

Operating Principles for Impact Management Disclosure Statement

The Export-Import Bank of Korea (KEXIM)

November 2023

The Export-Import Bank of Korea ("KEXIM"), an official export credit agency of Korea, is the first signatory in Korea to the Operating Principles for Impact Management ("Impact Principles"), which was developed by the International Finance Corporation ("IFC") and other leading impact leaders.

This Disclosure Statement affirms that KEXIM's policies and practices are aligned with the Impact Principles. It pertains to business activities under KEXIM's Sustainable Finance Framework ("Framework"), which sets out its obligation to finance green and/or social projects with funds sourced from green and social bonds ("ESG Bonds") that KEXIM has issued in capital markets.

Total assets in alignment with the Impact Principles stand at US\$ 5,230 million¹ as of December 31, 2022.



Hee-sung Yoon
Chairman & President
November 30, 2023

¹ While this Disclosure Statement only covers the assets related to the Framework, KEXIM's actual amount of the assets invested and operated in line with KEXIM's ESG management may be greater than this figure.

DISCLAIMER

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing the Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purpose hereof, "Affiliates" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

PRINCIPLE 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

KEXIM adopted an Environmental, Social, and Governance Management Strategy ("ESG Strategy") in July 2021 to deliver more sustainable outcomes to the organization, stakeholders, and community by financing projects with positive environmental and social impacts.

The ESG Strategy sets out a specific mission, goals, quantitative targets, and strategic directions as follows:

Mission	Spreading ESG values by promoting sustainable international economic cooperation
Goals	<ul style="list-style-type: none">• Promoting the global ESG competitiveness of Korean companies• Contributing to achieving the government's carbon neutrality goals• Expanding social value creation
Quantitative Targets (2021-2030)	<ul style="list-style-type: none">• Providing ESG financing worth KRW 180 trillion• Issuing ESG bonds of US\$ 20 billion• Reducing operational carbon emissions by 50%
Strategic Directions	<ul style="list-style-type: none">• Providing export and import finances that generate positive environmental and social outcomes• Integrating climate change and ESG elements into the risk management system• Strengthening bank-wide ESG activities

Along with the ESG Strategy, KEXIM also set up the ESG Implementation Principles of KEXIM ("ESG Principles") in consideration of the UN Principles for Responsible Banking². KEXIM's executives and employees are committed to the following ESG Principles:

1. We contribute to strengthening the ESG competitiveness of Korean companies in global markets and expanding social value creation by bolstering ESG finance.

² A unique framework for ensuring that signatory banks' strategy and practice align with the vision outlined in the Sustainable Development Goals and the Paris Climate Agreement.
<https://www.unepfi.org/banking/bankingprinciples>

2. We take environmental and social responsibilities into consideration in our day-to-day operations.
3. We systematically manage environmental and social risks in our business activities.
4. We practice the ESG Principles with a transparent governance structure and a culture of integrity.
5. We prohibit discrimination in employment and uphold an inclusive culture by promoting gender equality.
6. We pursue ESG management in alignment with International Covenants³ and government policies⁴.
7. We examine and transparently disclose KEXIM's implementation of the ESG Principles in a responsible manner and actively communicate with stakeholders.

According to the ESG Principles, KEXIM transparently discloses its ESG management activities as well as the use of ESG bond proceeds. Additionally, KEXIM receives third-party verifications for its ESG disclosure reports, which are available in the 'Sustainability' section of its website.

In line with the ESG Strategy, KEXIM developed the Sustainable Finance Framework (the "Framework") in September 2021, which is an integrated and improved form of the existing ESG bond management systems aligned with sustainable finance principles and guidelines including Green Bond Principles 2021, Social Bond Principles 2021, and Sustainability Bond Guidelines 2021 published by the International Capital Market Association.

According to the Framework, KEXIM issues ESG Bonds and uses all net proceeds of the bonds to finance green and/or social projects ("ESG Projects").

KEXIM is committed to expanding finance for ESG Projects according to the ESG Strategy and the Framework and believes that the Framework effectively promotes financing environmentally and socially responsible projects.

In addition, through the ESG Strategy and the ESG Principles, KEXIM contributes to implementation of the UN's Sustainable Development Goals ("SDGs"). KEXIM identified seven specific SDGs that are most relevant to the Framework as follows:

3. Good Health and Well-Being	Financing essential healthcare and medical services, including providing financial support for national emergency programs during the pandemic
5. Gender Equality	Financing SMEs that have obtained Social Enterprise Certification or Family-friendly Corporation Certification

³ Including (but not limited to) the UN Sustainable Development Goals (SDGs) and the Paris Agreement

⁴ Including (but not limited to) the Korean government's Green New Deal and Anti-Coal Policies

6. Clean Water and Sanitation	Financing establishment of water and wastewater management systems to provide clean water and wastewater treatment
7. Affordable and Clean Energy	Financing development, connection, and operation of renewable energy systems, including solar, wind, etc.
8. Decent Work and Economic Growth	Financing SMEs which generate employment or are adversely affected by natural disasters, socioeconomic crises, or pandemics
11. Sustainable Cities and Communities	Financing clean transportation and infrastructure aimed at preventing and controlling pollution
12. Responsible Consumption and Production	Financing waste treatment projects such as recycling or reuse of materials, recycling of organic waste, etc.

PRINCIPLE 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

At KEXIM, all ESG Projects are analyzed individually and then the impacts of those projects are assessed according to the following green and social categories at the time of annual assessment. In this way, the impact performance of ESG Projects is measured on a portfolio basis at the end of each year.

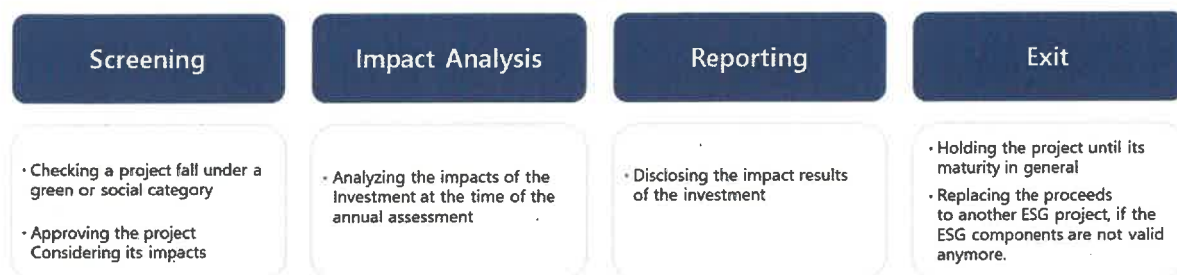
Green Category	<ul style="list-style-type: none">• Renewable energy• Clean transportation• Energy efficiency• Sustainable water and wastewater management• Pollution prevention and control
Social Category	<ul style="list-style-type: none">• Supporting employment stability and employment expansion• Access to essential services• Socioeconomic advancement and empowerment

From a management perspective, KEXIM has introduced a new ESG Bond Proceeds-ESG Projects mapping system to monitor the proper allocation of ESG bond proceeds to ESG projects. With this system, KEXIM can check the real-time status of its ESG bond portfolio without the need for manual aggregation.

Along with the ESG Strategy, KEXIM has set up an ESG roadmap to effectively achieve the ESG goals. By the time the ESG roadmap, which extends until 2030, is completed, KEXIM will have provided ESG financing totaling KRW 180 trillion, consisting of KRW 115 trillion from green financing and KRW 65 trillion from social financing. During the ESG roadmap implementation, KEXIM aims to advance its impact management system for ESG Projects.

Moreover, KEXIM has set up the Framework to finance ESG Projects with amounts equal to or exceeding the issuance amounts of ESG bonds and established a workstream to manage the impacts of ESG Projects by portfolio, based on green and social categories on an annual basis.

Workstream of the Framework



To facilitate the workstream, KEXIM has established the Sustainable Finance Working Group (“SFWG”) to ensure that impacts of ESG Projects are managed by the Framework. The SFWG is comprised of representatives from the Treasury, ESG Management, Credit Policy, Engineering & Environment Advisory, and Finance departments to seek to carry out the following missions:

- To identify and select ESG Projects complying with the criteria set out under the Framework;
- To approve the annual Allocation & Impact Report of the Framework; and
- To manage any future updates of the Framework, including expanding the ESG Projects

In the screening stage of the workstream, the SFWG reviews and selects ESG projects as per the criteria set under the Framework. The SFWG is then involved in analyzing the impacts of the ESG Projects. As an impact analysis tool, advanced and well-established guidelines of international institutions, such as the EIB guideline⁵, can be used to measure the impacts of the ESG Projects. In the review of the ESG Projects, the SFWG also specifically identifies (if any) and assesses the material risks of negative environmental and social impacts to ensure that an environmental and social objective can be achieved not at the expense of other environmental and social objectives, i.e. Do No Significant Harm criteria.

In the meantime, KEXIM has designed its incentive system to reflect employees’ performance at both department and individual levels to further promote green and social projects. With regard to goals related to these projects, KEXIM allocates them at the department level based on department-specific roles & responsibilities. Department goals are reflected in individual employee’s performance targets, taking into consideration the employees’ job descriptions. Finally, incentives are awarded to individual employees when the goals are achieved by both the employees and their departments. Hence, it is regarded that KEXIM’s incentive system incorporates ESG goals in general, including impact achievement.

In order to make its incentive system effective, KEXIM provides a range of ESG education programs to enhance ESG awareness among all employees. Their participation in these programs also influences the employees’ incentives.

⁵ EIB Projected Carbon Footprint Methodologies

PRINCIPLE 3

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

As a government-owned export credit agency, KEXIM's investment operations must demonstrate additionality, which refers to the unique contribution that KEXIM brings to a project that cannot be easily supported by commercial financial institutions, i.e. including projects with positive environmental and social impacts but high investment risks. Those are, for example, long-term and/or mega-sized renewable energy projects, climate adaptation projects, and carbon reduction projects requiring high-end technology. Furthermore, these projects are expected to contribute to achieving the Korean government's 2050 net-zero goal although some of them might lack commercial viability, requiring support from KEXIM. By demonstrating its ability to bring additionality in the market, KEXIM contributes naturally to the impact of investment in various green and social projects.

KEXIM also pursues the sustainability of the projects it supports. To make sure that KEXIM finances projects with positive impacts on sustainability, project managers check the following ESG components for their relevant internal committee's approval:

- Whether the project is in line with KEXIM's ESG goals and ESG Strategy;
- Whether the industry/sector in which the project falls is environmentally and socially conscious;
- Whether the project creates short and/or long-term positive impacts on the environment and/or society; and
- Whether General Partner, in the case of indirect investment, incorporates ESG elements into its investment policy

The requirements for additionality and sustainability are described in the internal regulations and brochures to emphasize KEXIM's commitment to responsible investment.

As of 2022, KEXIM operates 10 ESG Finance Programs that provide preferential financing terms and conditions to incentivize Korean companies creating ESG value. Under the Programs, KEXIM has laid out 145 ESG items, that are regarded to create environmental or social values, and regularly reviewed them to check their alignment with the government policies and industrial trends. The preferential financing terms and conditions that KEXIM provides are subject to relevant international regulations, such as the Arrangement on Officially Supported Export Credits supported by export credit agencies of the OECD member countries. And they act as a financial channel for KEXIM to contribute to impact achievements.

Each year, KEXIM sets quantitative annual goals for its financial support to the ESG sectors. In 2022, KEXIM's issuance of ESG bonds amounted to \$1.62 billion and provided KRW 26.3 trillion in loans and guarantees. Also, KEXIM contributed KRW 1 trillion to five funds aimed at investing in domestic companies incorporating ESG values into their management and/or producing eco-friendly items.

In the meantime, KEXIM has been operating the Overseas Subsidiary ESG Management Council to share KEXIM's ESG strategies and recent trends with its overseas subsidiaries. Such non-financial channel contributes to achieving KEXIM's investing impact goals by disseminating ESG activities through its global networks.

PRINCIPLE 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact.

In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

The ESG Projects under the Framework are required to produce positive impacts, and those impacts are estimated and assessed by the impact indicators, which are derived from industry-specific criteria to measure the impacts ("Impact Indicators") on an annual basis.

Under the Framework, all of KEXIM's financing portfolios are examined to check whether ESG Projects are mapped to either green or social category properly at the time of the annual assessment. If there is a project categorized as an ESG Project, its impacts are calculated based on the Impact Indicators by utilizing the well-established guidelines of international institutions, such as the EIB, and widely adopted industry-specific data on avoided carbon emissions, renewable energy capacity, etc.

Impact Indicators include the following:

Examples of the Impact Indicators

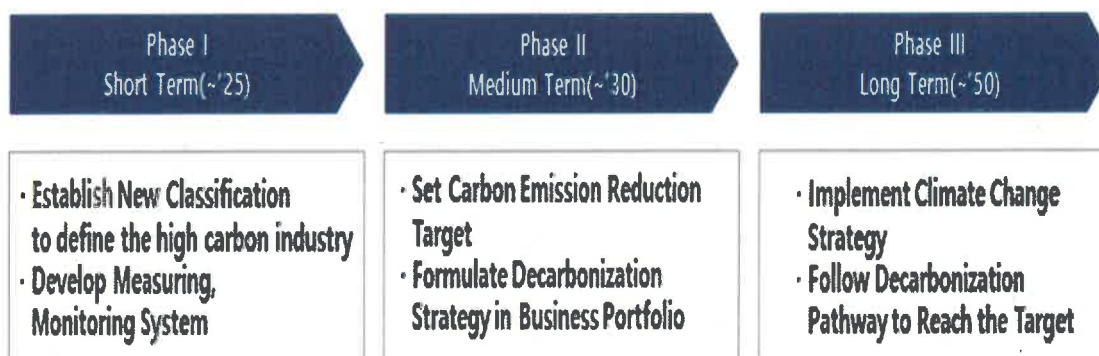
ESG Project Category		Impact Indicators
Green Projects	Renewable Energy	<ul style="list-style-type: none">• Renewable energy generated (MWh)• Renewable energy capacity (MW)
	Clean Transportation	<ul style="list-style-type: none">• Annual greenhouse gas emissions reduced/avoided in tons of CO₂ equivalent (tCO₂eq)
	Energy Efficiency	<ul style="list-style-type: none">• Estimated avoided GHG emissions (tCO₂eq)• Annual energy savings (MWh p.a.)
	Sustainable Water and Wastewater Management	<ul style="list-style-type: none">• Amount of clean potable water supply (litres)• Amount of wastewater treated (litres)• Number of people benefited

ESG Project Category		Impact Indicators
	Pollution Prevention and Control	<ul style="list-style-type: none"> Percentage amount of waste minimized, reused, or recycled (%) Annual GHG emissions reduced/avoided (tCO₂eq p.a.) Decrease in the concentration level of EAF (Electric Arc Furnace)/fine dust in business sites
Social Projects	Supporting Employment Stability and Employment Expansion	<ul style="list-style-type: none"> Number of jobs created Number of SMEs financed/supported Number of employees of SMEs supported
	Access to Essential Services	<ul style="list-style-type: none"> Number of beneficiaries Number of people reached with improved healthcare Number of SMEs financed/supported
	Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> Number of SMEs financed/supported Number of people benefiting from the eligible financial support

KEXIM makes the best efforts to thoroughly assess its projects from the very initial project identification stage to the final stage of approval. At the project identification stage, project managers check whether the project has any ESG components with positive environmental and social impacts. And of course, the assessment includes environmental and social due diligence as described in Principle 5.

In addition, KEXIM has established a Climate Risk Management Implementation Roadmap in 2022, which contains step-by-step implementation plans extending through 2050. The objectives of the roadmap are to mitigate climate change, which is directly linked to its investment portfolio, and to achieve carbon emission reduction.

Climate Risk Management Implementation Roadmap



The initial stage focuses on developing a Climate Risk Management system. Upon the completion of system development, KEXIM expects to take a more systematic approach to measure the impacts of the projects it supports, from the perspective of climate change. The system consists of the following:

- A new classification method to define and manage the high carbon industries;
- A carbon emissions measuring system for projects in which KEXIM invests; and
- An analysis tool that uses risk stress scenarios to assess pre-described climate impacts

PRINCIPLE 5

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

KEXIM assesses potential environmental and social risks of the projects it finances, and monitors the alignment of its investments with the ESG Principles. KEXIM has a comprehensive framework for identifying, analyzing, and monitoring environmental and social risks. In undertaking environmental and social due diligence, KEXIM applies the Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence⁶ ("OECD Common Approaches") to consider environmental and social impacts from its financial support and develop mitigation measures. Also, KEXIM upholds transparency regarding environmental and social due diligence by disclosing relevant environmental and social information on its website⁷ and adheres to international standards such as the IFC Performance Standards.

KEXIM has also developed its own Environment and Social Impact Assessment & Review Checklists⁸ for overseas large-scale projects, based on internationally recognized standards such as the IFC Performance Standards⁹ and the Environmental, Health and Safety Guidelines¹⁰, to guide exporters, sponsors, and investees (usually borrowers) on the assessment and mitigation of environmental and social impacts.

⁶ <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0393>

⁷ <https://www.koreaexim.go.kr/he/ir/HPHEIR027M01#tab5>

⁸ <https://www.koreaexim.go.kr/he/HPHEIR025M01#tab3>

⁹ IFC clients' responsibilities for managing their environmental and social risks, which apply to all investment and advisory service clients whose projects undergo IFC's initial credit review
https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/performance-standards

¹⁰ Technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP)
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

Also, KEXIM is currently developing the Climate Risk Management system, as described more precisely in Principle 4, to take a more systematic approach to quantitatively measure the impacts of prospective projects.

If a project is considered to have negative impacts according to the results of KEXIM's environmental and social due diligence, KEXIM takes follow-up measures to address such risks. Firstly, KEXIM requires investees (usually borrowers) to establish Environmental and Social Action Plans to eliminate or minimize the negative impacts which are generally reflected in the covenant of the loan agreement. Secondly, KEXIM consistently monitors how the plans are being implemented on a monthly, quarterly, or yearly basis based on the Environmental and Social Monitoring and Mitigation Plan established by the investees as a part of the Environmental and Social Action Plans. Thirdly, KEXIM assesses the results of the mitigation measures and requires supplementary actions to be taken if the results do not meet the required standards based on the report submitted by independent experts who regularly monitor projects from the environmental and social perspective. However, if, despite the efforts of KEXIM and investees, the negative impacts are not managed, KEXIM might require the termination of relevant loans or guarantee agreements to be accelerated unless it waives those obligations on the condition that alternative measures are taken within a specific timeline.

PRINCIPLE 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Impact Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

KEXIM analyzes, monitors, and reports the impacts of investments on an annual basis to make sure that the investments contribute to adaptation to climate change and sustainable development.

The impacts of the ESG Projects are analyzed based on the Impact Indicators mentioned in Principle 4 in cooperation with external specialists. The Impact Indicators include (but are not limited to) the annual amount of greenhouse gas emissions avoided, renewable energy capacity built, batteries for electric vehicles produced and the number of small and medium enterprises supported.

The relevant basic project data are collected directly from investees by loan officers. Once all the data are collected to check the impact achievement, KEXIM consolidates all the impacts of the ESG projects and publishes an annual Allocation & Impact report, which specifies the categorized impact performance of its all ESG projects as of the year end.

Also, as a part of the environmental and social due diligence, KEXIM conducts Environmental and Social Monitoring throughout each project period. KEXIM reviews monitoring reports prepared by independent consultants to ensure that the projects are being operated in an environmentally and socially sustainable way.

KEXIM is currently developing the climate risk management system and it is expected to enable the bank to conduct a more systematic analysis, which would allow an efficient monitoring and management of the impacts from ESG investments, to better contribute to KEXIM's achievement of its long-term carbon reduction goal in the end.

PRINCIPLE 7

Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

KEXIM does not have experience in executing an exit plan for ESG Projects after loans are originated yet because KEXIM typically holds its projects until their maturities, which have been set in consideration of any potential impacts at the time of approval.

However, the Framework can re-allocate the net proceeds already invested in a certain ESG Project to an alternative project, if that ESG project turns out not to contain any ESG component anymore under the Framework, in order to maintain the amount of the impact investment as committed when issuing the ESG Bonds and reinforce KEXIM's commitment to continue investments in ESG projects.

PRINCIPLE 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

KEXIM has established the Impact Indicators to analyze the impacts of ESG Projects, which are reviewed to make sure that its business activities under the Framework are in line with the ESG goals.

Moreover, under the Framework, KEXIM annually discloses an Allocation & Impact Report¹¹ on KEXIM's website. The publication of the Allocation & Impact Report is a mandatory requirement under the Framework. The report contains the analytic results of the impacts arising from ESG Projects.

Although the Impact Principles are now limitedly applied to KEXIM's business activities under the Framework, the lessons learned from the operation and verification process of the Impact Principles are disseminated to all credit departments. Considering KEXIM's recent movement toward strengthening ESG management, it is expected that the Impact Principles could be applied to all projects financed by KEXIM in a foreseeable future.

¹¹ <https://www.koreaexim.go.kr/he/HPHEOM011M01>

PRINCIPLE 9

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Statement affirms the alignment of KEXIM's business procedures under the Framework with the Impact Principles. It will be updated annually.

The Independent Assurance Report on this Disclosure Statement was issued by an independent external verifier in 2022. The next reports will be regularly provided on KEXIM's website by every 3 years.

The information of the current independent external verifier is as follows:

Name and Address: Deloitte Anjin LLC

9F, One IFC, 10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul,
Republic of Korea

Most Recent Review: The Independent Assurance Report on this inaugural Disclosure Statement was issued on December 16, 2022.

Next Planned Review: The next Independent Assurance Report will be issued in 2025.