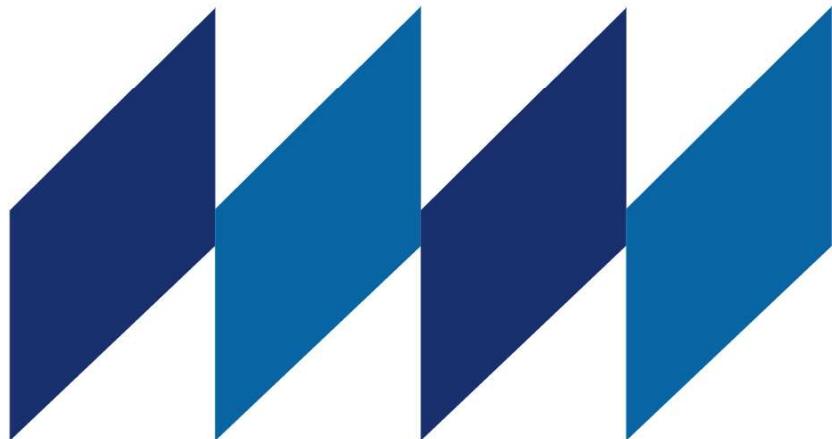


# Environmental & Social Risk Management Framework



## Chapter 1 General Provisions

**Article 1 (Purpose)** ① The purpose of JB Financial Group’s Environmental & Social Risk Management Framework (hereinafter, “the Framework”), established in accordance with JB Financial Group’s “Sustainable Finance Framework,” is to set minimum standards for identifying, assessing, and managing environmental (E) and social (S) risks in the Group's financial activities.

② As environmental and social factors emerge as critical factors in credit and investment decision-making, the Framework provides a basic direction for proactively managing various potential risks and supporting the Group’s sustainable growth.

**Article 2 (Principles)** Through the Framework, the Group shall comply with the following principles:

1. Recognition that environmental and social risk management is a critical element in the sustainable growth of a company.
2. Operation of a system to identify, assess, and manage environmental and social risks, and reflect them in the decision-making processes throughout the company’s business operations.
3. Application of a policy identifying areas of exclusion with significant negative environmental and social impacts.
4. Assessment and mitigation of environmental and social risks when providing financial services with significant environmental and social impacts, such as large-scale project financing.
5. Disclosure of key policies related to environmental and social risk management in order to strengthen communication with internal and external stakeholders.
6. Enhancement of awareness of environmental and social risks and management capabilities through the engagement of all employees.

7. Establishment of a consistent company-wide process by integrating environmental and social risk management into the existing risk system.

## **Chapter 2 Scope of Application**

The Framework shall be expanded to cover all of the Group's business activities, including project financing, general investment other than corporate lending, and asset management, once specific standards are established. Furthermore, the qualifications and requirements for environmental and social risk management for each individual financial activity, assessment indicators and criteria, and assessment procedures and schedules shall be developed and implemented separately based on detailed practical guidelines for each affiliate.

**Article 3 (Scope of Application)** ① The Framework shall be applied to the financial activities of all affiliates under the JB Financial Group.

② The Framework shall be applied to financial activities such as corporate lending, general investment, and asset management that exceed the threshold amount set by the Group, as well as potentially risky industries falling under the "Area of Exclusion" and "Area of Concern."

③ The Framework shall be applied to information and data legally obtainable pursuant to the laws, regulations, financial authority policies, standards, and guidelines of the countries in which JB Financial Group operates. Exceptions to this Framework may be made on a case-by-case basis, such as project financing, corporate lending, general investment, and asset management, depending on the risk management process.

**Article 4 (Detailed Guidelines for Affiliates)** ① Affiliates shall comply with the Framework, but they may establish and implement detailed guidelines, taking into account their own business characteristics and risk factors.

- ② Detailed guidelines established by affiliates shall not violate JB Financial Group’s “Sustainable Finance Framework” and the principles of these Regulations.
- ③ The establishment or revision of detailed guidelines shall undergo prior review by the ESG Council, comprised of executives in charge of ESG and department heads from the holding company and affiliates.
- ④ Affiliates may conduct qualitative assessments that consider ESG factors when rating a corporate’s credit and reflect the assessment results in their evaluations.
- ⑤ Affiliates shall regularly report the results of their environmental and social risk management and key issues to the general management department of the holding company.

### **Chapter 3 Definition of Environmental & Social Risks**

Environmental and social risks refer to the potential financial and non-financial losses that may arise due to the negative impact of environmental (E) and social (S) factors on the targets of financial services. Environmental and social risk management refers to a set of activities that systematically identify, assess, and manage these risks.

#### **Article 5 (Definition of Environmental and Social Risks)**

1. Environmental risks: These shall include climate change and greenhouse gas emissions; air, water, and soil pollution; deforestation; biodiversity degradation and habitat destruction; resource depletion; and energy inefficiency.
2. Social risks: These shall include child labor, forced labor, discrimination, and other human rights violations, safety accidents, health and hygiene issues, conflicts with local communities and migration issues, corruption, and ethical risks.

**Article 6 (Classification of Risk Types)** Environmental and social risks shall be classified and managed as follows:

1. Direct risk: Risks resulting from negative environmental and social impacts arising from the targets of financial support (e.g., environmental pollution, worker safety accidents, human rights violations, etc., which may occur in the process of internal operations)
2. Indirect risk: Risks that may be transferred to the financial institution due to impacts arising from the supply chain, business partners, and investment destinations (e.g., environmental pollution, human rights violations, social controversies, etc., caused by customers)
3. Reputational risk: Risks leading to damage to the trust of stakeholders, including customers, investors, and regulators, due to environmental and social controversies (e.g., criticisms from customers, civic groups, and the media, and the spread of social issues)

## **Chapter 4 Organizations**

Environmental and social risk management shall be conducted systematically by the holding company and its affiliates, according to their assigned responsibilities. Organizational details shall be governed by the relevant regulations and guidelines of each company.

**Article 7 (Roles of the Holding Company)**

1. The ESG Committee under the Board of Directors shall deliberate and decide on top-level policies and standards related to environmental and social risk management.
2. The general department of the holding company may review the environmental and social risk management status of affiliates and report key issues and high-risk transactions to the ESG Committee.

3. The general department of the holding company may support and monitor the improvement of educational systems and processes to strengthen the management capabilities of affiliates.

#### **Article 8 (Roles of Affiliates)**

1. Affiliates shall assess environmental and social risks during the assessment and investment decision-making process for financial transactions, including credit and investments, and record and retain the results.
2. Affiliates shall conduct post-monitoring to ensure the implementation of risk-mitigation measures for high-risk transactions and regularly report the results to the general department of the holding company.
3. Affiliates may support and monitor the improvement of training systems and processes for employees of affiliates to strengthen and implement internal capabilities.

### **Chapter 5 Environmental & Social Risk Management System**

The environmental and social risk management system shall be operated by dividing it into ‘areas of exclusion’ and ‘areas of concern.’

**Article 9 (Management of Areas of Exclusion)** The industries and activities falling under each of the following shall be excluded from financial transactions and investment support in principle, as they are clearly identified as environmentally and socially hazardous, or are considered to have significant negative environmental and social impacts:

1. Activities defined as illegal under international conventions or domestic laws

- A. Illegal logging, poaching, trade in endangered species, etc.
  - B. Business activities in areas with high conservation value (historic sites, natural resource reclamation sites, etc.) or protected areas such as World Cultural Heritage Sites or nationally protected areas
  - C. Activities violating International Labour Organization (ILO) conventions (including human rights violations such as child labor, forced labor, and human trafficking)
  - D. Transactions related to the illegal gambling/pornography industry
2. High-carbon and environmentally hazardous industries
    - A. Construction of coal-fired power plants and coal mining industries
    - B. Oil and gas exploration and mining activities that cause serious environmental pollution
    - C. Projects that entail large-scale environmental risks, such as nuclear waste disposal
3. Activities with high social risk
    - A. Projects related to human rights violations and corruption
    - B. Large-scale projects that cause forced relocation or conflict in local communities

**Article 10 (Management of Area of Concern)** ① Industries, economic activities, projects, etc., which might be affected by the environmental and social impacts defined in the following subparagraphs shall be designated as ‘areas of concern’:

1. Environmental impact: Businesses or industries that accelerate global warming with high greenhouse gas emissions and have significant negative impacts on the natural and living environment
2. Social impact: Businesses or industries that have negative impacts on human rights and local communities, including violations of right to live (e.g., involuntary relocation of indigenous people), industrial safety, and health

② Any businesses or industries falling under the area of concern shall be managed as follows:

1. When conducting financial transactions or supporting investments that fall under the areas of concern, the potential environmental and social risks that may arise from such activities shall be reviewed in advance.
2. If any risks are identified, appropriate mitigation measures shall be put in place — and, if necessary, additional management measures shall be taken.
3. Post-monitoring of transactions in the area of concern shall be conducted to verify the appropriateness of risk management and the results shall be reported to the general department of the holding company.

③ Businesses or industries falling under the areas of concern shall be as follows:

1. Forestry (timber-logging in plantations, logging and primary and secondary processing of forest products, pulp and paper manufacturing)
2. Other high-carbon-emitting industries (oil refining and petrochemicals, steel, cement, aluminum, crude oil and gas development, etc.)
3. Weapons and military industries
4. Drift net fishing industries
5. Tobacco-product manufacturing

④ Limited financial support shall be permitted for the areas of concern, subject to the following criteria:

1. Strengthened assessment procedures: Additional environmental and social data shall be collected and reviewed during the assessment process.
2. Conditional support: Financial support shall be provided subject to environmental and social risk mitigation measures (installation of pollution-reduction facilities, establishment of safety management plans, etc.).

3. Strengthened post-management measures: Regular monitoring (emissions, exposure trends, etc.) shall be conducted after financial support is provided, and implementation of improvement measures shall be verified.

## **Chapter 6 Environmental & Social Risk Management Process**

**Article 11 (Environmental and Social Risk Assessment)** ① The general department of the holding company responsible for overseeing environmental and social risks shall periodically check the adequacy of environmental and social risk management policies and procedures, and monitor any changes — and, if necessary, submit them to the ESG Committee. Furthermore, a department in charge of affiliates may, in consultation with relevant departments within each company, establish and operate procedures and detailed work standards for environmental and social risk management, which shall apply in accordance with the Equator Principles.

② The environmental and social risk assessment shall be conducted on general corporate lending exceeding a certain amount and project financing under development, which includes alternative (investment) assets in the form of funds capable of environmental and social assessment and control of projects.

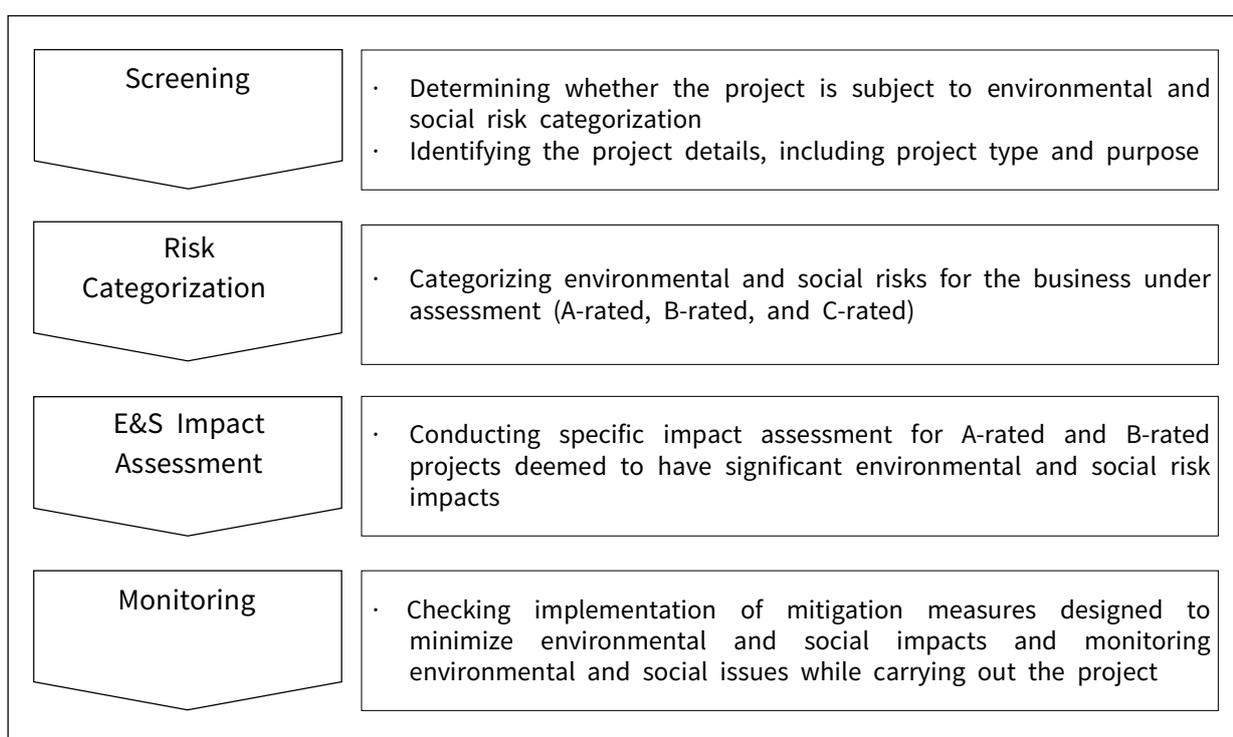
③ The details of the environmental and social risk assessment for general corporate lending exceeding a certain amount shall be determined in accordance with the subordinate guidelines of each company.

④ The environmental and social risk assessments for project financing shall be conducted in four stages: Screening, Risk Categorization, E&S Impact Assessment, and Monitoring.

1. **Screening:** A step reviewing whether the target lending aligns with the company's environmental and social risk management policy. The company shall collect an Environmental and Social Risk Screening Checklist (see Appendix 1) from the borrower after identifying the project type, purpose, and other business details. The holding company shall provide specific criteria and assessment tools for the screening, and affiliates shall establish and apply such criteria for screening thereof.
2. **Risk Categorization:** A step classifying the project's risk-level based on the degree of environmental and social risks and impacts. Risks may be rated as follows, referring to the Project-Specific Risk Rating Criteria in Appendix 2. When necessary for risk categorization, the following national environmental and social risk assessment criteria may be applied:
  - A. **A-rated risk:** Projects with significant negative environmental and social risks, far-reaching impacts, and irrecoverable or unprecedented risks
  - B. **B-rated risk:** Projects with limited negative environmental and social risks, a low frequency of occurrence and a scope of impact limited to the business site, and projects that are easy to mitigate or recover
  - C. **C-rated risk:** Projects with minor or no negative environmental and social risks and impacts.
3. **Environmental and Social Impact Assessment (E&S Impact Assessment):** A step specifically assessing the risks and impacts of all A-rated projects and B-rated projects deemed to have significant environmental and social risks and impacts. On-site inspections shall be conducted as necessary.

4. Monitoring: Implementation of mitigation measures designed to minimize environmental and social impacts, as well as ongoing environmental and social issues, may be periodically monitored and disclosed. Monitoring methods shall be devised and agreed to by and between the borrower and lender.

[Environmental and Social Risk Assessment Procedures]



**Article 12 (Environmental and Social Risk Measurement and Evaluation)** If a risk rating cannot be determined using Appendix 2, the identified negative environmental and social impacts of transaction eligible for financial support and the impact on the company shall be measured and evaluated as follows, and the risk rating shall be determined by comprehensively considering these impacts:

1. Negative environmental and social impacts. The level of negative environmental and social impacts of the projects eligible for financial support shall be assessed. Assessment items shall include:

- A. Climate change and greenhouse gas emissions; air, water, and soil pollution
- B. Loss of ecosystem and biodiversity, deforestation, and changes in land use
- C. Human rights violations (child labor, forced labor, discrimination), health and safety issues
- D. Social impacts such as conflicts in the local community and relocation issues

The level of impact is evaluated as follows, and on-site inspection and external evaluation shall be conducted in parallel when necessary:

[Level of Negative Environmental and Social Impacts]

Point	Definition	Details
1	Insignificant	· Level of negative impact is insignificant
2	Minor	· Level of negative impact is minor
3	Moderate	· Level of negative impact is moderate
4	Major	· Level of negative impact is major
5	Exceptional	· Level of negative impact is exceptional

- 2. Impact on the company (financial institution): The potential financial and non-financial impacts of environmental and social risks on the company shall be evaluated. Key evaluation factors shall include:
  - A. Financial impact: Deterioration of project profitability, possibility of default, and decline in collateral value
  - B. Legal and regulatory risks: Possibility of domestic and international regulatory violations, litigation, and sanctions
  - C. Reputational risks: Potential damage to stakeholder trust, including customers, investors, and regulators.

D. Strategic impact: Consistency with the Group’s ESG strategy and sustainable finance framework

The level of impact shall be evaluated as follows:

[Impact on the Company]

Point	Definition	Details
1	Very low	· Level of impact is insignificant
2	Low	· Level of impact is minor
3	Average	· Level of impact is moderate
4	High	· Level of impact is major
5	Very high	· Level of impact is outstanding

3. Risk rating criteria: The risk rating shall be determined by multiplying the negative environmental and social impacts by the negative impact on the company. Risk shall be rated and managed based on the evaluation results as follows:

- A. A-rated risk: Projects with significant negative environmental and social risks, far-reaching impacts, and irrecoverable or unprecedented risks (16 points or more)
- B. B-rated risk: Projects with limited negative environmental and social risks, low frequency of occurrence and a scope of impact limited to the business site, and projects that are easy to mitigate or recover (9 points or more, and 15 points or less)
- C. C-rated risk: Projects with minor or no negative environmental and social risks and impacts (8 points or less)

[Risk-Rating Criteria Table]

Category			Impacts on the company				
			1	2	3	4	5
			Very low	Low	Average	High	Very high
Negative environmental and social impacts	Insignificant	1	1	2	3	4	5
	Minor	2	2	4	6	8	10
	Moderate	3	3	6	9	12	15
	Major	4	4	8	12	16	20
	Outstanding	5	5	10	15	20	25

4. Conditional approval: For transactions rated B or higher, financial support may be provided on the condition of establishing environmental and social risk mitigation measures.
5. Connection with Post-management: Evaluation results shall be compiled and managed in a database. If a transaction is identified as high-risk, it shall be approved by the responsible executive of affiliates, reported to the ESG Committee of the holding company, and regularly monitored for risk management.

## Chapter 7 Industry-Specific Guidelines

JB Financial Group operates industry-specific environmental and social risk management guidelines, considering the impacts on the natural environment — including global warming, fine dust emissions, and biodiversity, ecosystems, and local communities outside of the area of exclusion and area of concern. For information on significant industries by industry, please refer to the Classification of Industries in Areas of Concern in Appendix 3.

### Article 13 (Agriculture and Fisheries)

1. Scope of application: The guidelines shall apply to large-scale grain production (including cereals, palm oil, coffee, sugarcane, etc.); large-scale cultivation of vegetable/horticulture/floriculture/fruit, aquaculture and fisheries; and cooperatives, including agriculture (A01) and fisheries (A03) sectors under the Korean Standard Industrial Classification (KSIC)
2. Major environmental and social risks: Conversion of agricultural land may lead to forest destruction and ecological habitat loss, while the use of hazardous fertilizers and pesticides causes soil and surface water contamination. Furthermore, unrest in rural communities may be caused by violations of human rights and fundamental labor rights, child labor, forced labor, threats to food safety, and income inequality due to the monopolization of farms, and illegal occupation of farmland.
3. Priority considerations
  - A. The Group shall verify whether a company has obtained management certifications for environmental management systems (ISO 14001), occupational health and safety management systems (ISO 45001), or similar levels.

- B. The Group shall determine whether measures to reduce environmental impacts, such as monitoring greenhouse gas emissions, reducing emissions, improving energy efficiency, and safely disposing waste, have been implemented and transparently disclosed.
- C. Credit and investments related to palm oil and soybean production shall only be provided to farms or companies certified by the Roundtable on Sustainable Palm Oil (RSPO)<sup>1)</sup> and the Roundtable on Responsible Soy (RTRS)<sup>2)</sup>, respectively.
- D. The Group shall verify whether a company is participating in sustainability initiatives.

#### **Article 14 (Forestry)**

1. Scope of application: The guidelines shall apply to forestry management, forest product production, forest product distribution and processing, and wild bird breeding, which fall under the forestry (A02) sector of the Korean Standard Industrial Classification (KSIC).
2. Major environmental and social risks: Destruction of the natural ecosystem can be caused due to deforestation, disruption of the ecosystem because of the introduction of alien species as a result of changes in the forest environment, forest fires, landslides, climate-change impacts due to reduced greenhouse gas absorption by forests due to deforestation, and decline in wildlife populations. Furthermore, violations of human/labor fundamental rights, child labor, forced labor, and negative impacts on local residents or small-scale forestry workers in the region may occur.

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1) Roundtable on Sustainable Palm Oil (RSPO): A non-profit organization established to prevent and manage environmental destruction caused by palm oil production, and to establish certified standards for palm oil produced in a sustainable manner.

2) Roundtable on Responsible Soy (RTRS): A non-profit organization established to prevent and manage environmental destruction caused by soybean production, and to establish certified standards for soybeans produced in a sustainable manner.

### 3. Priority considerations

- A. The Group shall verify whether a company complies with laws and has policies and procedures in place to prevent illegal logging.
- B. If pulp bleaching is required, elementary chlorine-free or totally chlorine-free bleaching technology shall be adopted and applied.
- C. The Group shall establish systems and procedures to monitor and manage water and air pollution emission indicators (flow rate, HRTLh, TSS, COD, BOD, AOX, N, PS, etc.)<sup>3)</sup> recommended by the International Finance Corporation (IFC).
- D. The Group shall verify whether a company participates in initiatives (e.g., Forest Stewardship Council (FSC), Program for Forest Certification (PEFC), etc.).

## Article 15 (Mining)

1. Scope of application: The guidelines shall apply to all activities related to the mining of minerals, planning and development of mines and related facilities, mine operation, mine closure, mine reconstruction, and on-site processing of extracted minerals that fall under the following sectors of the Korean Standard Industrial Classification (KSIC): coal; crude oil; natural gas mining (B05); metal mining (B06); non-metallic mineral mining excluding fuel mining (B07); and mining support services (B08).

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3) Water- and air-pollution emission indicators:

- Flow rate: The speed at which water flows
- HRT (Hydraulic Retention Time): Average time that wastewater remains in a treatment facility
- TSS (Total Suspended Solids): Total amount of solids suspended in water
- COD (Chemical Oxygen Demand): Amount of oxygen required to chemically oxidize organic matter in water
- BOD (Biochemical Oxygen Demand): Amount of oxygen consumed by microorganisms when decomposing organic matter
- AOX (Adsorbable Organic Halides): Amount of organic halogen compounds adsorbed on activated carbon.
- N (Nitrogen): Nitrogen
- PS (Phosphorus): Phosphorus

2. Major environmental and social risks: Mining operations and mineral extraction may lead to damage to cultural heritage sites and natural habitats of endangered species. Mining activities may cause the spread of pollutants into upstream water sources, while the illegal dumping of mineral waste along rivers or beaches causes the contamination of surrounding areas. Mining can increase greenhouse gas emissions, and truck traffic and related road construction can cause secondary environmental pollution. Furthermore, inadequate health and safety management for mine workers may lead to increased accident rates; and child labor, forced labor, displacement of indigenous people due to loss of residence or assets can increase negative impacts and grievances in local communities.
3. Priority considerations
  - A. Investment support shall be prohibited for mining projects conducted in areas of High Conservation Value (HCV) or “protected areas” designated by international organizations and groups, in principle.
  - B. Investment support shall not be provided for mining projects that illegally or unethically deposit tailings in rivers or the ocean; *provided, however*, that exceptions may be applied if there are no technological alternatives to mitigate environmental and social impacts or to deposit and dispose of tailings.
  - C. Funding or financial advisory services shall not be provided for the mining or trading of unprocessed diamonds not certified under the Kimberley Process Certification Scheme (KPCS)<sup>4</sup>.

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4) Kimberley Process Certification Scheme (KPCS): An international certification system for the export and import of uncut diamonds designed to prevent the trading of conflict diamonds (blood diamonds) in the legal market.

- D. Investment support shall not be provided for mining projects where there is clear evidence of serious human rights violations — including forced labor, child labor, discrimination, and inhumane treatment of employees; as well as violence, intimidation, imprisonment, and discrimination against local communities and indigenous peoples.

### **Article 16 (Oil and Gas)**

1. Scope of application: The guidelines shall apply to exploration, drilling, mining, refining, processing, transportation, storage and export infrastructure construction; and transactions for oil and gas resources that fall under the crude oil and natural gas mining (B05200) and coke, briquette and petroleum product manufacturing (C19) sectors of the Korean Standard Industrial Classification (KSIC).
2. Major environmental and social risks: Damage due to increased accessibility to protected ecological habitats; air-pollutant emissions from oil and gas production; methane leaks; increased water consumption for oil processing and cooling operations that negatively impact water resource conservation; wastewater management; potential contamination of groundwater and surface water; discharge of offshore drilling waste; and oil spills that may occur. Furthermore, there may be an occurrence of fire and explosion accidents, increased accident rates due to inadequate health and safety management of workers, displacement of indigenous people due to loss of residence or assets, and increased negative impacts and distress on local communities.

### 3. Priority considerations

- A. In principle, support for new lending and investments (including bond investments and underwriting, project financing, and infrastructure financing) shall be prohibited for projects where unconventional oil and gas<sup>5)</sup>-related business models account for more than two-thirds (2/3) of the total business portfolio. If a project already invested in or supported includes an unconventional oil and gas portfolio, managers of the project shall be encouraged to scale back and transition in accordance with the recommendations of the Intergovernmental Panel on Climate Change (IPCC).
- B. In principle, lending and investment support shall be prohibited for energy projects that directly own or operate large-scale pipelines or export terminals for the procurement of unconventional oil and gas.
- C. In principle, investment support shall be prohibited for energy projects that own oil and gas drilling infrastructure in tropical rainforest regions, including the Amazon; or are actively developing oil and gas exploration and drilling infrastructure in those regions.
- D. However, among projects with unconventional oil and gas business models, if less than one-third (1/3) of the oil and gas exploration and drilling activities are related to Arctic oil and gas; or less than one-third (1/3) of the exploration and production activities are related to ultra-deep water (UDW) oil and gas, the Group may consider investment support for the project.

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5) Unconventional oil and gas: A general term encompassing oil and gas with high carbon and sulfur contents, including oil sands (tar sands), shale oil/gas, Arctic oil/gas, ultra-deep water oil/gas, LNG produced through unconventional extraction methods, extra heavy oil, tight oil/gas, coalbed methane, and gas hydrate. “Conventional” and “unconventional” categories are not fixed and can change over time.

- Oil sands: a mixture of sand, clay, water, and an extremely viscous crude oil (Bitumen). Its extraction process consumes significant amounts of energy and water, and generates excessive carbon emissions.
- Shale oil/gas: Crude and unconventional oil trapped in shale rock fragments, which causes methane leaks during extraction.
- Arctic oil/gas: Oil and gas buried in the Arctic Ocean and surrounding areas. In the event of a spill, the ecosystem is severely damaged, generating excessive carbon emissions.
- Ultra-deep water oil/gas: Oil extracted in ocean depths exceeding 1,500 meters. A spill could cause serious damage to the ecosystem, generating excessive carbon emissions.

## Article 17 (Energy)

1. Scope of application: The guidelines shall apply to gas-fired power plants, coal-fired power plants, biomass-fired power plants, combined heat and power plants, and nuclear power plants, which fall under the power-generation (D3511) sector of the Korean Standard Industrial Classification (KSIC). However, if the funding purpose aligns with green and transition activities defined in the “Korea Green Taxonomy Guidelines (K-Taxonomy)<sup>6)</sup>,” new lending may be provided extensively.
2. Major environmental and social risks: The use of fossil fuels can cause destruction of the ecosystem due to the emission of hazardous chemicals, greenhouse gases, and discharge of heated water and wastes, and raise social issues related to the health and safety of power plant workers and residents in the power plant area.
3. Priority Considerations
  - A. The Group shall consider the results of environmental impact assessments and environmental assessments to determine whether significant environmental and social impacts will occur, and utilize independent third-party assessments when necessary.
  - B. In accordance with the “JB Financial Group Ending Coal Financing Declaration” project financing shall be prohibited in principle for the construction of domestic and international coal-fired power plants, investments in and underwriting of bonds issued by special purpose vehicles, and general bonds.

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6) Korea Green Taxonomy (K-Taxonomy) Guidelines: Guidelines defining Korea's green economic activities, designed to support the inflow of green funds by presenting clear principles and standards for green economic activities.

- C. New lending and investments (including bond investments and underwriting, project financing, and infrastructure financing) for coal mining, power generation, and infrastructure projects shall be prohibited. If a project already invested in or supported includes portfolios related to coal mining, power generation, or infrastructure, managers of the relevant project shall be encouraged to scale back and transition in accordance with the recommendations of the Intergovernmental Panel on Climate Change (IPCC).

**Article 18 (Common Exclusions by Industry)** The exclusions that apply to industry-specific guidelines shall be as follows:

1. Biodiversity conservation
  - A. Transactions of plant or animal species and products subject to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)<sup>7)</sup>
  - B. Industrial activities within areas protected as High Conservation Value (HCV)<sup>8)</sup> or nationally protected areas
2. Working Conditions and Respect for Human Rights
  - A. Child labor and forced labor
  - B. Failure to maintain a separate channel for resolving worker grievances
  - C. Employment discrimination
  - D. Failure to maintain a separate human resources management policy or code of conduct

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7) Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES): A multilateral international convention to regulate international trade in wild flora and fauna to protect endangered species from indiscriminate capture and collection.

8) High Conservation Value (HCV): A concept developed by the Forest Stewardship Council to define 'areas with high conservation value,' referring to areas that require special conservation due to their extremely important biological, ecological, social, and cultural value.

## Chapter 8 Biodiversity

To reduce negative impacts on biodiversity and enhance its contribution to the sustainable use and management of biodiversity, JB Financial Group shall conduct a strengthened assessment and diagnostic due diligence from a biodiversity perspective for projects with a high risk of directly impacting important habitats or areas of high conservation value for the protection and conservation of biodiversity.

**Article 19 (Biodiversity Risk Management)** JB Financial Group shall consider as follows biodiversity-related issues in financial transactions and investment support decision-making or in its own assessment process:

1. Biodiversity investment principles: Financial transactions and investment support shall not be provided to industries operating within areas of high conservation value (HCV) designated as regional, national, or international protected areas, or areas recognized as having HCV by the international scientific community.
2. Natural capital and biodiversity risk assessment methodology: Based on UNEP's 'Nature Risk Profile Methodology,'<sup>9)</sup> the recommendations of the Global Biodiversity Framework (GBF), and TNFD<sup>10)</sup>'s LEAP approach<sup>11)</sup>, the Group shall analyze the impact and dependence on nature of a company's assets, supply chain, and portfolio.

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9) UNEP's Nature Risk Profile Methodology: An approach for analyzing the financial risks associated with a company's assets and portfolio, based on their reliance on and negative impact on natural capital (ecosystems, water resources, biodiversity, etc.).

10) Taskforce on Nature-related Financial Disclosure (TNFD): A global initiative to understand a company's dependence on nature and biodiversity, their impacts, risks, and opportunities, and to support its disclosure and management

11) LEAP Approach: An analytical procedure for comprehensively identifying and evaluating nature-related risks and opportunities presented by TNFD. It consists of the following stages: Locate (identifying contact points with nature), Evaluate (evaluating dependencies and impacts), Assess (analyzing risks and opportunities), and Prepare (preparing responses and disclosures).

## Addenda

History	Revision Date	Effective Date	Notes
Establishment	Dec. 18, 2025	Dec. 18, 2025	Approved at the 2 <sup>nd</sup> ESG Committee in 2025

## <Appendix 1> Environmental and Social Risk Screening Checklist

1. Management System	
1-1. Has your company established a management system for ESG (environmental, social, and governance) management? (e.g., developing relevant policies and regulations, establishing a dedicated organization, or adopting international standards such as ISO 14001 or ISO 26000)	* Yes * No * N/A
1-2. Has your company identified potential ESG risks and impacts arising from your business operations? (e.g., environmental pollution, violation of worker's rights, information security threats, etc.)	* Yes * No * N/A
1-3. Has your company defined quantitative metrics to measure identified ESG risks and impacts, and managed related data? (e.g., greenhouse gas emissions, recycling rates, number of safety accidents, gender wage gap, etc.)	* Yes * No * N/A
1-4. Has your company established specific plans (regarding budget, personnel, facility investments, etc.) to mitigate ESG risks and impacts?	* Yes * No * N/A
1-5. Has your company defined the stakeholder groups that affect and are affected by the entire business lifecycle? Does your company have a plan to gather input and share information with these stakeholders?	* Yes * No * N/A
2. Environmental Management	
2-1. When establishing, expanding, or closing a business, did your company conduct an *EIA in accordance with legal requirements? *EIA: Environmental Impact Assessment	* Yes * No * N/A
2-2. Has your company established an internationally recognized *Environmental Management System (EMS) such as ISO 14001 and received third-party certification? *Environmental Management System (EMS)	* Yes * No * N/A
2-3. Has your company measured air and water pollutant data generated during your business operations and complied with national regulatory standards?	* Yes * No * N/A
2-4. Has your company measured your greenhouse gas emissions (Scope 1 & 2) and use of each major energy source?	* Yes * No * N/A
2-5. Has your company measured waste data (general, construction, and designated) by type and processed it according to proper procedures?	* Yes * No * N/A
2-6. Has your company assessed the risks of hazardous chemicals used in your business sites, and maintained a *Material Safety Data Sheet (MSDS), securing and managing relevant data? *Material Safety Data Sheet (MSDS): A document providing guidance on the safe handling, storage, transport, disposal, and emergency response methods of chemicals.	* Yes * No * N/A
2-7. Have there been any incidents in the past three years that resulted in administrative sanctions such as fines or surcharges related to environmental pollution or exposure to hazardous substances?	* Yes * No * N/A

<b>3. Biodiversity</b>	
3-1. Has your company assessed the biodiversity around your business sites and analyzed the impact of your business operations on biodiversity?	* Yes * No * N/A
3-2. Are there any IUCN protected areas within 2km of your business sites? If so, has your company developed a plan to mitigate any negative impacts from your operations?	* Yes * No * N/A
3-3. Does your company have any plans in place to conserve, restore, or expand species or habitats in the area surrounding your business sites?	* Yes * No * N/A
<b>4. Cultural Heritage</b>	
4-1. Has your company researched and analyzed in advance whether there are any cultural heritage sites in the area where your company is establishing or expanding your business sites?	* Yes * No * N/A
4-2. Does your company consider alternatives such as relocation or closure for case that important cultural heritage is discovered during the course of a project?	* Yes * No * N/A
4-3. Is your company taking appropriate actions or measures to protect important cultural heritage sites located near your business sites?	* Yes * No * N/A
<b>5. Occupational Safety and Health</b>	
5-1. Has your company established an occupational health and safety management system, such as ISO 45001, an international standard, and received third-party certification?	* Yes * No * N/A
5-2. Has your company prepared a risk prevention plan, submitted it to government agencies, and maintained relevant permits and safety inspection certificates?	* Yes * No * N/A
5-3. Are safety devices and emergency stop devices installed on production equipment and work machines? And, are inspection and maintenance records for these devices maintained in a language easily understood by workers?	* Yes * No * N/A
5-4. Has your company conducted a risk assessment to identify factors that are harmful or dangerous to workers and developed mitigation measures for key risk factors?	* Yes * No * N/A
5-5. Has your company prepared response scenarios (e.g., response organization, dissemination system, recovery activities, etc.) for each type of emergency that may occur during your business operations?	* Yes * No * N/A
5-6. Is your company equipped with the necessary firefighting equipment at your business sites and is your company regularly updating and managing related documents (firefighting plan, fire safety inspection certificate, etc.)?	* Yes * No * N/A
5-7. Is your company providing safety and health training to your employees in accordance with legal requirements? Is your company providing special training, particularly to employees engaged in hazardous or dangerous work?	* Yes * No * N/A

6. Labor Rights	
6-1. Has your company concluded individual employment contracts with all employees, and do the contracts explicitly prohibit forced labor?	* Yes * No * N/A
6-2. Does your company have age verification procedures in place during hiring to prevent child labor? Also, does your company manage employee information by verifying their identity upon entry into the business sites?	* Yes * No * N/A
6-3. When hiring young workers, is your company complying with legal working hours and not assigning them to high-risk tasks?	* Yes * No * N/A
6-4. Is your company paying your employees at least the legal minimum wage and on time?	* Yes * No * N/A
6-5. Is your company recording employees' overtime work in a system and providing reasonable compensation (allowances, substitute holidays, etc.) based on the recorded hours?	* Yes * No * N/A
6-6. Is your company guaranteeing your employees' rights to association and collective bargaining? Is your company faithfully implementing collective agreements and notifying employees of any failure to comply?	* Yes * No * N/A
6-7. Has your company operated channels to resolve employees' grievances (labor rights issues, complaints, etc.)? Furthermore, does your company have grievance handling procedures and regulations in place to protect whistleblowers and victims?	* Yes * No * N/A
7. Local Community	
7-1. Is your company aware of the potential community safety risks associated with handling hazardous chemicals? Does your company have a response plan and containment facilities in place to address spills?	* Yes * No * N/A
7-2. Has your company established procedures to inform, consult, and coordinate with residents about the environmental, safety, and health impacts that your business may have on the community?	* Yes * No * N/A
7-3. Has your company provided human rights training to security staff working at your business sites regarding their compliance with local residents when entertaining and interacting with them?	* Yes * No * N/A
8. Indigenous people	
8-1. When acquiring land from indigenous people, did your company collect the *Free, prior and informed consent (FPIC) from indigenous peoples? *Free, Prior and Informed Consent (FPIC): a process of providing sufficient information in advance to respect the rights of indigenous peoples, local communities and stakeholders and obtaining their consent without coercion	* Yes * No * N/A
8-2. When acquiring land from indigenous peoples, has adequate compensation been provided for the purchase of land or housing necessary for relocation in accordance with legal standards?	* Yes * No * N/A
8-3. If indigenous people are relocated, are they provided with the economic activities necessary for relocation and livelihood in accordance with legal standards, or are they compensated with an equivalent amount?	* Yes * No * N/A

<Appendix 2> Project-Specific Risk Rating Criteria

Classification	Industry	Category A	Category B	Category C
Mining	Mining	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	A project with a mining area of 300,000 square meters or more	N/A (at least Category B grade or higher)
Mining	Resource extraction	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	<ol style="list-style-type: none"> <li>1) When extracting from a water source protection area: 20,000 square meters or more</li> <li>2) When extracting soil and stone: The area for which approval, etc., is sought must be 100,000 square meters or more</li> <li>3) When extracting minerals: The area of the mountainous area damaged must be 100,000 square meters or more</li> <li>4) When developing stone collecting complex: The area of the site planned for aggregate mining must be 250,000 square meters or more</li> </ol>	N/A (at least Category B grade or higher)
Power	Generation of energy	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	<ol style="list-style-type: none"> <li>1) Power plants with a generating capacity of 10,000 kilowatts or more</li> <li>2) Above-ground transmission lines rated at 345 kilovolts or more, with a line length of 10 kilometers or more</li> <li>3) Outdoor substations rated at 765 kilovolts or more</li> <li>4) Ash disposal site with a construction area of 300,000 square meters or</li> </ol>	N/A (at least Category B grade or higher)

			more 5) Coal storage yard with a construction area of 50,000 square meters or more	
Manufacturing	Manufacturing plant	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Cement plants, glass manufacturing plants, and integrated steel mills	Simple assembly plant
Oil & Gas	Crude oil, natural gas, and shale gas mining	Onshore/Offshore mining	N/A (classified as Category A)	N/A (classified as Category A)
Oil & Gas	Oil storage facilities, oil reserve bases	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Storage capacity of 100,000 kiloliters or more	N/A (at least Category B grade or higher)
Oil & Gas	Gas storage facilities	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Storage facility capacity of 100,000 kiloliters or more	N/A (at least Category B grade or higher)
Manufacturing	Manufacturing plants	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Cement plants, glass manufacturing plants, integrated steel mills, electric furnace plants, metal smelting plants, pulp and paper mills, semiconductor/display manufacturing plants, pharmaceutical manufacturing plants, oil refineries/chemical/petrochemical plants, fertilizer plants, dyeing plants, parts manufacturing plants, and other manufacturing plants.	Simple assembly plant
Construction of Infrastructure	Port construction	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	1) Outer facilities (only those with a length of 300 meters or more or reclamation of 30,000 square meters or more of public waters) 2) Mooring facilities (only those with a reclamation of	N/A (at least Category B grade or higher)

			30,000 square meters or more of public waters) Other fishing port facilities (only those with a project area of 150,000 square meters or more or reclamation of 30,000 square meters or more of public waters)	
Construction of Infrastructure	Port dredging	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Dredged area of 100,000 square meters or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Roads	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	1) New construction of highways, expressways, and underpasses exceeding 4 kilometers in length. 2) Extension of an existing road with two or more lanes in each direction to a length of 10 kilometers or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Dams/reservoirs/estuaries barrages	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	A reservoir with a full water area of 2 million square meters or more or a total water storage capacity of 20 million cubic meters or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Railways/urban railway construction	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	A length of 4 kilometers or more or a railway facility area of 100,000 square meters or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Airports	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	1) New construction of airports or airfields 2) Construction of a runway longer than 500 meters, or other airport development projects 3) airfields development projects with a project area of 200,000 square meters or more	N/A (at least Category B grade or higher)

Construction of Infrastructure	River construction	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	A river construction project in which the construction section is 10 kilometers or longer along the center of the river.	N/A (at least Category B grade or higher)
Construction of Infrastructure	Landfills	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	For landfill projects in natural environment conservation areas: 30,000 square meters or more For landfill projects in other areas: 300,000 square meters or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Reclamations	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	Reclamation or land reclamation projects with a project area of 1 million square meters or more	N/A (at least Category B grade or higher)
Construction of Infrastructure	Tourism complex developments	When the requirements of Category B are met and the requirements of Note 1) and Note 2) below are met at the same time	More than 300,000 square meters	Less than 300,000 square meters

Note 1) Environmentally sensitive projects: 1) Projects in or near ecological conservation areas (e.g., nature reserves), or 2) Projects that may significantly impact ecosystems

Note 2) Socially sensitive projects: 1) Projects that result in large-scale relocation of residents, or 2) Projects that may impact cultural and anthropological sites

### <Appendix 3> Classification of Industries in Areas of Concern

Revised Classification System (11 <sup>th</sup> revision)				
Major Category		Sub Category		Notes
Code	Item name	Code	Item name	
A	Agriculture, forestry, and fisheries (01-03)	02	Forestry	Areas of concern outside of high-carbon industries
A	Agriculture, forestry, and fisheries (01-03)	03	Deep-sea fishing (03111) Coastal fishing (03112)	Areas of concern outside of high-carbon industries
B	Mining (05-08)	05	Coal, crude oil, and natural gas mining	
B	Mining (05-08)	05	Coal mining (05100)	Areas of exclusion
B	Mining (05-08)	05	Oil and gas exploration and mining activities (05200)	Areas of exclusion
B	Mining (05-08)	06	Metal mining	
B	Mining (05-08)	07	Non-metal mining: Excluding mining for fuel	
B	Mining (05-08)	08	Mining support services	
C	Manufacturing (10-34)	11	Beverage Manufacturing	
C	Manufacturing (10-34)	12	Tobacco manufacturing (12,000)	Areas of concern outside of high-carbon industries
C	Manufacturing (10-34)	13	Textile manufacturing: excluding apparel	
C	Manufacturing (10-34)	17	Pulp, paper, and paper products manufacturing	
C	Manufacturing (10-34)	18	Printing and recording media reproduction	
C	Manufacturing (10-34)	19	Coke, briquette, and petroleum product manufacturing industry	
C	Manufacturing (10-34)	20	Manufacturing of chemicals and chemical products; excluding pharmaceuticals	
C	Manufacturing (10-34)	22	Rubber and plastic product manufacturing	
C	Manufacturing (10-34)	23	Non-metallic mineral product manufacturing	
C	Manufacturing (10-34)	24	Primary metal manufacturing	
C	Manufacturing (10-34)	25	Manufacturing of metalworking products; excluding machinery and furniture	

C	Manufacturing (10-34)	25	Weapons/military industry (25200)	Areas of concern outside of high-carbon industries
C	Manufacturing (10-34)	28	Electrical equipment manufacturing	
C	Manufacturing (10-34)	29	Other machinery and equipment manufacturing	
C	Manufacturing (10-34)	31	Other transportation equipment manufacturing	
C	Manufacturing (10-34)	34	Industrial machinery and equipment repair	
D	Electricity, gas, steam and air conditioning supply (35)	35	Electricity, gas, steam and air conditioning supply businesses	
D	Electricity, gas, steam and air conditioning supply (35)	35	Thermal power generation (35113)	Area of exclusion
E	Water, sewage and waste treatment, and raw material recycling (36-39)	36	Water supply	
E	Water, sewage and waste treatment, and raw material recycling (36-39)	37	Sewage, wastewater, and sewage treatment	
E	Water, sewage and waste treatment, and raw material recycling (36-39)	38	Waste collection, transportation, processing and raw material recycling	
E	Water, sewage and waste treatment, and raw material recycling (36-39)	38	Radioactive waste collection, transportation, and disposal (38240)	Area of exclusion
E	Water, sewage and waste treatment, and raw material recycling (36-39)	39	Environmental purification and restoration industry	
F	Construction (41-42)	42	Specialized construction activities	
H	Transportation and Warehousing (49-52)	49	Land transportation and pipeline transportation	
H	Transportation and Warehousing (49-52)	50	Water transportation	
H	Transportation and Warehousing (49-52)	51	Air transportation	
H	Transportation and Warehousing (49-52)	52	Warehousing and transportation-related services	
J	Information and Communications (58-63)	61	Postal and telecommunications	
M	Professional, scientific, and technical services (70-73)	72	Architectural technology, engineering, and other scientific and technological services	
N	Business Facility Management, Business Support, and Rental Services (74-76)	74	Business facility management and landscaping services	
N	Business Facility Management, Business Support, and Rental Services (74-76)	75	Business support services	
N	Business Facility Management, Business Support, and Rental Services (74-76)	76	Leasing; excluding real estate	

Note) If it can be classified as a green activity or conversion activity according to the K-Taxonomy, it may be excluded from the area of concern.