

# TOUCH Your Heart, BNK



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# About this Report

## Overview

**The BNK Financial Group aims to achieve carbon neutrality by 2050 based on the realization of green finance, thereby contributing to climate change response.**

In the 2015 Paris Agreement on climate change, the international community pledged to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Accordingly, many countries, including South Korea, have set Nationally Determined Contributions(NDCs) to reduce greenhouse gas emissions. Companies are declaring and practicing carbon neutrality, aiming to make net carbon emissions from their business activities 'zero' to respond to climate change.

Financial institutions, which are responsible for the circulation of resources within the economic system, play a crucial role in responding to climate change. We are responsible for developing and providing financial products that limit the inflow of resources into industries with high greenhouse gas emissions while encouraging eco-friendly industries, thereby guiding all companies to participate in the transition to a carbon-neutral society. On the other hand, financial institutions face substantial potential risks due to climate change. These include the decline in asset values due to heat waves, droughts, and floods, and the reduced repayment capacity of borrowers as well as restrictions on investment targets and reduced investment profitability due to climate change-related laws and regulations, which can negatively impact the financial stability of financial institutions. Therefore, the importance of financial institutions' response activities to these issues is increasing.

Accordingly, the BNK Financial Group is promoting activities to respond to climate change. First, to reduce the carbon emissions from the business of the BNK Financial Group, we have set carbon neutrality targets for internal emissions and financial emissions and obtained approval from the Science Based Targets Initiative(SBTi) in 2024. In addition, to contribute to global cooperation in responding to climate change, we have joined initiatives such as the Carbon Disclosure Project(CDP) and the Partnership for Carbon Accounting Financials(PCAF). Since 2022, we have been reporting our climate change strategies and activities in our Sustainability Report according to the recommendations of the Task Force on Climate-Related Financial Disclosures(TCFD), and starting this year, we are publishing a separate TCFD report to transparently disclose BNK Financial Group's climate change response activities to various stakeholders.

Going forward, the BNK Financial Group will continue to share the results of our efforts to achieve carbon neutrality through the realization of green finance with stakeholders and join the journey towards a carbon-neutral society.

## Reporting Boundary

The scope of this report covers BNK Financial Group's domestic business sites, including BNK Financial Group, Busan Bank, Kyongnam Bank, BNK Capital, BNK Securities, BNK Savings Bank, BNK Asset Management, BNK Credit Information, BNK System, and BNK Venture Capital. This scope is consistent with the criteria submitted to the Science Based Targets Initiative(SBTi) for the establishment of scientific reduction targets.



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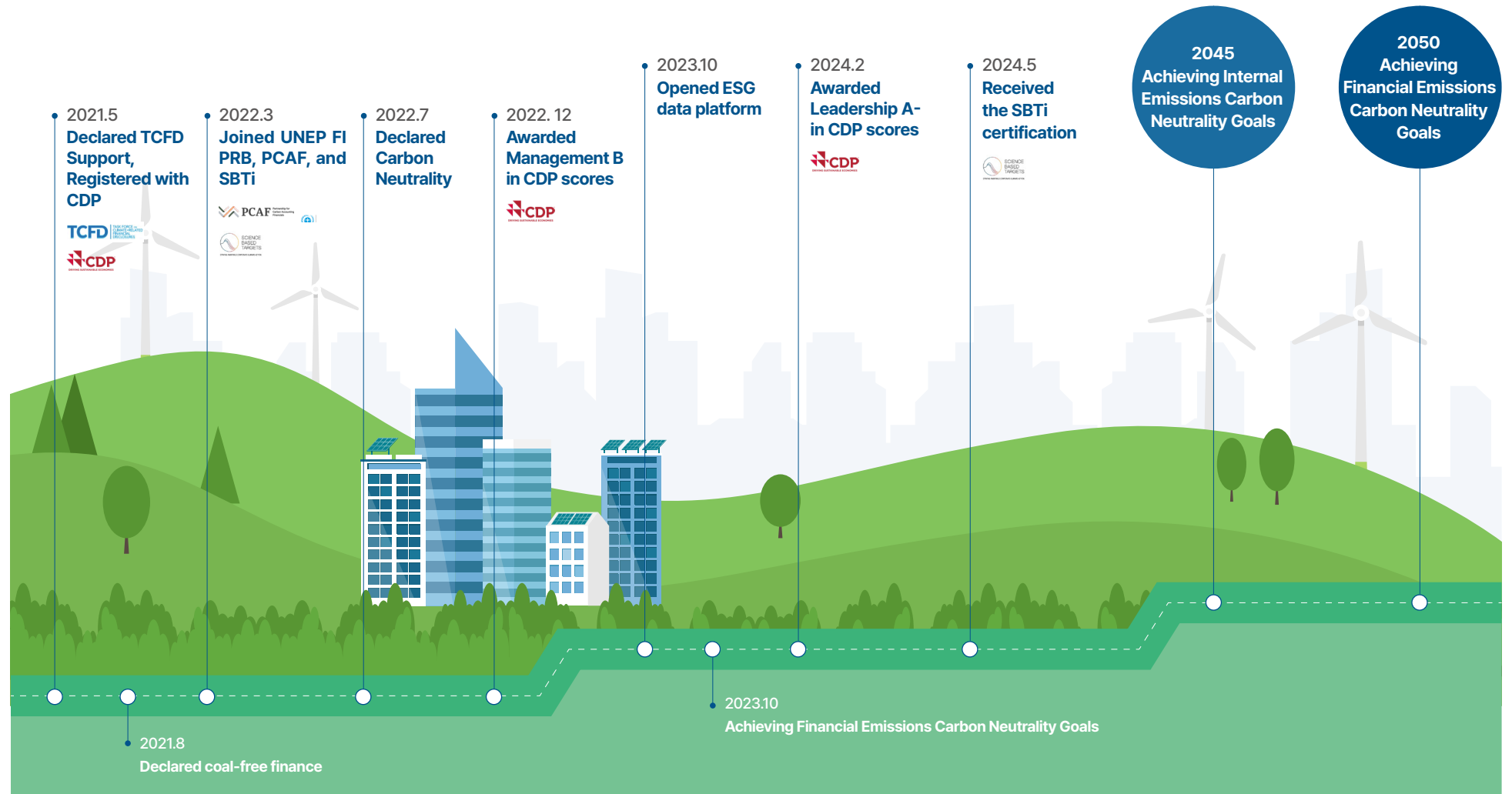
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# BNK Journey for Climate Action

Since the BNK Financial Group declared our support for the TCFD recommendations in 2021, we have been continuously promoting activities both internally and externally to achieve carbon neutrality goals, with internal emissions targeted by 2045 and financial emissions by 2050. In April 2024, we obtained certification for our greenhouse gas reduction targets from the Science Based Target Initiative(SBTi). Moving forward, we will strive to achieve our carbon neutrality goals by enhancing the efficiency of greenhouse gas emissions through the monitoring system based on the ESG data platform and financial emissions measurement management system to be advanced in near future.



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# GOVERNANCE

## Governance in Response to Climate Change

The BNK Financial Group operates a governance for response to climate change, consisting of the Board of Directors(BoD), management, BNK Financial Group, and the relevant departments of its subsidiaries.

### | Board of Directors Level

The BNK Financial Group operates a decision-making system for climate change response centered on the Board of Directors. The ESG Committee and the Risk Management Committee within the Board of Directors primarily review and resolve climate change risk response strategies and initiatives. The ESG Committee resolves and reports on the status of Group's ESG strategy and policies, including climate change response tasks, while the Risk Management Committee reviews the status of new ESG-related risk responses, including climate change, and resolves strategies reflecting climate risks.

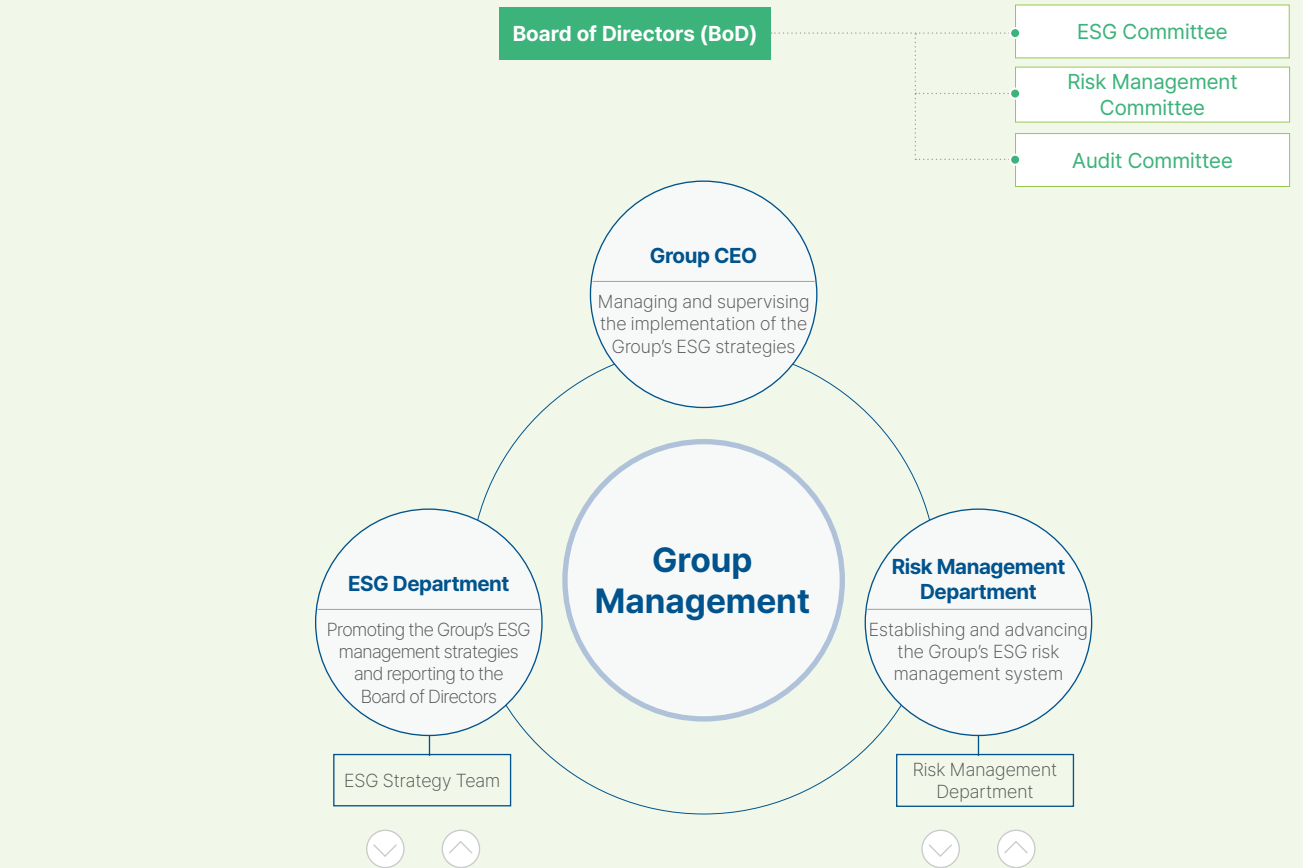
### | Management Level

The CEO of the BNK Financial Group oversees the development of strategies and management of performances regarding climate change responses. The Group CSO develops detailed strategies related to climate change response, such as the carbon reduction roadmap and ESG finance goals, while the Group CRO monitors the status of risk management for each portfolio based on the analysis of climate risks and opportunities.

### | Subsidiary Level

The ESG Strategy Team, which is the ESG department of the BNK Financial Group, manages the development of strategies and performances regarding climate change responses, while the Risk Management Department conducts relevant risk assessments to analyze information for the development of climate change response strategies. The ESG departments of all subsidiaries, including Busan Bank and Kyongnam Bank, carry out activities to efficiently implement the Group's climate change response strategies according to the characteristics of each subsidiary.

Group



Subsidiaries

- BNK Busan Bank
- BNK Kyongnam Bank
- BNK Capital
- BNK Savings Bank
- BNK Securities
- BNK Asset Management
- BNK Credit Information
- BNK System
- BNK Venture Capital

Management Strategy Department

Risk Management Department

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## Committee Reporting System

The BNK Financial Group resolves climate change response strategies and targets, and monitors the progress of ESG-related promotion tasks centered on the ESG Committee and the Risk Management Committee within the board of directors. The ESG Committee reports on the status of Group's ESG strategies and policies, including climate change response tasks, and in 2023, regularly reports the ESG Action Plan included in the ESG strategies after compiling it from the holding company and its subsidiaries. The Risk Management Committee addresses agenda related to climate change in 2023, such as the 'Report on the Completion of the ESG Climate Risk Management System Introduction Project' and the resolution to amend the 'Risk Management Regulations(Proposal)' to include climate risks as a type of risk.

- Report on the performance of the 'Strategies to Respond to Climate Change' initiative as part of the 9 ESG promotion strategies\* promoted in 2023 (reported in April 2023)
- The newly established Mid- to Long-Term ESG Strategy(Proposal) for 2024 includes 'Green Finance' as one of the 3 strategic directions, with 4 key initiatives: achieving carbon neutrality targets, establishing an eco-friendly financial product management system, advancing green management, and participating in global environmental initiatives (resolution in April 2024)

\*The detailed agenda of the ESG promotion strategy includes the evaluation results of internal and external stakeholders on the risks and opportunities that climate change may rise to BNK Financial Group

## Resolutions and Reports of the ESG Committee

Category	Description	
2023.04.27 (the 2nd Committee Meeting)	Report) Reporting on the key ESG-related issues in the Group	<ul style="list-style-type: none"> <li>• Promoting consulting for the publication of the 'Sustainability Report'</li> <li>• Review of the progress of the Group ESG Action Plan</li> <li>• Promoting on implementing the 'Environment Management System(EMS)'</li> </ul>
2023.04.27 (the 2nd Committee Meeting)	(Report)	• Report on the Publication of the 2022 Sustainability Report
2023.10.31 (the 4th Committee Meeting)	(Report) Reporting on the key ESG-related issues in the Group	<ul style="list-style-type: none"> <li>• Promotion of 'Group ESG Integrated Consulting'</li> <li>• Establishment of Group ESG Data Platform (E)</li> <li>• Operation of Group ESG practitioner committee</li> </ul>
2024.04.30 (the 1st Committee Meeting)	(Resolution)	• Group Mid- to Long-Term ESG Strategy (Proposal)

## Resolutions and Reports of the Risk Management Committee

Category	Description
2023.10.30 (the 6th Committee Meeting)	(Report) <ul style="list-style-type: none"> <li>• Report on the completion of the ESG Climate Risk Management System Introduction Project</li> </ul>
2023.12.20 (the 7th Committee Meeting)	(Resolution) <ul style="list-style-type: none"> <li>• Amendment of Risk Management Regulations (Proposal)</li> <li>※ Documentation of Climate Risk Management System: the definition of climate risk has been added within the types of risks. <ul style="list-style-type: none"> <li>- Climate risk: The risk of management deterioration transferring to the finance sector due to physical damage from climate change or the transition to a low-carbon economy</li> </ul> </li> </ul>

## Roles and Responsibilities between Climate-related Organizations

Category	ESG Strategy Team	Risk Management Department
Strategy	• Declaration and development of carbon neutrality strategy	• Provision of analytical information for developing strategy
Organization	• Operation of ESG Committee	• Operation of Risk Management Committee
Disclosure	• Publication of Sustainability Report, TCFD Report (Responding to investors and credit rating agencies)	• Provision of analytical information within disclosure reports (Responding to Supervisory Authorities)
Evaluation and Management	<ul style="list-style-type: none"> <li>• Setting and managing carbon neutrality goals</li> <li>• Selection of detailed implementation tasks for reaching reduction targets</li> <li>• Identification of opportunity factors and development of execution strategies</li> <li>• Management of implementation status of subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>• Operating climate risk management standards and guidelines</li> <li>• Reflecting the environmental factors in corporate credit rating</li> <li>• Response to regulations of supervisory authority</li> <li>• Measurement and intensity management of financial emissions</li> <li>• Selecting the Significant/High-Carbon industries and developing exposure management, establishing limit management strategies</li> <li>• Scenario Analysis</li> </ul>
System	<ul style="list-style-type: none"> <li>• Operation of Environment Management System (Scope 1 &amp; 2)</li> <li>• Monitoring of reduction status according to targets</li> </ul>	<ul style="list-style-type: none"> <li>• Operation of financial emission measurement system (Scope 3)</li> <li>• Operation of corporate Credit rating model</li> </ul>

## Reflect Climate Change in Performance Review

The BNK Financial Group has been setting ESG-related goals such as group management innovation tasks and major business plans by each department, and utilizes them for performance evaluations. Specifically, Busan Bank and Kyongnam Bank select ESG indicators such as achievement of energy consumption, reduction rate of paper and printer toner usage, and reduction rate of greenhouse gas emissions as KPI items, and apply them to the performance evaluation for each department. The 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 of its subsidiaries and related departments.

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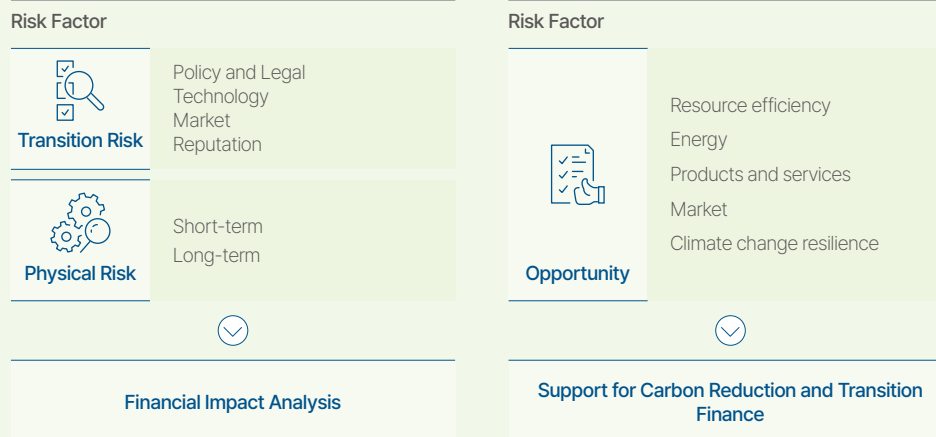
## Climate Change Risks and Opportunities

Climate change entails risks but also provides opportunities associated with the transition to a low-carbon society. The BNK Financial Group is performing scenario analysis for asset portfolios and measuring financial emissions to quantitatively identify climate change risks and opportunities in detail. Based on this, we plan to implement climate-related strategies and financial emissions reduction strategies to bring about practical changes. In order to identify the risks associated with climate change, we conducted a crisis situation analysis of transition and physical risks and quantified the risks associated with climate change.

We will do our best to support domestic companies in reducing carbon emissions by expanding low-carbon transition financing, turning crises into opportunities, and committing fully to carbon neutrality policies.

The BNK Financial Group, as a regional financial institution based in Busan, Ulsan, and Kyongnam regions, commits to harmonize with the local community and contribute to the transition to a low-carbon society.

### | Strategizing Risks and Opportunities according to Climate Change



Strategic Plans and Risk Management



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The BNK Financial Group classifies and analyzes climate change-related risks and opportunities based on the timeline of occurrence, in accordance with TCFD(Task Force on Climate-Related Financial Disclosures) recommendations. The timeline was defined as follows: until 2030 as 'short-term', until 2040 as 'mid-term', and until 2050 as 'long-term'.

● Short-term ● Mid-term ● Long-term

Risk	Description	Timeline	Opportunity	Description	Timeline	
Transition Risk	Policy/Legal	<ul style="list-style-type: none"> <li>There can be an increase in credit risk due to rising carbon emission prices, stronger enforcement of environmental disclosure, lawsuits, etc.</li> <li>As policies related to climate change are being reinforced, corporate strategies are transitioning; in accordance with such situations, resilience must also be enhanced for the asset portfolio.</li> </ul>	● ● ●	Resource Efficiency	<ul style="list-style-type: none"> <li>In the event that an investment company responds to climate change and improves energy efficiency, operation costs can be saved, which will lead to improved profits.</li> <li>By improving the energy efficiency of tangible assets such as offices, data centers, bank branches, etc., operation costs and carbon emissions can be reduced.</li> </ul>	● ●
	Technology	<ul style="list-style-type: none"> <li>Earnings on investments can be affected due to increased costs for invested companies for developing green/low-carbon technologies or drop in value for companies that could not successfully achieve technological transition.</li> </ul>	● ●	Energy Resources	<ul style="list-style-type: none"> <li>Carbon emissions can be reduced by transitioning energy resources such as expanding the use of renewable energy, implementing EVs, self-generation, etc. while reducing exposure to higher carbon taxes and fossil fuel prices in the future.</li> </ul>	● ● ●
	Market	<ul style="list-style-type: none"> <li>Consumer behavior and market are changing with regard to climate change issues. This can affect corporate value; depending on the level of climate change response, it can be connected to withdrawal of funds from investors or drop in stock prices, thereby resulting in financial impact.</li> </ul>	● ●	Products and services	<ul style="list-style-type: none"> <li>We are expanding products and services that provide support for positive impact on the society and environment while ensuring profits for customers.</li> <li>Opportunities and risks are being identified by disclosing the ESG-related indicators and performance of portfolio products to enhance competitiveness.</li> </ul>	● ●
	Reputation	<ul style="list-style-type: none"> <li>There can be criticism of green washing regarding indiscreet ESG response; and depending on the ESG evaluation index, credit rating and ESG evaluation rating can drop for the entire group. This can impact the reputation of the Group that represents the Kyongnam region.</li> </ul>	● ●	Market	<ul style="list-style-type: none"> <li>It is possible to enter new markets by expanding loans for green projects such as green technology development, etc. and launching SLL(Sustainability Linked Loans).</li> <li>We support the revitalization of market on green projects such as issuing green bonds to contribute to transitioning to a low-carbon society, protecting the ecosystem, etc.</li> </ul>	● ●
Physical Risk	Acute Risk	<ul style="list-style-type: none"> <li>Acute risks such as wildfires, extreme rain, typhoon, earthquake, etc. can damage tangible assets; thus lowering the collateral value. In particular, acute risks can lead to financial risks due to the high proportion of commercial real estate and mortgages in the BNK Financial Group's entire portfolio.</li> <li>In addition, it can have direct damage on the facilities of the Group such as bank branches, etc., so there are also risks of operational disruptions and lowering operating margins such as disruption of operations, destruction of supply chains, worsened health of employees, etc.</li> </ul>	● ●	Resilience	<ul style="list-style-type: none"> <li>By actively exercising rights as shareholders such as participating in the general shareholder meetings, it is possible to protect long-term shareholder value while supporting the ESG efforts of invested companies to improve the resilience of asset portfolios.</li> <li>We are forming company-wide consensus, encouraging participation, and actively responding to climate change through in-company policies such as expanding the ESG training for employees, efforts to reduce individual carbon footprints, etc.</li> </ul>	● ●
	Chronic Risk	<ul style="list-style-type: none"> <li>Chronic risks that occur with long-term changes such as climate pattern changes, average temperature, and rising sea levels can increase the overall operation costs of the company and capital expenses.</li> </ul>	●			

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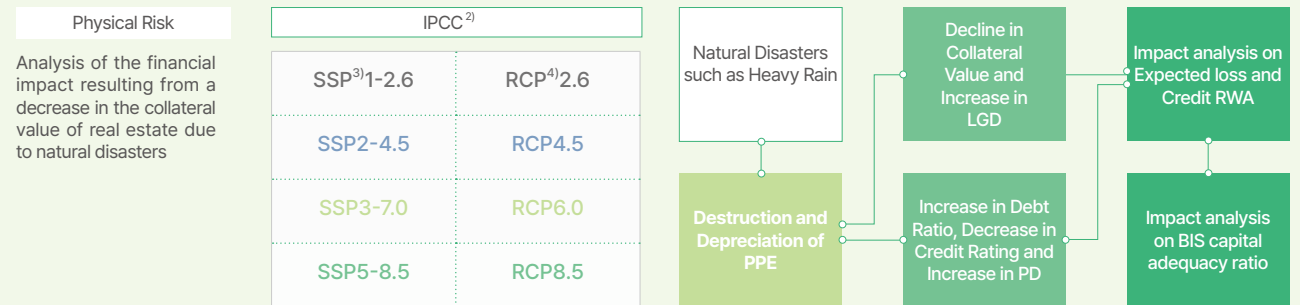
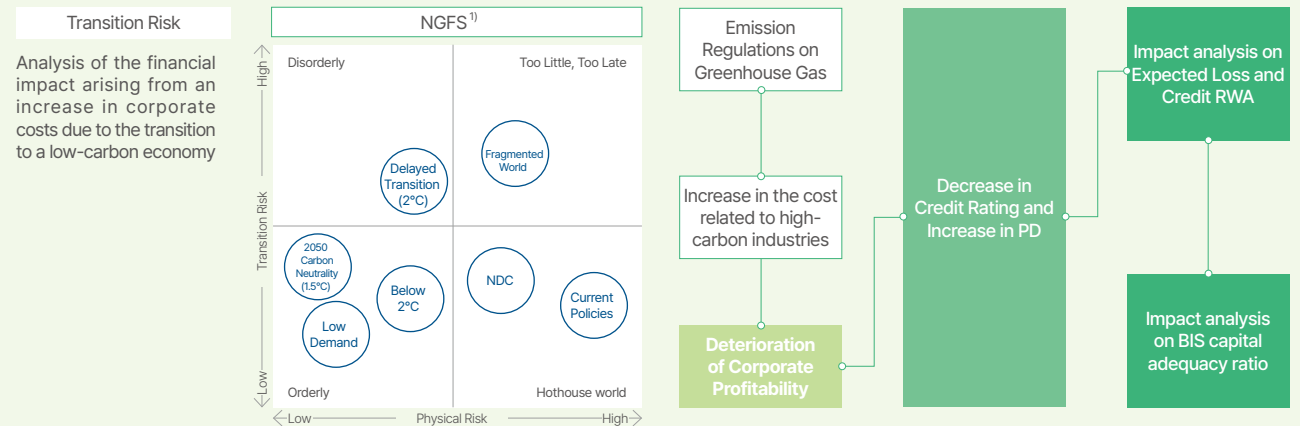
## Climate Change Scenario Analysis

The BNK Financial Group performed scenario analysis to analyze the impact of climate change on the Group's portfolio. Scenario analysis was performed by dividing into transition risk and physical risk, and each scenario was structured on the basis of NGFS climate change scenario and IPCC's SSP and RCP scenarios of IPCC in accordance with international standards.

The transition risk refers to an analysis of the financial impact arising from an increase in corporate costs in high-carbon emissions industries. The physical risk refers to an analysis of the financial impact resulting from the destruction and a decrease in PPE due to natural disasters.



## Analysis of financial impact



1) NGFS: Network for Greening the Financial System  
2) IPCC: Intergovernmental Panel on Climate Change  
3) SSP: Shared Socioeconomic Pathways  
4) RCP: Representative Concentration Pathways

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## Transition Risk Scenario Analysis

The transition risk refers to the risk that classifies with a high likelihood of occurring during the transition to a low-carbon society. The scenarios of transition risk were analyzed by defining among the seven scenarios from NGFS – Net Zero goals(1.5°C) and delayed transition(2°C). NGFS provides greenhouse gas emission pathways and carbon prices for each scenario, and we used this information in our analysis process. We reflected a decrease in corporate credit ratings due to the increase in carbon costs as a financial impact, based on greenhouse gas emission pathways and carbon price scenarios.



### Result of Transition Risk Scenario Analysis (BIS ratio)

Category	2023	BNK FINANCIAL GROUP <sup>1)</sup>			Delayed transition(2°C)		
		2030	2040	2050	2030	2040	2050
BNK FINANCIAL GROUP <sup>1)</sup>	13.84%	13.38%	12.57%	11.82%	13.84%	13.07%	11.90%

1) Static financial statements applied

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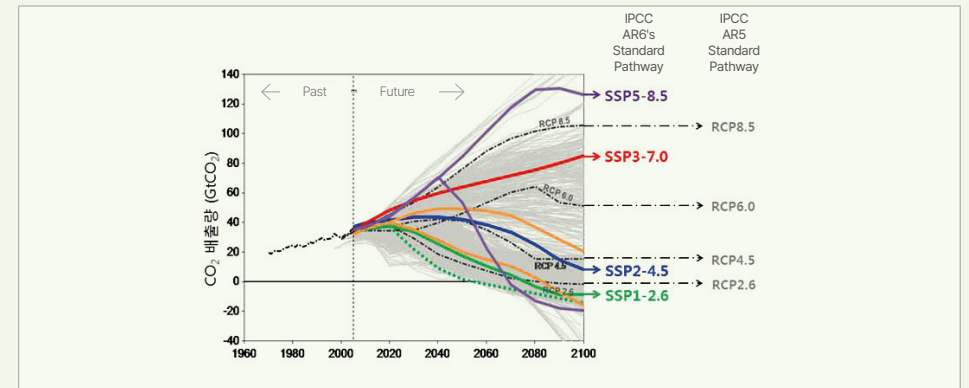
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## Physical Risk Scenario Analysis

Physical risk refers to the negative impact on assets due to changes in physical factors arising from climate change, and it is analyzed the financial impact of physical damage to the assets of the BNK Financial Group. The physical risks scenario was defined as SSP5-8.5 among the scenarios of the IPCC's 6th Assessment Report. Through the analysis of the frequency and depth of rainfall, a manifestation of heavy rain and typhoon which make up most of the damage scale of natural disasters, we reflected the decrease in the value of real estate collateral held by the BNK Financial Group.

SSP1-2.6	It assumes the technological advance of renewable energy will minimize the exploitation of fossil fuels and lead to an environmentally sustainable economic growth
SSP2-4.5	It assumes an intermediate stage of climate change mitigation and socio-economic development
SSP3-7.0	It assumes a social structure that is vulnerable to climate change due to a passive approach to climate change mitigation policies and delays in technological development
SSP5-8.5 (Analysis Scenario)	It assumes the rapid advances of industrial technology will lead to an indiscreet urban sprawl with high exploitation of fossil fuels

1) SSP (Shared Socioeconomic Pathways): Scenarios for the IPCC 6th Assessment Report that reflects future mitigation and adaptation efforts to climate change based on future socio-economic changes, along with the intensity of Radiative Forcing(the original RCP concept) for the year 2100.



Source: Korea Meteorological Administration

### Result of Physical Risk Scenario Analysis(BIS ratio)

2023	Net Zero (1.5°C)		
	2030	2040	2050
13.84%	13.12%	12.95%	12.71%

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## Response Strategy to Risks and Opportunities

The BNK Financial Group intends to expand transition finance, based on the analysis of risks and opportunities due to climate change. The transition finance is a strategy that encourages corporate participation for mutual growth (Engagement), by identifying potential opportunities and promoting reduction in corporate carbon emissions. This may contribute to the reduction of financial emissions by the BNK Financial Group.

### Targets for Discovery and Financial Support

#### Discovery and Support Process (Financial Support Provided)

##### Scope 1 Reduction Support

- Provide facility funds for CCUS(Carbon Capture, Utilization & Storage)
- Provide funds for manufacturing changes(steel, cement, petrochemical, refining, etc.)
- Provide funds for power mix changes and power generation efficiency

##### Scope 2 Reduction Support

- Provide funds for energy efficiency improvements(savings, machinery changes, replacement of old facilities, etc.)

##### Scope 3 Reduction Support

- Provide funds for changes to basic materials(raw materials, semi-finished goods, parts, etc.) to produce finished goods
- Provide funds for changing production methods of finished goods and for new products transitions
- Provide funds for advanced material developments
- Provide funds for process changes to shift material use

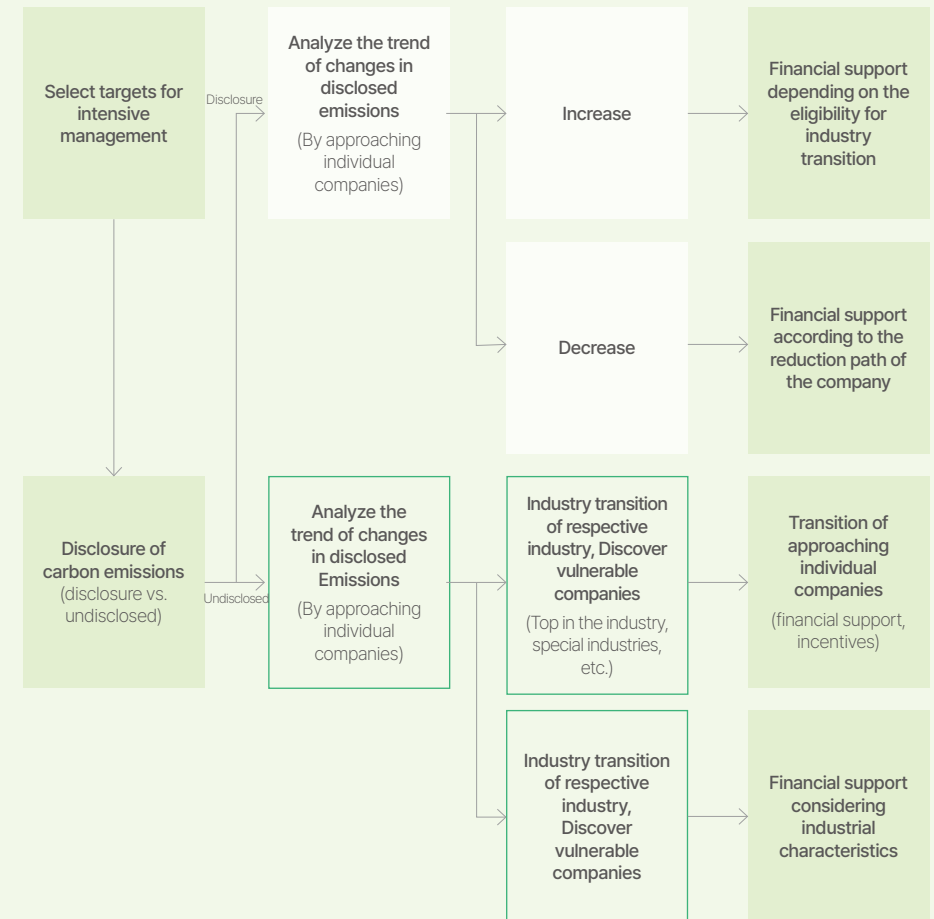
#### Enterprises with voluntary reduction targets and disclosed carbon emissions (Providing financial support, incentives)

Conversion and Securing of Loans and Investment Channels

Reduction of Corporate Carbon Emissions

Reduction of Financial Emissions by the BNK Finance

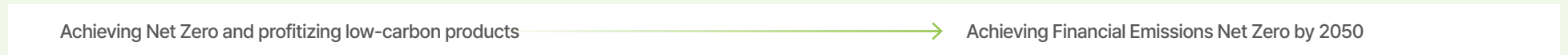
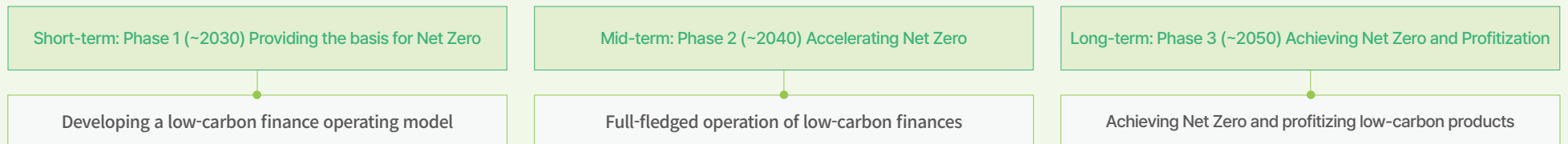
### Discovery and Support Process



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## Carbon Emission Reduction Roadmap and Performance

In accordance with the 'Mid- to Long-Term ESG Strategy' direction, we are implementing 11 detailed implementation tasks for achieving the Net Zero goals.

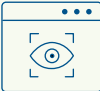





<p><b>Greening (Green Transition)</b></p> <p>Strengthen activities to achieve internal carbon emissions reduction targets within the group</p> <ol style="list-style-type: none"> <li>1 Establish a carbon emissions management system for business sites</li> <li>2 Expand the transition to green cars</li> <li>3 Use of renewable energy</li> <li>4 Strengthen the low-carbon lifestyle</li> </ol> <p>For the outcomes of the strategy tasks, please refer to the 'Advancement of Green management(p.61~66)' of BNK Financial Group Sustainability Report.</p>	<p><b>Positive Screening (Preferred Investment)</b></p> <p>Investments for industries, companies, and projects with outstanding performance related to ESG</p> <ol style="list-style-type: none"> <li>5 Establish a green financial product management system</li> <li>6 Expand ESG outstanding companies and green finance investment</li> </ol> <p>For the outcomes of the strategy tasks, please refer to the 'Sustainable Finance (p.33~40)' of BNK Financial Group Sustainability Report.</p>	<p><b>Negative Screening (Divestment)</b></p> <p>Exclude investments that increase carbon emissions and exclude industries and companies that do not meet the ESG standards</p> <ol style="list-style-type: none"> <li>7 Strengthen climate risk management</li> <li>8 Reduce investments in high-carbon industries</li> </ol> <p>For the outcomes of the strategy tasks, please refer to the 'Climate Finance- Risk Management (p.26~27)' of BNK Financial Group Sustainability Report.</p>	<p><b>Engagement (Promoting participation)</b></p> <p>Through networking with companies, adjust greenhouse gas emissions and promote reduction in emissions</p> <ol style="list-style-type: none"> <li>9 Manage ESG risks for customers</li> <li>10 Expand financial support for local companies</li> <li>11 Advisory for strengthening ESG capabilities of corporations in the southeast region</li> </ol> <p>For the outcomes of the strategy tasks, please refer to the 'Building ESG Ecosystem in Southeastern region(p.61~66)' of BNK Financial Group Sustainability Report.</p>
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# RISK MANAGEMENT

## Risk Management Framework

The BNK Financial Group recognizes climate risk as a significant risk factor and is improving our risk management system with the intention of ensuring stability and profitability for our investment sectors against potential risks arising from climate change. To this end, we systematically identify and assess environmental and social risks based on the TCFD recommendations. Furthermore, we have established a financial emission measurement system and database, and advanced its risk management governance and management framework. The BNK Financial Group operates a four-step risk management process to systematically manage major climate risks, which includes identification, assessment, monitoring and reporting, and response and mitigation of significant risks related to climate change. Additionally, the BNK Financial Group stipulates requirements for risk management by establishing the regulations for the Risk Management Committee, risk management regulations, and risk management guidelines. In 2024, we are planning to establish internal regulations for climate risk management and use it for credit and limit management in order to link risk management related to climate change with company-wide processes.

Category	Description	
Regulations for the Risk Management Committee	<ul style="list-style-type: none"> <li>Developing a basic risk management policy</li> <li>Determination of an acceptable level of risk, etc.</li> </ul>	<p><b>Identification of risk</b></p>  <ul style="list-style-type: none"> <li>Identification of risks that may arise due to climate change</li> <li>Recognition of financial risks through transition channels</li> </ul>
Risk Management Regulations	<ul style="list-style-type: none"> <li>Definition of climate risk</li> <li>Specification of sub-regulations related to climate risk management</li> </ul>	<p><b>Risk Assessment</b></p>  <ul style="list-style-type: none"> <li>Regular measurement of financial emissions</li> <li>Analysis of the status and trends of the exposure, financial emissions and concentration by industry</li> </ul>
Risk Management Guidelines	<ul style="list-style-type: none"> <li>Details on climate risk awareness, measurement, and monitoring</li> </ul>	<p><b>Monitoring and reporting</b></p>  <ul style="list-style-type: none"> <li>Selection and monitoring of high-carbon industries</li> <li>Risk-related committee and management reporting</li> <li>Support for decision-making related to climate change</li> </ul>
		<p><b>Response and mitigation</b></p>  <ul style="list-style-type: none"> <li>Reflection of internal regulations</li> <li>Selection of Significant Industry and establishment of Review Process</li> <li>Development of exposure limit management strategy</li> </ul>



# RISK MANAGEMENT

## Environmental and Social Risk Management

### | Analysis of Industries with Significant Climate-related Financial Impact in 2023

The BNK Financial Group has established the "Best Practices for Environmental and Social Risk Management" for 2024 to proactively manage various potential risks in environmental and social aspects by considering and managing the impact of financial institutions' corporate activities on the environment and society. These best practices apply to all products and services provided by BNK Financial Group and the group's subsidiaries (corporate loans, retail, private banking, investment banking (IB), project finance, asset management, etc.).

The BNK Financial Group complies with the following principles to manage environmental and social risks

- Recognize that environmental and social risk management is a material factor for the group's sustainable growth.
- Operate a system to identify, measure, and manage environmental and social risks, and reflect these in the group's investment and credit decision-making process.
- Exclude and designate areas with significant negative environmental and social impacts as areas of caution and manage them accordingly.
- Evaluate the environmental and social impacts of large-scale development projects, and if the evaluation results indicate significant negative impacts, assess the environmental and social risks and prepare mitigation measures to reduce these risks.
- Transparently disclose major policies related to environmental and social risk management and actively communicate with stakeholders.
- Enhance awareness and improve risk management capabilities regarding environmental and social risks through the participation and education of all employees.

### | Establishment of Management Plans for High-Carbon Industries

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 in 2023. In the future, we plan to reduce the commitment limits for High-Carbon Industries and allocate them to industries with lower intensity to manage and reduce the overall intensity.

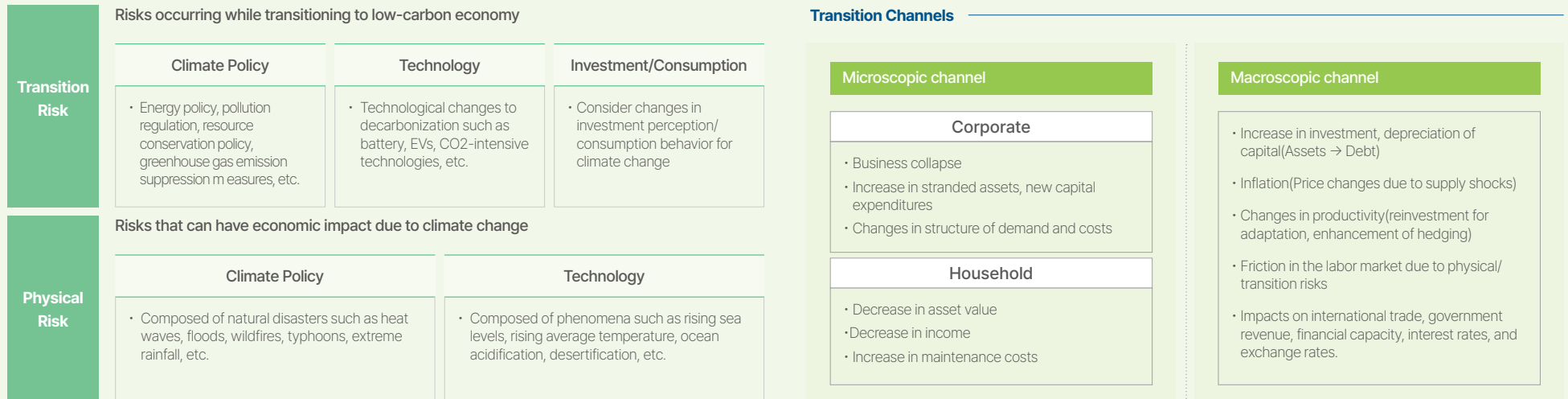
Category	Balance	Proportion	Financial Intensity
Public Service	10,764	1.70%	182.9
Food & Beverage	11,950	1.90%	173.5
Non-Ferrous Metals	10,743	1.70%	163.9
Steel	10,434	1.60%	107.7
Construction	39,550	6.20%	88.6
Consumer Distribution	37,968	5.90%	42.2

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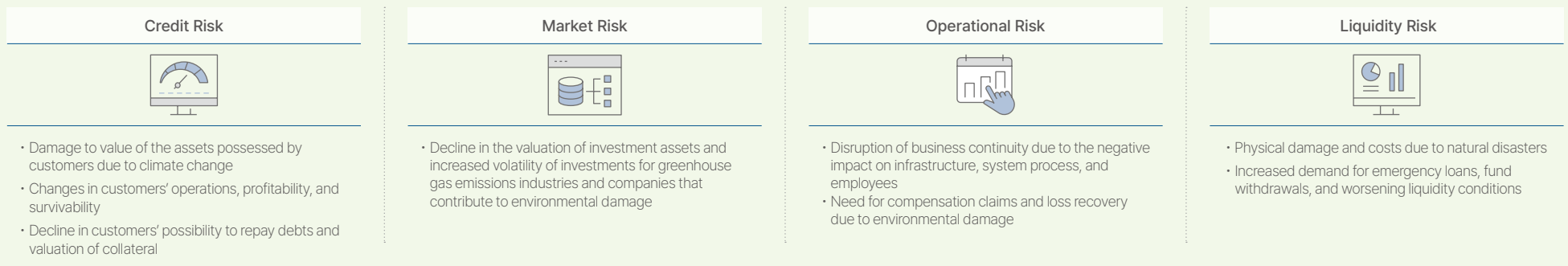
## Risk Identification

The BNK Financial Group defines climate risk as a risk related to the transition to a low-carbon economy(Transition risk) and a risk associated with the physical impacts of climate change(Physical risk). The physical risk includes both chronic and acute risks.

Since climate risks impact various sectors of financial companies, they must be recognized in connection with financial risks through economic transition channels. The BNK Financial Group recognizes that depending on the characteristics of the physical and transition risk, they can be transferred to credit, market, operation, liquidity, reputation risks, etc. from the microscopic and macroscopic perspectives.



### Connected to Financial Risk



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**Risk Assessment**

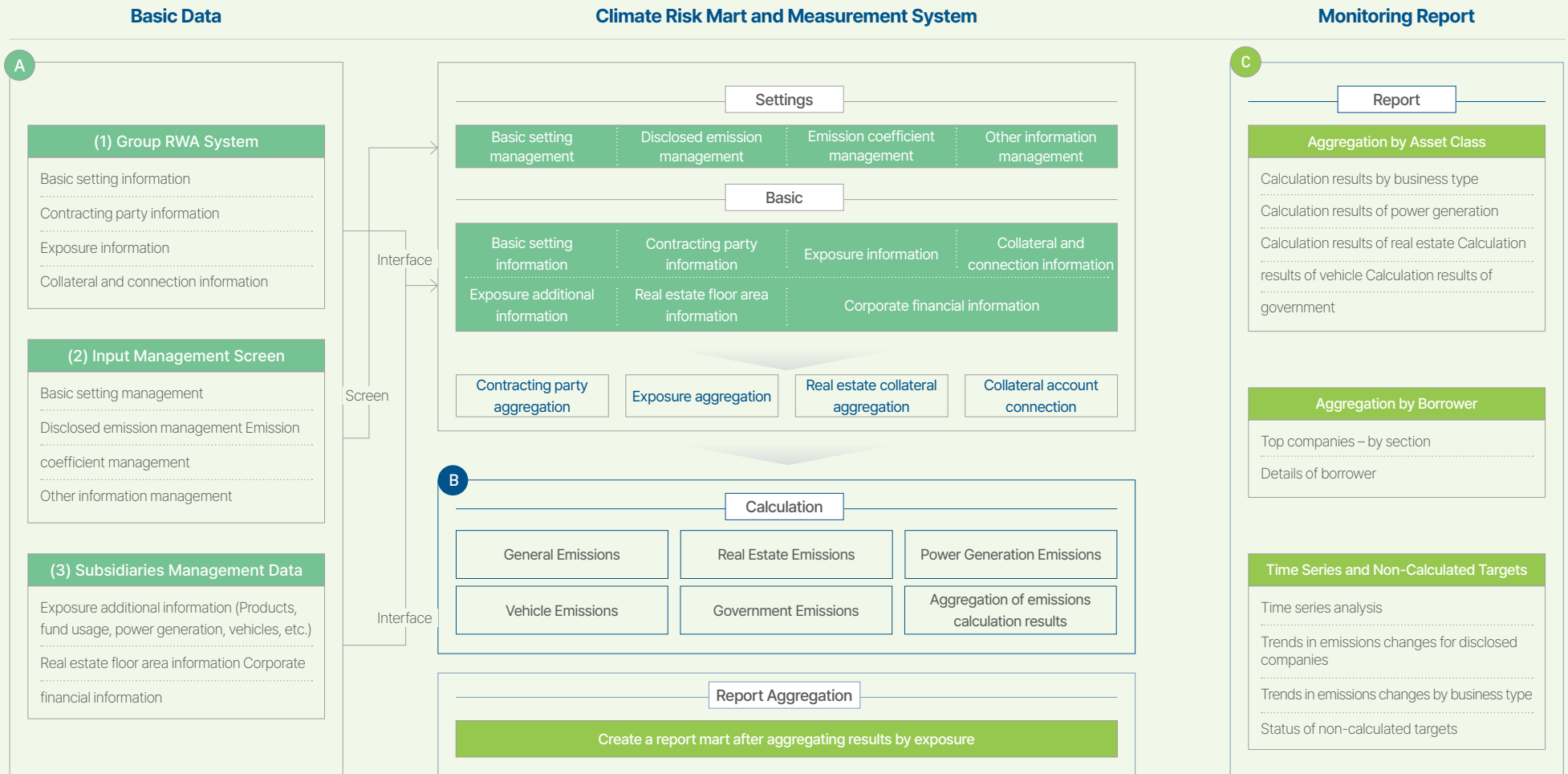
Risk Response and Mitigation

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## Risk Assessment

The BNK Financial Group has developed and is operating a system to calculate and monitor financial emissions by categorizing the group's loans and investment assets into seven asset groups according to the greenhouse gas accounting standards of the Partnership for Carbon Accounting Financials (PCAF). Through the financial emissions measurement system, we monitor the risks associated with a rapid increase or concentration of financial emissions and intensity by portfolio, and use this information in business decision-making, such as designating and managing high carbon intensity industries.



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## Risk Response and Mitigation

By thoroughly understanding the impact of climate risk on customers and business, the mitigation of risk can be efficiently incorporated. In accordance with this, the BNK Financial Group has established countermeasures to manage and mitigate the identified risks in relation to climate change, and will establish and implement detailed plans.

### Climate Risk Response Measures

● Short-term ● Mid-term ● Long-term

Risk	Description	Timeline
Transition risk	<ul style="list-style-type: none"> <li>Policy/Legal</li> <li>Monitoring of climate-related policy and risk management regulations, Continuous review of related policies and procedures</li> <li>Establishment of strong governance through ESG Committee, Risk Management Committee, etc.</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> <li>●</li> </ul>
Technology	<ul style="list-style-type: none"> <li>Expansion of product development and investment related to green technology</li> <li>Monitoring of green technology</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>
Market	<ul style="list-style-type: none"> <li>Monitoring of consumer behaviors and market changes</li> <li>Setting up a system to analyze the impact of financial risks</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>Disclosure of information through Sustainability Reports, TCFD Reports, CDP, etc.</li> <li>Clarification of climate strategy and strengthening of communication with stakeholders</li> <li>Activation and strengthening responding capabilities of customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>
Physical risk	<ul style="list-style-type: none"> <li>Acute risk</li> <li>Developing climate change response strategy based on the physical risk scenario analysis of the existing portfolio</li> <li>Identification of climate-vulnerable facilities among the buildings and branches owned by the BNK Financial Group and efforts to prevent damage</li> </ul>	<ul style="list-style-type: none"> <li>●</li> <li>●</li> </ul>
	Chronic Risk	<ul style="list-style-type: none"> <li>●</li> </ul>



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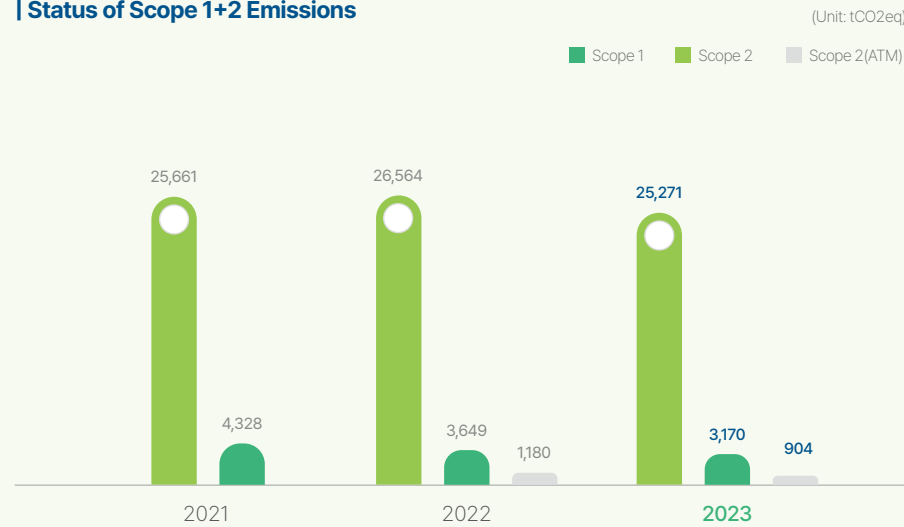
# METRICS AND TARGETS

## Internal Greenhouse Gas Emissions and Reduction Targets

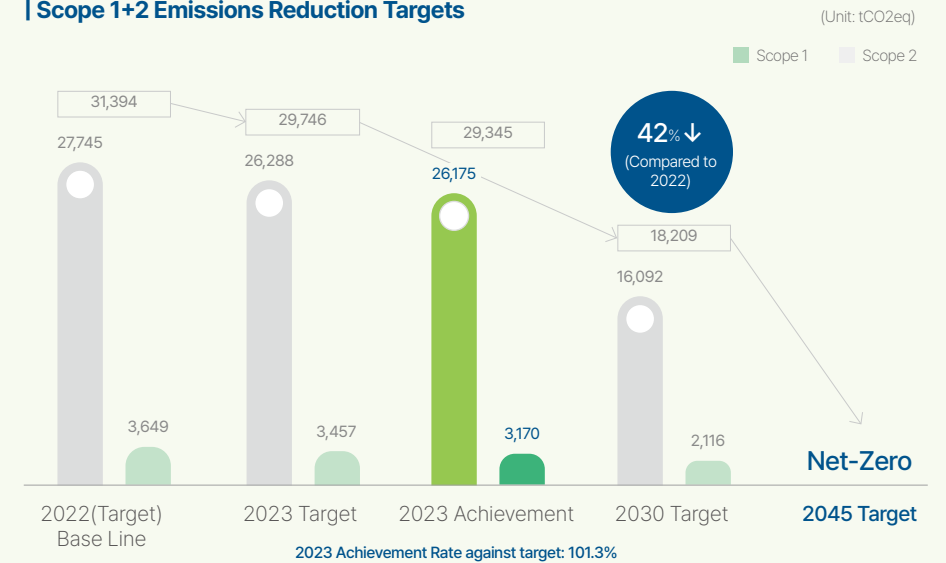
The BNK Financial Group manages amount of greenhouse gas emissions(Scope 1&2) that are produced through energy consumption by operating an Environment Management System. By the second half of 2024, we plan to advance the Environment Management System to improve the measurement and monitoring methods of greenhouse gas emissions. Additionally, we aim to achieve our Net Zero goals by promptly checking the achievement rate against the internal emissions target within the Environment Management System.

The BNK Financial Group has set its internal reduction target by applying the ACA(Absolute Contraction Approach) of the SBTi. In accordance with the reduction pathway of the ACA, the BNK Financial Group plans to achieve Net Zero by 2045 by reducing its internal emissions by 42%, based on the 2022 internal emissions until 2030.

### | Status of Scope 1+2 Emissions



### | Scope 1+2 Emissions Reduction Targets



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## Asset Portfolio Carbon Emissions(Financial Emissions) based on PCAF

The BNK Financial Group acknowledges the importance of financial emissions(Scope 3) which are emitted through investments and loans, in addition to the greenhouse gases(Scope 1&2) generated through direct emissions or energy consumption. Accordingly, the Group has joined PCAF in March 2022, and has calculated the financial emissions(Scope 3) for 2022 in accordance with global standards. In 2023, we have established a financial emission measurement system for more accurate measurement and management. The financial emissions are classified and measured according to the seven asset groups defined by PCAF: listed stocks and corporate loans and unlisted stocks, project finance(PF), industrial real estate, mortgage, automobile loan, and government bond(methodology added in December 2022). The data used for measurement was applied with the average emission coefficient for each business category provided by PCAF for the areas where data was insufficient, along with the publicly disclosed emission information of the company. Also, the company's financial emissions are not only encompassing Scope 1&2 but also Scope 3, preliminary preparing for the entire industry's disclosure of Scope 3 scheduled in 2025.

### | Status of financial emissions(Scope 3)

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

Category	2021			2022			2023		
	Measured target	Financial emissions	Financial intensity	Measured target	Measured target	Financial intensity	Measured target	Financial emissions	Financial intensity
Total	72.1	2,314	32.1	79.9	2,574	32.2	85.5	2,777	32.5
Listed stocks and corporate bonds	5.3	135	25.7	5.7	131	23.2	6.3	166	26.3
Corporate loans and unlisted stocks	48.9	1,986	40.7	53.8	2,228	41.4	57.3	2,370	41.4
Project Financing	0.5	50	92.4	0.6	60	107.7	0.3	38	134.0
industrial real estate	4.6	4	0.9	5.5	4	0.8	5.2	4	0.8
Mortgage	8.1	5	0.6	9.3	5	0.6	10.0	5	0.5
Automobile loan	1.0	8	8.0	0.9	6	7.1	0.9	5	5.9
Government bonds	3.7	126	33.6	4.1	140	33.6	5.6	189	33.6

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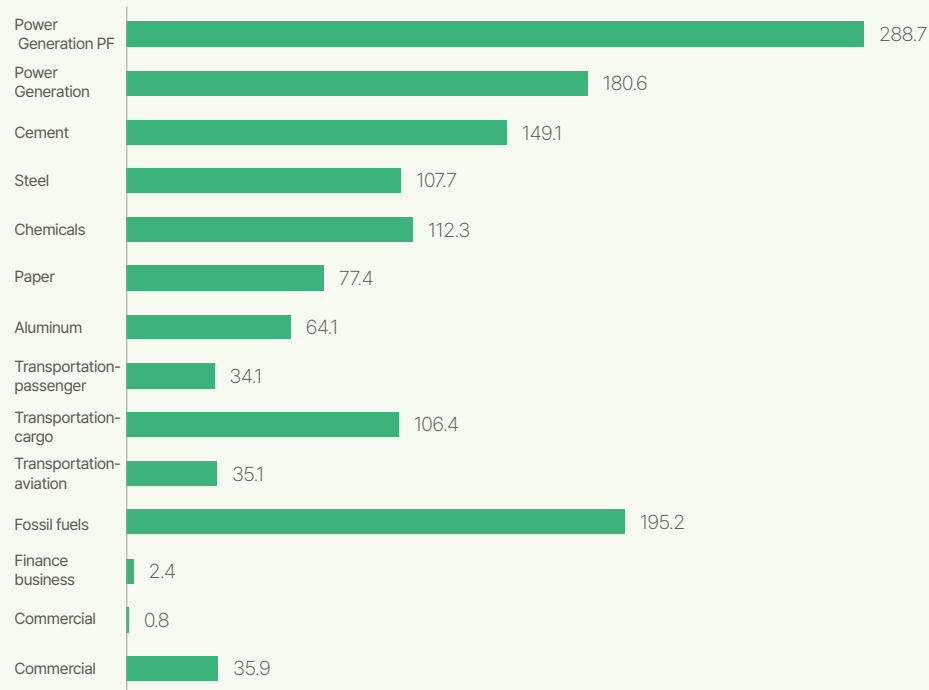
## Financial Emissions and Reduction Targets

The BNK Financial Group's financial emissions for 2023 are 25.88 million tCO<sub>2</sub>eq<sup>1)</sup>, which exceeded the 2023 target by 2.33 million tCO<sub>2</sub>eq. The total financial emissions increased by 1.54 million tCO<sub>2</sub>eq compared to the previous year due to reasons such as the increase in scale of energy asset and financial emissions from the fossil fuel sector. Although the financial emissions of the BNK Financial Group increased in the short-term due to the increase in assets, we plan to achieve carbon neutrality through the reduction of the increase rate and the composition of a low-carbon portfolio. The BNK Financial Group aims to reduce its financial emissions according to the methodology of SBTi (Science Based Targets initiative), based on a 1.5°C scenario. By 2030, compared to its 2022 baseline, the group plans to achieve a 26% reduction, followed by a 55.2% reduction by 2040, ultimately aiming for Net-zero by 2050.

1) Set targets and monitor performance for asset groups excluding government bonds

### Intensity for each business category

(Unit: tCO<sub>2</sub>eq/KRW 100 million)



### Group Status of Financial Emissions (Scope 3) and Reduction Targets

(Unit: 10,000 tCO<sub>2</sub>eq, tCO<sub>2</sub>eq/100 million KRW)



\*Financial Intensity

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## Reduction Target Setting Method

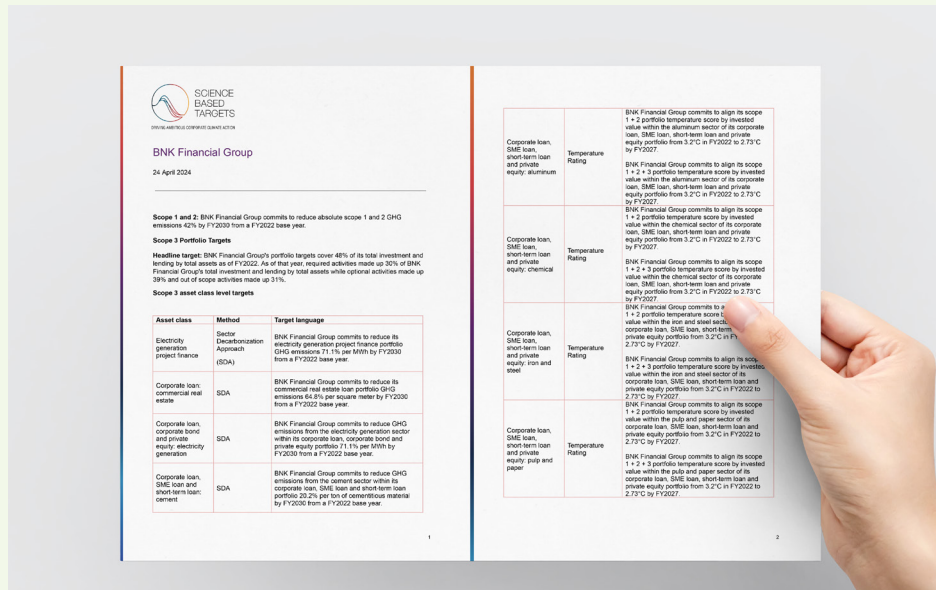
In 2024, the BNK Financial Group has obtained approval from the SBTi (Science-Based Targets initiative) for its Scope 1~3 carbon reduction targets. The SBTi methodology applies the Sector Decarbonization Approach(SDA) and Temperature Ratings Approach(TRA) by each asset group and sector.

By applying the 1.5°C scenario, the BNK Financial Group has applied the Sector Decarbonization Approach (SDA) for power generation Project Finance(PF), commercial real estate, cement and power generation sectors within the corporate loans/bonds/stocks. For other asset classes and sectors, the Group has applied the Temperature Rating Approach(TRA). Additionally, for sectors such as PF, automobile loans, excluding power generation, 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.

## | Targets and Methods of Setting Reduction Goals by Business Type

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

	Asset group and sector	Target assets	Financial emissions	Methods of setting targets
Individual loans	Mortgage	10	5.3	SDA
	Automobile loans	0.9	5	ACA
Project Finance (PF)	Power Generation PF	0.1	37.9	SDA
	PF other than power generation (SOC, etc.)	0.1	0.5	ACA
Corporate Loans/ Bonds/Stocks	Commercial real estate	5.2	4.2	SDA
	Power generation	0.4	71.8	
	Cement	0.2	36.7	
	Steel	1	112.3	TRA
	Chemicals	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	0.7	
Fossil fuels (Oil & Gas)	0.4	70.2		
Financial business	5	12		
Other business	50.7	1,818.50		
<b>Total</b>		<b>79.9</b>	<b>2,588.80</b>	



1) SDA: Applied based on the 1.5 °C scenario to mortgage, commercial real estate, power generation and cement sectors for which methodology and tool have been provided  
 2) ACA: Established based on the absolute linear reduction approach to achieve Net Zero by 2050, as the method of setting reduction targets for PF and automobile loans other than power generation is not provided by SBTi  
 3) TRA: Established based on the reduction targets and pathway to achieve a temperature level of 1.5 °C by 2040

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## Reduction Targets and Pathway by Asset Group and Portfolio

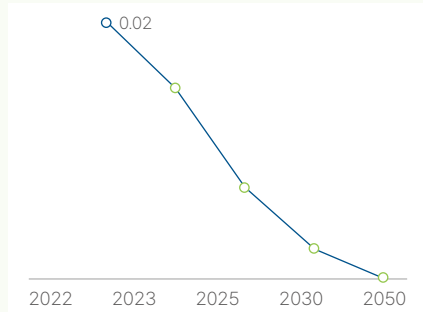
The BNK Financial Group have established the reduction targets using the Sector Decarbonization Approach(SDA) and the Temperature Ratings Approach(TRA) of SBTi, and we will continue to monitor our achievement progress according to the reduction pathway.



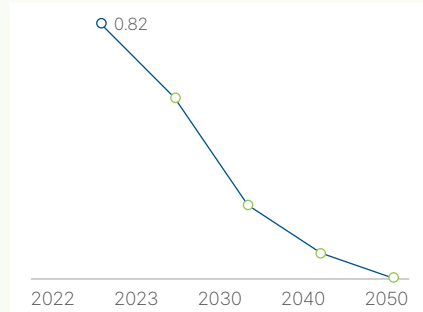
### Climate Risk Response Measures

○ Baseline 2022

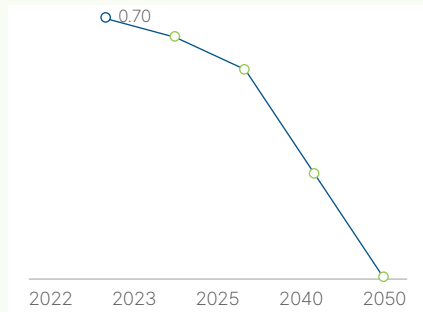
Commercial real estate (Unit: tCO2eq/m2)



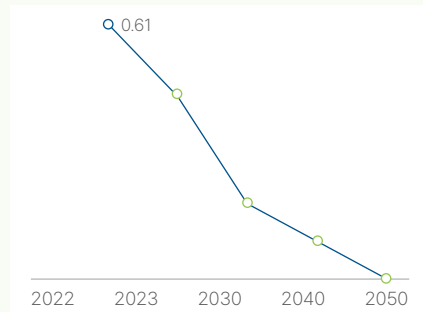
Power Generation PF (Unit: tCO2eq/m2) Loan



Cement (Unit: tCO2eq/m2)



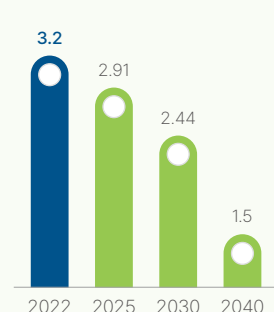
Power Generation (Unit: tCO2eq/m2)



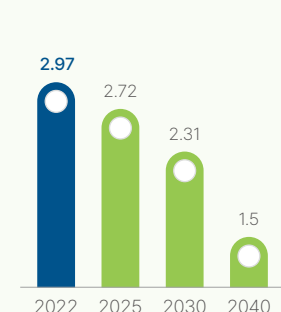
### Temperature reduction targets by portfolio (TRA)

● Baseline 2022

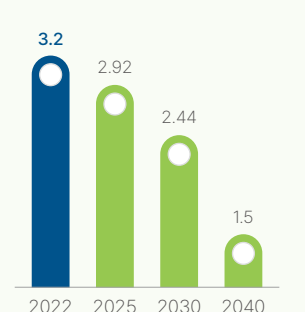
Loan (scope 1+2) (°C)



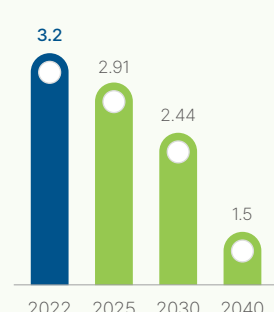
Bonds (Scope 1+2) (°C)



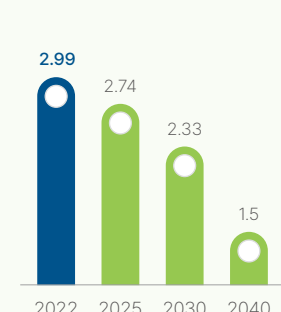
Bonds (Scope 1+2) (°C)



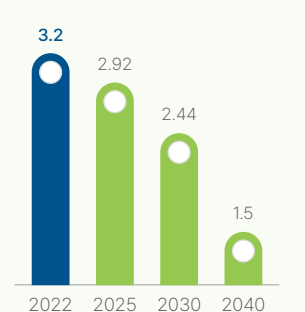
Loan (scope1+2+3) (°C)



Bond (Scope1+2+3) (°C)



Stock (Scope1+2+3) (°C)



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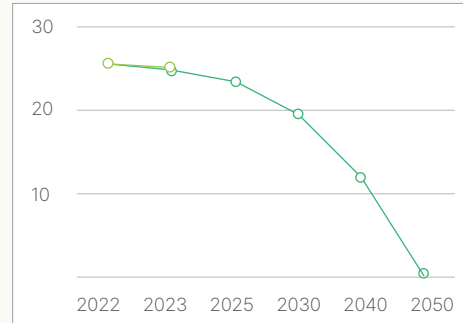


## | SBTi-based Emission Reduction Targets by Sectors

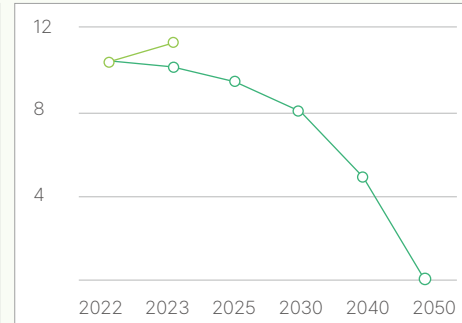
(Unit: 10,000 tCO<sub>2</sub>eq)

○ SBTi-based reduction targets  
○ BNK Financial Group's emissions

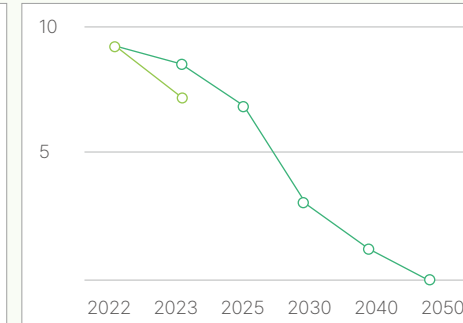
Aluminum



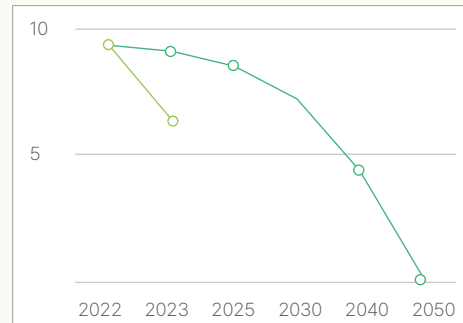
Steel



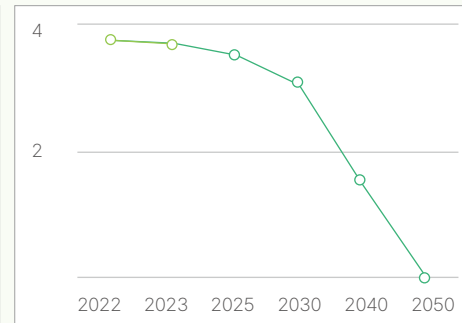
Power Generation PF



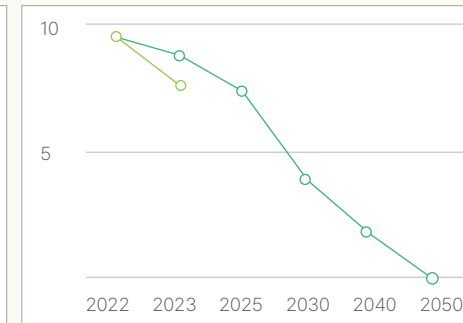
Chemicals



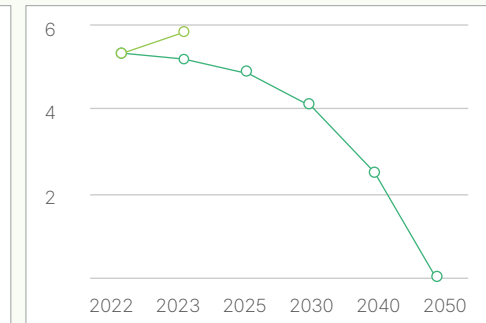
Cement



Power Generation



Transportation-cargo



**BNK** Financial Group