Woori Financial Group

Fossil Fuel Lending and Investment Guidelines

Introduction

In July 2021, WOORI FINANCE GROUP set out an ambition to align its financed emissions – the greenhouse gas emissions of its portfolio of customers – to net zero by 2050 or sooner, to meet the 1.5°C global warming target. In order to achieve this, the Group will use science-based pathways, aligned with the goals and timelines of the Paris Agreement ("WOORI FINANCE GROUP's Plan Zero 100 Target").

These Lending and Investment Guidelines (the "Guidelines") are implemented to phase out project finance for coal-fired power generation and mining by 2044 in Korea/Organization for Economic Cooperation and Development ("OECD") markets and by 2050 in other markets.

Woori Financial Group is committed to conducting periodic reviews to achieve transparency and accountability based on the coal phase-out recommendations in the "Net-Zero Transition Plan (NZTP) Framework" presented by the Glasgow Financial Alliance for Net Zero. This includes setting interim targets and reporting on progress toward fulfilling our phase-out commitments, and evaluating our customers' transition plans in relation to Woori Financial Group's Plan Zero 100 Target.

These guidelines are implemented as part of Woori Financial Group's risk framework, which includes formal governance committees at the global, regional, and country levels.

With this guideline, we want to exclude companies that are unable or unwilling to transition away from thermal coal within the necessary timelines to keep earth's average warming within the targets set by the Paris Agreement. This means that companies in South Korea and OECD countries should be thermal coal-free by 2044, and companies in the remaining countries should be thermal coal-free by 2050.

These are forward-looking guidelines that go beyond basic quantitative screening to assess the credibility of transition plans and achieve real positive change by helping investee companies transition to a more sustainable economy.

Annual review, disclosure, goals, and governance

Woori Financial Group intends to review the Guidelines at least annually against the NZTP Framework's coal phase-out recommendations to ensure they are aligned with its phase-out commitments.

The annual review will include consideration of changes in relevant external factors (e.g., changes in scientific assessments of climate change impacts, transition pathways and future risks, or changes in government or regulatory treatment).

Sufficiently ambitious and credible commitments and plans at the government, corporate, and asset levels can help address the risks of emissions leakage[1] or moral hazard[2] . To this end, we consider the policy environment at the government level, the level of divestment commitments and transition plans at the corporate level, and how to mitigate moral hazard and accelerate divestment at the asset level.

1) Government-level considerations

We assess the nature, strength, and stability of energy sector transformation commitments by national governments in countries where coal-fired power plants (CFPPs) are located. In particular, we assess the degree of alignment and convergence with the 1.5°C science-based pathway (e.g., national bans on new coal policies or specific coal phase-out deadlines).

We assess the extent to which countries with coal-fired power plants have existing or emerging plans for energy/power systems (including, but not limited to, commitments through national platforms or alignment with science-based pathways) that address how to achieve coal phase-out alongside necessary investments in grid infrastructure and renewables.

2) Enterprise and asset-level considerations

By evaluating the overall transition plans[3] (including, but not limited to, specific CFPPs) of companies involved in coal divestment, including both sellers and buyers, WOORI FINANCE GROUP will seek assurances that the divestment plans will be implemented and effectively mitigate GHG emissions.

We will report on its progress in reducing financing annually in line with its phase-out commitments. Based on the 2021 Task Force on Climate-related Financial Disclosures (TCFD), WOORI FINANCE GROUP aims to reduce the risk of financing thermal coal projects by 66% by 2030 and reduce thermal coal-related financial emissions by 26% by 2040. These targets will be reviewed alongside an assessment of customer transition plans. After 2044, remaining thermal coal project financing risk will only relate to customers with thermal coal assets outside of South Korea and OECD markets, and will be phased out by 2050.

To assess whether a company is sufficiently engaged in the energy transition to remain eligible for

---

[1] A coal-fired power plant (CFPP) closure occurs, but is offset by increased operations at another CFPP or a new CFPP.

[2] If a coal deal encourages more coal generation to benefit from a potential coal phase-out plan at a later date.

[3] A corporate-level no new coal declaration or a transition plan verified by a credible third party.

investment, consider the data points in the table below.

Our phase out criteria and restrictions on coal-related lending and investments	
Coal Mining	Excluding companies that fit one or more of the conditions below: • Undertaking new coal expansion • Where coal production is greater than 20 million tonnes per annum or represents more than 30% share of their revenue • No credible public plan to phase-out coal production completely by 2025 (Korea and OECD)/2030 (Rest of the World)
Coal Power	Excluding companies that fit one or more of the conditions below: • That are building new unabated coal generation capacity • That have coal-fired power generation greater than 10GW • Where coal represents more than 30% share of energy mix output • No credible public plan to phase-out coal production completely by 2044 (Korea and OECD)/2050 (Rest of the World)
Coal Infrastructure	Where the company's main business is not coal, but there are coal-related operations(ex. Transporting coal), excluding companies that fit one or more of the conditions below: • That are planning new or expansion of coal related operations • Where coal-related operation represents more than 30% share of their revenue • That have no credible public plan to phase-out coal related operations completely by 2025 (Korea and OECD)/2030 (Rest of the World)

Guideline scope

These guidelines apply to all investment activities, including corporate lending, bond issuance and underwriting, infrastructure finance/project financing, active and passive investments.

Bonds issued by Governments or Government-related institutions, Asset Backed Securities, Money Market Instruments, Private Assets, Direct Property, Index Derivatives and funds that are not managed by WOORI FINANCE GROUP are currently out of scope.

Once sufficiently robust and granular approaches capable of widespread implementation are established, these asset classes will be considered for inclusion within the Coal.

For funds whose objective is to replicate the performance of an index (ie passive funds), it will not be possible to implement the Policy in full, as its requirements are not reflected in the benchmark that the funds are seeking to perform in line with.

However, where these passive funds own shares in companies in the thermal coal industry, we will seek to use our influence and encourage management to transition away from Unconventional Oil & Gas in line with IPCC recommendations.