

Woori Financial Group

Environmental & Social Risk Management Framework

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1. Purpose of Enactment

In terms of global economic growth and industrial development, dependency on industries related to the mining and supply of raw materials, production of goods and products, services, and production and supply of energy is likely to increase continuously. Some of these industrial activities are generating negative environmental and social impacts, and the scale of accompanying risks and their repercussions is expanding, as well. Accordingly, various stakeholders in the global community expect companies, at the center of industrial activities, to work on creating economic values while, at the same time, carrying out business activities in a sustainable manner that respects local communities.

Woori Financial Group recognizes the management of environmental and social risk factors arising from the industrial sector as a core role and responsibility that financial institutions should take on. We have developed and apply this *Environmental and Social Risk Management Framework*, with a view to encouraging the industrial sector to mitigate, reduce, and avoid negative impacts caused to the environment and various stakeholders including workers and local communities.

This Framework presents guidelines for companies and other entities engaging in business activities in industries that either have significant environmental and/or social impact or carry potential risk factors. It was established based on the standards and guidelines proposed by international frameworks, such as the UN Global Compact (UNGC), the Equator Principles, and the International Finance Corporation (IFC).

The development of the Framework was led by the ESG Management Division at Woori Financial Holdings by joining forces with the subsidiaries and relevant departments of the Woori Financial Group. The Group reviews the current progress of environmental and social risk management within the financial industry and industry-specific ESG issues through the ESG Council twice a year or more, and the results are incorporated into guidelines per industry sector for continued revision and upgrading of the Framework.

The Framework offers guidance on the direction, methodologies, and process in terms of managing environmental and social risk factors in overall financial activities including the Group's financial transactions and investment support.

2. Scope of Application

Woori Financial Group's *Environmental & Social Risk Management Framework* consists of: ① selecting and managing exclusion areas, ② selecting and managing high-caution areas, ③ screening targets subject to financial transactions and investment support including large-scale projects for environmental and social risks, and ④ offering and managing financial aid for eco-friendly economic activities. It also contains ⑤ industry-specific guidelines for financial transactions and investment support in the areas of agriculture, forestry, coal and oil, and mining and ⑥ topic-specific guidelines for the Woori Financial Group's approach in relation to biodiversity, climate change, and circular economies.

For subsidiaries that are members of, or can apply, the Equator Principles, the Woori Financial Group applies the Environmental and Social Risk Management Framework in accordance with the Equator Principles process. Currently, among newly implemented projects, project finance with the total project amount above USD10 million, project finance advisory service with the total project amount above USD10 million, and corporate loans related to projects with a total loan amount above USD50 million are required to go through the Equator Principles process.

The Woori Financial Group is planning to expand the application of the Framework later to our overall business practices including corporate loans, general investments, and asset management, in addition to project financing. In the meantime, the Group intends to develop and operate separate sets of qualifications and requirements subject to environmental and social risk management, screening metrics and standards, screening process and schedule for each individual financial activity under each subsidiary's detailed working-level guidelines. The Framework is scheduled to be applied to financial activities, such as corporate loans, general investments, and asset management, in excess of the benchmark amount set by the Group, as well as industries with potential risks that are handled under the 'exclusion area', 'high-caution area', 'guidelines by industry', and 'guidelines by topic'.

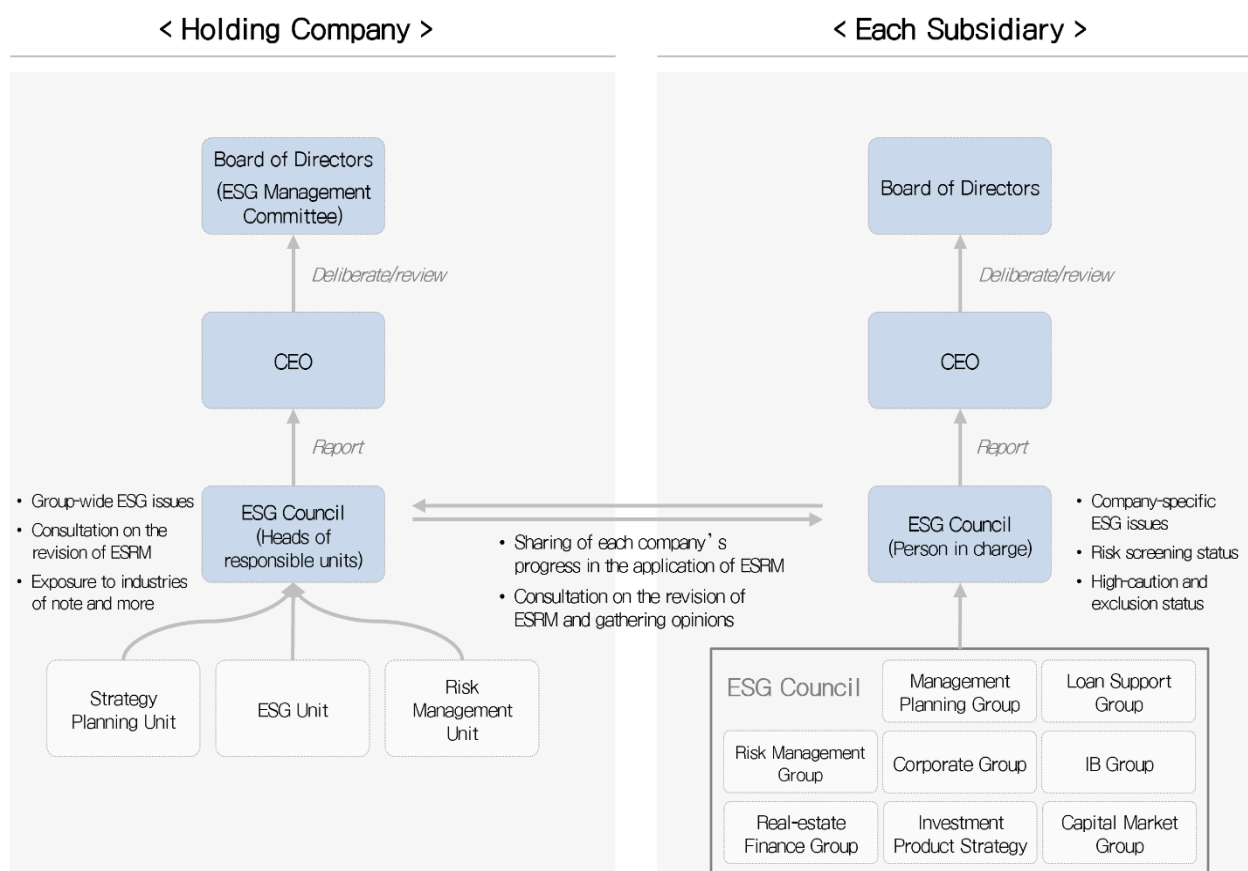
This Framework is applicable within the scope of information and data legally attainable under laws and regulations of the countries where the Woori Financial Group performs business activities, as well as policies, standards, and guidelines of their financial authorities. There may be exceptions to the Framework according to the Group-wide risk management process, depending on different cases of project financing, corporate loan, general investment, and asset management.

3. Organizational Structure

For the full and faithful implementation of the Framework, the Woori Financial Group has established an organizational structure consisting of a council with the participation of the holding company and subsidiaries and a dedicated department responsible for working-level management of environmental and social risks, along with a top decision-making body such as the Board of Directors. Each of these bodies plays the roles of deliberation and resolution, management and supervision, and consultation and adjustment respectively.

Under ESG finance principles, the Woori Financial Group has built a decision-making system that ensures the effective implementation of this Framework. The ESG Management Committee under the BOD of Woori Financial Holdings reviews and approves strategies, policies and progress, among others, regarding the implementation of ESG finance principles and the Framework. The ESG Council, where the holding company and subsidiaries participate, oversees and manages subsidiaries' ESG finance activities based on the principles of ESG finance and the Framework.

[ESRM Organizational Structure]



4. Global Partnerships

The Woori Financial Group focuses on the development of innovative financial models offering top-notch financial products and services to customers, while pursuing sustainable finance that utilizes various features of finance to mitigate, reduce, and avoid environmental and social risks throughout the industrial sector. As part of our efforts to lead sustainable finance, the Group adopted international principles and standards that present methodologies and processes for the implementation of sustainable finance, and publicly endorses industry initiatives that develop and disseminate approaches (metrics, standards, and more) for the management of environmental and social risks.

[Global Partnership Status]

- UNGC, UN Global Compact
- UNEP FI, UN Environment Programme Finance Initiative
- PRB, Principles for Responsible Banking
- TCFD, Taskforce on Climate-Related Financial Disclosures
- CDP, Carbon Disclosure Project
- EP, Equator Principles
- PCAF, Partnership for Carbon Accounting Financials
- SBTi, Science Based Targets initiative
- Business Ambition for 1.5°C
- TNFD, Taskforce on Nature-related Financial Disclosures
- PBAF, Partnership for Biodiversity Accounting Financials
- NZBA, Net-Zero Banking Alliance

5. Environmental & Social Risk Management System

The Woori Financial Group is fully committed to our environmental and social responsibilities in operating the entire organization, and is also working hard to identify and prevent, preemptively, the environmental and social risks associated with the targets for financial transaction and/or investment support, and improve and mitigate potential or identified risks proactively. To this end, we present principles and standards for 'exclusion area', 'high-caution area', 'environmental & social risk screening', and 'support for eco-friendly economic activities' as follows:

However, in the event that the principles and standards presented in 'exclusion area', 'high-caution area', 'environmental & social risk screening', and 'support for eco-friendly economic activities' under the Framework's environmental and social risk management system is inconsistent with laws and regulations of countries where the Woori Financial Group performs business activities, the laws and regulations of the country concerned take precedence.

Furthermore, while abiding by the principles specified in the Framework during our decision-making process regarding the Group's overall business activities including financial transactions and investment support, the Woori Financial Group is striving to ensure compliance with the principles and standards stipulated in global sustainability standards and guidelines, such as the UNGC, the Equator Principles, and the IFC Performance Standards on Environmental and social Sustainability.

1) Exclusion Area

At Woori Financial Group, we make it a rule to exclude any financial transaction or investment support for industries, economic activities, projects, and other entities/ activities that have been either clearly identified to pose environmental and/or social risks or confirmed to carry significant negative environmental and social impact. The industries, economic activities, projects, and other entities/activities that are excluded from our financial transactions and investment support are as follows:

[Actions or activities subject to the exclusion area]

Actions/activities of buying, making, or selling goods or services deemed illegal under laws/regulations of the country concerned
Those of hiring child or forced labor for economic activities, such as buying, making, and selling goods and services
Activities, or related to activities, of directly running illegal gambling/pornographic industries
Those of buying, making, selling, and using radioactive substances that are not under legitimate control or oversight
Those of newly developing or further expanding coal mining businesses, or of supporting such new businesses
Those of newly building or extending coal-fired power plants, or of supporting such new businesses

2) High-caution Area

In compliance with the Korean laws and regulations in the areas of the environment, safety, labor, and ethics, as well as the UN Guiding Principles on Business and Human Rights (UNGPs) and IFC Performance Standards on Environmental and Social Sustainability, the Woori Financial Group marked industries, economic activities, and projects, among other entities/activities, with potentially negative impact on the environment and society, as high-caution areas, all of which are currently under our close management. In case any financial transaction or investment support for high-caution areas is enforced, we conduct additional review on whether potential environmental and social risk or negative impact stemming from the high-caution area is managed properly.

Furthermore, of those subject to the Equator Principles, businesses with high environmental and social risk are required to undergo environmental/social risk and impact assessment by a certified independent third-party institution equipped with proper expertise, depending on the types and sizes of financial transactions or investment support, as part of our efforts to enhance objectivity, reliability, and transparency in the process of reviewing risk and negative impact. All expenses arising from the said risk and impact assessment are managed in compliance with the Equator Principles. Going forward, we are planning to set standards for selecting financial activities that require an independent third-party's assessment of environmental/social risk and impact amongst financial activities including corporate loans, general investments, and asset management, in addition to businesses (projects) subject to the Equator Principles, reflecting the enactment/revision of domestic and overseas laws and regulations, as well as paradigm changes in the financial industry.

The industries, economic activities, and projects regarding which we exercise a high-level of caution when it comes to financial transactions and investment support are as follows:

[Industries subject to high-caution area]

Agriculture with confirmed negative impact on the environment and local communities
Forestry located in international preservation areas or areas with high conservation value
Activities of engaging in an existing coal mining business, or of providing direct support to a coal mining business
Those of engaging in existing coal-fired power plants, or of providing direct support to such plants
Other high-emission industries (including oil refining, petrochemistry, steel, cement, and aluminum)

3) Screening for Environmental and Social Risks

In compliance with the Framework, the Woori Financial Group is able to review the environmental and social risks associated with the targets of our financial activities (financial transactions and investment support), such as project financing, corporate loan, general investment, asset management, to the extent permitted by laws and regulations of countries where we conduct our business activities.

In particular, when dealing with large-scale project financing, environmental and social risks are reviewed in compliance with the processes and methodologies specified in the Equator Principles. In case a project underwent independent screening due to its high environmental and social risk, the reduction plan agreed upon with the debtor (customer) and conditions for commitment to follow-up implementation measures are incorporated into a contract, and in the meantime, we continue to monitor whether the debtor manages environmental and social risks properly over the course of the financial transaction or investment support.

① Screening

In this step, we conduct screening on whether a target industry or economic activity (project) for financial transactions or investment support complies with our Framework. While taking stock of business details, such as whether the project is subject to the Equator Principles and its type and purpose, we also review its environmental and social risks based on the checklist.

② Categorization

Here, risks and different levels of impact are rated and categorized according to the environmental and social risks associated with a target industry or economic activity for financial transactions or investment support. The Equator Principles' preliminary environmental and social rating classification standards (Ratings A, B, and C) are applied correspondingly in categorizing environmental and social risks and impacts.

③ Assessment

In this step, a concrete risk and impact assessment is conducted on a target industry or economic activity (project) in case it either carries significant environmental and social risks and impact (Rating A), or has a limited yet high potential of such risk and impact (Rating B). An independent third-party institution conducts due diligence, if needed.

④ Commitment

Here, commitment clauses that require the debtor (customer) involved in a target industry or economic activity to alleviate and reduce such risk and to make proactive actions for addressing negative impact are added to the financial contract. In case the debtor (customer) does not implement environmental and social risk management activities, such as building and maintaining an environmental/social management system, driving stakeholders' participation, and setting up a mechanism to handle grievances, or in case no improvement actions are taken within a grace period, we are entitled to exercise our rights including the right to terminate the contract for non-performance.

⑤ Monitoring

In this step, regular monitoring and public disclosure (at least once a year) are conducted on whether proper actions are being implemented to mitigate and reduce the environmental and social risks and impact associated with a target industry or economic activity for financial transactions or investment support, as well as on the environmental and social issues regarding projects that underwent independent third-party screening on account of their high environmental and social risk. The monitoring method and process are determined by consulting with the debtor.

[Environmental and social risk screening checklist]

1. Management system	
1-1. Has the debtor developed policies and rules for the management of environmental and social issues, established a system for the organization and division of work, and set up a company-wide management system including indicators and performance management? (e.g., ISO26000)	- Yes - No - N/A
1-2. Has the debtor identified environmental and social risks and impact that are likely to arise, or hidden such risks and the impact, over the course of business activities?	- Yes - No - N/A
1-3. Has the debtor defined the metrics to measure the environmental and social risks and impact identified above in a concrete and quantitative manner, and retained the related data set?	- Yes - No - N/A
1-4. Has the debtor developed plans (investment budget, manpower structure, facility operation, and more) to mitigate and reduce environmental and social risks and impact?	- Yes - No - N/A
1-5. Has the debtor defined stakeholder groups that affect and are affected throughout the lifecycle of business operations, and established plans and methods to gather opinion from the stakeholders concerned and share information with them?	- Yes - No - N/A

2. Environmental management	
2-1. Does the debtor conduct the Environmental Impact Assessment (EIA) or a similar environmental resource dependency/impact analysis in compliance with laws of the country where the debtor carries out business activities, when building, extending, or closing a business site?	- Yes - No - N/A
2-2. Has the debtor built a globally recognized or state-enacted Environmental Management System (EMS), and acquired a third-party certification? (e.g., ISO14001)	- Yes - No - N/A
2-2. Does the debtor measure emissions, such as air pollutants (NOx, Sox, and more) and water pollutants (namely BOD and COD) stemming from the business processes, and do the emissions meet regulatory standards of the country where the debtor carries out business activities?	- Yes - No - N/A
2-3. Does the debtor measure consumptions of each energy source (including oil, LNG, steam, and electricity) used in the business processes, as well as data of direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2)?	- Yes - No - N/A
2-4. Does the debtor measure data on each type of waste (general, construction, and designated), which is discharged in the business process, and treat the waste according to legitimate processes (incineration, landfill, and recycling)?	- Yes - No - N/A
2-6. Does the debtor conduct risk and hazard assessments when importing, transporting, storing, using, and producing (harmful) chemicals globally or per country, and secure and manage relevant information? Furthermore, are any of the related Material Safety Data Sheets (MSDS) or other similar data being disclosed to the public?	- Yes - No - N/A
2-7. Has there been any incident (fine, surcharge, penalty, or administrative restriction) related to environmental pollution or exposure to harmful substances in the process of business operations over the past three years?	- Yes - No - N/A

3. Biodiversity	
3-1. Has the debtor identified the status quo of biodiversity around the business site, and been measuring (estimated) the impact of business operation on biodiversity in the area?	- Yes - No - N/A
3-2. Is there any protected area of the IUCN (Categories Ia, Ib, IIM III, IV) located in the vicinity of the business site (the same administrative district or within a 2km radius)? If there is a protected area, is the debtor working on building mitigation measures and plans to address the negative impact from its business operation?	- Yes - No - N/A
3-3. Does the debtor have in place action plans to preserve, restore, and expand species and their numbers residing in the surrounding area or local community of the site?	- Yes - No - N/A

4. Cultural heritage	
4-1. Has the debtor carried out an investigation/analysis to find out if there was any cultural heritage site located in the area where the site is built or being extended, or to identify if there was a cultural heritage site that is affected by the business?	- Yes - No - N/A
4-2. Is there an alternative plan, such as relocating or shutting down the site, in case an important heritage is discovered during the process of building or extending the site or during the process of business operations?	- Yes - No - N/A
4-3. In case an important cultural heritage is located in the vicinity of the business site, does the debtor have in place proper activities and measures for protecting the heritage?	- Yes - No - N/A

5. Safety and health	
5-1. Has the debtor built a globally recognized or state-enacted safety and health management system, and acquired a third-party certification? (e.g., ISO45001)	- Yes - No - N/A
5-2. Does the debtor prepare and submit a risk prevention plan for structures, machinery, equipment, and facility to government agencies, and retain and manage licenses and safety inspection certificates in a systematic manner?	- Yes - No - N/A
5-3. Are there safety devices or emergency stop devices installed in the production facilities or machinery? If such devices have been installed, are the logs of inspection/repair for those devices recorded and stored in languages that workers use or understand?	- Yes - No - N/A
5-4. Does the debtor conduct risk assessment to identify any factors that are harmful or risky to workers, or come up with reduction plan or measures to address such factors?	- Yes - No - N/A
5-5. Has the debtor categorized potential contingencies that are likely to arise during business operation into difference types, and come up with type-specific response scenarios (response organization, dissemination system, restoration activity, training, and more)?	- Yes - No - N/A
5-6. Has the debtor installed firefighting equipment necessary for the site's operation in place? Furthermore, if such equipment has been installed, does the debtor retain and manage (annual renewal) the firefighting plan, inspection and certification of firefighting capabilities, and operation inspection report for firefighting equipment, among others?	- Yes - No - N/A
5-7. Does the debtor offer safety and health training for workers according to laws of the country where they perform business activities? In particular, does the debtor provide special safety and health training for workers engaged in harmful and dangerous tasks?	- Yes - No - N/A

6. Labor and human rights	
6-1. Does the debtor sign a separate employment contract with individual workers of all employment types, and specify in the contract that there will not be any forced labor against their free will?	- Yes - No - N/A
6-2. Is there a measure to verify the age of applicants when hiring workers to prevent child labor? Furthermore, does the debtor use employee pass cards including the ID card to check the information of workers accessing the site?	- Yes - No - N/A
6-3. In the case of hiring a teenage worker, does the debtor set a limit on his or her working hours based on laws of the country where they perform business activities, or place him or her in a high-risk task?	- Yes - No - N/A
6-4. Does the debtor pay salaries that are higher than the minimum wage regularly on a designated date in compliance with the labor standard act of the country where they perform business activities?	- Yes - No - N/A
6-5. Are the workers' overtime hours logged into the (access management) system, and do they receive reasonable reward (e.g., extra pay and substitute day off) for their overtime work hours?	- Yes - No - N/A
6-6. Does the debtor guarantee the freedom of association and the right to collective bargaining according to laws of the country where they perform business activities? Further, does the debtor deliver, in good faith, on the issues that were collectively agreed upon with workers and notify them in case of non-compliance?	- Yes - No - N/A
6-7. Are there channels by which workers can submit grievances including human rights issues, complaints, or incidents/accidents? Further, are there rules or policies with regard to the grievances handling process and related timeline, actions taken on the perpetrators, and protection of the whistleblower/victim?	- Yes - No - N/A

7. Local communities	
7-1. Does the debtor identify safety risks posed on local communities due to the import, transportation, storage, use, and production of (harmful) chemicals, and have in place a counterplan and disaster prevention facility in case of (harmful) chemical leaks and other incidents?	- Yes - No - N/A
7-2. Is there a process for disclosure, consultation, and adjustment with the concerned local communities in association with confirmed or estimated environmental, safety and health impact on local communities?	- Yes - No - N/A
7-3. Does the debtor provide employees of the security company responsible for site and facility security with training on human rights elements that they need to comply with when coming into contact with local residents?	- Yes - No - N/A

8. Natives	
8-1. In case land was expropriated from natives for the site's operation, did the debtor obtain prior, free, and informed consent from natives based on their free will?	- Yes - No - N/A
8-2. In the case of land expropriation from natives, does the debtor give monetary reward commensurate to the amount of money needed to purchase land or residence for the relocation of natives according to laws of the country where they perform business activities?	- Yes - No - N/A
8-3. In case natives are relocated, does the debtor provide economic activities necessary for the relocation and survival of natives, or equivalent monetary reward?	- Yes - No - N/A

The checklist for environmental and social risk screening was built in partial reference to *Exhibit II: Illustrative List of Potential Environmental and Social Issues to be Addressed in the Environmental and Social Assessment Documentation* of the Equator Principles, and its application can vary depending on the type and nature of a given target industry, economic activity, or project subject to investment.

4) Support for Eco-friendly Economic Activities

Woori Financial Group will select the areas of eco-friendly activities that help people exist in harmony with the environment, such as going carbon neutral, adapting to climate change, preserving water resources, promoting resource circulation, removing pollutants, and preserving biodiversity, and expand financial aid in these areas. The types of eco-friendly activities can be as follows: the types of corporate activities where companies' purpose of establishment, mode of operation, and product characteristics themselves are operated in an eco-friendly manner; the types of projects of which certain activities, such as developing renewable energy, are deemed eco-friendly; and the types of production facilities of which certain tangible assets feature environmentally-friendly characteristics.

The Woori Financial Group's support is given to such eco-friendly activities specified in the Korean Green Taxonomy (K-Taxonomy) Guidelines, and target activities subject to support are determined by making Group-wide decisions on strategic support areas and taking the nature of subsidiaries' business into account.

[Sectors eligible to receive support for eco-friendly economic activities, based on the K-Taxonomy]

Sector	Economic activity
Industry	Core manufacturing technology for carbon neutrality; manufacturing materials/parts/equipment to utilize core technology for carbon neutrality; Manufacturing steel of which the emission unit is relatively low; Manufacturing cement of which the emission unit is relatively low; Manufacturing organic chemicals of which the emission unit is relatively low; and Establishing and operating GHG reduction facilities, and reducing GHGs in SME business sites
Power generation and energy	Producing renewable energy (photovoltaic power, solar heat, water power, ocean energy, geothermal energy, and hydrothermal energy); Producing renewable energy (biomass and biogas); Producing hydrogen- and ammonia-based energy; producing mixture gas-based energy; Producing waste heat-, cold heat-, decompression (waste pressure)-based energy; Manufacturing biomass, biogas, bioethanol, biodiesel, bio heavy oil; Manufacturing hydrogen; Manufacturing ammonia; Storing and converting electric energy; Storing heat energy; Storing hydrogen/ammonia energy; Building and operating power transmission and distribution infrastructure related to renewable energy; Building, renovating, and operating transportation infrastructure for biogas, hydrogen, and ammonia; and Producing LNG- and mixture gas-based energy, and manufacturing LNG-based hydrogen (blue hydrogen)
Transportation	Manufacturing pollution-free vehicles, railroad cars, construction and agricultural machinery, ships, and aircrafts; Running non-polluting public transportation; Running pollution-free overland and railroad transportation; Non-polluting shipping; building and operating non-polluting transportation infrastructure; Building and operating pollution-free individual and shared transportation infrastructure; and Eco-friendly shipbuilding, and eco-friendly shipping

Cities and buildings	Developing and operating zero energy-specialized cities; Building and remodeling zero-energy or green buildings; Building and operating GHG reduction facilities and infrastructure for buildings; and Constructing and operating low-carbon internet data centers
Agriculture	Low-carbon agriculture; and Manufacturing low-carbon feedstuff and alternative processed food
Carbon dioxide capture	Capturing the carbon dioxide emitted from various activities; Building and operating CO2 transportation network infrastructure; Treating and permanently isolating the captured carbon dioxide; and Manufacturing biochar and spraying it on soil
Research and development	Studying, developing, and demonstrating core technologies for carbon neutrality
Adaptation to climate change	Manufacturing materials, parts, and equipment to utilize core technology to adapt to climate change; Investigation and studies related to adaptation to climate change; Educational, cultural, and art activities related to adaptation to climate change, and Support for fair labor conversion
Water	Management of sewage and waste water; Low Impact Development (LID); Water supply; Use of alternative water resources; and Control of water demand, water reuse, and purification of subterranean water
Resource circulation	Deterring the generation of waste; picking up, collecting, sorting out, and separating waste resources; Recycling (reuse, remanufacture, renew) and upcycling waste resources; and Pyrolyzing waste resources, and collecting waste energy
Use of methane gas	Capturing, processing, and using methane produced from anaerobic digestion, and capturing; Processing, and using the reclaimed gases
Prevention and processing of air pollution	Preventing and processing air pollution and preventing and reducing stench
Prevention and processing of marine pollution	Preventing and processing marine pollution
Biodiversity	Protecting and restoring terrestrial and marine ecosystems; restoring forest ecosystems; Building carbon sinks in cities; and Protecting and preserving species

6. Guidelines by Industry

1) Agriculture (KSIC: A01)

Introduction

Agriculture is an industry that is responsible for producing a wide variety of agricultural commodities – such as palm oil, soybean, cocoa, and coffee – essential to support the world population and enhance their health. While the agricultural industry, such as the production and processing of agricultural commodities, is a key source of income for millions of people worldwide, especially amongst those in developing countries, excessive farming activities are also associated with various environmental and social issues, such as the degradation of biodiversity, destruction of ecosystems, child and forced labor, and infringements on natives' property rights.

Commitment

The Woori Financial Group is committed to cultivating agricultural practices in a way that respects workers' right to work in the farming industry and natives' property rights while managing air, water quality, and land in a more sustainable manner at the same time.

Implementation

The Woori Financial Group induces the industrial sectors (projects) engaged in activities of producing agricultural products such as palm oil, soybean, cocoa, and coffee to fulfill their environmental and social responsibilities. To this end, we encourage them to join agriculture initiatives including the Roundtable on Sustainable Palm Oil (ROSP) and the Roundtable on Responsible Soy (RTRS), and their membership to those initiatives are taken into consideration when we make decisions regarding financial transactions and investment support given to them. Further, we may limit financial transactions and investment support for those agricultural sectors (projects) that neither set up and implemented environmental and social indexes and guidelines, nor had a risk management plan in place, and for those agricultural sectors (projects) that have no plan to join or participate in any sustainable initiatives related to the said industry within the next three to five years.

In case potential or actual environmental and social risk arises from such projects when implementing financial transactions or investment support, or after the implementation, the Woori Financial Group can conduct screening on matters related to the environment, labor and human rights, local communities, and food safety, as follows. Financial transactions or investment support may be limited if the screening results indicate that those agricultural sectors (projects) had no risk management regulations and system in place, or that they carried significant risk factors and negative impact.

[Environmental and social risk screening items for agriculture]

Biodiversity
Should not be located in wetlands specified on the UNESCO World Heritage List and the Ramsar List, sites included in the Alliance for Zero Extinction, Category I-IV sites of the IUCN, and peatlands.
Should not be directly involved in the trading of animals and plants or related products under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) without CITES permits
Should operate the polyculture system (the simultaneous cultivation of two or more species with different feeding habits) to protect biodiversity

Working conditions and human rights
Should not use child or forced labor
Should have established processes and methods with which workers can raise and address grievances and issues
Should guarantee workers' right to establish a body of collective bargaining and exercise the freedom of association
Should exercise no discrimination between direct and indirect hires as well as between different applicants
Should offer workers training programs on protecting the natural environment, engagement in local community, and more

Respect for local residents' property and other rights
Should develop guidelines to obtain 'Free, Prior, and Informed Consent (FPIC)' from local residents, as well as a mechanism by which the residents can raise and address concerns
Should not confiscate the land owned or hired by local residents by force

Management of food safety and history
Should develop guidelines with which workers can take food safety actions and conduct production history management in a joint effort with the entire value chain including countries of origin, producers, and sellers
Should have in place a food safety management system in compliance with standards approved by the Global Food Safety Initiative (GFSI) as well as related certification systems of different countries

Considering the type and nature of the agricultural sector (projects), in case of potential or actual environmental and social risks posed by the said projects, the Woori Financial Group may conduct the following screening to assess environmental and social risks and impact:

The environment in general
Should come up with measures to monitor and reduce GHG emissions generated from CO ₂ , CH ₄ , NO ₂ directly as well as on account of energy consumption and waste processing
Should minimize water consumption (e.g., irrigation water) and run a system to identify the impact on other stakeholders' water affordability in areas under heavy water stress
Should take actions to prevent soil salinization
Should install waste water treatment systems to minimize water pollution
Should collaborate with experts so that the agricultural business facility is used as high carbon stock areas

Health and safety
Should hold OHSAS18001 or an equivalent certification, or set up a plan to acquire such certification
Should build a management plan to prevent safety and health risks

Food security
Should have proper procedures and facilities in place to minimize food waste during the processes of harvesting, storage, and transportation
Should identify and address potential food security risks by either growing new crops or replacing existing ones and build a relief plan, when implementing a new agricultural project

Food safety and history management
Should obtain ISO22000 (based on HACCP principle) or an equivalent certification, or establish a plan to acquire such certification

Agricultural pesticides and fertilizers
Should not use substances prohibited under the Stockholm Convention on Persistent Organic Pollutants (POPs), materials listed in Annex III of the Rotterdam Convention, or pesticides classified as WHO Class 1A or 1B, barring some exceptions
Should develop a plan to minimize the use of pesticides and fertilizers including paraquat
Should develop a plan to limit or replace the use of pesticides included in the SIN list of the International Chemical Secretariat
Should either have a comprehensive plan for the management of harmful insects in place or be on the way to implementing one

[Livestock or poultry] Screening items
Should comply with the IFC' Good Practice Note regarding animal welfare, or build a compliance plan

2) Forestry (KSIC: A02, C17)

Introduction

According to the 2018 data of the UN Food and Agriculture Organization (FAO), forests cover nearly 4 billion hectares of the world's land surface. About 30% the forest areas is mostly used for producing timber, paper, and food, with the formal timber sector estimated to contribute USD600 billion to the world economy. Of the remaining forest land, 25 % is primeval forest (or high conservation value forest), which is also called tropical rain forest in tropical areas, habitat for a great number of globally rare animal and plant species. Forest lumbering in the form of illegal logging has more frequent and negative impact on the environment and people, and such impact is getting more severe in view of climate change since tropical rain forests serve as important carbon pools.

Commitment

The Woori Financial Group recommends the acquisition of internationally recognized forest management certification not only for purposes of conducting forest management in-house, but also to the forestry sector (projects) engaged in activities of producing, processing, distributing, modifying, and manufacturing timber, pulp, and various other products sourced from forests.

Implementation

The Woori Financial Group may perform reviews to ensure that financial transactions or investment support are restricted to industries (projects) involved in primeval forests, tropical rain forests, the protected areas of the IUCN (Category Ia, Ib, IIM III, IV), or high conservation value forests. Further, when considering financial transactions or investment support for timber or pulp businesses (projects) in areas at high risk of forest destruction, we may ask the prospective debtors to acquire the Forest Stewardship Council (FSC) certification or the Programme for the Endorsement of Forest Certification (PEFC), or to prove that there is no negative impact resulting in the degradation or destruction of forest areas.

Activity	Location	Requirement
Timber procurement	All logging sites in high-risk countries	To be FSC- or PEFC-certified
	All logging sites in low-risk countries	a) To be FSC- or PEFC-certified, or b) There should be no confirmed negative impact regarding the degradation or destruction of forests.
Pulp production	All facilities procuring timber or pulp in high-risk countries	To be FSC- or PEFC-certified
	All facilities procuring timber or pulp in low-risk countries	a) To be FSC- or PEFC-certified, or b) There should be no confirmed negative impact regarding the degradation or destruction of forests.

- In case a pulp producer purchases timber, the producer should ask the timber supplier to get FSC or PEFC certified or recommend that the supplier implement a plan to earn the certification in the next five years.
- In case a pulp producer is directly engaged in operating or managing forest and forestry business, the producer should be FSC- or PEFC-certified, or be advised to implement a plan for earning such certification in the next five years.

When engaging in financial transactions or investment support for the timber industry (projects), the Woori Financial Group advises the prospective debtor to produce timber in a sustainable manner that meets the following requirements:

[Environmental and social risk management items for the timber industry]

Should use no child or forced labor
Should use no timbers that are logged illegally
Should not (convert and) use the UNESCO World Heritage sites as areas of timber production
Should not (convert and) use the wetlands specified in the Ramsar List as areas of timber production
Should not convert areas of High Conservation Value (HCV) into new afforestation ones for timber production. Furthermore, in case areas of timber production are located in HCV areas, the timber business (projects) should prove that the said areas were developed as timber producing areas before 2001.
Should build strict policies for the management of peatland, in case timber production areas are located in peatland
Should have established policies for banning forest incineration in compliance with ASEAN policies or other related recommendations
Should build plans to assess workers' safety and health risks and improve their health and safety on a regular basis

When engaging in financial transactions or investment support for the pulp industry (projects), Woori Financial Group advises the industry to produce pulp in a sustainable manner that meets the following requirements:

[Environmental and social risk management items for the pulp industry]

Should adopt and apply Elementary Chlorine Free or Totally Chlorine Free technologies in case the pulp bleaching process is required
Should build systems and processes to monitor and control metrics of emissions for water and air pollution (fluid velocity, pH, TSS, COD, BOD, AOX, N, PS, and more)
Should build plans to assess workers' safety and health risks and improve their health and safety on a regular basis

3) Coal and Oil (KSIC: B05, D35)

Introduction

The Woori Financial Group has declared our plan to achieve net zero in financed emission (GHG emissions associated with asset portfolios) by 2050, aiming to meet the goal of limiting global warming to 1.5 °C. To this end, we suggest approaches based on SBTi and other scientific methodologies in line with the goals and timeline of the Paris Agreement.

The Woori Financial Group will set our commitments for the phasing-out of the coal mining and oil industries and related short-, medium-, and long-term targets, and will disclose progress on their implementation transparently. With regard to the Woori Financial Group's 'Plan Zero 100', we intend to monitor targets of financial transactions and investment support continuously for their progress in transitioning to carbon neutrality.

Commitment

The Woori Financial Group aims to achieve zero financed emissions by 2050 under the net zero vision 'Plan Zero 100'. By facilitating the net zero transition finance, we will support the reduction of carbon emissions in the coal mining and oil industries more actively, while contributing to the reduction of implementation risks these industries usually face in the process of transitioning. Specifically, coupled with positive strategies to expand transition finance for low-carbon and carbon-free power generation and support the decarbonization of the real economy, we are planning to concurrently promote the negative strategy to reduce the exposure limit to high-carbon industries, as well as make a decarbonization declaration that prohibits financial support for any new mining, drilling, boring, manufacturing, transportation, and generation of coal and oil.

Furthermore, to promote the implementation of zero carbon emissions associated with asset portfolios, we review this Framework more than once a year through the venues described in *3. Organizational Structure* in the *Environmental and Social Risk Management Framework* including the Group's ESG Council. The review process takes into consideration the change in asset portfolios' physical risk for the impact on climate change as well as country-specific legal and regulatory changes required for the transition to the net zero economy. The Woori Financial Group will disclose the status of our financial transactions and investment support for the said industries annually through the Sustainability Report in line with our commitment for the phasing-out of the coal mining and oil industries.

Implementation

The Woori Financial Group will reduce financial transactions and investment support (corporate loans or reserve-based loans) for industry sectors (projects) involved in businesses of coal mining or oil drilling, or coal or oil development and utilization in a phased manner. In particular, our financial transactions or investment support for industries specialized in coal mining or oil drilling is scheduled to be phased out by 2050.

The Woori Financial Group implements financial transactions and investment support for the following oil industry sectors (projects).

[Targets for new financial transaction or investment support]

When less than a third of the profit made by an industry (project) with an unconventional oil ¹ -related business model is generated from unconventional oil
When less than a third of oil exploration/drilling activities conducted by an industry (project) with an unconventional oil-related business model is related to Arctic oil
When less than a third of exploration/production activities conducted by an industry (project) with an unconventional oil-related business model is related to ultra-deep-water oil

In addition, we are planning to reduce financial transactions or investment support for certain oil industry sectors (projects) in phases, stopping their implementation altogether from 2025 and beyond. The industries concerned are as follows:

[Targets prohibited for financial transactions or investment support]

Industries (projects) for which the unconventional oil-related business model accounts for a considerable portion of their entire business portfolios
Energy industries (projects) that directly own or operate large-scale pipelines or export terminals to procure unconventional oil
Energy industries (projects) that own oil drilling infrastructure in the Amazon or other tropical rain forests, or are actively engaged in developing infrastructure for oil exploration and drilling in the said areas

In this case, financial transactions or investment support for unconventional oil-related industries (projects) refer to all activities such as margin trading, corporate loans, bond underwriting, infrastructure finance, and project financing.

The definition is not applicable to bonds, asset backed securities, short-term financial instruments, private equity, direct property, and index derivatives issued by the government or relevant institutions as well as funds not directly managed by the Woori Financial Group.

Funds that follow indexes presented by domestic or overseas capital markets (passive funds) shall abide by their respective principles and methodologies for index development, and thus, are not applied with our principles and standards for financial transactions or investment support regarding unconventional oil.

However, in case index-following funds are associated with unconventional oil-related industries (projects), the Woori Financial Group intends to exercise our influence based on the recommendations by the Intergovernmental Panel of Climate Change (IPCC)'s and encourage the management of the said industries (projects) to reduce unconventional oil-related businesses or transition away from them.

The LNG industry sectors are to be managed under the Equator Principles, which will take precedence over other standards or principles.

¹ Unconventional resources such as oil sands and tar sands, extra heavy oil, tight oil, shale oil, shale gas, tight gas, coalbed methane, and gas hydrate

Woori Financial Group Fossil Fuel Lending and Investment Guidelines

Introduction

The Woori Financial Group seeks to align its financed emissions (the greenhouse gas emissions of its asset portfolio) to net zero by 2050 or earlier to meet the 1.5°C global warming target. To achieve this, the Group will implement optimal pathways through science-based scenario analysis using the Science Based Target (SBT), in line with the goals and timelines of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (UNFCCC).

These Lending and Investment Guidelines (the "Guidelines") are implemented to phase out loans and investments including project financing for fossil fuel mining, coal-fired power generation, and fossil fuel infrastructure operation by 2050.

The Guidelines are applicable to projects (or borrowers) that do not adhere to the goals and timelines presented in the Paris Agreement in fossil fuel mining, coal-fired power generation, or fossil fuel infrastructure operation, or do not plan or intend to switch to eco-friendly energy sources.

In accordance with the coal phase-out recommendations in the Net-Zero Transition Plan Framework presented by the Glasgow Financial Alliance for Net Zero, the Woori Financial Group is committed to: setting interim targets and reporting on progress towards fulfilling our phase-out commitments; evaluating the transition plans of existing project financing (or borrowers); and disclosing the lending and investment status, including project financing for fossil fuel mining and relevant industries, responsibly and transparently.

Governance, goals, review, and disclosure

The Woori Financial Group holds an ESG Council at least once a year to check whether the Guidelines are contributing to the phasing out of project financing, lending, and investment associated with fossil fuel mining, coal-fired power generation, and fossil fuel infrastructure operation from its asset portfolio. The ESG Council's review of the Guidelines will include consideration of changes in scientific assessments of climate change impacts, transition pathways and future risks, as well as changes in governmental or regulatory handling.

Through continuous review and revision, we will prevent the possibility of carbon emission leakage² or moral hazard³ on account of project financing (or borrowers).

1) Government-level considerations

We assess the direction, strength, and reliability of energy transition policies in countries where Coal-Fired Power Plants (CFPPs) are located. In particular, we assess the degree of alignment and convergence with the 1.5°C science-based pathway (e.g., national bans on new coal policies or specific coal phase-out deadlines). We focus on evaluating the linkage with a national ban on new coal power generation or a specific coal power plant phase-out deadline. In addition, we evaluate each country's plans for improvement of power grids, investment in renewable energy development, coal phase-out plant technology, and energy/power supply adjustment necessary in the process of transitioning to complete renewable energy generation.

2) Enterprise and asset-level considerations

The Woori Financial Group will seek assurances regarding the coal phase-out and renewable energy transition plans⁴ of companies - both sellers and buyers - involved in fossil fuel mining, coal-fired power generation, and operation of fossil fuel infrastructure. Through communication with individual companies, we will continue to check whether the coal phase-out and renewable energy transition plan will be implemented effectively.

To meet the goal of limiting the global temperature rise to below 1.5°C, the Woori Financial Group aims to achieve carbon neutrality in financed emissions (the greenhouse gas emissions associated with its asset portfolio) by 2050 or earlier. The Woori Financial Group will annually manage and disclose the progress in reducing thermal coal project financing (borrowers) and the scale of support.

Our phase-out criteria and restrictions on coal- and oil-related lending(Including project Financing) and investments	
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Coal mining and oil drilling	Excluding companies that fit one or more of the descriptions below: • Undertaking new projects or seeking expansion • Where coal production is greater than 20 million tons per annum or represents more than 1/3 of total revenue • No credible plan to phase out coal and oil production completely
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² In the case of not disclosing the data on carbon emissions generated in undisclosed CFPP operations

³ In the case of increasing coal consumption to receive government policy funds or ensure one's own profitability despite announcement of actively implementing decarbonization

⁴ Decarbonization declaration and implementation plan announced by industries (or companies), or energy transition plan verified by a reliable third party

Power generation through coal and oil	Excluding companies meeting one or more of the descriptions below: • Those planning new thermal power plants or expansions • Those with coal- and oil-fired power generation exceeding 10GW" • Where coal represents more than 1/3 of the energy mix output • No credible plan to phase out coal-and oil-based power generation
Coal- and oil-related infrastructure	Excluding companies that fit one or more of the descriptions below if main business is related to coal and oil infrastructure (e.g., transporting coal): • Those planning new coal related operations or the expansion of such operations • Where coal- and oil-related operations represent more than 1/3 of the total revenue • No credible plan to phase out the operation

Scope of Guidelines

These Guidelines apply to all investment activities, including margin trading, corporate loan, bond underwriting, infrastructure finance, and project financing, as well as financial transactions and investment support associated with unconventional oil-related companies.

Bonds issued by governments or relevant institutions, asset-backed securities, money market instruments, private assets, direct property, index derivatives, and funds that are not managed by the Woori Financial Group are excluded from the scope.

When operating funds that follow the indexes presented in the domestic and foreign capital markets (passive funds), the principles and methodology of relevant index development are applied. Accordingly, they are not subject to Woori Financial Group's principles regarding financial transaction and investment support for unconventional oil.

However, where these index-following funds own shares in companies in the unconventional oil industry, we will seek to use our influence and encourage the management to transition away from unconventional oil-related businesses in line with the Inter-governmental Panel on Climate Change (IPCC) recommendations.

4) Mining (KSIC: B06, B07)

Introduction

Various social problems have been observed mainly in the mining industry, such as human rights violations and environmental destruction in the process of mining minerals, and the use of funds generated from mineral sales for unethical activities. The mining industry (project) defined in this Framework refers to companies, counterparties, assets, projects or beneficial owners that are involved in the mining of metallic minerals (gold, silver, copper, zinc, iron, etc.), non-metallic minerals (coal, graphite, pyrophyllite, limestone, mica, etc.), and radioactive minerals (uranium etc.).

Commitment

The Woori Financial Group promotes responsible mining based on protecting the natural environment and biodiversity, ensuring workers' safety and health, respecting local residents' property rights and living rights, and engaging in and consulting with the local community including government agencies.

Implementation

When supporting financial transactions and investments in the mining industry (project) that pose or may pose environmental and social risks, the Woori Financial Group may conduct an environmental and social risk review for the industry (project) to assess whether appropriate management measures are being taken. Restrictions on financial transactions and investment support can be considered for mining industry (project) where considerable risks are identified in the review. When entrusting a work process that has significant impact on the environment and society to a subcontractor, the mining business (project) must require the primary subcontractor to comply with the screening (evaluation) criteria applicable to the mining industry (project) and provide evidence that the primary subcontractor is managing risks consistently in accordance with these criteria.

[Environmental and social risk screening items in the mining industry]

Protection of water sources, water recycling, reduction of water pollutants
Reduction of air pollutants
Protection of habitats, conservation of biodiversity
Reduction of waste emissions
Eco-friendly decommissioning and restoration of mining sites
Promoting the health and safety of workers and local residents
Collecting opinions from stakeholders, including the public sector, consulting with the local community and making public disclosures

The Woori Financial Group evaluates a mining business (project) positively if it introduces the EHS guidelines for mining and construction materials stipulated by the International Finance Corporation (IFC), the Extractive Industries Transparency Initiative (EITI), or the ICMM's Voluntary Principles on Security and Human Rights (security service), or participates in related initiatives.

The Woori Financial Group continuously monitors transactions with the mining businesses (project) that have significant environmental and social risk potential or the possibility of negative impacts. In the case of important financial transactions and investment support for which we can reasonably anticipate significant risks through monitoring of environmental and social risk or in the case of important financial transactions and investment support that are deemed to affect our financial structure, we report to the highest decision-making body.

- ① **[Coal mining]** In the event of transactions and investment support involving thermal and/or metallurgical coal mining activities, including the development of associated infrastructure, particular scrutiny will be placed on strategy and actions to manage climate change risks, water contamination, depletion of biodiversity and habitats, and worker health and safety.
- ② **[Uranium mining]** In the event of transactions involving uranium (or other radioactive materials) mining operations, particular scrutiny will be placed on strategy and action to manage water contamination, waste, and worker and community health and safety, especially with regard to radiation. Additionally, the designated use of the mined uranium (or other radioactive materials) will be taken into consideration in the review.
- ③ **[Indigenous Peoples]** When there is credible evidence that the proceeds of a project-related transaction are used for activities that may have negative impact on an area used or traditionally claimed by an indigenous community, the Woori Financial Group expects its clients, with regard to this transaction, to demonstrate alignment with the specific key objectives and requirements of the International Finance Corporation (IFC) Performance Standard 7 for Indigenous Peoples. These standards are in line with the principles of the United Nations Declaration on the Rights of Indigenous Peoples and the concept of Free, Prior and Informed Consent (FPIC).
- ④ **[Equator Principles]** Transactions related to specific businesses, such as project financing related to the mining industry (project), project financing advisory services, project-related corporate loans, bridge loans, and project-related acquisition finance, are required to undergo due diligence in accordance with the Equator Principles. The Equator Principles are a management framework used to determine, assess and manage environmental and social risks in project related transactions. Such transactions must be submitted to a dedicated department for review prior to final approval.

Prohibited activities involving the mining industry

The Woori Financial Group prohibits financial transactions and investment support for mining in areas of High Conservation Value (HCV), illegal and unethical disposal of mineral tailings, mountaintop mining, thermal coal mining, and diamond mining involving human rights violations, infringement on local indigenous peoples' property rights and economic rights, and mining entailing high environmental and social risks including child and forced labor.

Areas of high conservation value

Examples of HCV areas include fragile or threatened habitats, including all primary forests; areas with concentrations of threatened or endangered species, and/or sites of special cultural or religious significance. HCVs with international designation include, for example, sites specified in the UNESCO World Heritage List or the Ramsar List of Wetlands of International Importance.

Disposal of mineral waste (tailings)

The Woori Financial Group will not provide financial transactions or investment support for mining companies on their specific operations that involve disposal of tailings in rivers or in the sea in an illegal or unethical manner, with exceptions only considered in the absence of practicable environmentally and socially sound alternatives.

Mountaintop mining

The Woori Financial Group will not provide financial transactions or investment support for mining industry (project) operations using Mountaintop Mining (MTM) practices to extract coal or other resources. However, when making decisions on finance and investment support for MTM operations (project), we evaluate the volume and trends of the client's MTM production and the nature of the transaction and identify limited environmental and social impacts in determining conformance with this policy.

Thermal coal mining

The Woori Financial Group will not provide any form of financial transactions or investment support for an industry (project) that derives more than 25% of its revenue from the extraction of thermal coal. Transactions with such companies are only permitted when the client has a credible mid- to long-term transition strategy to diversify away from thermal coal.

Diamond mining and trading

The Woori Financial Group will not finance or provide advisory services for the mining or trading of rough diamonds where the process is not certified under the Kimberley Process Certification Scheme (KPCS).

Resettlement of indigenous peoples

The Woori Financial Group will not provide financial transactions or investment support for operations undertaken by mining companies that require resettlement of 5,000 or more people, unless the operations are conducted in conformity with international best practices. This means abiding by the IFC Performance Standards on Environmental and Social Sustainability, receiving free, prior, and informed consent from the indigenous peoples, and implementing the resettlement action plan faithfully.

Violations of human rights

The Woori Financial Group will not provide financial transactions and investment support for the mining businesses (project) against which there is credible evidence of involvement in grave violations of human rights such as forced labor, child labor, discrimination and inhumane treatment of workers, as well as violence, intimidation, imprisonment, and discrimination against local communities and indigenous peoples.

7. Guidelines by Topic

1) Biodiversity

Introduction

The Woori Financial Group acknowledges the importance of biodiversity as it contributes to economic prosperity and human development. Nature is an important supplier of resources to many different economic sectors, and offers essential services such as purification of water, flood protection, pollination and carbon sequestration. The conservation and the sustainable use of biodiversity are preconditions for sustainable development. However, biodiversity is under pressure due to indiscriminate business practices and other human activities. The current loss of biodiversity is caused by: fragmentation, degradation and destruction of habitats; unsustainable production and consumption, surpassing the Earth's biological capacity to recover from overexploitation of forests, oceans, rivers and soils, and causing pollution and climate change; and the introduction of invasive species due to the increase in cross-border transactions.

Commitment

The Woori Financial Group endeavors to reduce its direct and indirect impact on biodiversity and to increase its contribution to the sustainable use and management of biodiversity.

We support the Convention on Biological Diversity (CBD) and the Global Biodiversity Framework (GBF).

Implementation

The Woori Financial Group conducts enhanced due diligence on biodiversity management for businesses (project) with a high risk of direct impact on habitats or areas of high conservation value for the protection and conservation of biodiversity. For such clients, the Woori Financial Group may withdraw from existing financial transactions or limit investment support if an action plan for biodiversity preservation or participation in global initiatives cannot be identified within 3-5 years.

Managing risks

At Woori Financial Group, we consider biodiversity-related issues in our decision-making process for financial transactions and investment support. For example, as a rule, the Woori Financial Group will not finance or provide advisory services for activities undertaken within areas of HCV that are subject to statutory designation as local, national or international "Protected Area," or areas that are undesignated but recognized by the international scientific community as having HCVs.

We will only expand financial transactions and investment support to businesses that have plans and strategies to preserve and restore land in the processes of raw material production, procurement, production, distribution, and sales. Specifically, we will not provide finance to clients who produce or purchase beef or soy from land that has been cleared or converted since 2008 in Amazon.

We will not participate in the trade of plant or animal products or species managed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and will only provide financial transactions and investment support to projects that are CITES-approved.

Facilitating business opportunities

The Woori Financial Group engages with stakeholders in order to define ways for the financial industry to contribute to conserving and restoring biodiversity and the world's natural habitats such as mangrove forests.

We have been promoting financial support activities continuously for the conservation of biodiversity, including mobilizing private capital to address the loss of biodiversity and preserve terrestrial and marine habitats.

Reducing our footprint

The Woori Financial Group is expanding financial support in the following areas to contribute to minimizing negative impacts on biodiversity caused by economic activities of various stakeholders, including industries.

- ① We strive to incorporate opportunities for the selection of optimal materials, the application of energy-efficient technologies, and minimization and recycling of waste throughout the lifecycle of our real estate projects. We refer to credible eco-friendly (green) building standards for guidance.
- ② We educate our employees and other stakeholders (private and corporate clients) on how they can reduce carbon emissions and use resources efficiently in their daily lives.
- ③ We provide financial support for projects involving maintenance, preservation, restoration, and expansion of forest resources, and use the reduction results obtained in connection with the REDD+ project in the process of achieving carbon neutrality.

2) Climate Change

Introduction

The Woori Financial Group publicly supports TCFD as part of our ESG strategy, and has strengthened our climate commitment by joining the Science Based Targets initiative (SBTi). In addition, our core ESG strategy is to contribute to the transition towards a low-carbon economy through finance, by strengthening the review of financial transactions and investment support for the thermal power generation sector, mainly coal.

Commitment

The Woori Financial Group has declared its ambition to realize carbon-neutral finance by 2050. To achieve this, we make the following commitments:

① Achieving net zero for Internal Emissions

The Woori Financial Group strives to reduce carbon emissions generated directly and indirectly by harnessing renewable energy and carbon market mechanisms, and aims to reduce carbon emissions by 42% by 2030 compared to the base year and achieve carbon neutrality by 2044.

② Reducing our financed emissions

The Woori Financial Group is committed to aligning our financing with the goals and timelines set by the UNFCCC Paris Agreement, encouraging and supporting the reduction of greenhouse gas emissions. Our goal is to achieve carbon neutrality by 2050, with a 27% reduction in emissions by 2030 and a 56% reduction by 2040 compared to the base year.

③ Composition of asset portfolio

The Woori Financial Group systematically identifies client companies that are vulnerable to risks caused by climate change, monitors them continuously and re-evaluates their market value.

Implementation

Achieving net zero for Internal Emissions

The Woori Financial Group has declared its carbon neutrality by 2050 goals through 'Plan Zero 100'. To this end, we have established targets for internal GHG emissions (Scope 1&2) and a plan to implement GHG emission reductions by reducing energy usage every year based on the 1.5°C scenario with 2022 as the base year in accordance with SBTi recommendations. By 2030, we aim to reduce greenhouse gas (GHG) emissions by 42% compared to the base year and attain net-zero internal emissions (Scope 1 & 2) by 2044.

Reducing financial emissions

Many sectors with high carbon intensity, such as power and energy, cement, aluminum, and transportation and materials, need large-scale financing for the transition. Restricting the flow of capital to these sectors could be detrimental to the pace of the transition and have a real impact on climate change such as global warming.

Recognizing this challenge, the Woori Financial Group is phasing out financial transactions and investment support for the coal and oil industry (project), while supporting their transition to a low-carbon economy. To achieve the goal of achieving carbon-neutral finance by 2050, the Woori Financial Group will maintain a policy of gradually reducing financial transactions and investment support for carbon-intensive industries (projects). At the same time, we will guide and support the transition plan while maintaining a constructive and cooperative relationship with businesses in the coal and oil industries.

In addition, we plan to provide financial and non-financial incentives to the targets of our financial transactions and investment support when they transition gradually to renewable energy or reduce greenhouse gas emissions.

Composition of the asset portfolio

In regard to asset selection, we have adopted a rigorous process for assessing companies in the sectors that are most exposed to climate risk.

- ① We do not invest in companies that have been identified to generate a certain amount of their returns from the extraction of energy coal or tar sands.
- ② Following the sustainable development scenario outlined by the International Energy Agency (IEA) and considering the 2°C scenario, we are reducing our investment in oil-intensive industries that are vulnerable to transition risks associated with climate change. We are re-evaluating the value of oil-related companies, taking into account the expected changes in energy demand during the transition towards a low-carbon economic ecosystem.
- ③ In addition to the above, we conduct an assessment of oil and gas and electrical utility companies' alignment with the Paris Agreement and associated measures. Companies that are not aligned with the Paris Agreement and related policies require approval from the Head of the Investment Officer before purchase in case we are to invest in them. Such businesses are prioritized for active stewardship and regular monitoring even after investment decisions.
- ④ For the Liquefied Natural Gas (LNG) industry (project), we adhere to the Equator Principles, with a focus on their applicability.
- ⑤ The Woori Financial Group investigates and benchmarks cases, countermeasures, and future plans of other financial institutions exposed to climate-related events and take appropriate actions.

3) Circular Economy

Introduction

In view of the constant rise in the consumption and use of resources, the circular economy concept is gaining attention as a sustainable approach to serving a fast-growing population with rising standards of living. Circular economy refers to the circular flow and efficient use and reuse of resources, materials, and products, moving away from the linear procurement-production-sales model. This new economic model promotes sustainable green growth by extending the life of products and minimizing waste. The circular model has many environmental, climate, social, and economic benefits. The circular economy goes beyond resource efficiency and recycling. It provides the framework to develop new business models aimed at increasing the value, use and life of materials, products and assets and designing out waste from production and consumption.

Commitment

To contribute to the transition to the circular economy, the Woori Financial Group aims to increase lending to innovative circular economy projects aimed at designing out waste and recycling systematically, extending the life of products, improving repairability, and producing new goods using waste.

Implementation

The Woori Financial Group has launched a range of financing products and investment measures to support the circular economy. Financing can be tailored to the specific needs of the business (project), depending on the project's size, maturity, technological potential, position in the value chain, etc.

When deciding on financial transactions and investment support for a business (project) based on the circular economy model, the Woori Financial Group refers to Resource Efficiency and Circular Economy Target Setting Guidance of UNEP FI. In addition, we review whether the business (project) in the circular economy is managing environmental and social risk factors actively and has strategies, goals, and implementation plans to achieve positive environmental and social impacts.

8. Appendix

- Business Ambition for 1.5°C: UN Global Compact, a global campaign led by SBTi that urges active change in government-academia-industry behavior to limit average global temperature rise to 1.5°C
- Carbon Disclosure Project (CDP): A global climate change response project carried out by CDP, a British non-profit organization. It evaluates the level of response to climate change among industries including financial institutions, and demands transparent disclosure of related information
- Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES): An agreement among countries to regulate international trade in wild flora and fauna so as to protect endangered wild flora and fauna from indiscriminate capture and collection (Convention on the International Trade in Endangered Species of Wild Flora and Fauna)
- Equator Principles (EP): A voluntary agreement by global financial institutions not to provide financial support to large-scale development projects, such as project financing with a total project value of more than USD10 million, if there are environmental destruction or violations of human rights
- Forest Stewardship Council (FSC): An international NGO that grants authorized certification to forest products produced through sustainable forest management and forest resources produced by preparing appropriate protection measures without damaging the forest
- Global Food Safety Initiative (GFSI): An international food safety association established by the global food industry and institutions to improve awareness of the importance of food safety, establish food safety standards, strengthen cooperation in safety management, and share knowledge internally and externally
- Glasgow Financial Alliance for Net Zero (GFANZ): A coalition of financial institutions formed at the UN Climate Change Conference of the Parties (COP26) to accelerate decarbonization, GFANZ plays a role in providing tools and resources necessary for financial institutions to seek carbon neutrality to limit global temperature rise to 1.5°C.
- Guidance on Resource Efficiency and Circular Economy Target Setting: A guideline presented by the UN Environment Program Finance Initiative, it allows financial institutions to analyze the risks associated with the targets of financial transactions and investment support to achieve resource circulation and a circular economy, and can be harnessed to establish related goals.
- High Conservation Values (HCV): A concept developed by the Forest Stewardship Council that classifies "areas of high conservation value" HCV is designed to measure the environmental value of forests.
- High Carbon Stock (HCS): A "high carbon conservation area" is an area where a large amount of carbon is preserved on the surface of the earth. This area has high conservation value as it is necessary for responding to climate change (carbon capture and storage)

- IFC Performance Standards on Environmental and Social Sustainability: Environmental/social performance standards that must be followed by companies or contractors planning or practically implementing projects in developing countries with capital investment from International Finance Corporation or partner financial institutions
- IUCN Category: A classification system for biodiversity protection areas designated by the International Union for Conservation of Nature (IUCN). According to this system, biodiversity protection areas are classified into strict natural reserve (Ia), wilderness area (Ib), national park (II), natural monument and feature (III), etc.
- K-Taxonomy (The Korean Green Classification System): An “eco-friendly economic activity classification system” established by the Ministry of Environment to revitalize green finance and prevent greenwashing activities, K-Taxonomy presents specific technical criteria for reducing greenhouse gases, adapting to climate change, preserving biodiversity, and reducing environmental pollution.
- Kimberley Process Certification Scheme: A process established by the resolution of the UN General Assembly to prevent “blood (forced labor) diamonds” from entering the diamond market, the Kimberley Process Certification Scheme ensures that the purchase of diamonds will not be used to fund organizations involved in rebellion/overthrow of the legitimate government.
- Net-Zero Banking Alliance (NZBA): NZBA is a coalition of financial institutions, including banks, insurance, securities, and asset management, to achieve carbon neutrality of financial asset portfolios, such as loans and investments, by 2050. It develops and spreads goals and guidelines to achieve carbon neutrality of financial asset portfolios.
- Partnership for Carbon Accounting Financials (PCAF): An initiative that presents a methodology for calculating and disclosing carbon emissions generated from financial asset portfolios of financial institutions, PCAF provides guidelines on the procedures, standards, and methods of calculating carbon emissions specific to each financial asset group.
- Program for the Endorsement of Forest Certification (PEFC): A non-profit organization that presents standards for preserving biodiversity, absorbing carbon dioxide, and reducing environmental pollution in the forest management process, granting certification for wood and pulp produced in an eco-friendly manner
- Principles for Responsible Banking (PRB): Benchmarks (indicators and criteria for self-diagnosis) developed by the United Nations Environment Program Finance Initiative (UNEP FI) to encourage financial institutions to contribute to spreading positive impacts on the environment and society and mitigating negative factors through business strategies, products, and services
- Roundtable on Sustainable Palm Oil (RSPO): A non-profit organization established to prevent and manage environmental damage caused by palm oil production, RSPO establishes a recognized certification standard for sustainably-produced palm oil.
- Roundtable on Responsible Soy (RTRS): RTRS is a non-profit organization established to prevent and manage environmental damage caused by soybean production. It establishes a recognized certification standard for sustainably-produced soybeans.

- Science Based Targets Initiative (SBTi): It presents greenhouse gas reduction targets that must be achieved by industries, including financial institutions to accomplish goals and timelines established by the Paris Climate Agreement and the criteria for setting those reduction targets. It certifies the reliability of greenhouse gas reduction targets of financial institutions and companies, and continuously monitors the implementation status.
- Taskforce on Climate-Related Financial Disclosures (TCFD): TCFD is a principle on “climate change-related financial information disclosure” developed by G20 finance ministers and central bank governors based on the request of the Financial Stability Board (FSB). It demands disclosure of information on ▲governance ▲management strategy ▲risk management ▲indicators and goals.
- UN Environment Program Finance Initiative (UNEP FI): An initiative that requires financial institutions to consider sustainability in the process of their financial activities, UNEP FI develops a methodology to integrate environmental, social, and governance (ESG) factors into the decision-making process for financial transactions and investment support and promotes cooperation with financial institutions.
- UN Global Compact: An initiative created by the United Nations (UN) that encourages the internalization of the 10 principles covering human rights, labor, the environment, and anti-corruption into corporate business operations and management strategies
- As “Guidance on human rights and corporate responsibility” issued by the UN Human Rights Council, it calls for respect for human rights based on the “Protect, Respect, and Remedy” framework.