

Hana Financial Group Sustainable Finance Framework

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CEO Statement

Hana Financial Group is a financial institution that supports the growth of various stakeholders in our society, including households, companies, and the government. The group considers environmental (E), social (S), and governance (G) factors throughout its business operations. Moreover, sustainability is one of Hana Financial Group's top priorities, as it provides a range of financial products and services leveraging the comprehensive expertise and synergies within various finance field to ensure utmost satisfaction of our all-valued stakeholders.

Our dedication to sustainable practices led us to establish an ESG vision called 'Big Step for Tomorrow' in early 2021. The group has set mid- to long-term goals of plans to deploy 60 trillion won in ESG financing by 2030 and achieving carbon neutrality and phasing out coal projects ('ZERO & ZERO') by 2050.

In 2022, the Group proudly unveiled the 'Hana Financial Group 2050 Carbon Neutrality Roadmap,' extending our carbon neutrality pledge beyond our business sites to encompass our entire asset portfolio. Aligned with global efforts to limit the rise in global temperature to 1.5°C the comprehensive reduction plan by 2050 has been approved by the Sustainability Management Committee, a committee within the Group's Board of Directors, validated by the globally recognized Science Based Target Initiative (SBTi).

Acknowledging the escalating importance of biodiversity preservation as a potential risk beyond climate change, the group has actively joined two influential global ESG initiatives: the Taskforce on Nature-related Financial Disclosure (TNFD) and the Partnership for Biodiversity Accounting Financials (PBAF). Through these partnerships, the Group actively engages in the realm of biodiversity and expands its financial investments in biodiversity conservation—an area with immense potential—to fulfill our role as a financial institution committed to environmental and social responsibility.

Hana Financial Group pledges to integrate environmental and social considerations into our financial decision-making process, solidifying our commitment to ESG principles, including our Sustainable Finance Framework. By addressing challenges such as the climate change crisis, we aim to become a global financial group that contributes to the well-being of future generations, affordable housing, healthy lives for all, economic growth, and sustainable development.

July 2023

Chief Executive Officer of Hana Financial Group

한영주 올림

Purpose of Establishing the Framework

Hana Financial Group and its affiliates shall practice sustainable finance by all policies prescribed within this ‘Hana Financial Group Sustainable Finance Framework.’

Hana Financial Group declared a Reset of the stakeholder-oriented value systems to enhancing the value of sustainable finance under the slogan ‘For One Goal – Happiness for All’ in 2019.

The group defines sustainable finance as ‘Finance that grows together and shares happiness with all by contributing to the mitigation of environmental and social impacts.’ As Korea’s leading financial group, the group endeavors to fulfill the responsibilities of a financial institution by providing sustainable finance to customers based on the guiding principles of Environmental, Social, and Governance (ESG).

Hana Financial Group's Sustainable Finance Framework was established to transparently manage the Group's ESG mid/long-term goals (ESG financing 60 trillion won by 2030, ZERO carbon emissions from business sites and ZERO coal project financing by 2050) and communicate with stakeholders. This framework also reflects the imperative to incorporate environmental and social considerations into loans and investments decisions, driven by the escalating impact of climate change and the growing demand for corporate social responsibility.

Hana Financial Group's sustainable finance framework comprises several integral components, including the Sustainable Finance Policy, Environmental · Social Risk Management Policy, Environmental · Social Risk Integration Policy, Sector Policy, Biodiversity Policy compose the Group’s Sustainable Finance Framework.

To reinforce our commitment and implement the policies within the framework, Hana Financial Group has established and currently operates the dedicated Sustainability Management Committee, embedded within its Board of Directors. Additionally, the group actively manages sustainable financial performance through its dedicated ESG organization.

Hana Financial Group Sustainable Finance Framework	
Initial Establishment	July 22 nd , 2021
1 st Amendment	July 12 th , 2023

Hana Financial Group ESG Principles

Hana Financial Group defines **four** ESG Principles that are the foundation of sustainable finance.

Principle 1. Reinforcing management processes considering ESG factors

Hana Financial Group is dedicated to integrating ESG factors across the entire process of providing financial products and services. This commitment involves the consideration a broad range of environmental and social impacts, including the resources usage (e.g. electricity, water, paper, fuel for vehicles) in service creation and delivery, as well as the impact of large-scale development projects through project financing on local communities and the allocation of national resources to drive the successful transition towards renewable energy.

- The Group will proactively manage potential risks by strengthening the framework for recognizing and evaluating the impact of the Group's financial services on the environment and society.
- The Group will reduce greenhouse gas emissions within its facilities and increase the use of renewable energy.
- The Group will use scientific and quantitative methods to manage GHG emissions, both in its asset portfolio and internal operations.

Principle 2. Developing product/service that contribute to the environment and society

Hana Financial Group aims to forge a diverse portfolio of financial products and services, designed to facilitate society's transition towards a sustainable economic system. The Group provides products and services that benefit to the community, including Green Bonds for eco-friendly funds, Sustainability Bonds for environmental and social purposes, Microfinance for low-income and underprivileged people, SME customized loans, ESG funds and asset management for ESG best practice companies or companies investing in ESG assets, and integrating ESG performance results in corporate loans and bond issuance.

- The Group will expand the development of products and services that address ESG issues and focus on finance businesses that contribute to solving ESG challenges.
- The Group will consider the Group's definition of sustainable finance When developing new products/services and making critical financing and investment decisions.

Principle 3. Strengthening communication with stakeholders

Hana Financial Group firmly believes that maintaining continuous and effective communication with stakeholders is a fundamental principle in the successful implementation of sustainable finance. Environmental, social, and governance issues constantly change according to each industry, location, and time due to their nature. It becomes essential to establish a system that consistently identifies various needs of stakeholders in the decision-making process. The group established a 'Sustainable Management Committee' as a highest decision-making body, and the committee monitors environmental and social issues for stakeholder management.

- The Group will recognize that strengthening ESG management is a key objective for sustainable growth, and actively communicate with stakeholders, including customers, employees, partners, governments, shareholders and investors, and the local community.
- The Group will be dedicated to maximizing customer value by actively exercising our voting rights and engaging with shareholders to enhance and reinforce ESG factors within our portfolio of investment target companies, such as promoting a robust governance structure, implementing sustainable management strategies, addressing the challenges of climate change, and promoting ethical management.

Principle 4. Engaging with global ESG partnerships

Hana Financial Group will proactively engage in diverse domestic and international ESG initiatives and partnerships to optimize environmental and social impacts, while recognizing the constraints faced by individual entities in attaining meaningful results. The Group will actively support global initiatives such as the UN Principle for Responsible Banking (UN PRB) that fosters sustainable finance, the Equator Principles (EP) that oversee social and environmental risks of large-scale corporate loans including project financing, and the Task Force on Climate-related Financial Disclosures (TCFD) that facilitates transition to a low-carbon economy.

- The Group will provide active support and engagement in global partnerships to effectively fulfill the ESG responsibilities as both a member of the economic society and a financial group.
 - Joining the UN Global Compact and report on the UN Sustainable Development Goals (SDGs)
 - Participating in the UNEP FI PRB establishment project and become a signatory
 - Participating in the Korea Stewardship Code
 - Reporting on the CDP (Carbon Disclosure Project)
 - Adopting the Equator Principles
 - Supporting the TCFD
 - Receiving the SBTi validation of Scope 1,2 and Scope 3 GHG reduction targets
 - Supporting the Task Force on Nature-related Financial Disclosures (TNFD)
- Furthermore, the group will strive to establish global ESG leadership by various activities.

Hana Financial Group Sustainable Finance Policies

Hana Financial Group implements sustainable finance through the following **five** policies. The Group manages, supervises, and mitigates various environmental and social risks.

- I. Sustainable Finance Policy
- II. Environmental · Social Risk Management Policy
- III. Environmental · Social Risk Integration Policy
- IV. Sector Policy
- V. Biodiversity Policy

I. Sustainable Finance Policy

Hana Financial Group has formulated Sustainable Finance Policy to assess the long-term sustainability of investment targets based on ESG criteria and utilize it as a basis for investment decision-making. As the most fundamental guide for Hana Financial Group's practice of sustainable finance, the policy applies to all financial products and services, including corporate banking, personal finance, and project finance. The development of the Sustainable Finance Policy was informed by prominent worldwide ESG frameworks such as 'The Korean Green Taxonomy(K-Taxonomy) Guideline,' which provides criteria for identifying environmentally friendly activities and sustainable social development, and the Equator Principles, which assess the environmental and social risks associated with large-scale project financing. The Policy also includes detailed application principles specified by Hana Financial Group, ensuring the practical implementation of sustainable financial practices

1. Scope of Sustainable Finance

A. Corporate Banking

- i. Hana Financial Group determines the provision of financial services to companies based on the management policies established by the Group, which meet domestic and international regulatory requirements related to global principles and initiatives on sustainable finance. During the decision-making process, individual analysis and evaluation are conducted based on the integrated risk management procedures covering financial and non-financial risks to review companies and their business opportunities that may involve high levels of environmental and social risks. If a deal or transaction is expected to involve significant environmental and social risks, Hana Financial Group may refuse or suspend the transaction.
- ii. Hana Financial Group has established the II. Environmental · Social Risk Management Policy to incorporate ESG factors into the eligibility assessment and execution process of corporate banking transactions. This policy serves as a guideline for considering environmental and social risks.
- iii. The detailed aspects of ESG factors considered by Hana Financial Group in the assessment and execution process of corporate banking can be found in 'II. Environmental · Social Risk Management Policy, 1. Key Management Areas.'
- iv. Hana Financial Group may refuse or suspend investments based on the results of the environmental and social risk management. The industries and activities that are excluded from all corporate banking transactions, regardless of sector, can be found in 'II. Environmental · Social Risk Management Policy, 2. Prohibited Industries and Activities.'
- v. Hana Financial Group maintains transparent and systematic communication with all stakeholders, including companies involved in transactions, regarding sustainability-related risks and opportunities. The detailed stakeholder communication procedures can be found in 'I. Sustainable Finance Policy, 2. Stakeholder Communication in Sustainable Finance.'

B. Retail Banking

- i. Hana Financial Group is in the process of preparing and reviewing various methods to gradually enhance ESG integration in the retail banking sector. Currently, there are ESG products available that consider social factors such as income, profession, credit scores, number of children, etc., as well as environmental considerations such as ownership of green vehicles. In the future, the Group aims to calculate the financed emissions of mortgage loans and provide retail banking services that consider the energy efficiency of homes. Hana Financial Group plans to incentivize clients to construct energy-

efficient buildings or invest in such facilities by offering preferential interest rates for energy-efficient homes.

- ii. The Group maintains transparent communication with all stakeholders, including personal clients, regarding sustainability-related risks and opportunities. Detailed communication procedures can be found in '1. Sustainable Finance Policy, 2. Stakeholder Communication in Sustainable Finance.'

C. Project Finance

- i. Hana Financial Group (the bank) declared that it will not provide financial support to large-scale projects that pose environmental and social risks, such as environmental damage and human rights violations, by joining the 'Equator Principles' in 2021.
- ii. Hana Financial Group utilizes the II. Environmental & Social Risk Management Policy (ESRM Policy), aligned with the 'Equator Principles' and the 'International Finance Corporation (IFC) Performance Standard on Environmental and Social Sustainability', as guidelines to incorporate ESG factors into the process of assessing and executing project funding.
- iii. The 'II. Environmental & Social Risk Management Policy' defines criteria for selecting projects eligible for project financing. The credit approval department and the ESG Teams regularly monitor compliance with the policy.
- iv. Hana Financial Group has established an internal manual for implementing the Equator Principles and continuously supervises the application process, which includes three classification criteria (determining eligibility, classification rating, designated/non-designated countries) and a four-step procedure (screening, impact assessment, action, monitoring). Internal experts oversee this process, and external verification by independent third parties is conducted as needed.
- v. Hana Financial Group discloses its annual compliance with the Equator Principles through the 'Report on Equator Principles Implementation,' which includes the number of projects reviewed, approved, or declined projects, and significant cases. The group operates a systematic application process and management system.

D. Investment Banking

- i. Hana Financial Group applies its investment banking principles to all credit loans, bond acquisitions, infrastructure projects, as well as all active and passive investments and third-party external investments. It gradually restricts new financial support and investments in coal mining, coal power generation, and coal-related industries. It also encourages the transition to a low-carbon economic system for existing projects and clients over a specified period.
Hana Financial Group utilizes the 'Equator Principles' and the 'International Finance Corporation (IFC) Performance Standard on Environmental and Social Sustainability' as guidelines to incorporate ESG factors into the process of investment assessment and execution. This is done through the utilization of the 'II. Environmental & Social Risk Management Policy'
- ii. The ESG-specific factors that Hana Financial Group reflects in the investment assessment and execution process can be found in 'II. Environmental & Social Risk Management Policy, 1. Key Management Areas'
- iii. Hana Financial Group has the authority to reject or suspend investments based on the results of ESG risk assessments. Industries and activities subject to exclusion and restrictions for all credit and direct investments, regardless of sector, can be found in 'II. Environmental & Social Risk Management Policy, 2. Prohibited Industries and Activities.'
- iv. Hana Financial Group utilizes the 'Equator Principles' and the 'IV. Sector Policy' defined in this framework as asset classification criteria for selecting sustainable finance targets.

- v. To expand sustainable investments, Hana Financial Group identifies and measures investment results using climate change-related indicators such as estimated temperature increase and carbon intensity, thereby improving sustainable performance.

E. Advisory Services

As a comprehensive financial institution, Hana Financial Group considers ESG factors in financial advisory services such as asset management and financial product intermediation.

2. Stakeholder Communication in Sustainable Finance

- i. Hana Financial Group has set greenhouse gas reduction targets for certain industries categorized as high-emitting sectors by the SBTi(Science Based Targets initiative) using the SDA(Sector Decarbonization Approach) methodology. For other industries, greenhouse gas reduction targets have been established based on the Temperature Rating methodology. The Group discloses the performance of GHG reduction targets through the TCFD report.
- ii. Hana Financial Group measures and manages the performance of sustainable investments in accordance with the Sustainable Finance Implementation Framework, conducting assessments at least semi-annually. For project financing, detailed information is disclosed annually through the publication of the 'Equator Principles Implementation Report.'
- iii. The progress of key tasks to achieve ESG goals(such as achieving 60 trillion won of ESG finance by 2030 and achieving carbon neutrality and phasing out coal projects by 2050) is annually disclosed to the public through ESG reports. The 'Impact Report' is also used to communicate the performance of sustainable finance implementation.
- iv. Hana Financial Group conducts an annual ESG materiality assessment to disclose factors that may have a significant impact on the Group and its stakeholders. Based on the 'Environmental & Social Risk Management' system, Hana Financial Group proactively identifies sustainability-related risks and opportunities that customers may face, minimizing negative impacts from customer transactions. Identified risks and opportunities are communicated to customers and reflected in contracts, adhering to the principles of interaction with all customers of Hana Financial Group.

II. Environmental · Social Risk Management Policy

As a financial institution, Hana Financial Group has introduced an Environmental & Social Risk Management Policy (referred to as 'ESRM Policy') to fulfill its environmental and social responsibilities as well as to practice sustainable finance. This policy aims to identify, assess, and mitigate environmental and social risks in credit and investment decisions. Given, in addition, both ESRM policy and global sustainable finance principles, the group carries out E&S Risk M to assess and manage risks for corporate banking, investment and advisory services, project finance, and securities issuers.

1. Key Management Areas

Hana Financial Group considers the following ESG factors in its corporate banking and investment processes:

- ① Environmental Factors: Environmental management systems, climate change adaptation strategies, energy consumption, water usage, waste disposal, biodiversity conservation, environmental investment costs, etc.
- ② Social Factors: Prevention of discrimination and harassment, workforce diversity, child labor, forced labor, freedom of association, education and training programs, welfare programs, employee turnover, safety and health, personal data protection, etc.
- ③ Governance Factors: Board of directors' composition, board independence, board diversity, CEO performance evaluation process, materiality assessment, risk management systems, corporate ethics, taxation, information security systems, etc.

2. Prohibited Industries and Activities

Hana Financial Group applies restrictions to all lending and investments in the following prohibited industries and activities, regardless of the sector:

- ① Coal-fired power generation projects (including bond acquisitions and related investments)
- ② Activities involving child labor exploitation, forced labor, human trafficking, and other human rights violations
- ③ Industries related to conflict minerals mining and refining, with potential links to international terrorism, armed groups, and organized crime
- ④ Kimberly Process non-certified diamond mining and trading
- ⑤ Hunting and processing of IUCN endangered species
- ⑥ Financing of wetland development projects that violate the Ramsar Convention
- ⑦ Financing of development projects in UNESCO World Heritage sites

Hana Financial Group has instituted **IV. Sector Policy** that defines specific scope, major environmental and social risks, priority considerations, exclusions, and participation in global initiative to ensure intensive management of five specific industries: agriculture and fishing, forestry, mining, oil and gas, and energy which could cause negative environmental and social impacts such as greenhouse gas emissions and forced labor issues. All financial products and services associated with these industries, as defined by the IV. Sector Policy, are subject to the ESRM Policy.

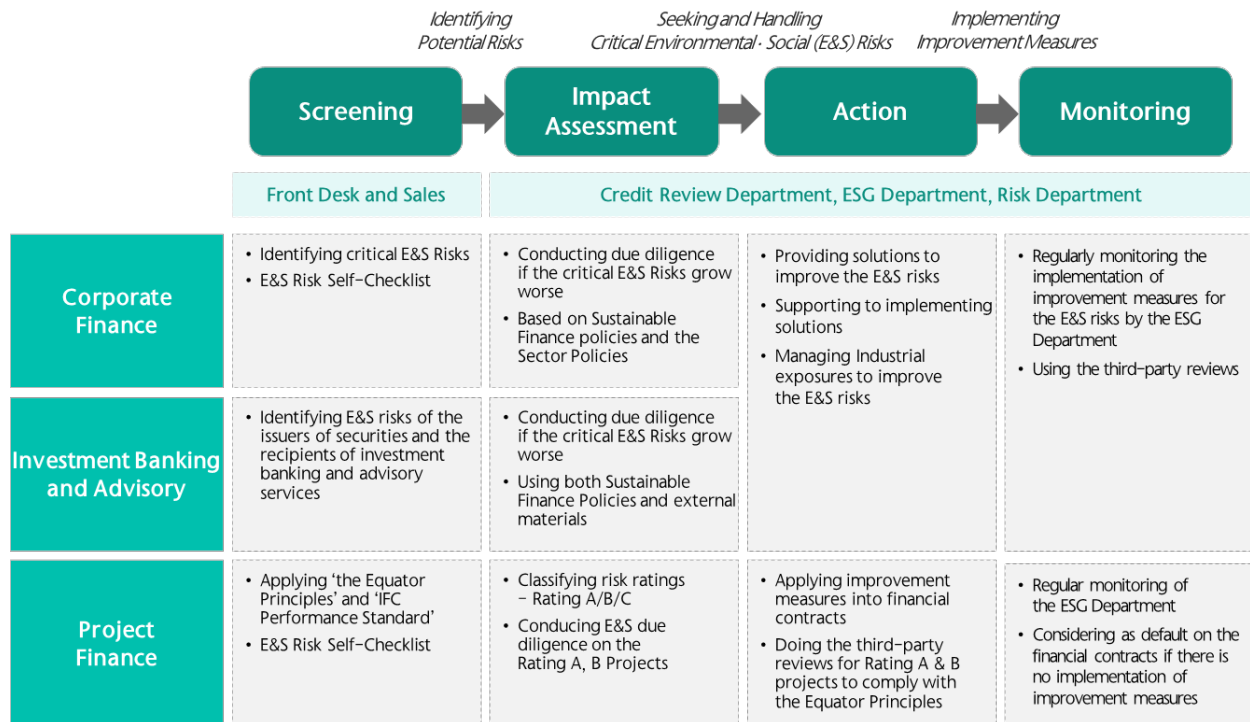
3. Environmental & Social Risk Management

Hana Financial Group identifies, assesses, and manages potential environmental and social risks, including impacts of human rights, climate change and biodiversity, for financial transactions covered by the ESRM policy based on the Group's I. Sustainable Finance Policy and IV. Sector Policy. In particular, project finance

is reviewed for relevant material environmental and social risks by the principles and procedures guided in the 'Equator Principles' and based on the IFC's Performance Standards, a global standard.

The environmental & social risk review process is implemented by establishing appropriate standards and procedures according to the subject under evaluation, the nature, size and scope of the transaction, and proceeds in four stages: screening, impact assessment, commitment, and monitoring

[Hana Financial Group's Environmental & Social Risk Review Process]



A. Corporate Banking

i. Scope

Hana Financial Group evaluates the environmental and social risk management capabilities, management activities and risk mitigation results of all corporate customers during the loans and investments review process. The group consistently encourage corporate customers to eliminate, reduce, mitigate, and compensate for negative environmental and social risks.

ii. Screening

Hana Financial Group requires the completion and submission of the '[Appendix I] Environmental & Social Risk Self-Checklist – Corporate banking' (hereinafter referred to as 'Corporate banking Self-Checklist') to assess environmental and social risks that may affect all financial transactions based on the environmental and social risk management policies, responsible organizations, activities, and performance voluntarily disclosed by clients.

If significant environmental and social risks related to clients are identified during the screening, Hana Financial Group conducts internal discussions and consultations between the Group's affiliates responsible for corporate fund loans and the corporate customers to discuss practical solutions and mitigation measures for the risks. If an agreement cannot be reached on the resolution of

environmental and social risks associated with the transaction, funding support to the client may be suspended.

iii. Impact Assessment

Hana Financial Group's ESG Teams, established within the group's holding company and affiliates, continuously oversight of significant environmental and social risks identified during the pre-assessment after the conclusion of financial agreements. In cases where unresolved risks persist, a credit review department, collaborates with the ESG Teams to conduct thorough due diligence. If necessary, independent third-party environmental and social experts may be engaged.

The due diligence process for client aligns with globally recognized principles as outlined in the Group's 'IV. Sector Policy' and 'Prohibited Industries and Activities'. Moreover, international institutions, such as the 'OECD Due Diligence Guidelines for Corporate Responsibility', inform and guide the implementation of relevant sections within these guidelines. The due diligence review assesses the suitability of financial transactions, and additional criteria may be applied. Justifications are reviewed for cases where the criteria are not met.

iv. Action

Hana Financial Group conducts a comprehensive review of environmental and social risks identified through the due diligence process for environmental and social impact assessment. Based on this review, appropriate improvement directions are identified, specific action plans are developed, and consultations are held with corporate customers. Furthermore, exposure limits for industries deemed to have high environmental and social risks are inspected and managed based on the findings of the due diligence process.

v. Monitoring

The ESG Team of the group's holding company and affiliates regularly reviews the progress and status of performance improvement. Additionally, third-party monitoring results conducted by reputable institutions with public confidence, such as multilateral and bilateral development finance institutions and the OECD Export Credit Agency, may be utilized.

B. Investment Banking and Advisory Services

i. Scope

Hana Financial Group identifies and manages environmental and social risks for all stakeholders involved in fund investments and advisory services. The scope of environmental and social risk management includes all investors investment products, including 'securities' for short-term investments and 'investment securities' comprising non-marketable shares and shares issued by related parties.

ii. Screening

Hana Financial Group evaluates the credit risk of entities receiving investment funds and advisory services, as well as its own reputation risk, and identifies environmental and social risks. If significant risks that cannot be improved or recovered are identified during the pre-assessment, the provision of investment funds and advisory services may be suspended.

iii. Impact Assessment

Hana Financial Group's ESG Teams, established within the group's holding company and affiliates,

continuously oversight of significant environmental and social risks identified during the pre-assessment after the conclusion of financial agreements. In cases where unresolved risks persist, a credit review department, collaborates with the ESG Teams to conduct thorough due diligence. The due diligence process for entities receiving investment funds and advisory services is based on the global principles stipulated in the Group's I. Sustainable Finance Policy. External certifications, investigations, and evaluation results related to ESG may be considered during the due diligence process.

iv. Action

Hana Financial Group conducts a comprehensive review of environmental and social risks identified through the due diligence process for environmental and social impact assessment. The Group engages in consultations with the parties involved in the transactions on specific actions to mitigate and resolve the risk, and the parties implements the improvement.

v. Monitoring

Hana Financial Group may utilize independent third-party environmental and social experts or conduct its own monitoring activities, when the entities receiving investment funds and advisory services are national, regional, or local governments, government departments, or agencies. Additionally, third-party monitoring results conducted by reputable institutions with public confidence, such as multilateral and bilateral development finance institutions and the OECD Export Credit Agency, may be utilized.

C. Project Finance

i. Scope

Hana Financial Group adheres to the 'Equator Principles' when providing financing for large-scale projects and conducts environmental and social risk assessments for project financing that meets the following criteria:

- ① Project Finance Advisory Services where total Project capital costs are US\$10 million or more.
- ② Project Finance with total Project capital costs of US\$10 million or more.
- ③ Project-Related Corporate Loans where all of the following three criteria are met:
 - i. The majority of the loan is related to a Project over which the client has Effective Operational Control (either direct or indirect).
 - ii. The total aggregate loan amount and the EPFI's individual commitment (before syndication or sell down) are each at least US\$50 million.
 - iii. The loan tenor is at least two years.
- ④ Bridge Loans with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described in 2 and 3 above.
- ⑤ Project-Related Refinance and Project-Related Acquisition Finance, where all of the following three criteria are met:
 - i. The underlying Project was financed in accordance with the Equator Principles framework.
 - ii. There has been no material change in the scale or scope of the Project.
 - iii. Project Completion has not yet occurred at the time of the signing of the facility or loan agreement.

ii. Screening

Hana Financial Group requires the completion and submission of the 'Appendix I: Environmental & Social Risk Self-Checklist – Corporate banking' (hereinafter referred to as 'Corporate banking Self-Checklist') to assesses the project type, purpose, and business content based on the 'Equator Principles'. The results of the environmental and social risk checklists for project finance are used to

classify project risk ratings.

iii. Impact Assessment

- **Categorization**

Environmental and social risks are systematically classified based on the severity of the risk scale and impact as follows.

For relatively high-level of Category B, it would be treated similarly to Category A, while relatively low-level of Category B may be subject to mitigated criteria compared to higher Category B.

- Category A: Projects with negative potential environmental and social risks and/or impacts that have various risks and/or impacts, irreversibility, or no precedents.
- Category B: Projects with limited negative potential environmental and social risks and/or impacts that the number of risks and/or impacts is low, generally limited to the project site, mostly recoverable, and easily manageable through mitigation measures.
- Category C: Projects with minimal or no negative environmental and social risks and/or impacts.

- **Due Diligence Methods and Criteria**

Hana Financial Group conducts due diligence of environmental and social risks considering the risk ratings and the necessity of assessment. Due diligence is mandatory for financial transactions categorized as Category A or relatively high-risk Category B.

A credit review department and the ESG Teams within the Group are responsible for conducting due diligence, and independent third-party environmental and social experts may be engaged.

The due diligence process evaluates whether the financial transactions meet comprehensive evaluation criteria and applies additional criteria when necessary. The 'Geographical Due Diligence Criteria' are used as additional due diligence criteria. Justifications are reviewed for cases where the criteria are not met.

- **Geographical Due Diligence Criteria**

Due diligence criteria include the laws, regulations, and licensing requirements of the country where financial products and services are provided, or projects are implemented. When a specific country cannot be specified for the scope of environmental and social risk impact, the due diligence process follows internationally recognized environmental and social risk management principles and standards, such as IFC's Performance Standards and the World Bank's Environmental, Health, and Safety Guidelines. Additionally, specific risks that may arise in the region are assessed based on the laws of the relevant country and the IFC's Performance Standards.

[When the risk impact is limited to a specific country]

: Assessment of environmental and social risks

→ Laws, regulations, and licensing requirements of the project country

[When the risk impact is not limited to a specific country]

: Assessment of environmental and social risks related to projects

1) International Finance Corporation (IFC) Performance Standards

2) World Bank Group's Environmental, Health, and Safety Guidelines

: Evaluation of project-specific risks.

: Laws/Regulations of the country where the project is located and the IFC Performance Standards.

iv. Action

Hana Financial Group conducts a comprehensive review of environmental and social risks identified through the due diligence process for environmental and social impact assessment. The Group engages in consultations with the parties involved in the transactions on specific actions to mitigate and resolve the risk and requires the parties to implement the agreed-upon improvement as part of the financial contract. If the agreed-upon requirements are not implemented, supplements and additional periods may be specified. Failure to implement the measures may be considered as a default.

For project financing and corporate loans related to Rating A projects and relatively high-risk Rating B projects, the Group monitors whether customers comply with the Equator Principles using independent third-party environmental and social experts both after financial close and during the loan period. However, the 'Action' stage may be excluded during the environmental and social risk review process of Hana Financial Group's affiliate companies² that are not signatories to the Equator Principles.

v. Monitoring

The ESG Teams of the group's holding company and affiliates regularly reviews the progress and status of performance improvement. Additionally, third-party monitoring results conducted by reputable institutions with public confidence, such as multilateral and bilateral development finance institutions and the OECD Export Credit Agency, may be utilized.

Hana Financial Group may utilize independent third-party environmental and social experts or conduct its own monitoring activities, when the entities receiving investment funds and advisory services are national, regional, or local governments, government departments, or agencies. Additionally, third-party monitoring results conducted by reputable institutions with public confidence, such as multilateral and bilateral development finance institutions and the OECD Export Credit Agency, may be utilized. The detailed plans for additional Monitoring are periodically determined through discussions between the Group Holding Company, affiliates and the issuer of securities. If the agreed-upon requirements are not implemented, supplements and additional periods may be specified. Failure to implement the measures may be considered as a default.

² Hana Bank was joined in July 2021.

[Appendix I] Environmental and Social Risk Self-Checklist – Corporate Banking

	Yes (+)	No (-)
1. ESG Management		
1.1 Does your company have and operate an ESG legal and regulatory compliance management system?		
1.2 Does your company publish a sustainability report or disclose non-financial performance?		
1.3 Does your company have a dedicated organization (personnel) for ESG management, with clearly defined roles and responsibilities?		
2. Environmental		
2.1 Does your company establish and implement short-term and long-term environmental management goals regarding greenhouse gas emissions, energy usage, water, and waste in its management policies and business plans?		
2.2 Does your company include plans for developing eco-friendly products or environmentally friendly process improvements in its management policies and business plans?		
2.3 Does your company possess manuals for greenhouse gas, air pollution, water quality, and waste management and engage in improvement activities?		
2.4 Does your company use renewable energy or have plans to use such energy in the production of products/services and operation of facilities?		
2.5 Does your company recycle, reuse, or have plans to do so for the waste generated during the production of products/services and operation of facilities?		
3. Social		
3.1 Does your company include social responsibility management in its management policies and business plans, covering labor rights, supply chain, consumer, information security, industrial accident prevention, and contributions to local communities, and actively promote them?		
3.2 Does your company have internal employment regulations, employment contracts, and standards for overtime work, and reflect improvements through sufficient consent procedures of internal stakeholders?		
3.3 Does your company conduct regular inspections for industrial accident prevention and safety management and reflect improvements through sufficient consent procedures of internal stakeholders?		
3.4 Does your company possess a fair contracting manual and comply with it?		
3.5 Does your company provide education and training on ESG management for employees?		

[Appendix II] E&S Risk Self-Assessment Checklist – Project Finance

	Yes (+)	No (-)
1. Environmental & Social Risk Management		
1.1 Does the borrower have a risk management process in place to identify, evaluate, reduce, manage, and monitor significant environmental and social risks associated with their business?		
1.2 Does the borrower hold any official certifications for environmental and social risk management systems at the operational level? (e.g., ISO 14001 for environmental management system, OHSAS 18001 for health and safety management system)		
1.3. Are the roles and responsibilities related to environmental and social risk management clearly defined for key stakeholders and personnel involved in the business?		
1.4 Does the borrower have an emergency response plan (e.g., Business Continuity Plan) in place to address unforeseen environmental and social risks based on the size of the business?		
2. Labor		
2.1 Does the business comply with international/domestic laws and regulations regarding human rights, such as those related to employment discrimination, child labor, and forced labor?		
2.2 Does the borrower have its own human rights policy established based on international human rights norms that applies to operations and all business activities?		
2.3 Does the borrower have an appropriate grievance handling process for human rights-related issues that allows for reporting and addressing any violations of its own human rights policy or international human rights norms?		
3. Efficient Utilization of Natural Capital		
3.1 Are key natural capital resources (water resources, soil, energy, etc.) that are crucially utilized in the business operations being identified?		
3.2 Has a plan been established to enhance the efficiency of key natural capital resources for the implementation of business operations?		
4. Community Health, Safety, and Security		
4.1 Are there any significant potential health, safety, and security risks that are expected to impact the local community during the project implementation? (e.g., sexual exploitation, forced labor, child labor, infectious diseases, etc.)		
4.2 Is there a designated security officer who has received the necessary security training required for project implementation?		
5. Land Compensation and Involuntary Resettlement		
5.1 Is there no possibility of land compensation and involuntary resettlement through coercive procedures during project implementation?		
5.2 Is there no potential for the project to restrict access to natural capital and limit economic activities based on the existing land use due to changes in land use?		

6. Biodiversity Conservation		
6.1 Is there no potential negative impact of the project on protected areas for biodiversity conservation, such as nationally designated areas for environmental conservation or ecological and landscape conservation areas? (e.g., introduction of invasive species, habitat contamination, etc.)		
7. Indigenous People Protection		
7.1 If the project could impact the livelihoods of indigenous people in the project area, have free, prior, informed consent (FPIC) been obtained from the indigenous communities?		
8. Cultural Heritage Protection		
8.1 Is there no potential negative impact of the project on nationally designated cultural heritage sites, archaeological sites, or internationally recognized World Heritage sites located in the area?		
8.2. If unexpected cultural heritage is discovered during the project implementation process, are appropriate procedures for cultural heritage protection established?		

III. Environmental · Social Risk Integration Policy

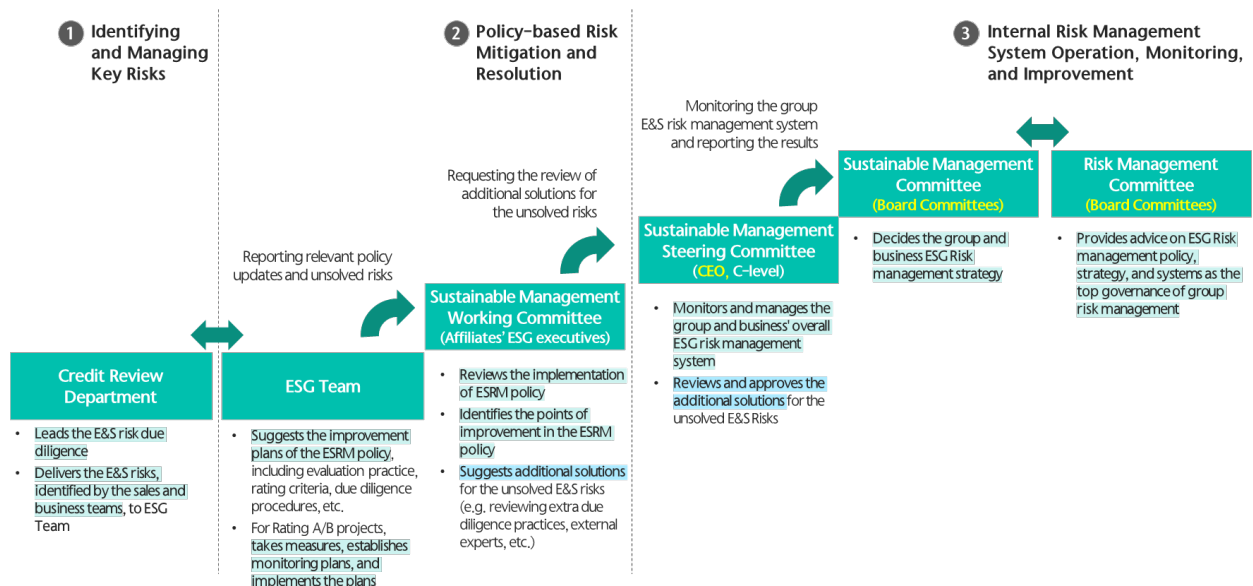
Hana Financial Group actively leverages external information and strengthens internal risk management to effectively manage environmental and social risks

In utilizing external information, the Group integrates ESG-related external certifications, investigations, and evaluation outcomes into financial products and services. Followings are examples of ESG investigations and evaluation criteria employed as part of the broader array of criteria to operate ESG products and services:

- Loan: Specific loan products or services that reflect borrowers' ESG awards/certifications/evaluation ratings (e.g., green loans).
- Investment: Referring to external sustainability indices, evaluations, ratings, or engaging in green/ESG bond acquisition.
- Products: Providing financial products such as funds, ETFs, etc., that track external sustainability indices or utilize ESG evaluations and ratings.
- Bond Issuance: Issuing certified green bonds, social bonds, sustainable bonds, etc., verified by third-party organizations.
- ESG ratings from credit rating agencies and credit information institutions.
- Government-sponsored ESG and green certification systems.
- Globally recognized assessments: Dow Jones Sustainability Index (DJSI), MSCI ESG, CDP, etc.

Environmental and social risks are integrated into the the Group's risk management system to strengthen internal risk management. Hana Financial Group's risk response comprises three stages: **1. Identifying and Managing key risks**, **2. Policy-based Risk Mitigation and Resolution**, and **3. Internal Risk Management System Operation, Monitoring, and Improvement**. For environmental and social risk management, each stage specifies the responsible entities, roles, and responsibilities for managing the related risks.

[Risk Reporting and Response System]



1. Identifying and Managing Key Risks

A credit review department and the 'ESG Teams' within the group identify environmental and social risks associated with transaction counterparties in Hana Financial Group's credit and loan portfolios. Operational departments, including sales and business divisions, are responsible for reporting major environmental and social risks identified during assessments to the ESG Teams within the group. The each ESG Team in a subsidiary collaborates with a credit approval department to conduct risk assessment or due diligence³ for environmental and social impacts on corporate banking, securities issuers, all financial products, services, and project finance provided by Hana Financial Group, based on all relevant policies within the sustainable finance framework.

2. Policy-based Risk Mitigation and Resolution

A credit review department and the ESG Teams formulate and regularly update environmental and social risk management policies, including criteria for reviewing risks and ways to conduct reviews, considering new regulations, legal improvements, changes in management scope due to portfolio expansion, and other improvement needs. A credit review department and the ESG Team also establish appropriate measures and monitor plans based on policy guidelines for the identified environmental and social risks.

Environmental and social risks are reported to the 'Sustainable Management Working Committee' a consultative body composed of ESG executives from Hana Financial Group and its affiliates when a credit review department and the ESG Team defines E&S risks need to be reported. The Sustainable Management Working Committee reviews the implementation of risk management policies of the Group and each affiliate, identifies areas requiring improvement in terms of policy implementation, and provides additional measures to address unresolved environmental and social risks. It is responsible for reporting to the 'Sustainable Management Steering Committee,' which consists of CEO and C-level executives.

3. Internal Risk Management System Operation, Monitoring, and Improvement

The Sustainable Management Steering Committee, composed of the CEO and C-level executives of Hana Financial Group and its affiliates, is delegated the authority from the 'Sustainable Management Committee' under the board to regularly monitor and review the overall operation of the environmental and social risk management system. The committee also reviews additional measures proposed by the Sustainable Management Working Committee to ensure appropriate consideration of unresolved environmental and social risks.

ESG risk management policies, strategies, and systems related to Hana Financial Group and its subsidiaries are regularly presented to and reviewed by the Sustainable Management Committee. As increasing influence of non-financial risks in the financial industry, matters related to significant environmental and social risks receive advisory support from the 'Risk Management Committee,' which has some expertise in integrated management of financial and non-financial risks.

³ For the roles and responsibilities of the Group Credit Review Department during the due diligence process, please refer to the 'II. Environmental and Social Risk Management Policy, 3. Environmental and Social Risk management' section, specifically the content under 'A. Corporate Banking/B. Investment and Advisory Services/C. Project Finance – iii Environmental and Social Impact Assessment'.

IV. Sector Policy

The Sector Policy is implemented across all financial products and services offered by Hana Financial Group, with the aim of mitigating potential environmental and social risks as well as risks specific to each industry to minimize negative impacts. We strictly prohibit the handling of financial products and services that can lead to significant problems.

Hana Financial Group has formulated comprehensive policies specific to each industry, considering the **[I. Policy Implementation Criteria]**, that are designed to effectively address environmental and social risks associated with the agriculture and fisheries, forestry, mining, oil refining and gas, and energy sectors. In alignment with these industry-specific policies, decisions regarding the handling of financial products and services are made in accordance with II. Environmental and Social Risk Management Policy.

[I. Policy Implementation Criteria]

Hana Financial Group reviews the compliance of companies with international agreements, local laws, and regulations related to each industry in the countries where they operate. Additionally, based on industries, the following priority, exclusion, and external policy adoption criteria are reviewed to determine whether Hana Financial Group should engage in the provision of financial products and services.

- Priority
 - Criteria that require specific and systematic responses during the evaluation process
 - For project financing, many criteria required by priorities must be met
 - Evaluation of customer intent to proceed with a project based on criteria required by priorities for project advisory services
- Exclusion
 - Criteria for excluding specific types of companies, transactions, development of products and services
- Global Initiative Adoption
 - Global principles, initiatives, etc., recommended by Hana Financial Group as supplementary references for industry policy compliance and actively recommended to customers

Hana Financial Group transparently communicates policies and standards for each industry to external stakeholders such as suppliers and customers and pays close attention to the opinions raised about related risks. A large portion of the group's asset portfolio and the high GHG emission industry, including the steel and chemical industries, are designated as **[II. Carbon-intensive Industry]** and additionally managed.

[II. Carbon-intensive Industries]

Hana Financial Group is applying the commitments made in the 'Hana Financial Group Coal Declaration,' announced in March 2021, to all financial investment and support activities, including all credit loans, bond underwriting, and project finance, in relation to the mining, power generation, and distribution of fossil fuels, which are representative greenhouse gas emitting industries. The Group is phasing out all new financial support and investments in related industries, and actively encouraging its holding companies and affiliates to establish and implement mid- to long-term coal phase-out targets for the low-carbon transition for existing financial support and investments. If the share of revenue from fossil fuel and coal-related industries exceeds a certain threshold, all financial support and investments may be suspended or withdrawn.

In addition to fossil fuel-related industries, the Group also designates 'Carbon Intensive Industries' such as steel and chemicals as **[ESG Restricted Industries/ Industries with ESG-concerns]**, taking such designations into account when making decisions on the handling of financial products and services. Companies and projects in ESG-restricted/considerable industries review environmental and social risk assessments based on their scale and determine financing decisions in accordance with 'The Korean Green Taxonomy(K-Taxonomy) Guideline.'

[ESG Restricted Industries]

- Mining of coal and lignite (KSIC B05100)
- Extraction of crude petroleum and natural gas (KSIC B05200)
- Mining support service activities (KSIC B08000)
- Thermal power generation (KSIC D35113)

[Industries with ESG-concerns]

- Manufacture of basic iron and steel (KSIC C241)
- Manufacture of basic precious and non-ferrous metals (KSIC C242)
- Casting of metals (KSIC C243)
- Manufacture of basic chemicals (KSIC C201)
- Manufacture of plastics and synthetic rubber in primary forms (KSIC C202)
- Manufacture of fertilizers, pesticides, germicides, and insecticides (KSIC C203)
- Manufacture of other chemical products (KSIC C204)
- Manufacture of man-made fibers (KSIC C205) etc.

1. Agriculture and Fisheries

A. Scope of Sector Activities

- Large-scale grain production (including cereals, palm oil, coffee, sugarcane, etc.), large-scale cultivation of vegetables/horticulture/flowers/fruits, livestock breeding, transportation, slaughter and processing, aquaculture and fisheries, cooperative associations.
 - Relevant KSIC industry codes: Agriculture (A01), Fisheries (A03)
 - Financing and investments related to palm oil or soybean require transactions only with farms or companies certified by RSPO (Roundtable on Sustainable Palm Oil) or RTRS (Roundtable on Responsible Soy).

B. Sector Specific E&S Risks

- **Environmental Risks:**
Deforestation and habitat destruction due to agricultural land conversion, soil and water contamination from the use of harmful fertilizers and pesticides, etc.
- **Social Risks:**
Violation of human rights/labor rights, child labor, forced labor, threats to food safety, income inequality due to farm monopolies, social disruptions in rural areas due to illegal land occupation, etc.

C. Priority

- **General Environmental Management:**
 - Obtaining environmental management certification such as ISO 13001 or equivalent level.
 - Implementing measures to reduce environmental impacts, such as monitoring greenhouse gas emissions, efforts to reduce emissions, improving energy efficiency, and ensuring safe disposal of waste. Transparent disclosure of measures to mitigate environmental impacts.
 - Obtaining environmental certifications or participating in sustainability initiatives.
- **Working Conditions and Respect for Human Rights:**
 - Providing employee training programs on environmental risks and social issues.
 - Specifying maximum working hours in labor policies.
- **Health and Safety:**
 - Obtaining occupational health and safety management certification such as OHSAS 18001 or equivalent level.
 - Establishing 'Safety Management Policies' that include risk reduction and preventive measures

D. Exclusion

- **Biodiversity Conservation:**
 - Agricultural activities within protected areas such as World Cultural Heritage sites, national protected areas, etc.
 - Agricultural activities within areas of high conservation value (archaeological sites, natural resource burial sites, etc.).
 - Trade of plants or animal species or products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

- **Working Conditions and Respect for Human Rights:**
 - Prohibition of child labor and forced labor.
 - Lack of separate channels for addressing employee grievances.
 - Prohibition of employment discrimination.
 - Lack of separate human resources management policies or codes of conduct.
 - Ensuring freedom of association for workers.

- **Health and Safety:**
 - Lack of health and safety management plans

E. Global Initiative Adoption

- International Labor Organization (ILO), ‘Declaration on Fundamental Principles and Rights at Work.’
- Food and Agriculture Organization of the United Nations (FAO), ‘International Code of Conduct on Pesticide Management.’
- FAO, International Fund for Agricultural Development (IFAD), United Nations Conference on Trade and Development (UNCTAD), World Bank, ‘Principles for Responsible Agricultural Investment (PRAI).’
- FAO, ‘Guidelines on Responsible Governance of Tenure of Land, Fisheries, and Forests.’
- FAO, ‘Responsible Agricultural Supply Chain Guidelines.’
- FAO, ‘Sustainability Assessment of Food and Agriculture Systems (SAFA).’
- United Nations Environment Programme Finance Initiative (UNEP-FI), ‘Natural Capital Credit Risk Assessment for Agricultural Loans.’
- International Finance Corporation (IFC), best practices related to improving animal welfare in livestock operations.
- Aquaculture Stewardship Council (ASC) certification.
- Global Aquaculture Alliance (GAA), Best Aquaculture Practices (BAP) certification.
- Ministry of Environment, ‘Act on the Conservation and Utilization of Biological Diversity.’

2. Forestry

A. Scope of Sector Activities

- **Forestry:**
 - Timber harvesting, forest product manufacturing, forest product distribution and processing, wildlife cultivation, etc.
 - Relevant KSIC industry code: Forestry (A02)

B. Sector Specific E&S Risks)

- **Environmental Risks:**
 - Destruction of ecosystems due to forest logging, ecological disruption due to the introduction of invasive species resulting from changes in forest environments, forest fires, landslides, reduction in greenhouse gas absorption capacity of forests leading to climate change impacts, decrease in wildlife populations, etc.
- **Social Risks:**
 - Violation of human rights/labor rights, child labor, forced labor, negative impacts on residents or small-scale forestry workers within the local community, etc.

C. Priority

- Having policies and procedures in place to comply with the law and prevent illegal logging.
- Participation in major sustainability certifications and initiatives in the industry (Forest Stewardship Council (FSC), Program for the Endorsement of Forest Certification (PEFC), etc.).
- Downstream companies in the forestry sector considering sustainability in their environmental and social policies.
- Developing plans for transitioning to environmentally friendly bleaching technologies such as Elemental Chlorine-Free (ECF) or Totally Chlorine-Free (TCF) in accordance with International Finance Corporation (IFC) recommendations for existing factories using bleaching processes.
- Publicly disclosing monitoring and management measures for wastewater and air emissions.

D. Exclusion

- **Biodiversity Conservation:**
 - Agricultural activities within protected areas such as World Cultural Heritage sites, national protected areas, etc.
 - Agricultural activities within areas of high conservation value (archaeological sites, natural resource burial sites, etc.).
 - Trade of plants or animal species or products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- **Working Conditions and Respect for Human Rights:**
 - Prohibition of child labor and forced labor.
 - Lack of separate channels for addressing employee grievances.
 - Prohibition of employment discrimination.
 - Lack of separate human resources management policies or codes of conduct.
 - Ensuring freedom of association for workers.
- **Health and Safety:**
 - Lack of health and safety management plans

3. Mining

A. Scope of Sector Activities

- Mining of minerals, planning and development of mines and related facilities, mine operation, mine closure, mine reclamation, on-site processing of extracted minerals, and all activities related to mining.
 - Relevant KSIC industry codes:
Coal, petroleum, and natural gas mining (B05), metal mining (B06), non-metallic mineral mining excluding fuel (B07), mining support services (B08).
 - However, in cases where funds are raised for the purpose of green activities and enhancing social sustainability, exceptions may be considered. In such cases, the purpose of fund acquisition must comply with the criteria of the Ministry of Environment's 'The Korean Green Taxonomy(K-Taxonomy) Guideline.'

B. Sector Specific E&S Risks

- **Environmental Risks:**
Damage to cultural heritage sites and habitats of endangered species due to mine operation and mineral extraction, contamination spreading upstream of water sources due to mining activities, illegal dumping of mining waste in riverbanks or coastal areas causing local pollution, increased greenhouse gas emissions due to mining, secondary environmental pollution from truck transportation and related road construction activities, etc.
- **Social Risks:**
Increase in accident rates due to inadequate health and safety management for mine workers, child labor, forced labor, displacement due to the loss of residence or assets of indigenous people, negative impacts, and grievances in local communities, etc.

C. Priority

- Monitoring and management of major environmental and social risks
 - Health and safety, tailing disposal, biodiversity impact, human rights impact, and impacts on local community stakeholders.

D. Exclusion

- Companies or projects with Coal mining-related revenue exceeding 50% of total revenue.
- Companies and projects related to Asbestos mining.
- Development, construction, and expansion of mining activities located within internationally protected areas, such as UNESCO-designated World Heritage sites and Ramsar sites.
- Any mining-related activities that have a significant negative impact on the universal value of World Heritage sites.

E. Global Initiative Adoption

- International Council on Mining and Metals (ICMM)
- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights

4. Oil and Gas

A. Scope of Sector Activities

- Refining and gas: Exploration, drilling, mining, refining, processing, transportation, infrastructure development for storage and export of petroleum and gas resources, and trading activities.
 - Relevant KSIC industry code
 - : Crude oil and natural gas extraction (B05200); excluding natural gas not listed under ‘Exclusion.’
 - : Coke, coal, and petroleum product manufacturing (C19), chemical and chemical product manufacturing excluding pharmaceuticals (C20).
 - However, in cases where funds are raised for the purpose of green activities and enhancing social sustainability, exceptions may be considered. In such cases, the purpose of fund acquisition must comply with the criteria of the Ministry of Environment's ‘The Korean Green Taxonomy(K-Taxonomy) Guideline.’

B. Sector Specific E&S Risks

- **Environmental Risks:**

Damage to protected ecological habitats due to increased accessibility, emission of air pollutants during refining and gas production processes, methane leakage, increased water consumption for refining and cooling operations with negative impacts on water resources, wastewater management, potential contamination of groundwater and surface water, disposal of drilling waste into the ocean, oil spills, negative impacts of hazardous chemicals, etc.
- **Social Risks:**

Fire and explosion accidents, increased accident rates due to inadequate health and safety management for workers, displacement due to the loss of residence or assets of indigenous people, negative impacts and grievances in local communities, conflicts with military operation zones, labor exploitation due to mining operations in countries with high corruption exposure and human rights violations.

C. Priority

- Monitoring and management of major environmental and social risks
 - Biodiversity impact, human rights impact, and impacts on local community stakeholders.
- Companies monitoring and publicly disclosing their greenhouse gas emissions.
- Possessing methane detection and management programs during industrial facility operations.
- Adhering to exemplary environmental and social practices that address key issues identified in the International Energy Agency's ‘Golden Rules.’

D. Exclusion

- Companies involved in new projects (including expansion of existing projects) that mine the following resources, where the proportion of the resources listed below in the entire production cycle exceeds 50%:
 - Tar sands, shale oil and gas, Arctic oil and gas, ultra-deep-water oil and gas.

E. Global Initiative Adoption

- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Oil & Gas Climate Initiative (OGCI)

5. Energy

A. Scope of Sector Activities

- Gas power plants, coal power plants, waste-to-energy power plants, biomass power plants, combined heat and power plants, nuclear power plants, etc.
 - Relevant industry according to the Korean Standard Industrial Classification (KSIC) : Power generation (D3511)
 - However, in cases where the purpose of funding is to promote green activities and enhance social sustainability, exceptions may be considered. In such cases, the funding must comply with the criteria of the Ministry of Environment's 'The Korean Green Taxonomy(K-Taxonomy) Guideline.'
 - Financing of new projects related to coal-fired power plants (D35113) is fundamentally prohibited. However, for other project financing, corporate loans, and investments, the decision to handle them will be based on the following industry policy criteria.

B. Sector Specific E&S Risks

- **Environmental Risks:**
Emissions of hazardous chemicals, greenhouse gases, etc., using fossil fuels; erosion of tidal flats and fisheries due to landfill formation and waste disposal; disruption of seawater flow and changes in currents; destruction of marine ecosystems due to increased water temperature from thermal discharge.
- **Social Risks:**
Health and safety of power plant workers; health and safety of residents near power plant sites; conflicts in communities where power plant facilities are located, etc.

C. Priority

- Monitoring and management of major environmental and social risks
- Corporations monitoring greenhouse gas emissions and disclosing emission levels
- Environmental impact management
 - For power generation within areas requiring biodiversity protection, appropriate third-party impact assessments should be conducted.
 - Compliance with country-specific greenhouse gas emission standards.
 - For gas-fired combined cycle power plants with a capacity of over 300 MW, compliance with maximum emission intensity (420kg CO₂eq/MWh); for thermal power plants incinerating waste, evaluation of energy efficiency based on global standards.
 - Hydropower plants with a capacity of 20 MW or higher or dam height of 10 m or higher will be considered for handling only if they meet the environmental and social risk limitations specified by the 'International Hydropower Association Sustainability Assessment Protocol.'
- Carbon capture and storage
 - Possession or development of regulatory frameworks for carbon capture and storage and compliance with local regulations related to thermal power plants within the country.
 - For transactions related to carbon capture projects or their components, confirmation of project alignment with the UNFCCC format and procedures for CO₂ capture and storage through independent third-party evaluations.

D. Exclusion

- Companies or projects with coal power generation activities where the revenue exceeds 25% of total revenue
- Companies or projects with coal infrastructure construction activities where the revenue exceeds 25% of total revenue
- Development, construction, and expansion of energy generation activities located within internationally protected areas, such as UNESCO World Heritage Sites or Ramsar sites
- Activities that have a significantly negative impact on the universal value of World Heritage Sites

E. Global Initiative Adoption

- UN Framework Convention on Climate Change (UNFCCC) and related protocols and agreements
- Performance Standards of the International Finance Corporation (IFC)
- Environmental, Health, and Safety Guidelines for Thermal Power Plants by the World Bank
- Guidelines of the European Union Emissions Trading System (EU ETS) (EU) 2018/410
- World Resources Institute (WRI)
- Kyoto Protocol
- Climate Disclosure Program (CDP)
- World Wildlife Fund (WWF), Water Risk Filter
- World Resources Institute (WRI), Water Risk Atlas
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Science-Based Targets initiative (SBTi)

V. Biodiversity Policy

1. Introduction

Biodiversity is a concept that encompasses all-natural capital, including freshwater, soil, oceans, and resources.

Biodiversity plays a key role in enabling ecosystems to provide essential products and services for human life and over half of the global economy significantly relies on nature. The World Economic Forum (WEF) Global Risk Report annually highlights the risks associated with biodiversity loss alongside climate change.

Biodiversity loss has negative impacts not only on the economy but also on the financial sector. As economic activities rely on natural ecosystems, biodiversity loss disrupts the balance of raw material supply and undermines climate change mitigation and adaptation efforts, adversely affecting business operations and industries, which ultimately leads to financial losses for investors. Financial institutions are exposed to direct and indirect risks associated with biodiversity loss by providing funding to customers engaged in economic activities reliant on biodiversity. Moreover, providing funding to companies with a negative impact on biodiversity poses reputation risks for financial institutions.

Hana Financial Group, as a leading financial institution in Korea, aims to minimize associated risks and potential impacts, recognizing biodiversity as a crucial aspect of corporate management. The Group has implemented a sustainable finance framework and industrial policies that incorporate biodiversity factors across all financial activities, and actively practices ESG management and sustainable finance for biodiversity conservation, including signing the 'Joint Declaration on Biodiversity conservation' with more than 30 global financial institutions and international financial organizations such as the World Bank Group and the International Finance Corporation (IFC).

Moving forward, Hana Financial Group will continue to acknowledge the financial industry's role in safeguarding biodiversity and natural capital while actively responding to the issues.

2. Our commitment

In the Kunming-Montreal Global Biodiversity Framework adopted by 196 countries in December 2022, four main goals for achieving a vision of 'Living in Harmony with Nature' by 2050 and 23 practical targets for 2030 were announced. This framework aims to foster collaboration among actors in the public and private sectors, including financial institutions, to transform their relationship with nature across society and the economy. As a participating institution in the Joint Declaration on Biodiversity conservation, Hana Financial Group commits to fulfilling the role in achieving related goals.

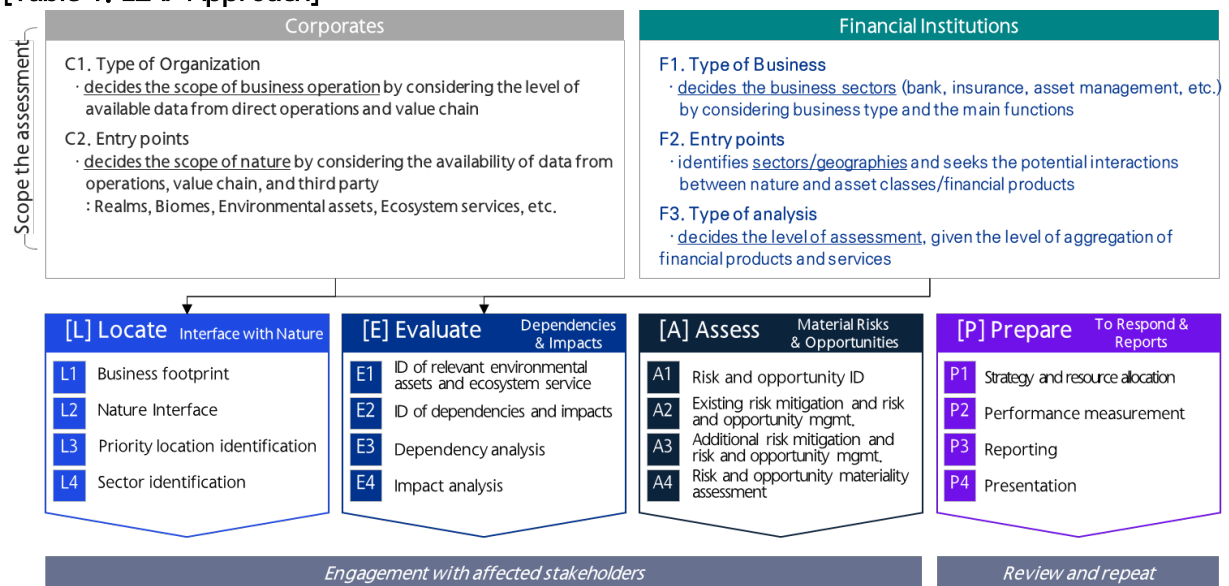
3. Risk assessment

Biodiversity-related risks can arise in various ways. These risks include physical risks influenced by the location of operations, policy risks arising from strengthened biodiversity-related policies and regulations, market risks resulting from changes in consumer awareness, and financial risks related to revenue, asset impacts, and financing.

Financial institutions must identify, measure, and manage the financial risks specific to biodiversity within their respective industries. According to an OECD report⁴, financial risks include asset losses associated with environmental destruction and extreme weather events, insurance risks related to biodiversity loss and increased financing costs due to strengthened lending requirements for companies with negative impacts or high dependencies on biodiversity.

To address these risks, Hana Financial Group has established and operates an Environmental and Social Risk Management (ESRM) system to identify, assess, and manage environmental and social risks, including biodiversity issues, for all credit transactions and investment portfolios within the group. Hana Financial Group is a TNFD (Task Force on Nature-related Financial Disclosures) signatory and measures biodiversity risks based on the LEAP-FI (Table 1) methodology, which is specialized for financial institutions. The measured biodiversity-related risks and their impacts are integrated into the existing ESRM (Environmental and Social Risk Management) to comprehensively manage risks related to financial services.

[Table 1. LEAP Approach]



Source: The TNFD Nature-related Risk and Opportunity Management and Disclosure Framework Beta v0.4

Hana Financial Group intends to focus on and manage the following biodiversity-related risks in specific areas of the group's operations, borrowers, and financial products, according to TNFD's classification criteria. (Please refer to Annex 1.)

4. Relevant Initiatives/Laws

A. Major International Initiatives

- Convention on Biological Diversity (CBD): Adopted in May 1992 at the United Nations Conference on Environment and Development, the CBD aims to ensure the fair and equitable distribution of

⁴ Biodiversity: Finance and the Economic and Business Case for Action (2019)

benefits derived from the conservation and sustainable use of biological diversity.

- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES): This agreement protects endangered wildlife threatened by illegal or excessive international trade, regulating trade to suppress disorderly collection and capture of wild animals from their habitats.
- Ramsar Convention: An international treaty aimed at the conservation and wise use of wetlands, which are of high ecological, social, economic, and cultural value, through regional, national, and international cooperation.
- United Nations Convention to Combat Desertification (UNCCD): This agreement aims to establish long-term comprehensive strategies for preventing desertification, mitigating its effects, and promoting the recovery, conservation, and sustainable management of water resources in countries experiencing severe land degradation and desertification, including African regions.
- International Union for Conservation of Nature (IUCN): An organization focused on the evaluation of the efficient management of natural protected areas (such as national parks and wetland reserves) in each country and providing policy support for enhancing biodiversity.
- World Heritage Convention: An organization was established in 1972 with the primary goal of prioritizing the preservation of natural and cultural heritage and identifying and protecting areas eligible for inclusion in the World Heritage List. Member countries commit to preserving the World Heritage sites located within their territories and regularly reporting on their conservation status.

B. Key Korea Domestic Laws

- Act on the Conservation and Use of Biological Diversity: A comprehensive national management system enacted to conserve and manage biodiversity systematically and provide a legal foundation for the sustainable use of biological resources, in line with the international trend of enhancing national sovereignty over biological resources.
- Wildlife Protection and Management Act: A law developed to establish protective measures for wildlife habitats and formulate mid- to long-term conservation plans for endangered wildlife species facing difficulties in continuous survival.
- Wetland Conservation Act: A law to promote the efficient use of the land by efficiently preserving and managing wetlands with biodiversity and pollutant purification functions, and to contribute to the promotion of international cooperation related to the Ramsar Convention.
- Natural Environment Conservation Act: A law protecting the natural environment from artificial destruction, preserves various natural ecosystems, and prevents the extinction of valuable species caused by human activities, ensuring the conservation and sustainable use of nature.
- Special Act on the Conservation, Management, and Utilization of World Heritage: Legislation specifying necessary provisions for the conservation, management, and utilization of world heritage sites in alignment with the World Heritage Convention, promoting national pride in cultural heritage and contributes to international cooperation in preserving the common heritage of humanity.

5. Biodiversity Risk Assessment Criteria

Hana Financial Group conducts customer evaluations and assesses loans and investment decisions based on a decision-making process focused on biodiversity response.

A. Customer Evaluation

Hana Financial Group prioritizes customers who have secured third-party certification and verification if their business activities are expected to have a significant direct or indirect impact on biodiversity. For Companies without such certification, the due diligence of their biodiversity-related risk is conducted by Hana Financial Group.

- **Certified Customers:** Customers who have obtained third-party certification related to biodiversity and meet the legal, environmental, and social criteria specified by the certification.
- **Verified Customers:** Some customers provide evidence of fulfilling quantitative/qualitative targets and commitments through third-party verification.
- **Due Diligence:** In cases where an impact on biodiversity is expected but there is no third-party certification, an inspection is conducted during the financial services review process to assess the relevant factors.

B. Suitability Assessment for Loans and Investments

Hana Financial Group clients are required to submit evidence of responses to relevant domestic and international regulations when it is determined that an area where an individual project, including project finance and investment, is located within a biodiversity conservation area and could potentially have a significant impact. Third-party assessments are conducted to evaluate the potential impacts and assess the adequacy of response measures for mitigating and restoring negative impacts.

Hana Financial Group identifies, assesses, and manages the environmental and social risks of the project for individual investments by applying the principles and procedures set out in The Equator Principles based on the International Finance Corporation's (IFC) Performance Standards⁵.

6. Implementation Strategies

Hana Financial Group actively implements strategies for biodiversity risk mitigation in accordance with the recommendations of the Finance for Biodiversity pledge.

- **Collaboration and participation in initiatives for biodiversity with other financial institutions:**

Hana Financial Group participates in global forums and actively engages in relevant discussions regarding measuring biodiversity risks, setting targets, and joint responses among financial institutions. Hana Financial Group, as a member of PRB (Principles for Responsible Banking) and the Equator Principles, is developing and implementing policies related to biodiversity.
- **Strengthening cooperation with customers related to biodiversity impacts and dependencies and**

⁵ The International Finance Corporation (IFC) sets eight performance standards for development projects that consider financing with Performance Standards on Environmental and Social Sustainability

adjusting investment strategies:

Hana Financial Group develops and applies key industry-specific management policies to manage biodiversity (nature-based) risks in corporate lending and investment processes. The Group expects our customers and portfolio companies to comply with the following guidelines based on their company size and exposure levels. In unavoidable cases, the Group prohibits direct investment and provision of related products/services to non-compliant companies.

○ **Measurement, evaluation, and mitigation of biodiversity impacts, risks, and dependencies:**

Hana Financial Group measures natural capital risks, assesses portfolio exposure, and identifies the impacts on the group. Based on understanding these biodiversity impacts, Hana Financial Group continues its efforts to reduce negative impacts and expand positive impacts related to biodiversity.

○ **Setting global targets and aligning with the CBD GBF (Global Biodiversity Framework) goals post-2020:**

Hana Financial Group actively participates in activities to achieve the goals presented by the GBF based on the Joint Statement of Support for Biodiversity.

○ **Disclosure of positive and negative impacts on biodiversity:**

Hana Financial Group will regularly review its approach to nature and biodiversity to continuously improve its contributions to nature conservation and biodiversity. In addition to the Sustainable Management Report, Hana Financial Group intends to disclose its activities and performance related to nature and biodiversity through reports such as CDP (Carbon Disclosure Project) and TNFD (Task Force on Nature-related Financial Disclosures).