

GREEN·SOCIAL·SUSTAINABILITY SUSTAINABONDS

Sustainable issuance supports Hana Bank's ESG targets

Korea's Hana Bank aims to build on its sustainable issuance in a variety of formats and currencies to reach KRW 25 trillion (€18.6bn) by 2030. Yoo-Na Ha, senior manager of ESG planning section, Hana Bank, spoke to *Sustainabonds'* Neil Day about how green and social bonds reflect the group's evolving sustainability targets and wider developments in Korean society.

Neil Day, Sustainabonds: By way of introduction, how would you sum up Hana Bank's position in the Korean market?

Yoo-Na Ha, Hana Bank: As the bank with the largest global network in Korea, Hana Bank is developing into a first class financial player, based on corporate banking, foreign exchange banking, and the nation's best private banking.

Day, Sustainabonds: How does sustainability fit into the bank's history and forward strategy? What should we understand from the slogan "Big step for tomorrow"?

Ha, Hana Bank: Based on the bank's motto of taking a "big step towards a sustainable future", "Big step for tomorrow" is Hana Financial Group's long term ESG strategy, aiming to achieve



two goals, "2030 & 60", and "Zero & Zero". The group has set the ESG financing target of "2030 & 60", which means investing KRW 60 trillion in ESG finance by 2030 to expanding green investment, including issuance of sustainable bonds in an amount of KRW 25 trillion over the next 10 years. Additionally, "Zero & Zero" includes the phase-out of coal project financing. The group has also enacted the sustainable finance framework to define carbon intensive sectors for reducing fossil fuel finance.

Day, Sustainabonds: Can you give us some examples of how this sustainability strategy is reflected in Hana Bank's activities?

Ha, Hana Bank: The bank plans to provide over KRW 83 trillion towards the Korean New Deal project that is being promoted by the government right now,

including the Green New Deal to boost green energy fields. The bank will provide funds in three key areas — solar power generation, offshore wind power generation, and hydrogen fuel cells — to contribute to carbon neutrality by encouraging the growth of new renewable energy sectors. We expect the bank to drive the movement towards the transition into a low carbon economy.

Day, Sustainabonds: What impact has the pandemic had on Hana Bank's business? And has it affected the way you and/or Korean society think about sustainability?

Ha, Hana Bank: The Covid-19 pandemic brought about many difficulties and resulted in lasting changes across our lives. As the spread of Covid-19 entered full swing, the bank donated funds to help relieve the suffering this caused, and we are

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supporting the local small businesses and sectors that have been hit hard by Covid-19, with the aim of contributing to enhancing the resilience of local economies. And of course, the bank has faced lots of challenges due to Covid-19 alongside our customers and clients.

Day, Sustainabonds: Europe agreed to the “Green Deal” and has initiatives such as the Taxonomy and EU Green Bond Standard. What are the latest policy initiatives in Korea that are supporting sustainability? Is there a difference to EU practices?

Ha, Hana Bank: The ministry of environment wants to foster a standardised framework for green bond issuance and a taxonomy in a bid to cut greenhouse gas emissions. This will ensure that issuers, including Korean banks, use green bond proceeds for environmental purposes and will prevent issuers from green-washing, whereby companies make green gestures without meaningfully improving their environmental impact. The Hana Financial Group’s sustainable financial framework is actually based on standardised European practices, and we don’t anticipate many differences between the European system and the Korean system planned for implementation in the near future.

Day, Sustainabonds: Korean banks in general have been very active in sustainable covered bond issuance — what explains this?

Ha, Hana Bank: The issuance of ESG bonds by Korean banks has more than tripled over the past two years. Until last year, as demand for ESG bonds — mainly from Europe and US-based institutional investors — increased significantly, ESG bonds were accordingly issued mainly as foreign currency bonds. However, this year, the issuance of Korean won-denominated ESG bonds has also expanded significantly as investors’ perceptions of ESG have changed within Korea. In the



Hana Bank, Seoul

future, ESG bond issuance is expected to continue to increase due to increased demand for bonds thanks to the Green New Deal led by the Korean government and strengthening ESG management.

The ministry wants to foster a standardised framework

Day, Sustainabonds: Can you give an example of something Hana Bank has done in its sustainable bond issuance that others have followed?

Ha, Hana Bank: Hana Bank issued \$600m of sustainable bonds in January 2019 with funds allocated to 17 projects.

About 20% of the proceeds were used to participate in a UK wind power plant located of the coast of Scotland that was the largest offshore windfarm in the country, with a development site coverage area of approximately 131.5km². Korean banks are expected to use this project as a benchmark and actively participate in overseas offshore wind power plants in future.

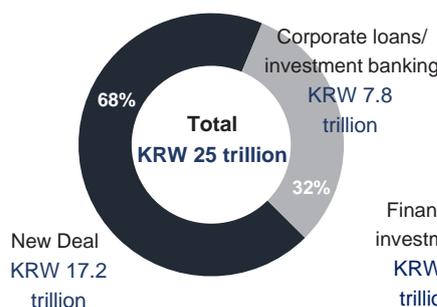
Day, Sustainabonds: Hana Bank has issued different instruments, senior and subordinated, in US dollars in ESG formats, whereas in euros you have issued a social covered bond. How did you go about choosing the formats for these issues, in terms of senior/subordinated/covered, euros versus dollars, and sustainable or social? Do you see significant differences between the US and European investor bases?

Ha, Hana Bank: Hana Bank first establishes an annual issuance limit for bond issuance, including ESG bonds, at the beginning of the year, then senior or subordinated, dollar or euro issuance is determined according to market conditions, with bank standards and credit conditions considered, and sustainable or social bonds. Last year there was a lot of social bond issuance due to the high demand for loans resulting from Covid-19. In addition, both European and US investors have increased their interest in ESG bonds

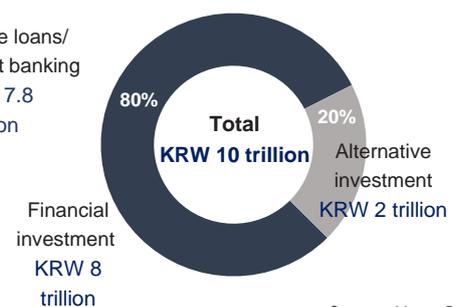
ESG finance expansion plans

Increase ESG loans to KRW 25 trillion and ESG investments to KRW 10 trillion to provide ESG loans & investments worth KRW 35 trillion by 2030

ESG loans expansion plan



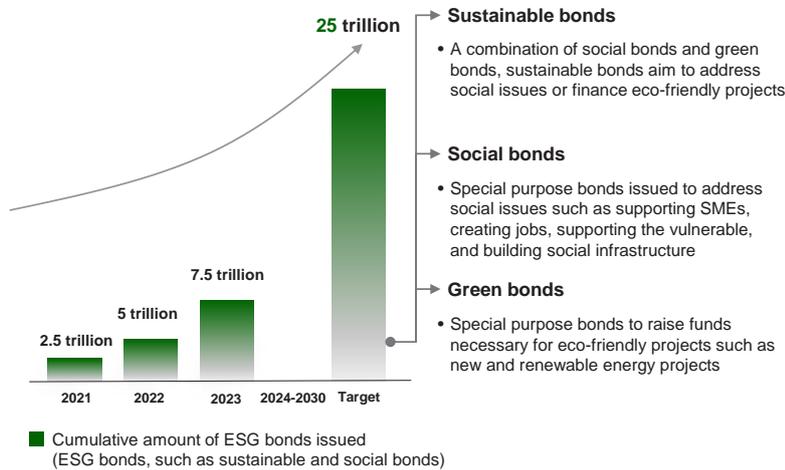
ESG investment expansion plan



Source: Hana Bank

Hana Group's target on ESG bond issuance

ESG bonds worth KRW 2.5 trillion issued per year



Source: Hana Bank

compared to the past, and overall, there is no significant difference between them.

Day, Sustainabonds: What can investors expect going forward in terms of currency and format? Is there domestic interest in such issuance that you could tap?

Ha, Hana Bank: In the future, whether to issue in US dollars or euros, or what types of ESG bonds to issue will be de-

ecided according to market conditions, and the size of existing or new ESG projects. There is currently a high demand for social project finance, while in the future green projects are expected to increase, as Korea has already declared that the country will aim to reach carbon neutrality by 2050. In addition, domestic investors mainly invest in Korean won-denominated ESG bonds and their interest in investing in ESG bonds is increasing significantly. We issued ESG subordinated

bonds in an amount of KRW 435 billion in January 2021.

Day, Sustainabonds: What final words can you share on Hana Bank's vision for 2030?

Ha, Hana Bank: Hana Financial Group has established the goal of investing KRW 60 trillion in ESG finance by 2030, as I mentioned, and additionally we are currently seeking to join the Science Based Targets initiative (SBTi). We plan to set an interim goal of reducing carbon emissions for business sites as well as the asset portfolio as of 2030, with an aim of carbon neutrality in 2050. ●

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