

PLENARY SESSION 1

The Coming of Age of the Green Finance Sector



Green Financing For innovative SMEs

Towards more sustainable future



Seok-Kyun Park Deputy Director | Global business Team

KOTEC

Innovation Growth platform
for tech companies
from Startup to Scaleup



Establishment

Established under the Special Law in 1989

(KOREA TECHNOLOGY CREDIT GUARANTEE FUND ACT)

- ⊙ Non-profit Organization(No Shareholders)
- ⊙ Contributions from Government & Financial Institutions

Vision

To be an Innovative growth platform

- ⊙ By supporting tech companies from start-up to scale-up

Core Values

Fairness, Innovation, Solidarity

8 Regional HQ, 86 Branches, 1,485 Employees(294 PHDs, 951 experts)



**USD
340B**
(85,000 SMEs)
Balance \$22B

**Technology
Guarantee
(1989~)**

**(2005~)
Technology
Appraisal**

**Technology
Transfer
(2014~)**

**6,949
Cases**
(410,206 IP listed)

**Investment
(2005~)**

**USD
316M**
(452 SMEs)

**Social
Venture
(2018~)**

**USD
374 M**
(2,184 SMEs)

**840,241
Cases**

(Over 20 years)

“2050 Net-Zero Declaration” in 2020



Carbon Neutrality by 2050



Green Transformation
of SMEs

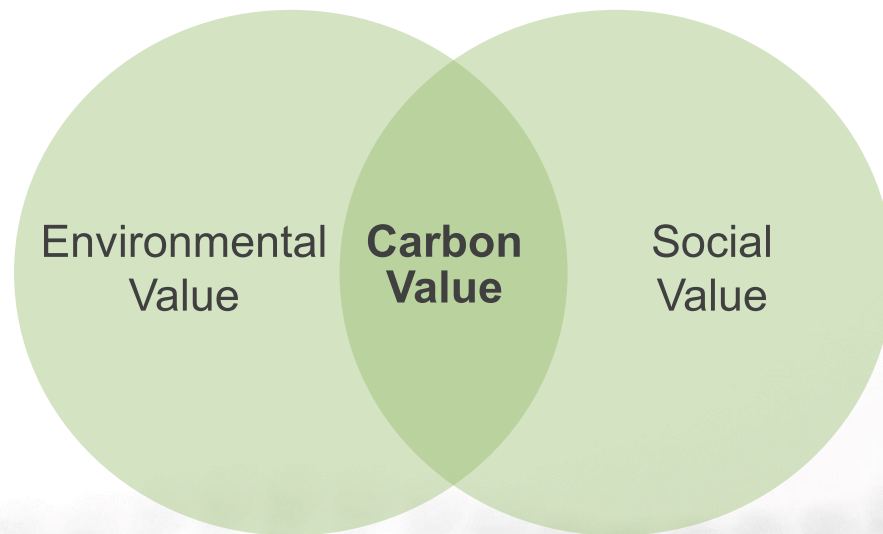


the Role of KOTEC

Carbon Value

Monetizing the company's greenhouse gas reduction effects involves the following steps:

1. **Estimating the reduction amount** of greenhouse gas over a specified period (n)
2. **Converting the estimated reduction amount into a monetary value** in year (t)

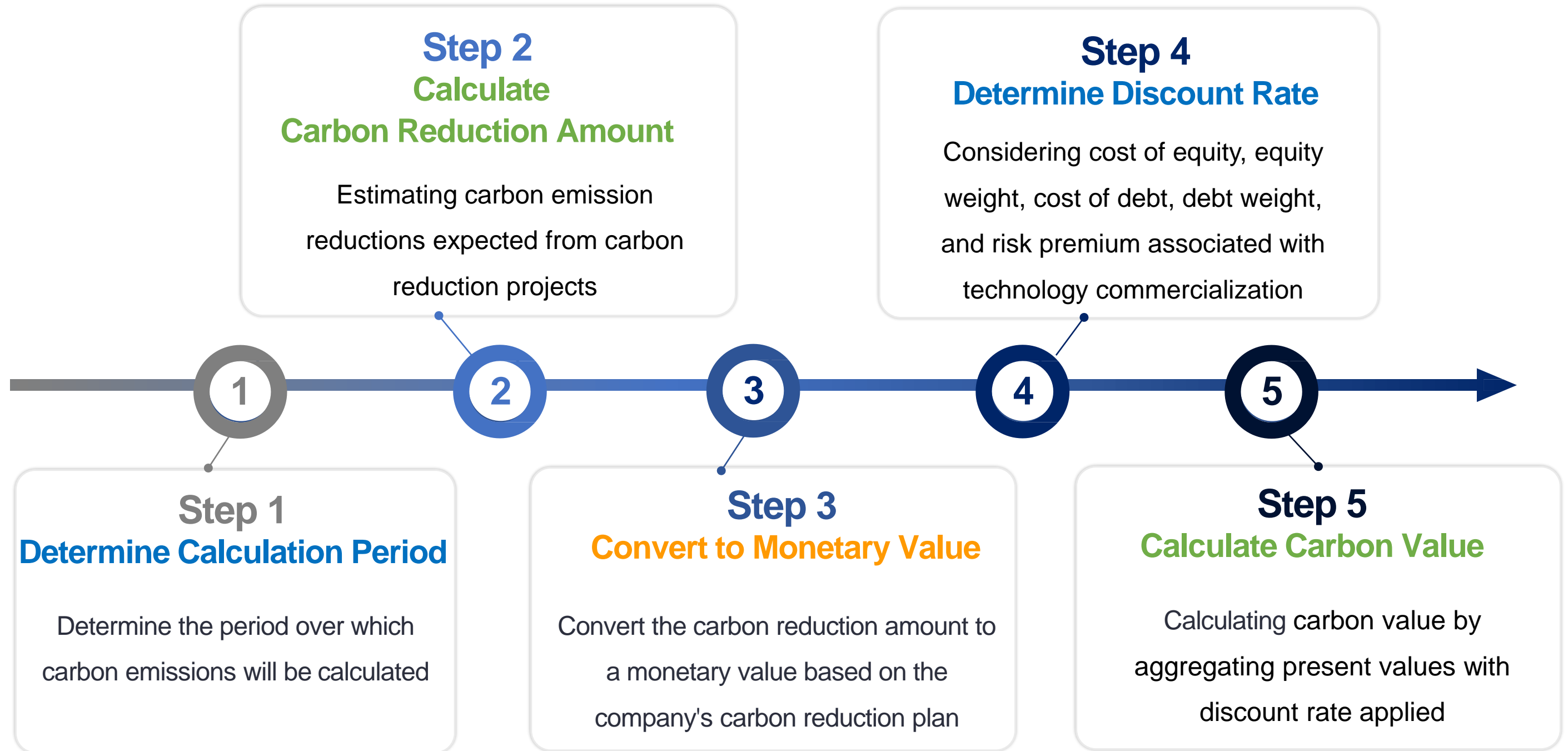


Carbon Valuation Model

A model for assessing the carbon value of a company

$$\text{Carbon value} = \sum_{t=1}^n \frac{\text{Reduction in greenhouse gas } t \times \text{Emission permit price}}{(1 + \text{discount rate})^t}$$

- **n** = period for calculating reduction in greenhouse gas,
- **reduced amount of greenhouse gas** = Greenhouse gas reduction in year t
- **Emission permit price**: The weighted average value of actual traded emission permit prices, based on the previous year's closing price
- **Discount rate** : quantifies potential risks associated with the evaluated technology's business, including technology risk, market risk, and business risk among others



Carbon Value Assessment

Carbon Valuation Guarantee

We support companies that promote carbon neutrality and green growth through our carbon valuation model, evaluating greenhouse gas reduction and other factors in the transition to a carbon-neutral society.

500 billion KRW in 2023 (USD 385 million)

Renewable Energy Guarantee

We boost competitiveness in the renewable energy sector and drive the activation of renewable energy projects, facilitating the transition to a carbon-neutral society.

157 billion KRW in 2023 (USD 121 million)

Advantages when SMEs applying KOTEC's green guarantee program



- Provides **Additional guarantee** by adding to the existing guarantee limit



- **Fixed rate of 0.5%** for Generation Companies
- **Discount 0.2% to 0.4%** for others



- Increased the **guarantee ratio** for loans from 85% **up to 100%**



Set a pre-determined risk rate

- assign the risk limit amount
- handle guarantees within risk limits
- around 3% of the new guarantee amount



AI-based risk assessment models

- as supplementary reference tools
- additional indicators
- predicting default risks



Fraud Risk Prevention

- retrieve black-list information(KCB)
- ghost corporations, loss of nationality by CEO, bankruptcy discharge, concurrent loan status, and other relevant details.
- Assess deceptive, fraud or false guarantee applications

Creditworthiness Monitoring

Continuously **monitor guarantee companies to identify potential insolvency risks** and perform appropriate post-management tasks.

Early Warning System

Periodically **calculate early warning grades**(S1 to S4) and perform task processing tailored to each grade's characteristics.

Focused Post-management

Implement on-site investigations, management improvement support or **exercise pre-default rights** for companies with weak business stability.

S1 (good business stability)

No action required

S2 (Limited risks and stable business)

S3 (weak business stability or potential insolvency risks)

On-site investigations, Monitor and assess creditworthiness

S4 (Unstable companies or insolvency risks)

Exercise pre-default rights upon confirmation of insolvency

Thank you!

Seok Kyun Park 1822@kibo.or.kr



A model for assessing the carbon value of a company

Carbon Valuation Guarantee

Based on the application of Climate Technology Rating System (CTRS) and Carbon Valuation Model (KCVM), it calculates the technology project evaluation grade and carbon value amount. These assessments are utilized for preferential green financing.

Total Guarantee Amount

Climate Technology Rating System (CTRS)

A model that evaluates technology projects based on their economic value (such as revenue growth and job creation) as an evaluation grade, considering their potential for greenhouse gas reduction and adaptation to climate change.

General Guarantee Amount

KOTEC Carbon Valuation Model (KCVM)

A model used to measure and monetarily evaluate the greenhouse gas reduction effects of carbon-related business or projects. The model evaluates the environmental value of technology projects to provide guarantee support.

Additional Guarantee Limit

=

+

'Appendix 2' Eligibility Criteria



External Reduction Companies

Innovative businesses that produce and sell technologies, products, components, or materials that can induce greenhouse gas reduction effects.



Self-Reduction Companies

Companies that carry out their own greenhouse gas reduction projects, such as installing or replacing facilities, switching fuels, or introducing transportation vehicles.



Renewable Energy Generation Companies

Companies that install renewable energy facilities for business or personal use and supply, sell, or utilize energy (electricity, heat).



Renewable Energy Industry Companies

Companies that manufacture products related to renewable energy or commercialize related technologies.

Mongolia's Sustainable Finance Journey: from ESG to Transition

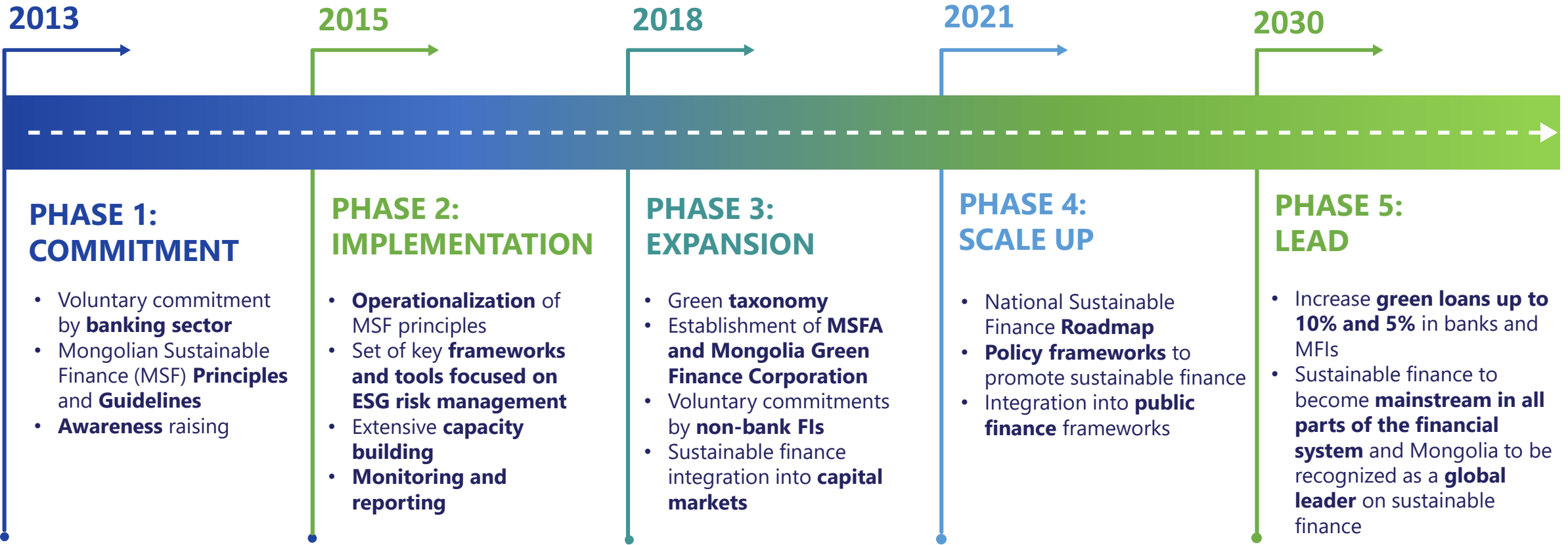
Nomindari Enkhtur

CEO

Mongolian Sustainable Finance Association and Billion Tree Fund
Advisor to IFC – Sustainable Banking and Finance Network



Our Journey



Our Family

Established in 2017
36 members (as of July 2023)

Commercial banks (11)

Development bank (1)

Large NBFIs (12)

Mortgage Corporation (1)

Insurance companies (1)

Asset manager (1)

Business entities (3)

Research & training

institutions (2)



Our Approach (Sustainable finance ecosystem)

1.1 Overarching frameworks

- Mongolian sustainable finance principles by MBA & MSFA (2015 & 2023)
- National Sustainable Finance Roadmap by FSC (2018 & 2022)



1.2 ESG risk management

- ESG risk guidelines by MBA (2015)
- ESG risk management directive by BoM and FRC (2022 & 2023)

1. ENABLING FRAMEWORKS (VOLUNTARY & REGULATORY)

1.3 Sustainable finance

- Green and SDG Taxonomy by FSC (2018 & 2023)
- Green bond framework by FRC (2021)
- Gender finance framework (2022)

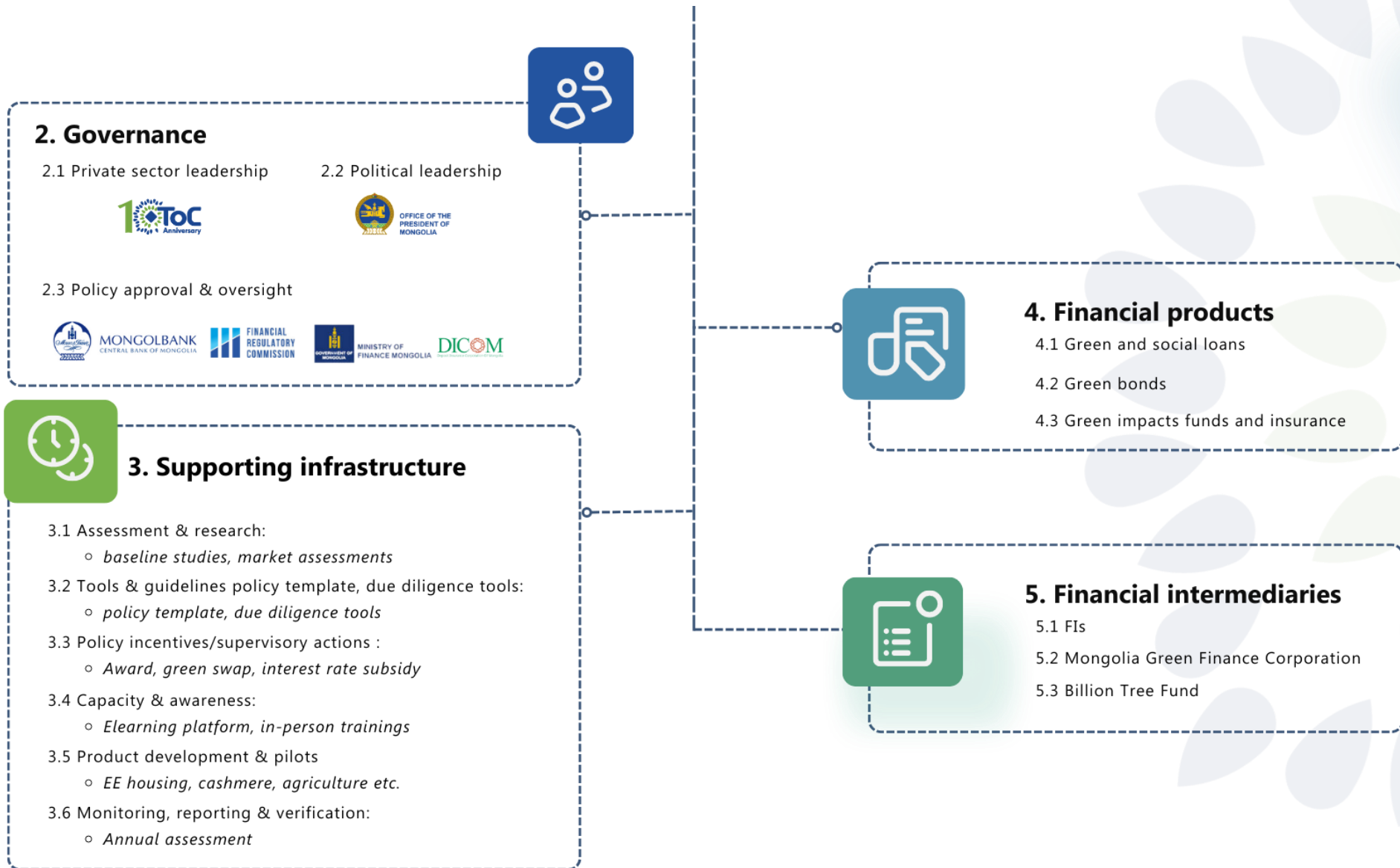
1.4 Climate risk guideline by BoM (2023-2024)



1.5 Reporting & disclosure guidelines

- ESG reporting guideline (2022)
- TCFD disclosure guideline (2023)

Our Approach (Sustainable finance ecosystem ctd.)



Our Priority Sectors



Energy-efficiency in buildings



Textile sector value-chain



Resource efficiency in businesses



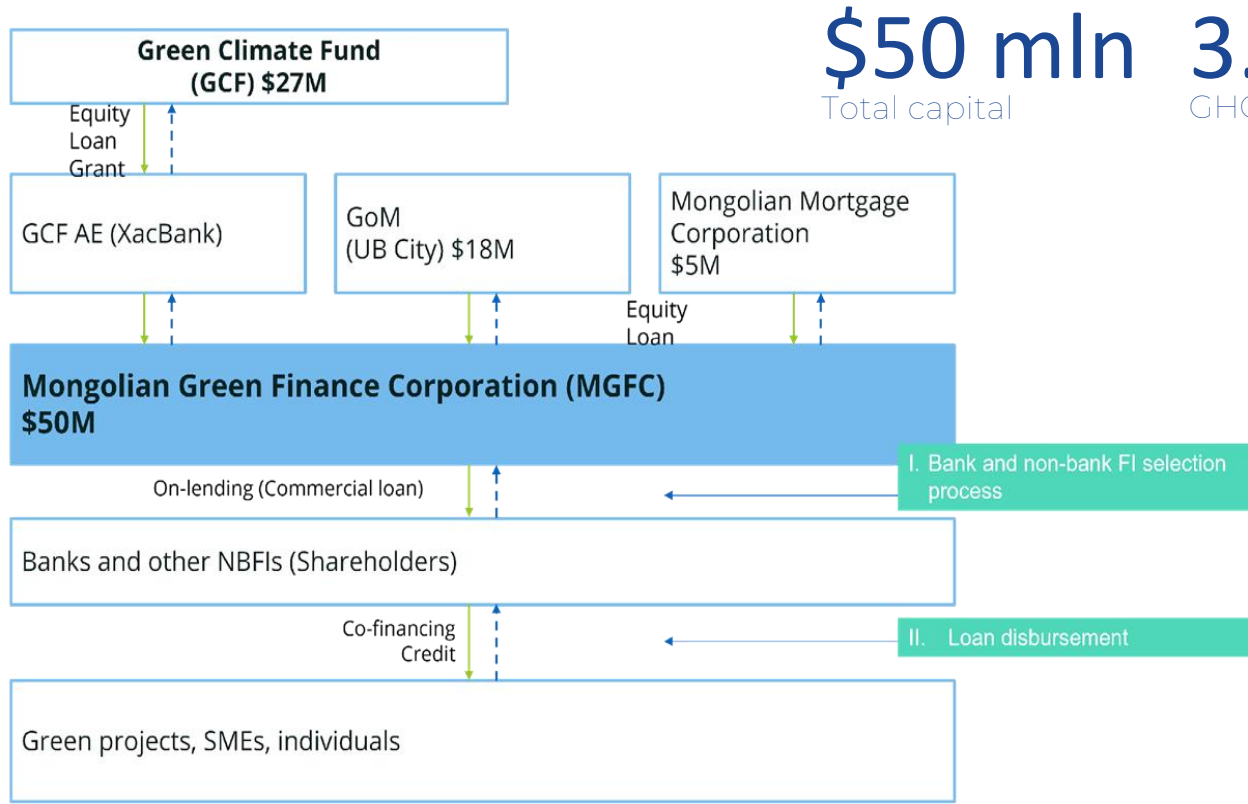
Sustainable agriculture



Sustainable forestry and landscape management



Mongolia Green Finance Corporation



\$50 mln
Total capital

3.7M tCO2e
GHG emission reduction

86,291
Direct beneficiaries

+2,232 EE houses built in the ger area

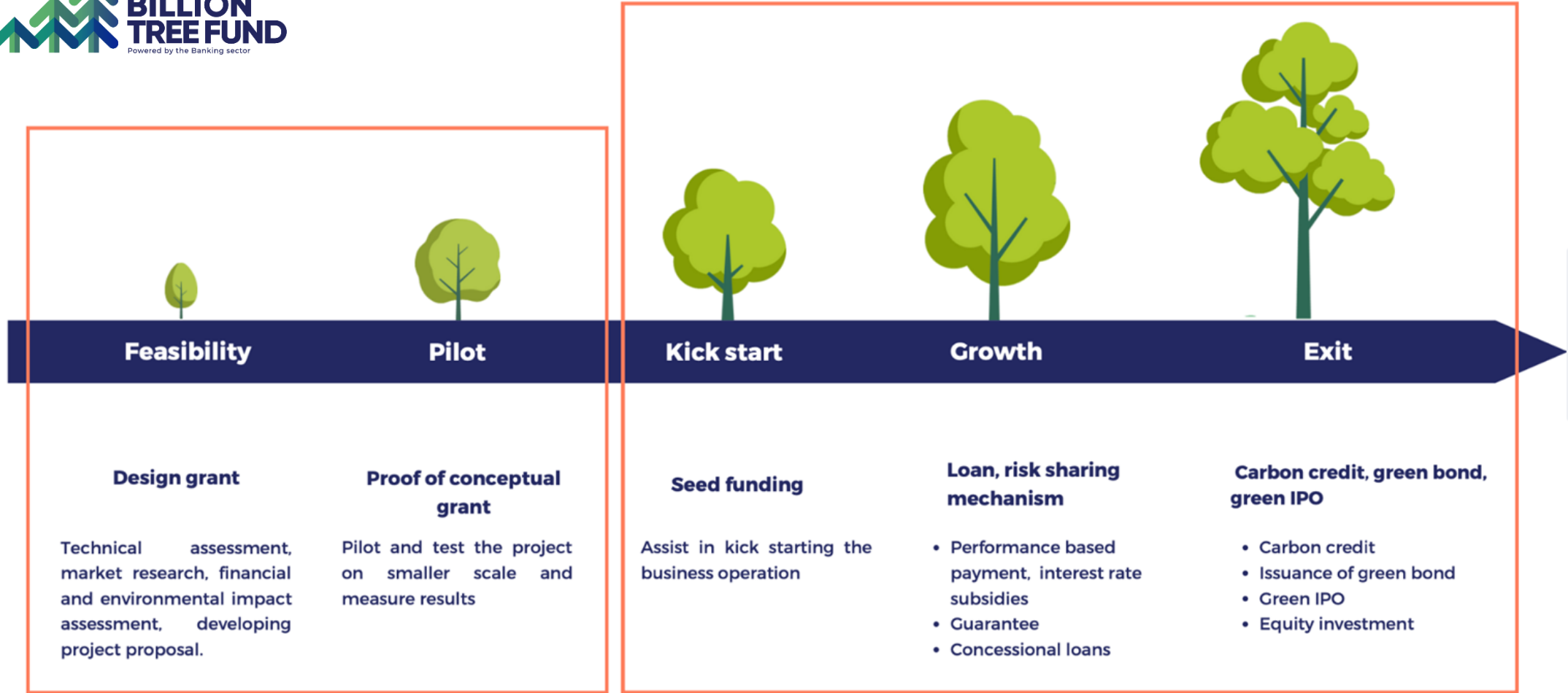
+130 companies take EE measures

+21,732 houses in ger district insulated

+1,470 new green jobs created, 40% of which are female

Investment Reporting, payback

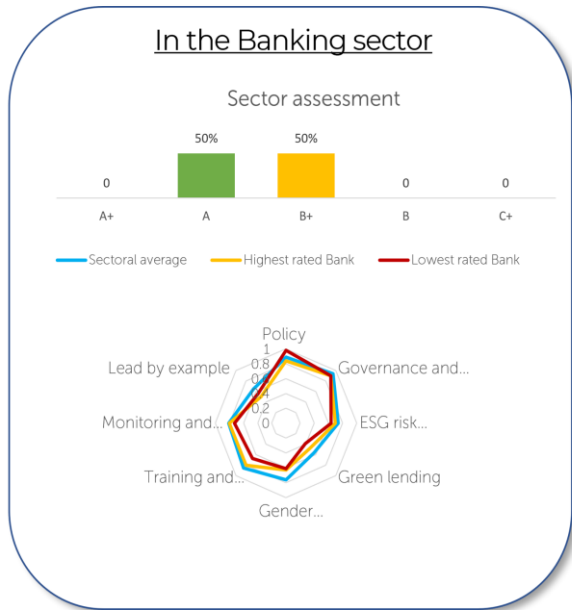
Mongolia Billion Tree Fund



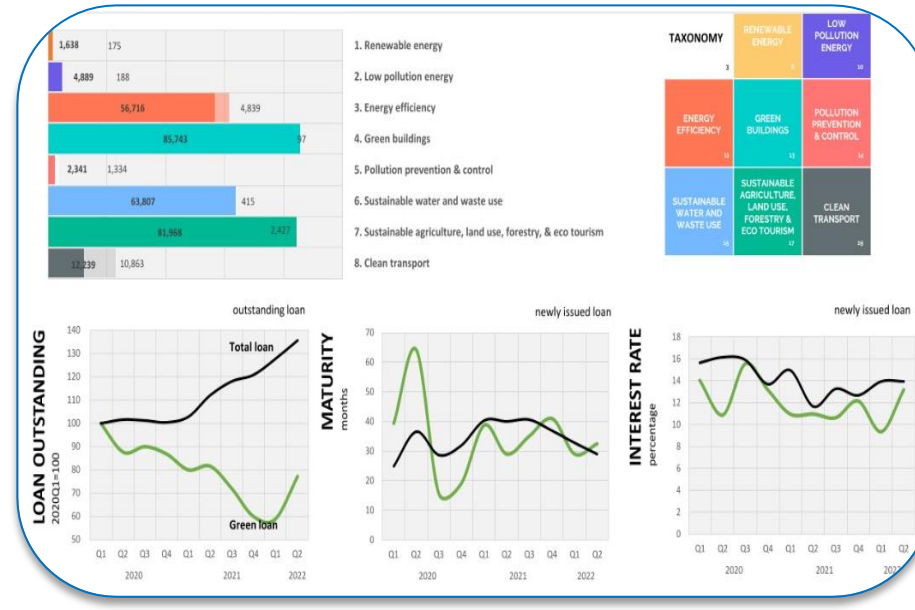
IMPLEMENTATION BY THE FUND

IMPLEMENTATION IN COORDINATION WITH MGFC, LOCAL FINANCIAL ORGANIZATION, INTERNATIONAL FINANCING ORGANIZATIONS

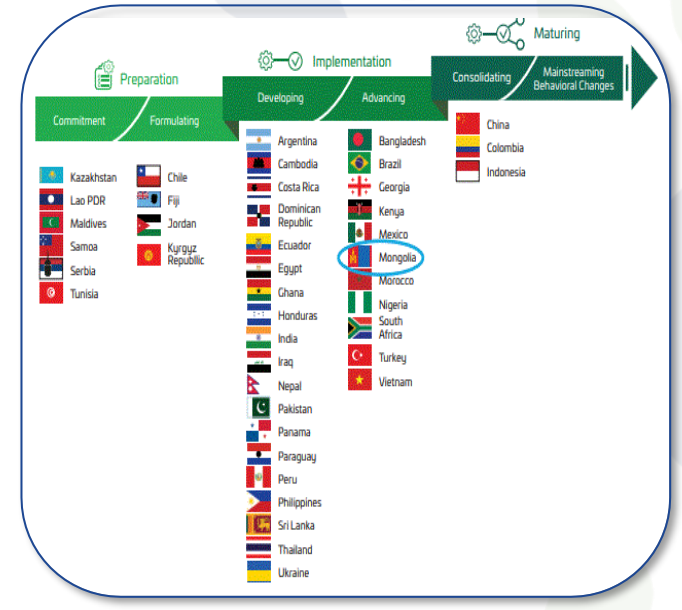
Our Monitoring and Reporting Framework



1. Member performance assessment and scoring by MSFA



2. Green loan dashboard by BoM and FRC

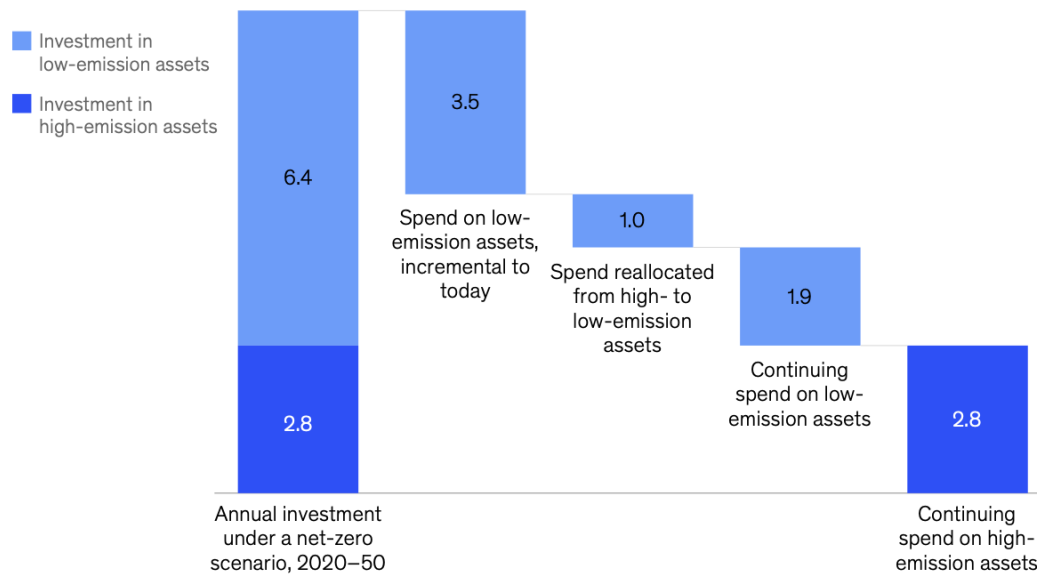


3. Global benchmarking and assessment (SBFN Annual Progress Report)

Our Priority Areas Ahead (transition)

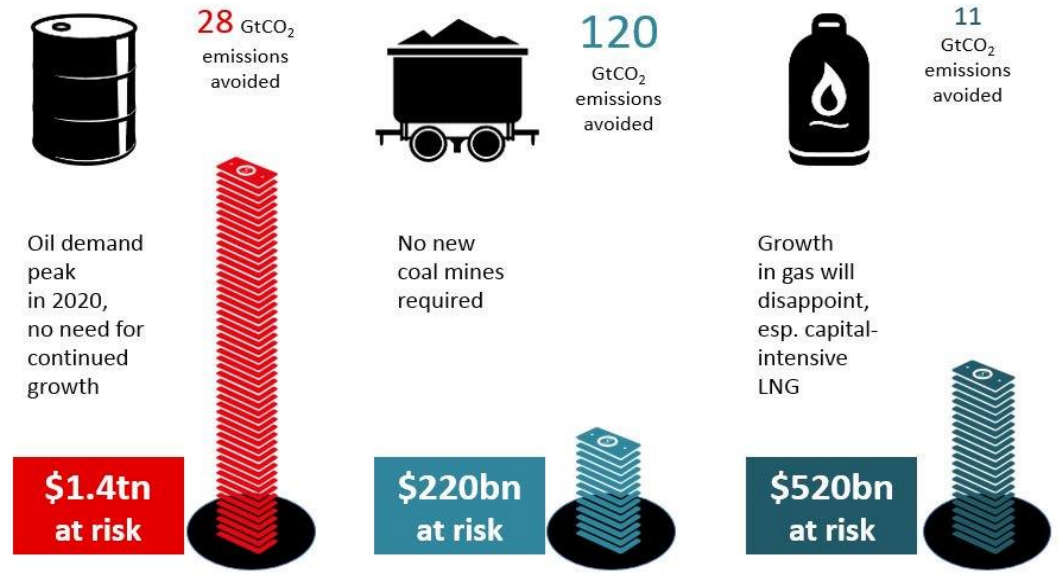
Exhibit 1. Solving the net-zero equation would require an approximate \$9.2 trillion annual investment in energy and land-use systems.

Average annual investment under the NGFS¹ Net Zero 2050 scenario, 2020–50, \$ trillions



Source: McKinsey 2023

The \$2 trillion stranded assets danger zone: How fossil fuel firms risk destroying investor returns



Source: Carbon Tracker Danger Zone report, Nov 2015

- More money is needed, immediately.
- 1/3 of investment still required for high-emission assets.

Our Priority Areas Ahead (green inclusive finance)

Funding we currently have is not getting to users where it really matters including low income households and SMEs!

Barriers

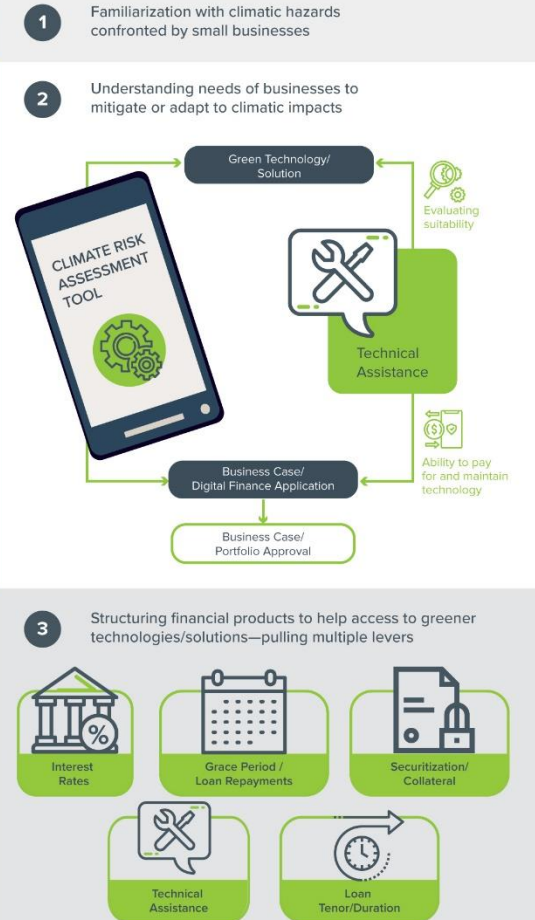
- MSMEs and vulnerable households **do not qualify for bank green loans** and lack collateral
- **Green loan MRV** is costly and raises the overall transaction cost
- **Banks lack capacity** to issue green loans for specifically for MSMEs
- **MSMEs lack capacity** to qualify for green loans and embed ESG in operations



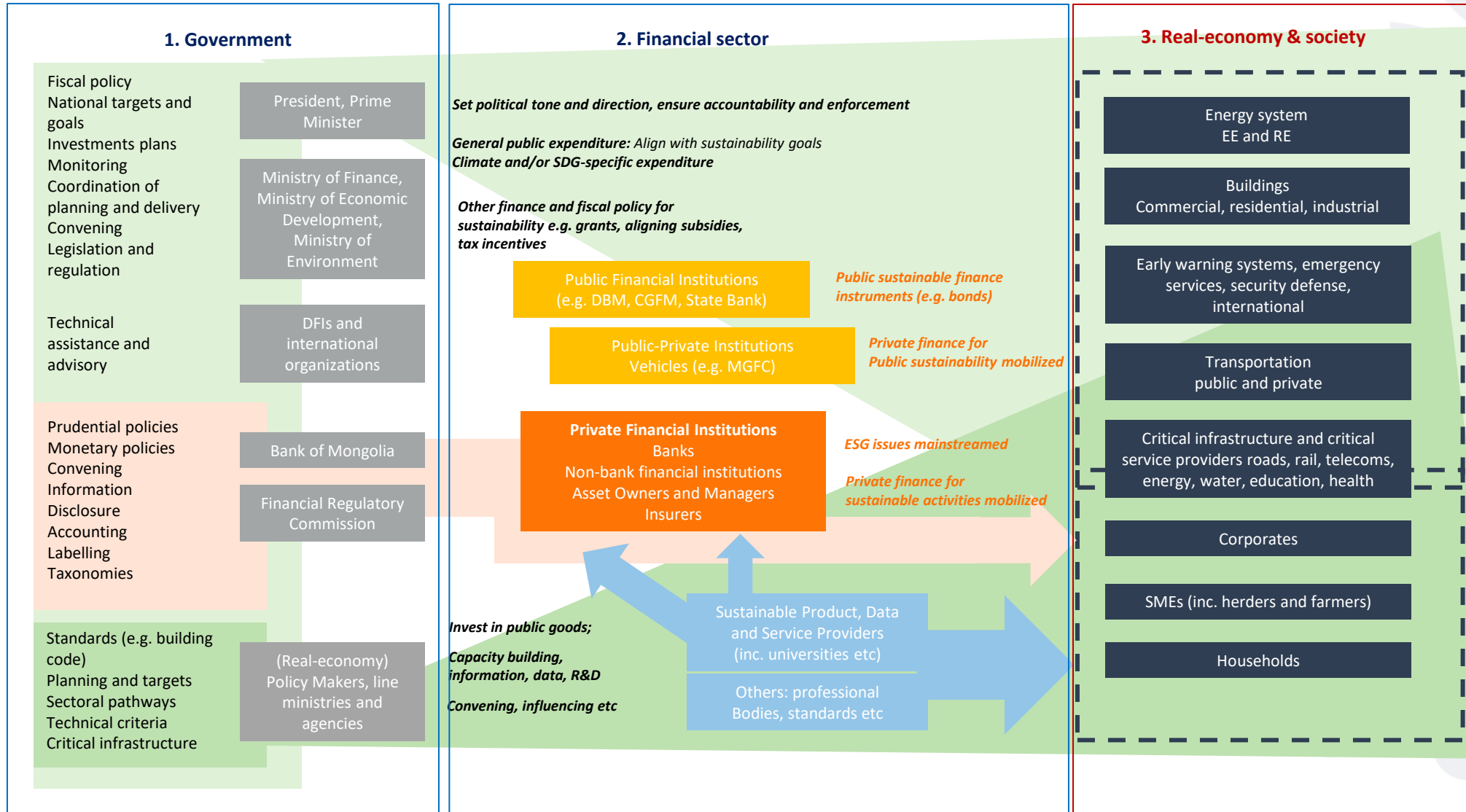
Solutions

- Green finance **policy measures** (e.g. adjusted loan repayments, subsidies) and **innovative instruments** (e.g. credit guarantees, insurance)
- Tailored **green/ESG guidelines/taxonomies, tools and digital MRV system** to reduce green loan pre- and post-issuance costs
- Extend sustainable finance to **microfinance institutions**, and organize **targeted trainings for both FIs and SMEs**

How to Embed Green Finance



Our Priority Areas Ahead (systems transformation)



Collaboration!





Thank you for your attention
and enjoy Mongolia!

www.toc.mn



ToC Холбоо / MSFA



nomindari@toc.mn

Environmental Improvement through JFC Credit Insurance & Loan Programs in Japan

The 35th ACSIC Plenary Session 1
August 8th, 2023

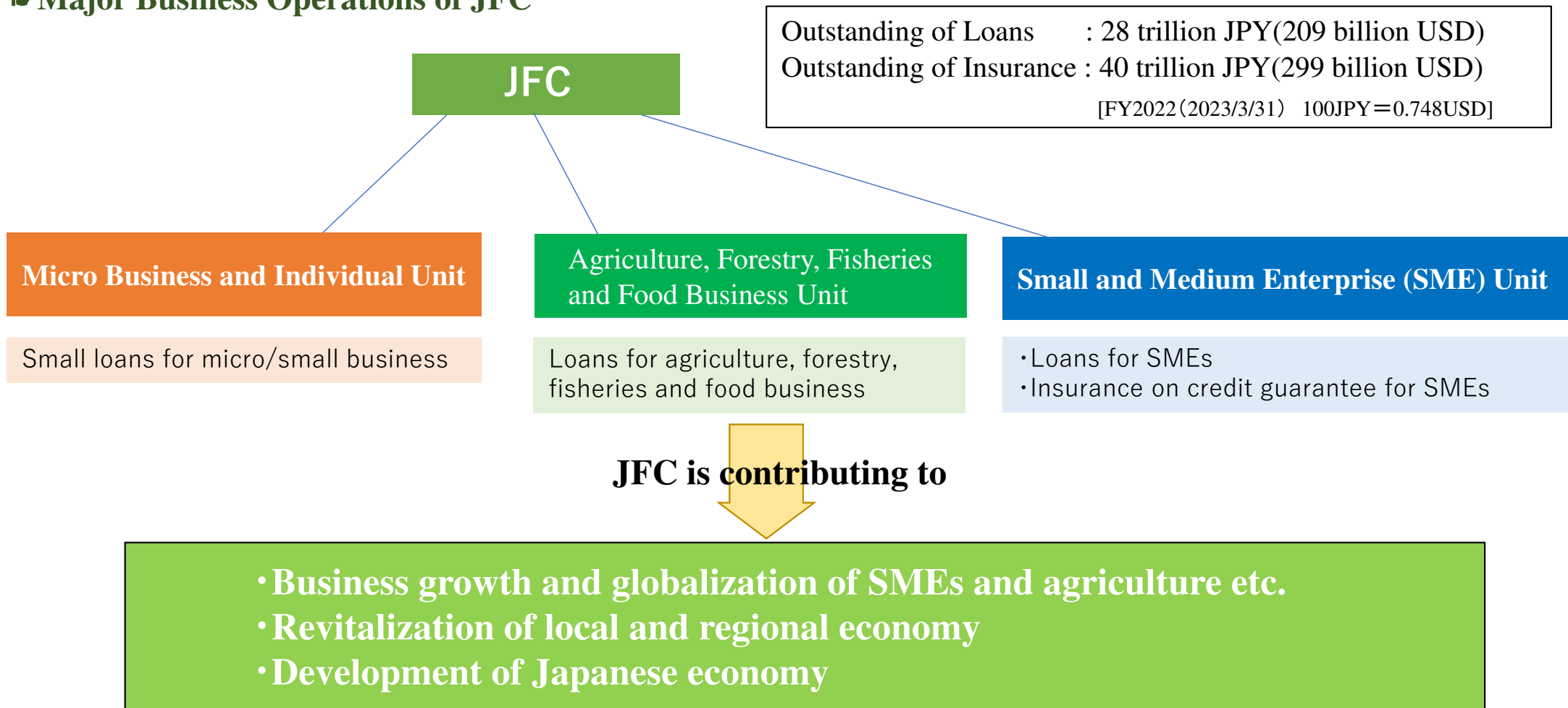
 JAPAN FINANCE CORPORATION

1. Outline of JFC P3
2. Mechanism of the Japan's Credit Supplementation System P4~P6
3. Environmental Measures in Credit Insurance Programs P7~P8
4. Environmental Measures in Loan Programs P9~P12

1. Outline of JFC

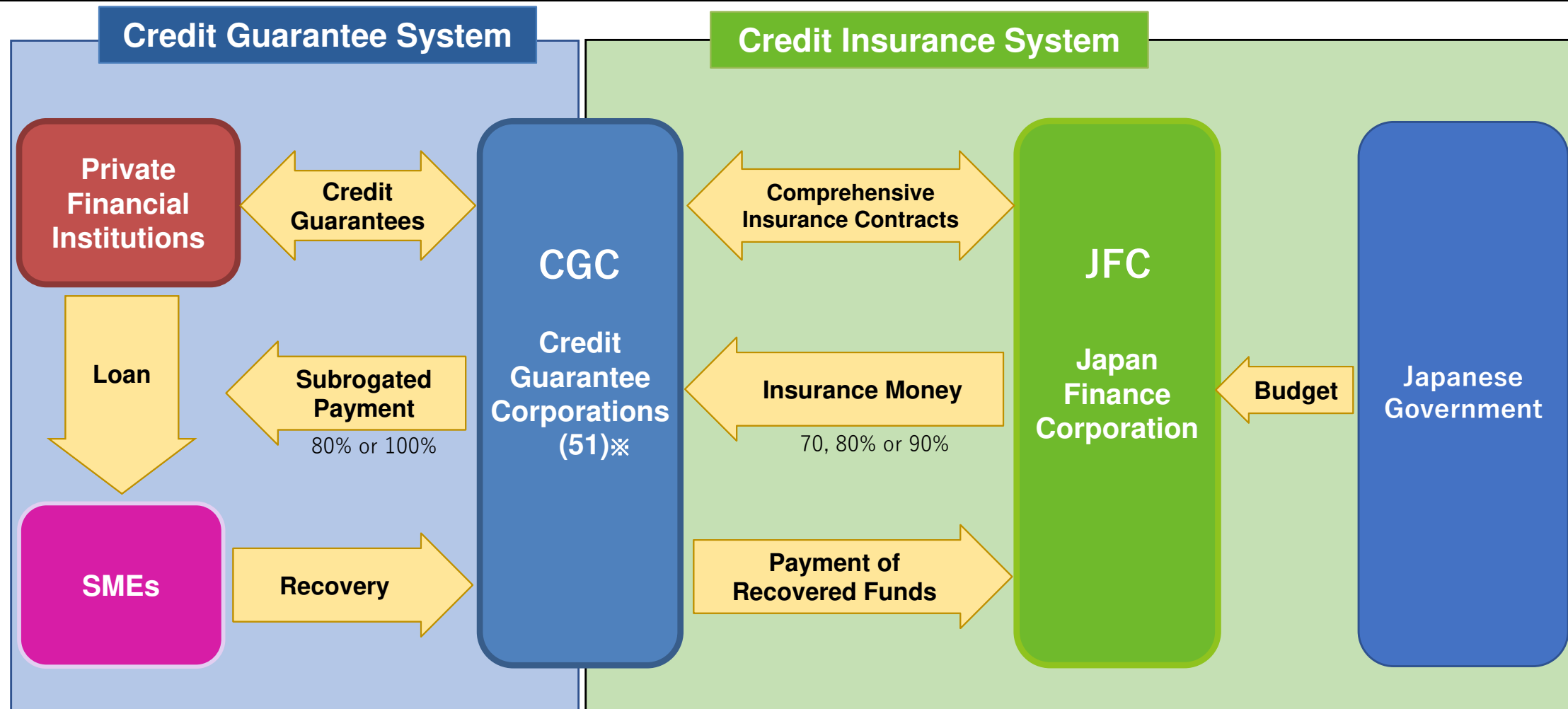
- JFC is a government financial institution intended to complement financing made by private financial institutions under governmental policy.
- Providing loan and credit insurance in cooperation with private financial institutions in important fields of governmental policy (safety net, new business, business revitalization, succession and overseas expansion etc.)

Major Business Operations of JFC



2. Mechanism of the Japan's Credit Supplementation System

- Japan's Credit Supplementation System is composed of Credit Guarantee by CGCs and Credit Insurance by JFC.
- Both system, working together, facilitates loans from PFIs to SMEs.
- Insurance money is covered by insurance premium and government budget.



※Credit Guarantee Corporations (CGCs) :
51 Special Public Corporations are established by local government under the CGC Law.

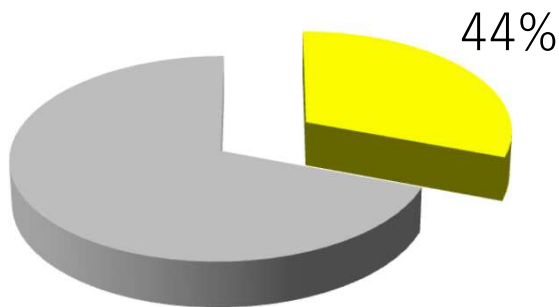
2. Mechanism of the Japan's Credit Supplementation System

- 44% of SMEs utilize the Credit Supplementation System.
- Outstanding loans to SMEs guaranteed by CGCs amount to 40 trillion JPY (299 billion USD) , accounting for 12% of all loans to SMEs.

Business Scale (Guarantee Utilization Ratio)

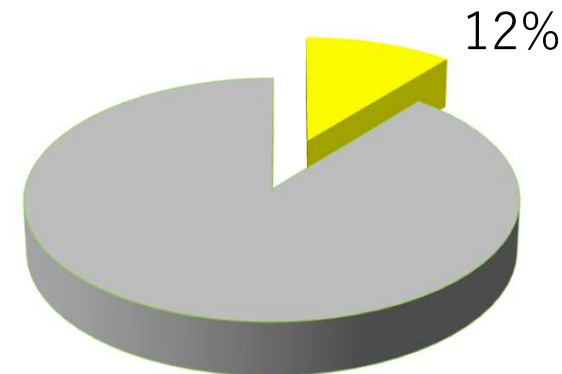
[FY2022 (2023/3/31) 100JPY=0.748USD]

【 Number of SMEs 】



Number of Guaranteed SMEs 1.58million JPY
Total Number of SMEs 3.57million JPY

【 Amount 】



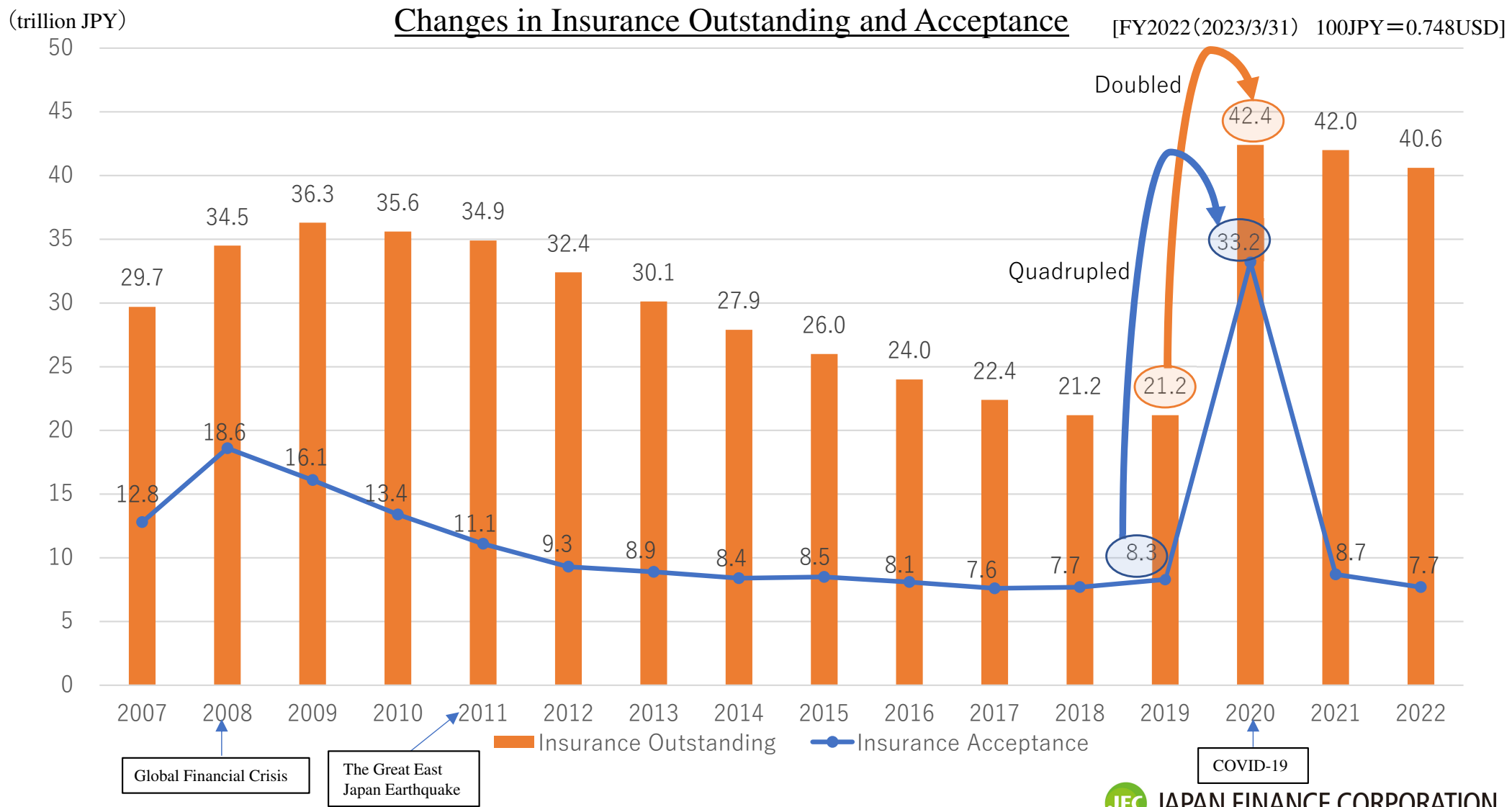
Outstanding Guaranteed Liabilities 40trillion JPY
Outstanding Loans to SMEs 339trillion JPY

【Average Insurance for FY 2022】

Average Insurance Acceptance per Business	19 million JPY
Average Insurance Period	5 Years 10Months
Average Number of Employees	7 Employees
Ratio of Businesses with 20 or less employees	75%

2. Mechanism of the Japan's Credit Supplementation System

- Functioning as a Safety Net that facilitates fund-raising at the time of disasters and economic crisis.
- Insurance acceptance in 2020 was four times the amount of the previous year and insurance outstanding doubled under COVID-19 Pandemic.



3. Environmental Measures in Credit Insurance Programs

Major types of Insurance

[FY2022 (2023/3/31) 100JPY=0.748USD]

Type of Insurance	Ordinary	No-collateral	Special Small Sum
Eligible Funds	Business Funds	Business Funds (No collateral is required)	Business Funds (No collateral or guarantor is required)
Target	SMEs		SMEs 20 or less employees
Max. Amount	200 million JPY (1.49 million USD)	80 million JPY (0.59 million USD)	20 million JPY (0.14 million USD)
Premium Rate	0.25%~1.69%	0.25%~1.69%	0.40%
Coverage Ratio	70%	80%	80%
Component Ratio	18.9%	79.8%	0.1%

3. Environmental Measures in Credit Insurance Programs

JFC provides following two special types of insurance to support environmentally-friendly SMEs.

[FY2022(2023/3/31) 100JPY=0.748USD]

Type of Insurance	Environmental Pollution Preventive Facilities	Energy-saving Facilities
Eligible Funds	Business Funds related to Environmental Pollution Prevention ・Installation costs of pollution preventive facilities ・Relocation costs for pollution prevention	Business Funds related to Energy Saving ・Installation costs of energy conservation facilities ・Installation costs of non-fossil energy facilities
Target	SMEs	
Max. Amount	50 million JPY (0.37 million USD)	200 million JPY (1.49 million USD)
Premium Rate	0.97%	
Coverage Ratio	80%	
Collateral	PFIs or CGCs can demand collateral	

4. Environmental Measures in Loan Programs

JFC provides “Loans for Environment and Energy Measures” to support environmentally-friendly SMEs.

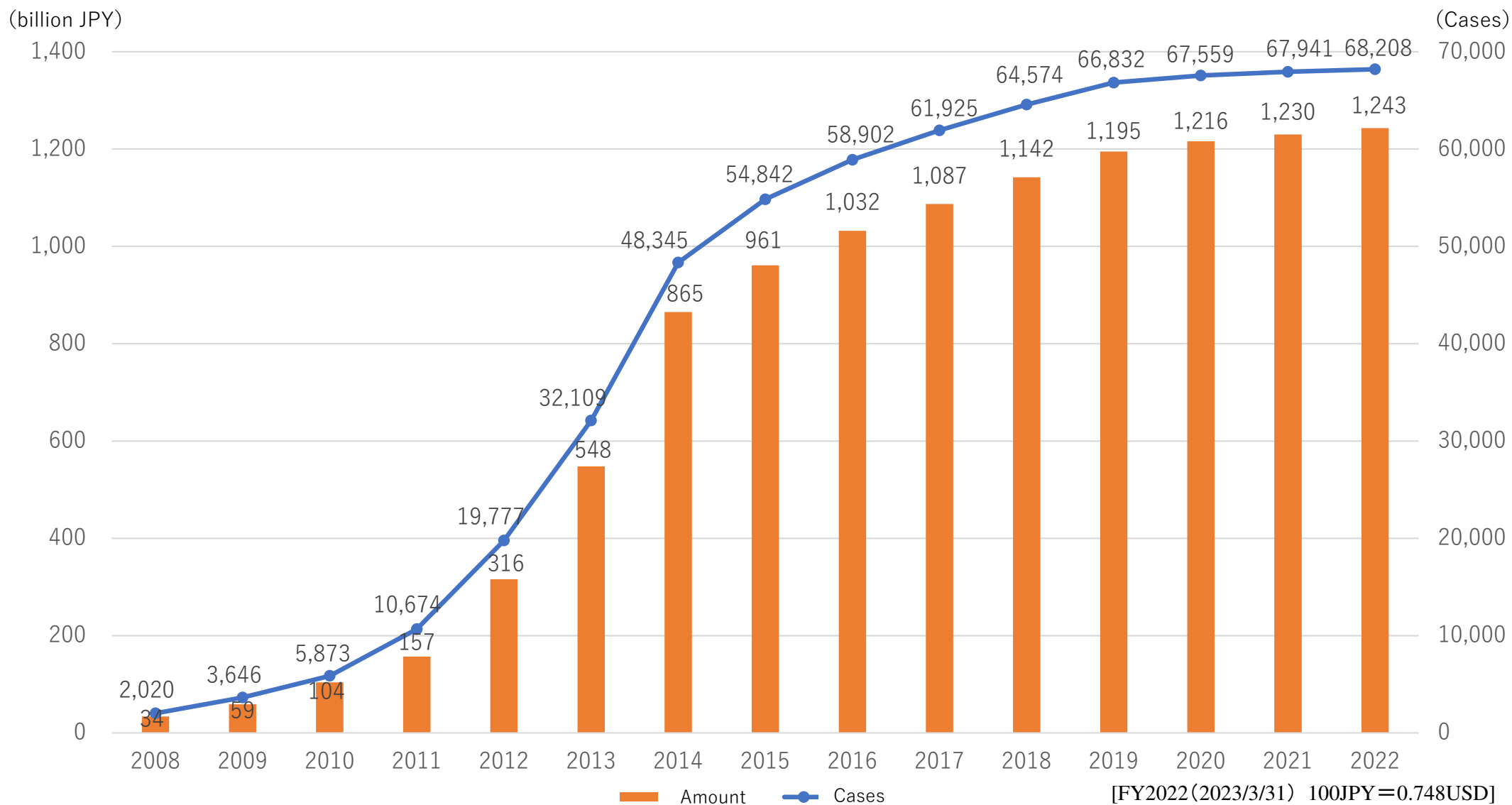
< Loans for Environment and Energy Measures >

[FY2022(2023/3/31) 100JPY=0.748USD]

Objective	Support for SMEs that promote environmental measures <ul style="list-style-type: none">•Introducing non-fossil energy•Promoting energy conservation•Preventing pollution•Effectively using renewable resources
Eligible Borrowers	1 Those who install non-fossil energy facilities 2 Those who install energy-saving facilities 3 Those who acquire specific construction machinery or special motor vehicles 4 Those who calculate greenhouse gas emissions and engage in green transformation <u>(Expansion from 2023)</u>
Max. Amount	720 million JPY (5.38 million USD)
Interest Rate	Privileged Rate to 400 million JPY (2.99 million USD)
Max. Loan Term	Facility Funds : 20 Years Operating Funds : 7 Years

4. Environmental Measures in Loan Programs

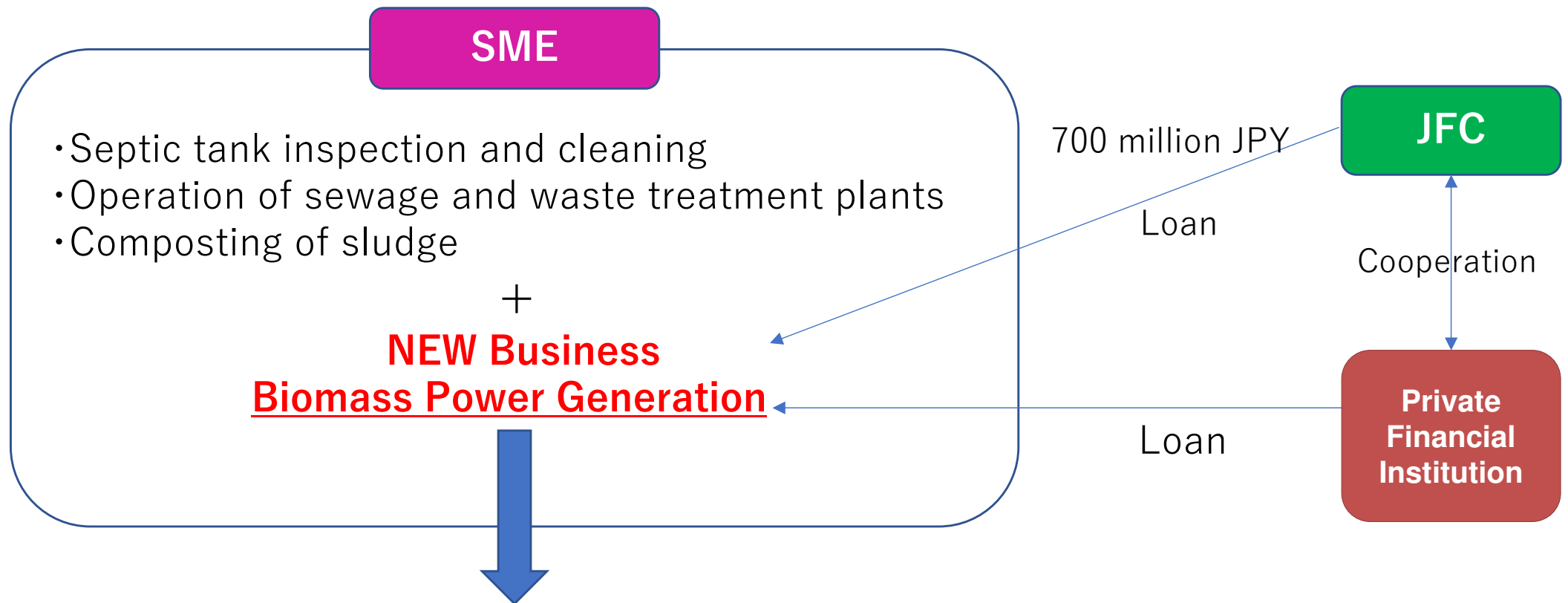
JFC have provided “Loans for Environment and Energy Measures” cumulatively total of 68,208 cases amounting to 1.2 trillion JPY (8.97 billion USD)



4. Environmental Measures in Loan Programs

Example of JFC's "Loans for Environment and Energy Measures" (loans to biomass power generation facilities)

Septic tank cleaning business company starts biomass power generation, utilizing JFC's loan



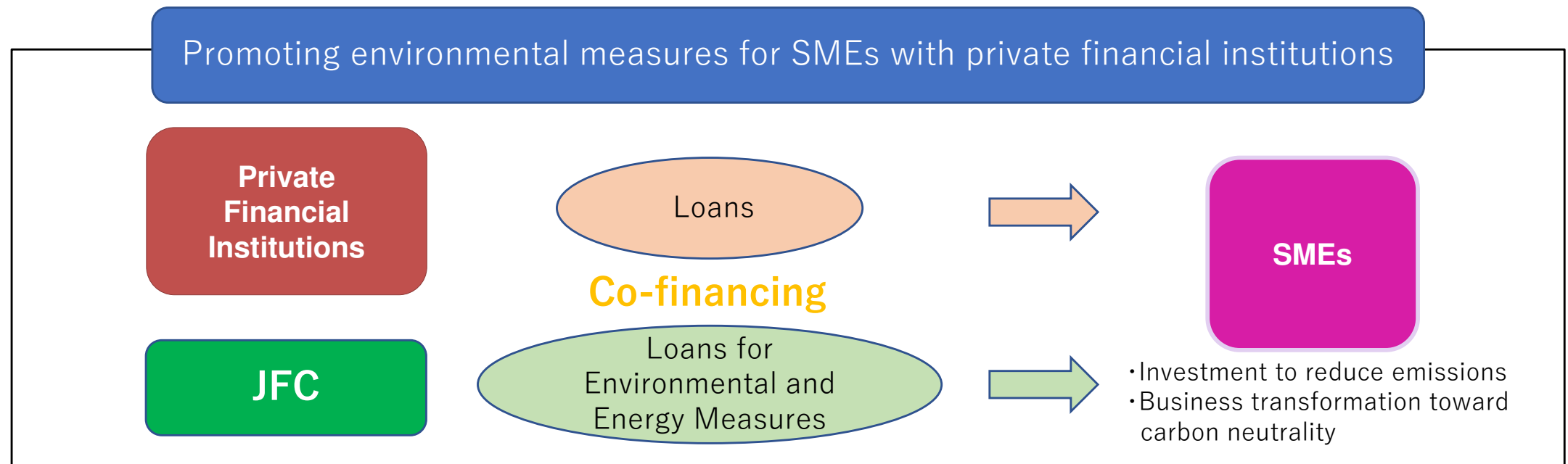
Handle the entire process from waste acceptance, fermentation and digested liquid treatment to biomass power generation and sale

4. Environmental Measures in Loan Programs

Adding to the target SMEs who calculate greenhouse gas emission and work on GX from 2023.

Expansion of Loans for Environment and Energy Measures

Eligible Borrowers (added)	Those who calculate greenhouse gas emissions and are engaged in green transformation
Max. Amount	720 million JPY (5.38 million USD)
Interest Rate	Privileged Rate to 400 million JPY (2.99 million USD)
Max. Loan Term	Facility Funds : 20 Years Operating Funds : 7 Years



Thank you for your kind attention

<https://www.jfc.go.jp/n/english/>

 **JAPAN FINANCE CORPORATION**

PANEL DISCUSSION A

Scaling new heights: CGS meets ESG



Panel Discussion A
Scaling new heights: CG meets ESG



KODIT's ESG : Finance for Society, KODIT Adding ESG Values

International Cooperation Center
Director LEE Tae-hyun



The Best Partner Promoting the Challenges and
Growth of Enterprise, "Beyond Guarantee"



CG meets ESG?



TH CG meets ESG?

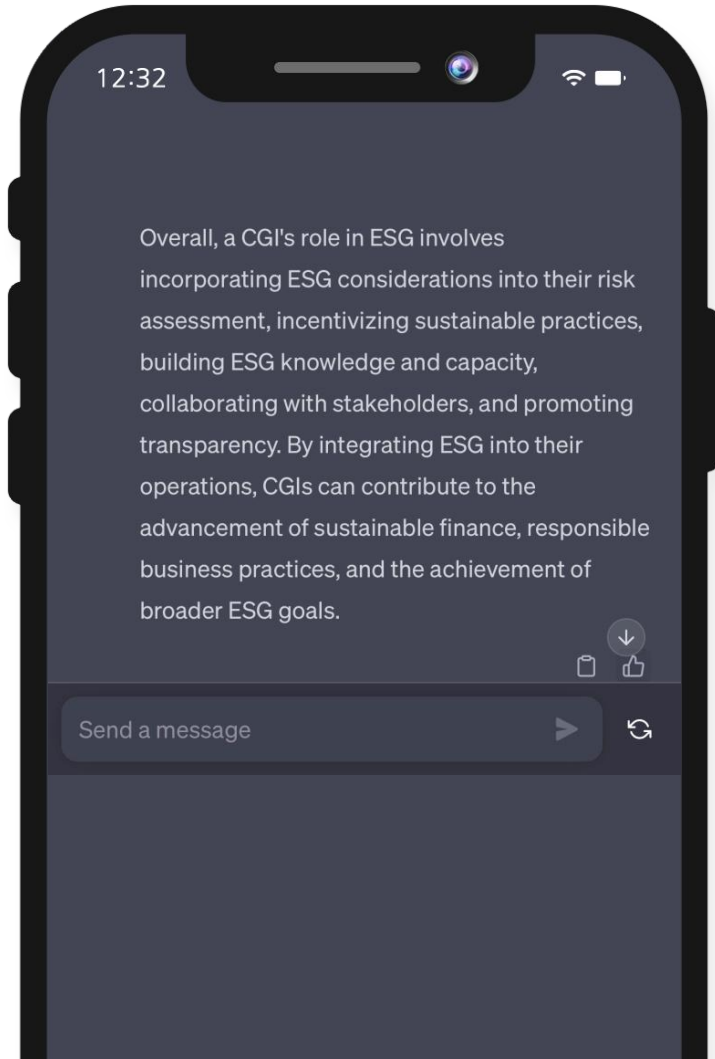
Certainly! CG, which stands for Credit Guarantee, can be aligned with ESG principles and considerations. Here's how CG can meet ESG:

1. Environmental (E): A Credit Guarantee Institution can incorporate environmental considerations by encouraging and supporting companies that adopt environmentally sustainable practices. This can involve assessing the environmental impact of the companies seeking guarantees and promoting those that demonstrate responsible resource usage, pollution control, carbon footprint reduction, and compliance with environmental regulations. By supporting eco-friendly businesses, a CGI can contribute to environmental sustainability and help address climate change challenges.
2. Social (S): CGIs can address social aspects by considering the social impact of the companies they guarantee. This includes evaluating labor practices, employee welfare, diversity and inclusion initiatives, and community engagement efforts of the businesses seeking guarantees. A CGI can prioritize supporting companies that demonstrate fair employment practices, provide safe working conditions, foster diversity, support local communities, and contribute to social well-being.
3. Governance (G): Governance is vital for the long-term success and stability of any organization. A Credit Guarantee Institution can emphasize good governance practices in the companies it supports. This involves assessing their governance structures, transparency, risk management frameworks, and ethical conduct. By promoting companies with strong corporate governance practices, a CGI can contribute to sustainable business growth, mitigate risks, and enhance investor confidence.

By integrating ESG considerations into their decision-making processes, CGIs can effectively balance financial viability with sustainable and responsible practices. This alignment allows CGIs to support companies that prioritize environmental sustainability, social responsibility, and sound governance, thereby fostering a more sustainable and inclusive economy. Furthermore, CGIs that embrace ESG principles may attract socially responsible investors, enhance their reputation, and contribute to the overall well-being of society.

TH What is the role of a credit guarantee institution in ESG?

Send a message



Answer

CGI's role in ESG involves

- 1) incorporating ESG into their **risk assessment**,
- 2) incentivizing sustainable practices,
- 3) building ESG knowledge and capacity,
- 4) **collaborating with stakeholders**, and
- 5) **promoting transparency**.

By integrating ESG into their operations, CGIs can **contribute to the advancement of sustainable finance**, responsible business practices, and the achievement of broader ESG goals.



**GUARANTEE
MADE
SUSTAINABLY**
THE 35TH
ACSIC CONFERENCE
ULAANBAATAR 2023

Contents

KODIT
Overview

01

ESG Vision of
KODIT

02

KODIT's
ESG Finance

03

Highlights of
KODIT ESG

04



CHAPTER

01

KODIT Overview

[KODIT at a Glance](#) | [History of KODIT](#) | [New Vision](#) | [Business Areas](#) | [Organizational Chart](#)

KODIT at a Glance

※ Exchange rate: USD 1=1264.5 KRW (Dec 2022)



KODIT's Headquarters in Daegu



- **Establishment:** 1976
- **Status:** Non-profit Special Legal Entity



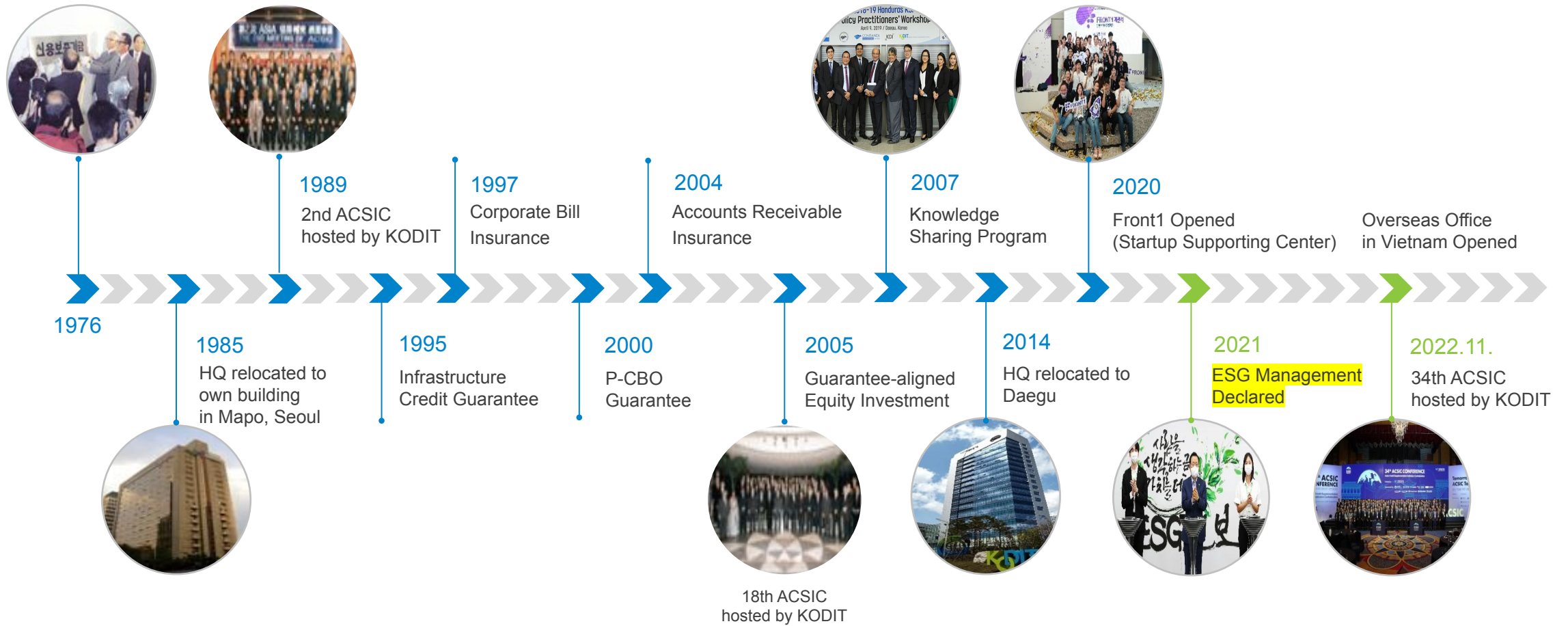
(as of 2022)

- **Capital Fund:** USD 8.3 Billion
- **Outstanding Guarantee:** USD 65.9 Billion
- **Number of Guaranteed Companies:** 590,972



- **Number of Employees:** 2,685
- **Business Network:** 1 HQ, 9 Regional HQs, 109 Branches
(*10 startup branches)

History of KODIT



☑ Beyond Guarantee

『**Beyond Guarantee**』 contains KODIT's will to leap forward as a comprehensive solution provider for corporate support.



Credit Guarantee

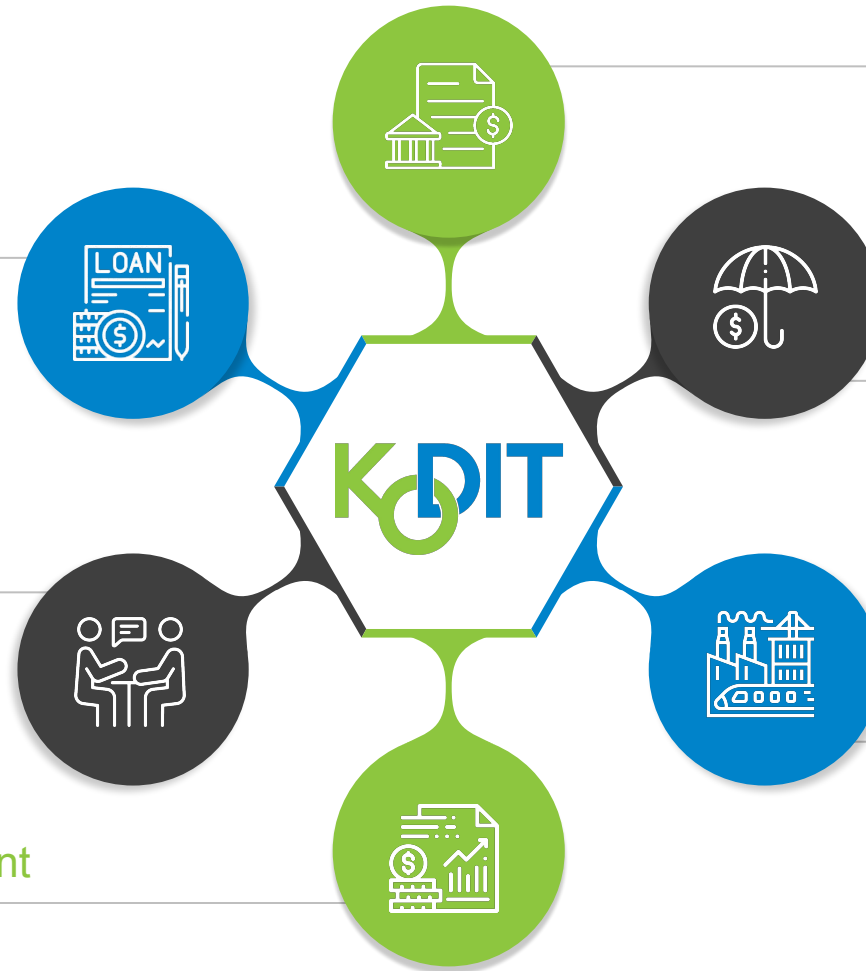
Enhances SME Financing by providing guarantees for bank loans or business liabilities

Consulting

Provides consulting services to SMEs to enhance their competitiveness and productivity

Guarantee-aligned Equity Investment

Direct investments combined with guarantee enabling SMEs to secure funds through direct funding



Primary-CBO Guarantee

Enables companies to raise funds from the direct financial market by helping issue and sell their corporate bonds

Credit Insurance

Pays insurance money to sellers in case they fail to get repaid from buyers due to buyer's insolvency or default

Infrastructure Guarantee

Facilitates raising investment funds from the private sector for construction of infrastructure

Organizational Chart



Chairperson & CEO

The Board of Policy

The Board of Directors

Chief Audit Executive

Deputy President

Auditing & Examination Office

Secretary Office

Future Strategy Office

ESG Promotion Center

Risk Management Office

Public Relations Office

International Cooperation Center

Management Planning Division

- Planning & Coordination Dept.
- Performance Management Dept.
- ICT Strategy Dept.

Credit Business Division

- Credit Guarantee Dept.
- ESG Finance Center
- 4.0 Business Start-up Dept.
- Capital Market Dept.
- Financial Service Platform Dept.
- Big Data Dept.

Strategic Business Division

- Credit Insurance Dept.
- Corporate Restructuring Dept.
- Infrastructure Guarantee Dept.

Management Support Division

- Human Resources Dept.
- Operation Support Dept.
- Customer Support Dept.

9 Regional Business Headquarters (8 ESG Guarantee teams)



CHAPTER

02

ESG Vision of KODIT

Climate Change in the World



KOREA

World Africa Americas Asia Australia China Europe India Middle East United Kingdom

The planet saw its hottest day on record this week. It's a record that will be broken again and again

By Laura Paddison, CNN
Updated 11:48 AM EDT, Thu July 6, 2023



AMERICA



MONGOLIA

What does ESG mean for SMEs?



Environmental

- Clean Technology
- Climate Change / Carbon emission
- Eco-friendly Building
- Environmental Pollution and Emission of Pollutants
- Natural Resource / Agriculture etc.

Social

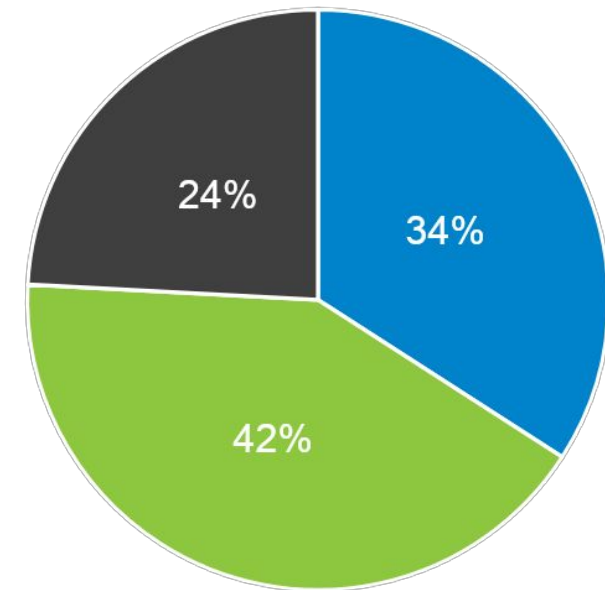
- Employment Equity / Diversification of Employment
- Human Right
- Labor
- Terror / Oppression

Governance

- Board of Directors
- Compensation to Executives
- Political Sponsorship
- Other Governance

KODIT SME Survey (892 customer SMEs)

Most Important Pillar (E,S,G)



■ Environment ■ Social ■ Governance

(FY 2022)

Credit Guarantee for Sustainable Growth



E

Add Greenness to Finance

- Green Finance
- Environmental Management
- Eco-friendly Activities

S

Warmth to the Guarantee

- Mutual Growth with SMEs
- Local Community Development
- Safety and Data Protection
- Human Rights Management
- **Job Creation**

G

Add Transparency to Management

- Operation of the Board of Directors
- Support for Transparent Management of SMEs
- Risk Management
- Ethical Management

Job Creation Effect of CGS

(Study Report on the benefits of CGS, FY2022)

- USD 1 million of new CG creates 8.6 of new jobs
 - In 2022, KODIT's new guarantee supply was USD 9.7 billion
 - As a result, **KODIT created 83,420 new jobs in 2022**



Mission

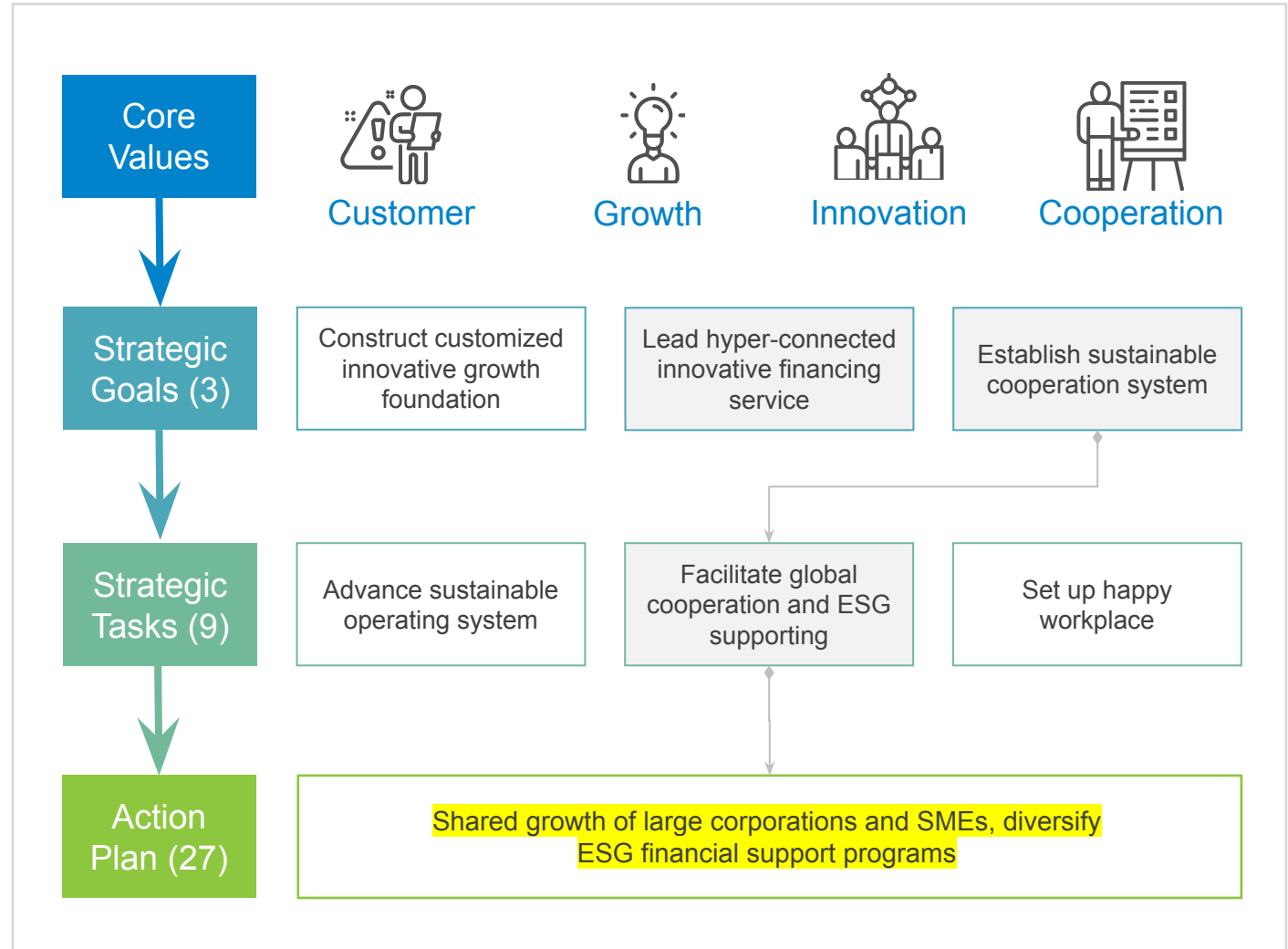
- Contribution to the Driving Force of Enterprises and the Balanced Development of National Economy



Vision

- The Best Partner Promoting the Challenges and Growth of Enterprises

“ Beyond Guarantee ”





Proclamation of ESG Management (August 4, 2021)

Sustainability
Financing Framework

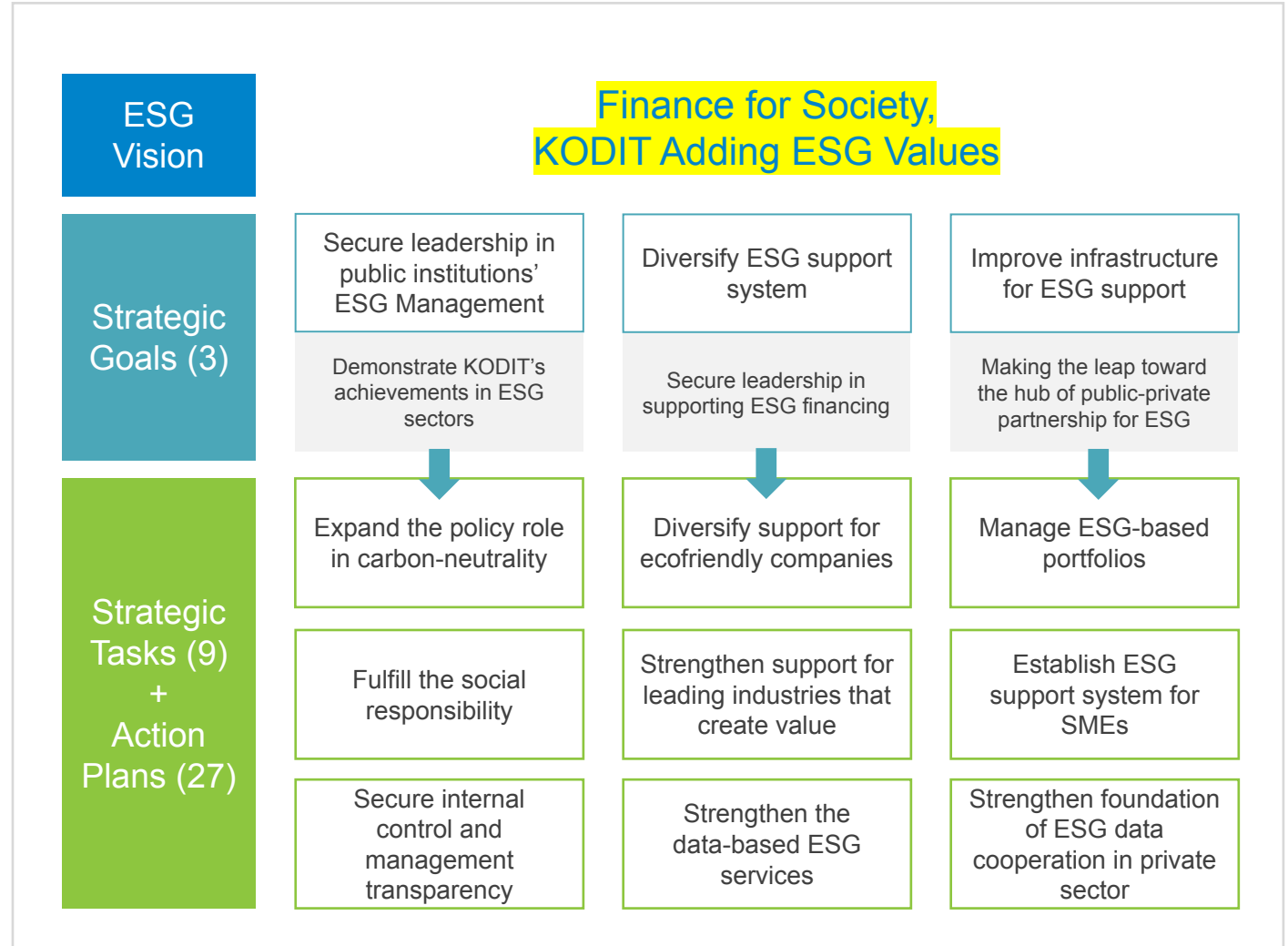
PDF Q PDF ↓

Second Party
Opinion

PDF Q PDF ↓

Post-Issuance
Report

PDF Q PDF ↓





CHAPTER

03

KODIT's ESG Finance

Green Finance History | Green Guarantee Products for Bank Loans | Green ABS (Asset Backed Securities) | Joint Project Guarantee |
ESG Evaluation System

Green Finance History



Phase I

Phase II

July 2008

Facility Loan Guarantee for Solar Power Projects

Feb 2009

Guarantee for the Business in the Industry of Green Growth

Sep 2011

Renewable Energy Win-Win Guarantee

Sep 2017

Guarantee Aimed at Vitalizing the Financial Support for the New Energy Industry

Jan 2021

Specialized Support Program for the Enterprises in 'K-New Deal'

Green Guarantee

May 2021

Green Fair Transition Guarantee

June 2022

Green ABS (Asset Backed Securities)

May 2023

Green Venture Guarantee

June 2023



Green Finance Platform

☑ A. Green Guarantee

To foster a sound industrial ecosystem for renewable energy, KODIT provides specialized guarantees for enterprises which generate renewable energy or produce related products or possess technology in renewable energy

Guarantee Targets	Power Generation	A company that installs facilities that generate renewable energy for power sales or self-use (Facility investment)
	Industrial Sector	A company that manufactures facilities or items related to renewable energy or possesses related technologies (Facility investment and working capital)
Eligibility	<ul style="list-style-type: none"> •Enterprises should have recommendation from Korea Energy Agency (KEA) based on the agreement between KODIT and KEA 	
Details	<ul style="list-style-type: none"> •(Guarantee Limit) SMEs USD 7.9 Mil (KRW 10 Bil) / Middle-standing Companies USD 15.8 Mil (KRW 20 Bil) •(Advantages) Guarantee fee rate (discount 0.2%p or apply 0.5%) and coverage ratio (95~100%) * Additional 0.5%p Guarantee fee support by 4 commercial banks in agreement with KODIT 	
Budget	<ul style="list-style-type: none"> •(2021) USD 149 Mil (98 cases) / (2022) USD 134 Mil (95 cases) / (Half-year 2023) USD 57 Mil (54 cases) * Capital Fund : Ministry of Trade, Industry, and Energy 	



☑ B. Green Fair Transition Guarantee

To enhance SMEs' capacity on carbon-neutral response, KODIT provides preferential support for the following companies; e.g. build facilities that reduce greenhouse gas, manufacture low carbon products, strengthen R&D, expand production, etc.

Guarantee Targets	Enterprises converting to low carbon	A company which build low-carbon facilities, improve manufacturing process, and promote energy efficiency
	Enterprises with innovation in low carbon technology	A company which manufactures eco-friendly products or possesses advanced technology to produce such product
	Enterprises planning low carbon projects	A company which introduces a facility for renewable energy generation or an eco-friendly transportation
Eligibility	<ul style="list-style-type: none"> •A company which meets the criteria of facility with GHG reduction, low carbon products & technologies, and GHG reduction effect of production process 	
Details	<ul style="list-style-type: none"> •(Guarantee Limit) SMEs USD 7.9 Mil (KRW 10 Bil) / Middle-standing Companies USD 15.8 Mil (KRW 20 Bil) •(Advantages) Guarantee fee rate (discount 0.2%p or apply 0.5%) and coverage ratio (95~100%) * Additional 0.5%p Guarantee fee support by 7 commercial banks in agreement with KODIT 	
Budget	<ul style="list-style-type: none"> •(2022) USD 429 Mil (706 cases) / (Half-year 2023) USD 214 Mil (394 cases) * Capital Fund : Ministry of Economy and Finance 	

☑ C. Green Venture Guarantee

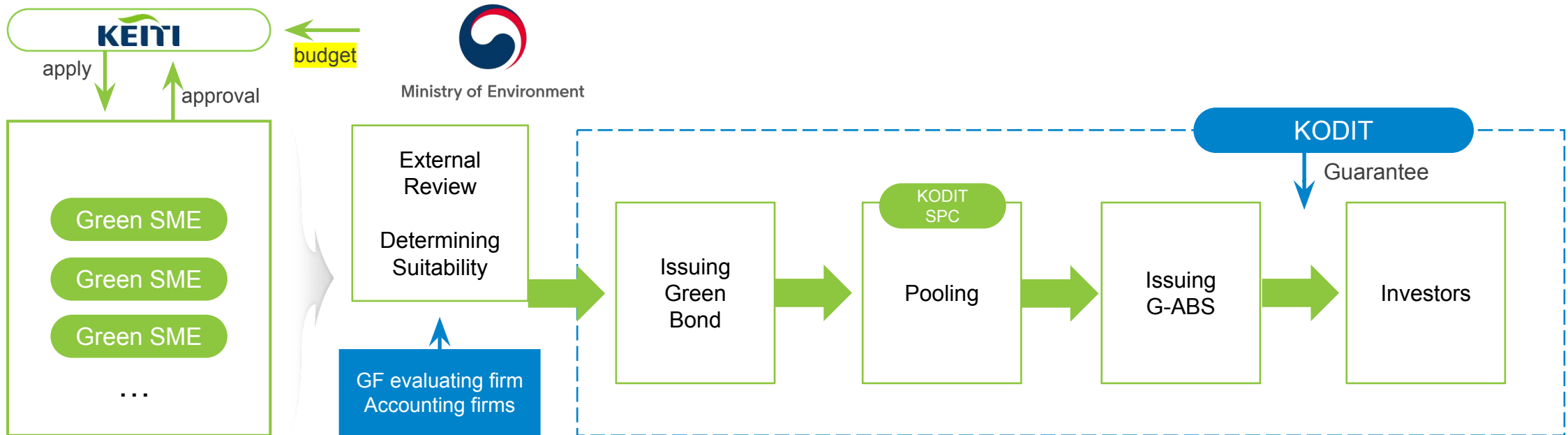
To support the climate tech industry by helping start-ups to smoothly finance greenhouse gas reduction technologies and climate adaptation projects (Part of “Funding Support for Innovative Ventures and Start-ups” and Plans to Strengthen Competitiveness” by FSC and MSS)

Guarantee Targets	Climate Tech Growth Guarantee	Venture certified enterprises and start-ups that produce products or technologies in the field of Climate Tech
	Climate Tech R&D Guarantee	Venture certified enterprises and start-ups that are pursuing R&D on innovative technologies in Climate Tech
Eligibility	<ul style="list-style-type: none"> •Enterprises should be green venture certified and produce products or possess technologies in the field of Climate Tech 	
Details	<ul style="list-style-type: none"> •(Guarantee Limit) Climate Tech Growth USD 237K (KRW 0.3 Bil) / R&D Guarantee USD 79K (KRW 0.1 Bil) •(Advantages) Guarantee fee rate (maximum discount 0.4%p) and coverage ratio (90~100%) 	
Guarantee Goal	<ul style="list-style-type: none"> •USD 79 Mil (KRW 100 Bil) * Special Guarantee using Capital Fund of KODIT 	

Green ABS (Asset Backed Securities) are issued by pooling the corporate bonds of enterprises which fall under the category of K-Taxonomy.

* KODIT signed a "business agreement for the issuance of Green ABS with the **KEITI (Korea Environmental Industry & Technology Institute)**"

Structure

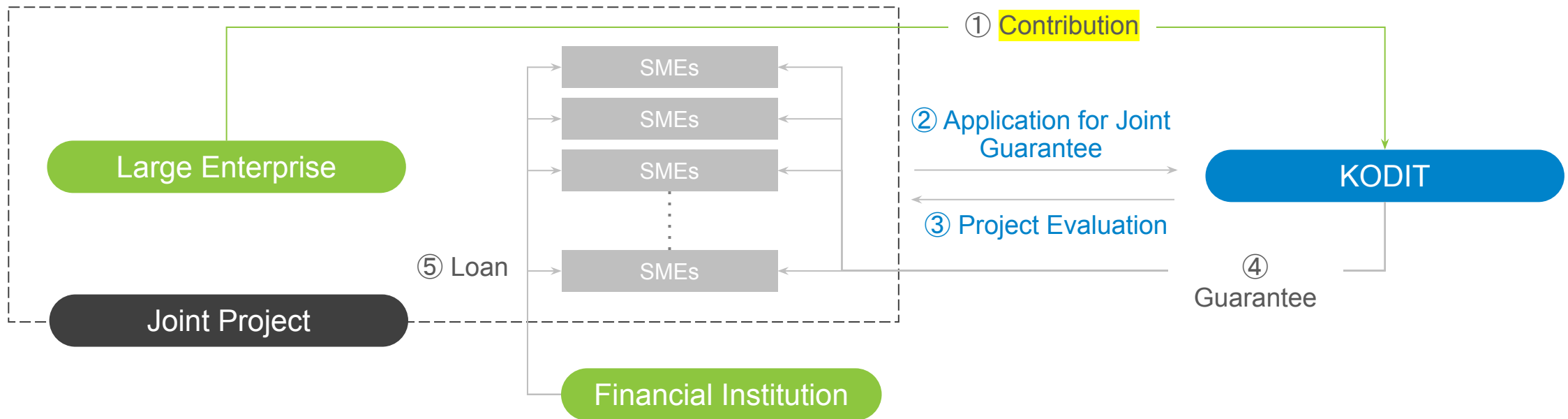


- Green ABS of SMEs was issued for the **first time in Korea** (USD 5.9 Mil, May 2023)
- **Interest rate reduction of 4.2%p** by support from the Government

Joint Project Guarantee

To support SMEs participating in Future Innovative Joint projects (Innovative tech-based business such as future green mobility, eco-ship, etc.) with large companies. It has social value because it encourages win-win outcomes and the mutual growth of both large companies and SMEs

☑ Structure



- Project support period up to 10 years, Guarantee limit USD 79 Mil (KRW 100 Bil) per project
- Additional 0.8%p discounts on guarantee fee by agreements with 3 financial institutions

Hyundai Motors – KODIT Joint Project
Guarantee

- ☑ E-Global Modular Platform Project
 - USD 9.9 Mil Special Contribution
 - USD 119 Mil New Guarantee Supply
 - Maximum 5 years
 - Coverage Ratio 100%
 - Fixed Guarantee Fee 0.8%



Bloomberg
Asia Edition

Sign in

• Live Now Markets Technology Politics Wealth Pursuits Opinion Businessweek Equality **Green** CityLab Crypto More

Green
Electric Vehicles

Sorry Elon Musk. Hyundai Is Quietly Dominating the EV Race

The hottest electric cars in the US market aren't coming from Tesla factories. All eyes are on Hyundai's Ioniq 5 and the Kia EV6.

☑ Benefits

- For Large Enterprises (Conglomerate)

Contributions from
large companies



Carry out projects that SME could not
normally proceed due to lack of funds



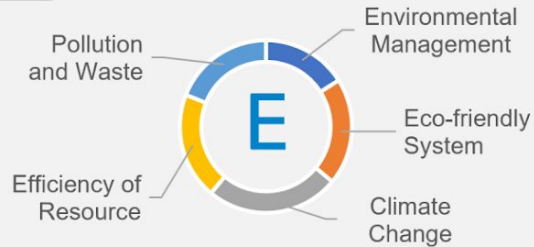
Create an effect of expanding business
based on **Large – SME cooperation**

ESG Evaluation System

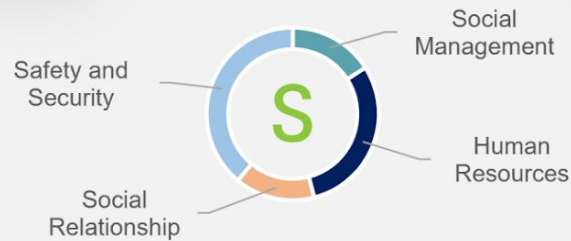
✓ KODIT's ESG Evaluation Criteria – consists of 3 pillars, 12 themes, 32 factors

12 ESG Evaluation Themes by Pillars

14 factors



11 factors



7 factors



Calculation Process of ESG Evaluation Rating

Pillar	Theme	Score
E	Environmental Management	80 (50)
	Eco-friendly System	
	Climate Change	
	Efficiency of Resource Using	
	Pollution and Waste	

+

Pillar	Theme	Score
S	Social Management	60 (30)
	Human Resources	
	Social Relationship	
	Safety and Security	

+

Pillar	Theme	Score
G	Ethical Management	70 (20)
	Control Mechanism	
	Shareholders and Affiliates	

=

ESG Overall Score
72

Rating
K-ESG1
K-ESG2
K-ESG3
K-ESG4
K-ESG5
K-ESG6
K-ESG7



CHAPTER

04

Highlights of KODIT ESG

Highlight A : Partnership with Stakeholders | Highlight B : Evaluation Model to avoid ESG Washing | Highlight C : Global Standard “Follower to Leader”

(Case) Super Bin : Trash is MONEY

A. Partnership with Stakeholders

Presidential Commendation for Carbon-Neutral Energy Development (Dec 2021)



Ministerial Commendation for Sustainable Growth ESG Sector (Dec 2022)



Government



Ministry of Trade,
Industry and Energy



Ministry of Economy
and Finance



Ministry of Environment



Large Enterprises



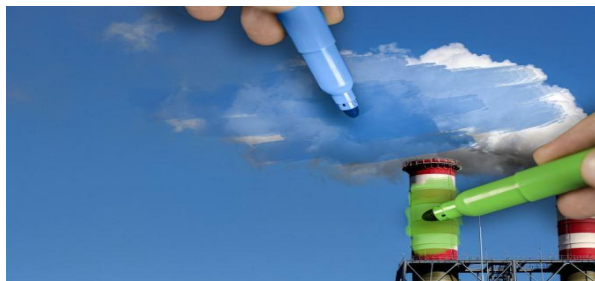
HYUNDAI



Banks



B. Evaluation Model to avoid ESG Washing



① ESG Management Capacity

Assessment

- 4 ratings (Group1 ~ Group4) are given by combining systemic (quantitative) evaluation and analyst's (qualitative) evaluation of variables

② ESG Evaluation

System

- 7 ratings (K-ESG1 ~ K-ESG7) evaluation based on numerical data, KODIT's system elaborately measures the company's accurate ESG Level

③ Climate Change Response Technology

Evaluation

- 10 ratings (TR1 ~ TR10) after the evaluation of the capability for commercialization and competitiveness in climate technology

④ GHG Emissions Measurement

Tool

- GHG reduction is automatically calculated by entering the quantified data of facility capacity or energy consumption of the facility
(GHG Emissions = Activity Data x GHG Emissions Factor)

C. Global Standard “Follower to Leader”



Joins



KODIT 2022 Sustainability Report



(Case Study) Super Bin

☑ “Trash is MONEY”



Recycled Resources by SuperBin

As of 2023.06



The Number of PET bottles

197,006,323 +

The Number of Cans

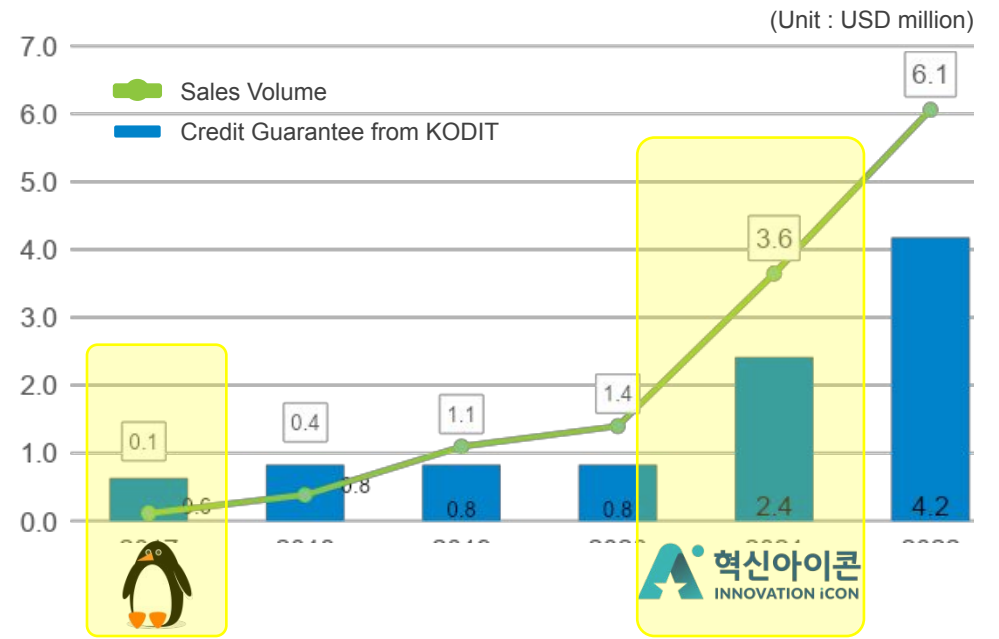
75,105,032 +

Accumulated Amount of Cashed Rewards(KRW)

0.34 billions +



- **Innovative ICON** Start-up of KODIT
 - Make the recycling and reusing waste more efficient and profitable / AI & Robotics Technology / Circular Economy
- **Firm Value : 316 million USD**
 - Raised over 32.4 million USD in total



Thank you

thlee798@kodit.co.kr



KOREA CREDIT GUARANTEE FUND

35th ACSIC Conference



Scaling new heights : TCG meets ESG

By Mr. Kittipong Buranasiri



August 7-11, 2023

Ulaanbaatar, Mongolia

Thai Credit Guarantee Corporation (TCG)



A state-owned Financial institution governed by the Ministry of Finance

STATUS : *Specialized Financial Institution (SFI)*

ESTABLISHMENT : 1991

CAPITAL FUND : **฿6,702 million** (\$197 million)

• **BRANCH :**

1 Head office, 11 branches

• **FINANCIAL ADVISORY CENTER for SMEs :**

TCG F.A. Center

• **OUTSTANDING GUARANTEE :**

฿648,878 million (As of Jul 2023) (\$19,085 million)

• **NUMBER OF GUARANTEED CUSTOMERS :**

785,888 SMEs (As of Jul 2023)

• **NUMBER OF EMPLOYEES :**

417 (As of Jul 2023)



Role and duty of TCG are to provide assistances to SMEs

TCG's role is to be a mechanism in driving the economy by providing assistances to SMEs in acquiring fund and business consultation to operate their businesses to survive and thrive.



1.

TCG is an organization that provides a government support to SMEs. TCG issues a collateral value for SMEs to back up a borrowing from banks.



2.

TCG is able to subsidized guarantee fee to SMEs by the Cabinet approval. All subsidized cost helps reducing financial cost to SMEs.



3.

As a credit guarantor, TCG encourages banks to provide more loans. Value of a TCG's guarantee uses to cover the borrowed SMEs' debt.

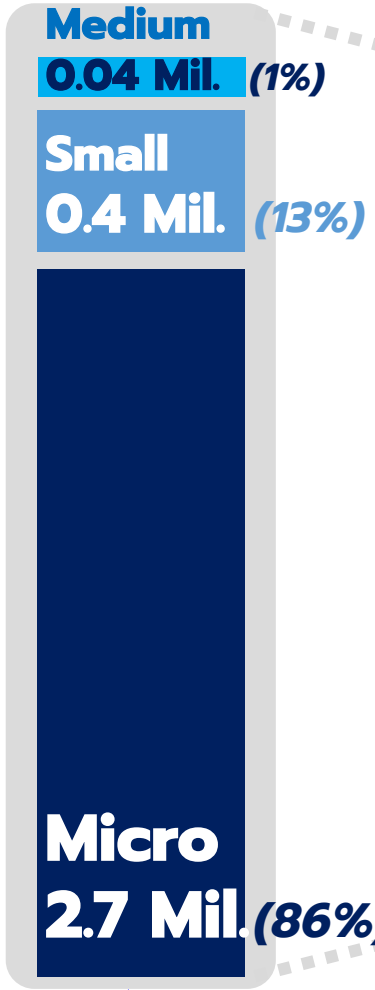


4.

TCG upgrades its consulting services to SMEs by acting as a Debt Doctor or Financial Advisor at TCG F.A. Center.

Thai SME Landscape

Thai SMEs
3.2 Mil. Enterprises



The Contribution of the SME's economic value to the national economy

- 36% of GDP
- 12% of Export Value
- 70% of Employees

Thailand's Government Policy For SMEs

- 20-year national strategy
- The 13th National Economic and Social Development Plan
- State Enterprise Development Plan
- 5-year operating policy of Specialized Financial Institutions (SFIs)

+

'Bank of Thailand' has issued a **'NEW Financial Landscape'** for the digital economy and sustainable growth

Digital
 Openness for new players to equally compete along with *developing sufficient infrastructure and database*

Sustainable
 Encourage the economy to adapt to caring for the environment without causing widespread negative impacts

Resilient
 Promote regulated innovation to *keep up with new risks*

What TCG does



- Micro/Startup**
 - Startup & Innovation
 - Micro Entrepreneurs 1-4
 - PGS10 SMEs Startup
- Green Business**
 - PGS10 SMEs Smart Green
- 'Green Business'** is an industries try to transform with New Business Model especially....
- Digital Transformation**
 - Paperless for approving guarantees via online system
- Hybrid Working**
 - Reduce Carbon by using Online Platform
 - hybrid working routine
- Upgrading the TCG F.A. Center**
 - providing knowledge and assistance in running business and being an expertise mentor for SMEs
- Debt Resolving for Sustainability**
 - "TCG Ready to Help" for debtors

TCG is trying to help SMEs in increasing proportion (SME Penetration Rate is about 25%)

Definition – Medium SMEs mean Entrepreneurs with annual income >50-500 MB (\$15-15 Mil.) and employing ≤ 30-200 people
 Small SMEs mean Entrepreneurs with annual income ≤ 50-100 MB (\$15-3.0 Mil.) and employing ≤ 30-55 people
 Micro SMEs mean Entrepreneurs with annual income ≤18 MB (\$50K) and employing ≤ 5 people

Source : Office of Small and Medium Enterprise Promotion, OSMEP and TCG Data Warehouse

TCG meets ESG

Product For 'Small SMEs or Retail'

- Micro Entrepreneurs 1-4 - ฿58,500Mil. (\$1,750 Mil.)
- PGS9 SMEs fulfill Micro SMEs – ฿8,400Mil. (\$250 Mil.)
- PGS10 SMEs Small Biz - ฿4,000Mil. (\$120 Mil.)(Existing)

Total Guarantee Amount
฿87,099 Mil.
(\$2,562 Mil.)

Accumulated Amounts as of Jul, 2023

54% in Manufacturing, Consumer goods, and Service businesses

Service

- F.A Center to acquire fund, educate business knowledge and enhance the potential of SMEs
- "TCG Ready to Help", which is a proactive operation to increase the efficiency of helping debtors by dividing into 3 measures that are suitable for each debtor

CSR in & after Process

- TCG connect opportunities for prisoners who would like to training program after acquitted



Product For 'Green SMEs' launches in Feb,2023

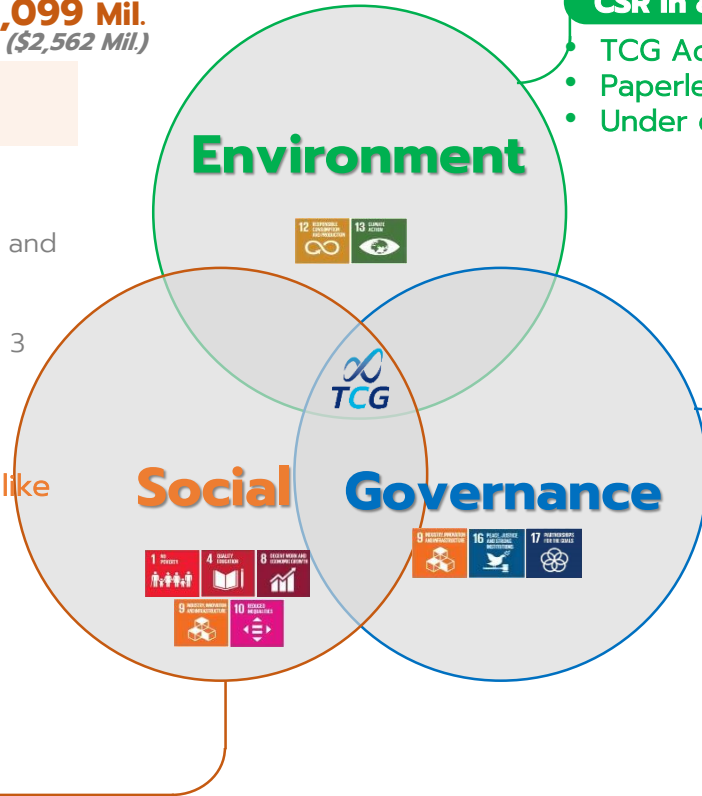
PGS10 Smart Green (\$15 Mil.)(Existing)
In Metal Manufacturing, Consumer goods, Service, Food & Beverage and EV Car businesses

Total Guarantee Amount
฿73.87 Mil.

Accumulated Amounts as of Jul, 2023 (\$2.17 Mil.)

CSR in & after Process

- TCG Activities day for supporting SMEs by giving the plants etc.
- Paperless for documents adapt to digital platform
- Under evaluation Eco-Efficiency to be used for improvement



CSR in & after Process

- TCG emphasizes on Governance via;
 - gives importance to employees equally and fairly etc.
 - Executives are a good 'Role Model' in line with TCG's Core Values
 - Report to regulatory agencies including stakeholders frequently
- Guarantee by pride awards;
 - an Excellent Organization Development Award 2022 given by Prime Minister of Thailand
 - 4 years continue NACC Integrity awards from 2019 to the present



'Next Move' for Sustainability

2

ESG Product Development

Developing Sustainable products "ESG" with Financial institutions & Partners for SMEs Supporting

Partners

Debt Management



Continuing to compromise or restructure debt by 'TCG Ready to Help' and expand to help ESG entrepreneurs with special conditions.

3

'Go Green' Branch Reformatting

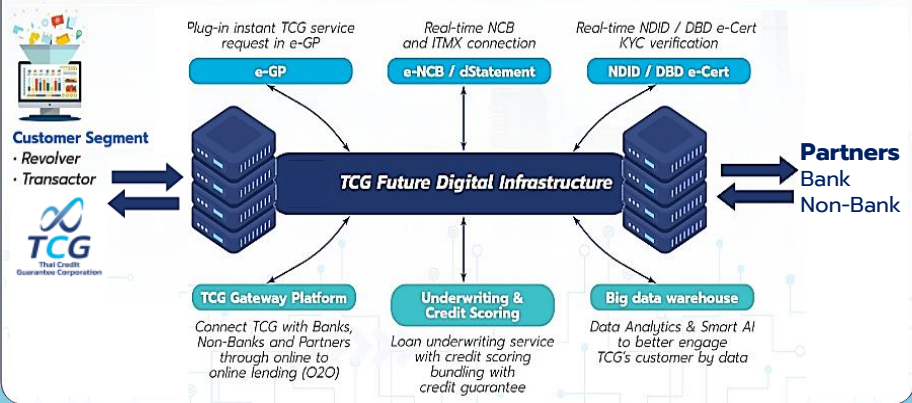


- Waste Sorting
- Natural Sunlight
- No elevator
- Modify temperature
- Turn off any unused light
- Recycling Paper / Paperless

Low Carbon

1

TCG Infrastructure Conceptual Framework



Rebranding to Digital Transformation

- ✓ Paperless
- ✓ Hybrid Workplace



Product and Service Connectivity and Building strong relationships with key stakeholders



Appendix

SMEs' Financial Advisory Center (TCG FA Center)



Objective

- To be the center of financial advisory to resolve debts for SMEs entrepreneurs
- To recommend and select suitable credit products and financial institutions for SMEs who need to access to finance.
- To help the unemployed becoming freelancers or SMEs entrepreneurs
- To enhance financial literacy and business knowledge for SMEs.
- Consulting service without any charge.




Service Channels

UAB TCG F.A. Center

- Group consultation
- Individual consultation
- Line application consultation (Video Call)



Appointment

Mission and Service

- ### 1. Financial advisory

By experts who are the former senior executives of financial institutions

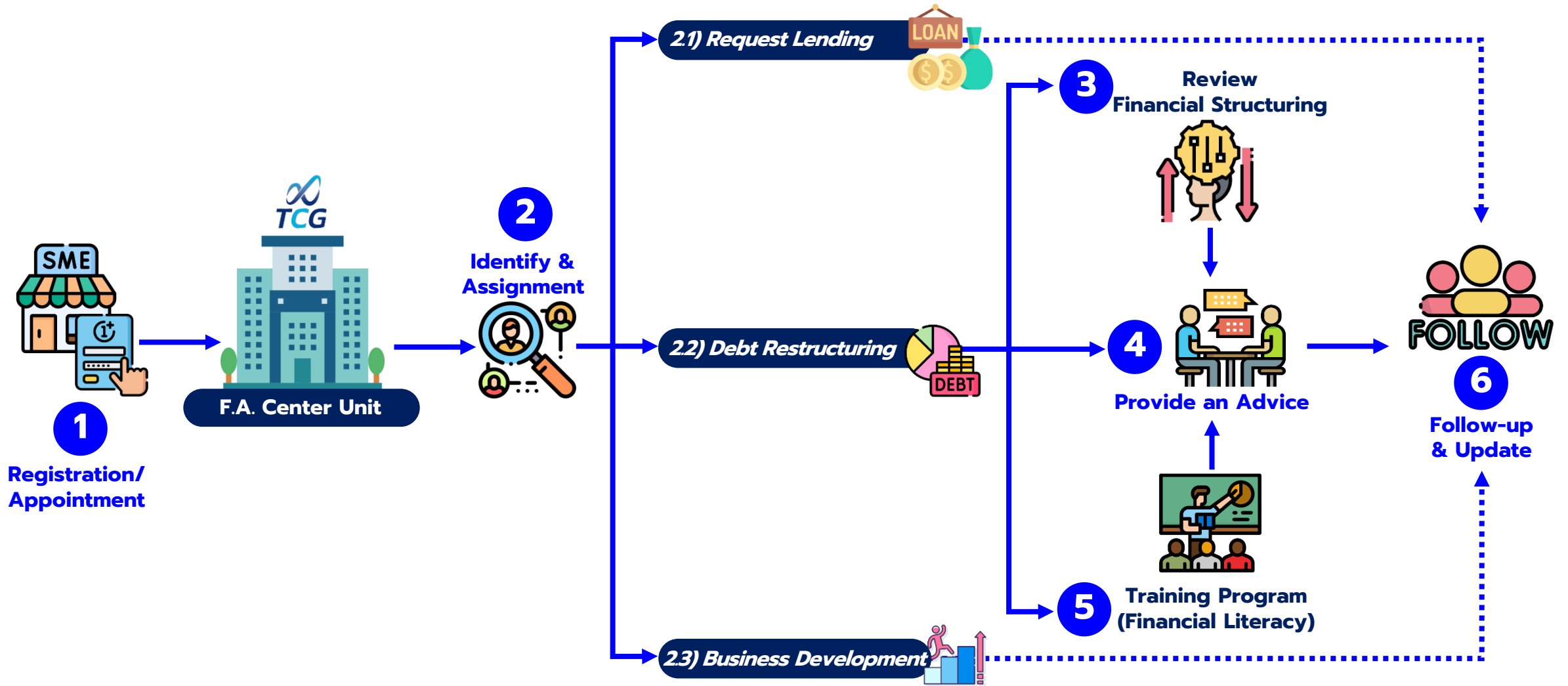
 - Applying for a loan/preparing for applying for a loan
 - Debt restructuring/solving business issues
 - Business development
- ### 2. Information Center

 - Bank loan products
 - Government policy projects
 - Information for SMEs business development
- ### 3. Special training

 - Finance course
 - Debt restructuring course
 - Startup and Business Development course
- ### 4. Monitoring and tracking

 - Business diagnostic
 - Follow up with financial institutions for both borrowing and debt restructuring

F.A. Center Process Flow



EXPERT INSIGHT DISCUSSION 1

Green Capital Markets Development: Insights from Central Asia



GREEN CAPITAL MARKETS DEVELOPMENT: INSIGHTS FROM CENTRAL ASIA

9 August 2023



SIPA

Sustainable Infrastructure
Programme in Asia

On behalf of:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

of the Federal Republic of Germany





WHAT ARE GREEN BONDS?



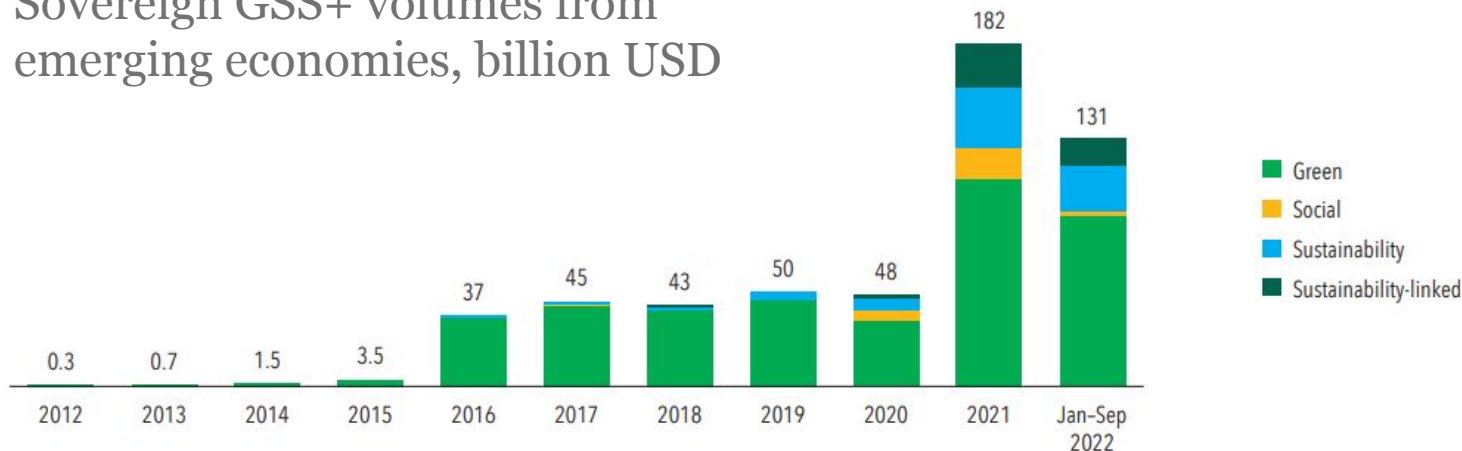
Green bonds have gone from a niche instrument to a substantial market

GSS+ volumes reached USD858.5bn in 2022



- Issuances of thematic bonds have accelerated sharply in recent years, including in emerging markets.
- Emerging market issuances still make up only a small fraction of the total market.
- Transition economies in Eastern Europe, the Caucasus and Central Asia (EECCA) began issuing green bonds in 2019.

Sovereign GSS+ volumes from emerging economies, billion USD





Emergence of green bonds in EECCA and Mongolia

2019

2020

2021

2022

2023

DTEK Renewables

EUR 325 mn
5 years, 8.5%
->RE projects



Georgia Global Utilities

USD 250 mn
2 years, 7.75%
->refinance assets



Georgian Railways JSC

USD 500 mn
7 years, 4%
->refinance debt, rail infra



Ameriabank II

USD 8 mn; AMD
3 bn
27 months
3.5% (USD);
9.5% (AMD)
->RE + other



Khan Bank

USD 60 million
5 years
% n.d.
->RE + other



Ministry of Finance

UZS 2 tn / USD 555 mn
3 years / 10 years
14.5% / 3.7%
-> "DFI bond"



Ameriabank I

EUR 42 mn
5 years, 3.05%
->RE + other



Ukrenergo

EUR 325 mn
5 years, 8.5%
->sust.-linked portion



DAMU Fund

USD 0.5 mn
3 years
->solar



Ministry of Finance

USD 635 mn / USD 235 mn
3/10 years
3.9%/14%
-> "SDG bond"



ADB

USD 32 mn
2 years, 10.1%
->solar





WHY GREEN BONDS?

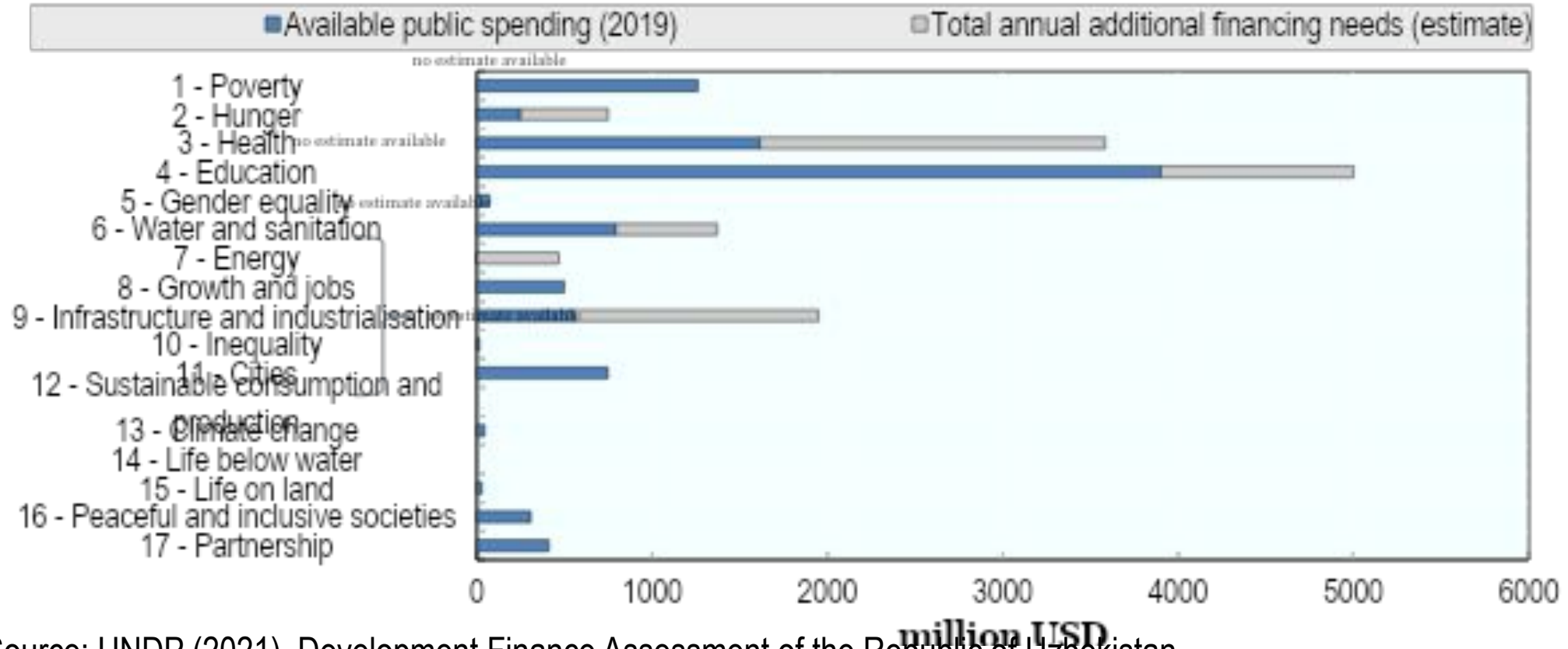


A daunting investment gap across Asia

- The ADB estimates that the annual investment gap across Asia amounts to:
 - USD 47 billion (4.7% of GDP) in Indonesia
 - USD 92 billion (3.8% of GDP) across 8 other Southeast Asian economies
 - USD 112 billion (4.1% of GDP) in India
- The pandemic only widened the gap. Across the developing world, the annual SDG financing gap increased by 56% (from USD 2.5 trillion to USD 3.9 trillion) following COVID-19.



SDG financing gap: Case of Uzbekistan



Source: UNDP (2021), Development Finance Assessment of the Republic of Uzbekistan, <https://www.undp.org/uzbekistan/publications/development-finance-assessment-republic-uzbekistan>



Ambitious domestic targets: Case of Uzbekistan

Strategy Title	Main objectives	Current status
Revised Nationally Determined Contribution (NDC) by 2030	<u>Climate change</u> : 35% reduction in GHG emissions per unit of GDP compared to 2010 levels	<u>Climate change</u> : Off track: slight drop of GHG emissions per unit of GDP between 2010 (3.58 kt CO ₂ e) and 2020 (3.07 kt CO ₂ e)
“New Uzbekistan” Development Strategy for 2022-2026 all objectives by 2026	<u>Renewable energy</u> : 25% renewable energy sources in TPES <u>Energy efficiency</u> : increase energy efficiency by 20% <u>Transport</u> : electrify 60% of railways; incentivize EV production and uptake <u>Domestic capital market development</u> : increase turnover on the stock market from USD 200 million to USD 7 billion <u>Investment</u> : attract USD 120 billion in investments, of which USD 70 billion from foreign sources <u>Privatisation</u> : increase private share of banking system’s assets to 60%	<u>Renewable energy</u> : Off track: renewables accounted for 0.9% of TPES in 2022. <u>Transport</u> : Approximately 35% of railways electrified by 2021. <u>Domestic capital market development</u> : 310% increase in stock market activity between 2021 and 2022, up to UZS 4.7 trillion (approx. USD 442 million)
Strategy for the Transition to a Green Economy 2019-2030 all objectives by 2030; Strategy updated in 2022	<u>Energy intensity</u> : 30% reduction in energy intensity compared to 2021 levels <u>Renewable energy</u> : 30.5% renewable energy sources in TPES; 1500 MW of installed small-scale photovoltaic panels <u>Energy efficiency</u> : increase energy efficiency in industry by 20%	<u>Renewable energy</u> : Off track: renewables accounted for 0.9% of TPES in 2022; installed photovoltaic capacity negligible in 2022



Public financing is insufficient; the private sector needs to be developed

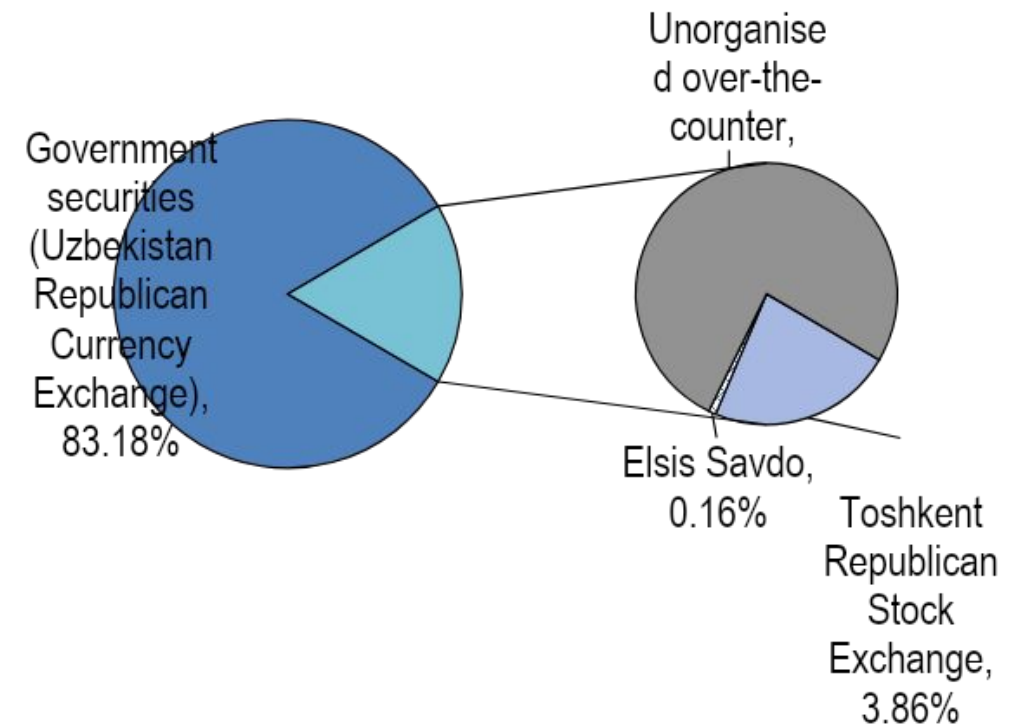
- Public budgets are under strain. International development finance available now, but less and less in the future.
- In Central Asia, which historically relied on state-led economic models, diversification is a priority.
 - Compared to other lower-middle income countries, Uzbekistan's consolidated government spending was 7% points higher.
- Rapid per capita growth in the region, particularly Uzbekistan, means international development finance at concessional rates will become less accessible.

GREEN BONDS IN UZBEKISTAN: CHALLENGES AND OPPORTUNITIES



Challenge: Immature financial system

- In Uzbekistan, like many other post-Soviet republics, SOEs and state-owned banks dominate the economy.
 - Just **5 state-owned banks manage 61% of all assets** in the banking sector.
- Uzbekistan's capital markets are shallow and underdeveloped.
- Market infrastructure is insufficient for a well-functioning market.
 - Uzbekistan's securities market is divided across two platforms.
 - Most corporate transactions occur via informal broker-dealer networks.





Opportunity: Strong signals to experiment with bonds

Issuer	Issued value	Date of issuance	Maturity	Issuance yield	Current yield (Nov. 2022)	Current price, percent of issued value (Nov. 2022)
I. Sovereign bonds						
Uzbekistan*	USD 500 million	20/02/2019	5 years	4.75%	9.63%	95.32%
	USD 500 million		10 years	5.375%	8.72%	84.05%
Uzbekistan* so-called “DFI bond”	USD 555 million	25/11/2020	10 years	3.7%	8.49%	72.43%
	UZS 2 trillion		3 years	14.5%	18.78%	96.29%
Uzbekistan* so-called “SDG bond”	USD 635 million	19/07/2021	10 years	3.9%	8.50%	71.55%
	UZS 2.5 trillion		3 years	14.0%	17.99%	94.49%
II. Corporate bonds (issued by banks)						
SanoatQurilishBank (SQB)	USD 300 million	12/2019	5 years	5.75%	12.32%	88.25%
National Bank (NBU)	USD 300 million	10/2020	5 years	4.85%	9.91%	87.26%
Ipoteka Bank	USD 300 million	11/2020	5 years	5.50%	11.57%	84.79%
III. Corporate bonds (issued by industrial firms)						
Uzautomotors	USD 300 million	04/2021	5 years	4.85%	14.94%	73.24%
Uzbekneftegaz	USD 700 million	06/2021	7 years	4.75%	10.84%	73.53%



Challenge: Capacity □ Opportunity: Peer learning

- **Capacity constraints** and a lack of qualified financial actors have hampered Uzbekistan's financial system's development.
- Given the novelty of debt instruments in Uzbekistan, **peer learning from experienced financial actors** is essential.
- Under SIPA, a peer-learning exercise between SQB (one of Uzbekistan's largest banks) and Ameriabank (an Armenian peer bank and regional leader in green bonds) was organised.





Other areas for exploration

- **Islamic finance (green sukuk)**

- Considerable potential for Islamic financial instruments such as green sukuk in Uzbekistan. **27% of citizens do not have a bank account for faith-related reasons.**
- Islamic finance could provide an opportunity to expand the domestic capital market.
- However, there is **no legal framework** for Islamic finance in Uzbekistan.

- **Subnational sovereign bonds**

- Subnational governments are well-suited to know local needs and interests. They account for a **large and increasing share of expenditure**, including on sustainability-related infrastructure.
- In more developed economies, subnational sovereign bonds account for a larger share of issuances than sovereign bonds.
- However, Uzbekistan's budget code stipulates that subnational governments must maintain a balanced budget and cannot issue debt.



Uzbekistan's next steps

- Ongoing privatisation process
- Development of a national green taxonomy
- Consolidation of securities market infrastructure and relevant legislation
- Seize opportunities related to national priorities
 - Large-scale renewable energy projects
 - Domestic EV production and adoption
 - Islamic finance



THANK YOU! МАШ ИХ БАЯРЛАЛАА!

Douglas Herrick, Policy Analyst, Sustainable Infrastructure
Programme in Asia (SIPA), Environment Directorate, OECD

douglas.herrick@oecd.org

<https://www.oecd.org/site/sipa/>