

Second-Party Opinion

Industrial Bank of Korea Sustainability Finance Framework



Evaluation Summary

Use of Proceeds Instruments

Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021

Sustainalytics is of the opinion that the IBK Sustainability Financing Framework is credible and impactful, and aligns with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. The eligible categories for the use of proceeds – Employment Generation, Socio-economic Advancement and Empowerment, Affordable Housing, Low-Carbon Transport, Renewable Energy, Energy Efficiency, Green and Zero Energy Buildings, Environment Improvement & Protection, Eco-efficient Farming – are aligned with those recognized by the Use of Proceeds Principles and are expected to lead to positive environmental and social impacts.

Green, Social and Sustainable Deposits

The IBK Sustainability Financing Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to sustainable deposits, and that IBK's internal processes and the use of funds align with those principles.

Evaluation Date	December 20, 2021
Issuer Location	Seoul, Republic of Korea

The UoPs contribute to the following SDGs:



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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the IBK Sustainability Financing Framework (the "Framework") with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, Social Loan Principles 2021, (the "Principles"); and
- The issuer's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of IBK's management team to understand the sustainability impact of their business processes and the core components of the Framework. IBK's representatives have confirmed that:

- (1) They understand it is the sole responsibility of IBK to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and IBK.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The Second-Party Opinion is valid (i) for issuances made aligned with the respective Framework for which the opinion was written, and (ii) for a period of twelve (12) months for the certificate of deposit and commercial paper products and twenty-four (24) months for bond and loan issuances from the evaluation date stated herein. For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.11.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. The Second-Party Opinion:

- addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure their actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee the realised allocation of proceeds towards eligible activities

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that IBK has made available to Sustainalytics for the purpose of this Second-Party Opinion. For inquiries, contact the Sustainable Finance Solutions project team:

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¹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Introduction

Established in 1961, Industrial Bank of Korea (“IBK” or the “Bank”) is a government owned bank and a strategic financial institution designed to provide comprehensive banking services to small-to-medium enterprises in South Korea, through the Industrial Bank of Korea Act. Under this act, the Government of South Korea is responsible for IBK’s operations. The Bank is headquartered in Seoul and has a network of another 21 local headquarters, 635 domestic branches and 59 overseas offices.

IBK has developed the Industrial Bank of Korea Sustainability Financing Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds, loans and commercial papers (the “Sustainability Instruments”) and launch green, social and sustainable deposits (the “Sustainable Deposits”). IBK will use the proceeds to finance and refinance, in whole or in part, projects expected to generate positive environmental and social outcomes in the Republic of South Korea. The Framework defines social eligibility criteria in the following three areas:

1. Employment Generation
2. Socio-economic Advancement and Empowerment
3. Affordable Housing

The Framework defines green eligibility criteria in the following six areas:

4. Clean Transportation
5. Renewable Energy
6. Energy Efficiency
7. Green and Zero Energy Buildings
8. Environment Improvement & Protection (Pollution Prevention & Control)
9. Eco-efficient Farming (Sustainable Land Use)

IBK engaged Sustainalytics to review the Industrial Bank of Korea Sustainability Financing Framework, dated November 2021, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)², Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)³. This Framework has been published in a separate document.⁴

Sustainalytics’ Opinion

Section 1: Sustainalytics’ Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment of sustainable financing instruments with Use of Proceeds Principles

Sustainalytics is of the opinion that the Industrial Bank of Korea Sustainability Finance Framework is credible, impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. For detailed information, please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form. Sustainalytics highlights the following elements of Industrial Bank of Korea Sustainability Finance Framework:

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

³ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>.

⁴ The Industrial Bank of Korea Sustainability Financing Framework is available on the Industrial Bank of Korea’s website at: <https://global.ibk.co.kr/en/investor/StatusofShareholders>.



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Classification	Sustainalytics' Assessment
Employment Generation	Small and Medium-sized Enterprises (SMEs) and start-ups	Social	<ul style="list-style-type: none"> - IBK may finance SMEs^{5,6} with less than 10 employees and start-ups with less than seven years since establishment. - The Bank has specified that it will try on a best-effort basis to target: (i) majority women-owned SMEs and start-ups, and (ii) SMEs and start-ups located in regions with income levels below national average. - Sustainalytics recognizes the Bank's efforts in favouring targeted groups and encourages the Bank to ensure adequate targeting of SMEs and SOHOs located in underperforming regions based on socio-economic factors, like unemployment rates and income levels, and report on the impact achieved and views this lending to be aligned with market practice.
	Job-creating Companies	Social	<ul style="list-style-type: none"> - IBK may finance employment initiatives and programmes targeting the unemployed⁷ at SMEs with 50 or more employees and meeting one of the following four criteria: <ul style="list-style-type: none"> (i) increase employee number by at least 5% compared to last financial year. (ii) companies certified as "outperforming job-creating companies" by the central government (Ministry of Employment and Labour) or local government agencies (iii) companies certified as social enterprises⁸ (iv) companies receiving job creation awards by industrial bodies, such as the Korean Ministry of Employment's Award for Excellence in Job Creation⁹ - Sustainalytics recognizes the Issuer's approach in targeting specific employment generation programmes and views such activities, overall, to be aligned with market expectation; as the Framework does not provide specific programme details the Bank is encouraged to report on the impacts achieved.
Socio-economic Advancement and Empowerment	Healthcare and education	Social	<ul style="list-style-type: none"> - IBK may invest in the construction and expansion of public healthcare and educational institutions. The Bank confirmed that healthcare and educational services will be provided to all regardless of ability to pay. This is in line with market practice.

⁵ Small and medium-sized enterprises are defined under the South Korean Enforcement Decree of The Framework Act on Small and Medium Enterprises. Ministry of SMEs and Startups, "Scope of Small and Medium Enterprises", (2021), at: <https://www.mss.go.kr/site/eng/02/2020100000002019110604.jsp>

⁶ These may also include social enterprises as defined under the Social Enterprise Promotion Act. More information available at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/78610/84122/F-684569511/KOR78610%20Eng%202012.pdf>

⁷ Unemployed are defined as those individuals receiving unemployment benefits from the South Korean Ministry of Employment and Labour.

⁸ Ibid.

⁹ Sustainalytics notes that such awards are based on criteria that include companies' contribution to job creation, employment amongst low-income and vulnerable groups, and participation in job-creation initiatives and fairs among others.

			<ul style="list-style-type: none"> - The Bank may also provide financial support to children with disabilities and those belonging to vulnerable groups¹⁰ through special education programmes¹¹ and educational loans.¹² <ul style="list-style-type: none"> o The Bank commits to financing government loan schemes that offer beneficiaries unsecured loans at a below-market interest rate. Based on the targeting, the consumer protections in place, and the provision of below-market rates, Sustainalytics views this as aligned with market practice.
	Affordable Basic Infrastructure	Social	<ul style="list-style-type: none"> - IBK may invest in potable water supply infrastructure, such as groundwater wells, storage tanks, drinking water treatment facilities and pipes. - IBK may invest in the development of transmission and distribution infrastructure, such as power grid and transmission systems and lines to improve access to electricity to provide access to areas, regions or population groups with no access or whose access is substantially inadequate. Sustainalytics encourages the Bank to provide further details on the definition of regions and populations with substantially inadequate access. - The Bank confirmed the exclusion of all fossil fuel related activities and operations. - Aligned with market practice.
Affordable Housing	Loans for individuals and governmental affordable housing schemes	Social	<ul style="list-style-type: none"> - IBK may finance the development and construction of public housing under governmental affordable housing schemes, such as Korea Land and Housing,¹³ Korea Housing Finance Corporation,¹⁴ and HUG¹⁵ for low-income groups.¹⁶ - The Bank confirms that under the eligible schemes rent for public housing is capped for 20 years, ensuring affordability for the tenants. In addition, loans extended to vulnerable individuals under the schemes are provided at below market rates. - Additionally, the Bank may also provide loans to low-income individuals¹⁷ single parents with children under 18, and families or individuals with financial dependents aged over 60, and under the aforementioned government affordable housing schemes. - Based on the above, Sustainalytics considers the Bank's affordable housing financing to be in line with market practice.
Low-Carbon Transport	Electric and zero-emission vehicles	Green	<ul style="list-style-type: none"> - The Bank may finance zero direct emissions vehicles such as electric vehicles and hydrogen vehicles. - Aligned with market practice
	Low-Carbon Transportation systems and infrastructure		<ul style="list-style-type: none"> - IBK may finance land transport infrastructure and related equipment, technology and systems. Examples include EV charging facilities, maintenance and control centers for electric vehicles only. - Aligned with market practice.
	Magnetic Levitation		<ul style="list-style-type: none"> - The Bank may finance electric powered magnetic levitation transportation. - Aligned with market practice.

¹⁰ Low-income individuals, single parents with children under 18 and family or individuals with financial dependents aged over 60. IBK determines low-income individuals by incorporating the definitions of the Korean Ministry of Health and Welfare (MOHW) and Ministry of Education (MOE) classification, as well as the FSC guidelines on low-credit individuals. Accordingly, low income is defined as either: (i) an annual income of KRW 35 mn (USD 30,000) or (ii) an annual income of KRW 45 mn (USD 38,000) or below, and a credit rating of 6-10.

¹¹ Special education programmes include education support programmes for children with disabilities.

¹² The Company has confirmed that all loan schemes financed under the Framework comply with the South Korean Government lending regulations that have responsible lending practices in place to understand the borrower's financial situation, mitigate risk of borrowers and help ensure they understand the terms of the loans and ensure avoidance of predatory lending.

¹³ Korea Land and Housing, at: <https://lh.or.kr/eng/contents/cont.do>

¹⁴ Korea Housing Finance Corp, at: https://www.hf.go.kr/researcher/common/2020_annual_eng_ebook/index.html#page=6

¹⁵ Korea Housing and Urban Guarantee Corporation, "HUG", at: <https://www.khug.or.kr/hug/web/en/01/en01000001.jsp>

¹⁶ IBK determines low-income individuals by incorporating the definitions of the Korean Ministry of Health and Welfare (MOHW) and Ministry of Education (MOE) classification, as well as the FSC guidelines on low-credit individuals. Accordingly, low income is defined as either: (i) an annual income of KRW 35 mn (USD 30,000) or (ii) an annual income of KRW 45 mn (USD 38,000) or below, and a credit rating of 6-10.

¹⁷ Ibid

Renewable Energy	Solar Energy	Green	<ul style="list-style-type: none"> - IBK has confirmed that solar thermal energy systems will limit fossil fuel back-up to 15% of energy output; this is therefore aligned with market practice. - Investments in solar power generation through solar cell and solar energy from photovoltaics are aligned with market practice.
	Geothermal Energy		<ul style="list-style-type: none"> - IBK specifies to limit financing to geothermal energy projects with emissions below 100 gCO₂e/kWh, which is aligned with market practice.
	Ocean Energy		<ul style="list-style-type: none"> - The Bank may finance ocean thermal energy projects that limit fossil fuel back-up to power monitoring, operating and maintenance equipment only. Aligned with market practice.
	Wind Energy		<ul style="list-style-type: none"> - Aligned with market practice.
	Hybrid Energy		<ul style="list-style-type: none"> - IBK may invest in hybrid generation plants which use two renewable energy sources, such as photovoltaic and wind. IBK has confirmed that fossil fuel-based energy is excluded and that sources of renewable energy will be limited to eligible categories mentioned in the Framework.
	Hydropower Energy		<ul style="list-style-type: none"> - IBK may invest in small-scale hydropower facilities with a capacity under 25 MW. - For existing hydropower projects, if upgrading will result in increases in the size of reservoir, increased capacity will be limited to under 25 MW. - For all new hydropower projects and increases to reservoir size, the Bank has confirmed that environmental and social impact assessments will be undertaken by a credible agency and that no significant risk nor controversy and expected negative impact shall be identified. - Aligned with market practice.
Energy Efficiency	Hydrogen Fuel Cell Technology	Green	<ul style="list-style-type: none"> - IBK may finance hydrogen fuel cell technology for electricity generation only. This is in line with market practice.
	Energy Management Systems		<ul style="list-style-type: none"> - Expenditures may include smart sensors, energy consumption monitoring and controlling systems for buildings. - IBK has confirmed that all activities increase energy efficiency through demand management and that non-motorized building components increase energy performance of buildings. IBK has further confirmed that carbon-intensive technologies are excluded. - Aligned with market practice.
	Smart Cities		<ul style="list-style-type: none"> - Issuer may invest in energy management systems at district or city level, such as smart sensors, monitoring, load balancing, energy storage and district heating and cooling. - IBK has confirmed to Sustainalytics that financing for district heat/cool generation systems would be limited to those with 100% generation from renewable sources. In case of financing only transmission and distribution infrastructure energy will be powered at least 50% or more by renewables. IBK has further confirmed that power-to-gas projects and hydrogen production using steam reforming are excluded in this category. This is aligned with market practice.
	Thermal Grids to Recycle Heat Emissions		<ul style="list-style-type: none"> - IBK may finance purchase, installation, repair and maintenance of equipment related to heat generation and transmission of industrial waste heat from renewable power plants and other industrial sites. - Noting that there is an exclusion of fossil fuel powered operations, Sustainalytics considers the investments to be aligned with market practice.
Green and Zero Energy Buildings	Efficient Green Buildings Meeting International Recognized Standards or Certifications	Green	<ul style="list-style-type: none"> - The Bank may finance residential and commercial buildings that have achieved or are expected to achieve G-SEED (Level II or above), LEED (Gold or above) and BREEAM (Excellent or above). - Aligned with market practice. See Appendix 1 for an overview of certification schemes.

<p>Environmental Improvement & Protection (Pollution Prevention & Control)</p>	<p>Pollution mitigation technologies, methods and services</p>	<p>Green</p>	<ul style="list-style-type: none"> - IBK may finance pollution mitigation technologies, such as micro air pollution management, soil remediation, e-waste, waste to energy, membrane filtration wastewater disposal, hydro ecological restoration such as restoration of riverside. - The Bank may also finance the production of related equipment and has confirmed that the production will be limited to specialized components and equipment that are wholly dedicated to the aforementioned technologies and cannot be used for any other purposes. This is aligned with market practice. - Additionally, the Bank confirms that related systems or equipment are not reliant on fossil fuel, nor do they mitigate pollution from fossil fuel operations. - Micro air pollution management includes financing technology and infrastructure of artificial rain to cut emissions and exposure to fine dust. This is in line with market practice - IBK has confirmed that soil remediation is not related to contamination nor negative environmental impacts from borrowers' own activities, which is aligned with market practice. - Waste-to-energy expenditures may include feedstock streams such as organic waste, wastewater sludge, and landfill gas. The Bank has confirmed removal of hazardous waste and separation of recyclables, such as plastics and metals before incineration., Organic waste is limited to agriculture, forestry and food waste. Landfill gas capture will be limited to energy generation from closed/decommissioned landfill with energy efficiency of 75% or more. Sustainalytics considers IBK's waste-to-energy projects to be aligned with market practice. - For hydrological restoration, environmental and social impact assessments will be carried out prior to financing such projects, which aligns with market practice. - For membrane filtration, Issuer has confirmed activities financed will be powered by low carbon sources. This is in line with market practice. - Regarding e-waste recycling, Sustainalytics notes that IBK has not established an electronic waste management plan and encourages the Bank to develop a robust electronic waste management plan to address the environmental and social risks associated with the recycling of electronic waste.
<p>Eco-efficient Farming (Sustainable Land Use)</p>	<p>Efficient Farming Methods, Technologies, and Agricultural Practices</p>	<p>Green</p>	<ul style="list-style-type: none"> - IBK may finance smart farming technologies, such as automated farming operations for water conservation and accuracy insights into soil conditions, water usage and production rates. - Issuer may also finance micro-irrigation, agricultural microorganism methods, and vertical farming techniques. - Micro-irrigation expenditures include sprinkler, drip, spray, subsurface and bubbler irrigation. - Agricultural microorganism methods include nitrogen-fixing bacteria to enrich plants with nutrients. - Vertical farming techniques and systems, such as hydroponics, aquaponics and aeroponics. Sustainalytics recognizes the potential of these advanced technologies to reduce water and resource inputs, while noting that such farming methods may be energy intensive. To address this concern, the Bank has confirmed that the projects financed will be powered 50% or more by renewable energy source. Sustainalytics, therefore, views this to be in line with market expectation. - Sustainalytics encourages the Bank to promote the holistic development of conservation agriculture practices¹⁸ through its lending criteria for agricultural projects.

¹⁸ Conservation Agriculture (CA) is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes



Project Evaluation and Selection

- The Bank has established a Sustainability Financing Working Group (SFWG) to oversee the asset evaluation and selection process. The SFWG is comprised of members from relevant departments such as Treasury, ESG Management, Credit Management, Corporate Banking and Risk Management among others. The SFWG will meet annually to review and approve the allocation of proceeds.
- IBK has in place environmental and social risk management processes, which involves systematic screening and oversight to minimize direct and indirect risks, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be adequate and to be aligned with market practice.
- Based on the establishment of a dedicated cross functional committee, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- Net proceeds from any issuance under the Framework will be managed by the SFWG. IBK has established an allocation register for the tracking of proceeds, which involves recording the allocation of proceeds, depositing in the general funding accounts and earmarking pending allocation. IBK intends to fully allocate bond proceeds within 36 months of issuance. Pending full allocation, the unallocated proceeds will be held temporarily in line with IBK's liquidity management policy.
- Based on the described process for management of proceeds, Sustainalytics considers this process to be in line with market practice.



Reporting

- IBK intends to report on the allocation and impact of proceeds within one year from the date of issuance and will make it publicly available on IBK's investor relations website. The Framework commits to ensuring no double accounting of financed assets across all allocation and impact reporting commitments made under the Framework.
- Allocation reporting will include a list of eligible proceeds, net proceeds, information on geographic location and sector of proceeds, and the balance of unallocated net proceeds.
- Impact reporting will include category-wide impact of the financed projects against respective key performance metrics, including annual GHG emissions reduced and avoided, annual energy stored, green buildings certifications, waste diverted from landfill in tonnes, number of jobs created number of disadvantaged community helped, among others.
- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment of Sustainable Deposits with Market Expectations

Sustainalytics is of the opinion that the IBK Sustainability Financing Framework is credible and that the Sustainable Deposits¹⁹ will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.



Impact

The Framework will advance the sustainability objectives of the Bank by investing in projects with positive environmental and social impact across 10 categories. Refer to the “Use of Proceeds” component under Section 1 for Sustainalytics’ opinion on the alignment of the eligible projects with market expectations.



Transparency

Transparency is recognized as a key principle in sustainable finance, providing assurance that investments deliver positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency:

Disclosures regarding management of proceeds

- IBK will earmark the equivalent proceeds raised from Sustainable Deposits to an exclusive portfolio of eligible projects and track them through an internal register. The Bank’s SFWG will be responsible for management and allocation of proceeds and will review eligible projects for ongoing eligibility on an annual basis.
- IBK intends to allocate the proceeds towards eligible projects once per quarter. The unallocated proceeds will be held in line with IBK’s liquidity management policy.
- Sustainalytics considers this level of disclosure to investors as sufficient to ensure the credibility of the proceed management process.

Reporting

- IBK intends to report on the allocation and impact of the Sustainable Deposits’ proceeds to its Sustainable Deposit holders on an annual basis through standalone reports from the date of issuance. For fixed-term deposits, the Framework commits to reporting until the term of each deposit.
- The Framework commits to reporting on the same allocation and impact disclosure components for both the Sustainability Instruments and Sustainable Deposits. The Bank has communicated its intent to ensure no double accounting across all allocation and impact reporting commitments made under the Framework. For details on the level of allocation and impact reporting, refer to the Reporting component under “Alignment of bonds and loans with Use of Proceeds Principle” section above.
- Based on allocation and impact reporting practices and a commitment to ensuring no double accounting, Sustainalytics considers this process to be in line with market expectations for such financial products.

¹⁹ Sustainalytics notes the Framework allows for Sustainable Deposits for both retail and commercial customers of the Bank. It further notes that the Framework does not define the term of the Sustainable Deposits (fixed term or perpetual saving accounts).

Section 2: Assessment of IBK's Sustainability Strategy

Contribution of Framework to IBK's sustainability strategy

Sustainalytics is of the opinion that IBK demonstrates a commitment to sustainability with three focus areas: (i) response to climate change, (ii) green finance product offerings, and (iii) employment generation through SMEs. IBK's sustainability report for the year 2021 details the following commitments and performance across the three pillars.²⁰

In line with the first pillar, IBK has adopted annual emissions reduction targets in line with PCAF²¹ and SBTi methodologies²². The Bank has committed to an ongoing GHG emissions reduction of 2.5% per year, to achieve an overall reduction of 20% by 2030 compared to a 2020 baseline, and to become carbon neutral by 2050. IBK has achieved its annual emissions reduction targets for four consecutive years since 2017 and, in 2020, it achieved the target of 2,235 tCO₂e.

In line with IBK's second pillar, the Bank offers multiple green finance and ESG-related products. The Bank has nine ESG-related fund products, including a clean energy fund added in 2021, with a total balance of USD 130 million. As of 2020 IBK had financed USD 10.17 million under Green Finance Loans, to enterprises working across environment and energy sectors. Through its Strategic Environmental Fund, IBK has supported SMEs with USD 150 million per year. It has also committed to expanding the issuance of ESG bonds and to launch carbon reduction-guaranteed loans, which are part of IBK's Carbon Credit Fund, wherein they extend below-market rate loan facilities targeting SMEs which exclusively invest in carbon reduction facilities and equipment, excluding the ones involved in fossil fuel-based activities. Additionally, IBK had invested USD 130 million in five solar power generation projects as of December 2020. IBK intends to invest a total of USD 588.28 million in renewable energy projects by 2023 with particular focus on hydrogen fuel cell, wind power and solar power generation.

The final pillar aims to promote and support SMEs through financial, technical, and consulting support. Through its Youth Employment Project for SMEs, IBK has facilitated over 100,000 jobs from 2009 to 2017 and has thus matched around 20,000 new employees with SMEs each year since. It has launched a specialized Job Plus Loan, a low-interest loan for enterprises that create and maintain jobs and has lent approximately USD 910 million to over 2,600 SMEs. IBK's Job Filling Fund of USD 50 million was launched in 2018 to support employment costs for SMEs. IBK has also committed to supporting SMEs to employ socially disadvantaged persons, such as persons with disabilities through loans and grants adding up to USD 840 per SME.

In response to its TCFD commitments, the Bank has established an ESG Management Team and an ESG Committee under its Board of Directors to assess its internal and external ESG performance. IBK has also been a member of UNGC since 2006 and has joined the CDP, the UNEP FI Principles for Responsible Banking, and The World Bank Climate Warehouse Initiative in 2021.

Sustainalytics is of the opinion that the Industrial Bank of Korea Sustainability Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics recognizes that environmental and social risks may be associated with the eligible projects. Some key environmental and social risks could include environmental degradation and biodiversity loss associated with large-scale infrastructure, waste generation and management, occupational health and safety, and issues with community relations... Furthermore, financial institutions are exposed to risks of financing environmentally and socially harmful businesses while offering their services.

Sustainalytics is of the opinion that IBK is able to manage or mitigate potential risks through implementation of the following:²³

- IBK has also adopted a company-wide Environmental and Social (E&S) risk management system that monitors, assesses and minimizes the direct or indirect negative environmental and social impacts and consequences of their business activities. IBK conducts pre-emptive analysis and identification of the E&S risks associated with potential business opportunities and ensures all investments strictly adhere to internal ESG guidelines. Any potential business opportunity that has potentially high E&S risks are separately analyzed and evaluated. The Bank's Environmental Management Policy is backed by an environmental management system embedding transparent performance disclosure.

²⁰ Industrial Bank of Korea, "2021 IBK Sustainability Report", (2021), at: <https://global.ibk.co.kr/global/js/pdfobject/pdfViewer.html?upload/global/2021/202109161530225845770282553316.pdf>.

²¹ PCAF, "Partnership for Carbon Accounting Financials", (2021) at: [PCAF: Enabling financial institutions to assess greenhouse gas emissions | PCAF \(carbonaccountingfinancials.com\)](https://www.pcaf.com/enabling-financial-institutions-to-assess-greenhouse-gas-emissions/)

²² SBTi, "Science Based Targets initiative", at: [Resources - Science Based Targets](https://www.sbt.com/)

²³ Information provided by IBK to Sustainalytics.

- IBK also complies with the South Korean Environmental Impact Assessment Act 2013, which ensures comprehensive environmental due diligence of large infrastructure projects along with public hearings to address stakeholder concerns.²⁴
- Regarding e-waste management, the Bank ensures that a robust e-waste management system is in place for projects including Life Cycle Assessment (LCA), Material Flow Analysis (MFA) as well as eco-designed devices to implement proper collection, handling and safe disposal of e-waste. IBK also complies with national regulations and legislation related to e-waste management.
- The Bank has a comprehensive Ethics Charter and Human Rights Management regulations applicable to all employees and external stakeholder. The regulation places special emphasis on health and safety and prohibition of forced and child labor.
- IBK has a stakeholder participation process which involves reaching out to SMEs and communities through multiple channels to collect feedback and to consult on the ongoing social initiatives. IBK's human rights management regulations also help to ensure that the human rights of local resident communities are protected.
- In addition to the above, Sustainalytics notes that the financing under the Framework will take place primarily in the Republic of Korea, which is categorized as a Designated Country under the Equator Principles, indicating strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.²⁵

Based on these policies, standards and assessments, Sustainalytics is of the opinion that IBK has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of the UoPs Selected

All nine use of proceeds categories are aligned with those recognized by the GBP, SBP and SBG. Sustainalytics has focused on two below whose impact is specifically relevant in the local context.

Importance of affordable housing in South Korea

South Korea's housing market has experienced a 20% increase in average housing prices since 2020, as a result of the COVID-19 crisis.²⁶ Record-low interest rates aimed at supporting the pandemic-affected economy have only contributed to the price appreciation.²⁷ Rising housing prices have become a critical challenge for the country, especially in Seoul and its surroundings where half of the country's population live.²⁸ The cost of a house is now 10 times the average annual household income in South Korea,²⁹ making homeownership unaffordable for locals, particularly for low-income households and individuals, young and seniors.

The house price-to-income ratio (PIR) and rent-to-income ratio (RIR) are used in South Korea to measure housing affordability and have both increased since 2019, suggesting a deterioration of housing affordability. The PIR has increased in recent years to 5.5 nationwide in 2019 whereas the RIR totalled 16.9% in 2020, after rising from an all-time low of 15.5% in 2018.³⁰ The South Korean Housing affordability index, which measures median household income relative to the income needed to buy a median-priced house, reached an 11-year record high of 144.5 in 2020. A higher ratio indicates that households have to spend larger shares of their income on their mortgage, making it difficult to purchase a home.³¹

²⁴ KLRI, "Environmental Impact Assessment Act", at: https://elaw.klri.re.kr/eng_service/lawView.do?hseq=45064&lang=ENG

²⁵ Equator Principles, "Designated Countries", (2021) at: [Designated & Non-Designated Countries - Equator Principles Association \(equator-principles.com\)](https://www.equator-principles.com/designated-countries/)

²⁶ Yang, Chunyu "What ails Korea's housing market?", The Korea Times, (2021), at: https://www.koreatimes.co.kr/www/biz/2021/10/367_317351.html

²⁷ Kyodo News, "Skyrocketing house prices leave many South Koreans struggling to buy", (2021), at: <https://english.kyodonews.net/news/2021/06/333fa3ba46b0-focus-skyrocketing-house-prices-leave-many-south-koreans-struggling-to-buy.html>

²⁸ Sang-Hun, Choe, (2021), "The Den of Thieves: South Koreans Are Furious Over Housing Scandal", The New York Times, at: <https://www.nytimes.com/2021/03/23/world/asia/korea-housing-lh-scandal-moon-election.html>

²⁹ Yang, Chunyu. (2021), "[Contribution]What ails Korea's housing market?", The Korea Times, at: https://www.koreatimes.co.kr/www/biz/2021/10/367_317351.html

³⁰ Jong-hoon, Choi. (2021), "Average worker needs to save 8 years worth of income to buy home in greater Seoul area, study shows", Hankyoreh, at https://english.hani.co.kr/arti/english_edition/e_national/1008592.html

³¹ Young-won, Kim (2020), "Housing affordability at worst level on record", The Korea Herald, at: <http://www.koreaherald.com/view.php?ud=20201215000689>

Based on the above, Sustainalytics is of the opinion that IBK’s investments in affordable housing will have a positive social impact on the wider economy and help address fundamental socio-economic needs, such as increasing the share of available affordable housing in South Korea.

Importance of clean transportation in South Korea

The transport sector accounts for approximately 14% of total GHG emissions in South Korea, emitting 101.7 MtCO₂e GHG emissions in 2020.³² In order to strengthen its 2050 carbon-neutral commitment, the South Korean government aims to provide financial support to accelerate the growth of hydrogen and battery-electric vehicles, including charging stations to be installed across the country, by facilitating KRW 12 trillion (USD 10.3 billion) to the e-mobility sector in 2022.³³

In order to significantly reduce GHG emissions in the transportation sector by 2050, the Government of South Korea has established the following key points as part of its 2050 Carbon Neutral Strategy: (1) scaling up deployment of eco-friendly vehicles, (2) increasing low-carbon fuel use, (3) advancing marine time, aviation and railroad transportation, and (4) managing transportation demand and optimizing vehicle operation.³⁴

South Korea aims to register 30% of low-carbon emissions cars by 2030, including hydrogen fuel cell cars, increasing significantly from the current estimate of 3%.³⁵ The South Korean government provides a green car subsidy programme, subsidies and tax rebates to encourage the sale of electric vehicles, including up to USD 17 million in subsidies for electric car purchases in 2021 and up to USD 33.5 million for hydrogen fuel-cell electric vehicles.³⁶ According to the Ministry of Finance, the country had 9,805 fast-charging stations in 2020, plans to install 3,000 new fast-charging stations and 43 ultra-fast charging stations for electric cars during 2021,³⁷ aiming to increase the ratio of chargers for electric vehicles by 50%.³⁸

Based on the above, Sustainalytics recognizes the importance of investments in clean transportation in South Korea, therefore, IBK’s financing of low-carbon transportation is expected to contribute towards the decarbonization of the transportation sector in South Korea, facilitating a transition to a low-carbon economy.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The Industrial Bank of Korea Sustainability Financing Framework is expected to advance the following SDGs and targets:

UoP	SDG	SDG Target
Employment Generation	8. Decent work and economic growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Socio-economic Advancement and Empowerment	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care

³² WRI, “This Interactive Chart Shows Changes in the World’s Top 10 Emitters”, (2020), at: <https://www.wri.org/insights/interactive-chart-shows-changes-worlds-top-10-emitters>

³³ Manthey, Nora.(2021), “South Korea earmarks \$10Bn for e-mobility”, Electrive.com, at: <https://www.electrive.com/2021/09/02/south-korea-earmarks-10bn-for-e-mobility-in-state-budget/>

³⁴ UNFCC, “2050 Carbon Neutral Strategy of The Republic of Korea”, (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_RKorea.pdf

³⁵ Ians. (2021), “South Korea to set global standards for electric vehicles wireless charging”, Business Standard, at: https://www.business-standard.com/article/electric-vehicle/south-korea-to-set-global-standards-for-electric-vehicles-wireless-charging-121041500221_1.html

³⁶ UNDP, “South Korea’s Green New Deal in the year of transition”, (2021), at: <https://www.undp.org/blog/south-koreas-green-new-deal-year-transition>

³⁷ Manthey, Nora.(2021), “South Korea to install 3,000 fast-charging stations in 2021”, Electrive.com, at: <https://www.electrive.com/2021/02/01/south-korea-to-install-3000-charging-stations-in-2021/>

³⁸ Warwitzke, Cora. (2021), “South Korea aims to push EV innovation”, Electrive.com, at: <https://www.electrive.com/2021/02/19/south-korea-aims-to-push-ev-innovation/>

	<p>4. Quality Education</p> <p>6. Clean Water and Sanitation</p> <p>7. Affordable and Clean Energy</p> <p>8. Decent work and economic growth</p>	<p>services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> <p>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations</p> <p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p>
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Low-Carbon Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	<p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services</p> <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p>
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green and Zero Energy Buildings	<p>9. Industry, Innovation and Infrastructure</p> <p>11. Sustainable Cities and Communities</p>	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials</p>
Environment Improvement & Protection (Pollution Prevention & Control)	<p>3. Good Health and Wellbeing</p> <p>6. Clean Water and Sanitation</p> <p>12. Responsible Consumption and Production</p>	<p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>

Eco-efficient Farming (Sustainable Land Use)	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
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Conclusion

IBK has developed the Industrial Bank of Korea Sustainability Financing Framework under which it may issue sustainable financial instruments and sustainability deposits, and use the proceeds to finance projects expected to reduce GHG emissions, promote eco-efficient farming practices and generate employment opportunities. Sustainalytics considers that the projects funded under the Framework are expected to provide positive environmental and social impact.

The Industrial Bank of Korea Sustainability Financing Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for IBK to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the Bank’s overall sustainability strategy, and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 3, 4, 6, 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that IBK has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded under the Framework.

Based on the above, Sustainalytics is confident that Industrial Bank of Korea is well positioned to issue sustainability use of proceeds bonds and sustainability deposits and that the Framework is in alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021.

The Framework also outlines criteria for eligible investments for the Sustainability Deposits, as well as the supporting processes for project evaluation, selection and reporting, which, in Sustainalytics’ opinion, are sufficient. Based on the above, Sustainalytics is of the opinion that the Framework is credible and is expected to deliver overall positive social and environmental benefits, based on the principles of impact and transparency.




Appendix 1: Summary of Referenced Green Building Certification Schemes

	G-SEED ³⁹	LEED ⁴⁰	BREEAM ⁴¹
Background	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification standard used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government in compliance with the Green Building Construction Support Act.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
Certification levels	<ul style="list-style-type: none"> • Green 4 • Green 3 • Green 2 • Green 1 	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding
Areas of Assessment:	<ul style="list-style-type: none"> • Land Use & Transportation • Energy & Environmental Pollution • Materials & Resources • Water Management • Maintenance • Ecology • Indoor Environment • Innovative Design 	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>Individual credits are achieved in a number of categories, category scores are then weighted to achieve an overall grade.</p>	<p>Prerequisites (independent of level of certification) and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>

³⁹ G-SEED: <http://www.gseed.or.kr/siteMain.do>

⁴⁰ USGBC, LEED: <https://www.usgbc.org/leed>

⁴¹ BREEAM: <https://www.breeam.com/>

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

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

Section 1. Basic Information

Issuer name:	Industrial Bank of Korea
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	IBK Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 20, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

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

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible use of proceeds - Employment Generation, Socio-economic Advancement and Empowerment, Affordable Housing, Low-Carbon Transport, Renewable Energy, Energy Efficiency, Green and Zero Energy Buildings, Environmental Improvement & Protection (Pollution Prevention and Control), Eco-efficient Farming (Sustainable Land Use) – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that providing financing in relation to the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 1, 2, 3, 4, 6, 7, 8, 9, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

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

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socio-economic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Bank has established a Sustainability Financing Working Group ('SFWG') to oversee the asset evaluation and selection process. The SFWG is comprised of members from relevant departments such as Treasury, ESG Management, Credit Management, Corporate Banking and Risk Management among others. The SFWG will meet annually to review and approve the allocation of proceeds. IBK has in place environmental and social risk management processes, which involve systematic screening and oversight to minimize direct and indirect risks, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be adequate and to be aligned with market practice. Based on the establishment of a dedicated cross-functional committee, Sustainalytics considers this process to be in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Net proceeds from any issuance under the Framework will be managed by the SFWG. IBK has established an allocation register for the tracking of proceeds, which involves recording the allocation of proceeds, depositing in the general funding accounts and earmarking pending allocation. IBK intends to fully allocate bond proceeds within 36 months of issuance. Pending full allocation, the unallocated proceeds will be held temporarily in line with IBK's liquidity management policy. Based on the described process for the management of proceeds, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

IBK intends to report on the allocation and impact of proceeds within one year from the date of issuance and will be made publicly available on IBK’s investor relations website. Allocation reporting will include a list of eligible proceeds, net proceeds, information on geographic location and sector of proceeds and the balance of unallocated net proceeds. The impact reporting will include category wide impact of the financed projects against respective key performance metrics, including annual GHG emissions reduced and avoided, annual energy stored, green buildings certifications, waste diverted from landfill in tonnes, number of jobs created, number of the disadvantaged community helped, among others. Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (*please specify*):
Geographic location and sector of proceeds, unallocated net proceeds

Frequency:

- Annual
- Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Waste diverted to landfills, number of jobs created |

Frequency

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

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): IBK website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer’s adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer’s internal tracking method for use of proceeds,

allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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