value of sharing to the global community since 2008.

KB Securities supported the establishment of ‘Rainbow Classroom’ near Hoa Binh, Vietnam in order to create a learning environment for adolescents in underdeveloped countries in 2018. The elementary school was facing a dire situation where children had to be divided into morning/afternoon class due to the lack of classroom. However, through discussion with Vietnamese Ministry of Education, children’s educational environment was greatly improved. The Rainbow Classroom is designed to be used both as a library and a classroom. The actual children reaped benefits from the program is about 1,400.



▲ Raonatti(Philippines)



▲ Local Children Celebrating Completion of the Rainbow Classroom

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### Social Contribution Activities Linked to Sports Teams



KB Financial Group has been actively leading the development of diverse sports events and promising players by operating women's basketball team, shooting squads, men's volleyball teams, etc. In particular, the company fulfills its social responsibility through community-related contribution activities. Women's basketball team has supported victims of disaster and the underprivileged through donation programs according to match records, and has provided talent donations and career mentoring program for students in their home city. Furthermore, the team has strived to become a team of which fans are proud beyond simple sports team, by donating, for example, all of the ticket profits. Thanks to the love and support of the fans, KB Stars took the first place for the first time in women's professional basketball league at season 2018-2019.

### KB Kookmin Bank Campaign for '100<sup>th</sup> Anniversary of 3.1 Movement and Provisional Government of Korea'



KB Kookmin Bank carried out several campaigns that help people remind the historical significance and fulfill their positive role and responsibility to society, celebrating the '100<sup>th</sup> Anniversary of 3.1 Movement and Provisional Government of Korea'. The representative case is the production and distribution of a newly recorded song and a video to people titled 'Korea is still alive'. It was thanks to the news that the lyric, which was made by 7 women independence activists to comfort each other and increase their desire for independence, was unearthed in 100 years without melody by one descendant.

'Korea is still alive' MV



# KB with Employees

## Materiality

In the financial industry, there is a growing awareness of the development of digital professionals. As we strive to foster experts from all walks of life in the financial industry, including financial authorities, it is time to proactively secure professionals through the establishment of a systematic human resources development system. In addition, the impact of work-life balance on work satisfaction is increasingly emphasized.

## Trend

### Risks

Tapering of consumers within the financial market is happening due to a distribution through digital technology innovation, ICT and new financial platforms between non-finance companies, internet-based banks and Fintech companies. As advanced IoT technologies are rapidly changing, efficient operation of manpower and training of outstanding individuals are going necessity. As a result, risk of human resources management such as fostering digital talent and welfare of executives and employees is increasing.

### Opportunities

With expansion of non-face-to-face digital finance service, it is essential to nurture individuals of digital innovation in order to provide different kinds of services. Digital innovation at the group level could creates a professional training system. Furthermore, by conducting various human resources development programs and the realizing of employee welfare policies, we can gain relative advantage through human resource management.

## Our Response

We are focused on cultivating key talents to respond to the rapidly-changing market environment. We support specialized services to take customer-centric actions based on communication, and aim to promote work efficiency and maximized productivity through the organization culture that focuses on communication. Furthermore, we support our employees to maximize work efficiency and productivity while also considering their work-life balance.

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# Great Workplace

## Workplace with Relaxed Living

KB Financial Group understands that employees' high satisfaction from the company contributes to top customer service and work performance, and therefore strives to create a great workplace by providing an opportunity for refreshing during the day, through plenty of rests while caring about the balance between work and personal life.

Many of our subsidiaries, such as KB Kookmin Bank, KB Insurance and KB Kookmin Card have implemented the PC Off program that shuts down employees' computers automatically at the preset time, to lead a balance between work and life. In particular, KB Kookmin Bank carried out the new OT work system in 2018 that links the PC OFF time with OT work hours to actually reward for extended work hours. KB Kookmin Card includes the PC OFF time in Key Performance Indicators (KPIs) of departments to minimize overtime.

In addition, KB Financial Group actively encourages employees to take leaves to refresh and relax, and operates various programs associated with resorts, condos, training institutes, etc. to provide a time to make valuable memories with their families. There is also a 'Holiday Box' program for encouraging leaves the day before and after the holiday for holidays interspersed with workdays. KB Insurance adopted the 'extended leave for self-development' program in 2018. Employees are given 10 additional paid holidays when spending 10 annual paid holidays and can take one month off in total along with weekends.



▲ Employees taking break at the library of head office

## Work-Life Balance

KB Financial Group operates various support systems related to child birth and child caring to support the coexistence of work and home, by building an environment where employees can solve child care difficulties and also concentrate on work.

KB Kookmin Bank guarantees 110 business days of paid maternity leave, which is longer than the legally required 90, and 2 years of childcare leave, which is provided for children age 9 or under and third grade or down, per child for both male and female employees. New mothers are allowed to take maternity leave as soon as pregnancy is confirmed and working hours are shortened during the pregnancy period to ensure maternal and fetal wellbeing. A variety of paid paternity leaves for female employees including sterility leave, family nursing leave, spouse overseas working leave, etc. are also operated. Since 2019, we adopted the Elementary School Child Support program for employees with children who will be entering an elementary school. Employees are allowed to come to work at 10 am for one month during March (the same closing hour is applied) to concentrate on child nurturing during the early beginning period of school. Use of PC for those who applied for the program is prohibited before 10 in the morning to ensure the use of the program.

KB Kookmin Bank and KB Kookmin Card operate child care centers for employees and offer educational expenses of preschool children, living expenses for children with disability, school expenses for children, etc. Additionally, support on childbirth grants and medical expenses for employees with sterility is extended to enhance the welfare benefit system related to maternity protection. KB Insurance newly opened the top-class childcare center in mid-March of 2018.

1. Kindergarten of KB Kookmin Bank



2. Kindergarten of KB Insurance

3. Kindergarten of KB Kookmin Card



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▲ CEO Town hall Meeting

### Activating Communication Among Employees

KB Financial group is operating various communication channels to establish a horizontal and creative organizational culture, and implementing communication programs among employees to strengthen the solidarity of the members. Through the operation of CEO Town hall Meeting, all employees of the group shared the opinions on strategic direction of the group and its subsidiaries and their management issues. They also communicated the CEO's management philosophy and strategic direction, operating a 'Conversation with the CEO' board in its website, all employees sharing the major discussion matters and news on various meetings.

In addition, KB Financial Bank strives to spread and settle the organizational culture of Work & Life Balance through the hobby and talents support programs that allows various employees in the group to participate. In particular, 'KB Work & Life Balance Academy' program operated in 2018 helped employees experience a variety of hobbies: coffee, wine, leather craft, gardening, perfumery, cooking class with their children. In addition, the '7<sup>th</sup> KB Financial Group Press Corps', which selected 52 employees through a public offering of its entire subsidiaries in 2018, well plays the role of the group's representative in-house messenger. The Press Corps contributed to the spread of 'One Firm, One KB' through communication by participating in social contributing activities such as listing the articles of 'KB Friends' a communication channel of the group's executives and employees, and taking photos as a talent donation.

1. KB Work & Balance Academy, Cooking Class with Children

2. Talent Donation of the employees



### Promoting improvement in the working method

KB Financial Group established new mission, vision, and core value that encompasses all subsidiaries of the group in 2018, and implemented improvement and innovation of the work methods of subsidiaries associated with the project. In addition to the core contents of the new mission and vision, the company has enacted a ‘work method’ that contains practical and specific action plans in light of the characteristic and organizational culture of each subsidiary. In particular, the newly made ‘work method’ was written around the core contents that all employers think are the most important through participation and public offering, not just set up by the management team or the relevant department.

In the second half of 2018, the group conducted remodeling of bank’s main office as a part of the establishment of a horizontal organizational culture and employee-oriented management. The office was wide and pleasant enough to enhance the employees’ satisfaction. By replacing the position of team leader in line with other team members, which had been placed vertically in the existing window, the group attempted to facilitate the horizontal communication including active communication. The principle of self-sitting during the meeting and operation of beverage Self Zone have enabled the employees focus solely on main purpose of the meeting. Establishment of a group video conferencing system minimized travel to attend meetings and increased efficiency in meeting operation. For approval and reporting purposes, Non-face-to-face, e-mail, and e-reporting was activated in order to avoid the uniform method of face-to-face approval and sequential approval, and the simultaneous approval by multiple authorized persons was introduced. As such are endeavoring to improve the daily culture, institutions, and systems of the KB employees and thereby achieving ‘Work Diet’ and ‘Work Smart’.

We are also trying to change the organization with ore complementary Agile organizations. Through KB ACE of KB Kookmin Bank and SWAT of KB Kookmin Card, a system was established which a team leader leads the business and reports it to executives to focus on the business quickly and efficiently. KB Financial Group, KB Kookmin Bank, and KB Insurance have established ‘KB-Drive System’, which is a centralized document data system, to store and manage data on central cloud PC rather than on hard drive of employees’ individual PC, thus to establish group assetization of documents and data and enhance their work efficiency. We strive to create an optimal working culture to realize ‘Work Diet’ and ‘Work Smart’ together by improving each other’s working methods and benchmarking each other through variety of best practices and public offering events.



▲ Employees’ meeting utilizing tablet PC

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▲ Resting place for employees created through remodeling

### Supporting Employee Healthcare and Stress Management

KB Financial Group conducts annual medical check-ups to enhance its employees' health and supports medical check-ups for spouses 35 or over. In 2018, the HQ office building was remodeled to provide office spaces optimized for communication of easy conversations and opinions between employees along with an extra working environment that can reduce work fatigue with a resting space, standing conference room, etc.

KB Kookmin Card carries out various interesting programs to improve the physical strength of employees such as walking project, body fat loss project, climbing contest, etc. for a healthier workplace. In-house fitness centers and medical offices are operated to systematically manage the health of employees, and general checkups are provided for employees and their families to promote regular healthcare. In addition, KB Kookmin Card provides Employee Assistance Program (EAP), a support program for employees' mental health, through which each employee can receive counseling up to six times a year regarding work, home and mental issues. In February 2019, 'It's Okay, Pat Pat,' program designed for mental health management of employees offered employees time to diagnose and resolve their stress through self-survey, music meditation, cartoon drawing, etc.

### Safe Workplace

In order to protect employees from natural disasters, safety accidents, earthquake, fire, terror and contagion, KB Financial Group conducts systematic security checks on a regular basis.

Risk assessment under BCP (Business Continuity Planning) is conducted every 3 years to assess and manage risk elements for the head office and main branches. After assessment, the result is reflected upon and the risk management plan is modified and complemented continuously. Risk elements that may cause damage to human and material resources of the bank are prioritized and managed systematically.

KB Kookmin Card conducts BCP (Business Continuity Planning) mock training and emergency evacuation training once a year to ensure business continuity and responsiveness in emergency situations like natural disasters. Also, conducts activities for a safe workplace such as extended installation of defibrillators for an instant action in case of a sudden cardiac arrest and first aid training for employees.

# Growing Talent

## Developing Employee Competencies through Self-motivated Learning

KB Financial Group encourages our employees to engage in self-led learning by supporting the operation of CoP (Community of Practice) for each group company to respond to the rapidly changing financial environment.

KB Financial Group has established 'W.I.T.H', a group training system that can be used on PC and mobile with online training infrastructure, and we have created a system to manage group co-training and training by affiliated companies and improve the competency of employees by providing Anywhere/Anytime learning environment Contributed to.

In addition, the off-line infrastructure will be created by establishing the KB Financial Group Acquisition Training Center, in which group employees can communicate freely and prepare for the future of the KB to enhance the accessibility of the training center, We have established an opportunity to establish a one-firm mind in the process of exchanges among employees of all affiliated companies.

On the other hand, the Group CoP, which is a group autonomous learning and research organization, is organizing a culture in which employees who are interested in various fields such as group synergy, future strategy, data analysis, global, brand, corporate culture.

KB Financial Group will continue its strategy of cultivating human resources utilizing collective intelligence to lead future financial innovation and plan to spread a culture of autonomous learning, sharing, and discussion around group CoPs.

1. KB Financial Group Training Institute at Hapjeong

2. KB Financial Group Training Institute at Daechi

3. 2018 Group CoP Festival



▲ W.I.T.H, the group training system



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**Listed on Bloomberg Gender-Equality Index for the first time among Korean companies**

### Cultivation of Female Leaders

We operate various systems for developing female talents and leaders, and supporting leadership activities. To prevent a career break of female employees around and after the time of childbirth and child nurturing to have an impact on competency development and female leadership training, we manage a variety of training systems including KB Kookmin Bank's With Kids along with other institutional support programs to help female employees in childbirth and child nurturing stages to take care of home/personal life and develop their competencies at the same time. At the middle management phase, we support fostering of expertise in various fields such as female corporate finance talent training case and we strive to assign, train and develop female employees in appropriate areas for human resource development that values competencies and CDP (Career Development Plan) irrespective of gender.

As of the end of 2018, the percentage of female employees in management positions stands at 31.0% at KB Kookmin Bank. Women account for 44.9% of junior management positions, and 13.0% of top management positions. In addition, women account for 34.0% of management positions in revenue-generating departments such Sales department.

### Supporting Lifetime Planning for Employees

KB Kookmin Bank helps its employees plan for a life after retirement by operating a lifetime planning program and career transition school targeting those in their 50s. In 2019, we plan to expand the scope of training subjects to employees in the 40s for group training as well as communication training. Among the others (6-month course) will be provided to those who want help based on thorough planning and preparation. KB Insurance lowered the bar of Happiness Program, which is designed for employees 50 and older whose satisfaction is gradually increasing, to 45 and older. And after the latter half of 2019, KB Insurance plans to operate a license acquisition program to support life after retirement.



# Fundamentals

We believe that our efforts to ensure transparency in corporate governance, integrity, and proactive risk management will help sustainability take firm roots and that such efforts lay a solid foundation to reinforce our global competitiveness. We strive to fulfill our corporate social responsibilities by protecting the human rights of stakeholders across all business areas in which we operate.



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# Corporate Governance

## Board of Directors

The Board of Directors is KB Financial Group's supreme decision-making body that determines matters prescribed in laws and the Articles of, as well as important matters in business management. It oversees the management and focuses on maximizing the company's value and earning stakeholders' trust. The Board consists of 1 executive director, 1 non-standing director, and 7 non-executive (independent) directors as of March 31, 2019.

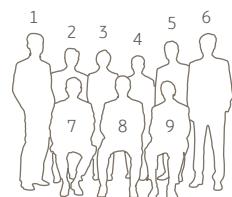
## Independence and Transparency of Board

The Board of Directors is KB Financial Group's supreme decision-making body that determines matters prescribed in laws and the Articles of as well as important matters in business management. It oversees the management and focuses on maximizing the company's value and earning stakeholders' trust. Non-executive directors hold a majority of the board and the chairperson of the Board is selected from among the non-executive directors to ensure the independence of the Board and help it faithfully perform its checks and balances. We disclose details about decisions made by the Board and its subcommittees each quarter through our quarterly report. The Board's activities, management succession, and compensation system are transparently disclosed in the Annual Report on Corporate Governance and Compensation that is released every March.

	Name	Gender	Nationality	Date of the first appointment	Term	Incumbency
Non-executive directors (Independent)	Suk Ryul Yoo	Male	ROK	2015.3.27	2020.3.26	48 months
	Stuart B. Solomon	Male	US	2017.3.24	2020.3.26	24 months
	Suk Ho Sonu	Male	ROK	2018.3.23	2020.3.22	12 months
	Myung Hee Choi	Female	ROK	2018.3.23	2020.3.22	12 months
	Kou Whan Jeong	Male	ROK	2018.3.23	2020.3.22	12 months
	Kyung Ho Kim	Male	ROK	2019.3.27	2021.3.26	0 months
	Jae Ha Park	Male	ROK	2015.3.27	2020.3.26	48 months
Executive director	Jong Kyoo Yoon	Male	ROK	2014.11.21	2020.11.20	52 months
Non-standing director	Yin Hur	Male	ROK	2017.11.20	2020.03 General Meetings	16 months

**Corporate Governance**

Ethical Management  
Integrated Risk Management  
Human Rights Management  
Stakeholder Engagement and Materiality Test



1. Kou Whan Jeong
2. Suk Ho Sonu
3. Myung Hee Choi
4. Kyung Ho Kim
5. Jae Ha Park
6. Yin Hur
7. Jong Kyoo Yoon
8. Suk Ryul Yoo
9. Stuart B. Solomon

As of March 31, 2019

Expertise	Career Background	Role		
Financial management	Chairman of Credit Finance Association	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors</li> <li>• Member of the CEO Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Evaluation and Compensation Committee</li> <li>• Member of the Non-Executive Director Candidate Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Subsidiaries' CEO Nominating Committee</li> </ul>
Financial management	Chairman, MetLife	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Subsidiaries' CEO Nominating Committee</li> </ul>
Finance	Visiting Professor, College of Business Administration, Seoul National University	<ul style="list-style-type: none"> <li>• Chairman of the Risk Management Committee</li> <li>• Member of the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Non-Executive Director Candidate Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>
Law/Regulation	Vice President, Korea Internal Control Assessment	<ul style="list-style-type: none"> <li>• Chairman of the Evaluation and Compensation Committee</li> <li>• Member of the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Non-Executive Director Candidate Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>
Customer Protection	Principal Attorney, Nambujeil Law and Notary Office	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Evaluation and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Subsidiaries' CEO Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>
Accounting	Member, Korea Accounting Institute	<ul style="list-style-type: none"> <li>• Chairman of the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>
Risk management	Senior Researcher, Korea Institute of Finance	<ul style="list-style-type: none"> <li>• Chairman of the Non-Executive Director Nominating Committee</li> <li>• Member of the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the Evaluation and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Member of the CEO Nominating Committee</li> </ul>
Financial Management, Accounting	CEO, KB Financial Group	<ul style="list-style-type: none"> <li>• Member of the Subsidiaries' CEO Nominating Committee</li> </ul>		
Financial Management	CEO, KB Kookmin Bank	<ul style="list-style-type: none"> <li>• Member of the Subsidiaries' CEO Nominating Committee</li> </ul>		

### Expertise and Diversity of Board

According to the Act on Corporate Governance of Financial Companies, a non-executive director shall be those who have studied, investigated, or worked in the fields related to financial business status of financial companies such as finance, management, economy, law, accounting, consumer protection, and information technology, and who have abundant expertise or practical experiences in the job performance of non-executive director.

In addition, KB ESG Codes of ESG Practices stipulates that the director should have thorough responsibility and sense of ethics that can represent the interest of all shareholders and stakeholders in a balanced manner, and should have strategic thinking and professional knowledge to achieve the vision of a holding company. The non-executive directors are also appointed based on ‘professional’, ‘fairness’, ‘ethics accountability’ and ‘faithfulness’, which are the active qualifications of them to form a board of directors.

As such, the Board maintains a pool of non-executive director candidates with different areas of expertise. Non-executive director Candidate Nominating Committee strives to ensure the diversity of expertise remains when appointing new non-executive directors every year.

As of March 2019, the status of non-executive directors of expertise is as the following.

Financial management	Accounting	Finance	Laws/regulations	Risk management	Customer protection
2	1	1	1	1	1

Also, the KB Financial Group Board of Directors does not have any limit on the sex, age, nationality, and so on when it comes to the candidate of non-executive directors for ensuring diversity, and one female non-executive director and foreign non-executive director is now appointed.

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**Fair and Objective Process of Nominating Non-Executive Director**

The unique non-executive appointing process, which has been conducted since 2015 is benchmarked by number of enterprises, appraised as the most fair and independent process by academia.

We nominate non-executive directors based on three core principles: shareholder representativeness, expertise, and diversity and set various systems to exercise this. First, the Non-executive director Candidate Nominating Committee is composed of 4 non-executive directors, except for the management. For the first time in the financial field, all shareholders can propose a preliminary candidate for a non-executive director. The composition of candidates for the non-executive directors (shareholders, outside professional institutions), evaluation (external personnel advisors), and final candidate selection (member of non-executive director Candidate Nominating Committee) are strictly separated and candidates are recommended through multi-faceted and objective procedures.

The candidate group of the non-executive directors is formed upon recommendation from shareholders and external professional organization, and it is maintained on a regular basis of every half year. To enhance the professionalism, the group was divided into 8 specialties: financial management, accounting, finance, law/regulation, risk management, HR, IT, and consumer protection As of the end of 2018, the status of candidates for non-executive directors in each field is as the following.

Financial management	Accounting	Finance	Law/ regulations	Risk management	HR	IT	Customer protection	Total
23	21	19	7	19	6	16	5	116

During the evaluation phase, the member of Advisory Committee, representing various fields such as finance, governance, and legal experts, compresses the candidate group through objective and independent assessments, and for the compressed groups, reputation inquiries are conducted by external professional agencies.

Non-executive director Candidate Nominating Committee selects candidates for non-executive directors to recommend to shareholders' meeting through in-depth discussions and votes, taking into account the objective evaluation of the member of Advisory Committee and their reputation check.

Afterwards, it will be finally recommended by the shareholders' meeting after verification of compliance with the qualifications provided by the relevant laws.

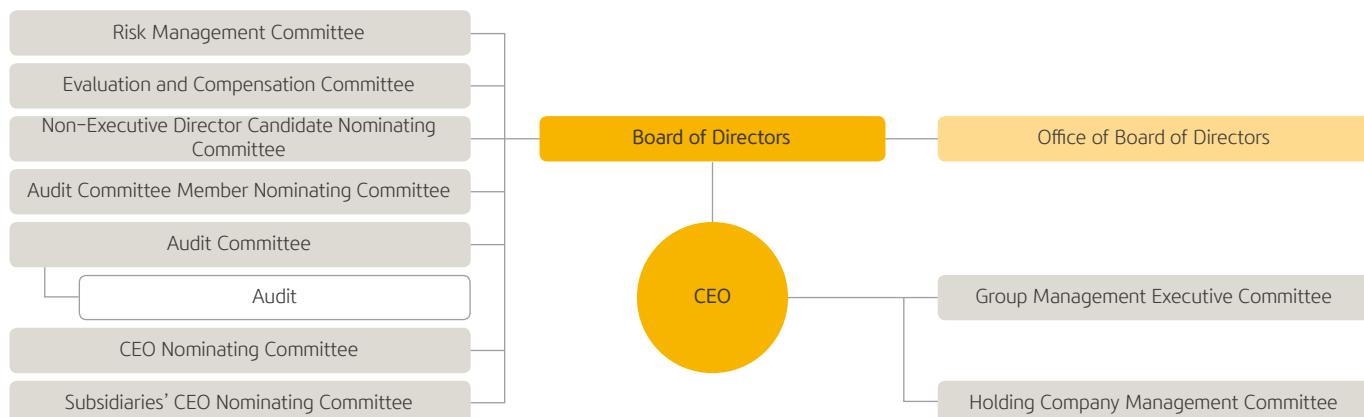
The purpose of this system is to divide the power of candidate by separating each step of recommendation process, so that it can encompasses various options of shareholders and other stakeholders and can prevent the exercise of one's dominant influence, therefore recommending candidates of non-executive directors in fair and objective procedure.

## Board Sub-Committees

We are running 7 sub-committees including Risk Management Committee, Evaluation and Compensation Committee, Non-Executive Director Candidate Nominating Committee, Audit Committee Member Nominating Committee(temporary), Audit Committee, CEO Nominating Committee and Subsidiaries' CEO Nominating Committee. Sub-committees are entrusted with powers to perform some functions of the Board set under laws and article of association, and carry out monitoring and advice on important issues. Each sub-committee is composed of directors who are equipped with expertise in the areas involved.

## Board Organization Chart

As of January 1, 2019



(\* : Independent director, ◎ : Chairman) As of March 31, 2019

Committee	Function	Suk Ryul Yoo*	Stuart B. Solomon*	Suk Ho Sonu*	Myung Hee Choi*	Kou Whan Jeong*	Kyung Ho Kim*	Jae Ha Park*	Jong Kyoo Yoon (Executive director)	Yin Hur (Non-executive director)
Risk Management Committee	Establishment of risk management policies and systems and pertinent to decision-making	◎	◎	◎	◎	◎	◎	◎		
Evaluation and Compensation Committee	Supervision of overall auditing tasks	◎			◎	◎		◎		◎
Non-Executive Director Candidate Nominating Committee	Management of the pool of non-executive director candidates and nomination of candidates for non-executive directors	◎		◎	◎				◎	
Audit Committee Member Nominating Committee	Nomination of candidates for Audit Committee members	◎	◎	◎	◎	◎	◎	◎		
Audit Committee	Directing inspection-related works			◎		◎	◎	◎		
CEO Nominating Committee	Establishment of a plan for CEO succession and execution of succession procedures	◎	◎	◎	◎	◎	◎	◎		
Subsidiaries' CEO Nominating Committee	Establishment of a plan for CEO succession in subsidiaries and execution of succession procedures	◎	◎		◎			◎		◎

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**Board Operation and Evaluation**

The Board holds regular and ad-hoc meetings convened by the chairperson. Regular meetings are held on a quarterly basis, while ad-hoc meetings take place when the chairperson acknowledges that it is needed and when any director or subcommittee requests it. In 2018, a total of 13 Board meetings took place and the Board meeting attendance rate of non-executive directors in 2018 stands at 94.9%. At 2018 Board meetings, we discussed and voted on items such as the revision of regulations for corporate governance improvement, the internal revision in accordance with the revision of the External Audit Act, the 2019 group management plan, and the approval on the acquisition of treasury stocks to increase shareholder values. And reports and discussions were made on performance each quarter. Meetings attended only by non-executive directors can be held to help them more efficiently perform their duties, and support and advice from our employees and outside experts is also provided, if deemed necessary. We provide education and training for non-executive directors to assist them in decision-making.

**Evaluation on Directors and Non-Executive Directors**

The Board is evaluated across four areas: the composition and efficiency of the Board, roles and functions of the Board, responsibilities of the Board, and protection of shareholders' rights and investor relations. Internal evaluations and peer evaluations are conducted for non-executive directors with commitment, expertise, leadership, and contributions as key indicators. The results of evaluations are delivered to the Non-Executive Director Candidate Nominating Committee to be referred to when deciding on their re-appointment.

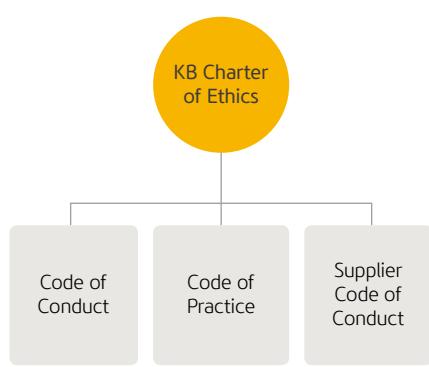
**Awarded the Outstanding Business in Governance**

The performance of the Board is independently evaluated by Korea Corporate Governance Service (KCGS)\* every year. As a result of 2018 assessments, KB received an overall grade of 'A+' for its governance sector. Remuneration and severance pay for non-executive directors is decided at the general meeting of shareholders and detailed information is shared via the website of KB Financial Group.

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\* KCGS: Korea Corporate Governance Service is an independent non-profit organization established to improve corporate governance of Korean companies by promoting best practices and evaluating corporate governance of the listed companies in Korea.

# Ethical Management



## Ethical Management System

The KB Financial Group's Charter of Ethics was established and declared in January 2010 as a Group-wide credo. In February 2016, the KB Financial Group's Code of Conduct was revised to reestablish the key ethical values and standards of employees by operating unified and consistent ethical system across all business operations. Also, each subsidiary adopted Code of Practice, a set of ethical standards reflecting business-specific characteristics of each subsidiary, upon which each company can seek solutions for ethical conflicts that may arise from their business activities. We have Internal Control Committee, a consultative body for the operation of our internal control system: Compliance Council consisting of compliance officers of the holding company and all subsidiaries; and the Working-Level Compliance Council consisting of compliance managers to promptly track and address key issues regarding ethical management and internal control. We will continuously strive to nurture sound and ethical management practices by upgrading relevant systems and proactively monitoring any updates in pertinent laws and regulations.

## Internal Control System

We have diverse compliance programs such as preliminary review of compliance in important tasks, activities to prevent suspicious transactions, reinforcement of management and monitoring of each department's 'Compliance Checklist,' education for compliance staff of each department, etc. aimed at promoting ethical management practices and preventing legal sanctions, financial losses, and reputational damage due to the violation of laws. The operation of such compliance monitoring programs significantly contributes to helping employees take precautions and improve their awareness on the importance of ethical management practices and sound internal control. We have reported the results of yearly inspections on each subsidiary's internal control to the Board of Directors since 2016 pursuant to the Act on Corporate Governance of Financial Companies. Furthermore, we hold Internal Control Committee, Compliance Council, and Legal Affairs Council meetings on a regular basis to readily share and address the Group's compliance and legal affairs issues. We updated our internal policies to ensure the independence of compliance officers and set detailed standards for mandatory leave and the internal reporting system as specified in pertinent laws such as the Act on Corporate Governance of Financial Companies and have put them into operation.

## Whistleblowing System

KB Financial Group has in place a whistleblowing system, to prevent the possibility of violation of internal control standards and prevent accidents from spreading further. In 2015, an independent whistleblowing channel was set up, enabling internal reporting through our website and mobile apps with ease. Furthermore, we have established a hotline for employees to directly contact the Group's Compliance Officer through his personal contact number, Viber, and Telegram to protect the whistleblower's confidentiality.

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### Anti-Money Laundering

KB Financial Group established a Group-wide consultative body to discuss material issues on anti-money laundering and conducted onsite inspections on overseas branches of KB Kookmin Bank and KB Securities. In order to determine whether the identification of UBOs (ultimate beneficial owners) is being carried out faithfully pursuant to pertinent laws, an all-out inspection was conducted on all subsidiaries and deficiencies were corrected accordingly. We reflect the outcome of the anti-money laundering performance evaluation by the Korea Financial Intelligence Unit as an indicator in the assessment of compliance officers of our subsidiaries to ensure the effectiveness of our anti-money laundering activities.

To proactively prepare against reinforced control on money laundering, KB Kookmin Bank upgraded the control system by elevating the exclusive unit for money laundering prevention to a division and increasing the large number of personnel specializing in antimoney laundering. We increased the effectiveness of inspection by hiring the designated personnel for monitoring and conducted a review on appropriateness of implementing Customer Due Diligence (CDD) by operating a 「CDD Head Office Monitoring System」. In addition, we were able to minimize risks of violating regulations through continuous inspection and management of CDD vulnerable areas such as 'identification of corporate beneficial owner'. In 2018, we newly opened the global branch management team within the anti-money laundering division and regularized visit of a compliance officer to local authorities. We also visited New York Department of Financial Services (NYDFS), Federal Reserve Bank of New York (FRBNY) and Hong Kong Monetary Authority (HKMA) to explain our management conditions and efforts for improvement, and delivered the management's high interests and determination for active administration. In particular, the designated unit for money laundering prevention from the head office was dispatched to the NY branch to focus on support activities.

To reinforce the ability to perform anti-money laundering practices, we have improved our employees' awareness of and abilities to perform anti-money laundering practices by operating various educational programs for each position and job including internal education broadcasting for all employees, visiting training, etc. as well as education for executives including education provided by outside experts for council and management, compliance officer video conference for all branches, etc.

KB Insurance upgraded its anti-money laundering mechanism and established a new RBA-based money laundering prevention system. KB Insurance also conducted an inspection of internal control and anti-money laundering on overseas departments in 2017 and reported the outcome and improvement points to the management. Countermeasures have been implemented and are monitored regularly.



KB Kookmin Bank  
 Comprehensive Anti-Money laundering Performance Evaluation  
 (Supervised by Korea Financial Intelligence Unit )

**Ranked 1<sup>st</sup> for 8 Consecutive Years**

KB Kookmin Bank has been preparing an advanced system in accordance with the FAFT international standards and reinforce the management system. Based on such efforts, KB Kookmin Bank ranked 1<sup>st</sup> for 8 consecutive years among local financial institutions in the Comprehensive Anti-Money Laundering Performance Evaluation.

# Integrated Risk Management

## Risk Management Function and Process

The Risk Management Committee under the Board of Directors develops risk management policies, determines risk-taking levels, sets risk limits, and monitors the effectiveness of risk management policies and systems. The Risk Management Council, consisting of risk management officers from the holding company and its subsidiaries, discusses details of risk management policies and their implementation and the Risk Management Council by Type (Group Account Portfolio Consultative Council, Group Industrial Risk Management Consultative Council, etc.), also discusses management methods for material issues. Since 2016, pursuant to the Act on Corporate Governance of Financial Companies, the Board appointed qualified risk managers with a guaranteed term of office of two years, at minimum, to improve risk governance.

## Integrated Risk Management System

A Group-wide integrated risk management system is critically needed to proactively respond to diverse risk factors stemming from the rapidly changing business environment and to efficiently manage capital. KB Financial Group has focused on developing an integrated risk management system to deal with the latest changes in a proactive manner and to keep pace with our rapidly diversifying group business portfolio, by designating the following as key management tasks: advancement of asset management capability through diversified indices: reinforced management of assessment capability through standardization and enhanced efficiency of assessment: reinforcement of risk management for global advancement and investments: and improvement of the company's asset management capability through risk management and digitalization.

## Advancement of Risk Management System

KB Financial group prepared an integrated group retail credit rating model and prepared a group-wide assessment scale for retail debtors to improve discriminating the repayment ability of household retail debtors. We significantly improved the model's prediction by using internal/external information on debtors and applying machine-learning algorithms on it. With enhanced competitiveness for virtual and telephonic channel sales and improved assessment strategies, we are expected to strengthen the ability for mid-range interest rate loans. In 2018, KB Insurance and KB Life Insurance introduced the Own Risk and Solvency Assessment (ORSA) by applying the internal model system and henceforth continues to promote elaboration of the internal model.

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## Major Areas of Risk Management

We have defined different types of risks that we are managing at the Group level and conducted Group-wide risk management activities based on our risk policies and exposure limits, pertinent systems and processes, asset quality management system, and responses to regulations. In 2018, we focused on managing heavy debtors to prevent household insolvency, reviewing the operational direction of real estate financial portfolio and advancing the Group-wide risk asset management system.

### Definition of Group-wide Risks

Credit risk	Risk of loss incurred in an asset portfolio due to the counterparty's failure to perform obligations or fulfill a contract or due to a downgraded credit rating
Market risk	Risk of loss from trading positions mainly due to fluctuating market drivers such as interest rates, exchange rates and stock prices
Interest rate risk	Risk of a decrease in the net asset value or net interest income (NII) caused by adverse fluctuations in market interest rates
Liquidity risk	Risk of loss arising from the discrepancy between available cash and debt obligations, unexpected cash outflows, etc. and from funding at high interest rates and unfavorable disposal of assets to overcome the shortage of funds
Operational risk	Risk of loss incurred by inappropriate or defective internal procedures, staff, and systems or by external factors
Sustainability risk	Risk incurred due to climate change, environmental, social issues, and other ESG issues

## Emerging Risk Management

We have defined emerging risk as the risk that arises from economic, environmental, and social changes and that can significantly impact our business activities in the long term. We take various proactive measures to mitigate and manage emerging risks. We have identified 'demographic shifts caused by the declining birth rate and aging population' and 'changes in business practices brought forth by digital finance innovation' as material emerging risks.

### Response Activities by Emerging Risk

Emerging Risk	Description	Impact on Business	Mitigating Activities
Demographic shifts due to the declining birth rate and aging population	Demographic shifts due to an aging population, etc. is expected to lead to a decrease in savings rates and household income, especially as aging debtors stop engaging in economic activities and thereby cause deterioration in asset quality.	Analysis of the asset quality of debtors of household credit loans shows that asset quality is in inverse proportion to age.	Debtors in our loan portfolio are expected to enter the age groups that are highly likely to experience a decline in income, which could ultimately lead to a deterioration in asset quality. As such, we are focusing on enhancing our risk management process in a proactive manner by upgrading our credit requirements to take into consideration debtors' income level and debt repayment ability by life stage.
Changes in business practices brought forth by digital finance innovation	The innovation of digital finance provides financial institutions with new growth opportunities. However, failure to keep abreast with new technologies and financial innovation could compromise competitiveness, while new technologies and innovations are expected to create risk risks in terms of information technology, information leakage, financial fraud, etc.	The activation of digital finance and new technologies are affecting the entire value chain of the traditional financial industry. Digital finance is fundamentally changing how we operate and is creating new business models, products, and services.	We are proactively analyzing potential risks that may stem from changes in digital finance and developing countermeasures for those identified risks to reinforce proactive risk management. Simultaneously, we are taking full advantage of new technologies such as Big Data and machine learning.

# Human Rights Management

## Our Commitment to Human Rights

KB Financial Group supports universal values of human rights beyond the ideologies, political, religious, and cultural backgrounds presented in the ‘Universal Declaration of Human Rights’ and ‘UN Framework and Guiding Principles on Business and Human Rights’ and actively takes into account such human rights principles when serving customers, making investments, managing human resources, building business relations with suppliers and partner companies in all of our business activities. To that end, we have declared the KB Financial Group Statement on Human Rights. Following our statement on Human Rights, we are prohibiting any discrimination against gender, age, race, disability, religion, political orientation and place of origin throughout our human resources management process including recruiting, evaluation, compensation, and training, and we respect the diversity of our employees. We also prohibit child labor and forced labor, and which complies with the labor standards on healthcare, safety, and working hours recommended by the International Labor Organization (ILO) and ratified by the Korean government. The principles and policies on human rights are applied to all stakeholders that KB can exert its influence on, including employees and business partners. The principles and policies are applied across the Group in a consistent manner while specific human rights situations pursuant to individual subsidiaries are addressed by the respective subsidiaries.

## KB Financial Group Statement on Human Rights

At KB Financial Group we seek to grow together with our stakeholders through ethical management and meet the social expectation and demand: and believe that such efforts will contribute to improving its corporate image which, in turn, will lead to stronger customer loyalty and help create intangible asset value, and ultimately transform into a cornerstone of our business competitiveness. Accordingly, we are committed to coexist with our customers, employees, shareholders and investors, business partners and local communities and respect the basic rights of all stakeholders.

We support the human rights principles proclaimed by the United Nations Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Right and consider such human rights principles in all of our business dealings, including but not limited to serving customers, making investments, managing human resources, building business partnerships.

KB Financial Group:

- Prohibits discrimination based on gender, age, race, disability, religion, political orientation, or place of origin in hiring, performance evaluation, compensation, education of employees and other human resources management areas: and respects diversity.
- Bans child labor or forced labor and complies with all labor rules related to health, work safety, work hours, recommended by the International Labor Organization and ratified by the Korean government.
- Recognizes customer satisfaction as the first and foremost of value to us as an organisation and forbids discrimination of any form, based on gender, age, religion, disability, religion, political orientation or place of origin.
- Keeps personal information to a minimum-level required by law and makes sure to have in place necessary systems and procedures to protect customer information.
- Respects human rights in all business activities including the provision of financial products and services, and deciding on investment and transaction deals.

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### Our Salient Human Rights Issues

According to the UN Guiding Principles Framework, salient human rights issues refer to those human rights that are at risk of the most severe negative impact through a company's activities or business relationships. We have identified the following three topics as our salient human rights issues.

1. Prohibition on discriminating customers against financial service
2. Protection of employees' human rights
3. Protection of human rights of employees from partners

### Evaluation of Vulnerable Human Rights Situation

Laborers serving customers (laborers who sell products or provide services by facing the customers directly or who are dealing with customers via the network) are facing concerns of mental stress and health hazards due to the increased 'emotional labor'. To evaluate the effect of this issue and find a solution, KB Financial Group created a mind checkup program for its employees to diagnose the level of stress caused by work, analyze the main cause, suggest the result and provide customized solutions for individuals. In future, we plan to systematically manage employees' job satisfaction and engagement by periodically and continuously conducting an engagement survey on group employees, and find a direction for improvement, through a detailed analysis of the survey result.

### Strengthening Access to Financially Alienated Classes

KB Financial Group values the convenience of all customers and particularly focuses on providing convenient services to customers with limited access such as senior citizens and the disabled. We developed a smartphone app for visually-impaired persons and we operate a dedicated channel for the aged and disabled consumers to provide specialized services, applicable also for customers who, relatively, have difficulty in understanding financial instruments. Furthermore, we run various communication channels to help our employees report grievances easily and to promptly respond to their grievances.

### Human Rights Protection for Employees of our Partners

We make sure that the rights of all employees of our suppliers, including call center employees and security guards, are protected and respected. As call center employees are often exposed to verbal abuse and sexual harassment, we developed an employees' guide to help them address these issues and safeguard themselves against abusive consumers. We also aggressively take legal action on any human rights violations detected. To relieve call center employees' emotional stress, we provide counseling, operate morale-boosting programs, and take measures to create a safer working environment. We recognize the need to create a respectful working environment for our security guards. To this end, we inspect their working conditions on a regular basis, identify their difficulties, and take actions to remedy problems and boost their morale.

# Stakeholder Engagement and Materiality Test

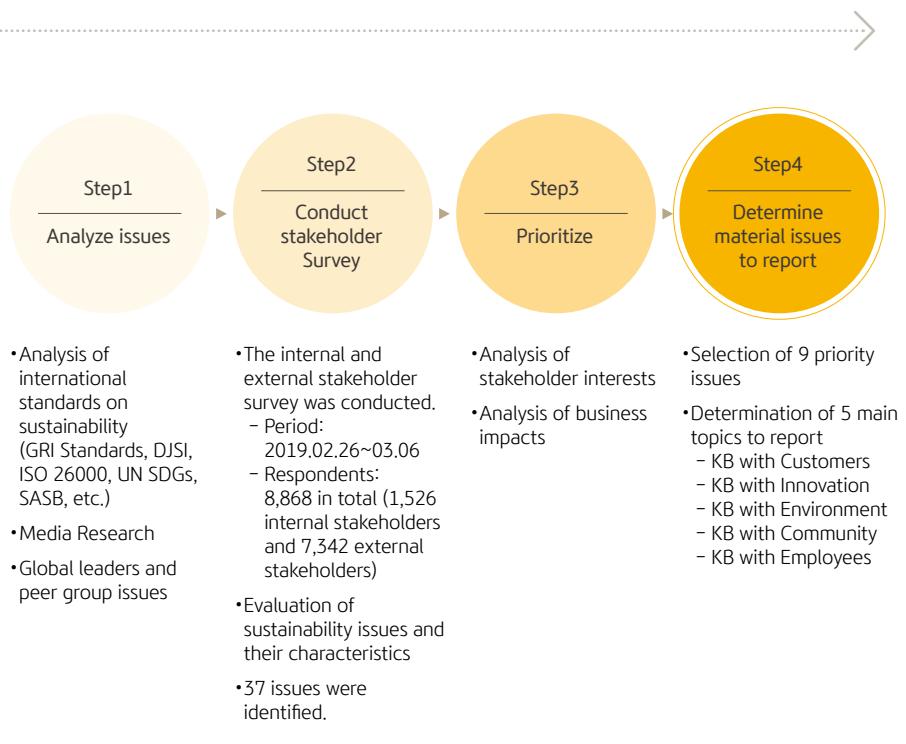
## Communication with Stakeholders

KB Financial Group defines customers, employees, shareholders/investors, suppliers, local communities, and the government and regulatory bodies as our key stakeholders. Further, we identified individual areas of concern for each stakeholder group to recognize their opinions and reflect those elements in our decision-making and business strategy. To that end, we gathered stakeholders' opinions through a variety of channels. We remain committed to sustainability based on this discourse with our stakeholders and going forward we will adequately respond to changes in their needs and requirements.

	Main Concerns	Communication Channels	
Customers	<ul style="list-style-type: none"> <li>• Quality of products and services</li> <li>• Financial accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction rate</li> <li>• Personal Information Security</li> </ul>	<ul style="list-style-type: none"> <li>• Branches</li> <li>• Website</li> <li>• Call center</li> </ul> <ul style="list-style-type: none"> <li>• Customer panels</li> <li>• Customer satisfaction survey</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Fair assessment</li> <li>• Strengthening capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Work and life balance</li> <li>• Industrial relations for win-win between employees and management</li> </ul>	<ul style="list-style-type: none"> <li>• Grievance settlement center</li> <li>• Labor-management council</li> </ul> <ul style="list-style-type: none"> <li>• Employee meetings</li> </ul>
Stakeholders & Investors	<ul style="list-style-type: none"> <li>• Improve corporate value</li> <li>• Sound governance</li> </ul>	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Transparent disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' meeting</li> <li>• Earnings release presentation</li> </ul> <ul style="list-style-type: none"> <li>• IR roadshow</li> <li>• Investor relations</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Fair trade</li> <li>• Shared growth</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent communication</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting with suppliers</li> </ul> <ul style="list-style-type: none"> <li>• Supplier satisfaction survey</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Community service and donation</li> <li>• Investment in local community</li> </ul>	<ul style="list-style-type: none"> <li>• Job creation</li> <li>• Assistance for those who are financially underserved</li> </ul>	<ul style="list-style-type: none"> <li>• Community-oriented social contributions</li> </ul> <ul style="list-style-type: none"> <li>• KB Good Job</li> <li>• KB Miso microfinance</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Public policy implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Policy gathering</li> </ul> <ul style="list-style-type: none"> <li>• Public hearings</li> </ul>

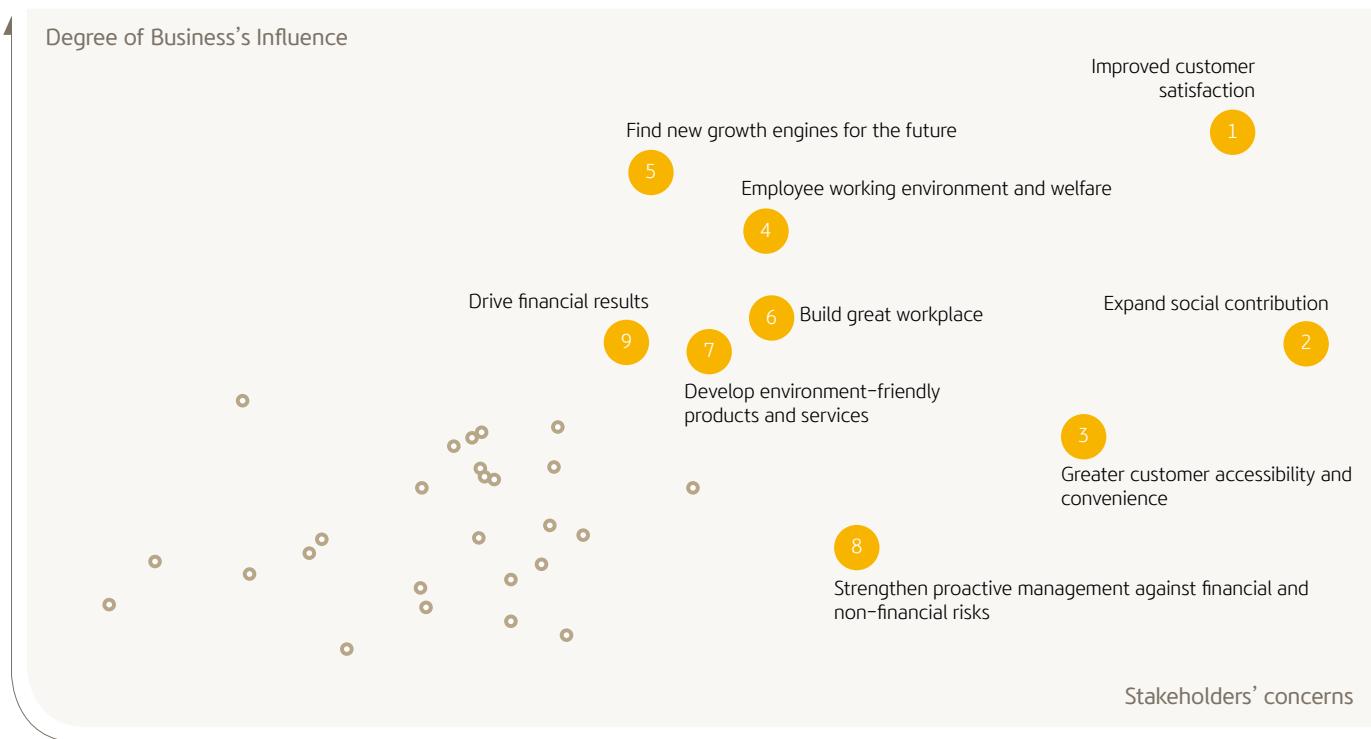
## Materiality Test Process

For the materiality test, based on these stakeholders concerns and impact on the business, we first launched an array of activities including international standard analysis, global benchmarking, media research, and stakeholder survey. Having identified key sustainability issues relevant to us from internal and external stakeholders perspectives, we conducted the materiality test closely following the guidelines of GRI Standards. This process of prioritization enabled us to select a set of issues to report and these issues were incorporated into our report.



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### Stakeholders' concerns



### Issues and Impact Analysis

Topic	Stakeholders material issues	To whom impacts are made					Impact of issues		
		Employees	Customers	Suppliers	Community	Stakeholders & Investors	Costs	Sales	Risks
Customers	1 Improved customer satisfaction		●			●		○	
Community	2 Expand social contribution	●			●			○	
Customers	3 Greater customer accessibility and convenience		●			●		○	
Employees	4 Employee working environment and welfare	●					○		
Finance	5 Find new growth engines for the future	●	●			●		○	
Employees	6 Build great workplace	●					○		
Environment	7 Develop environment-friendly products and services	●	●		●			○	
Finance	8 Strengthen proactive management against financial and non-financial risks	●	●	●		●		○	
Finance	9 Drive financial results	●	●	●		●	○		

# Performance Data

We respect various stakeholders such as customers, employees, and communities and strive to reflect their opinion. Our efforts to establish a foundation for mutual growth with stakeholders are all presented in the form of performance data. We will continue to expand our corporate responsibility as financial companies and contribute to the wellbeing of humanity by fulfilling our social responsibility as a global corporate citizen.



74	Customers
75	Community
78	Environment
84	Employees
86	Financials



# Customers

## Customer Satisfaction

		2016	2017	2018
KB Kookmin Bank	NCSI* Rank	1	1	1
KB Insurance	NCSI* Rank	2	2	2
	NCSI* Rank	3	5	3
	KCSI(Credit Card)** Rank	3	3	3
KB Kookmin Card	KCSI(Debit Card)** Rank	1	1	1
	KS-SQI(Credit Card)*** Rank	3	3	3
	KS-SQI(Debit Card)*** Rank	1	1	1

\* NCSI refers to National Customer satisfaction Index by Korea Productivity Center

\*\* KCSI refers to Korean Customer Satisfaction Index by Korea Management Registration Consulting

\*\*\* KS-SQI refers to Korean Standard Service Quality Index by Korean Standards Association

## Customers Using Online Banking Services\*

	2016	2017	2018
Customers subscribing for online banking services (%)	70.1	72.6	74.8
Active users of online banking services (%)	35.3	36.2	37.8

\* Based on KB Kookmin Bank data

## Customer Accessibility\*

	2016	2017	2018
Universal counters (#)	666	682	803
ATMs with zoom-in screen features for visually impaired1** (#)	8,479	7,988	7,185
Braille and audio guidance ATMs (#)	7,679	7,915	7,185
Wheelchair accessible ATMs (#)	5,035	5,742	6,549

\* Based on KB Kookmin Bank data

\*\* All ATMs have zoom-in screen features.

# Community

## Charitable Contributions and Volunteering Hours

	2016	2017	2018	2020 Target
Charitable contributions (₩100m)	398	552	1,304	2,000
Total employee volunteering hours	372,860	296,824	236,366	-
Average volunteering activity hours per employee	12.4	10.6	8.4	11
Monetary value of employee volunteering during daily working hours* (₩100m)	40	40	50	-
Management overhead (₩100m)	22.9	28.3	28.3	-
Political contributions*	-	-	-	-

\* 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.

## Community Contributions for Youth

	2016	2017	2018
Recipients of 'KB-Mentoring youth!' scholarship	400	500	430
'KB-Mentoring youth!' scholarship amount (₩100m)	8	10	8
Recipients of KB Foundation scholarship	265	260	320
KB Foundations scholarship amount (₩100m)	5	5	6
KB Hope Camp participants	120	100	101
KB Youth Music College beneficiaries	114	114	117

## Community Contributions for Multicultural Community

	2016	2017	2018
Beneficiaries of KB Korean Language Class in Myanmar	397	514	493
Beneficiaries of medical support for migrant workers	2,059	1,734	1,980

## Financial Education

	2016	2017	2018
Recipients of Financial education (offline)	262,842	178,480	137,509
Recipients of Financial education (online + mobile web)	12,372	25,149	28,221
Total	275,214	203,629	165,730

**Job Creation through KB GoodJob**

	2016	2017	2018
Individual members of KB GoodJob website (cumulative)	50,997	52,127	59,092
KB GoodJob Academy participants	257	380	552
KB GoodJob School participants	192	195	208
People employed through KB GoodJob Fair (cumulative)	6,555	7,092	8,433

**Financial Support for SMEs and Small Businesses (₩100m)**

	2017	2018
Contributions to local credit guarantee foundations*	160	150
Amount of loan guaranteed and specially financed by local guarantee foundations**	1,813	2,250

\* Includes contribution to Korea Federation of Credit Guarantee Foundations

\*\* As of the end of 2018

**Consulting Assistance for SMEs and Small Businesses**

	2016	2017	2018
KB Wise Consulting services offered (#)	177	240	267
KB SOHO Business Incubating Consulting services offered (#)	169	591	749

**Supply Chain**

	2016	2017	2018
Business partners self-assessed for supply chain sustainability	179	148	141
Business partner satisfaction level* (point)	98.4	-	-

\* Not implemented in 2017, 2018

**Loans for the Underprivileged (Cumulative, ₩100m)**

	2016	2017	2018
KB Miso Microfinance	1,212	1,394	1,560
KB New Hope Spore II	8,112	9,620	11,082
KB Happy Dream Loan II	5	4	5
KB Change Dream Loan	567	399	425
KB College Student and Youth Sunshine Loan	301	361	399
KB Stepping Stone Loan	1	2	-
KB Vita Loan	-	-	877
Assistance for People with Disabilities Loan	130	101	85
KB Sunshine Loan	854	1,586	2,079
KB "Sah-it-dol" Middle Interest Rate Loan	463	796	889
KB "Sah-it-dol" Loan	61	120	258
KB Safety Loan	-	-	29
<b>Total</b>	<b>11,706</b>	<b>14,383</b>	<b>17,688</b>

**Deposits for the Underprivileged (Cumulative, ₩100m)**

	2016	2017	2018
KB National Pension Assurance Bank Account	138	225	295
KB Kookmin Hope Keeper Bank Account	58	60	70
KB Happiness Keeper Bank Account	51	70	92
KB Teachers Pension Lifetime Assurance Bank Account	12	15	17
KB Kookmin Happiness Installment Savings Plan	741	783	787
KB Love Sharing Installment Savings Plan	2,092	1,999	388
KB Patriotic War Veterans Keeper Assurance Bank Account	7	16	24
KB Kookmin Government Employee Pension Lifetime Assurance Bank Account	8	16	25
KB Junior Life Installment Savings Plan	6,881	6,807	6,367
KB Miso Dream Installment Savings Plan	7	13	9
KB Kookmin Property Formation Savings*	20,635	26,750	31,236
KB Kookmin Fixed Rate Property Formation Savings*	1,069	1,634	2,127
Family Love Freedom Installment Savings Plan*	736	220	34
<b>Total</b>	<b>32,435</b>	<b>38,608</b>	<b>41,471</b>

\* Sales discontinued

# Environment

## EMS Certification

KB Financial Group collects and manages the environmental data of all subsidiaries, and achieved the ISO14001 certification to promote the systematic environmental management according to international standards. The certified subsidiaries, including KB Kookmin Bank, KB Securities, KB Insurance, KB Kookmin Card, and KB Capital, have a huge environmental impact in terms of the number of employees and of branches, and account for 94% of the Group.

## Eco-Friendly Management Certification

	2015	2016	2017	2018	2020 Target
EMS Certification (ISO14001) coverage (%)	70.5	95.1	95.1	93.9	98.0

## Scope 1 & Scope 2 GHG Emissions

	2015	2016	2017	2018	2020 Target
GHG emissions (tCO <sub>2</sub> e)	Scope 1 emissions	20,806	21,513	19,179	19,021
	Scope 2 emissions	116,908	122,536	112,322	111,994
	Total GHG emission	137,714	144,050	131,501	125,000

## Energy Consumption

	2015	2016	2017	2018	2020 Target
Energy consumption (MWh)	253,030	262,839	240,932	240,227	230,000
New and renewable energy consumption (kWh)	190,060	165,133	174,338	345,951	351,849

## Water Consumption

	2015	2016	2017	2018	2020 Target
Water consumption (m <sup>3</sup> )	290,118	299,777	277,454	277,999	265,000
GHG emissions (tCO <sub>2</sub> e)	191	198	183	183	175

## Paper Consumption

	2015	2016	2017	2018	2020 Target
Paper consumption (ton)	2,080	2,213	2,033	2,063	1,800
GHG emissions (tCO <sub>2</sub> e)	2,329	2,478	2,277	2,311	2,016

## Waste

	2015	2016	2017	2018	2020 Target
Waste to landfill (ton)	2,059	2,194	1,930	1,964	1,900
GHG emissions (tCO <sub>2</sub> e)	700	746	656	668	646

**Business Travel**

		2015	2016	2017	2018	2020 Target
Business Travel* (km)	Air	9,707,570	11,380,566	10,549,840	11,259,618	10,242,510
	Train	4,052,696	3,510,106	3,044,580	2,892,919	2,803,000
	Bus	720,660	583,933	447,632	112,278	107,000
	Total	14,480,926	15,474,605	14,042,053	14,264,815	13,152,510
GHG Emissions (tCO <sub>2</sub> e)	Air	1,456	1,707	1,582	1,689	1,536
	Train	122	105	91	87	85
	Bus	20	16	12	3	2
	Total	1,598	1,829	1,686	1,779	1,623

\* When calculating the total distance of business travel, motor vehicle is excluded since it is reflected in the Scope 1 mobile combustion.

**Capital Goods and Purchased Goods**

		2018
Capital goods	Desktop	Ea
		1,725
		tCO <sub>2</sub> e
		56
Purchased goods	Laptop	Ea
		220
		tCO <sub>2</sub> e
		4
	Monitor	Ea
		3,290
		tCO <sub>2</sub> e
		51
	Multifunctioning printer	Ea
		1,314
		tCO <sub>2</sub> e
		521
	Bankbook	Kg
		285,826
		tCO <sub>2</sub> e
		320
	Credit card	Kg
		68,294
		tCO <sub>2</sub> e
		92

**Usage and Disposal of Goods Sold**

		2018
Usage of goods sold	Usage of goods sold	GHG emissions (tCO <sub>2</sub> e)
	e-banking	7,633
	Accounts terminated	75,949
Usage of goods sold	GHG emissions (tCO <sub>2</sub> e)	9
	Kg	57,519
	Cards terminated	135

**Green Loans (₩100m)**

	2017	2018
KB Green Growth Loan	9,090	9,151
KB Solar Biz Loan*	1,053	1,157
KB Green Eco Loan*	4	4
KB Preferential Loans for Photovoltaic Power Plant Businesses	8	375
Energy Usage Rationalization Fund Loan	3,667	3,387
Recycle Industry Growth Fund/Natural Gas Supply Facility Installation Fund	404	381
Specific Material Usage Rationalization Fund	6	3
Environmental Industry Growth Fund/Environmental Improvement Fund	255	355
KB Green Remodeling Agreement Loan	0.1	84
Total**	14,486	14,895

\* Sales discontinued

\*\* The sum may not equal to the total due to rounding off.

**Other Green Products (Cumulative, ₩100m)**

	2017	2018
Deposit offering benefits to green enterprises	2,984	2,006
	KB My Way Installment Savings Plan	10,093
	KB My Way Freelancer Bank Account	35
Savings and deposit bank accounts, promoting the use of public transportation	KB Military Hope Preparation Installment Savings Plan*	1,804
	Luxury Women Total Bank Account*	12,036
	KB 1 economy Smart Installment Savings Plan	1,212
	KB 1 economy Officetel Rental Deposits Loan	160
	Mileage Discount Rider**	3,840
Insurance policies promoting the use of public transportation and green vehicles	Public Transportation Discount Rider**	151
	Weekly No-Driving Day Rider**	0.1
	Electric Vehicle Insurance	12
	KB Citizen Bicycle Insurance	117
Preferential rate applied for electronic, compact or hybrid motor vehicle purchases	KB Magic Car Loan (Second hand car)	502
	KB Magic Car Loan (Second hand car refinancing)	190
	KB Magic Car Loan (New car)	1,331
	KB Magic Car Loan (New car refinancing)	944
Natural disaster compensation insurance policy	Storm and Flood Insurance	164
Total***	35,576	36,367

\* Sales discontinued

\*\* Riders of KB Insurance's Auto Insurance Products

\*\*\* The sum may not equal the total due to rounding off.

**Green Funds (₩100m)**

		2017	2018
Investing in overseas new and renewable companies or funds	KB Japan Photovoltaic PE Special Assets Investment Trust	917	904
	KB Europe New and Renewable Energy Customized Investment PE Special Assets Investment Trust	73	123
	KB Global New and Renewable Energy Customized Investment PE Special Assets Investment Trust	86	206
	KB Saudi SEPCO II Customized Investment PE Special Assets Trust	74	452
	KB Chile Photovoltaic PE Special Assets Investment Trust	-	329
Investing in locally produced new and renewable companies or funds	KB Chile Solar Energy PE Special Assets Investment Trust	-	312
	KB New and Renewable Energy PE Special Assets Investment Trust	473	413
	KB RPS Focus PE Special Assets Investment Trust	1,439	1,296
	KB RPS Focus PE Special Assets Investment Trust No.2	304	348
	KB Solar Energy PE Special Assets Investment Trust	212	182
	KB Solar Energy PE Special Assets Investment Trust No.2	563	369
	KB Solar Energy Customized Investment PE Special Assets Investment Trust No.3	369	538
	KB Seoul Sunshine Power Plant PE Special Assets Fund	83	-
	KB Renewable Customized Investment PE Special Assets Investment Trust No.1	259	137
Investing in sewer rehabilitation BTL projects	KB RPS Focus PE Special Assets Investment Trust No.3	316	580
	KB Gunsan Floating PV Customized Investment PE Special Assets Trust	57	388
	KB Korean Peninsula BTL PE Special Assets Trust No. 1	2,378	2,295
	KB National Land Love BTL Special Assets Trust No. 1	2,279	2,191
	KB Hope Sharing PE Special Assets Trust	419	412
Investing in environmental facility enterprises or assets	KB Yeongnam Area Love PE Special Assets Trust	39	51
	KB Gangneung Sewer Rehabilitation PE Special Assets Trust	163	151
	KB Pohang Wastewater Reuse Plant PE Special Assets Trust	613	595
	KB Agricultural Wastewater Treatment Plant PE Special Assets Trust	403	403
	KB Green Infrastructure PE Special Assets Trust	338	361
Other environmental-friendly investments	KB Gwangju SRF PE Special Assets Trust	261	253
	KB Gunsan Waste-to-Energy PE Special Assets Trust	-	27
	Samsung Global Clean Energy Securities Feeder Investment Trust No. 1 [Equity Fund-Fund of Fund]	5	4
	Multi Asset Global Clean Energy Securities Feeder Investment Trust [Equity Fund]	0.3	0.4
	Mirae Asset Green Index Securities Feeder Invest Trust [Equity Fund]	0.4	0.1
	Samsung GlobWATER Securities Feeder Invest Trust No. 1 [Equity Fund-Fund of Fund]	4	3
	Alpha Asset Tomorrow Energy Securities Feeder Invest Trust No. 1 [Equity Fund]	0.1	0.1
	<b>Total*</b>	<b>12,136</b>	<b>13,327</b>

\* The sum may not equal the total due to rounding off.

**Investments in New and Renewable Energy Sector (Cumulative, ₩100m)**

		2017	2018
Solar Power	Hanwha Solar PV Generation No.3 Fund	400	400
	KIAMCO Japan Solar PV Fund	500	500
	Samsung OCI Solar PV Project Fund	500	500
	Heungkuk Solar PV ESS Project Fund	300	300
	Samsung America Solar PV Project Fund	170	185
	Kyobo Axa Solar PV ESS Project Fund	300	300
	Hana America Solar PV Project Fund	183.5	200
	Sub-total	2,353.5	2,385
Wind Power	Yeongam Wind Power Generation Project	253.1	233.8
	Geochang Generation Project Refinancing	98.3	98.3
	Shinkwang Wind Power Generation Project PF (Pohang Shinkwang Wind Power Generation Project)	100	100
	Yeonggwang Baeksu Wind Power Generation PF1 Wind Power	272.7	286.78
	North Gyeongsang Province Yeongyang Wind Power Generation	250	-
	Hyundai Peru Wind Power Generation Fund	220	-
	JB Yeongyang Wind Power Generation Fund	317	317
	GS Yeongyang Wind Power Generation linked ESS Project	50	-
	Gyeongju Wind Power Generation Refinancing	156	156
	KIAMCO Uljin Wind Power Generation Fund	300	300
	Sub-total	2,017.1	1,491.9
	Gyeongju Environmental Energy Center Private Investment Project	123.7	112.4
Others	Busan Metropolitan City Waste Treatment & Power Generation Facility	36	26.4
	Daegu Metropolitan City Waste-to-Energy Plant (SRF) Private Investment Project	226.2	226.2
	Daejeon Metropolitan City Environmental Energy Complex Town Construction Private Investment Project	90.8	162.3
	Seokmun National Industrial Complex Collective Energy Project Refinancing	351	351
	Busan Fuel Cell Generation	250	250
	Sub-total	1,077.7	1,128.3
	Total*	5,448.3	5,005.2

\* The sum may not equal the total due to rounding off.

Customers  
Community  
**Environment**  
Employees  
Financials

**Green Card (#)**

	2017	2018
KB Kookmin Green Card*	139,767	233,752
KB Kookmin Green Company Card*	1,794	2,020
Total	141,561	235,772

\* Valid debit and credit cards at the end of the year

**Social Responsibility Investment (₩100m)**

	2017	2018
SRI (Social Responsibility Investment) and ESG (Non-financial elements of Environment, Society, Governance) Investment	ABL Active SRI Securities Feeder Investment Trust [Equity Fund]	0.1
	KB ESG Growth Leaders Securities Feeder Investment Trust [Equity Fund]	2.5
	MIDAS Responsible Investing Securities Investment Trust [Equity Fund]	0.9
	Koreit Triple SRI Securities Investment Trust [Equity Fund]	1.2
	Shinhan BNPPTOPS Beautiful SRI Securities Feeder Investment Trust No. 1 [Equity Fund]	0.0
	NH-Amundi LT Growth Representative Enterprise Securities Investment Trust [Equity Fund]	0.4
	ABL Company Value Improvement LT Securities Feeder Investment Trust [Equity Fund]	6.8
	IBK Retirement Pension Davos Global High Dividend Securities Feeder Investment Trust [Equity Fund]	1.2
	IBK Retirement Pension Davos Global High Dividend 40 Dividend Securities Feeder Investment Trust [Balanced Fund]	2.2
Total*	15.2	14.0

\* The sum may not equal the total due to rounding off.

# Employees

## Employees by Gender (person)

	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	16,530	14,226	30,756	15,620	12,867	28,487	15,467	12,990	28,457

## Employees by Status and Rank (person)

		2016	2017	2018
Status	Executives	192	208	219
	Full time*	27,545	25,508	25,635
	Temporary	3,019	2,771	2,603
Rank**	Section Chief-General Manager (L2 and above)	15,503	14,840	14,445
	Associate-Assistant	15,061	13,439	13,793

\* Unlimited contract is included in the terms of a full time worker

\*\* Including both full time and temporary employees

## Diversity (person)

	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Children of veterans	532	181	713	493	182	675	472	190	662
Employees with disabilities	285	80	365	279	100	379	271	67	338
Expats	46	47	93	74	87	161	74	82	156
High school graduates*	11	59	70	3	45	48	11	39	50
Career-interrupted women*	-	146	146	-	218	218	-	84	84

\* Based on KB Kookmin Bank data

## Childcare Leave (person)

	2016			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees accessing childcare leave	68	1,238	1,306	62	769	831	42	604	646
Returns from childcare leave	43	780	823	28	400	428	35	711	746

**Labor Practices**

	2016	2017	2018
Employees covered under labor union* (%)	75.8	79.2	82.3
Employee grievances resolved (#)	480	596	109
Employee satisfaction level** (%)	71.5	84.5	73.9

\* Based on KB Kookmin Bank data

\*\* Changed survey methodology from 2017

**Industrial Accident**

	2016	2017	2018
Work-related injuries	8	7	3
Absentee days	53	115	49
Absentee rate (%)	0.0007	0.0016	0.0011

**Training\***

	2016	2017	2018
Average training hours per employee	154	167	176
Average training expense per employee (₩10,000)	124	142	137

\* Based on KB Kookmin Bank data

**Ethical Management**

	2016	2017	2018
Average ethics education hours per employee	8.5	8.5	8.3
Whistle blowing (#)	5	2	18
Graft	0	0	3
Breaches of Code of Conduct and Code of Ethics* (#)	29	59	23
Violation of internal control measures	0	0	0
Violation of privacy and human rights	29	59	26
Sub-total	14	4	9
Follow-up measures taken* (#)	0	15	3
Salary reduction	23	40	7
Reprimand	0	37	59
Other	23	40	7
Sub-total	0	37	19

\* The number of the breaches and the follow-up measures do not correspond to the following reasons: some of the reports were made anonymously, presumably by the same person: the alleged report's target was not specified and no specific violation was found: or follow-up measures were taken in the year following the year of report or violation.

# Financials

## Financial Performance (₩trillion)

		2016	2017	2018
Total assets		376	437	480
Operating revenue		25.4	39.2	42
Net income		2.1	3.3	3.1
Credit Rating*	Moody's	A1	A1	Aa3
	Standard & Poor's	A+	A+	A+

\* The credit rating is based on KB Kookmin Bank's long-term credit rating, and other financial information is the consolidated data of the Group

## Economic Value Distribution (₩100m)\*

		2016	2017	2018
Customers	Interest on deposit	24,766	23,459	30,417
Shareholders and investors	Dividend	4,980	7,667	7,597
Employees	Pay and benefits	37,756	37,686	38,744
Community	Charitable contribution	398	552	1,304
Government	Corporate tax	4,385	7,950	12,396
Total		72,284	77,314	90,458

\* Consolidated data of the Group

Customers  
Community  
Environment  
Employees  
**Financials**

### Taxation (₩100m)

Since most of KB Financial Group's revenue is generated in Korea, most of our taxes and dues occur domestically with a minimal amount paid outside Korea, including China and the U.S.

	2018			Taxes and dues by region (%)
	Operating revenue	Operating income	Corporate tax**	
Korea	415,535	41,963	12,229	98.65
China	2,444	482	76	0.61
U.S	1,108	(53)	13	0.11
Vietnam	248	95	19	0.15
U.K.	215	23	9	0.08
New Zealand	161	44	20	0.16
Cambodia	103	20	5	0.04
Japan	103	70	24	0.20
Laos	82	20	0	0.00
Singapore	13	0	0	0.00
Indonesia	231	6	0	0.00
Other nations*	28	5	0	0.00
Total***	420,271	42,675	12,396	100.00

\* Luxembourg, etc.

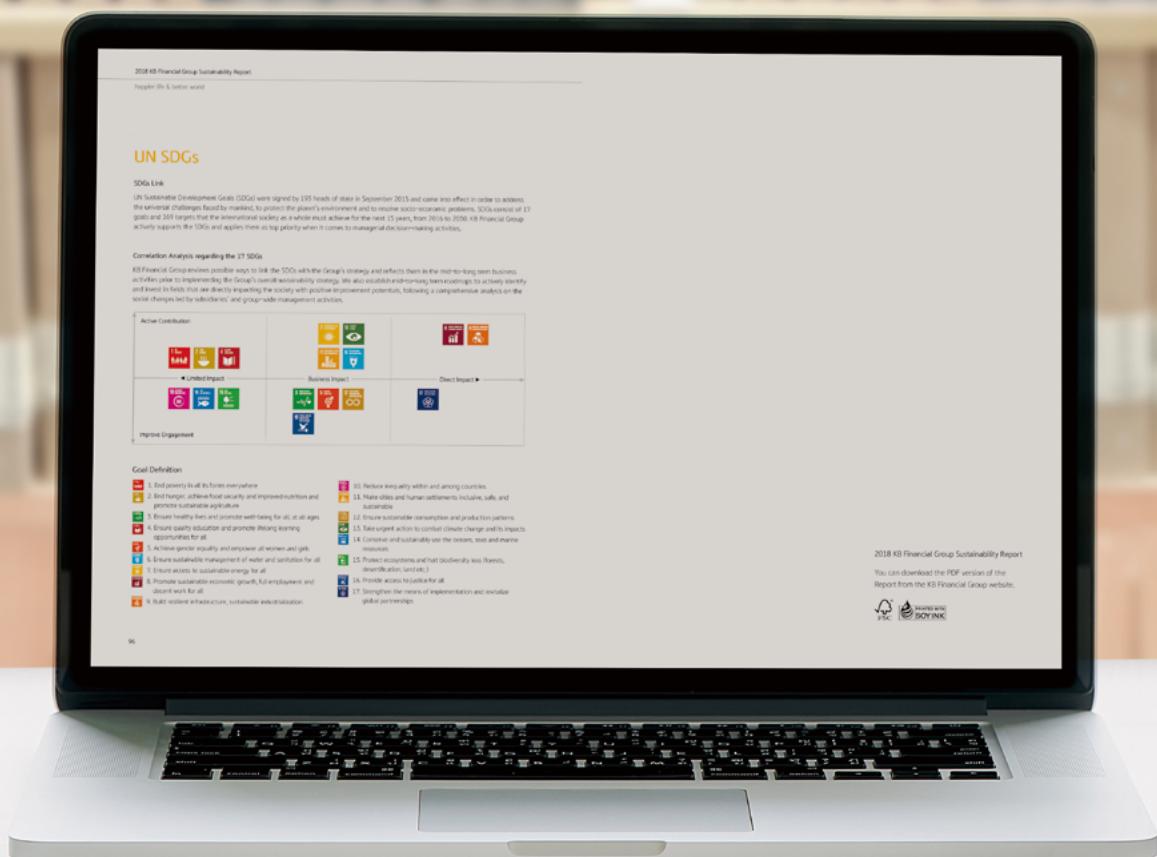
\*\* K-IFRS accrual basis

\*\*\* The sum may not equal the total due to rounding off.

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# GRI Index

## Universal Standards(GRI 100)

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**GRI Index**

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**Topic-specific Standards****Economic Performance(GRI 200)**

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**Product Responsibility (FSS, Financial Service Sector Supplement)**

	Indicator	Description	Page	SDGs
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# Third Party's Assurance Statement

## To the Readers of KB Financial Group Sustainability Report 2018

### Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by KB Financial Group to verify the contents of its 2018 Sustainability Report (hereinafter "the Report"). KB Financial Group is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

### Scope and Standard

KB Financial Group describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a Type 2, moderate level of assurance using AA1000AS (2008) as an assurance standard. KMR's assurance team (hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria. Verification of KB Financial Group report satisfying the CRI's Core Option reporting requirements is included in the scope, and the team reviewed the following for verification:

- GRI Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management Approach
  - Economic Performance: 201-1, 201-2
  - Indirect Economic Impacts: 203-1, 203-2
  - Anti-Corruption: 205-2, 205-3
  - Energy: 302-1
  - Water: 303-1
  - Emissions: 305-1, 305-2, 305-3, 305-5
  - Effluents and Waste: 306-2
  - Employment: 401-1, 401-3
  - Occupational Health and Safety: 403-2
  - Training and Education: 404-1, 404-2
  - Diversity and Equal Opportunity: 405-1
  - Human Rights Assessment: 412-2, 412-3
  - Local Communities: 413-1
  - Marketing and Labeling: 417-3
  - Customer Privacy: 418-1
  - Socioeconomic Compliance: 419-1
- Financial Services Sector Disclosures:
  - Portfolio: MA, FS7, FS8
  - Local Communities: FS14

This Report excludes the data and information of suppliers, contractor etc. which is outside of the organization, i.e. KB Financial Group, in reporting boundaries. Also, we conducted an additional reliability review of specific performance data (water usage, waste discharge, business travel distance, industrial accident data). The data of KB Financial Group and its twelve subsidiaries was also examined. The review team had interviews with relevant staff and found evidentiary data to check the achievements.

### Our Approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standards, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

### **Our Conclusion**

Based on the results we have obtained from material reviews and interviews, we had several discussions with KB Financial Group on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report, with respect to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope has not been presented appropriately.

• <b>Inclusivity</b>	Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability – KB Financial Group is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder that KB Financial Group left out during this procedure.
• <b>Materiality</b>	Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders. – KB Financial Group is determining the materiality of issues found out with the help of stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
• <b>Responsiveness</b>	Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders. – The assurance team could not find any evidence that KB Financial Group's counter measures in response to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence that the Report was not prepared in accordance with the 'Core Option' of GRI standards.

### **Recommendation for Improvement**

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

•KB Financial Group has been actively using the report as the main tool to communicate with and deliver sustainability achievements to stakeholders. KB's initiatives to internalize sustainability by ensuring transparency in corporate governance, ethical management and proactive risk management were particularly notable in the report. The financial organization can consider sharing sustainability strategies with various stakeholders and reflecting this into the performance evaluation of internal stakeholders to lay a foundation for reinforcing its global competitiveness.

### **Our Independence**

With the exception of providing third party assurance services, KMR is not involved in any other KB Financial Group's business operations that are aimed at generating profits in order to avoid any conflicts of interest and to maintain independence.



**AA1000**  
Licensed Assurance Provider  
000-129

May 27<sup>th</sup>, 2019  
**Eun Ju Hwang**  
 Korea Management Registrar Inc.

*E. J. Hwang*

# Major Initiative Status and Joining Organizations

## UNEP FI (United Nations Environmental Programme Finance Initiative)



As an international initiative in which 194 financial institutions of 45 countries participate, UNEP FI is the only partnership of UNEP and international finance sectors. About 200 financial institutions and partner agencies are cooperating in order to enhance the connection between sustainability and financial achievements. KB Financial Group is focusing on raising awareness and expanding the base of sustainable finance through regular quarterly meetings with UNEP FI Korea Group.

## UN Global Compact



We joined the UN Global Compact, a UN initiative aimed at encouraging businesses to adopt sustainable and socially responsible policies in 2009 and pledged to faithfully comply with the Ten Principles of the UN Global Compact forum across the four focus areas of human rights, labour, environment, and anti-corruption.

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights;
	Principle 2	And make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
Environment	Principle 5	the effective abolition of child labour;
	Principle 6	and the elimination of discrimination with respect to employment and occupation.
Anti-Corruption	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility;
Anti-Corruption	Principle 9	and encourage the development and diffusion of environmentally friendly technologies.
	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

## CDP (Carbon Disclosure Project)



Based on the sponsoring of 35 European institutional investment, CDI examines and announce the danger of corporate with regards to climate change, the way to reduce carbon emission and the annual reduction plan for world's top 500 FT400 global index enterprises and the nation's top 50 enterprises. KB Financial Group discloses all the information on environmental management, and apply it to investments and loans.

## TCFD (Task Force on Climate-related Financial Disclosures)



TCFD is a task force on financial information with regards to climate change, established by Financial Stability Board(FSB) with the request of G20. It recommends the disclosure of information on making strategies upon asset valuing system, and the influence on the invested company in accordance with climate change scenario of financial report. KB Financial Group strives to create the governance structure on related risks and opportunities by offering 4 essential information: governance, strategy, risk management, and goal and indicators

## Associations

Korea Financial Investment Association	Korea Chamber of Commerce and Industry
Korea Life Insurance Association	General Insurance Association of Korea Korea
The Credit Finance Association	Federation of Savings Banks
The Federation of Korean Industries	Korea Federation of Banks
Korea Federation of SMEs	Korea Employers Federation
Korea Association of Real Estate Investment Trusts	Korea International Trade Association
Korean Venture Capital Association	International Swaps and Derivatives Association

\* Contributions to trade associations: KRW 8.4 bil. in 2015, KRW 9.7 bil. in 2016, KRW 10.6 bil. in 2017 and 10.2 bil. in 2018.

# UN SDGs

## SDGs Link

UN Sustainable Development Goals (SDGs) were signed by 193 heads of state in September 2015 and came into effect in order to address the universal challenges faced by mankind, to protect the planet's environment and to resolve socio-economic problems. SDGs consist of 17 goals and 169 targets that the international society as a whole must achieve for the next 15 years, from 2016 to 2030. KB Financial Group actively supports the SDGs and applies them as top priority when it comes to managerial decision-making activities.

## Correlation Analysis regarding the 17 SDGs

KB Financial Group reviews possible ways to link the SDGs with the Group's strategy and reflects them in the mid-to-long term business activities prior to implementing the Group's overall sustainability strategy. We also establish mid-to-long term roadmaps to actively identify and invest in fields that are directly impacting the society with positive improvement potentials, following a comprehensive analysis on the social changes led by subsidiaries' and group-wide management activities.



## Goal Definition

- |  |   |  |   |
|--|---|--|---|
|  | 1. End poverty in all its forms everywhere  |  | 10. Reduce inequality within and among countries  |
|  | 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture |  | 11. Make cities and human settlements inclusive, safe, and sustainable                  |
|  | 3. Ensure healthy lives and promote well-being for all, at all ages                             |  | 12. Ensure sustainable consumption and production patterns                              |
|  | 4. Ensure quality education and promote lifelong learning opportunities for all                 |  | 13. Take urgent action to combat climate change and its impacts                         |
|  | 5. Achieve gender equality and empower all women and girls                                      |  | 14. Conserve and sustainably use the oceans, seas and marine resources                  |
|  | 6. Ensure sustainable management of water and sanitation for all                                |  | 15. Protect ecosystems and halt biodiversity loss (forests, desertification, land etc.) |
|  | 7. Ensure access to sustainable energy for all  |  | 16. Provide access to justice for all   |
|  | 8. Promote sustainable economic growth, full employment and decent work for all                 |  | 17. Strengthen the means of implementation and revitalise global partnerships           |
|  | 9. Build resilient infrastructure, sustainable industrialization                                |  |   |

2018 KB Financial Group Sustainability Report

You can download the PDF version of the  
Report from the KB Financial Group website.





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26, Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul, Republic of Korea