BNK Financial Group

ESG Policy Book

Environmental and Social Risk Management Policy Framework

BNK Financial Group

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Environmental and Social Risk Management Policy Framework

1. Background

- As environmental and social issues related to corporate activities, such as the climate crisis, biodiversity, workers' human rights, and health and safety, become risks that companies must actively address, the need to proactively manage these environmental and social risks has grown significantly. Particularly for financial institutions, environmental and social risks are now recognized as material factors to consider in loan and investment decision-making, alongside traditional risk management like credit and market risks.

- To proactively respond to these changing external environment, BNK Financial Group has identified key tasks that need to be managed from an environmental and social perspective in relation to the group's financial support. BNK Financial Group has also established an environmental and social risk management system to operate consistent policies at the group level.

- Furthermore, BNK Financial Group has established an ESG Committee within the Board of Directors to ensure that environmental and social issues are discussed at the board level. BNK Financial Group has also set up a dedicated ESG department to develop ESG management strategies and manage the implementation performance.

2. Objective

- BNK Financial Group has established the "Environmental and Social Risk Management Policy Framework" to proactively manage various potential risks in environmental and social aspects by considering and managing the impact of the financial institution's corporate activities on the environment and society. This framework aims to prepare processes to identify, measure, monitor and manage environmental and social risks during financial support, and to proactively address the diverse environmental and social risk factors to promote the Group's sustainable growth.

3. Application Scope

- This policy applies to all products and services provided by BNK Financial Group and its subsidiaries, including corporate loans, retail, private banking, investment banking (IB), project financing, and asset management, etc.

4. Basic Principles

- BNK Financial Group complies with the following principles to manage the Group's environmental and social risks.

1. BNK Financial Group acknowledges that environmental and social risk management is a material factor for the group's sustainable growth.
2. BNK Financial Group operates a framework to identify, measure, and manage environmental and social risks, and reflect these in the group's investment and loan decision-making processes.
3. BNK Financial Group designates and manages areas with significant negative environmental and social impacts as exclusion and cautionary areas.
4. BNK Financial Group assesses the environmental and social impacts of large-scale development projects, and if the results indicate significant negative impacts, we assess the environmental and social risks and prepare mitigation measures to reduce these risks.
5. BNK Financial Group transparently discloses major policies related to environmental and social risk management and actively communicate with stakeholders.
6. BNK Financial Group enhances awareness and improves risk management capabilities regarding environmental and social risks through employee's participation and training.

5. Environmental and Social Risk Management System

- BNK Financial Group actively takes improvement measures for potential or identified risks in financial transactions and investment support targets by presenting the following principles and standards related to exclusion areas, caution areas, and support areas. Each ESG factor reflected in the loan and investment processes are as follows.

Environment	Environmental management systems, degree of contribution to environmental issues, the acquisition status of environmental certifications, carbon emissions, climate change, energy use, wastes and recycling, regulations, legal risks, etc.
Society	Level of labor-management cooperation, experiences of labor-management disputes and wage levels, welfare facilities, welfare benefits systems, controversial business, employment relations, responsible sales, human asset management, health and safety, etc.
Governance	Commitment to ethical management, cases of ethical management violations, status of compliance system operation, reliability and transparency, shareholder rights exercising procedures, executive compensation system, bribes and corruption, shareholder rights, etc.

5.1 Exclusion and Caution Areas

- The sustainable finance industry policy has established the following industry-specific management policies to manage environmental and social risks for corporate loans and target companies for investment.

- These policies are considered in all investment and loan decision-making processes, but the application may vary depending on individual products and services during the review process.

5.1.1 Detailed Areas

Energy Related Industries	Companies for corporate loans and investments must establish an environmental management system to minimize the generation of pollutants during the processes of energy generation, transmission, distribution, and transformation. Additionally, they must implement various programs to enhance the health and safety of employees and strive to improve the living conditions of local community residents.
Oil and Gas Related Industries	Companies for corporate loans and investments must establish an environmental management system to promote sustainable oil and gas extraction. They must also strive to reduce air and water pollutants generated during oil refining and gas supply. They make efforts to ensure the health and safety of employees in the workplace, and to this end, forced labor must be prohibited.
Agriculture, Fisheries, and Food Industry	Encourage the acquisition of the green certifications for corporate loans and investment target companies considering environmental and social responsibilities, and recommend strengthening the environmental management systems of agricultural, fisheries, and food industry sites to improve environmental pollution and labor conditions. Additionally, we emphasize the responsibility for land and sea use and the preservation of biodiversity.
Forestry	Corporate loans and investment target companies are encouraged to obtain international certifications for sustainable forest resource management and to minimize environmental destruction caused by deforestation. The strengthening of environmental management systems and efforts to improve environmental pollution and working conditions at forestry sites are also assessed.
Mining	Corporate loans and investment target companies are encouraged to establish environmental management systems for managing environmental impacts and ensuring sustainable extraction, as well as to promote land use and biodiversity preservation. The focus is on minimizing environmental pollution caused by mining and strengthening interaction with local communities.
Others	In the execution of ongoing or planned projects, efforts shall be made to minimize any adverse impacts on the environment, ecosystems, and local communities by comprehensively taking into account environmental factors(carbon emissions, climate change, waste management and recycling, biodiversity, etc.), social factors(human rights, labor rights, etc.), or governance factors(ethical management, bribery and corruption, etc.).

5.1.2 Exclusion and Caution Area Management Plan

- BNK Financial Group reviews projects to determine if they fall within exclusion and cautionary areas, and the management process for these areas is considered on a per-transaction basis.

- BNK Financial Group strives to fully consider the environmental and social impacts when deciding whether to proceed with financial transactions and investment activities for projects that are exclusion and cautionary areas.

- If a project under transaction is determined to fall under exclusion and cautionary areas, loan and investment-related activities may be suspended.

- BNK Financial Group immediately notifies the customer of the suspension of loan and investment-related activities along with the reason for the suspension. Additionally, the case is internally shared to serve as a reference for similar projects in future loan and investment decision-making processes.

- For the exclusion and cautionary areas, management plans must be established, including the selection of key monitoring items from environmental and social perspectives. Monitoring can be conducted on trends in greenhouse gas emissions exposure, industry status, etc., to ensure compliance with applicable laws and regulations such as domestic and international policies, laws, and guidelines. Additionally, monitoring targets can be expanded to strengthen management plans for each area in the future.

- By expanding financial products, investments, and loans necessary to support the implementation of low-carbon strategies and the achievement of carbon neutrality goals for companies in the exclusion and caution areas, we aim to induce their transition to a low-carbon economy. For this purpose, various preferential terms related to financial transactions can be applied to companies in the exclusion and cautionary areas as needed.

5.2 Support Areas

5.2.1 Detailed Areas

- BNK Financial Group manages support areas by selecting economic activity sectors that can have a positive social and environmental impact at the group level.
- Based on the Ministry of Environment's 'Korean green classification system (K-Taxonomy)' and Application Guide,' BNK Financial Group has established a green finance system (refer to Appendix 1).
- Industries, activities, and projects that meet BNK Financial Group's classification standards for social asset (refer to Appendix 2) are also classified as support areas.

5.2.2 Management Plan for Support Areas

- BNK Financial Group will continuously identify and support economic activities that align human and environmental/social harmony, such as carbon neutrality, climate crisis adaptation and mitigation, resource circulation, biodiversity, environmental impact reduction, human rights protection, responsible sales, and health and safety.
- We continuously identify and implement preferential measures through the expansion of direct and indirect financial support for companies in the support areas.
- Subsidiaries follow the support areas selected by the holding company, but they can select unique support areas considering their specific characteristics. After selecting the support areas, appropriate financial support is provided in connection with existing business activities and financial policies.

6. Disclosure

- BNK Financial Group aims to enhance transparency and communicate with various stakeholders by publicly disclosing key contents and achievements related to the Environmental and Social Risk Management Guideline.

7. Capacity Building

- BNK Financial Group aims to enhance transparency and communicate with various stakeholders by publicly disclosing key contents and achievements related to the Environmental and Social Risk Management Guideline.

8. International Collaboration and Partnership

- BNK Financial Group intends to participate in international efforts to establish sustainable finance that mitigates and avoids environmental and social risks. Accordingly, we aim to establish and proactively reflect international policy framework for environmental and social risk management. Additionally, BNK Financial Group seeks to strengthen its capabilities to lead sustainable finance by collaborating with global initiatives.

UNGC	UN Global Compact
CDP	Carbon Disclosure Project
TCFD	Taskforce on Climate- Related Financial Disclosures
NZAMI	The Net Zero Asset Managers initiative
UNEP FI	UN Environment Programme Finance Initiative
UN PRB	UN Principles for Responsible Banking
PCAF	Partnership for Carbon Accounting Financials
SBTi	Science Based Targets initiative

9. Others

9.1 Enactment and Revision History

- June 27, 2024. Policy enacted and implemented
- August 18, 2025. Policy revision
- July 24, 2026. Approved by the ESG Committee

Attachment 1. BNK Financial Group's Green Finance System

BNK Financial Group Green Finance Product Application Classification	Classification Standards of BNK Financial Group's Eco-friendly financial products [Detailed classification]
Low-Carbon Emission Products	• Low-carbon steel • Low-carbon cement • Fluorinated compound replacement and removal products • Low-carbon organic chemicals • Low-carbon agricultural products • Low-carbon feed and alternative processed foods • Biochar • Key equipment for greenhouse gas reduction • Products considering resource circulation
Transportation/Logistics	• Eco-friendly vehicles • Eco-friendly railways • Eco-friendly construction/agricultural machinery • Eco-friendly aircraft • Eco-friendly personal mobility • Eco-friendly ships
Energy	• Renewable energy • Low-carbon energy • Renewable energy infrastructure • Energy transition/storage facilities • Energy management system • Development and system of ICT-based energy management solutions
Construction/Building	• Energy self-sufficient cities • Green buildings • Greenhouse gas reduction facilities at business sites • Carbon dioxide capture facilities
Infrastructure	• Climate change adaptation • Education, culture, and arts activities • Disaster prevention facilities/systems • Climate prediction facilities/systems • Water resource management facilities • Waste recycling facilities • Marine pollution prevention and treatment facilities • Air pollution prevention and treatment facilities
Biodiversity	• Terrestrial and marine ecosystem protection/restoration activities • Forest ecosystem restoration activities • Urban carbon sink creation activities • Activities for the protection and preservation of species
Research	• Carbon dioxide capture technology • Eco-friendly fuel • Nuclear power generation

Appendix 2. BNK Financial Group's Social Finance Product System

Classification Standards of BNK Financial Group's Social Asset	Classification Standards of BNK Financial Group's Social Asset [Detailed Classification]
Revitalization of local economy	・Financial products supporting general, small and medium-sized enterprises (SMEs), and small business owners for job creation ・Financial products supporting general, SMEs, and small business owners for co-prosperity support (restructuring, shut down, COVID-19 support, etc.) ・Financial products supporting local residents and communities
Preferential treatment for financially vulnerable groups	・Financial products for low-income and low-credit groups ・Financial products for the elderly ・Financial products for the youth ・Financial products for the people with disability ・Financial products for newlyweds ・Financial products related to childbirth and childcare ・Financial products for single-parent families ・Financial products for foreign spouses
Basic social services and social infrastructure	・Financial products for companies providing medical services ・Financial products for companies involved in the construction of schools, water supply, electricity, and highways (railways) ・Financial products for companies supplying youth and rental housing
Social enterprises	・Financial products supporting companies as defined by the Social Enterprise Promotion Act and its enforcement decree

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