

Hana Financial Group-Reporting and Self-Assessment

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Hana Bank was founded in 1971 as the Korea Investment & Finance Group. It was given its current name in 1991 and after launching a comprehensive range of financial products and services, became Hana Financial Group, a financial holding company. As part of these services, its premier financial service network leads the industry by creating synergy among its subsidiaries in banking, securities, credit cards, capital, and insurance in operation under more than ten subsidiary companies. After the merger with Korea Exchange Bank (KEB) in 2015, Hana Financial Group became a leading financial corporation in Korea with an asset value of 460 trillion Korean Won. Hana Financial Group continues to expand our entry into the global market for future growth, currently constituting a network of 212 locations in 24 countries around the world.</p>	
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Since joining the U.N. Global Compact (UNGC) in 2007, Hana Financial Group has been endorsing its 10 principles in the fields of human rights, labor, the environment, and anti-corruption.</p>	<p>pg 100 Hana Financial Group Sustainability Report 2020</p>

	<p>The Group has selected SDGs No. 7, 8, 9, 13,16 and as the core SDGs it deems its banking business capable of achieving most effectively.</p> <p>By acting in response to climate change to forge ahead with the transition to a low-carbon economy, the Group aims to achieve carbon neutrality and divest from all coal projects by 2050, aligned with SDG No. 7 & 13. Additionally, HFG strives to expand Green Finance such as investment into renewable energy projects to encourage affordable energy solution.</p> <p>Moreover, the Group strives to achieve SDG-8 (Decent Work and Economic Growth) by creating job opportunities through investment in impactful businesses such as social enterprises and social ventures since 2017 to develop jobs for the developmentally disabled and to support innovative start-ups.</p> <p>Furthermore, Hana Financial Group supports and participates in global initiatives, such as UNEP FI, CDP, PCAF in order to fulfil the Group’s commitment to ESG.</p>	
<p>Principle 2: Impact and Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis: <i>Show</i> that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <ul style="list-style-type: none"> a) <u>Scope</u>: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. 	<p>In order to engage to support and lead the transition to a low-carbon economy, Hana Financial Group calculated its financed emission by adopting approaches and methods provided by PCAF and SBTi to quantify the emissions intensity for the Group’s lending and investment activities.</p> <ul style="list-style-type: none"> a) <u>Scope</u>: The Group’s core business areas, especially for commercial banking area. b) <u>Scale of Exposure</u>: The Group’s corporate loan, investment in listed-equities, bonds, PFs and commercial real estates. c) <u>Context & Relevance</u>: To fulfil the Group’s commitments of net zero by 2050 and carbon reduction goals, current level of financed 	<p>TCFD report</p>

<p>c) <u>Context & Relevance:</u> Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Scale and intensity/salience of impact:</u> In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p><i>Show</i> that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>emissions will set the foundation for allocation capital toward the Group's climate goals.</p> <p>d) <u>Scale and intensity of impact:</u> By calculating the Group's financed emission and analyzing carbon intensity of its portfolio, it was identified that the materials sector had the largest emission share, and the utility sector have the highest carbon intensity.</p> <ul style="list-style-type: none"> • Positive impact: The role of financial institution is becoming more important than ever to realize Carbon Neutral and transition to the low-carbon/eco-friendly society. In response to the carbon neutral policies of major countries and the demand for climate change response from stakeholders, HFG intends to participate in the transition to the low-carbon economic system. To this end, HFG plans to achieve Carbon Neutral for affiliates of the Group by 2050 by expanding renewable energy and improving building energy efficiency. In addition, we aim to create new opportunities by investing in low-carbon/eco-friendly technologies, participating in the carbon market, and developing and expanding ESG financial products. <p>In 2021, the Group invested KRW 9.9 trillion in ESG field. (ESG Loan: 5.9 / ESG Bond 2.9 / ESG Investment 1.1 ※ unit: KRW in trillion)</p> <ul style="list-style-type: none"> • Negative impact: As global efforts to respond to climate change accelerates, if financial institutions do not reduce their exposure to the risks of transition to the low-carbon economy, it is expected that the risks will be amplified and will 	
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	<p>eventually have negative impacts on financial stability.</p> <p>Climate risks can be divided into transition risks, which are risks related to the transition to the low-carbon economy and physical risks caused by the physical effects of climate change.</p> <p>Projects and companies of a certain size or larger among industries that emit large amount of GHG and those with significant environmental/social impact.</p> <p>Based on the result of the climate change scenario assessment, HFG analysed each company’s ability to pay for future carbon costs, KRW 55.8 trillion in 2030.</p>	
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>We assess our significant positive and negative impacts on society and our environment based on the analysis the climate change impact on the Group’s portfolio.</p>		
<p>2.2 Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p><i>Show</i> that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show</i> that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions</p>	<ol style="list-style-type: none"> 1. Hana Financial Scope 1 and 2 emission reduction Goal: 42% reduction in absolute quantity by 2030 compared to 2020 <ol style="list-style-type: none"> a) BAU: Due to the completion of the high-energy-efficiency Cheongna office building in 2025, the old buildings with low energy-efficiency will be withdrawn, and actual greenhouse gas emissions will not increase despite business expansion. b) External environment change: According to the national NDC target, electricity consumption is expected to be reduced by 44.4% compared to 2018 by 2030. Since more than 90% of Hana Financial's emissions are due to electricity, it is expected that it will be possible to reduce at least 40%. c) Electricity system restructuring: Currently, Korea has reorganized the electric power system so that 	

<p>of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>individual companies can directly purchase PPA to activate RE100. Therefore, it is possible to solve the new and renewable energy required for greenhouse gas reduction through REC purchase and expansion of PPA contracts.</p> <p>2. Portfolio Emission Reduction Goal: Set SDA and T/R targets for corporate finance according to SBTi standards</p> <p>a) BAU: Currently, most of Hana Financial Group's investment companies are companies that are covered by domestic greenhouse gas regulations and need to reduce greenhouse gas emissions. Therefore, it is not expected that there will be a cause for a sudden increase in GHG emissions.</p> <p>b) External environment change: As mentioned above, according to the national NDC target, 40% reduction in greenhouse gas emissions by 2030 compared to 2018 was proposed for the country as a whole, thereby reducing the total allowance of companies included in the emission trading system. Emissions are expected to decrease.</p>	
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		
<p>Hana Financial Group</p>		
<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>The Group will conduct climate change scenario analysis: Carbon footprint metrics and Carbon earnings a risk. By reflecting key findings, we will identify carbon-intensive industries to be monitored.</p> <p>Additionally, HFG has set a target of achieving KRW 60 trillion in green and sustainable loans and investment target companies by 2030, the issuance of ESG bonds and credit expansion of KRW 25 trillion and ESG investment of KRW 10 trillion will be achieved.</p> <p>In 2021, the Group invested KRW 9.9 trillion in ESG filed. (ESG loan: 5.9 /</p>	<p>TCFD Report</p>

	ESG bond: 2.9 / ESG Investments: 1.1 ※ unit: KRW in trillion)	
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.		
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>Since Hana Financial Group has declared its ESG vision and targets of "2030&60" and "Zero & Zero", the Group provide related progress on the Groups' Sustainability Report and TCFD Report.</p> <p>By implementing targets, HFG joined the SBTi (Science Based Target Initiatives) and is in the process of approval to implement the GHG reduction in its portfolio in 2022.</p> <p>The Group intends to communicate with internal/external stakeholders by collecting and managing the performances of each area at least once a half year.</p>	
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets		
<p>Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>As a global financial institution, HFG plans to contribute to achieving the target of limiting global temperature increase to well below 2°C under the Paris Agreement. Accordingly, in the case of corporate loans, bonds, and investments, we plan to lower the portfolio's temperature rating to 1.75 by 2040. In addition, for sectors such as power generation, iron and steel, aluminum, cement,</p>	

	<p>paper and pulp, for which SBTi proposed a separate methodology,</p> <p>To engage with customers, the Group established the Sustainable Finance Frameworks to review eco-friendly effort of customer's, such as GHG reduction, investment into green activities and social sustainability.</p>	
<p>3.2 <i>Describe</i> how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>A company's value of existence lies in its customers. Through responsible financial services, HFG should focus on the inherent value of 'satisfactory customer services' and provide 'safe-to-use services'. Responsible financial services are the very source of the HFG's mid/long-term competitive edge.</p>	
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>Taking on new challenges on the path of NEXT 2030 in order to achieve profitable and sustainable growth, Hana Financial Group strives to enhance value for all stakeholders under new slogan: "For One Goal – Happiness for All". Through sincere communications with our stakeholders and sustainable strategies based on the PRB, the Group will strive to provide financial services in which everyone grows together to achieve co-prosperous growth with the community.</p> <p>Hana Financial Group categorizes its six major stakeholders as customers, employees, business partners, central/local governments, shareholders/investors, and local communities. Through stakeholder surveys that we conduct each year, we are identifying major issues that may affect our sustainable management.</p>	

Principle 5: Governance & Culture

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

<p>5.1 <i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>In order to systematically implement ESG management in all affiliates, HFG is operating the Sustainable Management Committee under the Board of Directors. In order to respond to climate change and create social values, this committee is responsible for determining the group’s sustainability management strategies and policies and monitoring the status of implementation of sustainability management initiatives. In addition, the Sustainable Management Steering Committee and the Sustainable Management Working Committee have been established and operated to strengthen the ESG management competency and execution power of each affiliate.</p>	
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>As an eco-friendly business site, HFG is expanding its activities such as paper and water use reduction and waste recycling expansion to customer service and to overall HFG activities HFG is reducing GHG emissions at its business sites through the expansion of eco-friendly buildings, efficient operation of data centers, and the conversion of vehicles to EVs. In particular, HFG’s Cheongna office building, which is scheduled to be completed in 2025, is under construction in consideration of a higher level of energy efficiency than the current ones.</p>	

<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>Hana Financial Group established the Sustainable Management Committee under the Board of Directors in March 2021 to formulate and implement the Group’s sustainable management policies, including ESG management. The committee is required to hold semi-annual meetings, where its role involves of implementation of the Group’s ESG strategies, also the Principles.</p>	
<p>Please provide your bank’s conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.</p>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>Hana Financial has been practicing sustainability management through communication with wide-ranging stakeholders to become a trusted premier global financial group. Our ultimate goal is to pursue the growth of all stakeholders for the betterment of our society and to meet our social responsibility in a balanced manner. HFG endorse the Principles for Responsible Banking as a global corporate citizen as well.</p>	<p>HFG’s Sustainability Report will be released in July.</p>

Annex: Definitions

- a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.