



# KIA CORPORATION GREEN FINANCE FRAMEWORK



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This statement is valid until the Framework provided on 24<sup>th</sup> March 2021 remains unchanged.

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### Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.dnv.com](http://www.dnv.com))

## DNV's Independent Assessment

### Scope and Objectives

Kia Corporation ("Kia")<sup>2</sup> founded in 1944 is a multinational automotive manufacturer headquartered in Seoul, Republic of Korea and principally engaged in the manufacture and distribution of automobiles. Kia's products include Passenger vehicles, Recreational Vehicles (RVs), Hybrid Vehicles, Plug-in Hybrid Vehicles, and Electric Vehicles, Commercial Vehicles. Kia also engaged in the CKD (Complete Knock Down). Kia is one of the main affiliates of Hyundai Motor Group ("HMG")<sup>3</sup>.

Kia has developed the Green Finance Framework (the "Framework") under which it issues the Green Financing Transactions ("GFTs") as defined in the Green Bond Principles 2018 ("GBP")<sup>4</sup> set forth by International Capital Market Association ("ICMA") and Green Loan Principles 2020 ("GLP")<sup>5</sup> set forth by working party of Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA"), and Loan Syndications & Trading Association ("LSTA"). GFTs include eligible bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in the Framework and Kia, its overseas operation and overseas associated companies will use the proceeds to refinance or finance in Eligible Projects.

DNV Business Assurance Korea Ltd. ("DNV")<sup>6</sup> has been commissioned by Kia to review the Green Finance Framework and provide a Second Party Opinion on the Framework. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of instruments issued via the Kia's Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

### Responsibilities of the Management of Kia and DNV

The management of Kia has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Kia management and other interested stakeholders in the Framework as to whether the Framework is aligned with GBP and GLP. In our work we have relied on the information and the facts presented to us by Kia. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Kia's management and used as a basis for this assessment were not correct or complete.

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<sup>2</sup> <https://pr.kia.com/en/company/main.do>

<sup>3</sup> <https://www.hyundai.co.kr/Index.hub>

<sup>4</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>5</sup> <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup> <https://www.dnvgl.co.kr/assurance/index.html>

## Basis of DNV's opinion

We have adapted our assessment methodology to create the Kia-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

### 1. Use of Proceeds

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond/a borrower of a loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.

### 2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond/a borrower of a loan should outline the process it follows when determining eligibility of an investment using Green Bond/Loan proceeds, and outline any impact objectives it will consider.

### 3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond/a loan should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

### 4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Kia in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Kia on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by Kia and Kia's websites;
- Discussions with Kia's management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV's Opinion

DNV's findings are listed below:

### 1. Use of Proceeds

Kia intends to use the proceeds of Green Financing Transactions ("GFTs") issued under the Framework to finance or refinance, in whole or in part, Eligible Green Project Category. The eligible green project category addressed in the Framework is *Clean Transportation*. The type of project and associated selection criteria are provided in the Framework in order to determine eligibility.

DNV undertook an analysis of the associated project type to determine the eligibility as "Green" in line with the GBP and GLP. DNV concludes that the eligible project category outlined in the Framework is aligned with that defined in the GBP and GLP. And zero emission vehicles (qualified vehicles) stated in the eligible green project category are eligible for EU Taxonomy, Climate Bond Initiative ("CBI"), and International Energy Agency 2 Degree Scenario ("IEA 2DS"). DNV considers that Clean Transportation contributes to achieve the UN Sustainable Development Goals.

### 2. Process for Project Evaluation and Selection

The Framework describes the process for project evaluation and selection. Potential project to which proceeds is used under the Framework will be identified and assessed by Kia's International Finance Team to ensure the project meets the eligibility criteria. The allocation of proceeds will be reviewed annually by the International Finance Team to determine if any changes or updates to the allocations would be necessary.

DNV concludes that Kia's Green Finance Framework describes the process of project evaluation and selection.

### 3. Management of Proceeds

Kia will maintain a Register to record the allocation and track the net proceeds for each GFT. The proceeds of each GFT will be earmarked for allocation against the eligible projects. Details of the GFTs and details of the use of proceeds will be recorded in the Register. Kia plans to allocate all proceeds from the GFT to Eligible Project in accordance with the evaluation and process set out in the Framework and will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system. Pending allocation, or unallocated proceeds will be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Kia.

DNV concludes that the process addressed in the Framework meets the market practice.

### 4. Reporting

Kia intends to report on the use of proceeds annually or where there is material development on its website or in its Annual Report or Sustainability Report, Kia' reporting will include;

- The aggregate amount allocated to various Eligible Projects
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Examples of Eligible Projects and brief description (subject to confidentiality disclosures)

Impact reporting for Clean Transportation will be made with indicators such as annual GHG emissions reductions/avoidance and number of qualified vehicles produced.

On the basis of the information provided by Kia and the work undertaken, it is DNV's opinion that the Kia' Green Finance Framework meets the criteria established in the Protocol and is aligned with the four core components of the GBP and the GLP. Please refer to Schedule 4. Green Bond/Green Bond Programme External Review Form for detailed information.

**for DNV Business Assurance Korea Ltd.**

Seoul, Republic of Korea / 25 March 2021



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## Schedule 1. Description of Categories to be financed or refinanced through Kia's Green Financing Transactions

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
Clean Transportation	<ol style="list-style-type: none"> <li>1. Development and production activities of below vehicles (Qualified Vehicles) <ul style="list-style-type: none"> <li>• Zero emission vehicles such as Battery Electric Vehicles (BEV), Fuel Cell Electric Vehicles (FCEV) or hydrogen powered vehicles.</li> <li>• Development and production activities associated with the qualified vehicles may include: <ul style="list-style-type: none"> <li>○ Construction of new manufacturing facilities</li> <li>○ Upgrading and retrofitting of manufacturing facilities for the purpose of enabling and or expanding the production,</li> <li>○ Research and Development: this includes electrified drivetrain systems including sourcing, tooling and testing concepts, products and production process</li> </ul> </li> </ul> </li> <li>2. Construction and installing of electric charging infrastructure and facilities</li> </ol>	<p>Zero tailpipe emission vehicles including Battery Electric Vehicles (BEV), Fuel Cell Electric Vehicles (FCEV), hydrogen powered vehicles are eligible for EU Taxonomy, and it is also eligible for both Climate Bond Initiative ("CBI"), and International Energy Agency 2 Degree Scenario ("IEA 2DS").</p> <p>The Green Bond Guidelines<sup>7</sup> issued by the Korea Ministry of Environment in December 2020 suggests the Eligible Green Project Categories with which the eligible projects described in the Kia's Green Finance Framework are consistent.</p> <p>DNV concludes that the eligible category outlined in the Framework are consistent with the categories outlined in the GBP, GLP and Green Bond Guidelines set forth by the Korean Government (Ministry of Environment).</p>

<sup>7</sup> [http://www.me.go.kr/home/web/policy\\_data/read.do?menuId=10260&seq=7620](http://www.me.go.kr/home/web/policy_data/read.do?menuId=10260&seq=7620)

## Schedule 2. Contributions to UN SDGs

Eligible Criteria	UN SDGs	DNV Findings
<ol style="list-style-type: none"> <li>1. Development and production activities of Qualified Vehicles including Zero emission vehicles such as Battery Electric Vehicles (BEV), Fuel Cell Electric Vehicles (FCEV) or hydrogen powered vehicles</li> <li>2. Development and production activities associated with the qualified vehicles</li> <li>3. Construction and installing of electric charging infrastructure and facilities</li> </ol>	<div data-bbox="596 443 692 539">  </div> <p><b>SDG 9.4</b> 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> <div data-bbox="596 792 692 889">  </div> <p><b>SDG 11.2</b> 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</p> <div data-bbox="596 1151 692 1247">  </div> <p><b>SDG 13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p>Kia confirms that 'Construction of new manufacturing facilities' and 'Upgrading and retrofitting of manufacturing facilities for the purpose of enabling and or expanding the production' are associated with only qualified vehicles. If manufacturing facilities produce both conventional and qualified vehicles, only the relevant costs for qualified vehicles would be captured.</p> <p>DNV is of the opinion that eligible category outlined in the Framework contributes to the achievement of the UN SDGs.</p>

Kia has the sustainability vision, '2025, Global Sustainability Leading Company'<sup>8</sup> and has been implementing various ESG initiatives based on 3 main sustainability pillars (Environmental Management, Trust-based Management and Social Outreach). ESG council chaired by the CEO is established to oversee the Sustainability management in Kia.

In 2019, total GHG emissions from Kia's domestic operations were 741,636 t-CO<sub>2</sub>eq<sup>9</sup> of which direct emissions (Scope 1) and indirect emissions (Scope 2) are accounted for, while total GHG emissions from Kia's overseas operations including Slovakia, China, the U.S., and Mexico ended up with 410,000 t-CO<sub>2</sub>eq.<sup>10</sup> Kia plans to report Scope 3 emissions from mainly employee commuting and business travel. Kia operates a global energy & GHG management system (GEMS) that monitors the energy use at all its worksites, both in Korea and overseas. Kia is certified to ISO 14001 which is internal Environmental Management System Standard and Kia aims at reducing its GHG emissions amount by 15 percent of 2015 levels by 2025.

According to EU<sup>11</sup>, Electric Vehicle could help to cut GHG emissions from transport if EVs emit less GHG emissions during the entire life cycle from manufacture and use to disposal, only if the electricity used to manufacture and use them is at least partly generated from renewable sources. EVs typically have higher GHG emissions in the

<sup>8</sup> 2020 Sustainability Magazine "Move", Page 1, issued by Kia

<sup>9</sup> <https://ngms.gir.go.kr/main.do>

<sup>10</sup> 2020 Sustainability Magazine "Move", Page 67, issued by Kia

<sup>11</sup> Electric road vehicles in the European Union Trends, impacts and policies, Page 6, European Parliament

manufacturing phase but this can be more than offset in the use phase, if the vehicle is mostly charged with renewable energy<sup>11</sup>. EVs have considerably lower emissions over their lifetime than vehicles running on fossil fuels. Under the new energy roadmap in Korea, natural gas and renewable energy sources will have a greater share in the generation mix in terms of installed capacity. Renewable energy would account 33.7 percent of the installed capacity in 2030 – up from 9.7 percent this year. The Korean government also aims to generate 20 percent of electricity from renewable energy sources by 2030<sup>12</sup>. The electricity consumed by EVs will be produced from renewable source more and more. Korea Environment Corporation which is a state-owned organization states that 1 EV could reduce approximately 2 t-CO<sub>2</sub> yearly<sup>13</sup>.

Kia sold 2.821 million vehicles across the world in 2019 which include 102,384 HEVs, 27,225 PHEVs and 2,668 EVs<sup>14</sup>. Approximately 6% of total vehicles sold in 2019 are eco-friendly automotive to some extent. Kia announced the strategy called 'Plan S'<sup>15</sup> on 14<sup>th</sup> January 2020, and after this Kia went through a review process and suggest more specific three core pillars and detailed action plans on 9<sup>th</sup> February 2021, which addresses advancing EV transition, strengthening purpose-built vehicle (PBV), and expanding future mobility services. Kia disclosed that it would offer a full line-up of 11 battery EVs by 2026 and aim to become a leading global EV brand with an annual sales target of 880,000 units by 2030. Additionally, Kia is aiming for 1.6 million eco-friendly vehicles sales by 2030<sup>16</sup>.

Given the potential of reducing GHG emissions, DNV concludes that the eligible projects defined in the Framework can contribute to achieve the UN SDGs.

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<sup>12</sup> 8th Basic Plan for Electricity Supply and Demand (Ministry of Trade, Industry and Energy)

<sup>13</sup> <https://www.ev.or.kr/portal/ecoeffect>

<sup>14</sup> 2020 Sustainability Magazine "Move", Page 5, issued by Kia

<sup>15</sup> [https://press.Kia.com/eu/en/home/media-resouces/press-releases/2020/Plan\\_S.html](https://press.Kia.com/eu/en/home/media-resouces/press-releases/2020/Plan_S.html)

<sup>16</sup> <https://pr.Kia.com/ko/media/news/news/2021-0209-02.do?pageNum=1>

## Schedule 3. Eligibility Assessment Protocol

### 1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of Green Financing Transactions (GFTs)	<p>The GFTs must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> <li>Green Use of Proceeds Bond</li> <li>Green Use of Proceeds Revenue Bond</li> <li>Green Project Bond</li> <li>Green Securitized Bond</li> <li>Loan instrument made available exclusively for Green project (Green use of loan proceeds)</li> </ul>	<p>The Green Finance Framework ("Framework") states that Green Financing Transactions ("GFTs") include bonds, loans and other forms of debt financing which contribute to Sustainable development.</p> <p><b>From the Framework</b>  <i>Green Financing Transactions ("GFT"s) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.</i></p> <p>Kia states that bonds issued under this Framework will be aligned with Green Bond Principles 2018 and loans issued under this Framework will be aligned with Green Loan Principles 2020. Other GFT may conform to other green financing principles as available when financial transaction is to be undertaken.</p> <p>Kia states that the Framework will be applied as long as there are live GFTs and the Framework will be updated as needed.</p> <p><b>From the Framework</b>  <i>The Framework will be in force as long as there is live GFTs. Kia may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. Kia commits to communicate the changes in the Framework with investors via Kia's official website.</i></p>
1b	Green Project Categories	The cornerstone of a GFTs is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.	Eligible project category for Green is Clean Transportation which meets the eligible Green Project Categories in Green Bond Principles 2018 and the indicative categories of Eligibility for Green Project set forth in Green Loan Principles 2020.
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.	Eligible project category of Clean Transportation is aligned with GBP and GLP.

### 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	The Issuer/Borrower of GFTs should outline the decision-making process it follows to determine the eligibility of projects using GFT proceeds. This includes, without limitation:	<p>As per the Framework, Kia will conduct a financial feasibility assessment.</p> <p><b>From the Framework</b>  <i>Kia conducts a financial feasibility assessment according to Kia's internal commercial standards</i></p>

Ref.	Criteria	Requirements	DNV Findings
		<ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles and Green Loan Principles;</li> <li>• The criteria making the projects eligible for using the GFT proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul>	<p><i>as well as imposes strict environmental and risk management policy during its normal course of business.</i></p> <p>Eligible projects will be selected by International Finance Team which will consist of representatives from the relevant departments.</p> <p><b>From the Framework</b>  <i>Eligible projects for the use of proceeds of east GFT issued under the Framework will be identified and selected via Kia's International Finance Team. These projects will need to meet all business criteria established by Kia in the ordinary course of its business.</i></p> <p>According to the Framework, International Finance Team will regularly meet to review and select eligible projects.</p> <p><b>From the Framework</b>  <i>The Kia's International Finance Team will review and select eligible projects every 12 months according to the criteria outlined in Sections 2.1.1 mentioned above. The shortlisted projects will be presented to the Treasurer for approval.</i></p> <p>The Framework states that International Finance Team will ensure the selected eligible projects in compliance with Green Bond Principles. And the Team will be responsible for updating the Framework.</p> <p><b>From the Framework</b>  <i>The Kia's International Finance team will ensure that the selected Eligible Project to comply not only with the section of Use of Proceeds but also the environmental guidelines under Green Bond Principles which are applicable within Kia.</i></p> <p><i>In addition, the International Finance team will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.</i></p> <p><i>Eligible Projects may include new projects, projects under construction or in Kia's portfolio, with a disbursement date no older than 24 months.</i></p>
2b	Issuer/borrower's environmental and social and governance framework	In addition to information disclosed by an issuer/borrower on its GFTs process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	Kia is one of the Global automotive makers and one of the key affiliates in Hyundai Motor Group (HMG). Kia has committed to becoming a global sustainability leader by 2025 <sup>17</sup> and to contributions to achieve UN SDGs. Kia has set 3 main goals and 16 supporting strategies.

<sup>17</sup> [http://www.Kia.com/worldwide/about\\_Kia/csr/about\\_csr.do](http://www.Kia.com/worldwide/about_Kia/csr/about_csr.do)

Ref.	Criteria	Requirements	DNV Findings
			 <p>ESG committee chaired by CEO oversees the sustainability management. 4 dedicated teams such as Environmental management team, Sustainable Management Team, Compliance management team and Strategic Business Planning team are responsible for respective ESG areas.</p> <p>Kia defines its own CSR values, 'Kia promotes universal rights to mobility as an automotive company and takes up the challenge upholding the brand's iconic identity'.</p> <p>Various CSR programs are implemented in line with CSR direction, 'A Better Way To Go'.<sup>18</sup></p> <p>Kia has been disclosing its sustainability performances in the Sustainability Magazine MOVE<sup>19</sup> which is published annually.</p>

### 3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	<p>The net proceeds of GFTs should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green Projects.</p> <ul style="list-style-type: none"> <li>The proceeds of GFT(s) should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product. Where a green loan takes the form of one or more tranches of a loan facility, each green tranche(s) must be clearly designated, with proceeds of the green</li> </ul>	<p>The Framework states how Kia plans to trace the GFT(s)'s proceeds, from the time of issuance to the time of disbursement.</p> <p>Kia plans to establish a Register to record the allocations and track the use of GFT proceeds.</p> <p>International Finance Team in Kia will be responsible for managing the net proceeds from each GFT issued.</p> <p><b>From the Framework</b></p> <p><i>The net proceeds from each GFT issued will be managed by Kia's International Finance team and the proceeds of each bond will be deposited in the general funding accounts. An amount equal the net proceeds will be earmarked for allocation to Eligible Projects, in accordance with Kia Green Finance Framework.</i></p> <p><i>Kia will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including:</i></p>

<sup>18</sup> [http://www.Kia.com/worldwide/about\\_Kia/csr/social\\_responsibility.do](http://www.Kia.com/worldwide/about_Kia/csr/social_responsibility.do)

<sup>19</sup> <https://pr.Kia.com/en/company/sustainability/sustainability-report.do>

		tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner	
<b>3b</b>	Tracking procedure	So long as the GFT(s) are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>The Framework shows that Kia plans to trace the proceeds from the GFT(s), from the time of issuance to the time of disbursement. Details of information to be traced are addressed in the Chapter 2.3.1 Type of Funding Transaction and 2.3.2 Allocation of Use of Proceeds in the Framework.</p> <p><b>From the Framework</b></p> <p><i>2.3.1 Type of Funding Transaction</i> Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.</p> <p><i>2.3.2 Allocation of Use of Proceeds</i></p> <ul style="list-style-type: none"> <li>▪ Name and description of Eligible Projects to which the proceeds of the GFTs have been allocated in accordance with the Framework</li> <li>▪ Allocation of the proceeds of GFTs to Eligible Projects</li> <li>▪ The balance of unallocated proceeds</li> <li>▪ Information of temporary investment for unallocated proceeds</li> </ul>
<b>3c</b>	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>The Framework states that the proceeds of each bond will be deposited in the general funding accounts. Kia describes that the intended types of temporary placement for the balance of unallocated net proceeds. The unallocated proceeds may be retained in cash, or cash equivalent or used to repay existing borrowings.</p> <p><b>From the Framework</b></p> <p><i>... the proceeds of each bond will be deposited in the general funding accounts.</i></p> <p><i>Kia will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system. Pending allocation, the net proceeds from the GFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Kia. Such monitoring of proceeds allocation will be performed at least once a year.</i></p> <p><i>During the life of the GFT issued, if the designated Projects cease to fulfil the Eligibility Criteria, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable.</i></p>

#### 4. Reporting

Ref.	Criteria	Requirements	DNV Findings				
4a	Periodical reporting	<p>Issuer/Borrower should make and keep readily available up to date information on the use of proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments. This should include a list of the Green projects to which the GFT proceeds have been allocated and a brief description of the projects and the amounts allocated and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the information is presented in generic terms or on an aggregated project portfolio basis.</p> <p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, Issuers should provide at least annually a list of projects to which GFT proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p>	<p>Kia has confirmed that it will report on the allocation of net proceeds and associated impact metrics of its GFT(s).</p> <p><b>From the Framework</b>  <i>Kia will report on the allocation of net proceeds and associated impact metrics of its GFT(s) within one year from issuance date and annually thereafter until the proceeds have been fully allocated, and as necessary in the event of material development.</i></p> <p>Annual reporting will be made publicly available on Kia website<sup>20</sup>.</p> <p>Kia states in the Chapter 2.4.1 Allocation Reporting in the Framework that the information is to be reported.</p> <p><b>From the Framework</b>  <i>Kia will provide the following information for the net proceeds of all the GFTs during the period:</i></p> <ul style="list-style-type: none"> <li><i>The aggregate amount allocated to various Eligible Projects</i></li> <li><i>The remaining balance of funds which have not yet been allocated and type of temporary investment</i></li> <li><i>Examples of Eligible Projects and brief description (subject to confidentiality disclosures)</i></li> </ul> <p>Kia states in the Chapter 2.4.2 Impact Reporting in the Framework that the environmental impacts associated with the Eligible Projects are reported.</p> <p><b>From the Framework</b>  <i>Where possible, Kia will report on the environmental impacts associated with the Eligible Projects funded with the net proceeds of the GFT(s).</i></p> <p><i>Subject to the nature of Eligible Projects and availability of information, Kia aims to include, but not limited to, the following Impact Indicators:</i></p> <table border="1"> <thead> <tr> <th><b>Eligible project category</b></th> <th><b>Impact indicators - Examples</b></th> </tr> </thead> <tbody> <tr> <td>Clean transportation</td> <td> <ul style="list-style-type: none"> <li><i>No. of qualified vehicles produced</i></li> <li><i>Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</i></li> </ul> </td> </tr> </tbody> </table>	<b>Eligible project category</b>	<b>Impact indicators - Examples</b>	Clean transportation	<ul style="list-style-type: none"> <li><i>No. of qualified vehicles produced</i></li> <li><i>Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</i></li> </ul>
<b>Eligible project category</b>	<b>Impact indicators - Examples</b>						
Clean transportation	<ul style="list-style-type: none"> <li><i>No. of qualified vehicles produced</i></li> <li><i>Annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</i></li> </ul>						

<sup>20</sup> <https://pr.kia.com/en/company/ir/financial-information/green-bond.do>

## Schedule 4. Green Bond/Green Bond Programme External Review Form

### Section 1. Basic Information

**Issuer name:** Kia Corporation

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:**

Kia Corporation. Green Finance Framework, March 2021

**Independent External Review provider's name:** DNV Business Assurance Korea Ltd.

**Completion date of this form:** 11 January 2021

**Publication date of review publication:** 25 March 2021

### 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 GBPs:

- |  |  |
|--|--|
| <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 INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify):         |   |

*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)

On the basis of the information provided by Kia and the work undertaken, it is DNV's opinion that the Kia's Green Finance Framework meet the criteria established in the Protocol and are aligned with the stated definition of green bonds within the Green Bond Principles 2018 and Green Loan Principles 2020.

### 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):**

Kia intends to use the proceeds of Green Financing Transactions ("GFTs") issued under the Green Finance Framework to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories. DNV concludes that the Kia's Framework are aligned with the GBP.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input 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 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 GBPs | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBPs: N/A

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

**Overall comment on section** *(if applicable)*:  
 The Green Finance Transactions' proceeds will be allocated to finance and refinance the assets as defined in Schedule 1. DNV reviewed the Framework which describes the process through which projects are evaluated and selected. DNV can confirm the GFTs proceeds at Kia go through a strict internal process for evaluation and selection. Potentially eligible projects for the Use of Proceeds of each GFT issued under the Framework will be identified and assessed by Kia's International Finance Team. The Team will review and select eligible projects every 12 months according to the criteria outlined in Sections 2.1.1 in the Framework. The shortlisted projects will be presented to the Treasurer for approval.

**Evaluation and selection**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's green objectives  | <input checked="" 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 type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> :  |   |

### 3. MANAGEMENT OF PROCEEDS

**Overall comment on section** *(if applicable):*

The proceeds from green financing will be managed by the Kia's International Finance Team. A Register will be created to record the allocations and track the use of GFT proceeds. Pending allocation, the net proceeds from the GFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings under general credit facilities of Kia. DNV has reviewed the evidence presented and can confirm that the proceeds arising from future issuances will be appropriately managed.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify):*

**Additional disclosure:**

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify):</i>                                 |

### 4. REPORTING

**Overall comment on section** *(if applicable):*

Kia has confirmed it plans to report on the use of proceeds and impacts annually. Kia has confirmed that it will report on its website and/or in its Annual Report or Sustainability Report, the following:

- 1) The aggregate amount allocated to various Eligible Projects
- 2) The remaining balance of funds which have not yet been allocated and type of temporary investment
- 3) Examples of Eligible Projects and brief description (subject to confidentiality disclosures)

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify):</i>          |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify):</i> |   |

**Frequency:**

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

**Impact reporting:**

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

**Frequency:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators *(please specify):*  
No. of qualified vehicles produced

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other *(please specify):*
- 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.)*

<https://pr.kia.com/en/company/ir/financial-information/green-bond.do>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other *(please specify):*

**Review provider(s):**

DNV Business Assurance Korea Ltd.

**Date of publication:**

25 March 2021

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

- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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.



## About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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