

BNK Financial Group's Self-assessment report for Principles of Responsible Banking

TOUCH
Your Heart, **BNK**



BNK Financial Group

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Launched on March 15, 2011 as South Korea's first financial holding company of local banks, BNK Financial Group acquired Kyongnam Bank in 2014 as its subsidiary and changed its name to BNK Financial Group Inc. in 2015. Also, we consist of nine subsidiaries including Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Asset Management, BNK Savings Bank, BNK Venture Capital, BNK Credit Information and BNK System.

The BNK Financial Group is growing as a financial group leading the global financial market based on a network of 398 domestic branches and 75 overseas branches as of June 2024. The group has become the nation's leading regional and comprehensive financial group by expanding business area into overall financial business including banking, specialized credit finance, financial investment, savings bank business, start-up investment, credit check and debt collection, and system supply and development.

- Banking: Busan Bank and Kyongnam Bank focus on the main business of taking deposits and providing loans, perform payment guarantees, issue and invest in marketable securities, etc. In addition to this main business, they conduct a wide range of other financial services related to the Bank Act such as deposits for national treasury, holding securities, etc., and work involving trusts, credit cards, etc.
- Specialized credit finance: BNK Capital engages in installment financing, facility leases, general loans, and new technology project financing. It provides various financial services such as lease financing, auto financing, and corporate loans, etc.
- Financial investment: BNK Securities and BNK Asset Management provide fund procurement plans for parties needing funds and investment opportunities for investors to efficiently distribute capital. They conduct investment transactions, investment brokerage,

Links and references

BNK Financial Group 2023 Annual Report p.3-8, 22-24

collective investment, and investment consignment according to the 'Financial Investment Services and Capital Markets Act'.

- Savings bank: BNK Savings Bank mainly operates financial business by acquiring funds from the public in the form of deposits, which are then primarily lent in the form of long- and short-term loans to finance seekers. In addition, the bank carries out domestic exchange, and business related to Korea Financial Telecommunications & Clearings Institute.
- Start-up investment: As registered as a venture capital company with the Ministry of SMEs and Startups, BNK Venture Capital engages in investment and financing for small business founders, manages funds for small business startup investment associations, and provides consulting and information related to startups.
- Credit Investigation and Collection Agency: BNK Credit Information conducts credit investigations, debt collection, receipt of repayment on behalf of clients, and locating debtors.
- System supply and development: BNK System provides integrated financial IT services including system consulting, set-up, and operations by clearly analyzing customer needs to actively respond to the changing financial environment.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Universal Declaration of Human Rights
 None of the above

Response

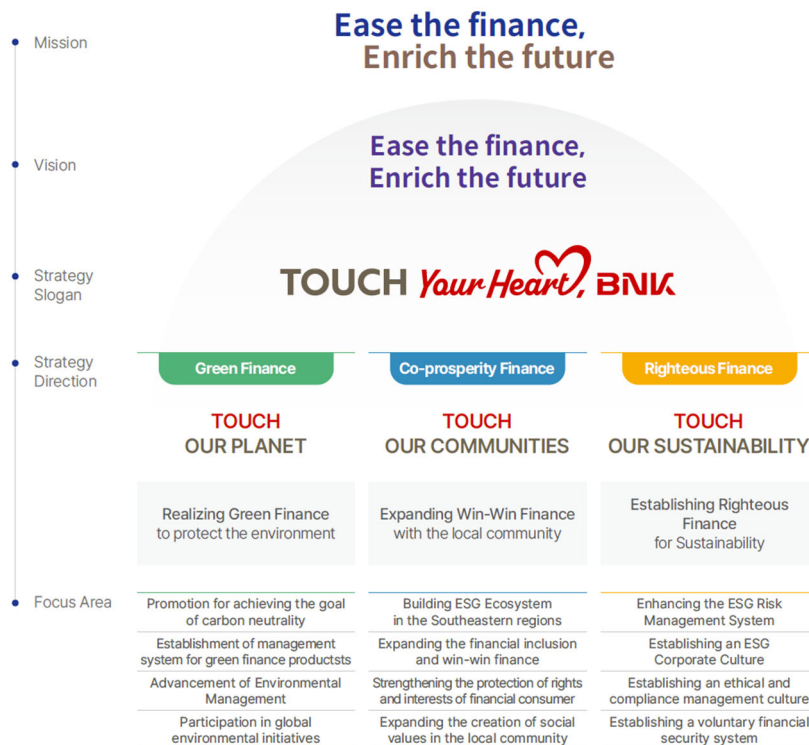
The BNK Financial Group has established the '2024-2026 Mid- to Long-term ESG Strategy' reflecting the newly announced vision and core values with the proclamation of 'VISION 2030'. We have selected the three strategic directions and 12 main areas to achieve these directions and developed an 'ESG Action Plan' linked to them to accelerate ESG management across the entire group. The BNK Financial Group seeks to establish necessary supporting methods

Links and references

BNK Financial Group 2023 Sustainability Report p.9, 173-188;
 BNK Financial Group Human Rights Policy

and systematically manage the execution status to expand sustainable finance.

<https://eng.bnkfg.com/fileDownload.jsp?fn=5>



As the three ESG strategic directions and 12 focus areas are linked to the UN Sustainable Development Goals (UN SDGs), the ESG management performance according to the UN SDGs is reported through the Sustainability Report (UN SDGs Index). In addition, we declared our support for the 10 principles on human rights, labour, environment, and anti-corruption by joining the UN Global Compact in 2020 and report the implementation status. In terms of environmental impact, we establish greenhouse gas emission reduction targets in compliance with the Paris Agreement, and identify, manage, and disclose climate change risks based on TCFD. In terms of social impact, we advocate the international principles related to human rights and labour, such as the UN Guiding Principles on Business and Human Rights, the International Labor Organization (ILO) fundamental conventions, the UN Global Compact, and the Universal Declaration of Human Rights. We strive to prevent the human rights of all stakeholders by establishing Human Rights Policy based on these principles.

< Strategic Direction and association with UN SDGs >

1. TOUCH OUR PLANET: Realizing Green Finance to protect the environment

- 1) Promotion for achieving the goal of carbon neutrality
- 2) Establishment of management system for green finance products

<p>3) Advancement of Environmental Management</p> <p>4) Participation in global environmental initiatives</p> <p>* Association with SDG 7 Affordable and clean energy, SDG 12 Responsible consumption and production, SDG 13 Climate action, SDG 14 Life below water, SDG 15 Life on Land</p> <p>2. TOUCH OUR COMMUNITIES: Expanding Win-Win Finance with the local community</p> <p>5) Building ESG Ecosystem in the Southeastern regions</p> <p>6) Expanding the financial inclusion and win-win finance</p> <p>7) Strengthening the protection of rights and interests of financial consumer</p> <p>8) Expanding the creation of social values in the local community</p> <p>* Association with SDG 1 No poverty, SDG 4 Quality education, SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities</p> <p>3. TOUCH OUR SUSTAINABILITY: Establishing Righteous Finance for Sustainability</p> <p>9) Enhancing the ESG Risk Management System</p> <p>10) Establishing an ESG Corporate Culture</p> <p>11) Establishing an ethical and compliance management culture</p> <p>12) Establishing a voluntary financial security system</p> <p>* Association with SDG 5 Gender equality, SDG 16 Peace, justice and strong institutions</p>	
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Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

The BNK Financial Group conducts materiality assessment every year to identify and manage key impacts on the environment and society. The materiality assessment comprehensively evaluates the impacts of all business areas, products, and services, including corporate finance, retail finance, and investment with the scope covering all subsidiaries of BNK Financial Group. As a result of conducting a double materiality assessment under the principles presented by GRI (Global Reporting Initiative) and EU ESRS (European Sustainable Reporting Standards), we identified a total 8 material issues* and reported related activities, management strategies, and achievements in the Sustainability Report.

* Climate Change Risks Management, Financial Inclusion for Financially Vulnerable Groups, Ethical Management System and Internal Control, Financial Consumer Protection, Transition to Digital Finance, Diversity of Employees and Equal Opportunities, Prevention of Financial accidents and Digital Security, Revitalization of Local Economy

Links and references

BNK Financial Group 2023 Sustainability Report p.10-13

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

The portfolio composition of 79.9 trillion KRW (approximately 51% of total assets) which formed the basis for setting the SBTi (Science Based Targets initiative) GHG emissions reduction target is as follows. The asset portfolio for emissions reduction target is considered the most suitable to provide the background for measuring the BNK Financial Group's impact on climate change.

< Target assets and ratio by asset group and sector >

(Unit: trillion KRW, %)

Asset group and sector		Target assets	Ratio
Individual loans	Mortgage	10.0	12.5
	Automobile loans	0.9	1.1

Links and references

BNK Financial Group 2023 Sustainability Report p.31, 179

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

Project Finance (PF)	Power generation PF	0.1	0.1
	PF other than power generation (SOC, etc.)	0.1	0.1
Corporate Loans/Bonds/Stocks	Commercial real estate	5.2	6.5
	Power generation	0.4	0.5
	Cement	0.2	0.3
	Steel	1.0	1.3
	Chemical	0.6	0.8
	Paper	0.3	0.4
	Aluminum	3.9	4.9
	Transportation-passenger	0.6	0.8
	Transportation-cargo	0.6	0.8
	Transportation-aviation	0.0	0.0
	Fossil fuel (Oil & Gas)	0.4	0.5
	Financial business	5.0	6.3
	Other business	50.7	63.5
Total		79.9	100

Additionally, as of the end of 2023, the number of accounts and the number and amount of loans by customer type for Busan Bank and Kyongnam Bank are as follows.

< Loans: Composition by type of customers >

(Unit: cases, billion KRW)

Category		Busan Bank	Kyongnam Bank
Individual customers	Number	265,057	202,129
	Amount	19,263.4	12,472.8
Small business owners	Number	162,148	137,900
	Amount	34,854.6	24,849.6
Companies	Number	385	570
	Amount	3,125.1	1,929.9

< Checking and savings accounts: Composition by type of customers >

(Unit: persons, billion KRW)

Category		Busan Bank	Kyongnam Bank
	Number	7,273,592	4,930,294

Individual customers	Amount	19,765.0	13,931.8
SMEs/Small business owners	Number	104,549	122,416
	Amount	3,278.0	6,033.8

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

In the materiality assessment process for identifying impact areas, the BNK Financial Group widely incorporated stakeholders' opinions by distributing evaluation forms and conducting scale assessments among employees, investors, and ESG experts, etc. Additionally, to ensure an appropriate impact analysis, the challenges and priorities related to sustainable development in South Korea were thoroughly examined.

After adopting the Paris Agreement in 2015, the South Korean Government announced its Nationally Determined Contribution (2030 NDC) to reduce national greenhouse gas emissions by 40% compared to 2018 by 2030, as well as its goal of achieving carbon neutrality by 2050. Among the top 10 mid- to long-term policy tasks for reducing greenhouse gas emissions to achieve these targets, the role of the financial sector in implementing carbon neutrality is emphasized, including expanding financial support for green industries and strengthening climate risk management for financial stability. Furthermore, in 2024, the "Financial Support Expansion Plan for Responding to Climate Crisis" (Financial Services Commission) and the "Green Investment Expansion Plan for Accelerating Transition to a Low-Carbon System" (Ministry of Environment) were announced. These documents include plans for expanding sustainable finance to respond to the climate crisis through cooperation between the government and commercial banks.

The Financial Services Commission of Korea has expressed its commitment to inclusive finance through 3 key goals and 9 policy tasks in 2024. Under the goals of "Trusted finance protecting livelihoods" and "Strong finance resilient to crises," alleviation of financial burdens on the public and management of household debt have been set as policy tasks. According to the International Financial Association's Global Debt Report, household debt-to-GDP in Korea for the first quarter of 2024 was 98.9%, the highest level among the 34 countries surveyed. The delinquency rate of household debt has also increased as borrowers' repayment capacity has decreased due to high inflation and high interest rates.

Links and references

BNK Financial Group
2023 Sustainability
Report p.10-13

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Accordingly, the importance of financial inclusion for low-income individuals and the financially vulnerable group is increasing.

In South Korean society, regional disparities, in addition to income gaps, are also emerging as sustainability issues. According to the Korea Institute for Industrial Economics and Trade, more than half of the total population and employed individuals reside in the metropolitan area, which accounts for 12% of the entire territory, and 87% of the top 1,000 companies are concentrated there. This has led to social issues such as a decrease in the youth population, accelerated aging, decreased regional investment, and a reduced economic scale in other regions. Especially Busan, Ulsan, and Gyeongnam in southeastern South Korea, where BNK Financial Group is located, are also facing significant population outflows and resulting regional stagnation. As a financial institution representing the southeastern region of South Korea, the BNK Financial Group acknowledges the importance of expanding inclusive finance in regions and is actively addressing these issues.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response

As a result of the impact analysis, the BNK Financial Group has identified “**Climate change mitigation**” and “**Financial inclusion**” as two significant impact areas. These are issues that require urgent response considering the composition of BNK Financial Group’s portfolio, major challenges and priorities within Korean society, etc. among the eight material issues derived from the materiality assessment results. We implement strategies to expand positive impacts and reduce negative impacts related to these impact areas.

[Climate change mitigation]

Our climate change response and risk management activities may cause credit risk increase for corporates that fall within industries considered for investment exclusion. However, through achieving financed emissions Net Zero, we can contribute to the reduction of carbon emissions arising from domestic industries.

[Financial inclusion]

In line with the South Korean government's financial policy direction, if inclusive finance activities are insufficient, there may be increased pressure from financial authorities and society to enhance efforts. We can alleviate the financial burden of the financially vulnerable groups within the region and contribute to the development of the local community through active promotion of financial inclusion for these groups.

Links and references

BNK Financial Group 2023 Sustainability Report p.11-12

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

[Climate change mitigation]

The BNK Financial Group recognizes the importance of the impact of financed emissions (Scope 3) through investments and loans in addition to the greenhouse gases (Scope 1&2) emitted directly or generated through energy consumption. We measure Scope 1, 2, and 3 emissions annually and has established a financed emissions measurement system in 2023 for more accurate measurement and management. The BNK Financial Group discloses emissions for certain categories among the 15 categories of Scope 3 emissions (investments, purchased goods, fuel- and energy-related activities, business travel). We plan to enhance the calculation system for Scope 3 emissions to disclose emissions for all categories and monitor emissions.

The total financed emissions for 2023 are 25.88 million tCO₂eq. Financed emissions are classified into seven asset groups according to PCAF standards: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, motor vehicle loans, and sovereign debt. They are measured by multiplying the carbon emissions of the borrower (source of emissions) by investment ratio of the BNK Financial Group (balance of financial assets / total assets of the borrower(source of emissions)). Among these, the emissions corresponding to the asset groups of listed equity and corporate bonds, business loans and unlisted equity are classified into 12 industries, and the emissions and intensity (emissions per unit investment amount) by asset group are as follows.

< Financed emissions by asset group >

(Unit: trillion KRW, 10,000 tCO₂eq, tCO₂eq/100 million KRW)

Asset groups	Measured target	Financed emissions	Financial intensity
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Links and references

BNK Financial Group 2023 Sustainability Report p.27, 29-31, 71-77, 167-171

Listed equity and corporate bonds	6.3	166	26.3
Business loans and unlisted equity	57.3	2,370	41.4
Project finance	0.3	38	134.0
Commercial real estate	5.2	4	0.8
Mortgages	10.0	5	0.5
Motor vehicle loans	0.9	5	5.9
Sovereign debt	5.6	189	33.6

< Financed emissions by business category >

(Unit: trillion KRW, 10,000 tCO₂eq, tCO₂eq/100 million KRW)

Category	Measured target	Financed emissions	Financial intensity
Commercial real estate	5.2	4.2	0.8
Power generation	0.4	71.8	180.6
Cement	0.2	36.7	149.1
Steel	1.0	112.3	107.7
Chemical	0.6	63.8	112.3
Paper	0.3	20.7	77.4
Aluminum	3.9	251.6	64.1
Transportation-passenger	0.6	19.1	34.1
Transportation-cargo	0.6	58.5	106.4
Transportation-aviation	0.0	0.7	35.1
Fossil fuel (Oil & Gas)	0.4	70.2	195.2
Financial business	5.0	12.0	2.4
Other business	50.7	1,818.5	35.9

The BNK Financial Group has designated industries with a financial intensity of 100 or more, or an exposure ratio of 5% or more, and a high intensity compared to the overall (32.5) as High-Carbon Industries. We plan to reduce the commitment limits for High-Carbon Industries and reallocate them to industries with lower carbon intensity, thereby managing to decrease the overall carbon intensity.

< Financial Intensity for High-Carbon Industries >
(Unit: 100 million KRW, %, tCO₂eq/100 million KRW)

Category	Balance	Proportion	Financial intensity
Public Service	10,764	1.7	182.9
Food & Beverage	11,950	1.9	173.5
Non-Ferrous Metals	10,743	1.7	163.9
Steel	10,434	1.6	107.7
Construction	39,550	6.2	88.6
Consumer Distribution	37,968	5.9	42.2

[Financial inclusion]

The BNK Financial Group, as a representative financial group of the Southeastern regions of Korea, is creating a positive impact in the region through inclusive and co-prosperity financial products. As of the end of 2023, the balance of inclusive finance loans stood at 2.3065 trillion KRW, the balance of deposits at 2.0006 trillion KRW, and card performance at 1.085 trillion KRW. The loan balance for local small businesses was 1.0251 trillion KRW, and the deposit balance for local residents was 585.2 billion KRW. Additionally, to support youth entrepreneurship and create local jobs, a total of 319.6 billion KRW was provided. For detailed amounts for each product, please refer to the Sustainability Report, pages 167-171.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, financial inclusion

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:
(optional)

⁶ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

[Climate change mitigation]

The BNK Financial Group has established a step-by-step roadmap for achieving internal emissions Net Zero and financed emissions Net Zero in accordance with the Paris Agreement and UN SDGs (SDG 13 Climate action). In 2024, the Scope 1, 2, 3 carbon reduction targets, based on a 1.5°C scenario, have obtained approval from the SBTi (Science-Based Targets initiative) and align with the Korean government's carbon neutrality goals by 2050.

We have joined PCAF (Partnership for Carbon Accounting Financials), and have calculated the financed emissions in accordance with global standards, utilizing the SBTi (Science-Based Targets initiative) methodology when setting our Net Zero and interim goals. We aim to achieve a 42% reduction in internal emissions by 2030 compared to 2022 levels and reach Net Zero by 2045 by applying the Absolute Contraction Approach (ACA). We have applied the Sectoral Decarbonization Approach (SDA) to financed emissions for power generation project finance, commercial real estate, cement and power generation sectors within corporate loans/bonds/stocks. For other asset groups and sectors, we have applied the Temperature Rating Approach (TRA). For sectors such as PF excluding power generation and motor vehicle loans, where SBTi methodologies have not been provided, reduction targets have been set using the Absolute Contraction Approach (ACA), consistent with the internal emissions measurement method. Through this, we aim to achieve a 26% reduction in financed emissions by 2030 compared to 2022 levels, and reach Net Zero by 2050.

[Financial inclusion]

The BNK Financial Group has established a plan to provide 14.7205 trillion KRW over three years from 2022, including support for low-income families, vulnerable groups and economic recovery. It contributes to achieving the UN SDGs (SDG 1 No poverty, SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities) and aligns with the Korean government's direction emphasizing inclusive and win-win finance.

Links and references

BNK Financial Group
2023 Sustainability
Report p.28-32, 71

b) *Baseline:* Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	...	
	...	
	...	

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health & inclusion</i>	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

[Climate change mitigation]

To determine a baseline in the area of climate change mitigation, indicators in the Annex were used.

Indicator Code	Response
A 1.1	Yes
A 1.2	Yes - Net Zero Target Year: Internal emissions by 2045, Financed emissions by 2050 - Emissions baseline / base year: Internal emissions for 2022 (31,394tCO ₂ eq), Financed emissions for 2022 (24.34 million tCO ₂ eq) - Climate scenario used: 1.5°C scenario
A 1.3	Yes
A 1.4	Yes

Links and references

BNK Financial Group
2023 Sustainability Report p.27-32, 56-60, 77, 167-171;
BNK Financial Group
ESG Policy
<https://eng.bnkfg.com/05/03.jsp>

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

	<ul style="list-style-type: none"> - The financed emissions are measured according to the seven asset groups defined by PCAF: listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, motor vehicle loan, and sovereign debt. We have identified industries with a financial intensity of 100 or more, or an exposure ratio of 5% or more, and a high intensity compared to the overall as High-Carbon Industries. 	
A 1.5	<p>Yes</p> <ul style="list-style-type: none"> - We have various green finance products to support our customers in reducing greenhouse gas emissions. - Major Achievements (as of 2023): The amount of green loans support of 370.9 billion KRW, the balance of green investments amounting to 338.9 billion KRW, the sales of green funds amounting to 66.7 billion KRW, the balance of green deposits amounting to 222.4 billion KRW, and the green card usage amounting to 974.3 billion KRW. - For details on types of product and specific achievements by product, please refer to the 2023 Sustainability Report, pages 56-59 and 167-172. 	
A 2.1	<p>Yes</p> <ul style="list-style-type: none"> - Green loan products: We offer preferential benefits to green companies that practice the expansion of renewable energy, environmental pollution reduction, and purchase of eco-friendly vehicles. It engages corporate customers to expand low-carbon practices. - Green deposit products: We offer products with preferred interest rates if individual customers can prove the eco-friendly activities in order to recommend practicing carbon reductions in the everyday life. - Green card products: We encourage green consumption among individual customers by allowing them to accumulate points when they practice saving energy in their everyday life, and we are replacing PVC cards with eco-friendly material cards. 	
A 2.2	25.88 million tCO ₂ eq	
A 2.3	<p>The financed emissions intensity for each business category are as follows. (Unit: tCO₂eq/100 million KRW)</p> <ul style="list-style-type: none"> - Commercial real estate: 0.8 - Power generation: 180.6 - Cement: 149.1 - Steel: 107.7 - Chemical: 112.3 - Paper: 77.4 - Aluminum: 64.1 - Transportation-passenger: 34.1 - Transportation-cargo: 106.4 - Transportation-aviation: 35.1 - Fossil fuel (Oil & Gas): 195.2 	

	- Financial business: 2.4 - Other business: 35.9
A 2.4	100%
A 3.1	As of 2023, the performance of the green portfolio is as follows. - Green loan: 370.9 billion KRW (Eco-friendly Bus Purchase Fund, Fund to Foster the Recycling Industry, Photovoltaic Power Eco-friendly Corporate Loan, etc.) - Green Investments: 338.9 billion KRW (Ulsan resource recovery facility project, Taebaek Biomass Power Generation Project, BNK-Cape ESG Renewable Energy New Technology Association No. 1, etc.) - Green Fund: 66.7 billion KRW (KB Global Hydrogen Economy Securities Investment Trust (Stocks), Korea Investment Global EVs & Battery Securities Investment Trust (Stocks), etc.) - Green deposit: 222.4 billion KRW (Low-carbon Practice Deposits, Low-carbon Practice Deposits, etc.) - Green card: 974.3 billion KRW (Green Card (Eco-Money points can be accumulated based on their reduction in the amount of electricity, water, and city gas usage))
A 3.2	We have designated and managed industries with a financial intensity of 100 or more, or an exposure ratio of 5% or more, and a high intensity compared to the overall (32.5) as High-Carbon Industries in 2023. (Unit: 100 million KRW) - Public Service: 10,764 - Food & Beverage: 11,950 - Non-Ferrous Metals: 10,743 - Steel: 10,434 - Construction: 39,550 - Consumer Distribution: 37,968
A 4.1	The financed emissions for 2023 are 25.88 million tCO ₂ eq, representing a 6.3% increase compared to the baseline of 24.34 million tCO ₂ eq in 2022. Due to the increase in scale of energy asset, the emissions exceeded the 2023 target of 34.55 million tCO ₂ eq by 2.33 million tCO ₂ eq. In the following year, we plan to achieve reduction targets through the increase of a low-carbon portfolio.
A 4.2	We have established reduction targets for 48% of the total investment and loan portfolio in line with the Paris Agreement and have been approved through SBTi.
<p>[Financial inclusion] The BNK Financial Group offers inclusive finance products that support the low-income individuals, financially vulnerable groups,</p>	

SMEs, small business owners, and local residents. As of 2023, the achievements are as follows. For details on the types of products and specific achievements by product, please refer to pages 167-171 of the Sustainability Report 2023.

Category	Number of products	Balance
Loans	86 cases	3.3316 trillion KRW
Deposits	42 cases	2.5858 trillion KRW
Cards	20 cases	1.085 trillion KRW

c) SMART targets (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

[Climate change mitigation]

The BNK Financial Group has established Scope 1, 2, 3 carbon reduction targets that align with the Paris Agreement. By establishing detailed interim targets along with the final Net Zero targets, we have enhanced the feasibility and manageability of achieving these targets. By setting absolute emissions-based targets, we aim to increase consistency in long-term planning and reduce the substantial impacts of climate change.

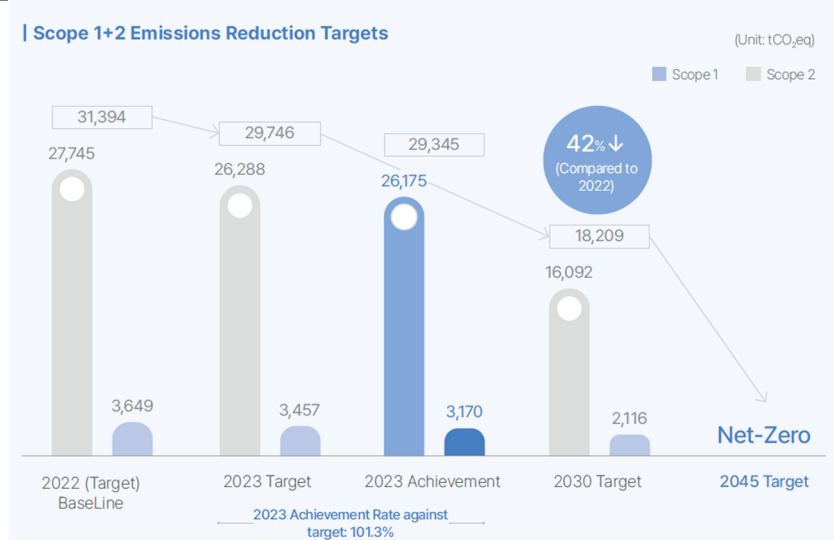
• Target 1 (Internal emissions Net Zero)

- 2024: Reduction of 10.5% compared to the baseline year (2022), achieving emissions of 28,098tCO₂eq
- 2030: Reduction of 42% compared to the baseline year (2022), achieving emissions of 18,209 tCO₂eq
- 2045: Achieve Net Zero

Links and references

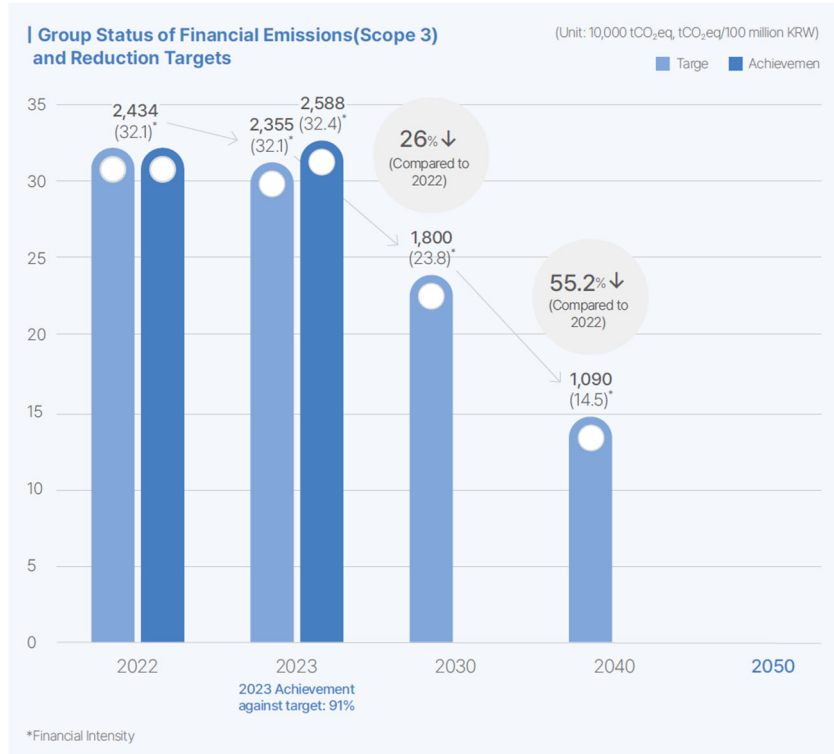
BNK Financial Group 2023 Sustainability Report p.28-32, 71; SBTi Target Language and Summary https://sciencebasedtargetgets.org/resources/files/Target-language-and-summary_-BNK-Financial-Group.pdf

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.



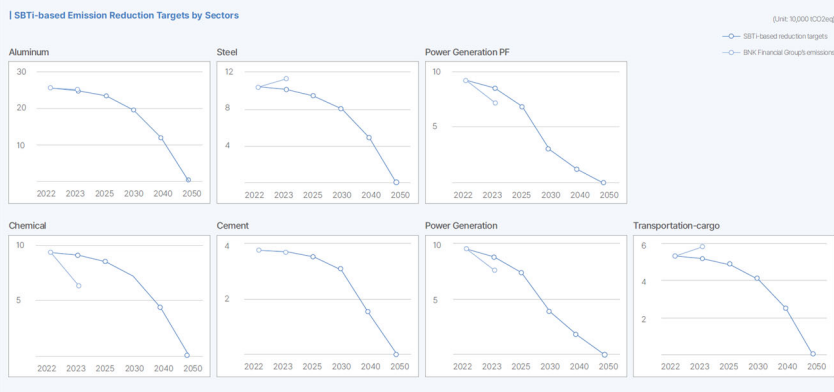
• Target 2 (Financed emissions Net Zero)

- 2024: Reduction of 6.5% compared to the baseline year (2022), achieving emissions of 22.76 million tCO₂e_q
- 2030: Reduction of 26% compared to the baseline year (2022), achieving emissions of 18 million tCO₂e_q
- 2040: Reduction of 55% compared to the baseline year (2022), achieving emissions of 10.9 million tCO₂e_q
- 2050: Achieve Net Zero



In 2024, we have obtained approval from the SBTi (Science-Based Targets initiative) for our carbon reduction targets based on the

1.5°C scenario. For internal emissions, we have applied SBTi's Absolute Contraction Approach (ACA). For financed emissions, we have included not only the companies' Scope 1 & 2 but also Scope 3 emissions, and established the detailed SBTi-based targets by asset group and sectors, including carbon-intensive sectors. We have applied the Sector Decarbonization Approach (SDA) to power generation project finance, commercial real estate, cement and power generation sectors within the corporate loans/bonds/stocks. For other asset groups and sectors, we have applied the Temperature Rating Approach (TRA). For sectors such as PF excluding power generation and automobile loans, where SBTi methodologies have not been provided, reduction targets have been set using the Absolute Emission Reduction Approach (ACA), consistent with the internal emissions measurement method. For specific targets, please refer to the SBTi Target Language and Summary.



[Financial inclusion]

The BNK Financial Group, in collaboration with its four subsidiaries—Busan Bank, Kyongnam Bank, BNK Capital, and BNK Savings Bank—has established goals to expand financial inclusion for self-employed individuals and financially vulnerable groups (such as small business owners, youth, etc.). Through the 'Overcoming Crisis Together Project', we plan to support a total of 14.7205 trillion KRW from August 2022 to July 2025. By alleviating the financial burden on self-employed individuals and financially vulnerable groups caused by prolonged recession concerns and rising prices, we plan to contribute to the achievement of the UN SDGs (SDG 1 No poverty, SDG 8 Decent work and economic growth, etc.) and support the Korean government's direction for financial inclusion.

• Target 1 (Support for low-income families)

- Support Direction: Support focused on securing liquidity to assist loan customer in their economic activities
- Support Scale: 5.935 trillion KRW (2022.08~2025.07)
- Detailed Support Content: Preferential Interest Rates for Mortgage Loan Products, Specialized Credit Loan Support for Individual Business Owners, Expansion of support for small loans, Support for low-interest loans for newlyweds and youth rental deposits, etc.

<p>• Target 2 (Support for vulnerable groups)</p> <ul style="list-style-type: none"> - Support Direction: Support for reducing financial costs for vulnerable groups - Support Scale: 7.326 trillion KRW (2022.08~2025.07) - Detailed Support Content: Support for repayment deferral for vulnerable groups affected by COVID-19, Support for individual business owners and special guarantees for individuals, Provision of Relief Conversion Loan, Support for high-interest loan refinancing products, etc. <p>• Target 3 (Support for economic recovery)</p> <ul style="list-style-type: none"> - Support Direction: Support aimed at providing practical opportunities for economic recovery and normalization for vulnerable groups - Support Scale: 1.4595 trillion KRW (2022.08~2025.07) - Detailed Support Content: Credit Loan 119 Program, High-Interest Loan Refinancing Program, COVID-19 Small Business Delinquency Interest Reduction, Statute of Limitations Expired Debt Forgiveness Program, Specialized Consulting Support for Self-Employed Individuals, etc. 	
<p>d) <i>Action plan:</i> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p>[Climate change mitigation]</p> <p>The BNK Financial Group has established a roadmap for reducing carbon emissions and is implementing 11 detailed implementation tasks for achieving the Net Zero targets in accordance with the mid-to long-term ESG strategic direction. For detailed plans and performance for each implementation task, please refer to pages 61-66, 34-40, 26-27, and 68-70 of the Sustainability Report.</p> <p>< Carbon Emission Reduction Road Map ></p> <ul style="list-style-type: none"> • Short-term: Phase 1 (~2030) Providing the basis for Net Zero - Developing a low-carbon finance operating model • Mid-term: Phase 2 (~2040) Accelerating Net Zero - Full-fledged operation of low-carbon finances • Long-term: Phase 3 (~2050) Achieving Net Zero and profitization - Achieving Net Zero and profitizing low-carbon products <p>< Detailed implementation tasks for reducing carbon emissions ></p> <p>• Internal Emissions Net Zero by 2045</p> <p>1. Greening (Green Transition): Strengthen activities to achieve the group's internal emissions reduction targets</p> <ol style="list-style-type: none"> 1) Establish a carbon emissions management system for business sites 	<p><i>Links and references</i></p> <p>BNK Financial Group 2023 Sustainability Report p.25, 61-66, 34-40, 26-27, 68-70, 71</p>

- 2) Expand the transition to green cars
- 3) Use of renewable energy
- 4) Strengthen the low-carbon lifestyle

• **Financed emissions Net Zero by 2050**

2. Positive Screening (Preferred Investment): Investments for industries, companies, and projects with outstanding performance related to ESG

- 5) Establish an eco-friendly financial product management system
- 6) Expand ESG outstanding companies and eco-friendly finance investment

3. Negative Screening (Divestment): Exclude investments that significantly increase carbon emissions and exclude industries and companies that do not meet the ESG standards

- 7) Strengthen climate risk management
- 8) Reduce investment in high-carbon industries

4. Engagement (Promoting participation): Through networking with companies, adjust greenhouse gas emissions and promote reduction in emissions

- 9) Manage ESG risks for customers
- 10) Expand financial support for local companies
- 11) Advisory for strengthening ESG capabilities of corporations in the southeast region

[Financial inclusion]

The BNK Financial Group have established detailed support plan for the Overcoming Crisis Together Project. With the aim of providing 14.7205 trillion KRW of support from August 2022 to July 2025, we have defined 55 detailed promotion tasks for three main targets and set target amounts for each subsidiary and each action plan.

• **Target 1 (Support for low-income families)**

- Support scale: 5.935 trillion KRW
- Promotion tasks: 16 tasks including
 - Preferential Interest Rates for Mortgage Loan Products
 - Specialized Credit Loan Support for Individual Business Owners
 - Expansion of support for small loans
 - Support for low-interest loans for newlyweds and youth rental deposits, etc.

• **Target 2 (Support vulnerable groups)**

- Support scale: 7.326 trillion KRW
- Promotion tasks: 25 tasks including

<ul style="list-style-type: none"> · Support for repayment deferral for vulnerable groups affected by COVID-19 · Support for individual business owners and special guarantees for individuals · Provision of Relief Conversion Loan and interest rate cap mortgage support · Support for high-interest loan refinancing products · High-Interest Rate Reduction Support for Vulnerable Groups · Delinquency Interest Reduction Support for Vulnerable Groups · Waiver of Early Repayment Fees, etc. <p>• Target 3 (Support for economic recovery)</p> <ul style="list-style-type: none"> - Support scale: 1.4595 trillion KRW - Promotion tasks: 14 tasks including <ul style="list-style-type: none"> · Credit Loan 119 Program · High-Interest Loan Refinancing Program · COVID-19 Small Business Delinquency Interest Reduction · Statute of Limitations Expired Debt Forgiveness Program · Specialized Consulting Support for Self-Employed Individuals, etc. 	
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Self-assessment summary			
Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...			
	... first area of most significant impact: ... <i>Climate change mitigation</i>	... second area of most significant impact: <i>Financial inclusion</i>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</i>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress	<input type="checkbox"/> Yes <input type="checkbox"/> In progress

	<input type="checkbox"/> No	<input type="checkbox"/> No	<input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

[Climate change mitigation]

The status of internal emissions (Scope 1&2) and financed emissions (Scope 3) for 2023 is as follows. We have reviewed the achievement rate against the set target and established plans for achieving the targets for the next year. In the case of internal emissions, we have fulfilled our targets. However, for financed emissions, we exceeded the 2023 target by 2.33 million tCO₂eq due to an increase in financed emissions from the fossil fuel sector resulting from the expansion of energy assets. We plan to continuously manage this through the expansion of a low-carbon portfolio. For detailed performance on 11 detailed implementation tasks, please refer to pages 61-66, 34-40, 26-27, and 68-70 of the Sustainability Report.

• Target 1 (Internal emissions Net Zero)

- Scope 1 emissions: Target 26,288 tCO₂eq (5% reduction compared to baseline year 2022), Actual 26,175tCO₂eq
- Scope 2 emissions: Target 3,457 tCO₂eq (5% reduction compared to baseline year 2022), Actual 3,170 tCO₂eq
- *Achievement rate 101%

• Target 2 (Financed emissions Net Zero):

- Absolute Emissions: Target 23.55 million tCO₂eq, Actual 25.88 million tCO₂eq
- Financial Intensity: Target 32.1tCO₂eq/100 million KRW, Actual 32.4 tCO₂eq/100 million KRW
- *Achievement rate 91%

Links and references

BNK Financial Group 2023 Sustainability Report p.28-31, 61-66, 34-40, 26-27, 68-70, 71-77, 167-171

< Financed emissions by Asset Group and Sector >
(Unit: trillion KRW, 10,000 tCO₂eq)

Asset group and sector		Target assets	Financed emissions
Individual loans	Mortgage	10.0	5.3
	Automobile loans	0.9	5.0
Project Finance (PF)	Power generation PF	0.1	37.9
	PF other than power generation (SOC, etc.)	0.1	0.5
Corporate Loans/Bonds/Stocks	Commercial real estate	5.2	4.2
	Power generation	0.4	71.8
	Cement	0.2	36.7
	Steel	1.0	112.3
	Chemical	0.6	63.8
	Paper	0.3	20.7
	Aluminum	3.9	251.6
	Transportation-passenger	0.6	19.1
	Transportation-cargo	0.6	58.5
	Transportation-aviation	0.0	0.7
	Fossil fuel (Oil & Gas)	0.4	70.2
	Financial business	5.0	12.0
	Other business	50.7	1,818.5
Total		79.9	2,588.8

[Financial inclusion]

As a result of implementation of the Overcoming Crisis Together Project, 4.5262 trillion KRW was achieved in 2022, and 6.6756 trillion KRW in 2023, exceeding the targets. As of the end of 2023, the status and progress rate are as follows, and for detailed results of financial inclusion, please refer to pages 72-77 and 167-171 of the Sustainability Report.

- **Target 1 (Support for low-income families)**
 - Support scale: 5.291 trillion KRW
 - Promotion tasks: 15 tasks
 - Progress rate: 89.1% (by scale) 93.8% (by task)
- **Target 2 (Support for vulnerable groups)**
 - Support scale: 5.2644 trillion KRW

<ul style="list-style-type: none"> - Promotion tasks: 25 tasks - Progress rate: 71.9% (by scale) 100% (by task) <p>• Target 3 (Support for economic recovery)</p> <ul style="list-style-type: none"> - Support scale: 0.6464 trillion KRW - Promotion tasks: 14 tasks - Progress rate: 44.3% (by scale) 100% (by task) 	
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Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

BNK Financial Group established policies and processes to encourage sustainable practices of its clients and customers.

• ESG Financial Policy

ESG Financial Policy, which applies to all financial products and services of BNK Financial Group, stipulates our commitment to providing a diverse range of eco-friendly and inclusive financial products and services. It also stipulates active communication with our clients and customers to help improve their ESG performance.

• Reflecting ESG elements in Loan and Investment Process

We have established an investment process that reflects ESG risks in the internal investment regulations and investment asset management policies. During corporate credit evaluations, we systematically assess the level of ESG management of companies through an ESG checklist. We have established criteria for ESG outstanding companies and applies preferential interest rates to such companies. Additionally, in the post-management process of credit, we have selected ESG risks as a key audit area for continuous monitoring and verify that the resources provided to ESG outstanding companies are being used appropriately.

Links and references

BNK Financial Group 2023 ESG Financial Policy
<https://eng.bnkfg.com/fileDownload.jsp?fn=22>;
BNK Financial Group 2023 Sustainability Report p.34, 36, 56-60

We are developing products and services necessary for the growth of eco-friendly companies, providing a foundation for responding to climate change and transitioning to a low-carbon economy. Furthermore, we are establishing an environment where customers can voluntarily participate in green finance by developing green deposit and eco-material card products for individual customers.

• Green loan products

- Loan support for green companies: We offer financial preferential benefits to green companies that contribute to energy efficiency, environmental pollution reduction, and the expansion of renewable energy. We also actively support loans to businesses in need of green investment funds.

- Providing financial products related to green vehicles: To encourage the purchase of green vehicles, we offer a loan limit that is higher than the existing auto loan limit when clients apply for an auto loan using green vehicles as collateral.

(Total 370.9 billion KRW issued in 2023)

• Green deposit products

- Green deposits and installment savings: To encourage citizens to practice carbon reduction in their daily lives, we sell products that offer preferential interest rates when individual customers certify their eco-friendly activities practiced in the everyday life.

(Total 222.4 billion KRW sold in 2023)

• Green card products

- Green card: To encourage a green consumption among individual customers, we offer card products that allow customers to accumulate mileage when they reduce their electricity, water, and city gas usage in their daily lives. These card products also provide a 50% discount when charging green vehicles. (Total 740.2 billion sold KRW in 2023)

- Green material card: To prevent the cycle of existing PVC cards being landfilled as plastic waste during the disposal process, we provide cards that are made from green materials certified from the Korea Environmental Industry & Technology Institute. (A total of 249,214 cards issued through 6 card products in 2023, recycling approximately 1.3 tons of waste plastic)

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

BNK Financial Group is developing and offering sustainable financial products to encourage customers' sustainable economic activities while simultaneously improving our business structure and portfolio.

• ESG Fund – Climate change mitigation / SDG 7 Affordable and clean energy, SDG 12 Responsible consumption and production, SDG 13 Climate action

The BNK Financial Group is selling ESG fund products to enhance increase positive impact on the environment and society while pursuing stable profits. ESG fund products that comply with responsible investment policies are not only supporting companies with excellent non-financial factors such as environmental, social, and governance but also contributing to securing funding channels for companies that provide products and services related to the transition to a low-carbon society, such as solar power and EVs. In 2023, we sold and managed 42 products, including BNK Sustainable ESG Securities Investment Trust No. 1., amounting to 412.5 billion KRW.

• ESG Bonds – Climate change mitigation, Financial inclusion / SDG 1 No poverty, SDG 8 Decent work and economic growth, SDG 7 Affordable and clean energy, SDG 12 Responsible consumption and production, SDG 13 Climate action

The BNK Financial Group has established an ESG bond issuing management system for the systematic management of the entire process from issuance of ESG bonds to follow-up monitoring. This management system is structured to comply with the Green Bond Principle, Social Bond Principle, Sustainability Bond Guidelines of the International Capital Market Association (ICMA), consisting of content related to the use of funds, evaluation and selection of target businesses, fund management, and follow-up reporting. Funds procured are used in producing renewable energy, expanding green transportation, reducing greenhouse gas, supporting basic livelihood for vulnerable groups, and revitalizing local economy. In 2023, ESG bonds of 290 billion KRW were issued, and 3,175.4 billion KRW was invested in ESG bonds.

• Financial products for low-income individuals and financially vulnerable groups – Financial inclusion / SDG 1 No poverty, SDG 8 Decent work and economic growth

The BNK Financial Group provides various products and services to maximize positive impact through coexistence with small business owners and financially vulnerable groups, fulfilling its social responsibility as a regional bank. For loan products, we offered loans such as New Hope Spore Loan and Sunshine Loan Bank to improve

Links and references

BNK Financial Group 2023 Sustainability Report p.37-39, 73-77

loan accessibility for customers with low-credit score. For deposit products, we sold savings products like BNK Hope Cultivation Savings and Hope-gathering Savings, which provide high interest rates to help vulnerable groups to accumulate their funds. For card products, we have launched the specialized products for multi-child families such as the Multi-Children Love Card, the Braille Card for the visually impaired, the Citizen Happiness Card which can be used for various national vouchers, the 'Happy Tomorrow Card' to support vocational high school students in preparing for employment, and the youth support cards to provide activity and operation expenses to young people seeking jobs. As of the end of 2023, the balance of mutual benefit loans for low-income individuals was 2.3065 trillion KRW, the deposit balance was 2.0006 trillion KRW, and the card performance was 1.085 trillion KRW. Additionally, the loan balance for local small businesses was 1.0251 trillion KRW, and the deposit balance from local residents was 585.2 billion KRW.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

The BNK Financial Group has defined six key stakeholder groups in order to communicate effectively with stakeholders who influence management activities, and is communicating by diversifying communication channels for each stakeholder group. In addition, as part of impact analysis, a quantitative assessment participated by the internal and external stakeholders is conducted annually in the double materiality assessment process to incorporate the opinions of various stakeholders.

• Customer

- Definition: Group that uses financial products and services and wields influence, including individual customers and corporate customers.
- How to communicate and collaborate: We actively seek feedback through various channels to enhance customer's satisfaction by improving the quality of our products and services. In particular, we are gathering feedback from our customers by recruiting them to participate in panel surveys and submitting necessary improvements related to our banking services on a regular basis. Busan Bank has completed the implementation of 57 out of 93 improvement proposals received from the customer panel in 2023.

• Stockholders and investors

Links and references

BNK Financial Group
2023 Sustainability
Report p.14, 188

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

- Definition: Group that wields influence on decision making for sustainable growth, including stockholders and investors.

- How to communicate and collaborate: In response to the growing interest of stockholders and investors in the sustainability of our business structure and concerns about the greenwashing risk of green products and services, we are committed to providing transparent disclosure of information and proactive communication. Therefore, we are enhancing the trust of stockholders and investors by disclosing not only financial and stock information but also risk and opportunity factors related to climate change and corresponding strategies, current status of green finance such as sales performance and investment amounts, and social contribution efforts including types and budgets of support for low-income individuals and financially vulnerable groups.

• Government and supervisory agencies

- Definition: Group that leads the role of corporate social responsibility to strengthen the financial industry's competitiveness, including Government, National Assembly, and Financial Supervisory Service.

- How to communicate and collaborate: The government and supervisory agencies are establishing relevant policies and guidelines to enable financial companies to execute an important role in the transition to a sustainable economy. In 2021, the Financial Supervisory Service published a guideline for financial companies, 'Guidelines for Climate Risk Management', for a sound climate risk management system. We have established a governance structure for responding to climate change, measured climate risks, and established appropriate response strategies using this guideline as a reference. In accordance with the TCFD recommendations, we have transparently disclosed information on climate risk. Additionally, we are transparently reporting materials related to ESG finance and ESG management as required by the financial authorities and the Korea Federation of Banks.

• Employees

- Definition: Agent for realizing vision and value to achieve the corporate management goal, including staff and labor union.

- How to communicate and collaborate: We operate communication and harmony programs joined by all employees to spread the core values of the group and improve the sense of membership. During the first half of 2023, all employees held a proposal for what they hoped for from BNK Financial Group. A total of 175 employees submitted 209 suggestions. Furthermore, we are operating a labor union and regularly holding HR meetings to establish cooperative and productive labor-management relationship.

• Local society

- Definition: Group that shares pending issues of the community and cooperates to resolve them, including local society, environmental organizations, press, and academia.

- How to communicate and collaborate: The local community is the foundation of BNK Financial Group, and under the management ideology of 'To the World with the Region', we aim to promote the local economy. We aim to achieve mutual growth with the region by supporting promising ventures and startups within the locality and providing financial support for core regional industries. We are leading efforts to create job opportunities for the youth in the region to address the risk of local extinction due to the decline in the young population by intensifying financial support for job-creating enterprises and discovering and supporting local talent.

In addition, the BNK Financial Group is participating in various global initiatives. We discuss sustainability agendas such as climate change and human rights, and strive to manage the impact of our business effectively according to global standards.

- **UNGC (United Nations Global Compact)** Joined in July 2020
- **CDP (Carbon Disclosure Project, Capital Market Signatory)** Joined in May 2021
- **TCFD (Task Force on Climate-Related Financial Disclosures)** Joined in May 2021
- **UNEP FI (United Nations Environment Programme Finance Initiative)** Joined in March 2022
- **PCAF (Partnership for Carbon Accounting Financials)** Joined in March 2022
- **SBTi (Science Based Targets initiative)** Joined in March 2022

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

• ESG Committee

The BNK Financial Group established the ESG Committee under the Board of Directors in March 2021 to continuously strengthen the management and supervision of ESG practice. The ESG Committee is serving as the control tower of the ESG management activities. It forms the group's ESG strategies and policies and manages overall ESG management. In addition to the BNK Financial Group, Busan Bank and Kyongnam Bank have also established and operated their own ESG Committees.

The ESG Committee is composed of the CEO and outside directors, with an independent outside director who has expertise in information technology and climate serving as the chairman. In principle, the ESG Committee is held at least semi-annually. In 2023, the ESG Committee was convened four times and major reporting items included the publication of the Sustainability Report and ESG ratings. In 2024, a mid-to-long-term ESG management strategy was approved, including key impacts managed through the PRB, such as climate change mitigation and financial inclusion. We are planning to regularize reports on major ongoing projects and progress of ESG management strategy in the future.

• Regional Mutual ESG Promotion Committee

The BNK Financial Group has newly established the 'Regional Mutual ESG Promotion Committee' in 2024, in which the CEO of BNK Financial Group and its subsidiaries participate in. The

Links and references

BNK Financial Group 2023 Sustainability Report p.34, 103-108; BNK Financial Group 2023 Annual Report p.529-541

committee has been elevated from the existing 'Regional Co-prosperity Development Committee,' which was directly under the Chairman, to strengthen the group's capability in implementing ESG management. Its role has been expanded from merely establishing strategies for mutual growth in finance and regional co-prosperity to comprehensively formulating ESG management strategies. It plays a pivotal role in embedding ESG management within the group by managing ESG strategies at the group-wide level.

• Organization dedicated to ESG

The ESG Strategy Team of the BNK Financial Group is responsible for ESG management practices, including the implementation of the PRB as an organization dedicated to ESG. All employees possess expertise related to sustainability, such as obtaining the Certification of FKI ESG Specialist, and collaborate with relevant departments of each subsidiary to support the group's overall PRB implementation.

• Compensation system for sustainability targets

The BNK Financial Group has been setting ESG-related targets in group management innovation tasks and major business plans by each department and utilize them for performance evaluations. Busan Bank and Kyongnam Bank set ESG indicators such as achievement of energy consumption target, reduction rate of paper and printer toner usage, and reduction rate of greenhouse gas emissions as KPI items and applied to the performance evaluation for each department. KPIs of such business headquarters are reflected in the performance evaluation of the manager of department, based on key business achievements, level of efforts, and so on. Going forward, the BNK Financial Group plans to expand the application of ESG performance evaluation items to all its subsidiaries and related departments.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

• ESG Education

The BNK Financial Group is providing ESG online education to foster a culture of responsible banking among its employees. All education content is available for constant learning through its own education platform called BNK e-campus and external platforms (KBI-TUBE). Busan Bank and Kyongnam Bank offered more than 38 types of the latest ESG courses regarding the background and implementation methodology of ESG finance, etc., and plan to continuously expand the courses. In 2023, 4,089 employees of Busan Bank completed 43,147 hours of education, while 234 employees of Kyongnam Bank completed 1,961 hours of education.

• Environmental education

Links and references

BNK Financial Group 2023 Sustainability Report p.62, 115;
 BNK Financial Group ESG Policy
<https://eng.bnkfg.com/05/03.jsp>

The BNK Financial Group conducts environmental education for its employees every year. Offline education includes ESG education for new employees (110 participants), ESG data platform education for related department managers (45 participants), and K-Taxonomy education for credit officers of Busan Bank and Kyongnam Bank (20 participants). Online education has been conducted on themes such as financial risk response and green finance, with 306 employees from Busan Bank and Kyongnam Bank participating.

• ESG Policies

The BNK Financial Group has established and distributed ESG policies applicable to all employees across its subsidiaries to spread the value of sustainability. Through related policies and guidelines, such as the Code of Ethics that serves as a standard for employee behaviour, Environmental Management Policy for climate change response, Community Engagement Policy to promote local community contribution and development, and Human Rights Policy to enhance human rights and diversity, the BNK Financial Group delivers the values it prioritizes to its employees.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

• Environmental and Social Risk Management Policy Framework

The BNK Financial Group has established the ‘Environmental and Social Risk Management Policy Framework’ to manage environmental and social risks that may arise within the portfolio, such as climate crisis, biodiversity, human rights, and health and safety. It defines the ESG elements considered in financial support and presents procedures for recognizing, measuring, monitoring, and managing environmental and social risks. For potential or identified risks, it actively takes improvement measures by presenting principles and standards related to exclusion areas, caution areas, and support areas. This framework applies to all products and services provided by the BNK Financial Group (corporate loans, retail banking, private banking, investment banking (IB), project finance, asset management, etc.).

• ESG Checklist

Busan Bank, Kyongnam Bank, BNK Capital, and BNK Asset Management apply the ESG checklist in loan and investment process to manage risks in the portfolio such as environmental

Links and references

BNK Financial Group 2023 Sustainability Report p.34, 36;
 BNK Financial Group Environmental and Social Risk Management Policy Framework
<https://eng.bnkfg.com/fileDownload.jsp?fn=21>

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

management, human resource management, and ethical management. Busan Bank and Kyongnam Bank provide loans or approve investments according to the general credit and investment process only for customers whose ESG checklist results meet internal standards. On the other hand, for customers who fall below these standards, investment decisions are made with reference to the opinions of specialized institutions.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response

Although the PRB report has not been assured, the Sustainability Report 2023, which forms the basis of the information in this report, has been assured by an independent assurer. The third PRB report, scheduled for publication in 2025, plans to obtain assurance.

Links and references

BNK Financial Group
2023 Sustainability
Report p.189-191

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other: UN SDGs, UNGC, KSSB (Korea Sustainability Standards Board)

Response

The BNK Financial Group has prepared the Sustainability Report in accordance with GRI Standards and has disclosed information according to three SASB standards that represent the BNK Financial Group's business portfolio (Commercial Banks, Asset Management & Custody Activities, Investment Banking & Brokerage). Climate change-related information disclosure follows TCFD guidelines, and since 2022, reporting on climate change has been conducted according to CDP. An index incorporating all frameworks referenced, including UN SDGs and UNGC, is publicly available in the Appendix of the Sustainability Report. Furthermore, as the Korea Sustainability Standards Board announced the draft of sustainability disclosure standards, the Sustainability Report has been structured accordingly.

Links and references

BNK Financial Group
2023 Sustainability
Report p.173-188

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

Response

The BNK Financial Group has established the '2024-2026 Mid- to Long-term ESG Strategy' reflecting the newly announced vision and core values with the proclamation of 'VISION 2030'. We aim to enhance ESG management according to three strategic directions, 12 focus areas, and action plans of each area, and carry out the following tasks to implement the PRB.

• Advancement of emission measurement and reduction strategy

The BNK Financial Group joined PCAF in March 2022 and has been measuring financed emissions in accordance with global standards. In 2023, we established a financed emission measurement system for more accurate measurement and management. Based on this, we plan to expand the scope of emissions measurement and carry out activities to achieve the interim targets for 2030 and annual emissions targets for 2024 according to the action plan.

• Expansion of sustainable finance products

In 2024, the BNK Financial Group has established the 'Sustainable Finance Classification System' to classify and manage sustainable finance products among all financial products provided. The system is composed of green financial products, social financial products, and governance financial products based on the EU Taxonomy, the draft of Social Taxonomy announced by the EU, and the green classification system announced by the Ministry of Environment. We plan to continuously expand our sustainable finance assets by 2030, incorporating the classification system into the stages of performance management and new product development.

• Enhancement of goals for inclusive and Win-Win finance

The BNK Financial Group has adopted the 'Regional Mutual Declaration' in August 2024 to respond to the crisis of regional extinction caused by population decline and corporate exodus. We plan to sequentially announce and implement key tasks for each stakeholder to specify this initiative. We are set to promote financial support amounting to approximately 18.4 trillion KRW to aid in regional economic recovery and alleviate the management burdens of SMEs and small business owners.

Links and references

BNK Financial Group 2023 Sustainability Report p.9, 25, 35, 40

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹⁶ The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets¹⁷ (highlighted in green) or to client engagement¹⁸ targets (highlighted in blue), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.¹⁹ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

¹⁶ It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

¹⁷ Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

¹⁸ Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁹ You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice ²⁰ (pathway to impact)									Impact ²¹		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; <i>If yes:</i> Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; <i>please specify</i> the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²²
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; <i>If yes:</i> - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO ₂ e <i>(please also disclose what is excluded for now and why)</i>	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio <i>(please specify which portfolio; for corporate and business clients: % of sectors financed)</i>

²⁰ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²¹ Impact: the actual impact of the bank's portfolio

²² If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

		year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			sectors and activities ²³ ? How much does your bank invest in transition finance ²⁴ ?			
A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (<i>depending on the sector and/or chosen metric</i>): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit					
A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% <i>(denominator: financed emissions in scope of the target set)</i>					

²³ A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

²⁴ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
B. Financial health	B.1.1	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	B.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	B.3.1	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	B.4.1	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

					means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonimized users and # of interactions for anonymized users.							
	B.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	B.2.2	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	B.3.2	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	B.4.2	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

		stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
						B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based

													using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
C. Financial Inclusion	C.1.1*	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	C.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is	C.3.1*	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	C.4.1	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.	

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.					
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.		

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			