



# **KIA CORPORATION**

## **Green Finance Framework**



**March 2021**



## Table of Contents

<b>1. Introduction</b>	<b>3</b>
1.1 Business Overview	3
1.2 Sustainability Strategy and Vision	3
(1) Preparing for the Future with Plan S	4
(2) Kia's and United Nations' Sustainable Development Goals (SDGs)	6
<b>2. Kia Green Finance Framework Overview</b>	<b>8</b>
2.1 Use of Proceeds	9
2.1.1 Eligible Green Project Categories	9
2.2 Process for Project Evaluation and Selection	10
2.3 Management of Proceeds	10
2.3.1 Type of Funding Transaction	10
2.3.2 Allocation of Use of Proceeds	10
2.4 Reporting	11
2.4.1 Allocation Reporting	11
2.4.2 Impact Reporting	11
<b>3. External Review</b>	<b>12</b>



## 1. Introduction<sup>1</sup>

### 1.1 Business Overview

Kia Corporation (“Kia” or the “Company”) was founded in May 1944 and has been providing mobility solutions for more than 75 years. From humble origins making bicycles and motorcycles, Kia has grown – as part of the dynamic, Hyundai Motor Group – to become the global mobility brand with a vision to create sustainable mobility solutions for consumers, communities, and societies around the world.

In 2020, Kia produces more than 2.6 million vehicles at 3 production sites in Korea and 5 overseas production sites in China, Slovakia, US, Mexico and India. The Corporation has more than 50,000 employees and annual revenues of more than KRW 59 trillion.

In its home country of South Korea, Kia operates three major vehicle assembly plants – the Hwasung, Sohari and Kwangju facilities – plus a world-class research and development center at Namyang and a dedicated environmental R&D center along with Hyundai Motor Company. Kia spent approximately 3% of its annual revenues on R&D in 2019 and also runs research centers in the USA, Japan, Germany, China and India.

On January 2021, Kia has revealed the new corporate logo, new slogan, ‘Movement that inspires’, and new corporate name, signaling the brand breaking away from its traditional manufacturing-driven business model to create sustainable mobility solutions for customers. Kia will offer greater access to a wider range of environmentally conscious mobility products and services that inspire customers and free up time for the activities that they enjoy the most.

Kia is spearheading the popularization of electrified and battery electric vehicles and developing a growing range of mobility services, encouraging millions of people around the world to explore the best ways of getting around.

### 1.2 Sustainability Strategy and Vision

Kia’s advanced technology and quality have earned its high brand value around the world. It ranked 86th on Interbrand’s list of 2020’s 100 Best Global Brands, with an international brand value of USD 5.8 billion. It is also actively adopting socially responsible management practices to build a sustainable and eco-friendly culture and mobility services.

Under a goal titled “2025, Global Sustainability Leading Company,” Kia adheres to the prospect of “building a sustainable future, one where humans and the environment co-exist in harmony”, through its ceaseless technology R&D and mobility innovation drives. Kia revealed its “Plan S” in 2020, which focuses on innovative technologies and concepts to achieve a preemptive transition to EVs and EV/ AV-based mobility, as clean, sustainable mobility solutions.

Kia also lends its business acumen to all of its social contribution activities, providing education programs and mobility services to support local communities, by creating a virtuous cycle of

---

<sup>1</sup> Sources: Kia Website



working capital funding from profit-generating projects and then transferring the goodwill to local communities.

In terms of Kia's environmental management Kia is addressing global warming and climate change issues as they pertain to crises related to the environment and energy use to ensure a sustainable future for everyone. In fact, Kia declared its global environmental management policy in 2003, and since then has faithfully abided by its corporate role in addressing environmental issues. Starting in 2020, Kia will adopt a zero-tolerance policy of hazardous substance use at all of its Korean worksites and continue its efforts towards hazardous, chemical-free business operations. Eventually, the company aims at reducing its GHG emissions amount by 15 percent of 2015 levels by 2025.

Kia has made progress in its sustainability management practices under the guidance of its CSR organizations—the ESG Committee and Sustainability Management Team. ESG council was newly organized in 2020 where departments in charge of trust-based management, environmental management, and social outreach initiatives regularly convene a meeting and discuss Kia's sound ESG management implementation strategy. The council is hosted at least every half of the year. The Sustainability Management Team serves as the assistant administrator of all company-wide sustainability management activities.

### **(1) Preparing for the Future with Plan S**



The auto industry is challenged by the growing mobility service field, the development of autonomous driving technology, and the emergence of information and communications technology (ICT) ventures.

In response, Kia has come up with something it calls Plan S, which focuses on innovative technologies and concepts. The three-track strategy addresses advancing EV transition, strengthening purpose-built vehicle (PBV), and expanding future mobility services as core pillars. Plan S is designed to facilitate Kia's brand innovation and enhance profitability to achieve a preemptive transition to EVs and EV/AV-based mobility solutions.

As the paradigm shift to EVs is predicted to take place at different speeds depending on different markets and their environmental regulations, purchase power, infrastructure, and subsidies, Kia will flexibly respond to individual market demand, adjusting its EV transition to local demand for these vehicles.



By 2026, when EV models are expected to be fully established in the market, Kia aims to strengthen its EV lineup with 11 new models with 7 of them being dedicated EVs built on the Electric-Global Modular Platform (E-GMP) architecture. Kia forecasts EV sales will increase to 880,000 units in 2030 and eco-friendly vehicles including EVs, HEVs, and PHEVs will account for 40 percent of Kia's total sales by 2030, with an annual sales target of 1.6 million units.

It is also pursuing new business opportunities in EVs and autonomous vehicle-based mobility service that will address urban issues around the world, one of which is pollution. Kia's mobility solution strategy will make use of its EVs for eco-friendly mobility-as-a-service (MaaS) and its purpose-built vehicle (PBV) businesses in order to expand its customer base for B2B operations.



As part of MaaS, Kia will offer EV-based mobility service in cities where strict environmental regulations are applied while also preemptively securing a base in urban areas in preparation for the upcoming autonomous driving era. Meanwhile, in order to expand future mobility services, Kia will expand existing services such as the company's flagship car-sharing service and car usership service called "KiaMobility" in the business-to-consumer domain. As for the business-to-government and business-to-business areas, Kia will launch an EV-based service that combines subscription and car-sharing.

In the PBV business area, the company will operate PBVs tailored to unique trims and customer demands in the short term, and flexibly customize its fleet to different B2B needs in the long term. Kia plans to unveil its first PBV in 2022, with further PBVs to be launched according to the market needs. The company will develop a variety of specialized vehicles based on its PBV-dedicated skateboard platforms and is targeting annual sales of 1 million units by 2030 to become a world leader in the PBV business sector.

To that end, Kia plans to invest KRW 29 trillion from 2020 to 2025 to increase the number of its EVs and diversify its business areas and maintain the annual investment level of around KRW 5 trillion. With increased profitability estimated for new EV models, the company targets operating profit margin of 5.4 percent in 2021 and 7.9 percent in 2025.



Kia's Plan S blueprint is bold and a preemptive shift to future business that is firmly backed by the three core pillars of EVs and mobility solutions. At the same time, the company will deliver a new experience through its products and services to become the brand name of innovation.



**(2) Kia's and United Nations' Sustainable Development Goals (SDGs)**



As one of Korea's leading automakers, Kia strives to live up to social expectations in fulfilling its social responsibility. At Kia, sustainability management refers to balancing economic, social, and environmental goals as its top priorities, and then applying all of its resources to achieve those goals.

Kia fully abides by the United Nations' Sustainable Development Goals<sup>2</sup> ("SDG") in its activities towards reaching the triple bottom line. It is also a faithful member of associations and organizations related to the auto industry, and continues to work hard for fair transactions and ethical management practices.

	<b>SDGs</b>	<b>Project</b>	<b>Description</b>
Signature CSR Projects	1, 8, 11	Green Light Project	A global project that aids the self-support of communities in developing countries with education and healthcare services
	10,11,17	Green Trip	A domestic CSR project that offers free trips to mobility-challenged people
	3,10	Caring for the Next Generations	A CSR program for the next generations, such as child safety on roads
	8	YOUTH: Challenge your Dreams	Youth social venture startup incubation project pegged to a car-sharing service platform

<sup>2</sup> Appendix 1 – United Nations' Sustainable Development Goals



Social Contribution to Local Communities	4	Kia Challenge Teenager Mentoring (Headquarters in Seoul)	Mentoring local underprivileged children/teenagers
	10	Happy Mobility Campaign (Domestic Sales Office)	Social contribution plan in proportion with car sales
	11	K-Mobility Care (Domestic Service Shops)	Repairing aged vehicles for residents
	4	Kia Challenge Academy (Sohari Plant)	Moral education and career coaching for local teenagers from low-income families
	4	Kia Challenge Eco Project (Hwaseong Plant)	Environmental science programs for teenagers
	4	Kia Challenge Concert (Gwangju Plant)	Artistic and cultural activities for culturally-deprived local children
	4	A.W.I.M (Georgia Plant, USA)	Teenager education program
	9	Bike Kia (Slovakia Plant)	Constructing a bike path around cultural heritage sites
	10	Mobility Library (Mexico Plant)	Renovating and repairing local libraries and operating mobile libraries
	11	Kia Home for Hope (China Plant)	Repairing/Rebuilding houses for disaster victims and underprivileged residents



## 2. Kia Green Finance Framework Overview

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.

- With respect to bonds, bonds issued under this Framework will be aligned with ICMA principles<sup>3</sup>: the 2018 Green Bond Principles (“GBP”), or as they may subsequently be updated.
- With respect to loans, loans issued under this Framework will be aligned with the 2020 Green Loan Principles including Guidance Notes<sup>4</sup> (“GLP”), or as they may subsequently be amended.
- Other GFT may conform to other green finance principles as may have been established at the time of such a financing transaction being undertaken.

GFTs do not place restriction on the tenor and currency; and can include other terms and conditions including covenants, to reflect the financing strategy and plans of Kia as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFTs may be done in any jurisdiction and market reflecting Kia’s current and future business needs

For each GFT, Kia management asserts that it will adopt the following core components of the GBP and GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

The Framework also covers External Review.

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.

---

<sup>3</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

<sup>4</sup> <https://www.aplma.com/en/gsl>



## 2.1 Use of Proceeds

The net proceeds of the GFTs will be used to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories (“Eligible Project Categories”).

- The proceeds of a Green Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 below.

### 2.1.1 Eligible Green Project Categories

Eligible Project Category	Eligible Criteria and Description	UN SDG Goals
<p><b>Clean transportation</b></p>   	<p><b>1. Development and production activities of below vehicles (Qualified Vehicles):</b></p> <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> </ul> <p>Development and production activities associated with the qualified vehicles may include:</p> <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> <p><b>2. Construction and installing of electric charging infrastructure and facilities</b></p> <p><b>#2 is for all electric related vehicles</b></p>	<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> <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> <p><b>SDG 13.1:</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>

Eligible Project Categories may include the projects Kia made during the 2 years prior to the issuance or signing date of the respective GFTs and during the life of the GFTs.



## 2.2 Process for Project Evaluation and Selection

Kia conducts a financial feasibility assessment according to Kia's internal commercial standards as well as imposes strict environmental and risk management policy during its normal course of business.

Eligible projects for the use of proceeds of 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.

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.

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.

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.

Eligible Projects may include new projects, projects under construction or in Kia's portfolio, with a disbursement date no older than 24 months.

## 2.3 Management of Proceeds

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.

Kia will maintain a register to keep track of the use of proceeds for each GFT. The register will contain the following information including:

### 2.3.1 Type of Funding Transaction

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.

### 2.3.2 Allocation of Use of Proceeds

- Name and description of Eligible Projects to which the proceeds of the GFTs have been allocated in accordance with the Framework
- Allocation of the proceeds of GFTs to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds



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.

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.

## 2.4 Reporting

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.

The information will contain at least the following details:

### 2.4.1 Allocation Reporting

Kia will provide the following information for the net proceeds of all the GFTs during the period:

- 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)

### 2.4.2 Impact Reporting

Where possible, Kia will report on the environmental impacts associated with the Eligible Projects funded with the net proceeds of the GFT(s).

Subject to the nature of Eligible Projects and availability of information, Kia aims to include, but not limited to, the following Impact Indicators:

<b>Eligible Project Category</b>	<b>Impact Indicators – Examples</b>
<b>Clean transportation</b>	<ul style="list-style-type: none"><li>• No. of qualified vehicles produced</li><li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li></ul>



### **3. External Review**

The Company has engaged DNV to provide an External Review in the form of a Second Party Opinion on the Framework, and to confirm alignment with the GBP and/or the GLP, as applicable.

Such Second Party Opinion, the Framework and annual reportings will be made publicly available on Kia website at <https://pr.kia.com/en/company/ir/financial-information/green-bond.do>