

SHINHAN FINANCIAL GROUP
2021 ESG HIGHLIGHT



THE RIGHT



THING

for a Wonderful World

When many people waver faced with challenges, Shinhan is changing the world by doing the right thing. Even if the red light flashes on human sustainability, Shinhan stays focused on the right path it has chosen.

As the past 40 years of setting the milestones of Korean finance are filled with right decisions, nimble executions, and different strategies, so is today with Shinhan opening a new path.

Accelerating the transition to a low-carbon economy for the Earth and humanity, **0 CARBON**
developing startups with a big dream into Korean unicorns, **10 UNICORNS**
paying attention to all stakeholder voices and growing together with them, **100% SATISFACTION**
All these are on the path we are taking, tasks we must do, and promises we will keep.

Finance can help change the environment, society, and stakeholders.

**A wonderful world full of what is right, and right actions for building a wonderful world!
Shinhan is creating it through “FINANCE for IMPACT”.**



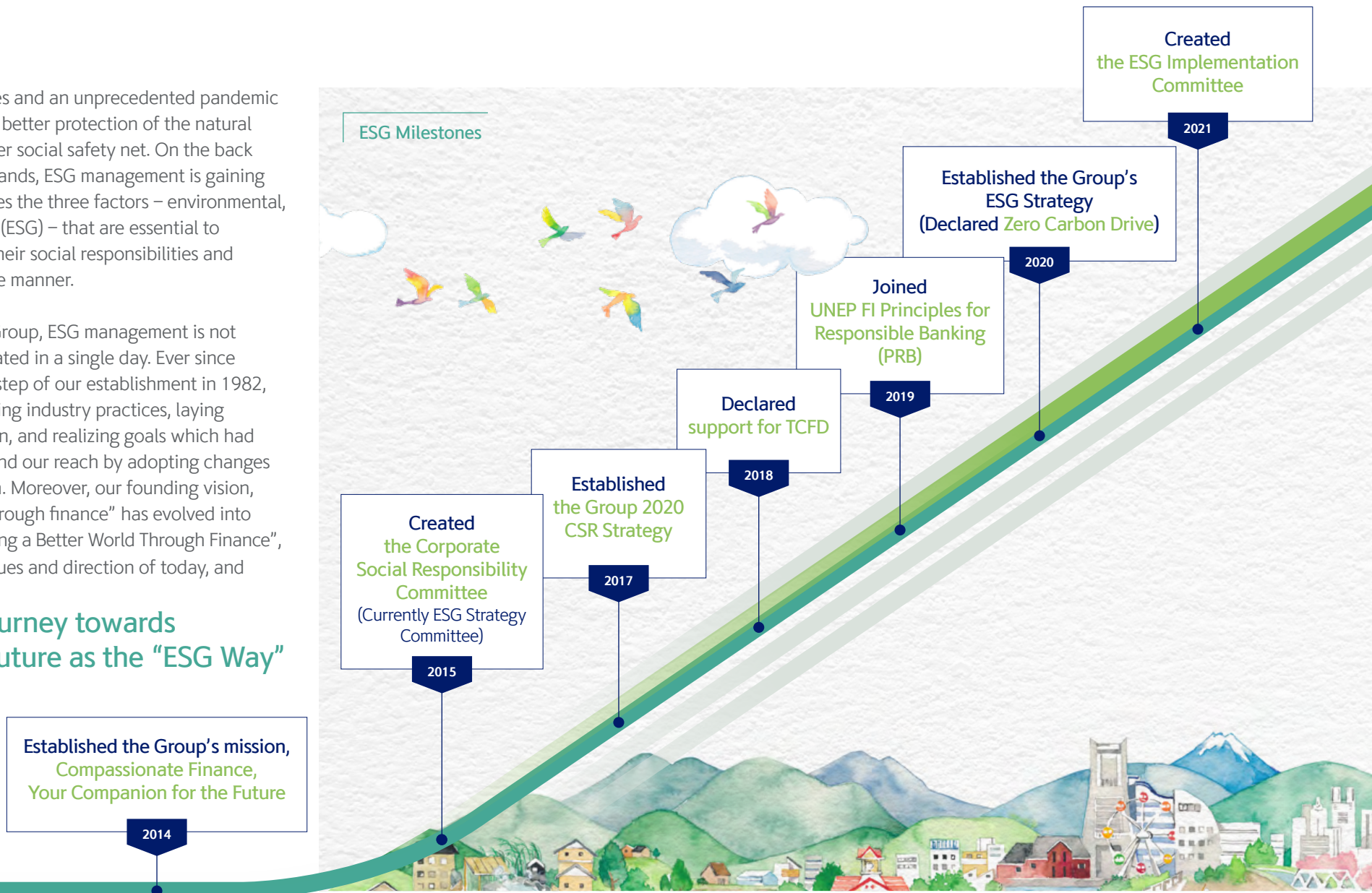
Drawing a new path of ESG

ESG Way

Worsening climate crises and an unprecedented pandemic have amplified calls for better protection of the natural environment and a wider social safety net. On the back of such vociferous demands, ESG management is gaining traction for it emphasizes the three factors – environmental, social, and governance (ESG) – that are essential to corporations fulfilling their social responsibilities and growing in a sustainable manner.

For Shinhan Financial Group, ESG management is not a concept that was created in a single day. Ever since taking the momentous step of our establishment in 1982, we have been challenging industry practices, laying milestones of innovation, and realizing goals which had too often seemed beyond our reach by adopting changes and implementing them. Moreover, our founding vision, “Serving the country through finance” has evolved into the new mission, “Building a Better World Through Finance”, in line with the ESG values and direction of today, and

defining our journey towards a sustainable future as the “ESG Way” of Shinhan.

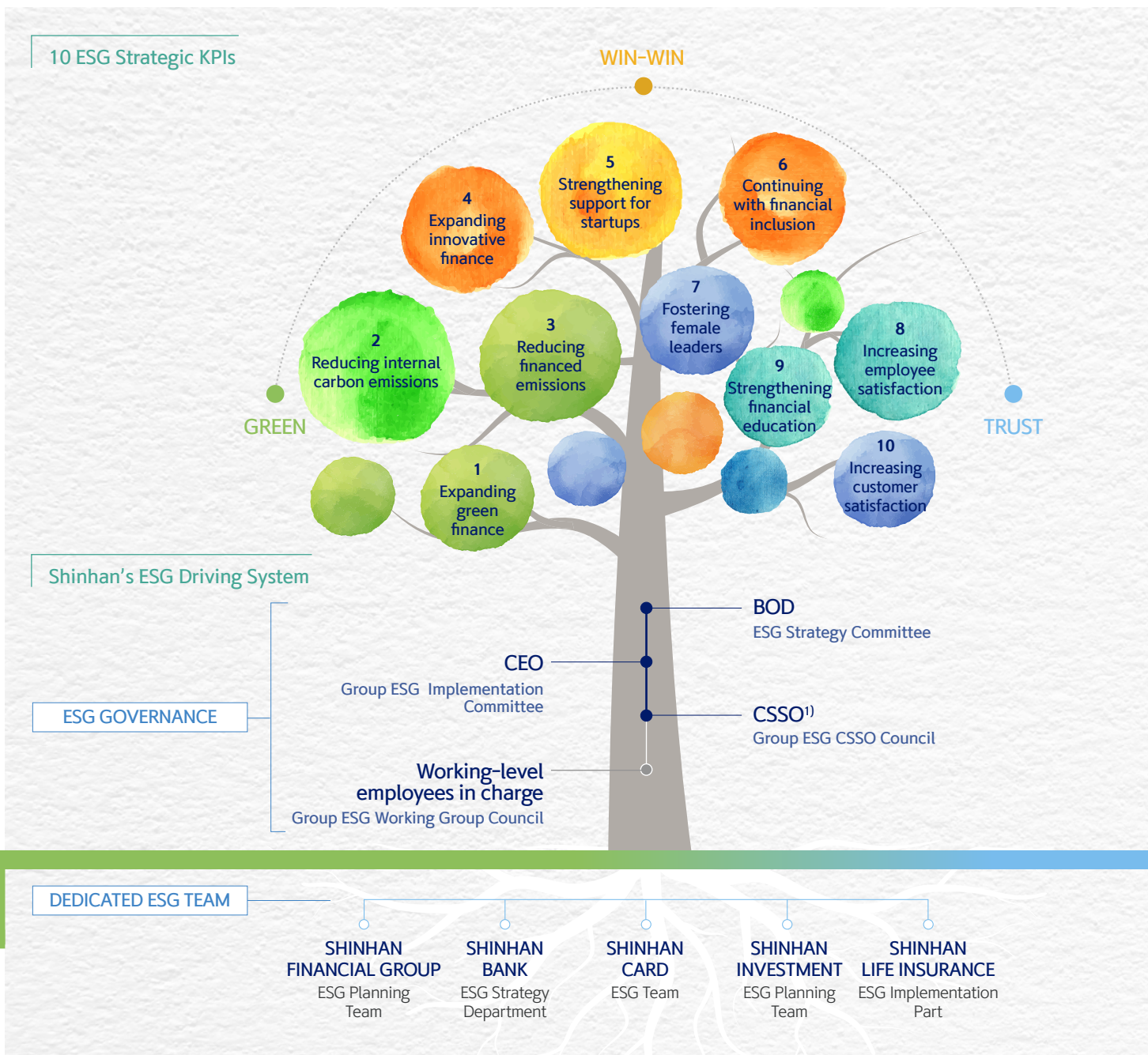


Seeking a right way to run business over the years, Shinhan has been focusing on corporate social decomposability (CSR) ahead of others and carving its own path. As a result, our way is marked by many firsts.

Shinhan Bank released a CSR report in 2005, a first in the Korean banking industry, followed by the Group and other subsidiaries adding to their communication channels with stakeholders. In 2015, the Group created the CSR Committee (currently ESG Strategy Committee) and began overseeing CSR at the BOD level, another first among its peers.

In 2020, we established a new ESG strategy framework and declare the “Zero Carbon Drive” for the first time among financial groups in East Asia, taking our first step towards the goal of achieving net-zero emissions by 2050. In 2021, we created an ESG Implementation Committee consisting of Group subsidiary CEOs as a way to strengthen the driving force of the Group’s ESG strategies, thereby completing a governance that extends to all decision-making organs of the Group. The creation was followed by a string of ESG-dedicated teams established at Shinhan Financial Group, a handling company, and major subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance,

completing the driving system for our ESG Way.



¹⁾ Chief Strategy & Sustainability Officer (CSSO): Executive who performs the role of integrated management of the strategy and sustainability sectors

CONTENTS

DO THE GREEN THING

06



DO THE BRAVE THING

16



DO THE FAIR THING

24



ESG PROMISE

31

-
- 2022 Plan 32
 - Wonderful 2030 33
 - ESG Invitation 36

SPECIAL REPORT

38

-
- ESG Statement 39
 - ESG Strategy Framework 41
 - ESG Milestones 43
 - ESG Initiatives 46
 - Double Materiality Assessment 48
 - ESG Table 52
 - TCFD Report 55
 - Diversity Report 84
 - Human Rights Report 94



Shinhan Financial Group 2021 ESG Highlight is published as an interactive PDF format, allowing readers to move quickly and easily to pages in the report, and including links to related web pages and video clips.

- Bookmark
- Table of content
- Reference pag
- Related webpage
- Video clip



DO THE GREEN THING

The Earth is sick with fever.
Against a global warming spreading fast and wide,
Shinhan's steps also are picking up speed.
From such small steps as replacing paper cups with
tumblers to such bold moves for transformation into
an eco-friendly company, Shinhan joins your efforts
to keep the Earth healthy.



SOWING THE SEED OF GREEN GROWTH TO SPROUT

In Saudi Arabia, blanket-covered camels crossing snowy dunes have become part of the desert country’s winter scenery. Storms swamped the Chinese city of Zhengzhou, dumping the equivalent of one year’s worth of water. Witnessing convention-shattering weather phenomena, the whole global community is becoming increasingly jittery. To deal with such climate crises, the international community has been gathering its strength. Two years after the first COP¹⁾ held in 1995, the third COP produced “Kyoto Protocol” in which 37 major advanced countries pledged their efforts to reduce greenhouse gas (GHG) emissions. However, as overcoming climate crises requires global-scale efforts, all parties agreed to coordinate their CO₂ reduction efforts at the 21st COP in 2015, establishing the famous “Paris Agreement”. At the 26th COP held in the UK in 2021, “Glasgow Climate Pact” was adopted in a world-wide effort to keep the world’s average temperature below rising 1.5°C above pre-industrial²⁾ levels.

Shinhan is taking an active part in the global effort to bring about a low-carbon society. We established principles for responding to climate change in 2019, a first in the Korean financial industry, declared the “Zero Carbon Drive” in 2020, and in 2021 we specified steps to take toward achieving the goal, thereby illuminating Shinhan’s vision of realizing low-carbon green growth through finance.

¹⁾ Conference of Parties (COP): A gathering of countries affiliated with the United Nations Framework Convention on Climate Change (UNFCCC) held by the UN every year to discuss climate change

²⁾ Pre-industrial: 1850-1900

UN SDGs



Asking green finance for directions to low-carbon economy

Carbon neutrality requires fundamental change both economically and socially. Once such changes take place, finance can fuel the growth of low carbon emission industries, assist companies seeking to become more eco-friendly, and accelerate an eco-friendly transition by providing a funding support based on selection and concentration.

Shinhan Financial Group is well aware of the role of finance in the successful transition to a low-carbon economy. We therefore declared our will to achieve zero neutrality in November 2020, first in the financial industry in East Asia, and launched the “Zero Carbon Drive” with the goal of reducing carbon emissions related to all our financial assets as well as to our business activities to zero by 2050.

The Zero Carbon Drive is an eco-friendly growth strategy and a driver of the successful transition to a low-carbon economy. Shinhan is paving the way to an eco-transition through finance and is making efforts to further widen the path.



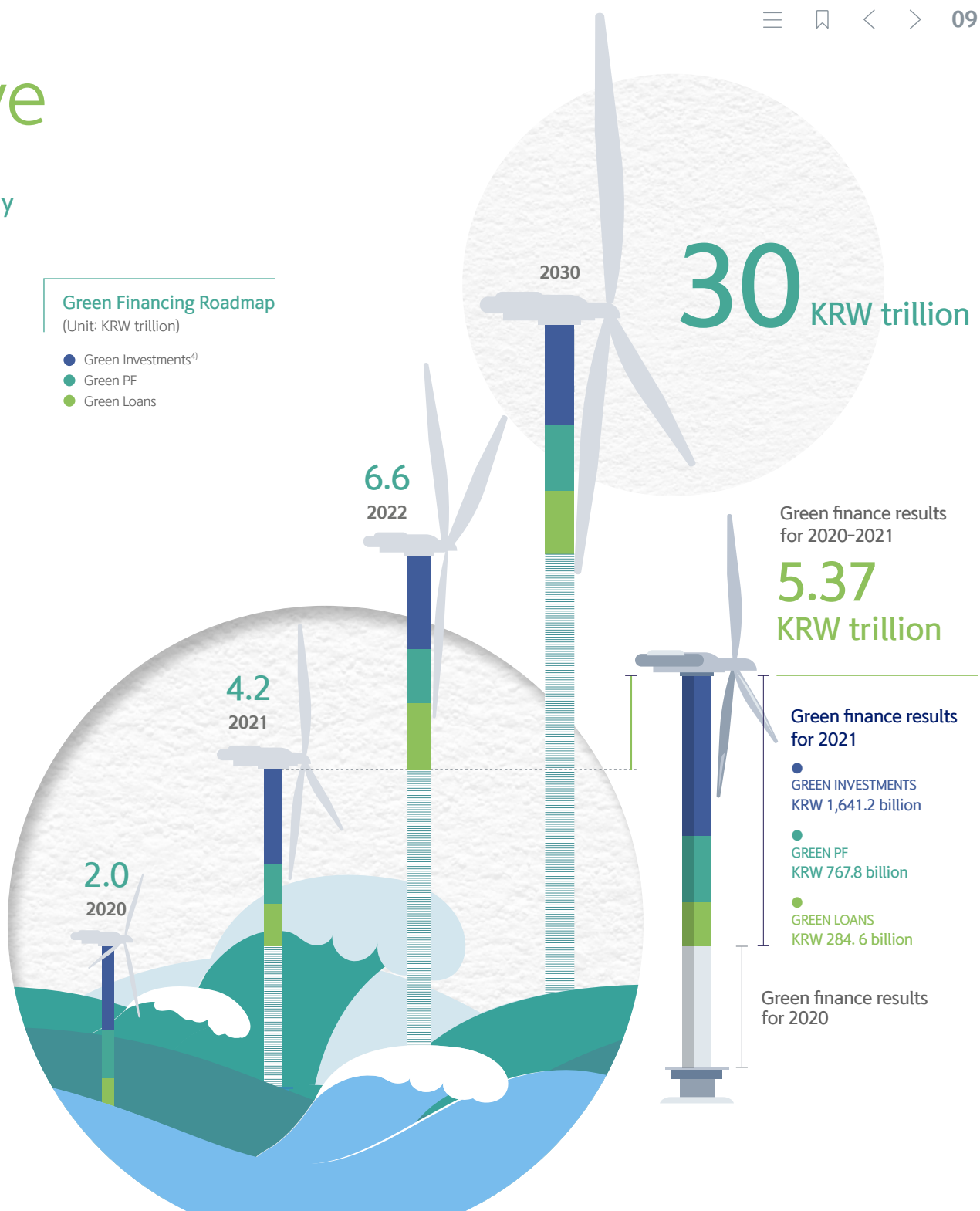
#Zero Carbon Drive

Accelerating eco-friendly transition of Korea's economy

In 2021, Shinhan Financial Group increased its supports for green finance, set up reduction goals in detail using the SBTi¹⁾ methodology, and sought to advance systems of managing its financed emissions. In green finance, we recorded KRW 2.69 trillion, more than what we had planned for the goal of reaching KRW 30 trillion by 2030. In February 2022, Shinhan Bank entered into an agreement with GGC²⁾ and expanded green financing which is expected to further accelerate the growth of our green finance operations.

Shinhan's Zero Carbon Drive keeps its carbon neutrality focus not on specific companies and industries to exclude, but on high-carbon sectors to help their transition to a low-carbon system. In October 2020, Shinhan Asset Management became the first in Korea to send 242 investment target companies a letter urging compliance with TCFD³⁾ recommendations, calling for genuine interest in responding to climate change. In 2021, the message was delivered to 338 companies, of which 146 replied agreeing to join Shinhan's efforts for carbon neutrality. By creating an "ESG Consulting Cell" this year, Shinhan Bank plans to share its ESG know-how with small and medium-sized enterprises (SMEs), which is expected to increase the number of Shinhan investment recipients implementing ESG management as well as of corporate clients becoming more eco-friendly.

¹⁾ Science Based Target initiative (SBTi): A global initiative developed to help companies set a target in line with science-based reduction criteria and make transition to business operations suitable for a low-carbon economy
²⁾ Green Guarantee Company (GGC): An international guarantee organization slated for opening in June 2022 to supply climate change-related funds from the British government, Green Climate Fund, etc. to developing nations
³⁾ Taskforce on Climate-related Financial Disclosure (TCFD): A climate change-related financial information disclosure initiative established by the Financial Stability Board (FSB), a consultative body of G20 finance ministers and central bank governors
⁴⁾ Investment performance of asset management companies and sales performance of the Bank, securities company, and others selling fund products



Management of Financed Emissions

43,816,695
tCO₂eq
2020

- Power generation 16.2%
- Aluminum 5.5%
- Cement 2.0%
- Steel 6.2%
- Paper 1.5%
- Transportation 3.0%
- Chemicals 9.3%
- Others 53.2%
- Real estate for commercial use 1.6%
- Vehicles 1.0%
- Mortgage 0.3%

33.7%

2030

59.5%

2040

To effectively manage the financed emissions of its asset portfolios, Shinhan Financial Group measured the emissions using Partnership for Carbon Accounting Financials (PCAF) guidelines, and increased the number of companies on its watch list from 1,042 to over 86,300. We also have developed a comprehensive system of calculating financed emissions by asset type, which allows the Group subsidiaries to monitor carbon emissions related to their business activities. Besides measuring the financed emissions of loans and investments, the system can also estimate the carbon emissions related to a particular loan or investment before approving such a product to applying companies. As such, the system constitutes a major part of the infrastructure built for achieving the Zero Carbon Drive.

The wheel of carbon neutrality takes great force to get rolling, but with the combined force of a growing interest in climate change, it will gain increasing momentum and reach the destination of zero carbon sooner than expected.

Shinhan will continue to push forward our Zero Carbon Drive and make utmost efforts to serve as the foundation for accelerating the nation-wide transition to a low-carbon economy.



Achieving Net-Zero

Investing in sustainable corporate ESG values

ESG criteria have become an essential tool in corporate valuation. An increasing number of global investors are seeing ESG management as a key valuation index, and ESG-based investment strategies are divided mainly into three categories – screening, thematic, and integration.

To advance its ESG evaluation systems, Shinhan Financial Group in 2021 launched the “Project for the Establishment of the Group ESG Integrated Risk Management System”. We developed the “Shinhan ESG Rating” system that rates the ESG levels of companies; and adopted a “positive screening” strategy that favors companies with an excellent rating prior to increasing the scope of the evaluation strategy in the near future. We will continue to upgrade the corporate ESG evaluation model in an effort to develop corporate evaluation models that are uniquely Shinhan.

ESG is an unstoppable flow of times, and companies must ride the waves of a big change named ESG to create new growth opportunities and thus achieve sustainable growth. Riding high the waves of change, Shinhan will invest in responsible businesses, paving the right path for finance to follow, and growing in a manner sustainable.



Screening Strategy

Select or exclude a specific company by applying ESG-related criteria

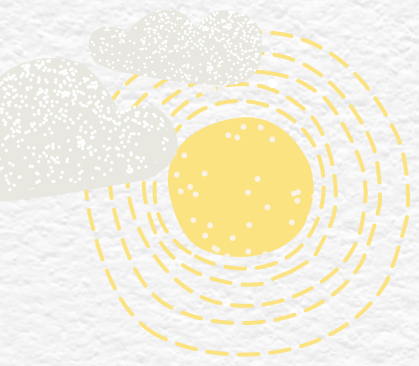
Thematic Strategy

Intent to generate measurable social or environmental impact in addition to financial profits

Integration Strategy

Systematically integrate financial factors with ESG factors

#Engagement



Supporting ESG management of corporate clients

Reducing financed emissions requires an active engagement as well as participation of investment target companies. For this reason, Shinhan subsidiaries use financial products and services to guide their respective clients through the ESG way they take and accompany them every step of their way.

In April 2021, Shinhan Bank launched loan program for companies having leading ESG performances that carries an annual interest rate 0.2%-0.3% below that of general loans, specifically for corporate clients and their business partners who practice ESG management. In the same month, Shinhan Investment identified an ESG consensus of Korean companies based on data collected of eight rating agencies, including MSCI and S&P, and thus published "New Paradigm ESG" reports containing ESG analysis data of 60 companies.

Encouraging eco-friendly financial lifestyles to retail customers

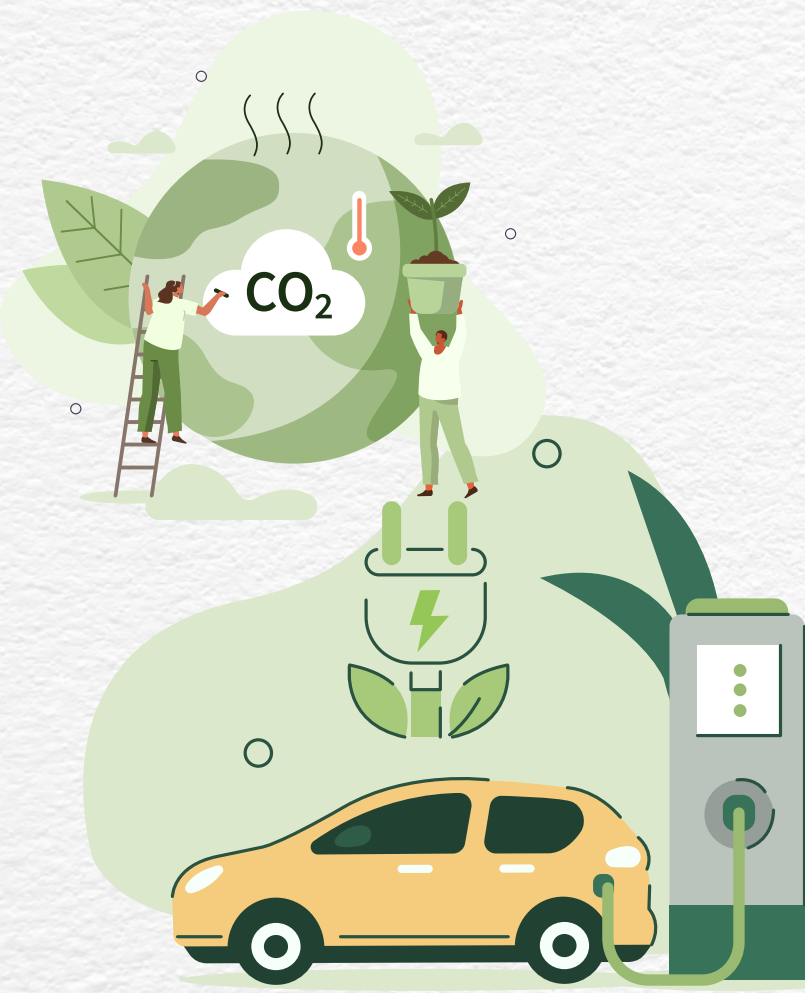
No one is free from the wrath of climate crisis. As such an existential threat requires a collective effort of mankind to be dissolved, Shinhan Financial Group is contributing to the spread of an eco-friendly consumption culture through products that enable financial consumers to be more ESG-conscious and thus receive benefits.

Shinhan Bank, chosen to spearhead the "Disposable Cup Deposit System"¹⁾, launched "Deposit/Savings of Beautiful Courage" in December 2021 which donates a specific amount to an environmental group each time a customer subscribes to the product. Shinhan Card supported customers' eco-friendly financial lifestyles by introducing card products made of recycled plastic. Shinhan Asset Management, which in 2005 became the industry's first to launch a socially responsible investment (SRI) product, continued to lead the ESG investment culture, managing 62 ESG-exclusive funds and about KRW 3 trillion in assets as of the end of 2021.



¹⁾ Disposable Cup Deposit System: Scheduled to be launched in June 2022, customers are charged a certain amount as a deposit for a disposable cup upon ordering beverage at participating shops, and the deposit is returned upon returning of the cup.

#Zero



I am truly rooting for it and taking action as well!! Let's Build Up Earth Power!!

Thank you for informing me of various and simple ways to contribute to reaching zero carbon in daily life.

I never missed any part of this channel! It was a brilliant and informative program for the environment!!



Efforts to realize carbon neutral society

Carbon neutrality can be achieved when carbon emissions are reduced and the carbon in the air is absorbed. Shinhan carries out a wide array of eco-friendly activities aimed at reducing carbon emissions and absorbing the carbon in accordance with our Zero Carbon Drive strategies. In 2021, we declared our plan to convert all 62,843 units of vehicles being used throughout Group operations into pollution-free vehicles by 2030, and participated in the nation-wide lights-out event held on the 51st Earth Day. We also are challenging ourselves to become a paper zero company by pushing forward work digitalization and jointly conducting with customers such eco-friendly activities as Shinhan Bank's "NAMU Bankbook" campaign aimed at reducing the use of paper bankbooks.

In addition, we are making diverse efforts helping the public to be aware of the ESG concept which can be somewhat esoteric to many. In 2021, we operated our Group brand channel, "Discovering Opportunities Production"¹⁾, with the theme, "Let's Build Up Earth Power" consisting of four sub-themes, zero waste, zero carbon, zero plastics, and upcycling, emphasizing the need to keep the Earth healthy and clean. The Earth power build-up campaign received an active participation and support of employees and customers alike. In August 2021, we signed a memorandum of understanding (MOU) with Peace Forest Work and made a pledge to build an "Earth Power-raising Forest" in the Namsan area, the heart of Seoul. The soon-to-be forest will grow lush green with an active participation of employees.

¹⁾ Discovering Opportunities Production: Shinhan Financial Group's digital ad communication platform operating mainly via social media, including YouTube and Instagram, to communicate effectively with all generations, in addition to delivering information on the Group's ESG activities in a more endearing way

#Global



COP26

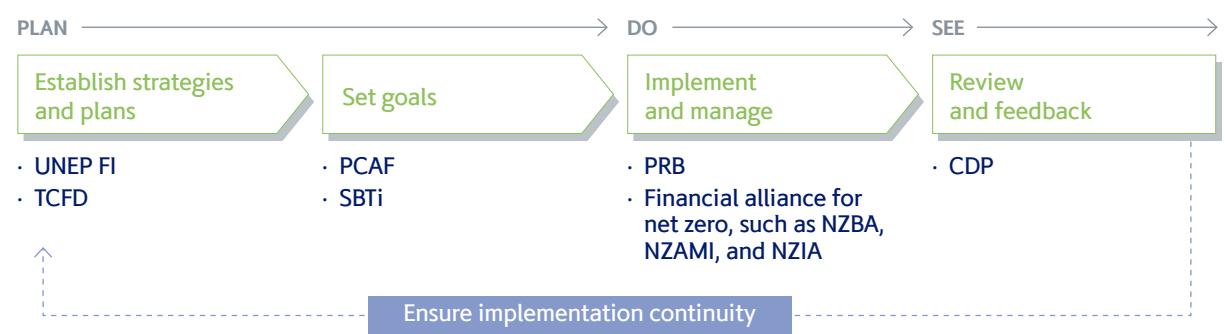


Global cooperation to counter climate crises

In November 2021, Shinhan Financial Group was invited to the 2021 United Nations Climate Change Conference (COP26), held in the UK, as a representative of private financial companies in Asia. We presented an outline of our Zero Carbon Drive, shared our opinion on how finance can help counter climate crises, and called for participation of the global community. In December, after COP26, UNEP FI created the “Leadership Council” as a way for global financial companies to actively fulfill their responsibilities and roles regarding environmental issues. Shinhan Financial Group CEO Cho Yong-byoung became the only member from the Asian region to be elected as a council member. Shinhan’s appointments as the Asia-Pacific Representative of the UNEP FI Global Steering Committee in 2020 as well as a member of the Leadership Council in 2021 attest that Shinhan’s ESG management is on a par with that of global standards.

Going forward, we will continue our leadership role in ESG management through a Plan-Do-See¹⁾ approach in line with global standards, setting goals, establishing and implementing strategies, and reviewing the progress.

Shinhan’s “Plan-Do-See” Framework to Counter Climate Change



¹⁾ Plan-Do-See: A process of planning a project (Plan), executing it (Do), and examining it (See)

For further information, please refer to the “ESG Initiatives” in the Special Report section

DO THE GREEN THING
WITH
SHINHAN

Working together
with Shinhan for
global cooperation
for a wonderful world

Koh Seogheon
Chief Strategy & Sustainability Officer (CSSO)
of Shinhan Financial Group
UNEP FI Global Steering Committee
Asia Pacific Banking Sector Representative



Q How is Shinhan taking part in global efforts to achieve net-zero?

A Shinhan has joined various global initiatives and has been gaining experience in how to collaborate with global community. We are a founding signatory of the Net-Zero Banking Alliance (NZBA) established under UNEP FI¹⁾ leadership in 2021 for COP26, and became the first in Korea to join the Net-Zero Insurance Alliance (NZIA) and Net-Zero Asset Management Initiative (NZAMI), thus solidifying our net-zero resolve.

Q For its net-zero goals, what is Shinhan doing now and going forward?

A We still are in the stage of defining global standards for our ESG management, including climate change response. Which means not only advanced countries but Korea and other Asian countries can present new standards as well.

A leading example is Shinhan's Zero Carbon Drive. Shinhan is the first financial company in East Asia to declare a net-zero goal which has since received much attention from the global market, for its guidelines are almost identical to NZBA's. We are also the Asia-Pacific Representative of the UNEP FI Global Steering Committee and the only Asian member of the Leadership Council. Going forward, standing at the center of a net-zero alliance of financial institutions initiated by UNEP FI, we will do our utmost to expand the scope of cooperation as the representative of the Asia-Pacific region, our key global arena.

¹⁾ UN Environment Programme Finance Initiative (UNEP FI): A public-private partnership between the UNEP and financial sector. As of March 2022, around 470 financial institutions across the globe are voluntarily participating in the initiative with the goal of expanding ESG management. Global Steering Committee is UNEP FI's top decision-making body setting strategic goals and setting up and approving annual program plans.



DO THE BRAVE THING

A brave step forward is what it takes for the seed of innovation to sprout. An idea never imagined before can lead to an ecosystem of an industry. Finance provides soil and nutrients for the growth of those who relentlessly challenge themselves to create a better world. Until a day those brave challengers become a main agent of innovation for growth, Shinhan stands with Korean unicorns taking on global challenges.





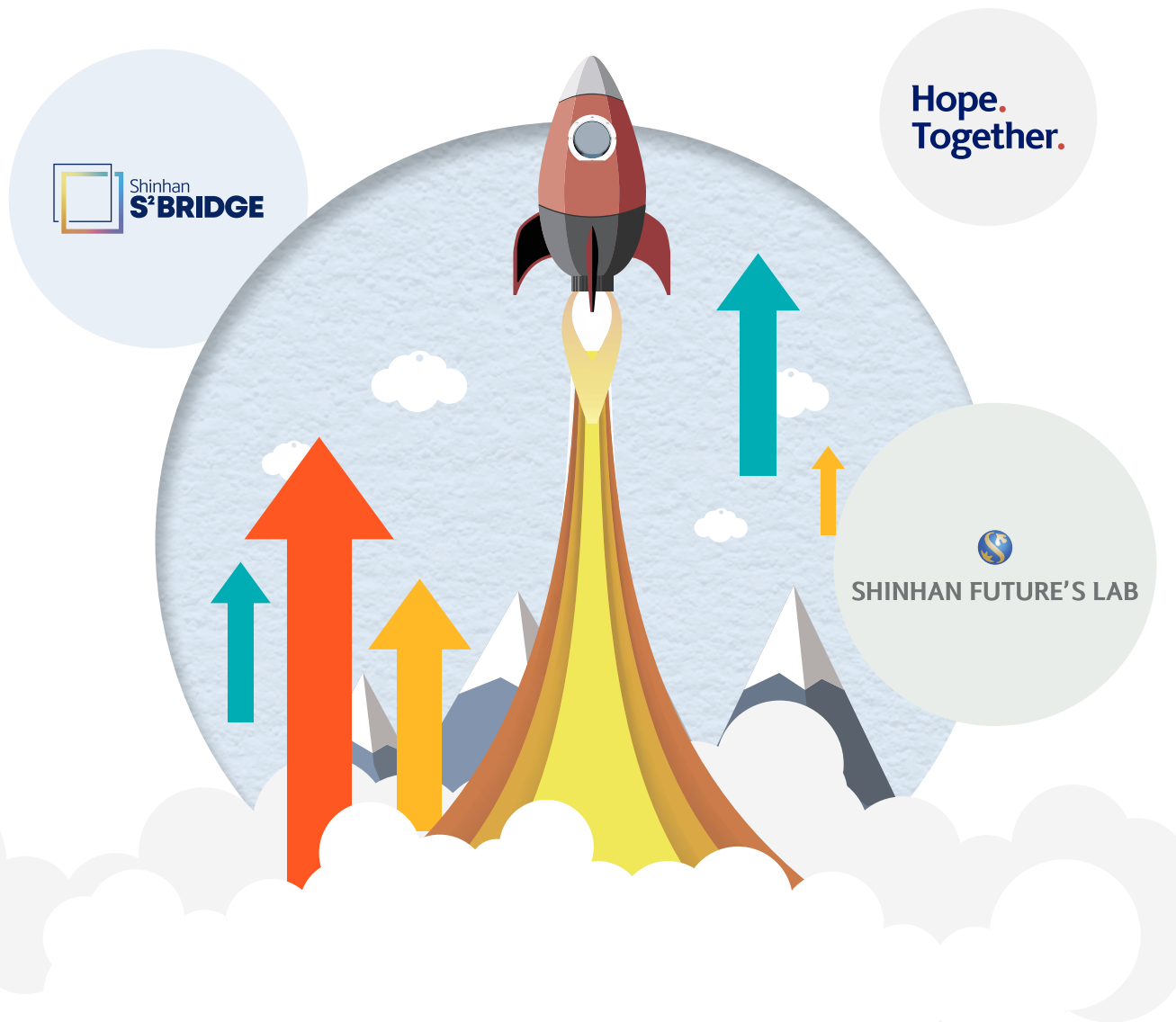
SOARING HIGH ON BRAVE CHALLENGES

A “digital golden cross”, an indicator of the exponential growth of digital industries overtaking the linear development of analogue industries, can be seen in many industrial sectors. The speed at which it happens is increasing on the growth of a non-face-to-face economy triggered by the COVID-19 pandemic. Amid a sweeping change in the topography of traditional industries brought on by the wave of digital transformation, the era of startups is emerging fearing no changes, challenging all conventional thoughts, innovating technology in hopes of changing the world for the better. As of the end of 2021, the world’s three biggest companies by market capitalization are all digital tech giants and all began as a startup.

Startups have unlimited potential for growth. Standing by their side, Shinhan also engages in innovation and challenges at all times. Adding ESG to finance, we will continue to encourage and support leading companies of digital transformation so that startups can move on with bold challenges and soar high as a unicorn, and that we together usher in a new future.



Start and growth of innovative startups, joining their challenges



Shinhan Financial Group is extending the reach of compassionate finance to fulfill its roles as a responsible social member as well as a reliable partner for sustainable economic growth of Korea. As part of such an effort, we are enlarging our innovation growth bed through the launch of “Triple-K Project”, a mid- to long-term project aimed at strengthening the basis of innovative growth of the financial sector, thus taking the lead in building startup ecosystems. Triple-K Project, consisting of three axes – Korea Cross-Country Plan, Korea to Global Plan, and K-Unicorn Project – seeks to build startup ecosystems across the nation, nurture startups overseas, and support Korean startups’ efforts to grow into a global unicorn.

As of the end of 2021, 282 companies in Korea and abroad that had participated in the Shinhan Future’s Lab program and 328 S² Bridge member companies in Seoul, Incheon, and Jeju are taking on challenges together with Shinhan as they dream of becoming a unicorn company that will lead business and economic growth in the future.

Beneath the every inch of the growth trajectory of these companies, extending from their humble beginning as an outside the box idea, to the overcoming of market barriers and limitations to the top of Korea and then onto the global stage, lies their organic collaboration with Shinhan Financial Group.

#Triple-K Project

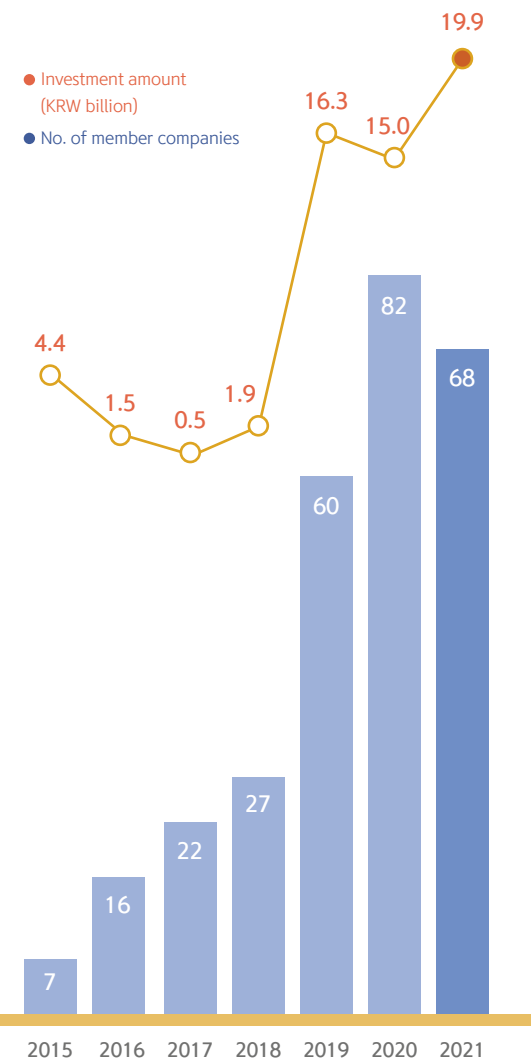
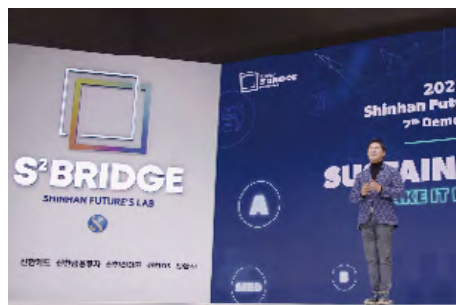
Expanding the win-win ecosystem with startups

Shinhan is expanding its win-win ecosystem with startups through “Shinhan Future’s Lab”, the first startup accelerator program in the Korean financial sector. Since its 2015 launch to the seventh year in 2021, the program has invested a total of KRW 59.5 billion in 282 companies selected based on their growth potential. As of 2021, the combined value of the companies exceeded KRW 200 billion and 10 of them have been selected for the Ministry of SMEs and Startups’ “Baby Unicorn 200 Project”. Shinhan Future’s Lab has therefore fully established itself as a leading startup accelerator program in Korea.

68 startups of the 2021 Shinhan Future’s Lab boast innovative ideas and advanced technologies not only in fintech, content, and big data but also in ESG, metaverse, health care, and other areas where we are devoting our resources and capabilities. By providing full support to these startups, we contribute to the establishment of innovative growth ecosystems, and by offering more creative and convenient financial products and services to consumers, will complete a win-win model using technology and finance.

Also in 2021, Shinhan established a strategic investment (SI) fund worth KRW 300 billion, a first of its kind in Korean financial industry, to invest in new digital technology companies, thus expanding the ecosystem. In the first year of the SI fund’s establishment, we invested KRW 173 billion in 11 companies, including autonomous driving technology, style e-commerce, and metaverse intellectual property (IP) companies. In 2022, we plan to create a second fund and increase investments, on the basis of which we will strengthen cooperation with innovative companies from a long-term perspective.

Shinhan Future’s Lab Investment Performance



7th Demo Day of Shinhan Future’s Lab in 2021 – “Sustainable & Make It Better”



Shaping a future of startups with an innovative growth platform

Shinhan is expanding the realm of innovative finance through “S² Bridge”, a national-scale growth platform for innovation. Since the launch of Class 1st in November 2020, “S² Bridge : Incheon” has provided a total of 104 startups in the digital, health care, and smart city technology sectors with support in the areas of business launch, scaling up, and global expansion. On the back of the supports, 51 companies, or 50% of the selected companies, successfully attracted investments totaling KRW 70.5 billion, raising their business value an average 66% compared with that at the time of their selection. In April 2021, we entered into a partnership with “Google Startup Campus”¹⁾ on joint operation of smart cities accelerator program, and agreed to serve as a bridge between startups with innovative technologies and the global stage.

S² Bridge : Jeju” was launched in June, 2021 with the goal of helping resolve the environment, resource, and agriculture-related social issues, and promoting the local economy, of the island province. Operating ESG-related business through five companies chosen for the program, it mainly explores ways to generate high added-value for the local economy as well as to promote social values that benefit everyone. We plan to expand the S² Bridge program to major regions across the nation, including Daejeon, Daegu, Gwangju, and Busan, to discover and nurture startups, and to lay the foundation for innovating the Korean economy.

In addition, we launched the “S² Bridge Youth” program in 2021 to support youth employment and startups, and ran the “Shinhan Career On” as part of the program. Specifically, we formed the first group of Shinhan Career On comprising 70 startups looking for talent and some 300 vocational school students interested in hands-on experience. By creating a pool of talent for the startups and offering a job education and field training opportunities to students, we contributed to lessening the social issues of labor shortage among startups and youth unemployment.



¹⁾ Google Startup Campus: A startup support program created by Google in 2011 performing accelerator roles in 125 countries and running more than 50 joint work spaces to nurture startups around the world.

¹⁾ Planned to be opened in 2022
²⁾ Regions of implementation plans

#Hope

Success Do Dream, daring to dream big with hope

SMEs in Korea, including small business owners, number 6,888,435, or 99.9% of all businesses, and employ 82.7% of the nation’s workforce¹⁾. As inclusive growth requires management improvements and enhanced competitiveness on the part of SMEs, the backbone of Korea’s economy, Shinhan Bank runs “Success Do Dream” program to help SOHOs succeed. Considering the added hardships small business owners suffered owing to COVID-19, we have been helping them become more self-subsistent and competitive by providing diverse consulting services as well as financial support. Such efforts continued in 2021 as well. In particular, considering a relatively high ratio of shutdowns among small business owners in their 20s to 30s within three years of launching²⁾, we held the “Shinhan SOHO Training Academy” for young small business owners and provided management consulting services. Through “Success Do Dream Customized Learning Program” offering lectures customized to different business characteristics, we helped young small business owners resolve the management difficulties they faced and supported their dreams.

Success Do Dream Program

Shinhan SOHO Training Academy	Success Do Dream Customized Learning Program	Success Do Dream Seminars	Shinhan SOHO Support Center
Select a group of self-employed business owners and provide 8-week intensive training	Provide single-subject lectures on law, taxation, trade area analysis, etc.	Collaborate with FSS and local governments to hold lectures for local businesses outside of Seoul Metropolitan area	Provide customized support for startups and entrepreneurs (consulting and mentoring programs)

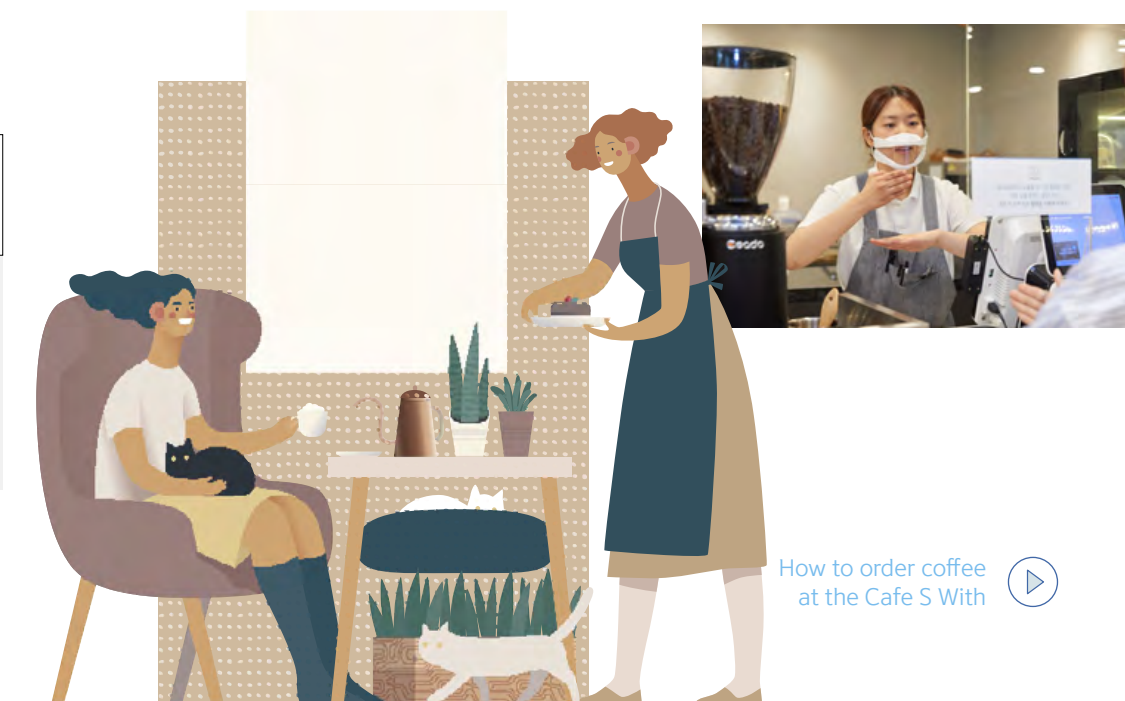
¹⁾ Source: “2019 Basic SME Statistics” by the Ministry of SMEs and Startups

²⁾ Source: “Results of Survey of Small Business Owners Who Closed Down Their Business” by the Korea Federation of SMEs

³⁾ Start-up (Helping companies grow into sustainable consumers), Financial literacy (Enabling the underprivileged to be financially stable), Group of community (Solving social problems that local community faces)

Building hope society where all enjoy life and share

Under the impact task of “Hope Together SFG³⁾”, Shinhan is carrying out “Hope Society Projects”, a social contribution program involving all Group subsidiaries. In 2021, we opened second and third “Cafe S With”, a part of the Hope Society project, contributing to building a society where a disability does not hinder people from working. Cafe S With is a job program created for the hearing-impaired, and its first branch was opened in the Shinhan Bank’s main building in December 2020. For stable business operation of Cafe S With, we provide a store space and coffee beans for free. All profits, generated largely by employees’ patronage, are put back into in barista training and job support for the hearing impaired, thus creating a virtuous cycle of creating profits creating jobs. The opening of the second and third Cafe S With in 2021 means that general citizens can now support the dreams of the hearing impaired by simply enjoying their favorite beverage.



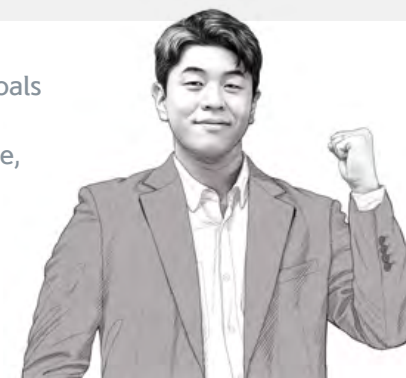
How to order coffee at the Cafe S With



DO THE BRAVE THING
WITH
SHINHAN

Gathering strength
with Shinhan to make
a welcome change for
a wonderful future

When Sheco and Haenyeo Kitchen listed their name on the S² Bridge, their goals were identical – to protect the ocean. Their approaches are different from one another, which means their tasks also are different. But it is okay, because, at S² Bridge, the public and private sectors gather resources and expertise together with these startups to jointly find answers to their tasks.



CEO of SHECO
Kwon Gisung

Presented here are stories of two innovative companies accelerating their voyage toward a greener future together with Shinhan.

“Haenyeo Kitchen” –
serving up performances, stories,
and dishes of Jeju

My mother told me that seafood and seaweed caught and harvested by haenyeo (female divers) in Jeju did not receive a fair price. She added that haenyeo no longer wanted to harvest natural hijiki because its prices had sharply dropped. Hijiki needs to be harvested so that it can grow right back from the same spot. If left alone, hijiki becomes less abundant, turning the surrounding sea into an increasingly hostile environment for natural hijiki to survive. I was born in Jeju and grew up surrounded by haenyeo. I wanted to protect the seas surrounding Jeju, which support the livelihood of my family and friends. This is what led to the creation of “Haenyeo Kitchen”.



CEO of Haenyeo Kitchen
Kim Hawon

After being selected for S² Bridge : Jeju, we expanded our seafood purchases from haenyeo by increasing the number of fishing village fraternities associated with us, received substantial help in building a packing facility essential to the production of seafood goods. Also, through the hijiki Sangwe Bread funding that embodied Jeju’s stories, we generated proceeds amounting to KRW 40 million in one month. Going forward, we plan to launch diverse types of seafood that tell the stories of haenyeo by working together with out-of-province partners. I look forward to diverse follow-up supports for business advancing.

“SHECO” –
a social venture on its way to becoming
an eco-friendly life trendsetter

The oceans are vast and have remained hardly changed, which is why most people do not see the ocean as something that needs to be managed and protected. I have always wanted to raise people’s awareness of the value of clean ocean and the severity of marine pollution, and to share clean oceans with future generations by using the technologies we have created. I have long believed that fully-automated cleanup equipment at ocean oil spill sites would do a better job of protecting both the environment and people, and based on this conviction, I established Sheco in 2019. However, because of the unconventionality of our technologies and the unfamiliarity of the area we work in, I often felt it daunting to explain and inform others of how we can help clean up ocean pollution.

After Sheco was selected for the S² Bridge : Incheon accelerator membership, we were able to publicize our technology and vision, thereby overcoming major difficulties we were experiencing. The first opportunity to demonstrate our technology came in December 2021 with the help of the Incheon Free Economic Zone Authority, verifying the validity of product development. We also conducted a second demonstration using advanced robots. I ask for steady support and encouragement so that we can move forward protecting oceans all over the globe, beginning with the waters of Incheon.



Project continuity and collaboration consistency are extremely important for startup growth. Shinhan Future's Lab invests in and nurtures startups and also continually provides a wide variety of support programs according to the startup lifecycle, helping startups complete their blueprints for a better future.

Here are stories of two innovative companies expanding the scope of collaboration to change the topography of the financial industry in the era of digital transformation together with Shinhan.



CEO of XINAPSE
Philip Joo

**“Fount” –
No. 1 robo-advisor in presenting
new standards for sound investment**

Established in 2015, Fount is a rapidly-growing robo-advisor startup. While many robo-advisor companies are emerging and disappearing, Fount has grown into the nation's No. 1 in terms of artificial intelligence (AI) investment management asset. This growth story was made possible by the company's close, organic collaboration with Shinhan Financial Group.



CEO of Fount
Kim Young-bin

Fount is rather a latecomer to the robo-advisor market. We considerably lacked capital in the early phase, and thus were at a loss on many occasions. Once Fount was chosen for Shinhan Future's Lab in 2016, we were presented with opportunities to collaborate with the Group subsidiaries, including Shinhan Card with which we held an open innovation in December of the same year. Thanks to such opportunities, we have resolved a great deal of the obstacles facing us. In June, 2018, we joined hands with Shinhan Investment and released the Fount app, thereby fully launching our business. The opportunities made available by Shinhan Future's Lab for continuous collaboration with Shinhan Financial Group played a significant role in Fount's impressive growth. The financial services Fount is creating together with Shinhan Financial Group in the new normal era is already attracting the attention of the financial industry. I hope to continually shape the coming innovative future together with Shinhan.

**“XINAPSE” –
opening a new chapter of communication
through AI services**

I wanted to create AI services that could be used easily in daily life, rather than vague, difficult technologies. Of course, it wasn't easy at first. In particular, XINAPSE and other companies with a specialized technology for a specific field face limitations in developing potential customers' understanding of the product or services we envision in the beginning phase of their business. The COVID-19 pandemic also brought difficulties, especially in the early stage, for the collaboration projects and investments planned for months were either postponed indefinitely or cancelled. However, I tried hard to change the crisis into an opportunity than be despondent, which led to the happy occasion of XINAPSE being selected for Shinhan Future's Lab.

Collaboration with Shinhan is done very fast yet thoroughly. Last September, XINAPSE and Shinhan Bank agreed to jointly discover an innovative digital project and a mere month later, we signed an MOU on providing a new concept financial service that uses XINAPSE's AI-based voice synthesis technology. In addition, XINAPSE attracted a strategic investment of KRW 3 billion from Shinhan Financial Group in the same month. We will collaborate with Shinhan more closely to innovate the financial life of every one for the benefit of all.





DO THE FAIR THING

How would we change in a fair world?
Shinhan confirms answers from the inside.
To have employees take on challenges and
unlock their full potential in an equal-opportunity
workplace, and to have its culture of diversity
and inclusion lead to inclusive finance for all,
Shinhan changes first, from the inside.





RAISING THE VOICES OF ALL

With the growing traction of ESG management increases interest in diversity and inclusion. Many studies have shown that a corporate culture that promotes diversity and inclusiveness plays a major role in the company's sustainable growth. This is because an organization consisting of employees diverse in cultural background and perspective can better understand diverse consumer preferences and needs, which, in turn, enables quicker responses to diverse demands of fast-changing markets. According to McKinsey Global Institute, the top 25% companies in ethical and gender diversity have a 28% higher chance of performing better than their peers¹⁾.

Shinhan Financial Group strives to create a corporate culture where no employee feels her/his capabilities overlooked or fails to seize given opportunities due to their gender or any other reasons. Our organizational culture that encourages all employees to voice their opinions makes possible "more friendly, more secure, more creative finance" for all. Toward a world where opposing thoughts are allowed and being different is respected, and to see everyone enjoys a safe and convenient financial life, Shinhan integrates ESG with finance.

¹⁾ Source: Diversity Wins (May 2020)

UN SDGs



Creating a corporate culture where everyone has equal opportunity

Shinhan Financial Group views diversity as a new opportunity for the Group's sustainable development. We have therefore been orating "Shinhan SHeroes", a program to nurture female talent; creating "Shinhan Financial Group's Commitment to Diversity and Inclusion"; and strengthening family-friendly welfare system.

Of note is Shinhan SHeroes, the Korean financial industry's first female leader-nurturing program, created in 2018. Increasing target regions, job positions, and the scale of participants selection every year, the program is establishing itself as the cradle of female talent development. It is leading Shinhan's growth in a more balanced manner and contributing to the spread of the culture of gender equality, befitting to its name, "Shinhan's female heroes".

Thanks to these and other efforts, Shinhan Financial Group was included in the 2022 Bloomberg Gender Equality Index (GEI) by Bloomberg, a global financial information institution, thus setting a new record of making the GEI for the four consecutive years. The GEI is a global index that makes its selection based on the analysis of companies with a market capitalization of no less than USD 1 billion and listed in the US stock market, in five categories: female leadership & talent pipelines, equal pay & gender pay parity, inclusive culture, anti-sexual harassment policies, and pro-women brand.



#SHeroes

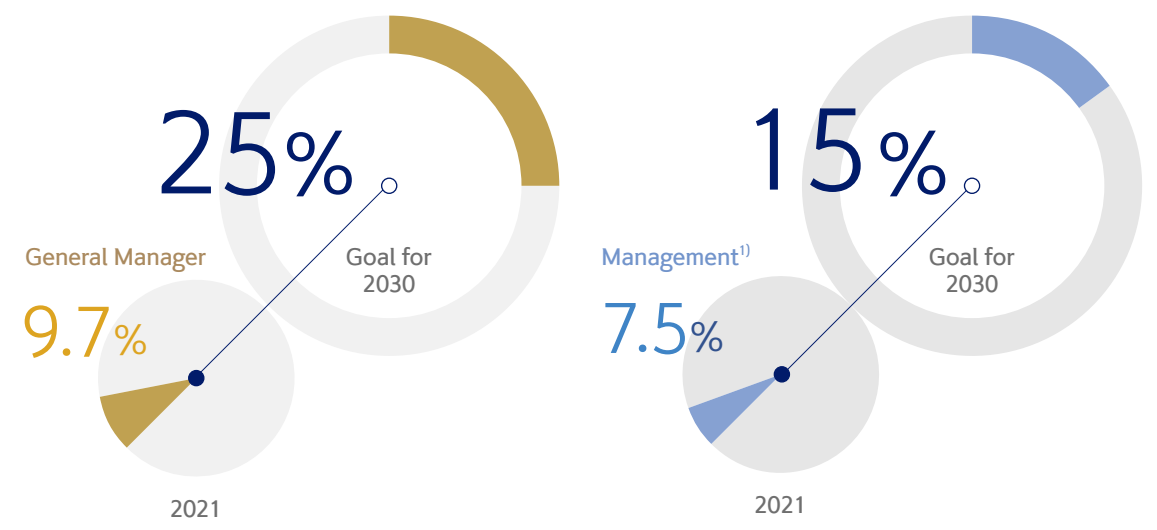
Driving new growth with female leaders

In 2021, Shinhan Financial Group additionally chose 44 female leaders through “Shinhan SHeroes” and supported their self-development into a stronger, wiser leader. We provided a group mentoring program led by outside experts in diverse fields and a customized coaching focused on strengthening the leadership qualities of participants based on the analysis of their individual strengths. We also created a “Group CEO Mentoring Program” to offer a venue for CEO Cho Yong-byoung and Shinhan SHeroes members to discuss collective intelligence.

Since its launch in 2018, Shinhan SHeroes fostered a total of 187 female employees from 14 Group subsidiaries into business leaders, of which 20 became a member of management¹⁾. CEO Cho Kyoung-sun, a member of Class 1 of Shinhan SHeroes, became the Group’s very first female CEO in 2021, attesting that Shinhan SHeroes is the cradle of female executive nurturing. In addition, at an ESG Strategy Committee meeting held in August 2021, we set a mid- to long-term goal detailing the number and types of female leaders to be nurtured and are systematically implementing various measures for developing the qualitative and quantitative growth of female employees at the Group level.



Percentage and Goals of Female Leaders



* Based on seven Group subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital, Shinhan Asset Management, Jeju Bank)

¹⁾ Executives and Division Heads



For further information, please refer to the “Diversity Report” in the Special Report section 

#Diversity

Shinhan's commitment to diversity and inclusion

At an ESG Strategy Committee meeting held in August 2021, Shinhan established and declared "Shinhan Financial Group's Commitment to Diversity and Inclusion" as a column of value to support its mission, "Compassionate Finance, Your Companion for the Future". The areas of diversity we are focusing on can be categorized into three – solving internal discrimination issues, connecting diversity and business, and social responsibility. First of all, we will increase efforts to nurture female leaders and to promote an organizational culture where work and life are equally valued and any form of gender-based discrimination is non-existent. In addition, we will reflect the value of diversity in all aspects of our business so as to channel various perspectives and capabilities of organizational members into innovating new financial solutions. We also will expand our financial services further into all pockets of society and care for the socially underprivileged with more compassion, beyond nominal social responsibilities.

Innovating corporate culture to benefit all generations

In 2021, Shinhan Financial Group launched "RE:Boot Shinhan", a project to reshape Shinhan's culture in a way that reflects evolving social values. As its name suggests, the project aims to "delete" outdated parts of the Shinhan culture and "reload" what must be preserved amid changes occurring at an unprecedented speed. Innovating an organizational culture requires not one but several different generations coming to terms with what needs to be done and how. For this reason, we are gathering wisdom from all employees, from newly hires to the most senior, to completely transform the current culture into a free and innovative organization, through RE:Boot Shinhan, and on the basis of such a culture, to reboot Shinhan beyond its current framework of finance. The ongoing participation by young employees of Generation MZ is especially inspiring: Employees in their 20s and 30s are voluntarily participating in the organizational culture advisory groups of the project and examining from a new perspective that older generations might overlook, all in search of ways to accurately diagnose the organizational culture as well as to identify ideal improvement measures.



RE:BOOT!

RE:BOOT!

Shinhan Financial Group's Commitment to Diversity and Inclusion

Shinhan Financial Group pursues diversity in people and culture. We cherish and embrace employees, clients, and all the members of society. Diversity and inclusion are key values underpinning Shinhan Financial Group's mission, 'Compassionate Finance, Your Companion for the Future'.

We will not take prejudice or discriminate against any personal characteristics, background, identity, or cultural differences including, but not restricted to, gender, disability, nationality, personal ties, religion, and sexual orientation.

To ensure diversity and inclusion :

1. We provide equal opportunities and make fair and transparent evaluations in employee recruitment and personnel management.
2. We pursue diversity in board and management. We will primarily establish gender diversity targets, and focus on achieving these targets.
3. We create an inclusive culture where all members can work with respect and a sense of belonging.
4. We respect the individuality of all our business partners including clients, and treat them equally.
5. We embrace the socially vulnerable and actively support them to enrich their hope as members of the society.

Shinhan Financial Group's
Commitment to
Diversity and Inclusion

#Trust

Financial education for all

In January 2022, we unveiled “Shinhan Easy”, an integrated education platform for various financial education programs produced by the Group subsidiaries, such as Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance, as well as Shinhan Financial Hope Foundation which used to use their own means to conduct such programs before. Shinhan Easy is a new concept financial education platform created to promote a sound financial understanding among the financially vulnerable and the physically challenged who experience difficulties in their daily use of financial services, as well as to help them enjoy a healthy financial consumption life. The platform provides financial education content categorized by generation, including children, youths, adults, the middle-aged, and seniors. We plan to expand the diversity of education content to include AR, VR, motion games and other formats, in a bid to help all enjoy a new financial life with more ease and convenience.

Shinhan Easy 



Financial safety for all

To better protect customer information and assets from increasingly-sophisticate financial frauds, Shinhan is strengthening collaboration with relevant authorities, including the Korean National Police Agency and Korea Road Traffic Authority. In 2021, Shinhan signed an MOU with the traffic authority on preventing voice phishing and establishing an advanced transportation culture, and conducted a campaign aimed at eradicating financial phone frauds and protecting low-income economies. Another MOU was signed, with Korean National Police Agency, involving prevention of damages from, and eradicating, financial crimes against public welfare, including phone frauds, and made such preemptive efforts as offering a financial fraud detection education to people with developmental disabilities. Also, we awarded police officers who apprehended financial phone fraudsters and citizens who reported phone fraud suspects.

Management systems that set people at ease

In December 2021, Shinhan Financial Group simultaneously received the International Organization for Standardization’s compliance management system (ISO 37301) and anti-bribery management system (ISO 37001) certificates, once again confirming the advanced state of its ethical and compliance management systems. ISO 37301 certifies that an organization’s compliance policies and risk response systems meet global standards, while ISO 37001 is an international standard certification given to an organization with effective bribery-prevention systems. By receiving both certifications, Shinhan has secured an international approval of its internal controls and further strengthened the customer trust.



DO THE FAIR THING
WITH
SHINHAN

Setting standards
with Shinhan for
the respect and
inclusion to achieve
right growth

Cho Kyoung-sun
CEO of Shinha DS
Class 1 of Shinhan SHeroes



Q What do you think is the meaning and importance of diversity?

A I believe diversity creates a better difference from strengths and contributions of the many each different in ethnic or cultural background. In companies that need to generate value, a unique outcome can be achieved when employees acknowledge one another's distinctiveness and combine the potential each individual has. This is what respecting diversity means. We must discard the conventional thinking that tasks should be divided between women and men according to their aptitude, and move forward to creating a *jojik* (organization or tissue in Korean) based on the diversity, similar to a tissue made of weft and warp. Which is why we call a company an organization, I think.

Q The path of gender equality that Shinhan has taken – what makes it distinctive?

A I was one of the group of employees Shinhan Bank hired using its first open recruitment system in 1983. I think the fact that I became a CEO is a strong vindication of Shinhan's gender-equal culture and systems. Shinhan has been an organization of diversity since its birth. In 1982, the year of Shinhan Bank's establishment, people from diverse organizations of commercial banks served as founding members. Free of the usual organizational biases, they put to a good use their respective knowledge and experiences, actively communicating and sincerely collaborating with one another. The reason why we can call Shinhan an extraordinary organization of ordinary people is because people with diverse professional and organizational backgrounds came together, brought out the best of each other's traits, and transformed those strengths into a performance of a breed apart.

I am a seed that grew well in the soil of Shinhan's diversity culture. In the coming era of hyper-connectivity, a diversity culture of communication and collaboration will gain greater importance, which is why relevant systems need to be further advanced. **Shinhan Financial Group is building a foundation for women to grow in diverse areas, and I expect this will help female talent strengthen their ability to develop strategic and financial business insights.**

ESG PROMISE

Envisioning a world that becomes complete with ESG

Although it takes an untrodden path, the goal cannot be compromised. It is a future that becomes possible only when we unite our minds, share our concerns, and double our efforts.

For a tomorrow that becomes complete with ESG, Shinhan will lead finance performing its roles in the transition to a net-zero society, **0 CARBON**, widen the foundation for innovation with 10 unicorns taking on bold challenges, **10 UNICORNS** and satisfy all stakeholders with fairer decisions and actions. **100% SATISFACTION**
 When Shinhan ESG management – right, nimble, and different – goes beyond the realm of finance and sprouts changes across our society, a wonderful world will become a reality.

Making the world right through FINANCE for IMPACT,
 creating a better future with ESG values!
 A wonderful world begins with right actions.



2022 Plan

Shinhan ESG – Right, Nimble, Different

As ESG grows into a main stream at an increasing speed, Shinhan begins 2022 with steps as rapid. At the same time, we thoroughly review whether our actions are on the right track, and gather all our strengths to channel each and every Shinhan employee’s talent into generating unique outcomes.

In 2022, we seek to clearly categorize key ESG projects, and to implement such projects in a way that is right, nimble, and different.

Shinhan’s ESG Strategic Direction for 2022

2022 Shinhan ESG –
RIGHT, NIMBLE, DIFFERENT



1

Strengthening the ESG driving system

We seek to expand the scope of our ESG management, which has been focused mainly on strategies and planning, to include investment and sales and to strengthen the execution capabilities. We have formed such specialized organizations as “Green IB Lab” and “ESG Global Desk” under our unique matrix system, and are starting a quantitative target management of strategic tasks based on new ESG strategic KPIs.

2

Securing net-zero execution capabilities

Net-zero is an ESG issue that cannot be put off for the sake of future generations and is a global task with significant economic ripple effects. Now is the time to break away from the planning phase and execute the plans. Accordingly, we will systematically advance ESG analysis-based loan/investment evaluation systems and internal models, expand K-Taxonomy¹⁾-based green finance, and establish customer engagement-based offset criteria.

3

Increasing ESG investments, rewarding outstanding companies

We plan to facilitate ESG executions through ESG investment roundtables and by rewarding companies outstanding in ESG areas and their relevant employees.

4

Identifying new ESG agendas

We will identify such new ESG agendas we can lead with distinction as human capital diversity, and lead domestic ESG management.

¹⁾ The government-set green classification system defines principles and criteria with regard to the scope of environmentally sustainable economic activities in order to expand the low-carbon transition of private company activities.

Wonderful 2030

People Envisioning A Wonderful World

We are at a turning point where ESG becomes a mainstream. Invigorated by the winds of great changes, Shinhan will stride forward, maintaining a balance right, taking action nimbly, and making a different progress. We have met with members ESG-dedicated teams which will perform a pivotal role in the execution of Shinhan ESG management in a way that is right, nimble, and different.

How are you envisioning a wonderful world?



Shinhan's ESG-dedicated Organization

Green IB Execution Lab

Investment aimed at achieving Shinhan's Zero Carbon Drive

Investment in companies and businesses that are expected to benefit from climate change responses and adaptations

Shinhan Financial Group

1

ESG Global Desk

Support for global business collaboration and new business identification related to climate finance

Global network, research, policy responses

Shinhan Financial Group/
Shinhan Bank

2

ESG Consulting Cell

Suggest ESG participation to SMEs

Provide basic consulting (diagnosis/evaluation) and in-depth consulting (strategy/implementation)

Shinhan Bank

3

ESG New Business Solution

ESG education and consulting for large corporations and public corporations, engagement for net-zero

Overseas green/transition finance research and product development

Shinhan Bank

4

ESG Consulting

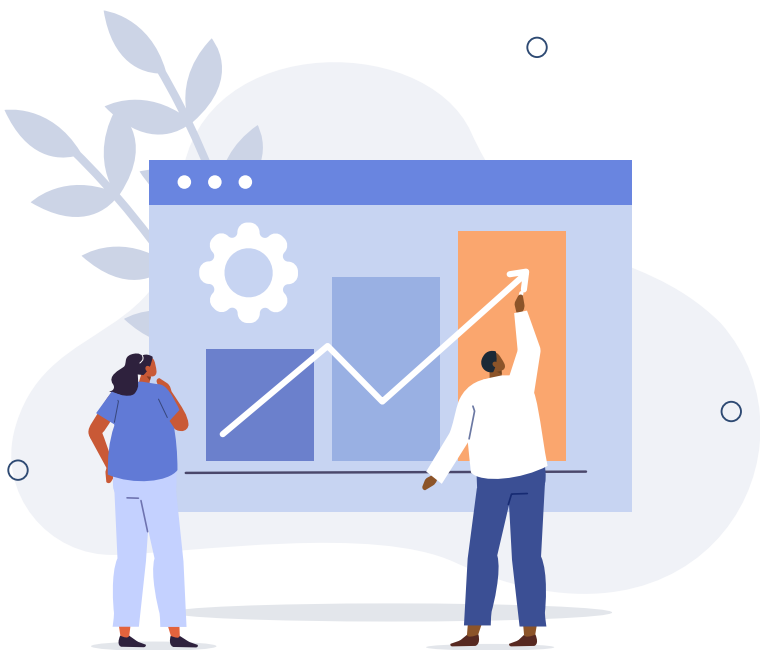
Provide consulting and guidelines based on analyses of ESG data and best practices in the same industry to companies and asset managers

Shinhan Investment

5

Q1. What kind of work does your ESG-dedicated team do?

Q2. Please share your future goals and plans, and the wonderful future Shinhan ESG will bring about.



1

Green IB Execution Lab
Leader Park Seong-heum



A1. We handle investing in projects and businesses that can secure the Renewable Energy Certificate (REC) and the right to emit more greenhouse gas as well as those expected to benefit from climate change responses and adaptations. We also conduct research in relation to, and establish strategies for, these investments.

A2. Our plan for this year is to start in earnest investing in projects that contribute to the zero-carbon goals of Shinhan Financial Group and clients. We want to make clear that ESG investments are profitable and sustainable by nurturing "green unicorns" and thus showing that ESG investments are profitable. Once such a plan is realized, Shinhan ESG will become the foundation of a sustainable future and sustainable Shinhan Financial Group.

2

ESG Global Desk
Deputy Branch Manager
Choi Ji-woo



A1. Located in London, UK, ESG Global Desk explores strategic collaboration opportunities with global financial and investment institutions. We also research global ESG information and trends and conduct diverse climate finance-related work, including carbon credit investment and transition finance.

A2. ESG is not only a part of corporate or institutional responsibilities and roles, but also a huge challenge and opportunity that can change the industry and market paradigm. We hope that Shinhan's leading ESG drive serves as a challenge and opportunity that inspires all our shareholders, employees, and clients.



3



ESG Consulting Cell
Leader Lee Yoon-seop

- A1. Created in January 2022, ESG Consulting Cell encourages SME clients to introduce ESG management, and provides support so that they can establish and implement carbon emissions reduction goals on their own in the mid to long run. Our main mission is to help corporate clients stay engaged in Shinhan's Zero Carbon Drive so that the Group can reach its emissions goals by 2050.
- A2. We plan to provide a total care service for clients' adoption of ESG management, ranging from diagnosing their ESG management to helping set ESG management goals and identifying major management indexes and tasks. As trying something that has never been done before in Korean banking history, we will do our best to be worthy of the familiar kudos of clients and the market, "Of course it's Shinhan!".

4



ESG New Business Solution
Senior Park Eun-young

- A1. As large corporations produce most greenhouse gas, our role is to help corporate clients of Shinhan Bank cut their emissions to the low-to mid-levels. We believe supplying as many good ESG financial products as possible is the role of banks pursuing sustainable finance.
- A2. The color ribbons on trails can be a great relief to many new hikers. Like those caring enough to mark every trail turn with a ribbon, we seek to create easy-to-understand manuals and processes for transition finance. I am sure, someday, someone will come along and tie ribbons leading to a better path.

5



ESG Consulting
Senior Researcher
Lee Jeong-bin

- A1. We provide ESG-related consulting services to institutional investors and private companies, and manage consensus data rating companies provide by updating major ESG issues. We also publish regular ESG-related reports, including the monthly "ESG Navigator", thereby contributing to improving ESG-related analysis content.
- A2. By publishing a detailed data-based analysis report on ESG criteria, which is a non-financial index, we plan to offer better services. To this end, we will make such attempts for a more quantitative approach as reflecting an in-depth analysis of ESG and valuation in the ESG Bluebook which Shinhan Investment has been publishing since 2020, thus provide practical help to investors and clients.



ESG INVITATION

Dear stakeholders of Shinhan,

Greetings, this is Cho Yong-byoung of Shinhan Financial Group.

We still are not quite free from the aftermath of the COVID-19 pandemic, and with the passing of each year, the severity of wild fires, droughts, floods, hurricanes, and other natural disasters as well as climate crises is increasing.

Fortunately, the will towards ESG management has solidified all the more not only among financial institutions but also among industries and nations across the globe. I believe the high level of interest in ESG of late reflects many people’s persistent desire for a “wonderful world”.

In 2021, Shinhan announced the Group’s ESG slogan “Do the Right Thing for a Wonderful World”, envisioning a sustainable future.

Going forward, we will increase our efforts to resolve environmental and social issues through the FINANCE for IMPACT, and this determination will lead to “doing the right thing” this year.



I would like to invite all of you to
“ESG we all be building together”



In 2022, Shinhan will further accelerate its ESG management to heighten the ESG experience of customers and stakeholders.

For Shinhan, ESG management is neither a “good” thing to do nor a “must” thing. Rather it is a “mission” or a natural thing to do for a company pursuing sustainable growth.

In all major businesses of Shinhan subsidiaries, we will infuse “right” ESG principles and elements, implement green transition finance in a “nimble” way, and create ESG-related business outcomes “different” from those of others.

I was invited to Finance Day of the 26th UN Climate Change Conference of the Parties held in Glasgow, UK, and introduced Shinhan’s net zero finance. I met with officials from major global financial institutions and discussed ESG industry issues, including climate change, and came home with a strong sense of confidence that Korean companies could also be competitive in ESG management.

The role of finance is to help all stakeholders make ESG transitions to be possible and faster.

To have the path to ESG lead to sustainable growth that creates a new competitive advantage, rather than to a burden for companies and individuals to bear, Shinhan will do its best not only in financial support and investment but also in consulting, education, and many other related areas.

All stakeholders are an integral part of the “wonderful world” Shinhan envisions.

We no longer have the option of “not doing”, instead we now have a stronger sense of “we must go together”.

I would like to take this opportunity to invite all of you to “ESG we all be building together”. Together, we can walk longer and farther. Let’s enjoy the “wonderful world” that awaits us at the end of this road.

Thank you.

CEO, Shinhan Financial Group
Cho Yong-byoung



SPECIAL REPORT



ESG Statement	39
ESG Strategy Framework	41
ESG Milestones	43
ESG Initiatives	46
Double Materiality Assessment	48
ESG Table	52
TCFD Report	55
Diversity Report	84
Human Rights Report	94

ESG STATEMENT

We confirm the current state of Shinhan's ESG management, and lead it on the right path that a new era demands.

Throughout 2021, heated discussions continued of arranging global efforts to overcome both the aftermath of the COVID-19 pandemic and climate crises. Amid discussions of what path to take and how to become sustainable on a global scale, Shinhan's ESG Strategy Committee gathered opinions and wisdom on embarking on a long journey of ESG and strove for a sincere and effective execution.



Chair Kwak Su-keun



Member Lee Yoon-jae



Member Yoon Jaewon



Member Choi Jae-Boong

We established a mid- to long-term roadmap for net-zero while also promoting advanced ESG management through cooperation with global initiatives.

In 2020, Shinhan became the first financial company in East Asia to declare the Zero Carbon Drive after the ESG Strategy Committee’s resolution. In 2021, we became a founding signatory of the Net Zero Banking Alliance (NZBA), a bank alliance convened by UN for net-zero, and doubled our efforts to complete a roadmap for reaching our carbon-zero goal.

We actively deal with extensive subjects such as diversity, inclusion, and social measurement, which constitute the foundation of ESG.

Using PCAF and SBTi methods, we measured our financed emissions, accordingly set reduction goals for 2030 and 2050 relative to 2020 figures, and established management measures. Shinhan’s net-zero strategy for setting global standards was shared at the 26th UN Climate Change Conference of the Parties (COP26).

The ESG Strategy Committee has established and declared “Shinhan Financial Group’s Commitment to Diversity and Inclusion” which is the basis of Shinhan’s sustainable development. To execute the declaration, we will engage in direct management and encouragement going forward. In addition, Shinhan has become the first financial company in Asia to declare its participation in the Value Balancing Alliance (VBA), a global corporate alliance tasked with developing a global standard model for measuring ESG values in currency, thus actively moving forward to find a new path.

To better execute “Do the Right Thing for a Wonderful World”, the ESG Strategy Committee will do its best to look farther and wider. We ask for your continued interest and encouragement for Shinhan’s ESG management, which will grow stronger executing its tasks in 2022.

Thank you.

ESG Strategy Committee of Shinhan Financial Group*

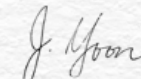
Chair Kwak Su-keun




Member Lee Yoon-jae



Member Yoon Jaewon



Member Choi Jae-Boong



* Composition of Shinhan Financial Group’s ESG Strategy Committee: Chair Kwak Su-keun, Member Lee Yoon-jae, Member Yoon Jaewon, Member Choi Jae-Boong, Member Cho Yong-byeong (Group CEO)

ESG Strategy Framework



Strategic Directions

Green

Win-win

Trust

DO THE GREEN THING
for a Wonderful World

DO THE BRAVE THING
for a Wonderful World

DO THE FAIR THING
for a Wonderful World

5 Impact Tasks

Zero Carbon Drive

Achieve carbon neutrality by cutting down carbon emissions and expanding green investment

Triple-K Project

Create an innovative ecosystem in Korea in partnership with stakeholders

Respect for Diversity

Reduce social inequality and eliminate discrimination

10 ESG Strategic KPIs

- 1 Expanding green finance
- 2 Reducing internal carbon emissions
- 3 Reducing financed emissions

- 4 Expanding innovative finance
- 5 Strengthening support for startups
- 6 Continuing with financial inclusion

- 7 Fostering female leaders
- 8 Increasing employee satisfaction
- 9 Strengthening financial education
- 10 Increasing customer satisfaction

Goals

Cut down carbon emissions within the Group asset portfolio to 0

0 Carbon

Nurture 10 unicorns by discovering and fostering innovative companies

10 Unicorns

Ensure all stakeholders of the Group to be 100% satisfied

100% Satisfaction

Alignment with UN SDGs



ESG Milestones

On par with global ESG trends, Shinhan Financial Group will complete the ESG 3.0 system by incorporating ESG factors into its business strategy and management. Based on the system, we will take ESG actions, realizing sustainable growth together with our stakeholders.



ESG 2.0

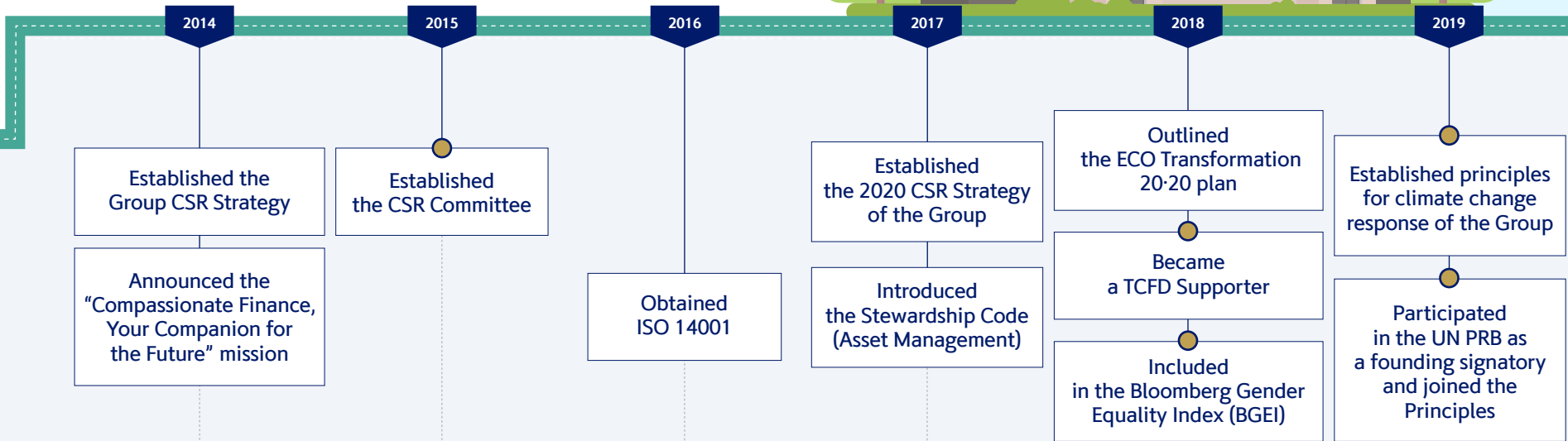
ACTIVE

Creating Shared Value (CSV)

Phase where a company recognizes the importance of ESG management
Increased responsibility towards the environment and society



SHINHAN MILESTONE



ESG TREND

Japan adopted the stewardship code

The National Pension Act was revised in Korea
The UN Sustainable Development Goals (SDGs) were launched
The Paris Agreement was adopted

Korea adopted the stewardship code

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations were announced

An IPCC Special Report on the impacts of global warming of 1.5°C was published

United Nations Principles for Responsible Banking (UN PRB) were launched

ESG 3.0

PRO-ACTIVE

Environmental, Social, and Governance (ESG)

- Internalize ESG into a corporate culture
- Integrate ESG into a corporate strategy and use it for evaluation
- Create distinctive ESG performance



SHINHAN MILESTONE

2020

Established the ESG strategy framework of the Group – Announced Zero Carbon Drive

Shinhan Bank became the first commercial bank in Korea to adopt The Equator Principles

The Group became the first in Korea to join Partnership for Carbon Accounting Financials (PCAF)

Became the first financial group in North Asia to declare to be carbon neutral including its asset portfolio

2021

Joined initiatives under the Glasgow Financial Alliance for Net Zero (GFANZ)

Chosen as a member of the UNEP FI Leadership Council (only in Asia)

Became the only private financial company in Asia to be officially invited to COP26 and announced zero carbon finance

Net Zero Banking Alliance (founding signatory), Net Zero Asset Management Initiative, Net Zero Insurance Alliance

ESG TREND

Ministry of Environment accounted a plan to adopt K-Taxonomy

Korea Exchange disclosed a guidance for ESG information disclosure

Financial Services Commission announced "Comprehensive Improvement Measures for the Corporate Disclosure System" – made ESG disclosure mandatory for listed companies

EU announced the Corporate Sustainability Reporting Directive (CSRD)

IFRS Foundation announced the official establishment of the International Sustainability Standards Board (ISSB)

● First in Korea's financial industry

ESG Initiatives

Shinhan Financial Group collaborates with a wide range of global ESG initiatives. We will take the lead in adopting global best practices and take active part in the process of creating global ESG standards, driving sincere ESG actions.

Shinhan's Global Footprints

GLOBAL RECOGNITION

Included in DJSI World index for 9 consecutive years

(13 years for AP index)

[First time among Korean financial companies]



Included in the Honors Club for 8 consecutive years

(CDP Platinum in 2021)

[First time among Korean financial companies]



Received AA grade for 6 consecutive years



ISS Quality Score
Grade: 1

Included in the BGEI for 4 consecutive years

[First time among Korean companies]



Received A+ grade for 7 consecutive years

[First time among Korean financial companies]



Receive the highest (AA) grade for 3 consecutive years

[First time among Korean companies]



GLOBAL INITIATIVES

Joined in March 2007
Named Carbon Management Sector Honors in 2018



Carbon Disclosure Project (CDP)

A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies

Joined in January 2008



UN Environmental Programme Finance Initiative (UNEP FI)

Public-private partnership between the UNEP and the financial sector

Joined in May 2008



UN Global Compact (UNGC)

A UN pact that encourages businesses to fulfill their social responsibilities and be inspired for socially responsible policies

Joined in September 2018



Task Force on Climate-related Financial Disclosures (TCFD)

A task force for disclosing financial information related to climate change

Joined in September 2019



UNEP FI Principles for Responsible Banking (PRB)

A framework for ensuring that signatory banks' practice for the UN SDGs and the Paris Climate Agreement

Joined in February 2020



UNEP FI Principles for Sustainable Insurance (PSI)

A guide for the insurance industry to align sustainability factors with operation strategy, risk management, product governance, and other management activities

Joined in September 2020



Equator Principles

An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights

Joined in November 2020



Partnership for Carbon Accounting Financials (PCAF)

A global partnership of financial institutions to develop an approach to assess and disclose the greenhouse gas emissions associated with their loans and investments

Joined in November 2020



Science Based Target initiative (SBTi)

A global initiative developed to help companies set a target in line with science-based reduction criteria (1.5°C and 2°C scenarios)

Joined in March 2021



Value Balancing Alliance (VBA)

A group of international companies developing a standard for impact measurement and valuation that is not reflected in financial statements

Joined in April 2021



Net-Zero Banking Alliance (NZBA)

A global initiative in which Shinhan participated as a founding signatory and made commitment to aligning its lending and investment portfolios with net-zero emissions by 2050

Joined in July 2021



Net Zero Asset Managers Initiative (NZAMI)

An international group of asset managers committed to supporting the goal of net-zero greenhouse gas emissions by 2050 and investing aligned with the goal

Joined in October 2021



Net-Zero Insurance Alliance (NZIA)

An international group of insurers committed to transition their insurance and reinsurance underwriting portfolios to net-zero greenhouse gas emissions by 2050

Joined in March 2022



Taskforce on Nature-related Financial Disclosures (TNFD)

Financial information disclosure framework for organizations to report and act on evolving nature-related risks

Double Materiality Assessment

Shinhan Financial Group conducts a materiality assessment every year for systematic, timely identification and management of environmental, social, and governance (ESG) issues and for transparent stakeholder communication regarding these issues.

We applied the “Materiality” principle of the Global Reporting Initiative (GRI) Standards, which are global sustainability management reporting guidelines, and the concept of double materiality to conduct a materiality assessment. We categorized key issues that were derived through a materiality assessment into our three major strategic directions, which are green, win-win, and trust, and strived to faithfully disclose information on relevant activities and outcomes.

Concept of Double Materiality

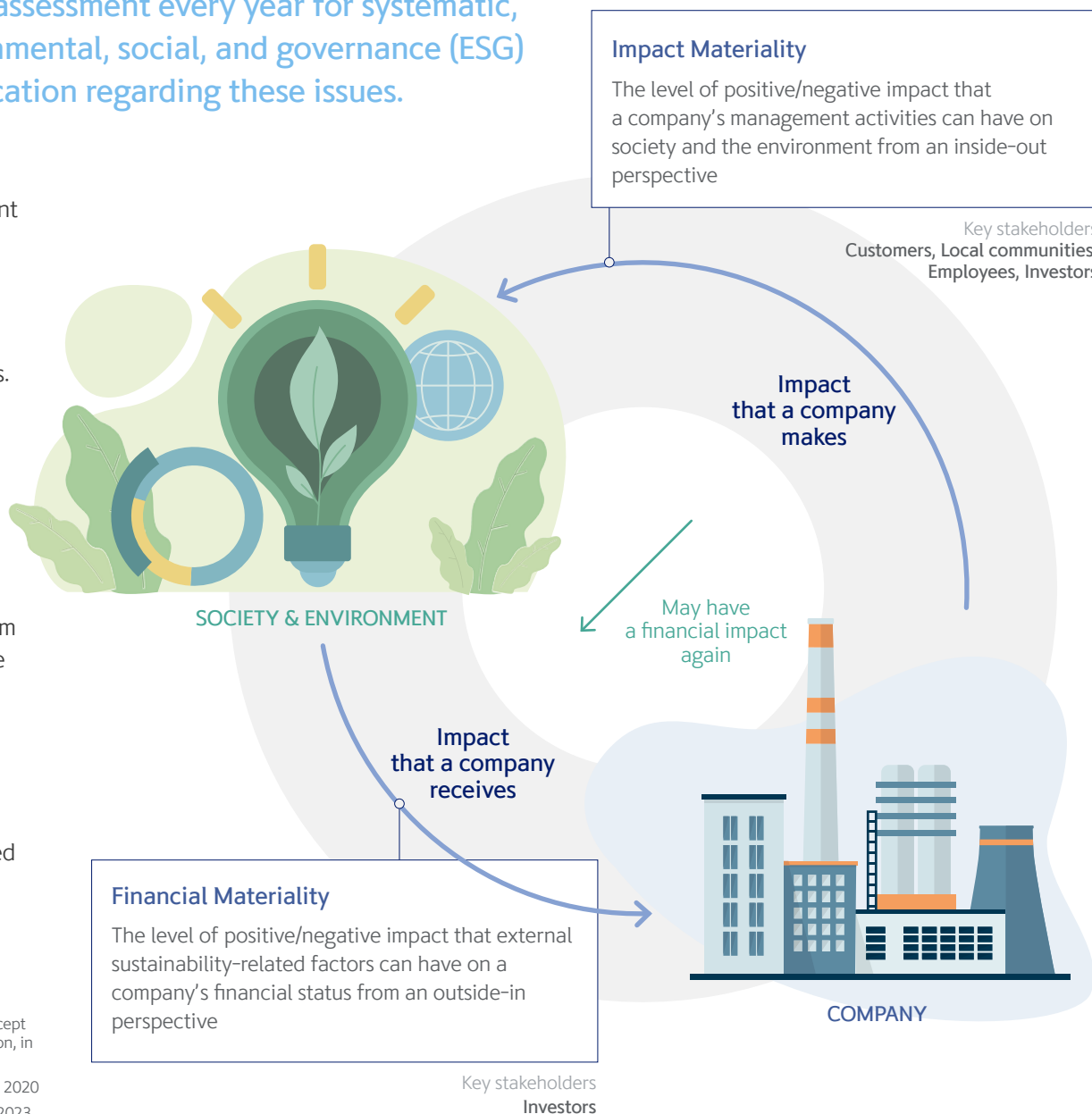
The double materiality concept refers to the need to consider both internal and external perspectives, in other words, external sustainability-related environmental and social factors that impact a company’s financial state and the external impact of a company’s management activities. Through this, a company can clearly understand stakeholders’ concerns and expectations and reflect them in its management strategies in anticipation of business performance improvements, while also more closely reflecting environmental and social value throughout corporate activities.

As sustainability management has become increasingly important and upgraded, major organizations are active in adopting double materiality assessment. Also, relevant guidelines are being announced mainly by the European Union (EU)¹⁾, World Economic Forum (WEF)²⁾, and GRI³⁾. This is why this concept is expected to gain greater importance.

¹⁾ Announced the Non-Financial Reporting Directive (NFRD) that includes the double materiality concept in June 2019, announced the Corporate Sustainability Reporting Directive (CSRD), which is a revision, in April 2021 (planned to take effect in 2023)

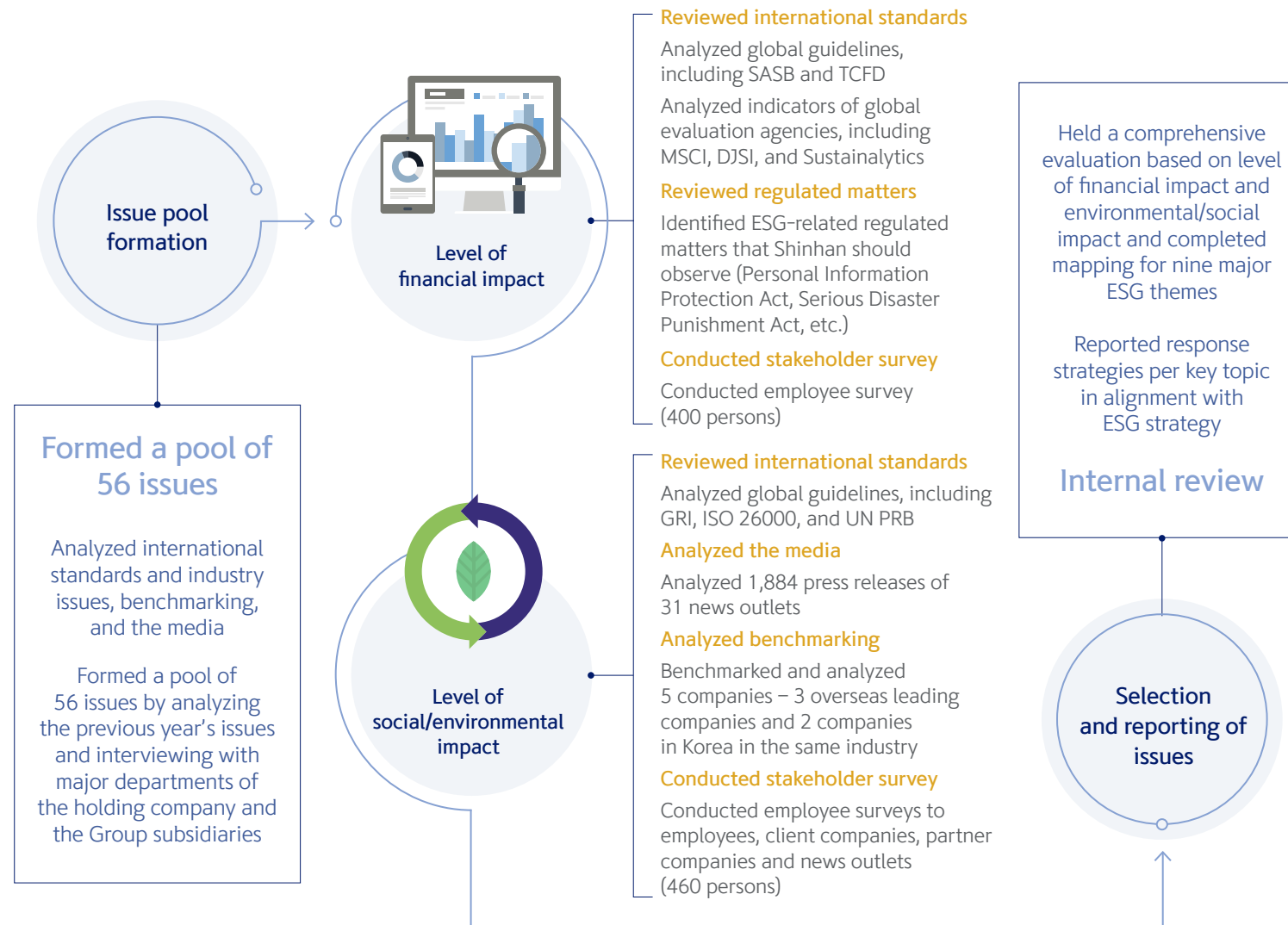
²⁾ Published “Embracing the New Age of Materiality Harnessing the Pace of Change in ESG” in March 2020

³⁾ Announced a plan to make it a requirement to adopt the double materiality assessment starting in 2023



Double Materiality Assessment Process

To derive more transparent and reliable key ESG issues and respond to global initiative changes, Shinhan Financial Group adopted the double materiality concept for the first time this year and conducted an assessment. We established an assessment methodology based on relevant principles in GRI and CSRD, which are global standards, and comprehensively reflected international standards, media analysis, benchmarking analysis, and internal/external survey outcomes.



Feature of the 2021 Materiality Assessment

Upgrading the analysis method

Conducted in-depth interviews with departments in charge to upgrade the pool of issues

Developed an assessment methodology to adopt the double materiality assessment concept

Changing the method of communicating analysis results

Changed from the previous way of communicating key issues in matrix format to a table-type diagram

Anticipate effective information-sharing for core issues regarding level of financial or environmental/social impact

Results of the 2021 Materiality Assessment

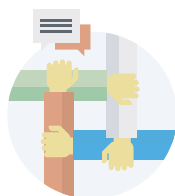
By conducting the 2021 materiality assessment, Shinhan Financial Group categorized the level of financial impact and environmental/social impact of ESG issues, and at the same time analyzed the level of impact on each major stakeholder. We selected nine core issues, including climate change governance, compliance, and ethical management, and disclose major activities and outcomes in connection with our three major strategic directions – Green, Win-win, and Trust. We will advance our double materiality assessment methodology to derive more reliable outcomes aimed at active communication with our stakeholders.



GREEN



WIN-WIN



TRUST

Classification		Level of Impact		Stakeholders				
		Environmental & Social	Financial	Employees	Customers	Shareholders & Investors	Partner Companies	Local Communities
1	Establish climate change governance and risk management system	●	●	●	●	●	●	●
	2	●	●	●	●	●	●	●
	Increase eco-friendly investments and develop products/services	●	●	●	●	●	●	●
	Improve energy efficiency and expand renewable energy	●	●	●	●	●	●	●
	Manage greenhouse gas emissions and take actions to reduce them	●	●	●	●	●	●	●
3	Protect stakeholders' human rights	●	●	●	●	●	●	●
	4	●	●	●	●	●	●	●
	Expand female leadership	●	●	●	●	●	●	●
	Build a horizontal, discrimination-free corporate culture	●	●	●	●	●	●	●
	5	●	●	●	●	●	●	●
4	Protect customer information and strengthen cyber security	●	●	●	●	●	●	●
	Increase financial support for the low-income class and socially vulnerable	●	●	●	●	●	●	●
	Develop employee capabilities	●	●	●	●	●	●	●
	Fair performance evaluation and compensation	●	●	●	●	●	●	●
	Strengthen employee health management	●	●	●	●	●	●	●
5	6	●	●	●	●	●	●	●
	Compliance and ethical management	●	●	●	●	●	●	●
	Strengthen integrated management of financial and non-financial risks	●	●	●	●	●	●	●
	7	●	●	●	●	●	●	●
	Establish an integrated ESG management system	●	●	●	●	●	●	●
6	8	●	●	●	●	●	●	●
	Transparent disclosure of management activities and outcomes	●	●	●	●	●	●	●
	9	●	●	●	●	●	●	●
	Establish sound governance	●	●	●	●	●	●	●
7	Develop financial products that are based on market and customer demand	●	●	●	●	●	●	●
	Increase digital platform accessibility and convenience	●	●	●	●	●	●	●

■ Core issue

● High Impact ● Medium Impact ● Low Impact

Activities & Outcomes

			Reporting Location	GRI Index
1	Establish climate change governance and risk management system	We completed the establishment of methodology and database to measure financed emissions in accordance with the PCAF Standard, in our efforts to achieve our carbon neutrality goal.	10, 76-78	305-3
2	Preemptively upgrade environmental management strategies, policies, systems, and disclosures	We became the first financial company in Korea to build a preemptive response system from an investment perspective by creating the “Green IB Execution Lab” and “ESG Global Desk”.	32-34, 59-61	2-12
3	Protect stakeholders’ human rights	We manage human rights risks through a human rights impact assessment every year, while also strengthening communication with stakeholders by releasing our first Human Rights Report in 2022 in advance.	94-102	2-23
4	Expand female leadership	We set the mid-to long-term goal for the percentage of female leaders (executives and division heads) at the ESG Strategy Committee, and the percentage of female executives of the Group increased from 6.6% in 2019 to 7.5% in 2021.	27, 30, 88	3-3
5	Protect customer information and strengthen cyber security	We are strengthening the financial consumer protection system at the Group level, and are strengthening our cyber security system by making such efforts as the opening of a global information protection portal system (Shinhan Bank).	29, 100-101	418-1
6	Compliance and ethical management	We have established a compliance response system in response to the enactment and implementation of laws, and are solidifying ethical management through employee ethics and compliance training and a pledge to practice ethics every year.	98, 102	2-23
7	Establish an integrated ESG management system	We established the ESG Implementation Committee, run by the Group CEO and participated by all Group subsidiary CEOs, to upgrade our ESG driving system, and are internalizing ESG throughout our overall management activities by establishing the ESG performance management system.	4, 61	2-9
8	Transparent disclosure of management activities and outcomes	We are communicating with stakeholders by regularly and continually disclosing ESG management activities and outcomes through diverse channels, including various special reports (TCFD/Human Rights/Diversity Reports) and website.	55, 84, 94	2-3
9	Establish sound governance	We strengthened the BOD’s independence and transparency by appointing an independent director as the BOD Chairperson, and observe “BOD Diversity Guidelines”.	88	2-9

ESG Table

We have categorized major sustainability management activities of Shinhan Financial Group into environmental, social, and governance (ESG) factors, in order to enable our stakeholders to understand them with ease, and have been managing the ESG Table since 2019.



ENVIRONMENTAL

Establishment of a green finance system for zero carbon

01 Green finance

- Green finance exclusive and guaranteed loans, expansion of infrastructure PF
- Investment in energy and eco-friendly means
- Issuance of green bonds
- Promotion of eco-friendly consumption (Shinhan Card)

02 Environmental risk system

- Establishment and operation of an environmental/social risk management system
- Analysis of climate-related impacts of the Group's asset portfolio
- Adoption of the Equator Principles (Shinhan Bank)

03 Eco-friendly policy

- Declaration of Zero Carbon Drive
 - Became the first financial group in East Asia to announce a zero-carbon initiative
- Establishment of the Group's principles for climate change response
- Carbon emissions measurement and reduction goal management by using PCAF and SBTi standards

04 Environmental management

- Development/operation of a green management system
- Acquisition of the ISO 14001 certification (Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital)
- Zero Fuel (Transition to 100% zero-emission vehicles for work)
- Zero Paper (Execution of 29 document digitalization tasks)
- Declaration of ESG building (Shinhan Bank)

05 Eco-friendliness leadership

- UNEP FI Principles for Responsible Banking and Sustainable Insurance
- UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative
- Efforts to achieve zero carbon of the Group's asset portfolio, including by joining SBTi, PCAF
- Joining of VBA (Shinhan Financial Group)
- Joining of NZBA (Shinhan Financial Group), NZIA (Shinhan Life Insurance), NZAMI (Shinhan Asset Management)

06 Disclosure of environmental information

- Financial information disclosure following declaration of support for the TCFD and commitment to its recommendations (2018-)
- Joining of "CDP Carbon Management Sector Honors Platinum Club" (Shinhan Financial Group)

● First in Korea's financial industry



SOCIAL

Innovative/inclusive finance to support society, and creative open corporate culture

01 Innovative finance

- Launch of the Innovative Finance Promotion Committee
- Execution of Triple-K Project
 - Establishment of an ecosystem through S² Bridge
- Shinhan Future's Lab – a venture-nurturing program
- Inno-talk – a venture platform

02 Inclusive finance

- Leading mid-interest rate loans for low-income households
- Success Do Dream Program (SOHO)
- All That Shopping – an exclusive platform for SMEs and small business owners

03 Support for vulnerable groups

- Youth Debt Total Care – providing support funds, credit education
- Shinhan Dream Dodamteo – providing support to take care of elementary school students
- Job creation for the disabled: Social cooperative "S with"

04 Growth support

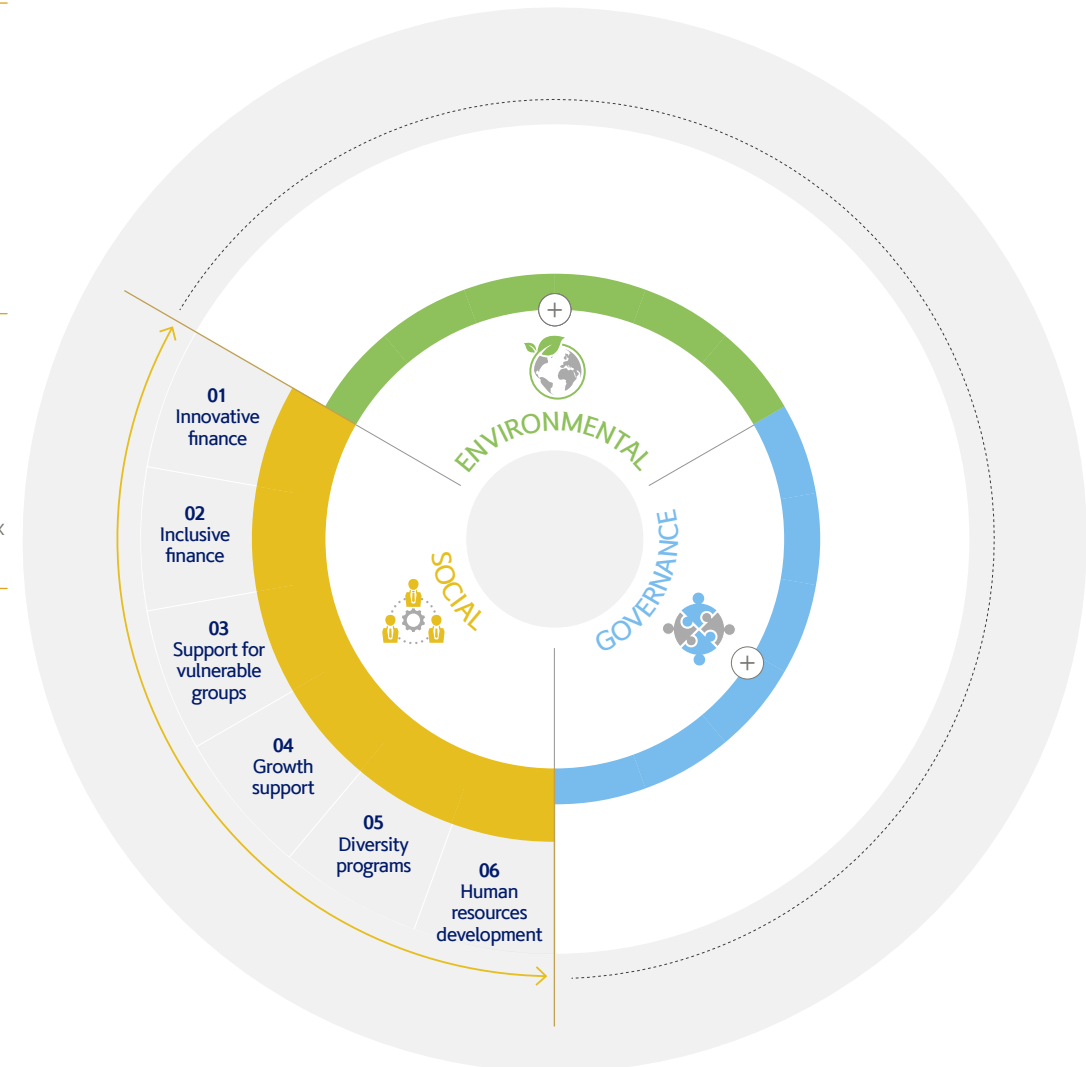
- Global Young Challenge: Overseas employment of youths
- Social enterprise fund investment
- Education support programs
 - Hope School Software Class, Shinhan Music Awards, scholarship programs, etc.

05 Diversity programs

- Shinhan SHeroes –female leader-nurturing program of the Group
- Maternity protection and childcare support (Group daycare centers, reduced working hours, etc.)
- Inclusion in the Bloomberg Gender Equality Index

06 Human resources development

- Fostering of customized experts for each business category and fostering of digital talent
- Operation of a mobile in-house education platform
- Implementation of an in-house startup system



● First in Korea's financial industry

GOVERNANCE

Systematization of governance and leadership, and strengthened principles for ethics and compliance



01 BOD differentiation

- Strengthening of BOD expertise
 - Mandatory appointment of outside directors with expertise
 - Reinforcement of sub-committee expertise
- BOD diversity
 - Establishment of the principle of diversity in terms of nationality, gender, and age
 - System of shareholder recommendation on outside director candidates
 - At least 20% of director candidates accounted for by women

02 Stability in leadership

- Creation of a fair management succession system
 - Selection and fostering of CEO candidates
- Distribution of the authority to make director recommendations

03 ESG governance

- Establishment of ESG governance at the Group level
 - ESG Strategy Committee (formerly Corporate Social Responsibility Committee)
 - ESG Implementation Committee (CEOs of the Group subsidiaries)
 - Group ESG CISO/Working Group
- Development of Shinhan Social Value Measurement Framework (SVMF)
- Adoption of the Stewardship Code

04 Ethics & Compliance

- Group Compliance Officer Council, Internal Control Committee
 - Code of Ethics, Standards of Conduct, Internal Reporting System
 - Fair Trade Compliance Rules
 - Promotion of ethics/compliance education
- Anti-money laundering system
- Acquisition of compliance management system (ISO 37301) and anti-bribery management system (ISO 37001) certifications

05 Customer protection

- Financial consumer protection system
 - Creation of the Consumer Protection Group, system of financial product ESG examination, ombudsman system
- Establishment of an information security system
 - Designation of a Chief Information Security Officer (CISO) for each Group subsidiary
 - Acquisition of information protection management system (ISO 27001), PCI-DSS¹⁾, and ISMS-P²⁾ certifications (Shinhan Card)
- Launch of "Shinhan Easy", a financial education platform for customers of all generations

06 Human rights

- Shinhan Financial Group's Commitment to Diversity and Inclusion
- Principles for shared development with partner companies and their Code of Conduct
- Establishment of a smart working environment
 - Expansion of the smart and flexible working hours system
 - Introduction of a PC shutdown system

¹⁾ Certification of Shinhan Card's data security standards

²⁾ Certification of the information protection system and personal information protection management system

- First in Korea's financial industry





Shinhan Financial Group
TCFD REPORT

CONTENTS

INTRODUCTION

Net-Zero – A Promise for The Present and Future 57
 Zero Carbon Drive – a Tricycle for Net-Zero 58
 Executive Summary 58

A Handle that Determines Net-Zero Directions

GOVERNANCE

Governance to Respond to Climate Change 60
 Roles of the BOD (ESG Strategy Committee/
 Risk Management Committee) 61
 Roles of Management (Group ESG Implementation Committee/
 Group ESG CSSO Council, Group Risk Council) 61

A Right Wheel that Leads Net-Zero

STRATEGY

Climate-related Risks and Opportunities 62
 Impact that Climate Change Has on Shinhan 63
 Response Strategies that Reflect Climate Risks and Opportunities 65
 Analysis of Climate Change Scenarios 66
 Carbon Price of Shinhan Financial Group 71
 Shinhan Financial Group’s Climate Change Response
 Strategy Roadmap 72
 Participation in Global Initiatives for Joint Response to
 Climate Change 73
 Identification of Opportunities by Responding to
 the Korean Green Classification System (K-Taxonomy) 73

A Left Wheel that Leads Net-Zero

RISK MANAGEMENT

Management Process of Major Risks 74
 Identification of Major Risks 75
 Evaluation and Management of Major Risks 76

A Map to Reach Net-Zero

METRICS AND TARGETS

Measuring Carbon Emissions and Setting Reduction Goals 79
 PCAF-based Measuring of Financed Emissions and
 Setting of Reduction Goals 81
 Shinhan’s Promise – Green Finance for Future Generations 82

DO THE GREEN THING FOR A WONDERFUL WORLD 83

Introduction

Net-Zero – A Promise for The Present and Future

We all promised to take the path of net zero for future generations.

Climate change causes such natural disasters as heat and cold waves and impacts biodiversity, health, the ecosystem, food, economy, and others, thus becoming a large threat to humankind's survival and welfare. For this reason, the international community entered into the Paris Agreement in 2015 and set a goal to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels by 2100.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) adopted the "Special Report on Global Warming of 1.5°C" in 2018 that specified that it will be difficult to prevent a catastrophe by holding the increase to 2°C, and presented a path that limiting the increase to 1.5°C would require globally reducing CO₂ emissions by at least 45% by 2030 from 2010 levels and achieving net-zero by 2050.

In its recent sixth report (2021), the IPCC forecast that the increase in the global average temperature will become 1.5°C above pre-industrial levels no later than 2040, at least 10 years earlier than previous research results, and that it will become extremely difficult to hold the increase to 1.5°C.

The path to net-zero will clearly be difficult but must be taken. Our small efforts to fight against climate change, such as using tumblers instead of disposable cups and riding bicycles instead of emitting carbon, will enable earlier achievement of this goal.

Shinhan promises that we will fulfill our roles and responsibilities to achieve net-zero for current and future generations.



Zero Carbon Drive – a Tricycle for Net-Zero

In our way to net-zero, Shinhan thinks of children’s tricycles. At the very beginning, it was difficult even to make the wheels move slowly. However, the speed of “Zero Carbon Drive” by this tricycle may be faster than an electric vehicle.

Executive Summary

Shinhan’s Zero Carbon Drive Together with a Tricycle

On the path towards net zero, Shinhan takes with it a map – TCFD. The creation of the TCFD in 2015 was led by the Financial Stability Board (FSB), a consultative group between G20 Finance Ministers and Central Bank Governors, for the purpose of establishing climate change-related information disclosure measures. In 2017, it set key areas for companies to respond to climate change which are governance, strategy, risk management, and metrics and targets, and developed and announced the TCFD recommendations, which are relevant information disclosure standards. In 2021, G7 Finance Ministers provided their consent to the agreement to make climate reporting mandatory in accordance with TCFD recommendations which is why it is expected to be used as a common global reporting standard. Around 2,600 organizations in 89 countries are TCFD supporters.

Shinhan Financial Group declared its support for TCFD recommendations in 2018, and has been using them as the basis to disclose the actual/potential financial impact of climate change and observing regulations to counter climate change and setting reduction goals.



GOVERNANCE

Established a driving system to respond to climate change

- The ESG Strategy Committee and Risk Management Committee, BOD sub-committees, perform central roles in deliberating/deciding on climate change opportunity/risk factors
- Created the ESG Implementation Committee in 2021 that is participated in by all Group subsidiary CEOs
- Appointed the Group Chief Strategy and Sustainability Officer (GCSSO) and Group Chief Risk Officer (GCRO)
- Group subsidiaries operate a council at the working group level

Expanded the ESG management system to execute climate change opportunity factors

- Became the first financial company in Korea to create the Green IB Execution Lab under Group & Global Investment Banking (GIB)
- Established a global, advanced ESG execution organization system by forming the ESG Global Desk

STRATEGY

Identified climate risk and opportunity factors

- Executed the TCFD recommendations and analyzed based on the physical climate risk classification system
- Reflected identified factors in the Group's business strategies

Established Zero Carbon Drive, climate action roadmap

- Implemented Zero Carbon Drive strategies in 2021, measuring financed emissions based on PCAF standard and moved forward with reduction goals and database construction
- Increased green finance investments with a focus on renewable energy businesses
- Created the "K-Taxonomy Task Force" to respond to the Korean green classification system (K-Taxonomy)

Global leadership for joint cooperation regarding the climate crisis

- Participated in global initiatives, including the SBTi, Equator Principles, PCAF, NZBA, NZAMI, and NZIA
- Attended in official events of COP26 and the Korean Pavilion

RISK MANAGEMENT

Established a financed emissions measurement system and database

- Measured and disclosed financed emissions of the Group's assets in accordance with PCAF GHG accounting standards, using our own financed emissions calculation system
- Conducted financed emissions simulations to us the results for the screening process of new loans and investments
- Used a risk dashboard to monitor financed emissions and intensity

Monitored significant environmental and social areas

- Conducted exposure monitoring of 12 areas that require environmental and social caution
- Reviewed impact and response measures in the event of an issue through reports to the risk management council and management

Implemented the Equator Principles

- Reviewed potential environmental and social risks and impact of large-scale development projects

Operated the Group climate change risk management system

- Best Practices for the Group Climate-related Risk Management

METRICS AND TARGETS

Established SBTi methodology-based net zero accomplishment goals

- (Internal emissions) Set a plan to reduce emissions by 42% and 84% by 2030 and 2040 respectively, and achieve net zero by 2044 based on the SBTi 1.5°C scenario
- (Financed emissions) Set a plan to reduce emissions by 38.6% by 2030 and by 69.6% by 2040 and to achieve net zero by 2050, using the Sectoral Decarbonization Approach (SDA) and Absolute Contraction Approach (ACA) based on 2°C and partial 1.5°C scenarios

Continued to advance PCAF-based financed emissions measurement

- Increased asset groups for which financed emission measurements are taken; and upgraded the scope and level of data used for climate-related disclosures

Set the goal for zero carbon and zero fuel

- Set a plan to change all work vehicles of the Group to pollution-free vehicles, including electric and hydrogen vehicles, by 2030

Set a transition finance goal for climate change opportunities

- Green finance performance of KRW 30 trillion (New accumulation from 2020 to 2030)

A Handle that Determines Net-Zero Directions

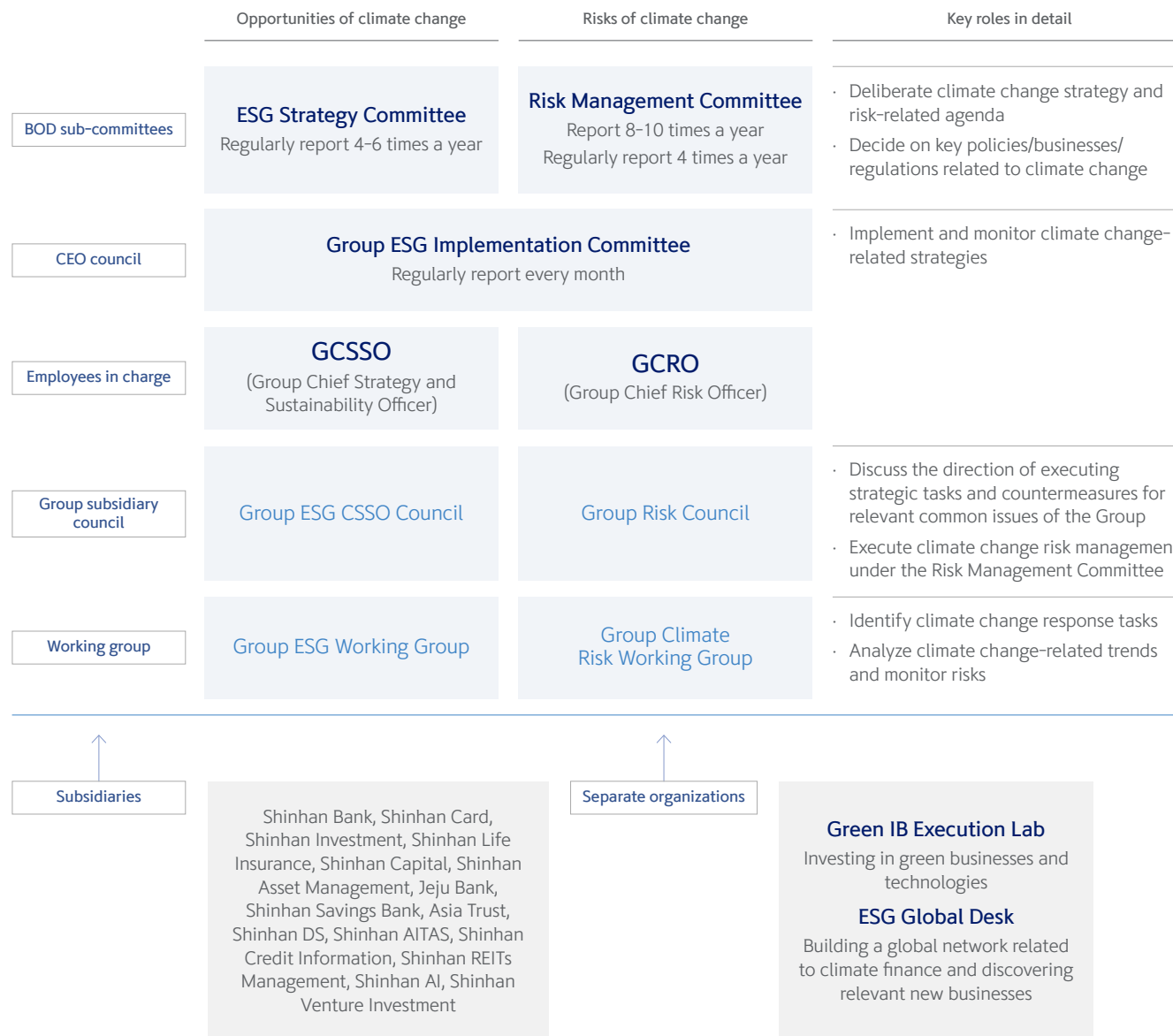
GOVERNANCE

The most important factor in responding to climate change is “governance” that sets the direction. Transparent and reasonable climate change governance is required, above all else, to systematically respond to risks and create new business opportunities.

Shinhan Financial Group became the first financial group in Korea to build a climate change governance system that consists of directors, management, executives in charge, and working-level employees. By creating the “Green IB Execution Lab” and “ESG Global Desk” in 2021 for systematic and detailed execution, we are expanding the ESG organization structure in the areas of investment and global business expansion, which are climate change-related opportunity factors.

Governance to Respond to Climate Change

Shinhan Financial Group has built a climate change response system to ensure organic cooperation among the BOD, management, and working-level employees, thereby preemptively identifying and managing relevant risk and opportunity factors. In addition, a council per level participated in the CEO, CSSO, CRO, and working-level employee of each Group subsidiary is operated regularly to strengthen climate change response capabilities of the Group.



Roles of the BOD

(ESG Strategy Committee/Risk Management Committee)

The ESG Strategy Committee and Risk Management Committee are BOD sub-committees, and they perform central roles in the Group’s setting of a strategic direction to counter climate change. They also deliberate and make final decisions on important agenda for the transition to a low-carbon economy.

In 2015, Shinhan became the first financial company in Korea to establish the CSR Committee (currently ESG Strategy Committee). The Committee oversees all major decision-making related to ESG and climate change strategies, and four ESG Strategy Committee meetings were held in 2021. The Risk Management Committee identifies, measures, monitors, and controls risks that arise from various transactions in a timely manner, and comprehensively manages them. In addition, the Committee discusses matters related to increasing climate risks.

Roles of BOD Sub-Committees

Category	ESG Strategy Committee	Risk Management Committee
Approval	<ul style="list-style-type: none"> · Financed emissions reduction goal from the net-zero perspective · Strategies on executing climate risk and opportunity factors 	–
Reporting	<ul style="list-style-type: none"> · Results of implementing the financed emissions reduction goal · Results of implementing opportunity execution strategies · Major matters related to disclosure 	<ul style="list-style-type: none"> · Results of monitoring financed emissions management · Results of scenario analysis · Physical risk impact · Major matters related to disclosure

Major Reported and Decided Matters of the ESG Strategy Committee in 2021

Reporting	<ul style="list-style-type: none"> · ESG dashboard (ESG finance performance and carbon index) [Regular report] · Progress with implementing SBTi-approved projects [3rd] · Progress with regards to attending COP26 and announcing the Zero Carbon Drive strategy [4th] · Results of measuring carbon emissions of financial assets (Year 2020) based on Partnership for Carbon Accounting Financials (PCAF) criteria [4th] · SBTi reduction goal and goal management measures [4th]
Decisions	<ul style="list-style-type: none"> · Join the NZBA and Value Balancing Alliance (VBA) [2nd]

Major Reported Matters of the Risk Management Committee in 2021

Reporting	<ul style="list-style-type: none"> · Results of monitoring significant area exposure and financed emissions [Regular report] · Implemented a project on building an integrated ESG risk management system [4th] · Education on financed emission measurement and management for climate change risk management [9th]
------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Roles of the BOD

(Group ESG Implementation Committee/Group ESG CSSO Council, Group Risk Council)

By creating the ESG Implementation Committee in 2021 that is participated in by all Group subsidiary CEOs, Shinhan Financial Group built a driving system for unified ESG and climate change strategy implementation at the Group level, along with the Group ESG CSSO Council¹⁾ and Group Risk Council. In addition, the GCSO and GCRO, who are officials in charge of executing work, are respectively in charge of the overall ESG driving system and climate risk management, and report major matters to the ESG Strategy Committee and Risk Management Committee.

Duties of Organizations in Charge of Climate Change Response

Category	Oversee overall climate change management of the Group	Oversee climate risk management
Risk identification	<ul style="list-style-type: none"> · Discover the company’s opportunities from physical and transition risks 	<ul style="list-style-type: none"> · Identify the source of risk occurrence
Risk evaluation	<ul style="list-style-type: none"> · Establish strategies on executing discovered opportunities 	<ul style="list-style-type: none"> · Measure financed emissions and analyze scenarios
Risk management	<ul style="list-style-type: none"> · Set a financed emission reduction goal to achieve net-zero · Establish and manage strategies to achieve the reduction goal by Group subsidiary 	<ul style="list-style-type: none"> · Manage intensity · Choose and manage businesses with larger carbon footprints · Set and manage exposure limits for Group subsidiaries/businesses/large borrowers (connect to the previous management method)
Respond to outside organizations	<ul style="list-style-type: none"> · Respond to investors and credit rating agencies 	<ul style="list-style-type: none"> · Respond to risk-related supervisory institutions
Disclosure	<ul style="list-style-type: none"> · ESG Report, TCFD Report 	<ul style="list-style-type: none"> · Disclose matter related to climate risks and support the disclosure

Became the first financial company in Korea to create the “Green IB Execution Lab” and “ESG Global Desk”

In January 2022, Shinhan Financial Group created the Green IB Execution Lab, which is in charge of investing in green economy activity companies and companies implementing a green company transition, under the GIB matrix organization rather than an existing organization that oversees ESG (CSSO). By doing so, we built a foundation that allows us to more systematically consider ESG from the investment perspective.

In addition, we formed the ESG Global Desk, which has a global ESG expert at Shinhan Bank’s London Branch hold an additional position within the holding company’s ESG Planning Team, thus building an organizational system for execution of global, advanced ESG. This organization will perform such roles as forming a global network in relation to climate finance, identifying climate-related new businesses, researching ESG trends, and responding to policies.

¹⁾ In 2019, Shinhan became the first financial company to appoint a Chief Strategy & Sustainability Officer (CSSO), who is an executive in charge of strategies and sustainability, at all Group subsidiaries, and also designated working-level ESG officials and operated councils.

A Right Wheel that Leads Net-Zero STRATEGY

Shinhan Financial Group has established and implements strategies to reduce climate change risks and create new business, based on a clear understanding of climate risks and opportunities, aimed at achieving sustainable growth and a transition to a low-carbon economy. In addition, we will increase low-carbon transition investments and further expand green finance support to advance into a green future.

Climate-related Risks and Opportunities

Transitioning to a low-carbon economy structure to respond to climate change becomes a burden to companies across overall economic activities. This is because existing facilities and technologies need to be made new. For this reason, financial institutions, which give and receive mutual influence with the overall real economy, are exposed to wider-ranged risks in comparison to other industries. To take measures, Shinhan Financial Group categorizes expected climate risk and opportunity factors based on the transition and physical climate risk classification system that is included in the TCFD recommendations and reflects them in Group business strategies as part of efforts to more effectively respond to the climate crisis.

Climate-related Risks		
Classification	Climate-related risk	Potential financial impact
Transition risk	Policy and legal risk	<p>Increased GHG emissions rights prices, strengthened environmental disclosure obligations, environment-related lawsuits, etc.</p> <ul style="list-style-type: none"> · Increase in operation costs (Example: Rise in compliance costs, rise in insurance premiums) · Depreciation due to policy changes · Asset damage and early disposal of existing assets · Increase in costs owing to fines and rulings or reduction in product and service demand
	Technology risk	<p>Transition to eco-friendly and low-carbon technologies, increased technology investments to improve energy efficiency and reduce emissions, failed new technology investments, etc.</p> <ul style="list-style-type: none"> · Depreciation and early disposal of existing assets · Reduction in product and service demand · New technology and alternative technology R&D costs · Capital investment for technology development · Costs incurred from adopting/distributing new practices and processes
	Market risk	<p>Changed consumer behavior, increased raw material prices, change in supply and demand of products and services, market uncertainty, etc.</p> <ul style="list-style-type: none"> · Reduction in demand for goods and services from changes in consumer preferences · Increase in production costs owing to raised raw material prices and waste treatment cost changes · Sudden, unexpected changes in energy costs · Reduction in sales owing to sales performance changes · Decrease in value owing to asset re-evaluation (Example: Amount of fossil fuel reserves, land value, stock value evaluation)
Physical risk	Acute physical risk	<p>Increased frequency and intensity of extreme abnormal weather, including typhoon, flood, and forest fire</p> <ul style="list-style-type: none"> · Decrease in profits resulting from reduced product/service demand · Decrease in profits owing to reduced production capacity (Example: Delay in plan approval, suspension of the supply chain) · Decrease in profits owing to negative impact on human resource management and plan (Example: Attracting and retaining employees) · Reduction in capital availability
	Chronic physical risk	<p>Change in precipitation patterns and extreme volatility of weather patterns, rise in average temperatures, rise in sea levels, and other long-term change</p> <ul style="list-style-type: none"> · Reduction in productivity and operating profit from suspension of business sites, collapse of the supply chain, deteriorated worker health, etc. · Increase in operation costs and capital costs owing to facility damage, early disposal of existing assets, etc. · Increase in insurance premiums for high-risk asset groups and possibility of reduced insurance availability

Climate-related Opportunities		
Classification	Climate-related opportunity	Potential financial impact
Resource efficiency	Increased energy and water resource efficiency, increased recycling and eco-friendly means of transportation, expansion of eco-friendly construction	<ul style="list-style-type: none"> Reduction in operation costs by improving energy efficiency and curtailing costs Increase in profits from a rise in production capacity Rise in the value of fixed assets (Example: Building with a high level of energy efficiency, etc.) Reduction in costs resulting from advantages in human resource management and plan (Example: Health and safety improvements, employee satisfaction level improvements)
Energy resources	Use of low carbon-emitting energy sources, use of government support policy incentives, carbon market participation, transition to distributed energy sources, application of new technologies	<ul style="list-style-type: none"> Decrease in operation costs from reduced GHG emissions Reduction in exposure to future fossil fuel price increases Reduction in influence from GHG emissions and carbon price changes Return on low-carbon technology investments Rise in capital availability Positive reputation benefits from a rise in demand for products/services
Products and services	Development and expansion of low carbon emissions-related products and services, climate change adaptation and insurance solutions, new services through technological innovation, business activity diversification capabilities, changes in consumer preferences	<ul style="list-style-type: none"> Increase in profits based on demand for low-carbon emission products and services Rise in profits through new solutions (Example: Insurance risk transfer products and services) in relation to climate change adaptation needs Rise in profits by developing more competitiveness by reflecting changing consumer preferences
Market	Expansion of new market creation and accessibility, use of public sector incentives, access to new assets and regions that require insurance application	<ul style="list-style-type: none"> Increase in profits through new market access (Example: Partnerships with the government and development banks) Increased diversification of financial assets (green bond, infrastructure, etc.)
Resilience	Increased application of renewable energy and improved energy efficiency, resource diversification and discovery of alternative resources	<ul style="list-style-type: none"> Rise in market value through a restoration plan (Example: Infrastructure, land, building) Improvement in supply chain credibility and operation capabilities in diverse conditions Rise in sales through new products and services related to resilience

Impact that Climate Change Has on Shinhan

First of all, climate risk is rapidly coming into greater prominence in terms of policy aspects in accordance with the recent global net-zero trend. Matters that can influence relevant companies' profits, such as the carbon tax and emission trading system, are emerging in a short period, and such matters as mandatory environmental information disclosure by listed companies can become a risk in operation or legal aspects. Our analysis confirmed that relevant risks may have a short-term impact, and defined the period as at least one year to at most two years.

In the mid-term future, reputation risk may arise from the implementation of Zero Carbon Drive, which was declared by Shinhan Financial Group. Failure to reduce financed emissions or continued financial support for high emission businesses that have no will towards low-carbon transition can be interpreted as "green washing" and can have a negative impact on external, open evaluations. Also, these can be connected to passive investment, ESG-related ETF, and other financial products, having a direct impact on stock price decreases. There is concern that this can escalate into legal risks of shareholders and stakeholders. In this aspect, Shinhan defines the mid-term as a period of three to five years when we can conduct actual risk monitoring and analyses and review resulting exposure adjustment plans.

Lastly, in the long term, we can confirm the existence of an inverse relationship according to how physical, transition risks progress. Failure to respond to physical risks would prevent transition risk management, leading to a further increase in acute and chronic risks. As such, there is a need to review and consider all risks in both directions. For this reason, Shinhan defines the long term as 10 years later as we approach 2040, which was adopted as the physical temperature management target point in the IPCC report.

Time Horizons



Risk type	Detailed risk definition	Impact on Shinhan	Time
Transition risk	Policy and Legal	<ul style="list-style-type: none"> · In the short term, export companies, including the US/Europe, may experience a rise in export costs due to the carbon tax that will further increase and regulations on high carbon-emitting businesses. In addition, operation costs can rise in the localization process, thus having a negative financial impact. · In accordance with the Glasgow Climate Pact, each country will establish and implement an NDC that does not exceed 1.5°C by 2030. Drastic emission reduction targets are expected to be imposed on companies within the next five years in accordance with each country's emission reduction policy. Measures that were eased in the short term can more sharply expand in the mid-term. Unprepared companies will be increasingly burdened by a rise in emission right prices and this may connect directly with borrowers' financial soundness. This may, in turn, increase Shinhan's risk. · In case the process of implementing Shinhan's net-zero finance influences borrower and customer contracts, etc. or leads to the raising of an issue, such as green washing, because support was not suspended for high carbon-emitting businesses, this may lead to a legal lawsuit or can become a legal risk. 	Short, mid, long
	Technology	<ul style="list-style-type: none"> · All companies will increase low-carbon facility and infrastructure investments. In this case, there may be an impact on profits from the mid-term perspective as costs and expenses sharply rise but the volume of production and consumption does not rise accordingly. · In the long term, there may be technology development risks according to whether high carbon-emitting companies transition successfully to low-carbon transition technologies. Companies that do not successfully transition can suffer a considerable impact on profits. 	Mid, long
	Market	<ul style="list-style-type: none"> · In the capital market, companies that do not actively respond to climate change have a high possibility of being excluded from investments. If Shinhan Financial Group experiences difficulties in managing financed emissions according to its declared net-zero finance or an issue related to responding to climate change resulting from a continued increase in exposure to high carbon-emitting businesses, Shinhan may be shunned by consumers and investors may withdraw their funds. This can also connect to a drop in stock prices to have a financial impact. 	Mid, long
	Reputation	<ul style="list-style-type: none"> · Failure to manage financed emissions may lead to the raising of the green washing issue by the media and clients, a considerable impact on Shinhan's reputation as a company that leads green finance, and customer churn. A financial company's management of Scope 1, 2, and 3 and its climate change risk management system and response can be connected to indexes of major credit rating agencies or ESG evaluation organizations, leading to the risk of a drop in the Group's overall credit rating and ESG evaluation rating. 	Mid, long
Physical risk	Acute Risk	<ul style="list-style-type: none"> · In case of an acute risk, it impacts Shinhan's corporate clients as well as retail clients. In addition, it can serve as a significant risk to owned real estate according to such acute risks as the rainy season, heavy rainfall, typhoon, and earthquake. Shinhan can be directly influenced by operation risks that are caused by a drop in such real estate's mortgage value, damage to facilities and equipment, and reduced production capacity as well as by financial risks that arise from compensation for customers' life insurance and non-life insurance. · In addition, employees who suffered damages can be negatively impacted and risks may be triggered in the aspect of running the company. 	Short, mid
	Chronic Risk	<ul style="list-style-type: none"> · In case of a chronic risk, a rise in temperatures and sea levels can lead to reduced profits of relevant businesses. For example, temperatures directly influence agricultural crops and the ocean industry, and can have a considerable impact on biodiversity and survival. In this case, borrowers that engage in such businesses as the grain business, food and beverage business, and ocean and fishing industry are financially impacted as a result of a rise in sunk costs or operation costs. · In addition, chronic risks raise the amount of electric power use in overall industry. This can lead to reduced operating income owing to a hit to the supply chain and logistics chain. 	Mid, long

Response Strategies that Reflect Climate Risks and Opportunities

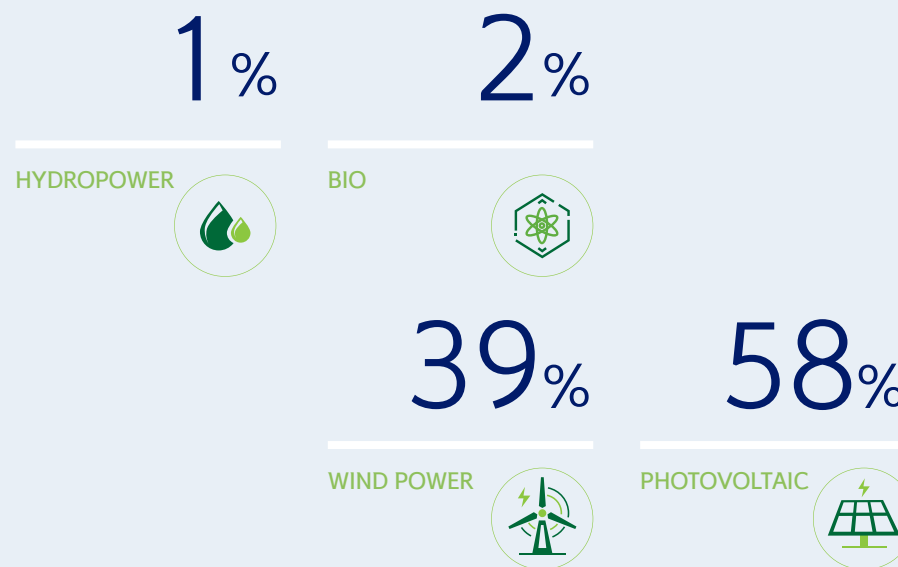
We comprehensively analyzed the impact that climate change risk and opportunity factors would have, and established response strategies in consideration of possibility of occurrence and level of financial impact of each factor. From among the various carbon-related assets owned by Shinhan Financial Group, we are focusing on establishing countermeasures for the energy industry, which has a large project size compared to other businesses and is expected to have a high level of effect in the transition to a green and low-carbon industry.

Shinhan Financial Group seeks to change risk factors that may arise from fossil fuel-based power generation businesses to opportunity factors by increasing renewable energy-centered green finance investments. Increasing renewable energy-related investments has large business size and reduction effects compared to other businesses and makes it easy to estimate carbon emission-offsetting effects in advance.

Background of selection	<ul style="list-style-type: none"> Renewable energy businesses, such as photovoltaic and wind power generation, have the effect of reducing greenhouse gases that are generated from fossil fuel-based power generation and therefore can secure carbon emission rights
Business size and reduction effects	<ul style="list-style-type: none"> Business size is big and development is progressing based on the premise of participation by financial institutions They have substantially higher GHG reduction effects against input costs compared to energy efficiency or fuel conversion businesses
Estimation of reduction effects	<ul style="list-style-type: none"> It is easy to estimate reduction effects since measurements can be taken and preconditions are available for estimating the carbon offset amount and investment amount

Analysis of Offset Effect Based on Size of Renewable Energy Investment

We seek to achieve the eco-friendly goal of Zero Carbon Drive by quantitatively analyzing the carbon emission-offsetting effects per financial support amount in consideration of renewable energy market growth.



* Grounds for selecting offsetting renewable energy technologies:
 Per KRW 100 million facility size (MW) annual power generation hours¹⁾ (h) annual power generation amount (MWh)
 Annual power generation amount (MWh) electric power emission coefficient²⁾ per KRW 100 million carbon emissions

¹⁾ Time in which power generation is possible in consideration of sunshine, etc.

²⁾ Carbon emissions for 1MW production

Analysis of Climate Change Scenarios

Risks from climate change were named “green swan” in a report by the Bank for International Settlements (BIS). Due to the complexity of their ripple routes and extensive impact, using past data to forecast and respond to the future may not be effective. For this reason, risk measurement methodologies that are based on scenario analyses are developing rather than previous statistical methodologies, and elaborate analysis methods are required since various social and economic changes have an impact.

In response, Shinhan Financial Group adopted a scenario analysis method to determine the impact of climate change on Shinhan internally and its portfolio. We conducted the scenario analysis by making a categorization into transition risk and physical risk. In case of transition risk, we performed an analysis for the first time this year by applying a top-down approach that used the Bank of Korea’s analysis results based on Shinhan Bank’s loan assets and a bottom-up approach that used an outside analysis model. In case of physical risk, we identified impact on Jeju Bank based on a report of the Korea Meteorological Administration in terms of Shinhan’s internal operations. We analyzed impact from decreases in real estate collateral value based on a climate risk model of Ewha Womans University–Financial Supervisory Service in the asset impact aspect. Shinhan Financial Group will continue to make the transition and physical scenario methodology more detailed to respond to climate change.

Transition Risk	1		2	
	Classification	Top-down	Bottom-up	
	Analysis method	Analyzed the level of impact by applying the Bank of Korea’s analysis results on transition risk impact from climate change ¹⁾ (Targeting Shinhan Bank’s portfolio)	Used the S&P Global climate scenario analysis model (Climate Credit Analytics)	
Analysis results	Level of impact, including Shinhan Bank’s BIS ratio ²⁾	Level of impact on high carbon-emitting businesses		

¹⁾ Bank of Korea (December 2021), Climate Change Transition Risk and Financial Stability

²⁾ It is derived by dividing shareholders’ equity by risk-weighted assets and then converting it into a percentage

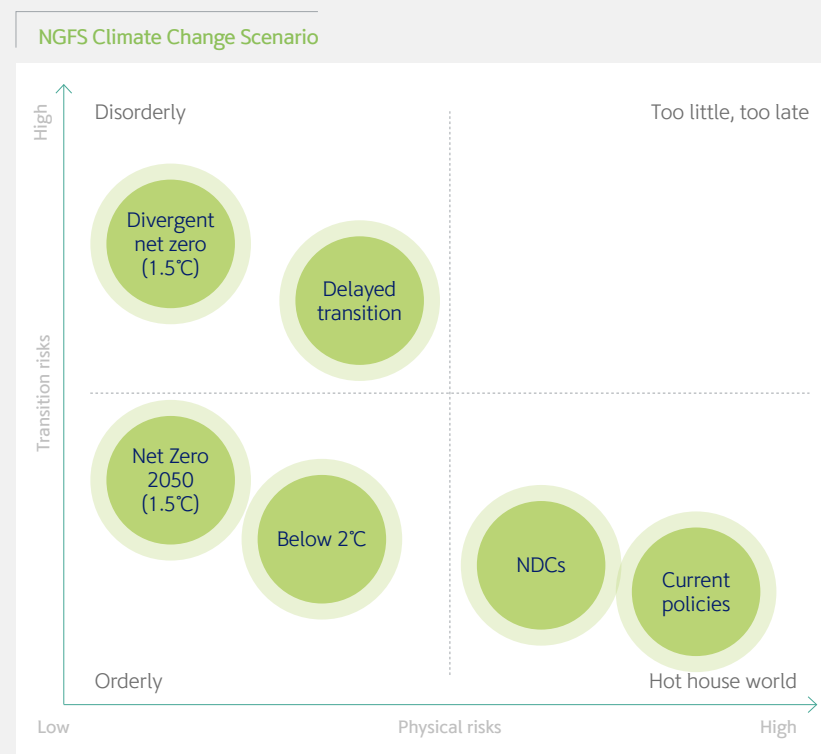
Physical Risk	3		4	
	Classification	Shinhan internal operations aspect	Asset impact aspect	
	Analysis method	South Korea’s Detailed Climate Change Forecast Report ³⁾	Used Ewha Womans University–Financial Supervisory Service climate risk model	
Analysis results	Damage impact from suspension of operation of Jeju Bank’s branches in the Jeju area	Expect bad debt expenses from decreases in domestic real estate collateral value of Shinhan Bank’s loan assets		

³⁾ Cited data from “South Korea’s Detailed Climate Change Forecast Report” (December 30, 2021) of the National Institute of Meteorological Sciences

1 Analysis Results of Top-down Approach

By analyzing transition risk impact from climate change¹⁾, the Bank of Korea measured impact on domestic industries from transition risk (changes in the probability of default of high carbon industries, etc.) and also measured impact on financial institutions that have financial assets related to these industries (BIS ratio changes, etc.). It set the Network for Greening the Financial System(NGFS)’s below 1.5°C scenario and below 2°C scenario, and reflected strengthening of the government’s GHG reduction policies and development of low-carbon technologies to analyze impact on the value drop of relevant financial assets through which it estimated resulting BIS ratio changes of domestic banks.

Bank of Korea (2021),
Climate Change Transition Risk and Financial Stability [🔗](#)



* Source: NGFS

NGFS Climate Scenarios for central banks and supervisors (2020) [🔗](#)

Probability of Default¹⁾ Changes²⁾ from Transition Risks

(Unit: %p)

		2030	2040	2050
2°C scenario	High-emitting industries	3.7	6.6	10.2
	Mid- and low-emitting industries	0.0	0.0	0.1
1.5°C scenario	High-emitting industries	6.3	9.8	18.8
	Mid- and low-emitting industries	0.0	0.1	0.4

* Source: Bank of Korea, Climate Change Transition Risk and Financial Stability, 2021

¹⁾ Probability of going bankrupt within a year from the time of measurement

²⁾ Compared to the base scenario in which the economic structure maintains the 2020 level without climate risk shock

Shinhan applied increases in the probability of default of high-emitting and mid- and low-emitting industries in the Bank of Korea's analysis results and reflected them in Shinhan Bank's portfolio, and analyzed BIS ratio impact. It was assumed that the structure of financial assets was identical between the analysis target period (2021-2050) and the base point. The BIS ratio decreased 1.47%p in case of the 2°C scenario based on 2050 and 2.30%p in the 1.5°C scenario, being expected that negative impact can further increase.

Category	Loan assets ¹⁾	2°C scenario			1.5°C scenario		
		2030	2040	2050	2030	2040	2050
BIS ratio	18.18%	17.48% (Δ0.70%p)	17.15% (Δ1.03%p)	16.71% (Δ1.47%p)	17.18% (Δ1.00%p)	16.74% (Δ1.43%p)	15.88% (Δ2.30%p)

¹⁾ Analysis based on Shinhan Bank's loan assets (as of the end of December 2021) (excluding stock and bond assets)

BIS Ratio Changes of Domestic Banks Due to Transition Risks¹⁾

■ BIS ratio
■ Decrease²⁾
● BIS ratio of Shinhan



* Source: Bank of Korea, Climate Change Transition Risk and Financial Stability Reconstituted, 2021

¹⁾ Regulation is 10.5% (D-SIB 11.5%)

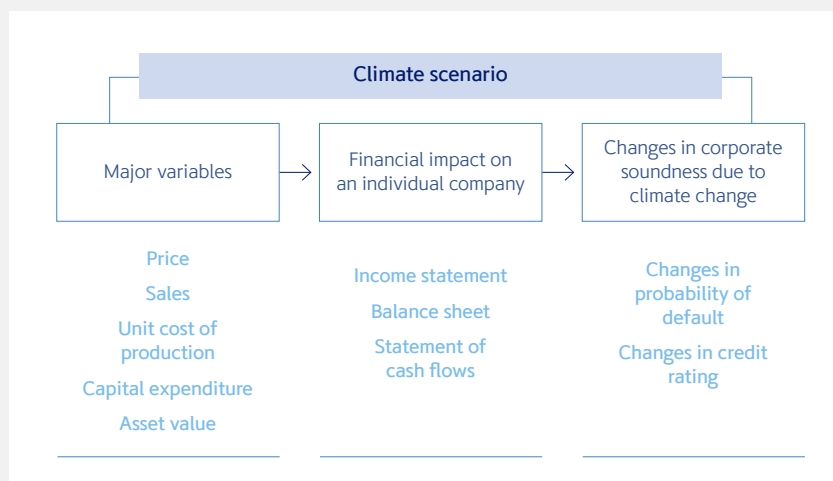
²⁾ BIS ratio of domestic banks decreased 2.6%p in case of the 2°C scenario and 5.8%p in the 1.5°C scenario (based on 2050)

BIS ratio of commercial banks decreased 1.6%p in case of the 2°C scenario and 3.7%p in the 1.5°C scenario (based on 2050)

2 Analysis Results of Bottom-up Approach

The route through which climate risks transfer to financial institutions is complex, and there are diverse variables, such as policy, technology, and market changes, and perceives. Shinhan Financial Group is well aware of the need for detailed scenario-setting and analysis in consideration of these factors. In particular, we conducted a detailed scenario analysis by business, considering that there is a relatively large impact at specific areas, such as high-emitting industries identified to have high transition risks through the financed emission measurement. In case of the scenario, we used the Climate Credit Analytics model jointly developed by S&P Global and OliverWyman to ensure objectivity, and plan to conduct and disclose a more detailed scenario analysis based on this model in future TCFD reporting.

Scenario Analysis Method of Bottom-up Approach



In case of the scenario, the NGFS scenarios – consisting of six: 2050 Net Zero (1.5°C), Below 2°C, Delayed Transition, Divergent Net Zero, NDC, and Current Policies – were applied for analysis. From among companies with financial assets of KRW 10 billion or more that can have a huge impact on profitability based on the Group, two businesses with high financed emissions priority – power generation and oil & gas – were chosen to analyze financial impact. We reflected macroeconomic variable and regulation changes from climate change, the respective business’ demand/supply and investment changes, and changes in sales and profitability of individual companies in the business, and estimated individual companies’ financial condition impact and the resulting changes in the probability of default.

Among high-emitting industries, we chose industries with the highest priority – power generation and oil & gas – for analysis. In the power generation industry, the proportion of fossil fuels will decrease and that of eco-friendly energy, such as renewable energy, will rise in accordance with an energy mix transition to eco-friendliness. Although there initially will be electricity price increase pressure owing to a rise in carbon costs, there will be a decrease in eco-friendly energy prices as well as electricity price drop pressure as time passes. The unit cost of production of fossil fuel-related power generation is expected to rise in accordance with carbon cost burden, and relevant facilities and other assets will become inactive sooner to incur damage costs. In contrast, investments (capital expenditures) for the transition to eco-friendly power generation will rise.

In case of the oil & gas industry, product prices will likely rise owing to increased carbon costs, including emissions costs, but sales will drop over the long term due to a reduction in fossil fuel demand as a result of a transition to a low-carbon economy and a drop in price competitiveness. The unit cost of production per unit is expected to increase owing to carbon costs and other factors. In terms of investments (capital expenditures), fossil fuel production/refining-related expenditures will likely go down in accordance with output changes, while eco-friendly fuel transition-related expenditures are expected to rise. Assets, such as fossil fuel-related production facilities, will incur damage costs.

Results indicate that companies in the power generation business experience a drop in their credit rating compared to the base point of at least 1 rating (Current Policies) and at most 4 ratings (Divergent Net Zero) in the above six scenarios. Companies in the oil & gas business record a drop in their credit rating compared to the base point of at least 2 ratings (Current Policies) and at most 3 ratings (Divergent Net Zero). Probability of default increases at least 3 times to more than 10 times from the base point for both business types.

Shinhan Financial Group analyzes physical risk from climate change by categorizing it into mainly two types. First, we choose regions that can have an impact in Shinhan’s internal operations aspect, to identify and prevent buildings and branches that are vulnerable to acute physical risks. In a different aspect, we identify the characteristics and scope of assets that are exposed to physical risk with regard to Group-owned assets and inspect the resulting financial impact.

3 Shinhan’s Internal Operations Aspect

Shinhan Financial Group perceives the possibility of operating losses caused by climate change, and judges this matter as a detailed operational risk factor and strives to reflect it in emergency plans.

According to South Korea’s Detailed Climate Change Forecast Report of the National Institute of Meteorological Sciences, extreme climate indexes are defined as extreme temperature (high temperature/low temperature) and extreme precipitation indexes. Shinhan used the extreme precipitation index that can have a direct impact on branch operations as the major physical risk index. We specifically examined an increase in the number of heavy rainfall days. This refers to an increase in the number of days in a year when the daily precipitation is at least 80 mm.

South Korea’s Detailed Climate Change Forecast Report makes calculations according to the latest GHG pathways (Shared Socioeconomic Pathways, SSP) of the IPCC Sixth Assessment Report, and analyzes changes for two scenarios – SSP1-2.6 and SSP5-8.5.

In both the low carbon (SSP1-2.6) and high carbon (SSP5-8.5) scenarios, the number of days of heavy rain and the level of increase is at least two times higher than other regions in the second half of the 21st Century. At present, Jeju’s annual average number of days of heavy rainfall is measured at 4.9 days. Results of high carbon scenario analysis indicate that there is an increase of 1, 1.6, and 2.4 days in the first, middle, second half of the 21st Century, respectively, in comparison to the present.

From among Group subsidiaries, Jeju Bank’s head office and most of its branches are located on Jeju Island. Based on this data, Jeju Bank has a high possibility of physical damage from localized heavy rain compared to other regions. It is forecast that there will be a high probability of damages caused by temporary suspension of business.

We performed an analysis on potential financial impact on Shinhan by using the annual average number of days of heavy rainfall and annual operating income. Assuming that business is suspended for around 4.9 days, which is identical to the number of days of heavy rainfall, due to recovery from physical damage that is caused by localized heavy rain, we expect an operating income loss¹⁾ of around KRW 440 million. If the period increases to 7.3 days according to a rise in physical risk based on the same criteria, the amount of loss also increases to around KRW 660 million.

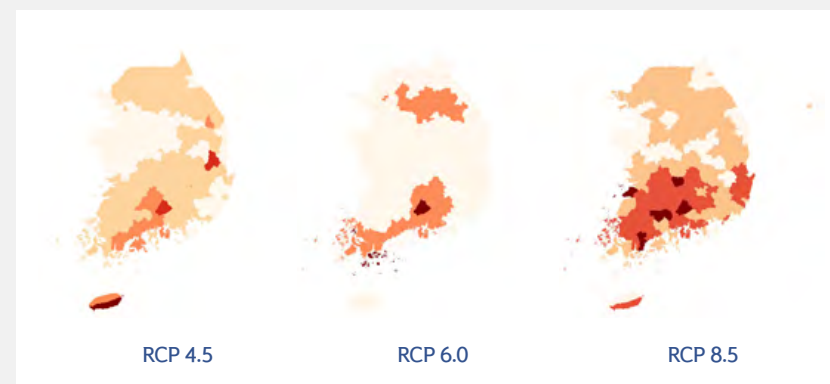
¹⁾ Assumed 250 days to be the average number of business days in a year; estimation against Jeju Bank’s operating income of 2021

4 Asset Impact Aspect

In the asset aspect, Shinhan Financial Group analyzes impact from direct physical damages in the real sector. This is because physical damage in the real sector can transfer to a financial institution and bring about a deterioration in the soundness or profitability of financial institution assets.

Through a climate risk model development project that we conducted together with Ewha Womans University and the Financial Supervisory Service in 2021, we analyzed heavy rainfall-related data of each administrative district in Korea and future scenario data. In this model, through heavy rainfall-level data of an administrative district per Representative Concentration Pathway (RCP) scenario, we analyzed risk regions based on a climate change scenario, financial asset size in the corresponding regions, and estimated loss amount.

Analysis results indicate that as the scenario worsens from RCP 4.5 to RCP 8.5 as of Year 2030, the range of the region with a high level of maximum precipitation expands. Especially in the southern region, maximum precipitation levels sharply increase. Shinhan Bank’s loan asset risk exposure increases from 1.15 trillion to 7.61 trillion.

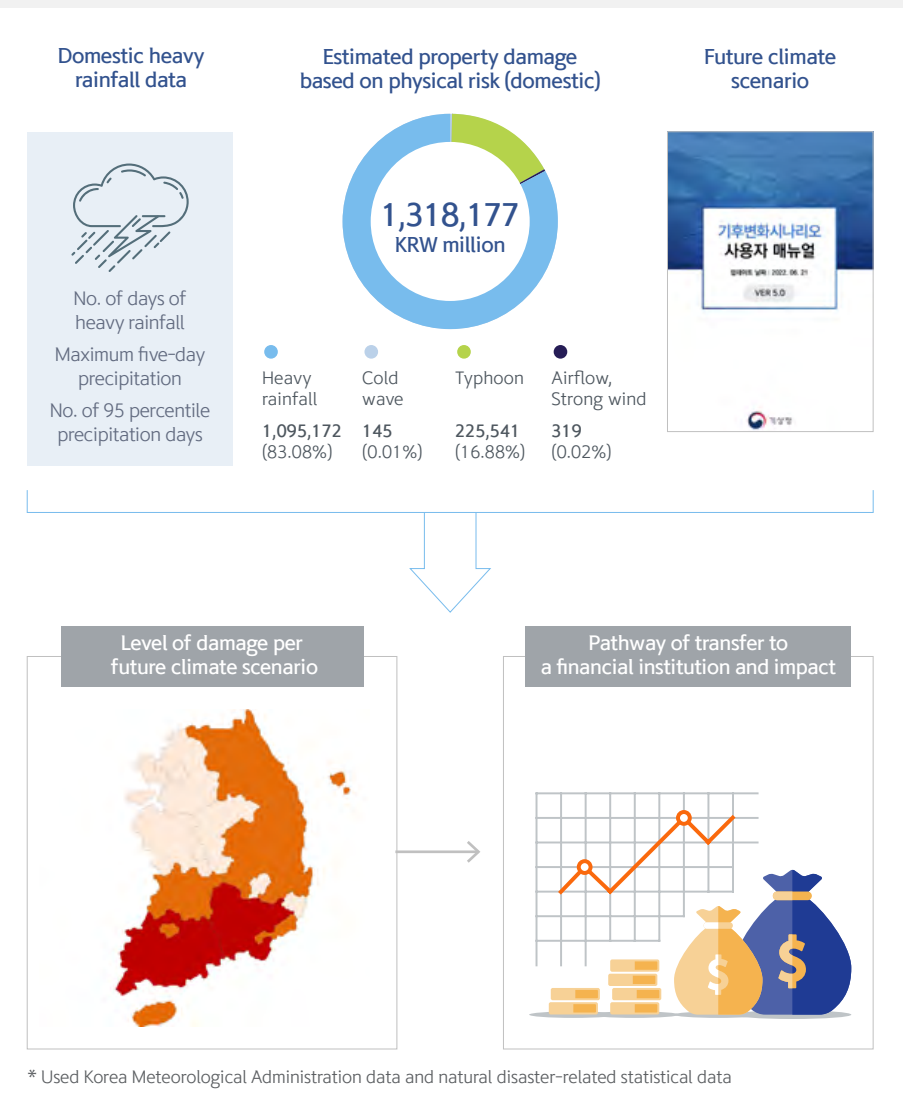


If we expand the physical risk analysis period to the Year 2050 and assume that real estate collateral value drops 10% due to precipitation damage, Shinhan's estimated loss amount is a maximum KRW 78.9 billion. A 20% decrease will likely lead to a maximum loss of KRW 175.2 billion.

In case of Jeolla Province, Gyeongsang Province, and Gangwon Province, which are forecast to suffer from larger damages as precipitation increases, the exposure level is KRW 11.1 trillion. If real estate collateral value drops 20%, we expect a maximum KRW 30 billion in losses. There will likely be bigger losses for plants and shopping districts compared to housing, including apartments. We expect risks to be relatively higher for North Gyeongsang Province, North Jeolla Province, and South Jeolla Province, where the proportion of plants and shopping districts is high.

By conducting additional analysis on project results, we will identify, in detail, the pathway through which physical risk transfers to a financial institution and also make scenario analysis more detailed.

Project Study by Ewha Womans University and the Financial Supervisory Service



Carbon Price of Shinhan Financial Group

Purpose of Adoption

Setting a carbon price is the approach of reducing GHG emissions by using the market mechanism of shifting emissions costs onto the emitter. Carbon price acts as an economic signal to high emitters, and can make them decide whether they will transition to low carbon based on economic incentives or pay costs.

Korea has in place the carbon emissions trading scheme and GHG target management system. According to future NDC increase, GHG regulations and management are expected to become stricter. As the global community strengthens and accelerates action to implement the Paris Agreement, it mentions¹⁾ carbon pricing as an extremely flexible, efficient approach to alleviating impact. Shinhan Financial Group recognizes that carbon price operation is an important tool used to achieve the goals of the Paris Agreement and the net zero goal by 2050.

In addition, carbon price may improve energy efficiency of internal employees and go further by inducing change in employees' action. Internal carbon price is used for financial assets' stress test and scenario analysis, which can serve as a basis for identifying and leveraging opportunities related to low carbon, including investment and financial support. It can also be easily used for customer engagement.

Carbon Pricing

There are two forms of measuring carbon price – external and internal. Shinhan Financial Group makes a categorization into Scope 1, 2, and 3 according to GHG criteria for disclosures. We apply an external carbon price in case of Scope 1 and 2, and apply an internal carbon price for Scope 3 for analysis of financed emissions that take up most of Scope 3. In case of external price, Korea operates a national-level emissions trading scheme, and external price is set as the market price of the “emissions trading scheme” that can be offset through emissions trading.

KAU21²⁾ price range of KRW 20,000 – KRW 30,000 per ton

(Referred to disclosed data of the emissions market information platform, ets.krx.co.kr)

In Korea, a voluntary carbon market is growing to offset GHG emissions, and Shinhan continues to monitor the matter. We will review the price provided by the voluntary carbon market and reflect it in the external carbon price. The external price serves as the basis for the amount needed to reduce GHG emissions or achieve the renewable energy target, and a criterion for measuring a department's investment effects.

Internal carbon price helps to identify climate change opportunities and crises, and should be an internally-developed carbon cost that can be reflected in contract conditions or incentives in making loan/investment decisions. Shinhan applied a total six scenarios provided by NGFS to analyze the climate change crisis. We perform analysis based on the carbon price applied in these scenarios.

(Unit: US\$/t CO₂)

Scenario	Region	2025	2030	2035	2040	2045	2050
Below 2°C	World	41.5	77.3	109.1	134.8	184.4	265.8
Below 2°C	South Korea	41.5	77.3	109.1	134.8	184.4	265.8
Nationally Determined Contributions (NDCs)	World	30.1	80.1	83.2	95.8	124.3	157.2
Delayed transition	World	-	-	135.3	188.9	328.8	704.0
Delayed transition	South Korea	-	-	131.6	239.2	497.3	973.5
Divergent Net Zero	World	204.3	263.7	353.3	421.8	741.1	1,646.6
Divergent Net Zero	South Korea	198.1	314.1	419.3	499.2	905.7	1,826.2
Net Zero 2050	World	61.1	96.9	137.7	174.8	267.6	562.2
Net Zero 2050	South Korea	87.5	139.5	212.9	260.2	371.6	717.9

* Source: NGFS Scenario Portal Data & Resource

Carbon prices provided by NGFS based on Korea are four categories – below 2°C, net zero 2050 (1.5°C), delayed transition, and divergent net zero. Shinhan monitors internal emissions price based on the scenario of net zero 2050, which is its strategic goal. We judge that costs may increase from 87.5 dollars per ton in 2025 to 717.9 dollars by 2050, and estimate potential impact on corporate customers through this virtual cost as well as insolvency rate and credit rating changes.

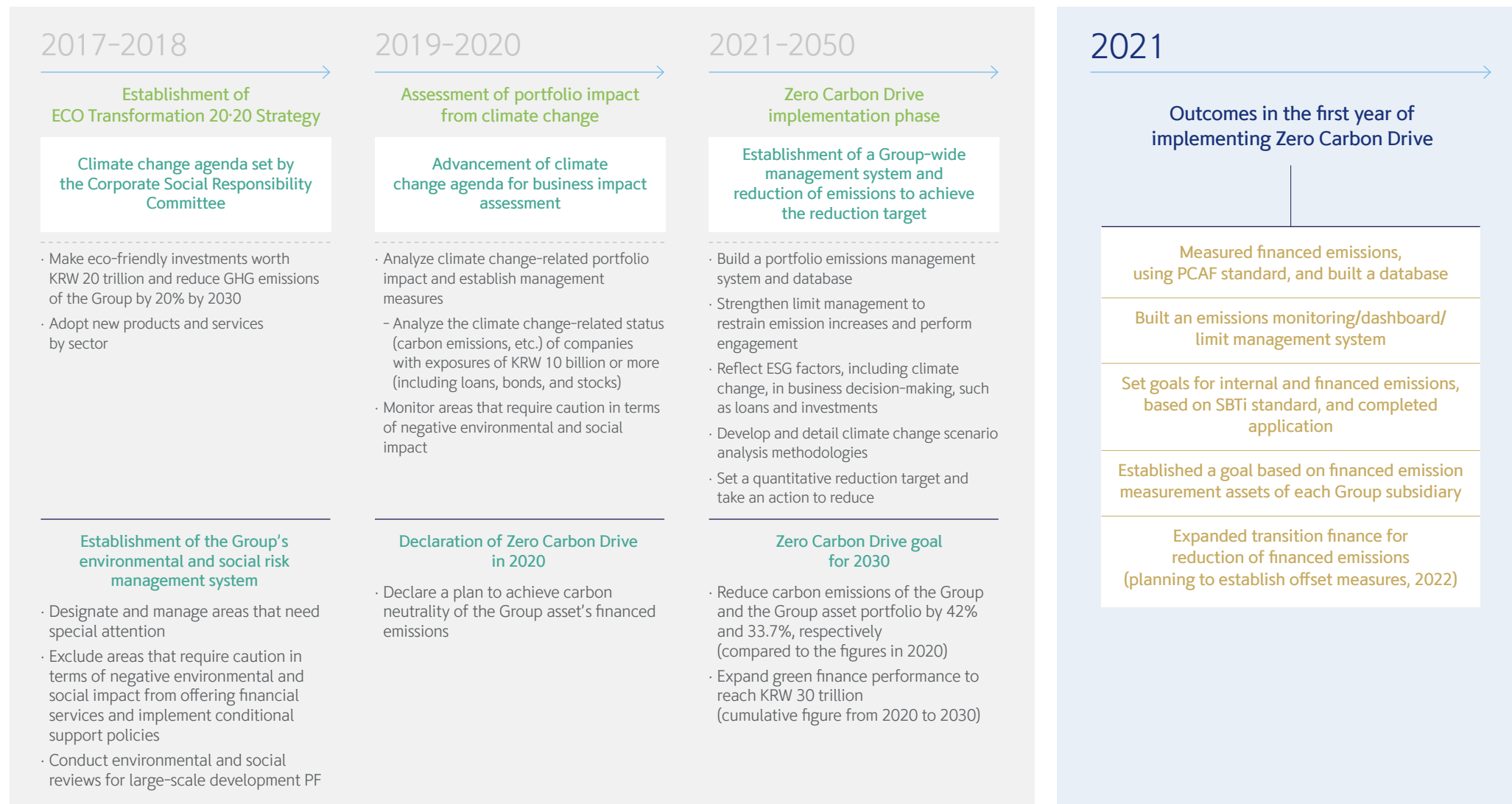
Going forward, Shinhan will make the internal price more detailed, and adopt it as a criterion for evaluation and management in reducing the financed emissions of each subsidiary, while also presenting financial impact.

¹⁾ Article 6 of the Paris Agreement

²⁾ Korean Allowance Unit 21. Refers to the Year 2021 allowance given by the state.








Shinhan Financial Group's Climate Change Response Strategy Roadmap

Shinhan Financial Group set a new standard for green finance through its goal of making the Group asset portfolio's financed emissions "zero" by 2050. Through its distinctive Zero Carbon Drive strategy, the Group seeks to manage loans and investments for companies and industries with large carbon footprints while providing financial support for green transition, thereby performing roles for the transition to a low-carbon economy. The Group is also advancing the measurement of financed emissions by applying the criteria presented by the Partnership for Carbon Accounting Financials (PCAF) for net-zero of the Group asset portfolio and set a goal based on the SBTi methodology. As a starting point, the Group built a data system for regular management and monitoring of financed emissions in 2021.



Participation in Global Initiatives for Joint Response to Climate Change

To resolve the global climate crisis, Shinhan Financial Group joined CDP in March 2007 which was followed by voluntary joining of various global initiatives related to joint responses to climate change, target setting, emissions measurement, management, and public disclosure, and is engaging in cooperation. By doing so, Shinhan Financial Group is actively responding to the sharply-changing climate change environment and building leadership in the eco-friendly financial ecosystem based on advanced climate strategies.

<div style="background-color: #76b82a; color: white; padding: 5px; text-align: center; font-weight: bold;">Joint global response</div>  <p>Joined the UN Environmental Programme Finance Initiative (UNEP FI)</p> <p>Joined in January 2008</p> <p>Began to participate in Principles for Responsible Banking (PRB) in 2019 and Principles for Sustainable Insurance (PSI) in 2020</p>  <p>Initiatives in the Glasgow Financial Alliance for Net Zero</p> <p>Joined the Net-Zero Banking Alliance (NZBA) in April 2021</p> <p>Joined the Net Zero Asset Managers Initiative (NZAMI) in July 2021</p> <p>Joined the Net-Zero Insurance Alliance (NZIA) in October 2021</p>	<div style="background-color: #76b82a; color: white; padding: 5px; text-align: center; font-weight: bold;">Target setting and measurement</div>  <p>Science Based Targets initiative (SBTi)</p> <p>Joined in November 2020</p> <p>Set the reduction targets of financial assets' carbon emissions</p>  <p>Partnership for Carbon Accounting Financials (PCAF)</p> <p>Joined in November 2020</p> <p>Measure financed emissions of the Group</p>	<div style="background-color: #76b82a; color: white; padding: 5px; text-align: center; font-weight: bold;">Public disclosure</div>  <p>Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>Announced the support for the recommendations of TCFD in 2018</p> <p>First disclosed information in the CSR Report in 2019</p> <div style="background-color: #76b82a; color: white; padding: 5px; text-align: center; font-weight: bold;">Risk management</div>  <p>Equator Principles</p> <p>Established the process in 2019</p> <p>Joined in 2020 and applied the Principles to the projects subject to screening</p> <div style="background-color: #76b82a; color: white; padding: 5px; text-align: center; font-weight: bold;">Evaluation of activities in climate response</div>  <p>Carbon Disclosure Project (CDP)</p> <p>Became the first financial company in Korea to join the Platinum Club of CDP Hall of Fame (Included in the Honors Club for 8 consecutive years)</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

● First in Korea's financial industry

Shinhan Financial Group's Global Climate Change Leadership

In November 2021, the Group CEO Cho Yong-byoung was elected as the only Asian member of the UNEP FI Leadership Council, contributing to the global spread of sustainable finance. Previously in November 2020, CSSO Park Sung-hyun of Shinhan Financial Group was chosen as the UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative.

Moreover, our net zero-strategy implementation status is recognized as a best practice that is in line with global standards. We were officially invited to the UN Climate Change Conference of the Parties (COP26) held in 2021, the Korean Pavilion that run by the government, and a Net Zero Pathway-related panel discussion organized by NZBA, sharing information on the Group's net-zero strategy and progress. We will continue to increase relevant investments and activities as an active participant leading the fight against climate change.

Identification of Opportunities by Responding to the Korean Green Classification System (K-Taxonomy)

In response to Europe's announcement of the EU Taxonomy in April 2021, the Korean Ministry of Environment took the lead and announced the final version of K-Taxonomy in December, 2021. The Korean green classification system is a standard of economic activities that contribute to GHG reduction, adaptation to climate change, and environmental improvement, and consists of 69 detailed economic activities to contribute to six major environmental goals¹⁾ based on basic principles, which are (1) contribute to the achievement of environmental goals, (2) not cause any serious environmental damage, and (3) minimum protection systems (prohibition of child labor, forced labor, and others).

In the short term (2022), K-Taxonomy will be used as guidelines only for "green bonds" and a pilot project will be executed. Its scope will be increased to include green loans, green funds, and green project financing, and it is expected to be applied to overall disclosures of financial institutions and companies. Shinhan Financial Group preemptively established the "K-Taxonomy Task Force", which is an ad hoc network of all Group subsidiaries, and is preparing to make quick responses to policy-making authorities and to engage in collaboration. By doing so, we are drawing Group subsidiaries' attention to the Korean green classification system and listening to their opinions, and are striving to clearly designate personnel in charge and roles of each subsidiary. Through this process, we will ease risks that may arise from adopting the Korean green classification system, while actively exploring business opportunities in green finance to take the lead in spreading green finance.

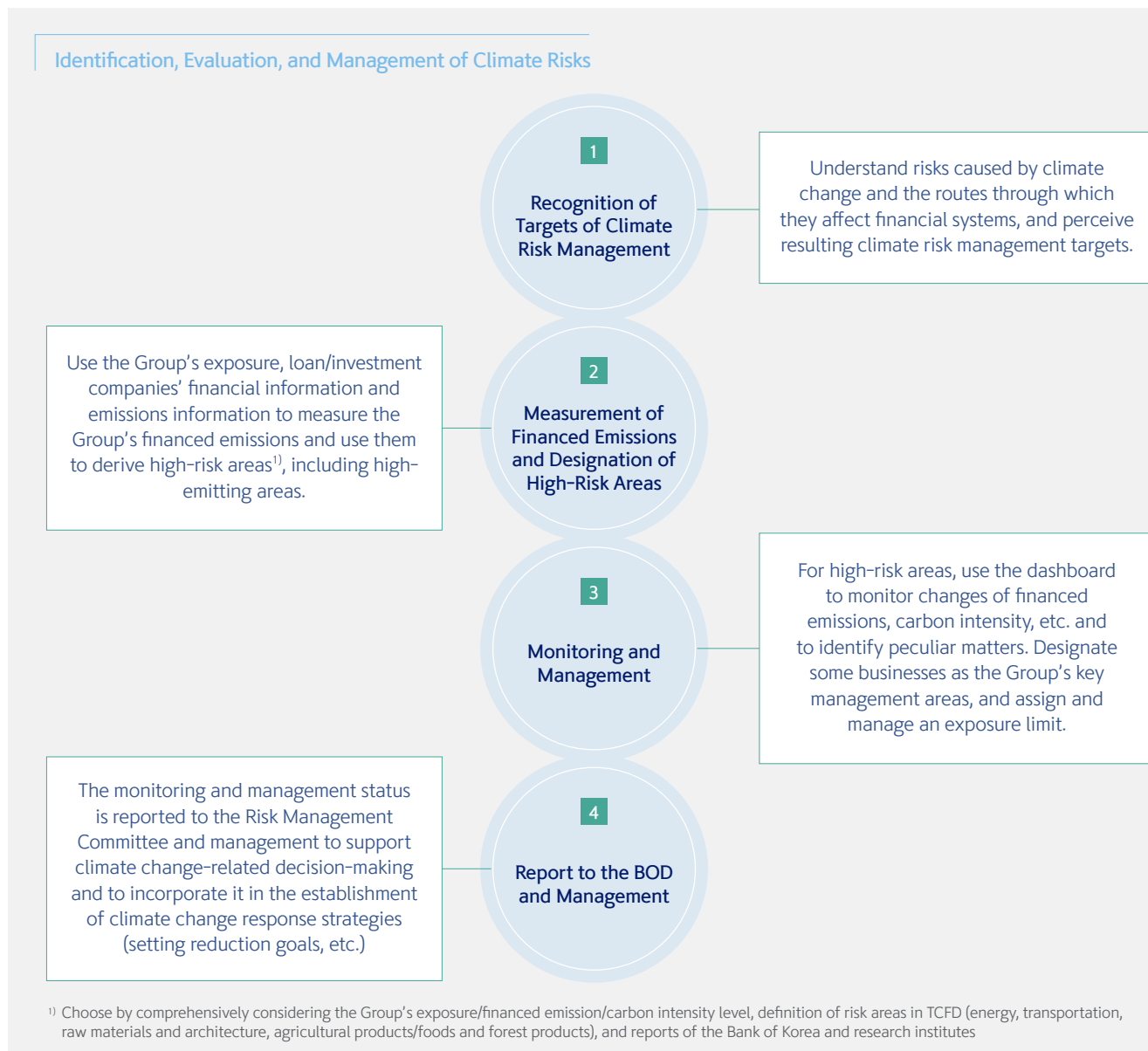
¹⁾ Greenhouse gas reduction, adaptation to climate change, sustainable water conservation, recycling, pollution prevention and management, biodiversity conservation

A Left Wheel that Leads Net-Zero RISK MANAGEMENT

We systematically defined environmental and social risks, including climate change, based on the risk classification system in the TCFD recommendations, and developed an appropriate methodology to evaluate risks. We also established a financed emissions measurement system and database as well as the Best Practices for the Group Climate-related Risk Management, through which we advanced our risk management system.

Management Process of Major Risks

By reflecting financed emissions analysis results and recent internal and external research outcomes, Shinhan Financial Group is identifying vulnerable areas in relation to climate change and regularly monitoring the areas. We manage high-risk areas by setting limits and actively respond to climate change risks in connection with our reduction goals. We will advance the climate risk management system and reflect it in loan and investment screening processes, while continually supporting strategy adjustments to achieve the Group's Zero Carbon Drive.



Identification of Major Risks

Shinhan Financial Group categorizes risks that may arise in the sharply-changing climate change environment based on the risk classification system in the TCFD recommendations and manages the risks.

Risk type	Financial risk			Non-financial risk			
	Credit	Market	Reputation	Regulatory	Technology	Legal	Physical
Transition risk	Policy and Legal	●	●	●		●	
	Technology	●			●	●	
	Market	●	●			●	
Physical risk	Reputation	●				●	●
	Acute	●			●		●
	Chronic	●			●		●

FINANCIAL RISK

Credit Risk Shinhan Financial Group measures financed emissions of its asset portfolio and conducts a scenario analysis on climate risks. We analyzed that the power generation, utility, energy, and materials sectors, which have substantial carbon emissions, will be exposed to climate change risks owing to future carbon price increases. If we change the Group's asset portfolio to low-carbon emission pathways through investments in renewable energy projects, we can look for opportunities that can generate offset credits.

Market Risk Market risk arises from consumer behavior changes or changes in product and service supply and demand. Shinhan Financial Group conducts regular surveys and analyses to identify customer requirements as well as consumer and market trends that result from climate change. In addition, we expect increased demand for the renewable energy business in accordance with the Renewable Energy 3020 Policy, and are strengthening relevant responses.

Reputation Risk Against the backdrop of increased consumer awareness of climate change and the environment, companies' sustainability activities in relation to climate change and the environment are influencing consumers' buying decisions. If Shinhan Financial Group fails to fulfill social responsibilities that are related to climate change and the environment, then its brand value will drop and a negative public opinion will form which can have a considerable impact on operating income. For this reason, we applied the Equator Principles and chose 12 significant environmental and social areas to minimize reputation risk.

NON-FINANCIAL RISK

Regulatory Risk Under the emission trading scheme, a company needs to purchase excessive permits if allowances go down, and additional costs may arise to reduce emissions. The Group's clients may also experience a decrease in their debt repayment ability owing to purchasing of permits or investments in efficient facilities. If current regulations are strengthened as climate change gains speed, permit prices go up and the possibility of unexpected losses increases. As a measure, Shinhan Financial Group developed a financed emission measurement system and is systematically managing the Group's and companies' emissions.

Technology Risk New low-carbon, eco-friendly technologies are being developed to achieve climate change-related and net zero goals. Sales may drop when financial products that include new technologies and innovation are not expanded/developed. Shinhan Financial Group identifies risks and opportunities by regularly surveying/analyzing climate-related technology development and market trends as well as customer demand. We also manage products that are related to building energy, such as Green Energy Factoring, Second Green Remodeling Loan, and New and Renewable Energy Fund. We plan to expand relevant financial products according to areas and speed of technology development.

Legal Risk This refers to current or expected financial position and resilience-related risk that arises from a violation of laws, rules, or regulations or failure to observe stipulated customs, internal policies, processes, or ethical standards by a company or a project for which an investment was made. If a lawsuit is filed due to a climate issue and the business owner becomes subject to legal punishment, this may damage brand value and financial soundness. By using the environmental and social risk management system, Shinhan Financial Group determines whether to make an investment by evaluating financial impact on an investment company or project. If needed, the Group provides conditional financial support that obligates the reflection of measures to reduce environmental impact.

Physical Risk Abnormal weather phenomena caused by climate change can directly damage assets owned by Shinhan Financial Group. In particular, bank branches that are located in mountainous areas have a relatively high possibility of suffering physical damages from localized heavy rain, and the resulting temporary business suspension may cause massive damages to business. Furthermore, average temperature rises in the summer raise the amount of electric power and tap water usage and also decrease labor productivity. Shinhan Financial Group pre-determines buildings and branches that are vulnerable to climate change and strives to prevent damages.

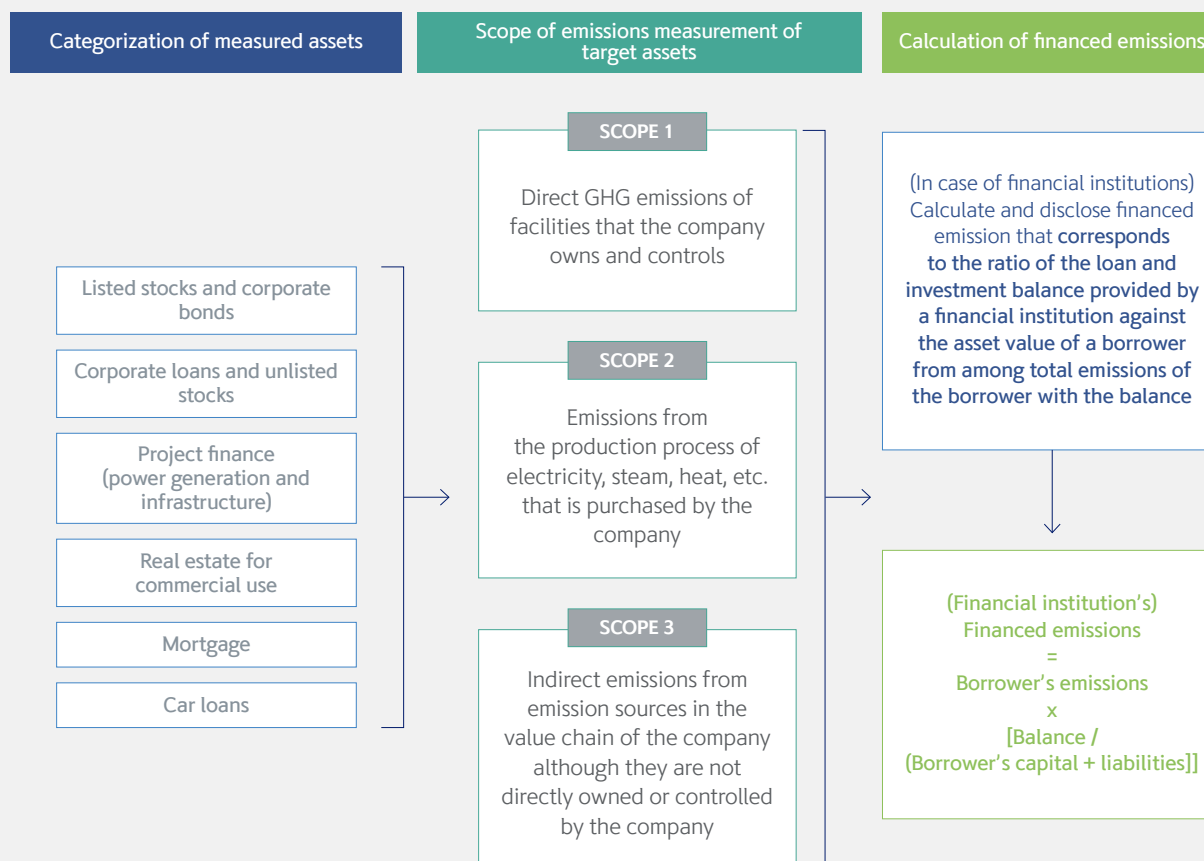
Evaluation and Management of Major Risks

To systematically evaluate and manage the aforementioned major risks, we developed our own financed emission measurement system and systematically monitor the Group's total GHG emissions, which is shared at the Group level through the financed emissions dashboard system. In addition, we preemptively prevent potential risks by choosing 12 environmental and social significant areas. We became the first from among financial companies in Korea to apply the Equator Principles in September 2020 for project financing. In March 2022, Shinhan became the first financial company in Korea to establish the "Best Practices for the Group Climate-related Risk Management".

Establishment of a Financed Emission Measurement System and Database

To respond to climate change and achieve the Group's 2050 Net Zero goal, we developed and are operating the "financed emission calculation system" that can regularly measure the Group's financed emissions. This system can calculate and monitor financed emissions by collecting loan and investment balances of financial subsidiaries of the Group as well as data related to financed emission calculation. It calculates and discloses financed emissions for the Group's owned assets (six asset groups) in accordance with PCAF GHG accounting standards.

Financed Emission Calculation Method



At least Scope 1+2, there is a need to steadily expand to Scope 3

Financed Emission Simulation

In addition, we run simulations to estimate financed emissions by using a company's financial information and emissions information in case of a new loan and investment. We identify the level of financed emissions and intensity through simulations and use them for the evaluation process.

Risk Dashboard

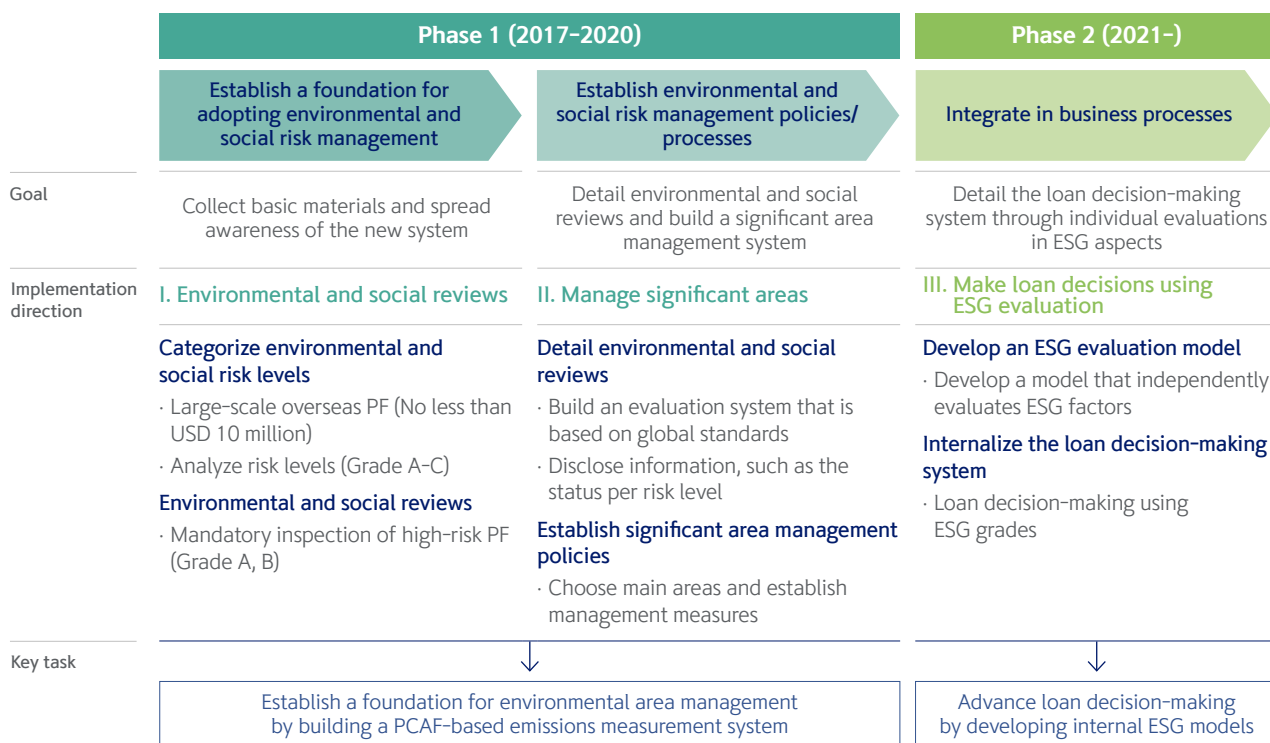
We developed a system that connects to financed emissions reduction goals of the overall Group and each subsidiary and identifies the current level of financed emissions and intensity against the goals. Using the system, we regularly calculate and monitor each Group subsidiary's carbon emissions. In particular, we run a financed emissions dashboard system¹⁾ to monitor risks from sudden increases or unequal distribution of asset portfolio's financed emissions and intensity, leading to efficient risk management.

In addition, we are implementing the environmental and social risk management system roadmap that we established in 2017. In 2021, we built a PCAF-based financed emission measurement system and advanced Phase 1 while detailing ESG internal model development for Phase 2.

Monitoring of Environmental/Social Significant Areas

Shinhan Financial Group operates a monitoring system for environmental and social risks, including climate change. We choose 12 areas that require caution in environmental and social aspects and monitor the Group's exposure to the target areas. In the event of major social or environmental issues, including the significant areas, we review Group impact and countermeasures. Monitoring results are reported to each Group subsidiary's risk management council and management, and are managed.

Forestry ↓ Water pollution, destruction of the ecosystem	Mining industry ↓ Heavy metal water pollution	Drift-net fishing ↓ Destruction of the marine ecosystem	Crop production ↓ Soil and water pollution
Tobacco ↓ Child labor, health	Coal processing ↓ Air pollution	Oil refining ↓ Sea pollution	Power generation ↓ Air pollution, radioactivity
Infrastructure ↓ Air pollution, migration of natives	Weapons & Munitions ↓ Mass destruction	Manufacturing of chemicals ↓ Harmful substances	Wastewater & Wastes ↓ Water pollution



¹⁾ Process of setting the trigger point of asset portfolio emissions and intensity for all and high carbon-emitting areas of each Group subsidiary, and, in case of excess, identifying the cause through an analysis and establishing countermeasures

Establishment of an ESG Loan/Investment Screening Process: Evaluation Model

Shinhan Financial Group developed an ESG evaluation model to detail and advance the loan decision-making system through individual evaluations in ESG aspects. We reviewed/chose diverse data of ESG aspects and reflected them in the model, and plan to use it for preferential interest rate application, new product development, screening process, and limit-setting in consideration of ESG grade.

SHINHAN'S ESG RATING

Evaluation perspective	Evaluate ESG factors from the corporate sustainability perspective
Method of use	Plan to use for setting preferential interest rates, developing new products, reflecting in the screening process, and setting the limit

The Equator Principles

In September 2020, Shinhan Bank became the first commercial bank in Korea to join the Equator Principles. The Equator Principles is a voluntary agreement of financial companies to not provide loans if a large-scale development project has such issues as harming the environment or violating human rights. Shinhan Bank applies the Equator Principles for implementation of large-scale development projects to review potential environmental and social risks and impact.

Target of Application of the Equator Principles

Large-scale project financing amounting to at least USD 10 million

Process for Reviewing Environmental and Social Risks that Reflects the Equator Principles

1. There is a need to categorize into grades according to the degree of environmental and social risks and impact (Grade A-C)
2. Conduct environmental and social impact assessments, build a management system, establish an action plan, and verify monitoring according to the grade
3. Reflect in financial agreements (compliance with agreed matters, etc.), regularly report on the status of implementing the Equator Principles, and disclose information

Shinhan Asset Management's Net-Zero Shareholder Letter

Shinhan Asset Management became the first asset management company in Korea in October 2020 to send a net-zero shareholder letter and questionnaire to invested companies. In 2021, it increased the number of target companies from the previous year (242 companies → 338 companies) and questions (12 questions → 20 questions), and the reply rate also increased (41.7% → 53.8%). 10 industries, which account for more than half, recorded a reply rate of more than 50%, reflecting active shareholder communication and a high level of interest in ESG management and climate change response.

Based on the reply results, Shinhan Asset Management will continually monitor the companies and reflect the results in additional engagement activities and ESG investment grade adjustments. It also plans to increase engagement and strengthen communication with invested companies to reduce the gap between companies' declaration of GHG reduction goals and execution capabilities/organizations that was identified through shareholder letter replies.

Results of Shareholder Letter Reply Analysis

Publication of climate response report

More than 60% of replied companies said that they are publishing a climate response report.
82% of companies that are not publishing a report said they plan to create a report. This is why the publication of climate response reports is expected to further accelerate.

Difficulty in setting an achievable GHG reduction goal

Many companies expressed difficulties in setting an achievable goal amid the enactment of the Framework Act on Carbon Neutrality in 2021 and raising of the 2030 Nationally Determined Contribution (NDC).
Among replied companies (182), only nine companies conform with the raised NDC.
54.2% of companies that established a reduction goal plan to raise the goal in the next year.

Gap between the goal and execution capabilities/organizations

65.9% replied that they have a GHG reduction goal but 52.7% replied that they have a BOD-level climate change-related organization.
The difference in climate change governance may have an impact on execution capabilities.

A Map to Reach Net-Zero

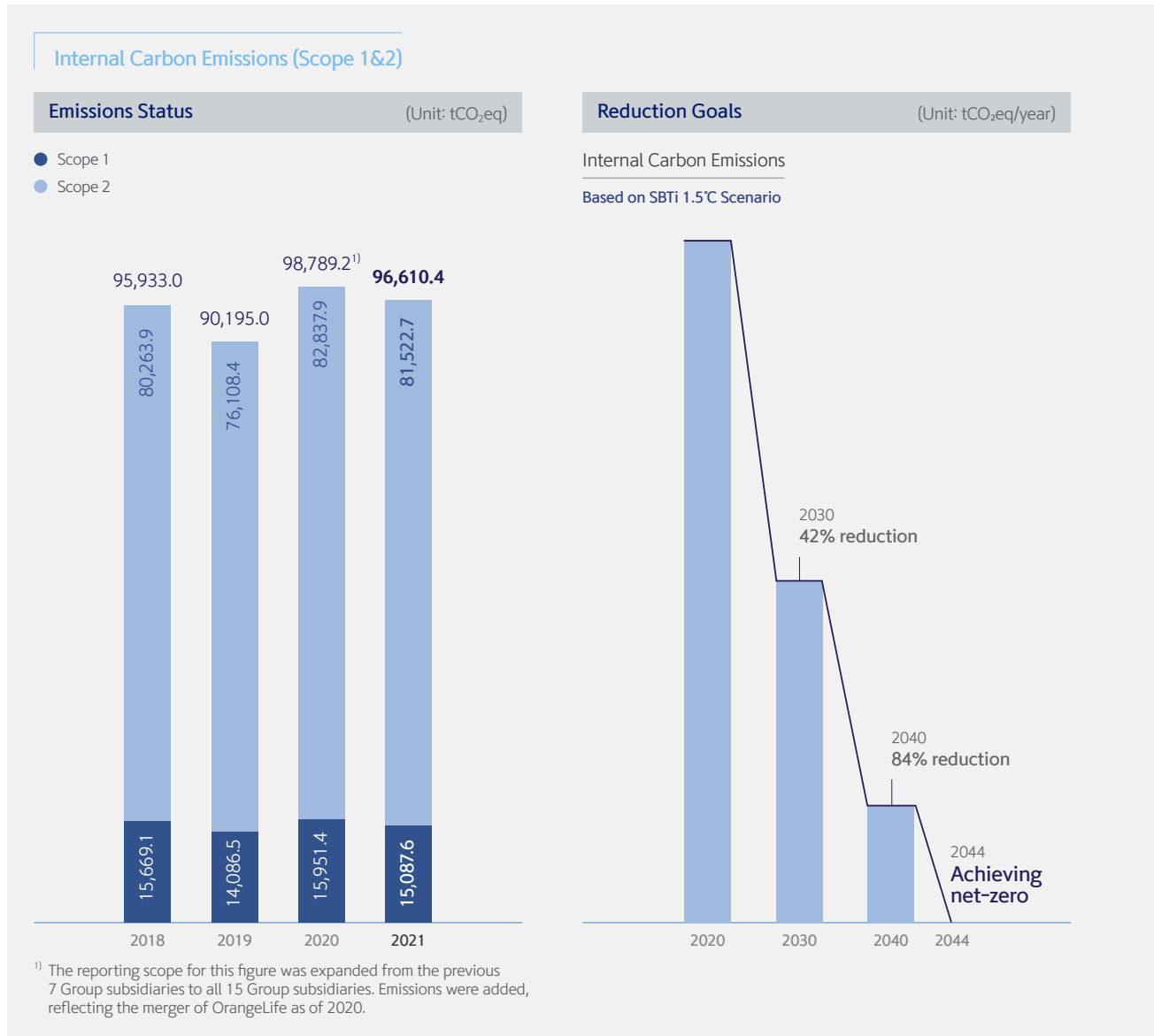
METRICS AND TARGETS

By determining more advanced PCAF-based asset portfolio's financed emissions and establishing a goal by year, and reflecting it to the CEO evaluation of the Group subsidiaries, starting in 2022, Shinhan Financial Group is detailing the path to achieving its net zero goal. In the process of accomplishing its net zero goal, Shinhan will transparently disclose relevant metrics and targets and actively communicate with stakeholders, thus contributing to everyone's creation of a better world.

Measuring Carbon Emissions and Setting Reduction Goals

Reaching the net zero goal begins with more accurate measurements of the amount of carbon that we currently emit. We understand the importance of measuring and managing internal GHG that is emitted through Shinhan Financial Group's direct energy consumption (Scope 1&2) as well as asset portfolio emissions (Scope 3) that arise from our investments and loans.

By using a Paris Agreement(1.5°C scenario)-based scientific tool that is presented by the Science Based Target initiative (SBTi), we plan to reduce the Group's internal carbon emissions by 42% by 2030 and 84% by 2040, and achieve net-zero by 2044. In addition, we will apply the Sectoral Decarbonization Approach (SDA) of SBTi that is based on the 2°C scenario to reduce financial assets' financed emissions by 33.7% by 2030, and 59.5% and 83% by 2040 and 2050, respectively. In addition, we will apply the Sectoral Decarbonization Approach (SDA) of SBTi that is based on the 2°C scenario to reduce financial assets' carbon emissions by 34% by 2030, 60% by 2040, and 83% by 2050. Shinhan Financial Group joined SBTi in 2020 and continues to check relevant status on a quarterly basis. We disclose information on carbon emissions when we announce the Group's earning's results every quarter to further strengthen information transparency.



Financed Emissions of the Group Asset Portfolio in 2021 (Scope 3)

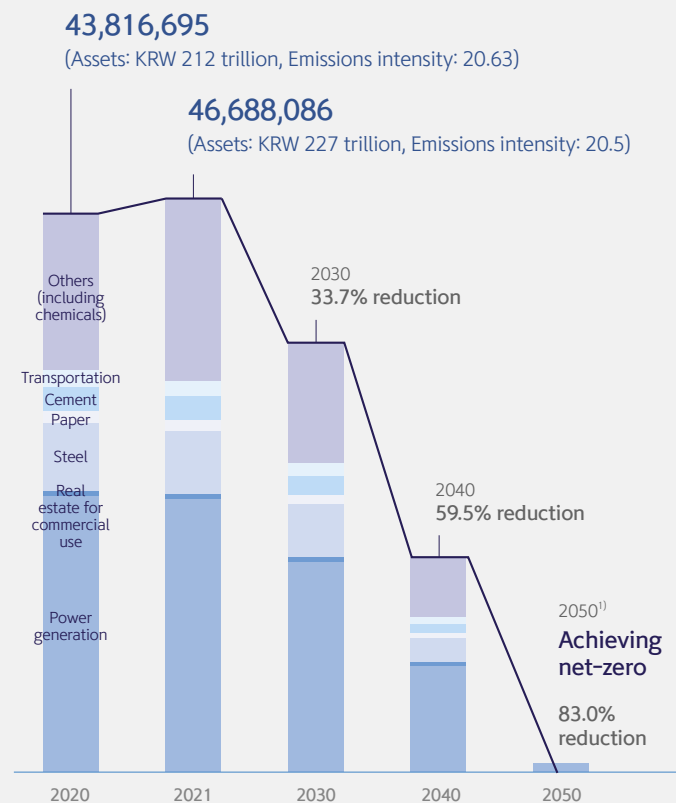
Emissions Status						(Unit: KRW trillion, 10 thousand tCO ₂ eq)
Asset categorization	Calculated asset size	Financed emissions	Emissions weight	Emissions intensity	Data Score ¹⁾	
Listed stocks and corporate bonds	46.3	721	15.4%	15.6	2.8	
Corporate loans and unlisted stocks	126.6	3,602	77.1%	28.4	3.6	
Project finance	3.3	232	5.0%	70.7	3.7	
Real estate for commercial use	17.5	53	1.1%	3.0	4.0	
Mortgage	27.8	14	0.3%	0.5	4.0	
Car loans	5.9	47	1.0%	8.0	4.3	
Total	227.4	4,669	100%	20.5	3.5	

¹⁾ Assigned a grade that ranges from 1 point to 5 points depending on what data was used as the basis for calculation, from among emissions disclosed based on the PCAF standard, emissions based on amount of physical activity, and emissions based on amount of economic activity

Reduction Goals

Financed Emissions of the Group Asset Portfolio

Based on SBTi 2°C & 1.5°C Scenarios



¹⁾ Plan to make remaining emissions in 2050 net-zero through such off-setting measures as green investments based on the PCAF standard, emissions based on amount of physical activity, and emissions based on amount of economic activity

Carbon Intensity by Industry and Asset

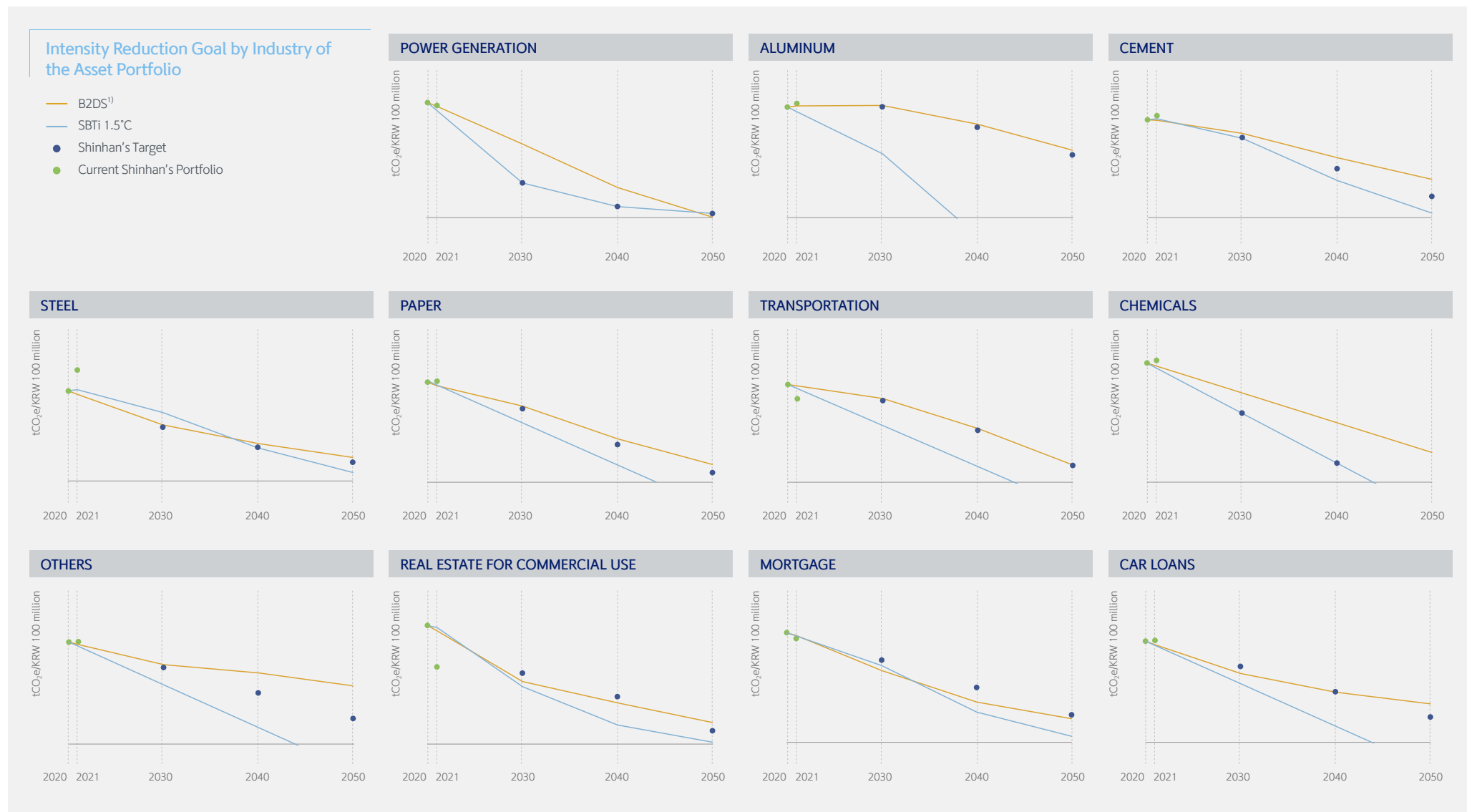
Carbon Intensity by Industry and Asset									(Unit: tCO ₂ e/KRW 100 million)
	Power generation	Steel	Cement	Chemicals	Paper	Aluminum	Transportation	Others	
Corporate loans	164.20	128.00	124.40	76.80	62.70	54.70	47.92	21.03	
Unlisted stocks	-	52.50	56.90	61.30	90.90	41.80	48.90	6.40	
Listed stocks	178.70	169.30	223.70	18.70	82.50	8.00	14.75	3.00	
Corporate bonds	187.00	163.70	320.20	78.40	94.00	47.00	9.00	4.37	
Total	181.39	131.76	122.65	77.03	63.97	54.56	35.63	16.09	

High carbon intensity

Low carbon intensity

PCAF-based Measuring of Financed Emissions and Setting of Reduction Goals

In 2021, Shinhan Financial Group conducted PCAF-based financed emissions measurements and built a database. By doing so, it became the first financial company in Korea to establish a reduction goal by year/industry through 2050.



¹⁾ B2DS Scenario: The Beyond 2°C Scenario (B2DS) conducts an analysis by including how much currently-available technologies and technologies with innovative processes can be used to limit warming to a level that is considerably lower than 2°C, and it forecasts the achievement of 1.75°C in terms of average global temperature by 2100.

Shinhan's Promise – Green Finance for Future Generations

Shinhan Financial Group believes that financial institutions can perform important roles in resolving the climate crisis by providing capital that is needed to facilitate the shift to a low-carbon economy. Shinhan is ready to support a sharp low-carbon transition of industrial processes, land use, buildings, transportation, and other infrastructure to satisfy the goals of the Paris Agreement.

In accordance with the “Zero Carbon Drive”, eco-friendly strategy of the Group, we will set and implement an eco-friendly financial support (offset) goal of KRW 30 trillion, which is around 15 times larger than in 2020, by 2030. By doing so, we will discover and expand new eco-friendly growth engines in overall businesses as part of efforts to fulfill financial institution roles for future generations.

Expansion of Eco-friendly Asset Size

- Discover new eco-friendly growth engines
 - Invest in new eco-friendly technologies/discover companies
 - Increase renewable energy equity investments, etc.
- Conduct performance management that reflects K-Taxonomy

Green Finance (Offset) Goal

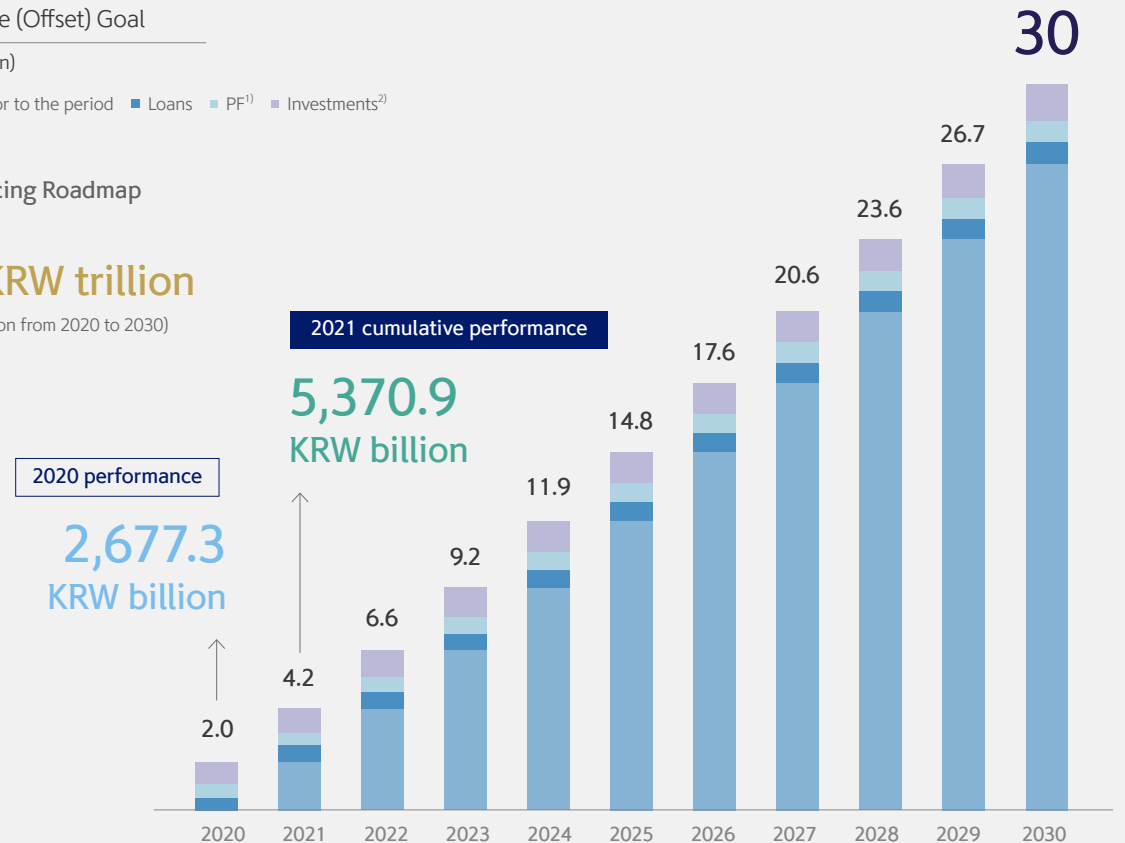
(Unit: KRW trillion)

■ Cumulative prior to the period ■ Loans ■ PF¹⁾ ■ Investments²⁾

Green Financing Roadmap

30 KRW trillion

(New accumulation from 2020 to 2030)



* The offset goal is the photovoltaic/wind power-based renewable energy PF proportion. Carbon emissions were estimated at a level that can be offset without any reduction efforts.

¹⁾ Excluding fund investment performance of the Group subsidiaries (included in green investment)

²⁾ Investment performance of asset management companies and sales performance of the Bank, securities company, and others selling fund products

Do the Green Thing for a Wonderful World

Shinhan Financial Group has chosen and is implementing the transition to a low-carbon economy as one of its top-priority tasks. To this end, we participate in various climate-related initiatives and programs, demonstrate global leadership to respond to climate change, and conduct systematized scenario-based carbon emissions analyses to detail the path of green finance that Shinhan should take.

Going forward, we will further ramp up speed in executing green finance under the slogan of "Do the Green Thing".

We will establish and run management processes and detailed execution strategies to achieve reduction goals for Shinhan's internal emissions and financed emissions.

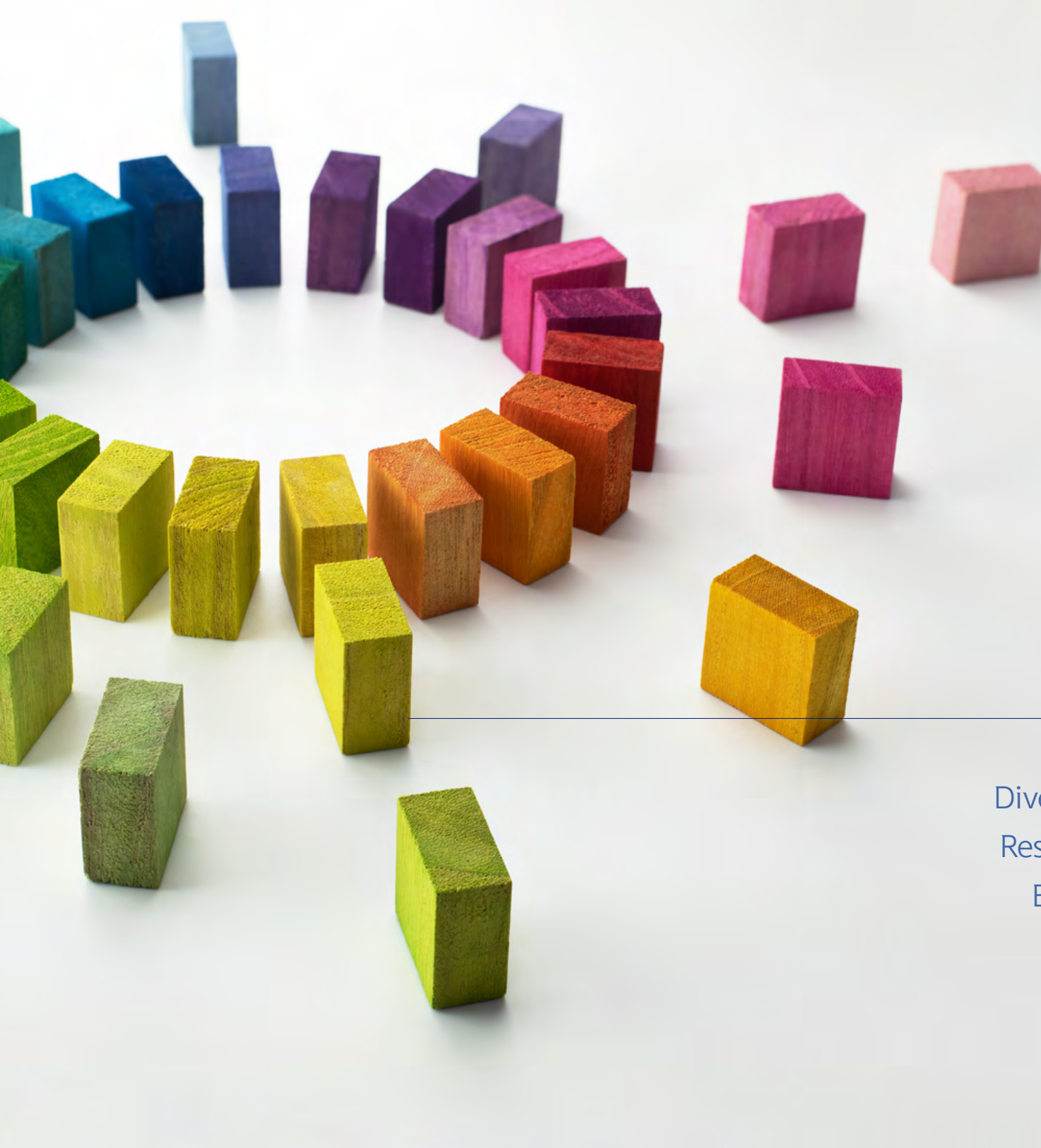
We will continually update climate change-related data and analysis models to provide more reliable information to all stakeholders and become an industry-leading benchmark model.

We will conduct a detailed analysis every year of figures that result from change and Shinhan's financial impact and transparently disclose the information.

We will encourage changes that can more clearly integrate climate-related risks and opportunities in the Group's business strategies such as development of financial products that are connected to environmental evaluation/indexes and expansion of eco-friendly PF investments.

We will transparently disclose climate change information and actively collect various stakeholders' opinions to make full-fledged efforts for cooperation.

Shinhan Financial Group will do more than the disclosed content in this report. In the many journeys that we should take, moving towards the future, we will more realistically perceive the seriousness of the climate issue and focus all our competencies to demonstrate strong global leadership and perform key roles in green finance.



DIVERSITY REPORT

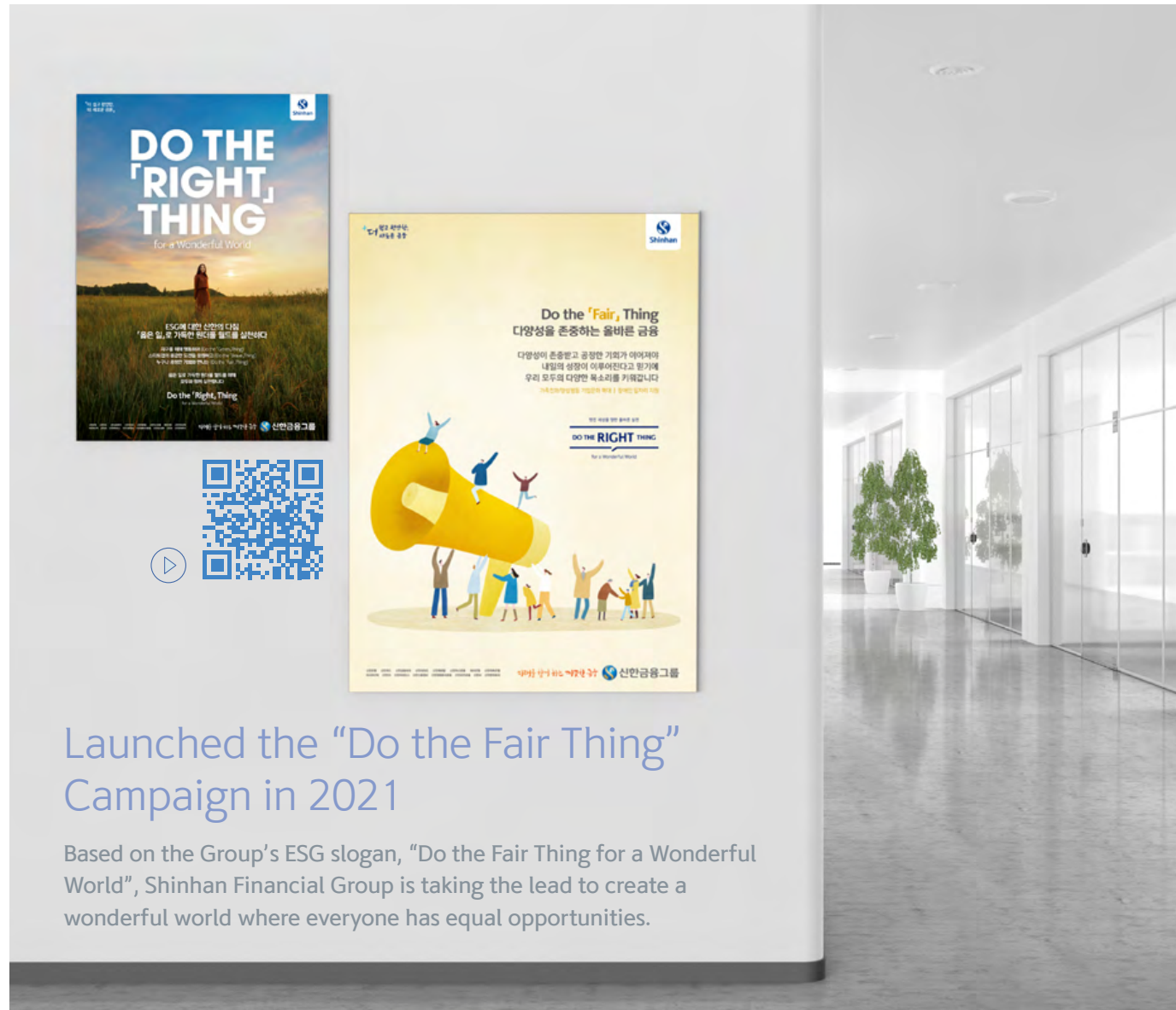
Diversity at Shinhan Financial Group 85
Respect for Organizational Diversity 88
Establishing a Culture of Diversity 89

Diversity at Shinhan Financial Group

Importance of Diversity in the Workplace

The concept of diversity and inclusion has more significance than a socially right value. Guaranteeing diversity by responding to increased economic activities of women and a rise in employees with different backgrounds and values is now regarded as a main evaluation index that indicates corporate competitiveness. By managing diversity in the organization, a company can prevent conflicts among employees and derive innovativeness and synergies from various experiences, values, and behaviors of individuals.

Shinhan Financial Group recognizes diversity as a critical part of corporate strategy, and is strengthening relevant principles, policies, and activities. To transparently share these activities and outcomes with stakeholders, we disclosed our first Diversity Report in 2021 and the second one this year. We will continue to make efforts to enhance the value of diversity and inclusion and share them with stakeholders.



Launched the “Do the Fair Thing” Campaign in 2021

Based on the Group’s ESG slogan, “Do the Fair Thing for a Wonderful World”, Shinhan Financial Group is taking the lead to create a wonderful world where everyone has equal opportunities.

Principle of Diversity and Inclusion

Shinhan Financial Group perceives diversity as a new opportunity for the Group's sustainable development. This is why we established the "Shinhan Financial Group's Commitment to Diversity and Inclusion" which specifies five key promises based on a major premise that we do not discriminate in any area. By doing so, we clearly made known our determination to implement diversity and inclusion, and continue our efforts to execute them.

Shinhan Financial Group's Commitment to Diversity and Inclusion

Shinhan Financial Group pursues diversity in people and culture. We cherish and embrace employees, clients, and all the members of society. Diversity and inclusion are key values underpinning Shinhan Financial Group's mission, "Compassionate Finance, Your Companion for the Future".

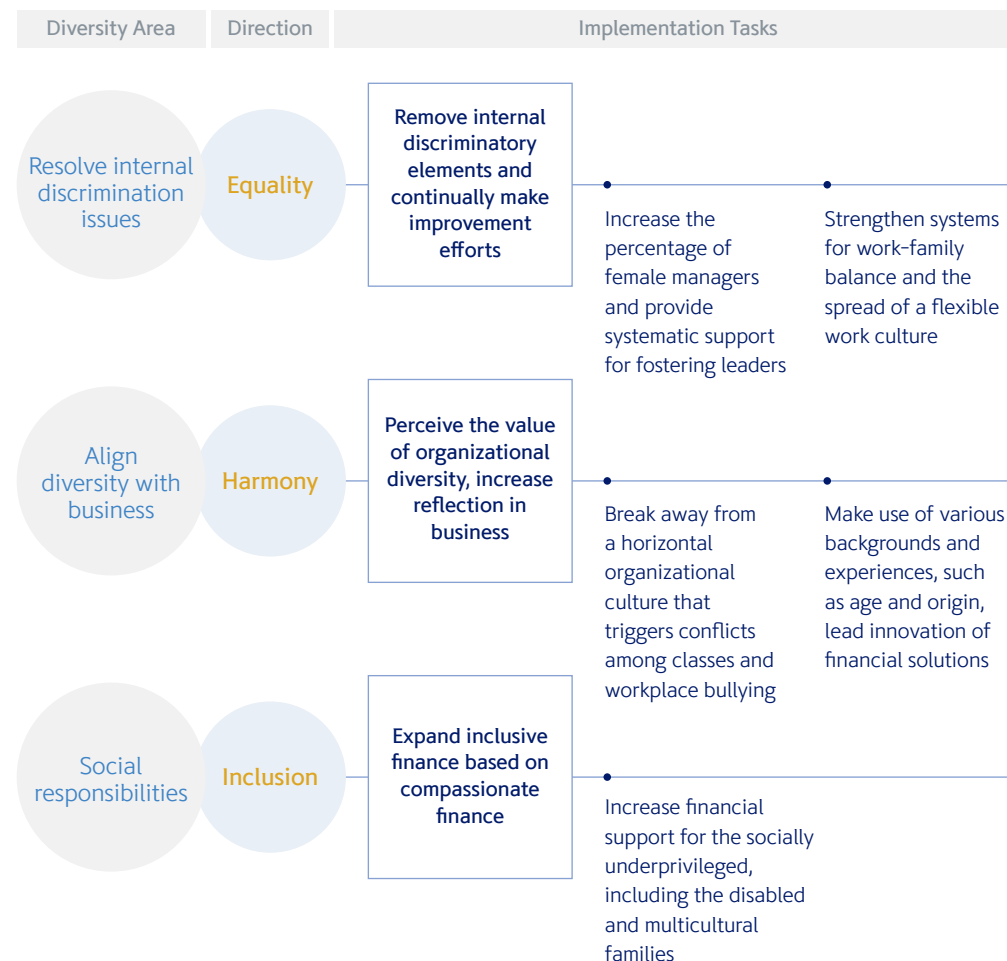
We will not take prejudice or discriminate against any personal characteristics, background, identity, or cultural differences including, but not restricted to, gender, disability, nationality, personal ties, religion, and sexual orientation.

To ensure diversity and inclusion:

- 1 We provide equal opportunities and make fair and transparent evaluations in employee recruitment and personnel management.
- 2 We pursue diversity in board and management. We will primarily establish gender diversity targets, and focus on achieving these targets.
- 3 We create an inclusive culture where all members can work with respect and a sense of belonging.
- 4 We respect the individuality of all our business partners including clients, and treat them equally.
- 5 We embrace the socially vulnerable and actively support them to enrich their hope as members of the society.

Analysis of the Diversity Status and Implementation Directions

Shinhan Financial Group analyzed the status of diversity based on which it identified the need for goals and policies to prevent discrimination, promote human resources diversity and an organizational culture that supports this, and foster female leaders. We set resolution of internal discrimination for improvements to internal fundamentals, business connection of diversity, and social responsibilities for customers and local communities as three implementation directions of our diversity strategy, and also identified and are executing implementation tasks.



3 Key Tasks



Fostering Female Leaders

We chose the issue of “fostering female leaders” as our implementation task with top priority, and established mid-to long-term goals and roadmap.

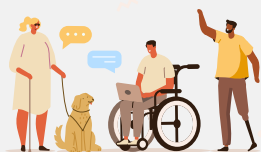
Implementation Direction

Increase female management and department heads

- Establish a mid- to long-term goal on the percentage of female managers
- Increase the number of female management and department heads, improve the percentage of female managers

Strengthen execution capabilities with regards to fostering female leaders

- Strengthen female leader-fostering policy execution capabilities through management leader-fostering interviews and subsidiary management leader-fostering evaluations (CEO evaluations)



Supporting the Disabled

We provide support to the disabled with a focus on job/education programs from the perspective of reducing inequality and improving universal access, and strive to improve treatment and to establish a foundation for financial independence of the disabled.

Increase employment opportunities

- Identify duties that are performed by the disabled and create jobs
- Expand vocational training/field experience opportunities

Foster social enterprises

- Increase trade with standard workplaces for the disabled and hire employees in partnership with them
- Foster social enterprises and support their strengthening of competitiveness

Expand financial services

- Expand financial consulting that is dedicated to the disabled
- Prevent and protect the disabled from financial fraud



Supporting Multiculturalism

We provide focused support for stable settlement of foreign workers and multicultural families, thereby promoting harmony of the local community and co-existence of different cultures.

Support social inclusion

- Improve social skills through language learning and increased cultural understanding
- Support the facilitation of local community exchange

Expand financial services

- Expand specialized services aimed at removing the financial gap of foreign workers and improving accessibility
- Improve and expand financial services for industrial trainees

Support underdeveloped countries

- In connection with countries and businesses into which SFG has globally advanced, provide employment education and jobs
- Investment and support programs for infrastructure expansion

Generating the Value of Diversity

Became the first in Korea in 2022 to be included in the Bloomberg Gender Equality Index (GEI) for four consecutive years

Entered into a gender balance inclusive growth partnership with the Ministry of Gender Equality and Family in 2019

Chosen as a family-friendly certified company by the Ministry of Gender Equality and Family (Shinhan Bank, Shinhan Asset Management, Jeju Bank, Shinhan Credit Information, Shinhan Capital)

Respect for Organizational Diversity

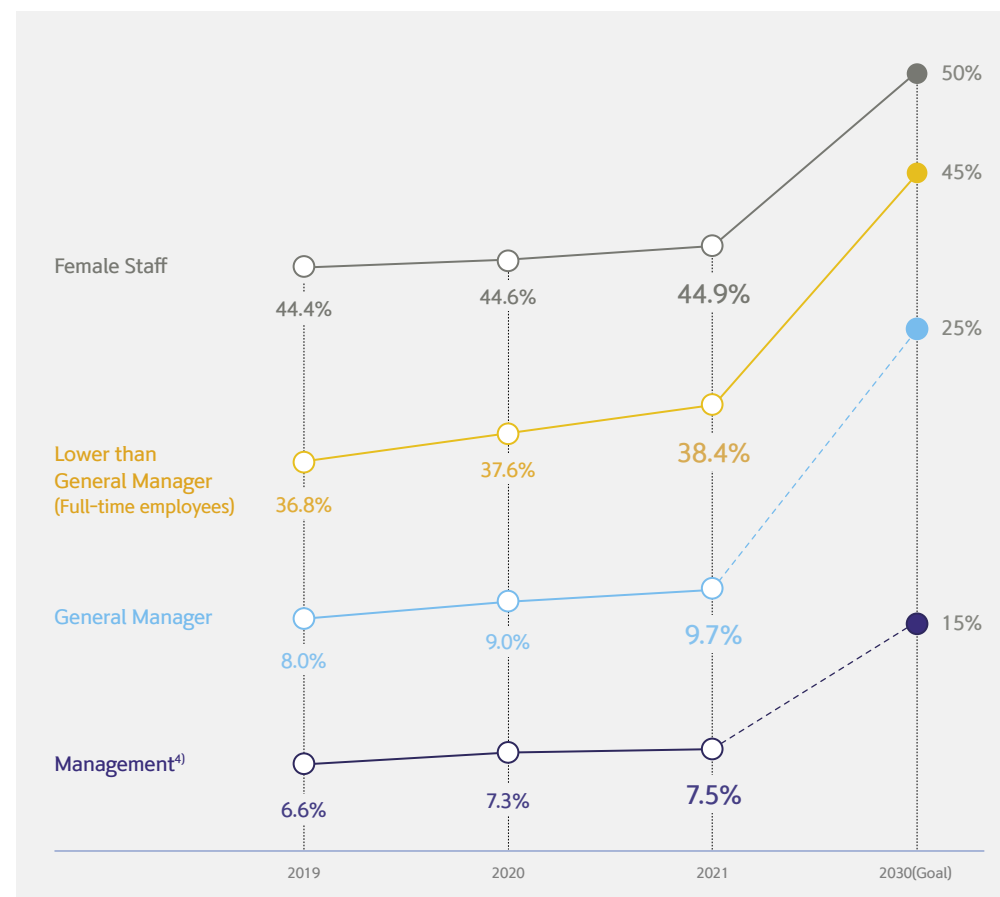
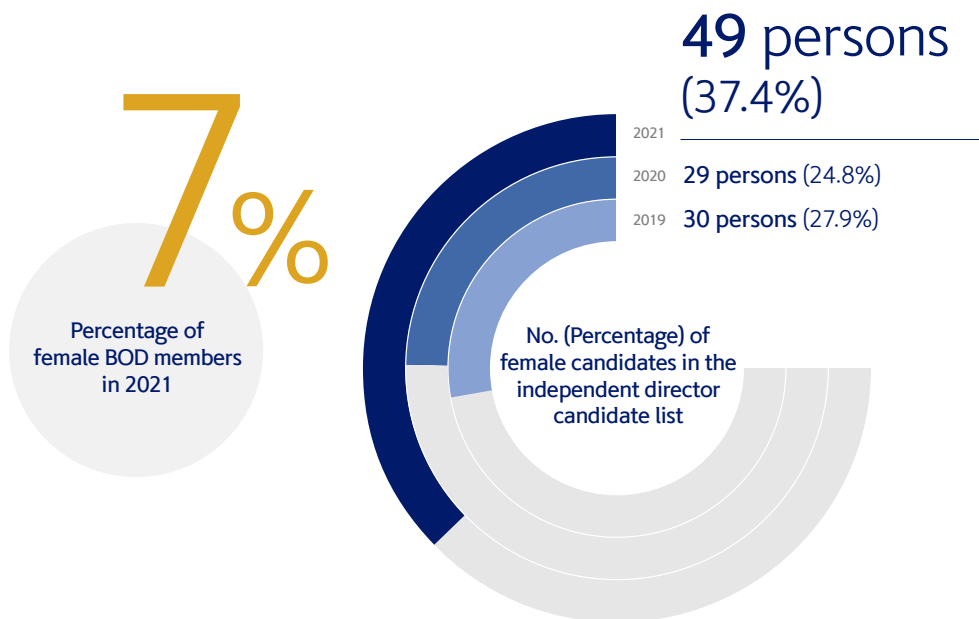
BOD Diversity

Shinhan Financial Group stipulated the 'diversity principle' of BOD composition in the Internal Code of Corporate Governance to realize governance diversity and expertise. As of the end of December 2021, 14 BOD members are experts in a total seven major professional fields, including management, finance, and global, and contribute to stable growth of Shinhan Financial Group.

In addition, we observe the "Board Diversity Guidelines" that specifies that we arrange a long list of candidates for independent directors with varying experience and perspectives in terms of ethnicity, gender, age, experience, and background. We clarified standards so that we maintain a minimum 20% for female candidates in the long list, pursue the BOD's gender diversity by including one female independent director, and have the BOD consist of independent directors who are diverse in their nationality and countries where they worked in, resulting in the successful execution of management from a global perspective.

Expanding Women's Roles in the Organization

Shinhan Financial Group is raising the percentage of female employees¹⁾ through a continuous female talent-fostering policy. We pursue an even (50%) employee gender ratio of all departments (profit-generating departments²⁾, STEM³⁾, departments, supporting departments, etc.) to build a creative organizational culture and ensure efficient department operations.



¹⁾ Based on seven Group subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital, Shinhan Asset Management, Jeju Bank)

²⁾ Branches, etc.

³⁾ Science, Technology, Engineering, Math

⁴⁾ Executives and Division Heads

Establishing a Culture of Diversity

Strengthening the Nurturing of Female Leaders

Shinhan Financial Group became the first in the financial industry to launch “Shinhan SHeroes”, a program to nurture female leaders, and chose 187 (cumulative figure) department head and higher position employees and provided with support for strengthening leader capabilities, including mentoring and academic instruction. A male mentor participated in the fourth group of SHeroes in 2021 to provide support for enhancing leadership capabilities that is not confined to gender. We also improved training quality by building a mobile platform learning environment.

The Group distributes female talent training principles (R.O.S.E) and training guidelines, supports the operation of customized programs for each Group subsidiary, and examines training activities and outcomes every year. We also operate diverse programs based on a mid-term training roadmap of each Group subsidiary for strategic training of female talent.



Selected 27 persons for the 1st group, 49 for the 2nd group, 67 for the 3rd group, and 44 for the 4th group

187
persons
(Accumulated figure)

Systems to nurture female leaders

Female talent-training program by position, leadership training, CEO coaching, and meeting with executives

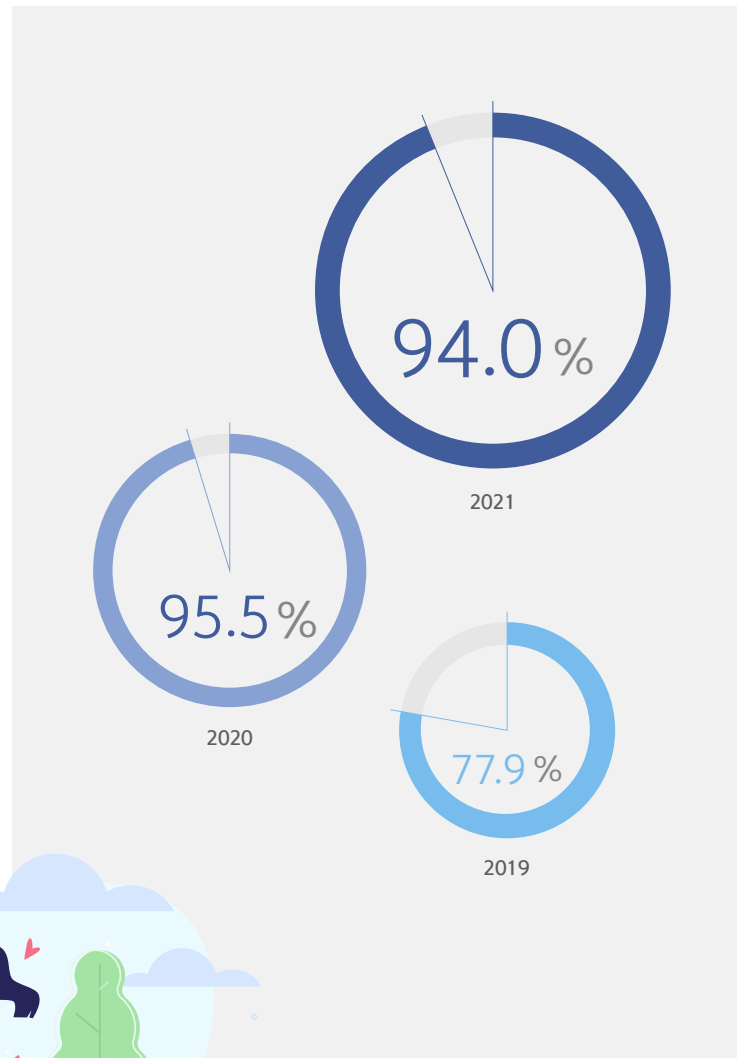
Specialized programs of each Group subsidiary for prospective female leaders, including Shinhan SHeroes Blue (Bank), S-Diva (Card), S-Wing (Life), and Sai-Salon (Aitas)

Corporate Culture that Promotes Work-family Balance

Shinhan Financial Group is taking the lead in establishing a family-friendly culture for work-family balance of employees. We are fully establishing a flexible work culture through the implementation of the flexible and smart working hours system (telecommuting/flexible hours for coming to and leaving work) of all Group subsidiaries. We also encourage employees to use a five-consecutive-day leave and paternity leave, while running six daycare centers in Seoul and the metropolitan area as part of efforts to reduce employees' childcare burden. As of 2021, the 12-month retention rate after using parental leave is 94.0%.



Retention Rate After Using Parental Leave¹⁾



¹⁾ Data was updated to reflect OrangerLife's incorporation into the Group in 2019

Maternity Protection and Family-friendly Systems

Support for maternity protection

Reduced work hours during pregnancy, fertility leave, prenatal diagnosis leave, infertility leave, maternity leave, miscarriage leave, and parental leave

Digital badge for expecting mothers

Introduced a digital mother-to-be sign for pregnant employees working at a branch, thereby protecting them and encouraging customers and employees to show mutual consideration and respect (Shinhan Bank)



Establishment of a family-friendly culture

Building a family-friendly corporate culture through family-care leave, system of reduced work hours for employees with an infant, system of coming to work at 10am for employees with a child in elementary school, flexible working hours system, smart telecommuting system²⁾, etc.

²⁾ Including telecommuting and flexible hours for coming to and leaving work. This system was first adopted by Shinhan Bank and is now implemented at all Group subsidiaries.

Facilitating Support Programs for the Disabled

Shinhan Financial Group is striving to lower the financial threshold of the disabled through financial education. We run the “Hope School Software Class”, a software education program for special school students, and support an independent financial life of the disabled through a customized financial education program that has identified the characteristics of children with developmental disorders.

In addition to providing jobs to the hearing-impaired through Café S with, a social cooperative, we reinvest earnings from Shinhan employees’ kind spending to offer the hearing-impaired with barista education and job support. In November 2021, the third Café S with was opened at Shinhan Financial Group’s 100th Anniversary Center, thus spreading its warm-hearted influence. In addition, Shinhan Financial Group is investing in social enterprise funds, purchasing goods from workplaces for the disabled, and making other such efforts to create practical employment opportunities for the disabled and help them maintain employment.



Major Programs to Support the Disabled

Classification	Major Programs
Improve financial accessibility	<p>Run exclusive channels for the disabled Set disabled person-friendly branches and dedicated employees in place Call center exclusively for the disabled (Digital ARS sign language counseling) Electronic complaint receipt system and convenience service</p> <p>Improve convenience for the disabled Counseling booking for the disabled and service that provides transportation support Text-to-speech barcodes for product provisions and booklets Have braille product provisions and braille blocks available</p>
Provide education	<p>Intern training and employment/business startup education for the disabled “S2 Bridge : Youth” “City Center Work School” Vocational training in connection with the Career Development Center for Career Interrupted Women</p> <p>Financial and software education Financial Education Center program for persons with developmental disabilities “Hope School Software Class” for students/parents of special schools</p> <p>Produce braille books for the visually impaired</p>



Classification	Major Programs
Create jobs	<p>Provide jobs to the disabled and sponsor their employment Hire the hearing-impaired for “Café S with” Offer sponsorship for GoodWill Store employment by using SRI fund fees</p> <p>Special recruiting for the disabled and veterans</p>
Infrastructure support	<p>Provide management support software Social enterprises, standard workplaces for the disabled, etc.</p> <p>Support for disabled artists Shinhan Gallery exhibitions, recital performances, etc.</p>
Support for social enterprises	<p>Purchase goods and use services</p> <p>Support workplaces for the disabled Purchase goods and services from manufacturers that have severely disabled employees and disabled artists</p> <p>Run employee programs in connection with social enterprises</p> <p>Emergency COVID-19 support Daily necessity package for the disabled, etc.</p> <p>Financial support</p> <p>Invest in social enterprise funds (No. 1 & 2, a total of 17 enterprises)</p> <p>Provide loan support to social enterprises Preferential interest rate for the products for Social Enterprises Do Dream Loan</p> <p>Foster social enterprises</p> <p>Foster social enterprises and town companies in connection with the Ministry of Land, Infrastructure and Transport Cheongsujeong in Suncheon / Saebat in Busan / Chimsan Town in Sejong</p>

Strengthening Support for Multiculturalism

To help foreign workers and multicultural families achieve harmony and co-exist with local communities, Shinhan Financial Group helps the underprivileged overseas and provides overseas employment/startup support, with central roles performed by the Shinhan Financial Hope Foundation. We run a program that improves financial accessibility of foreign workers and also a social inclusion program for children from multicultural families.

Shinhan Bank ran a special recruitment program to create social value

Shinhan Bank hired the disabled, veterans, and persons from multicultural families for regular positions in the areas of corporate finance, wealth management (WM), and ICT in the second half of 2021 as a way to create social value. By doing so, we realized corporate social value and secured employee diversity.



Programs to Support Multiculturalism

Classification	Major Projects
Support the underprivileged overseas	Support children in poverty in cities in underdeveloped countries Sponsor children in poverty in the Philippines, Tanzania, and other countries and provide online education support
	Overseas scholarship programs and fostering of future talent Provide scholarships and stable learning opportunities in connection with subsidiaries in eight Asian countries ¹⁾
Support overseas employment/startups	Provide overseas employment education and lead it to employment Operate the "Global Young Challenger" program Provide domestic and overseas training and overseas job matching to young talent who want a job overseas
	Discover and foster overseas startups Launched "Shinhan Future's Lab Vietnam/Indonesia", selecting and investing in local startups Provide office space and support for marketing, equity investment, joint business, etc.
Improve financial accessibility	Improve financial accessibility of foreign workers and offer specialized services Operate specialized branches for foreign workers and provide support to handle financial affairs on days off through the "Sunday FX Center" Run an account-opening business for industrial trainees who received an employment permit in connection with the Human Resources Development Service of Korea Provide a mobile platform dedicated to foreigners (SOL Global) and an exclusive counseling service
	Provide children from multicultural families with opportunities to experience cultures and conduct exchange
Support social inclusion	Opened the "Areumin Library", an eco-friendly book environment, in partnership with the Multicultural Family Support Center Provide smart device and online learning support to children from multicultural families and offer sponsorship for improving and repairing learning center facilities

¹⁾ China, Vietnam, Cambodia, Indonesia, Myanmar, India, Kazakhstan, Uzbekistanis now implemented at all Group subsidiaries.



Future Directions for Diversity

Recent increases in global exchange and diversification of the population structure have led to global recognition of the diversity issue and increased importance of diversity as a major investment criterion. For this reason, Shinhan Financial Group has chosen employees' nationality diversity and overseas localization ratio as new monitoring indexes. Shinhan currently has a presence in 20 countries with employees from 24 nationalities. Of these, employees with foreign nationality account for 90% and managers account for 77% of the total.

Going forward, Shinhan Financial Group will go beyond the previous gender equality-centered diversity index management to actively monitor and manage diversity issues regarding ethnicity and multiculturalism.

Nationality	No. of Employees	No. of Managers ¹⁾	Nationality	No. of Employees	No. of Managers ¹⁾
Vietnam	2,776	442	Hong Kong	21	7
Indonesia	934	261	Singapore	9	4
China	470	172	Germany	7	7
Cambodia	387	84	U.K.	4	3
Myanmar	316	25	Australia	4	4
India	312	68	Russia	3	3
Japan	183	75	Malaysia	2	1
U.S.	140	92	Kenya	1	1
Kazakhstan	130	34	Taiwan	1	1
Mexico	43	24	Poland	1	1
Canada	41	17	New Zealand	1	1
Philippines	22	3	Hungary	1	-
Total	5,809	1,330			

* Based on overseas subsidiaries and business sites of the Shihan Bank, Shihan Card, Shihan Investment, Shihan Life Insurance, Shihan Asset Management, and Shihan DS

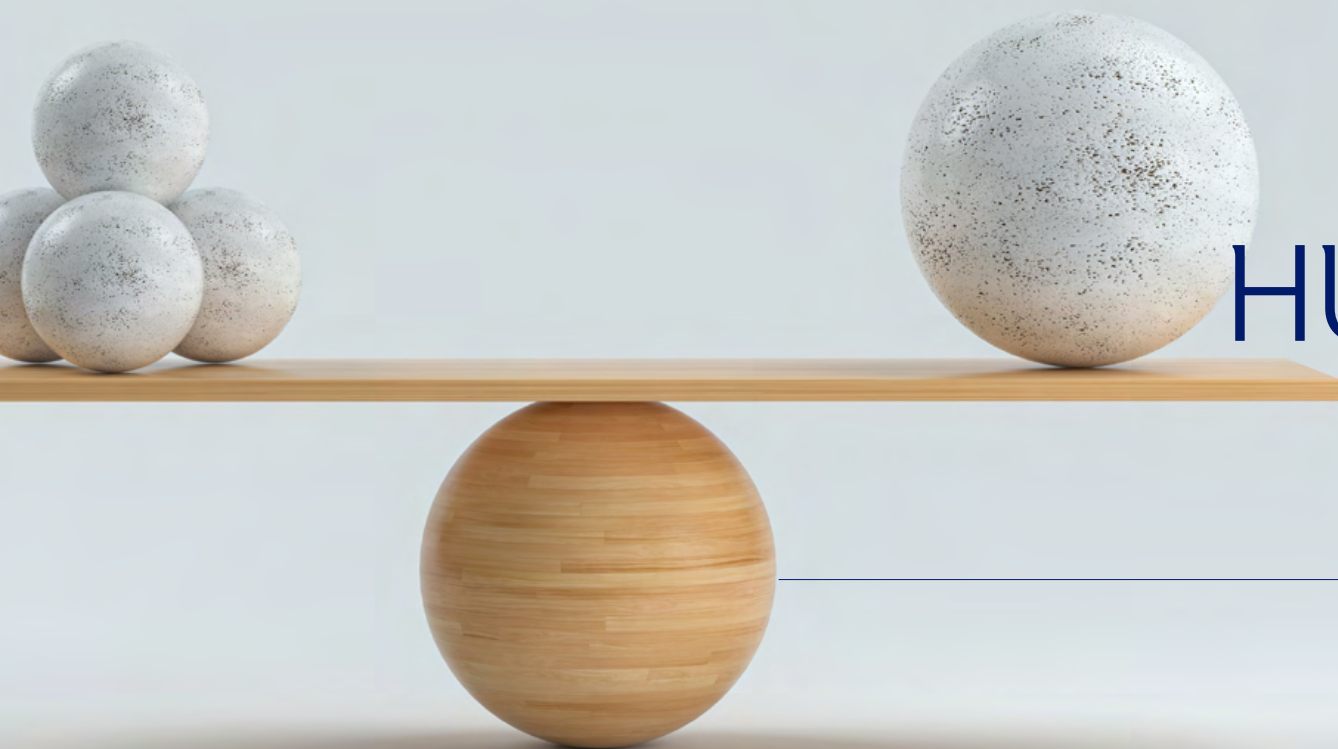
¹⁾ Managers and higher positions

Country	No. of Employees	No. of Locally-hired Employees	Employees with Korean Nationality	Employees with Foreign Nationality (Percentage)	No. of Managers ¹⁾ (Percentage)
Japan	323	300	117	183 (56.7%)	75 (54.7%)
China ²⁾	560	508	25	483 (86.3%)	178 (72.4%)
Vietnam	2,861	2,810	34	2,776 (97.0%)	442 (87.2%)
U.S.	287	262	114	148 (51.6%)	96 (51.6%)
India	333	311	1	310 (93.1%)	67 (75.3%)
Indonesia	951	937	3	934 (98.2%)	261 (94.6%)
Canada	98	94	49	45 (45.9%)	17 (48.6%)
Germany	24	20	14	6 (25.0%)	6 (46.2%)
Cambodia	399	390	3	387 (97.0%)	84 (88.4%)
Kazakhstan	140	134	1	133 (95.0%)	37 (84.1%)
Mexico	47	43	-	43 (91.5%)	24 (85.7%)
London	34	26	20	6 (17.6%)	5 (29.4%)
Singapore	24	18	8	10 (41.7%)	4 (36.4%)
Manila	27	24	4	20 (74.1%)	3 (37.5%)
Dubai	11	8	4	4 (36.4%)	2 (40.0%)
Sydney	13	9	5	4 (30.8%)	4 (50.0%)
Yangon	321	317	1	316 (98.4%)	25 (86.2%)
Hungary	2	1	-	1 (50.0%)	-
Uzbekistan	-	-	-	-	-
Poland	-	-	-	-	-
Total	6,455	6,212	403	5,809 (90.0%)	1,330 (76.7%)

* Based on overseas subsidiaries and business sites of the Shihan Bank, Shihan Card, Shihan Investment, Shihan Life Insurance, Shihan Asset Management, and Shihan DS

¹⁾ Managers and higher positions

²⁾ Including Hong Kong



HUMAN RIGHTS REPORT

Shinhan's Human Rights Management	95
Shinhan's Human Rights Policy	96
Human Rights Respect Governance	97
Key Human Rights Issues	98
Protecting and Enhancing Human Rights	101

Shinhan's Human Rights Management

Importance of Human Rights Management

In modern society, there is emphasis on the roles and responsibilities of companies as main agents that resolve diverse issues of overall society, going beyond traditional pursuit of profits. In the new normal era that was triggered by the COVID-19 pandemic, human rights issues are especially gaining greater importance as they become interconnected with major changes, including information gap, personal information violation, and climate crisis (food, refugees, jobs, etc.).

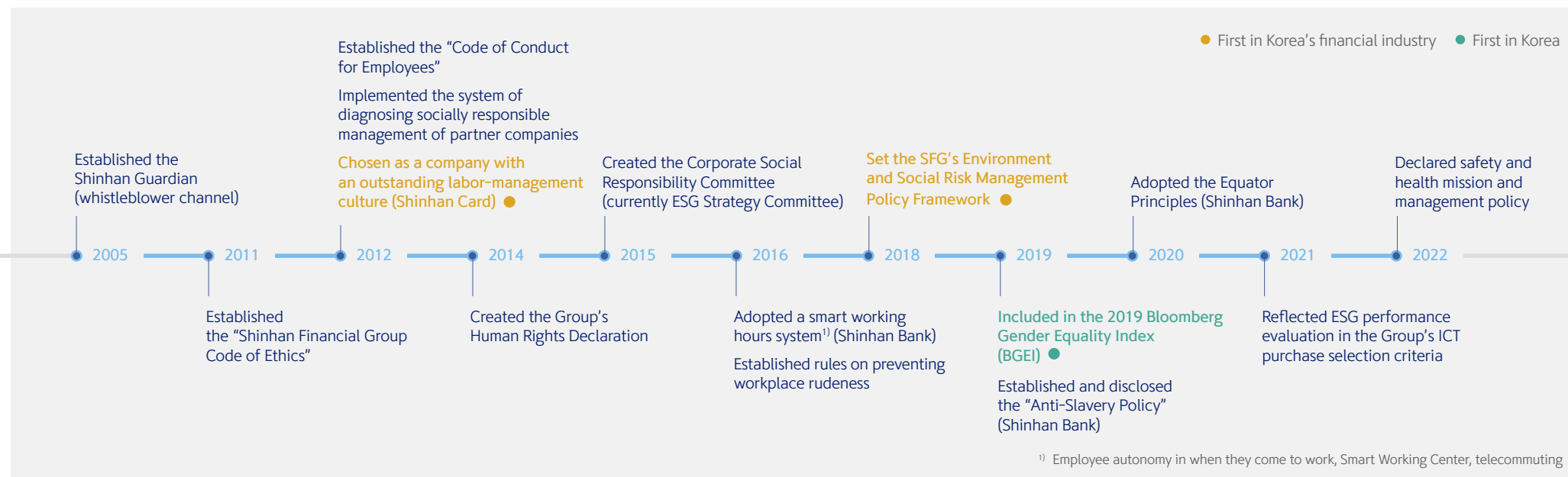
Information transparency, further strengthened in line with the Fourth Industrial Revolution, formed a social consensus that companies need to satisfy extensive stakeholders and that only kindhearted companies can continually grow. At the very center is respect for human rights of all stakeholders which is an essential element for sustainable corporate growth and an unavoidable task that needs to be completed for survival in the market and enhancement of international competitiveness.

Purpose and Significance of the Report

Shinhan Financial Group set its mission as "Compassionate Finance, Your Companion for the Future", meaning to "build a better world through finance". Based on the mission, we aim to achieve continued growth with all of our stakeholders while maintaining win-win partnership with them by creating customer value, Shinhan value, and social value.

Our first Human Rights Report was created based on the "UN Guiding Principle Reporting Framework", and includes Shinhan's human rights policies, human rights issues per stakeholder, and major activities related to human rights. With the publication of the Human Rights Report, Shinhan Financial Group will further take the lead in human rights-friendly management and make utmost efforts to prevent human rights-violating factors that may arise in all areas.

Human Rights Management Milestone



Shinhan's Human Rights Policy

Shinhan Financial Group announced the Declaration of Human Rights in 2014 and declared that it supports and will make full-fledged efforts to observe the basic principles for the protection of and respect for human rights that are presented in the UN Commission on Human Rights' Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights.

In addition, we established the "Shinhan Financial Group Code of Ethics" in 2011 and "Code of Conduct for Suppliers" in 2012 that embody the philosophy of respecting the basic rights and human rights of all stakeholders, including our employees, customers, and partner companies, with the goal of practicing respect for human rights at the company-wide level. We disclose our human rights policy on the Shinhan Financial Group website, through which we actively keep our promise to respect human rights to prevent human rights violations in all areas.

[Declaration of Human Rights](#) 

[Human Rights Principles to Protect Stakeholder Interests](#) 



Policy on Modern Slavery (Shinhan Bank)

Shinhan Bank has been making company-wide efforts to prevent human rights violations at its business sites, supply chain, and others, based on Shinhan Financial Group's human rights policy. To comply with the Modern Slavery Act of Australia that was officially announced in 2018, the Sydney Branch of Shinhan Bank established a policy on modern slavery and submits a statement to a government organization, thus expressing its determination to comply with social responsibilities. Accordingly, it is building an effective system to prevent modern slavery-related crime against relevant stakeholders, and is making efforts to identify and address potential risk areas at the supply chain level through a monitoring program, Shinhan Guardians program, and training.

[Modern Slavery Act Statement | Shinhan Bank](#) 

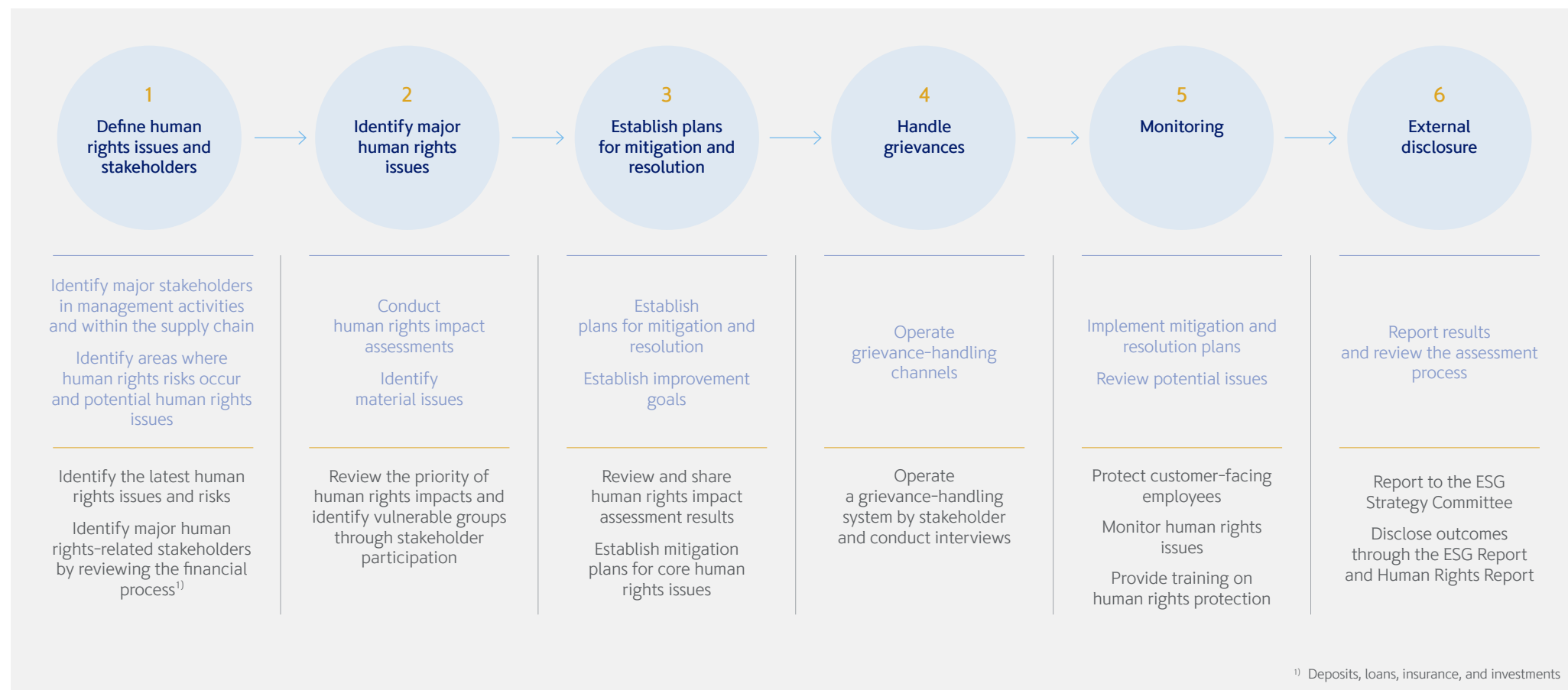
Human Rights Respect Governance

Human Rights Risk Management

To identify and manage human rights risks in advance, Shinhan Financial Group collects opinions of major stakeholders and internally conducts human rights impact assessments. We continually inspect and diagnose the area of human rights through each Group subsidiary's internal ethics and compliance self-inspection program, and conducted a "code of conduct self-diagnosis survey" to 39 partner companies in 2021.

Going forward, we plan to continue to advance human rights impact assessments based on relevant guidelines in Korea and abroad, through which we will engage in more effective monitoring of human rights risks and prior/follow-up measures.

Human Rights Risk Management Process



¹⁾ Deposits, loans, insurance, and investments

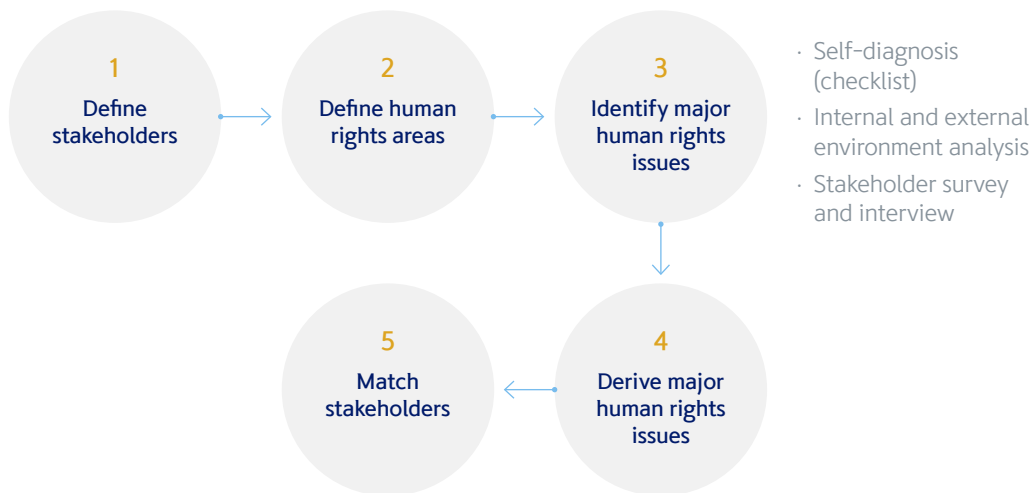
Key Human Rights Issues

Defining Human Rights Issues

Shinhan Financial Group chose three key human rights areas by conducting an internal self-diagnosis in addition to internal and external environment analysis by applying the 11 areas that are presented in the “2021 Business and Human Rights Guidelines”. We also chose customer, employee, partner company, and local community as major stakeholders and derived major human rights issues.

Definition of Human Rights by Area and Related Activities			
Area	Main Details	Activities	Key Stakeholders
Establishment of a human rights system	Reliability and effectiveness of a company and human rights system	Created the Declaration of Human Rights, Code of Ethics, and Code of Conduct	Customer, employee, local community, partner company
Non-discrimination in employment	Discrimination based on race, religion, disability, gender, place of birth, employment position, etc.	Established the “Best Standards for Employment Process in the Banking Sector” in June 2018 and internalized the Standards · Apply the best standards for employment process that was supervised by the Korea Federation of Banks and participated by commercial banks and supervisory authorities	Employee
Freedom of association and collective bargaining	Guarantee of freedom in labor union formation and activities	Emotional worker protection system	Employee
Prohibition of forced labor	Prohibition of labor in oppressive form	Modern slavery prevention system	Employee, partner company
Prohibition of child labor	Prohibition of child employment	Response to the Serious Disaster Punishment Act	Employee, partner company
Guarantee of industrial safety	Implementation of measures that guarantee health and safety at work	Prevention of workplace bullying	Employee, partner company
Prohibition of workplace bullying	Acts that prevent bullying, such as coercive work orders, harsh discipline, and verbal abuse	Socially responsible management diagnosis	Employee, partner company
Responsible supply chain management	Efforts to maintain business relations in which human rights violations do not occur	Code of conduct of partner companies SFG’s Environment and Social Risk Management Policy	Partner company
Protection of human rights of local residents	Protection of human rights of residents in areas where overseas branches are located	Framework (environmental and social review, areas of interest management) Adopted the Equator Principles	Local community
Guarantee of environmental rights	Efforts to prevent environmental pollution and global warming	Declared and implement the Zero Carbon Drive, a carbon neutrality strategy	Employee, customer, partner company, local community
Protection of customers’ human rights	Guarantee of product safety and protection of customers’ diverse rights and interests	Shinhan Bank published a manual on handling customers who need social consideration ‘Easy Finance for All, - Offer information to properly handle senior, foreign, and disabled customers Put the financial product ESG checklist in place - Check product-related laws, financial consumer protection, affiliated companies, and environmental issues when products are launched and/or developed	Customer

Process for Deriving Human Rights Issues



Hman Rights Risk Categorization Criteria

To manage potential human rights risks, Shinhan Financial Group established risk level evaluation criteria and is managing human rights risks. We make a categorization into a total 25 risk levels in consideration of possibility of occurrence (five grades) and seriousness of outcome (five grades). We are appropriately managing and alleviating the relevant human rights risks.

Focus Issue

In 2021, matters of safety, customer protection, and the environment became key topics of discussion in accordance with the enactment or enforcement of laws that can have a significant impact on companies and human rights issues, such as the Serious Disaster Punishment Act, Financial Consumer Protection Act, and Framework Act on Carbon Neutrality. In response, Shinhan Financial Group strives to manage three areas with priority and makes continued efforts to prevent negative human rights impact.



Guarantee of industrial safety

Key issue	Strengthened responsibilities of companies to secure health and safety aligned with the Serious Disaster Punishment Act	
Stakeholder	Employee, partner company	
Main details	Serious Disaster Punishment Act (Enacted: January 26, 2021 / Enforced: January 27, 2022) Business owners, chief executive officers, corporations, etc. are punished in the event of serious industrial disasters and serious citizen accidents to prevent serious disasters and accidents	
	Business owners and chief executive officers In case of casualty: Imprisonment with labor for not less than one year or fine not exceeding KRW 1 billion In case of injury and illness: Imprisonment with labor for not more than 7 years or fine not exceeding KRW 100 million	Corporations or organizations that violated their obligation to secure health and safety In case of casualty: Fine not exceeding KRW 5 billion In case of injury and illness: Fine not exceeding KRW 1 billion
Response activities	<ul style="list-style-type: none"> · Made public announcement on our health and safety mission; and set management policy · Created risk assessment guidelines and manual (planning to conduct the initial assessment by June 2022) · Created a manual on responding to serious disasters · Compiled and executed a budget on health and safety · Collecting employee opinions through a half-yearly survey · Created an evaluation criteria and process manual to secure supplier safety and health · Reviewing work permits and checklists 	

Protection of customers' human rights



Key issue	Strengthened responsibilities to protect financial consumers and to implement ex-post damage relief aligned with the Financial Consumer Protection Act
Stakeholder	Customer
Main details	<p>Financial Consumer Protection Act (Enacted: March 24, 2020 / Enforced: March 25, 2021)</p> <p>There was increased social demand for strengthened protection of financial consumers due to large-scale incomplete sale incidents in Korea and abroad, leading to the integration into a single law of sales regulations, consumer rights, and sanctions specified in individual financial business laws, such as insurance and banking</p> <ul style="list-style-type: none"> When financial companies sell financial products, they comply with six major sales principles¹⁾ If a financial company violates the sales principles stipulated in the law, it is possible to demand contract termination Financial consumers can withdraw a contract within a certain period after subscribing to a product In the event of a dispute from a financial transaction, a request can be made for dispute mediation to the Financial Supervisory Service
Response activities	<ul style="list-style-type: none"> Chose as a 2022 strategic task: Preemptive risk management Established/implemented internal control standards on financial consumer protection, financial consumer protection standards <ul style="list-style-type: none"> 11 Group subsidiaries subject to the Financial Consumer Protection Act Provided training on the Financial Consumer Protection Act <ul style="list-style-type: none"> The holding company provided training to 11 Group subsidiaries as a common training course Individual training was provided internally at Shinhan Bank, Shinhan Investment, Shinhan Card, Shinhan Life Insurance, Shinhan Savings Bank, Asia Trust, etc. Operating a system of counselors exclusively in charge of the Financial Consumer Protection Act (Shinhan Card) Operating the "Financial Consumer Protection Officer" to strengthen consumer protection activities at business sites (Shinhan Bank) Operating the customer jury on consumer protection (Shinhan Life Insurance) Offering "visiting customer services" for customers who find it difficult to use digital, non-face-to-face channels, and customer plaza (Shinhan Life Insurance)

Guarantee of environmental rights



Key issue	Increased need to build an eco-friendly financial environment aligned with the Framework Act on Carbon Neutrality which established a legal foundation for taking national-level climate crisis measures and achieving carbon neutrality by 2050
Stakeholder	Employee, customer, partner company, local community
Main details	<p>Framework Act on Carbon Neutrality (Enacted: September 24, 2021 / Enforced: March 25, 2022)</p> <p>Legislated the 2050 carbon neutrality vision and implementation system</p> <ul style="list-style-type: none"> Set a mid- to long-term national greenhouse gas reduction goal Implement GHG reduction policies, such as climate change impact assessments Set up a climate response fund
Response activities	<ul style="list-style-type: none"> Moving forward with carbon emissions reduction and offsetting by setting the Zero Carbon Drive 2050 goal Established a goal on reducing carbon emissions of the Group asset portfolio²⁾ (2019 as a base year) <ul style="list-style-type: none"> Established a net-zero goal by 2050 based on the 2°C scenario that applied SBTi sectoral decarbonization approach (SDA) Established the Group's internal carbon emissions reduction goal <ul style="list-style-type: none"> Established a yearly 4.2% reduction goal based on the 1.5°C scenario that applied SBTi's absolute contraction approach Set an Equator Principles³⁾ application and review process in place (Shinhan Bank) <ul style="list-style-type: none"> After joining the Equator Principles, reviewed financial support for a total 36 cases in a year (33 cases of project finance, 3 cases of financial advisory service) (September 2020-August 2021) Published the Equator Principles Implementation Report

¹⁾ Principle of suitability, obligation to explain, prohibition of unfair solicitation, principle of appropriateness, prohibition of unfair business activities, prohibition of false/exaggerative advertisements

²⁾ Constitution of companies to which funds were injected by such means as an investment or loan by a financial company

³⁾ Framework to identify and manage environmental and social risks, such as serious environmental pollution, ecosystem damage, and human rights violation, that can be caused by large-scale planned projects



Protecting and Enhancing Human Rights



Employees

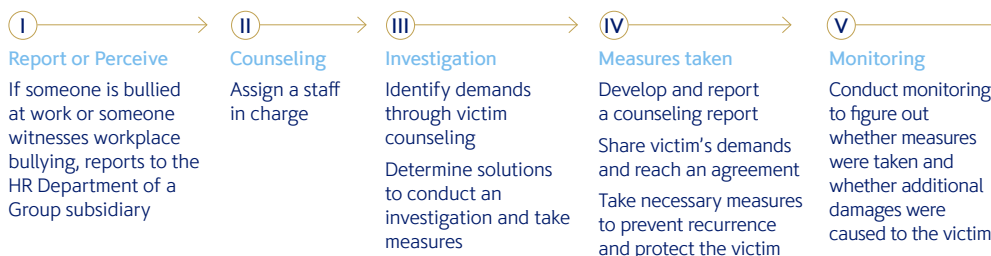
Human rights principles for employees	<ul style="list-style-type: none"> We do not engage in any wrongful discrimination based on educational or regional background, age, gender, ethnicity, religious beliefs, etc. We provide fair opportunity for employee evaluation and compensation according to performance, and fairly provide opportunities for self-development based on capabilities and talent. We continually improve safe, pleasant work environments to enhance employee health.
Stakeholder participation & Human rights impact assessments	<ul style="list-style-type: none"> Shinhan WAY survey <ul style="list-style-type: none"> Subject to all employees who are general managers or in lower positions, and participated by 14,693 persons in 2021 Plan to reorganize it into the Shinhan Culture Survey¹⁾ in 2022, and conduct the survey once every quarter (previously once a year) Receiving employees' human rights-related grievances through Shinhan Guardian Internal suggestions through the Labor-Management Committee and intranet
Measures taken after the impact assessments²⁾	<ul style="list-style-type: none"> Operating the Shinhan Guardian on a regular basis Offering mental health checkup for employees <ul style="list-style-type: none"> Shinhan Bank: Open Counselling Center Shinhan Card: Visiting Employee Assistance Program
Outcomes & Improvements	<ul style="list-style-type: none"> Received human rights-related reports through the Shinhan Guardian: 19 cases (based on the holding company) Held mental health checkups for employees Shinhan Bank: Mental Care Open Counseling Center participated by 13,160 persons
Focus Issue	<ul style="list-style-type: none"> 2 (Guarantee industrial safety, Guarantee environmental rights)



Customers

Human rights principles for customers	<ul style="list-style-type: none"> We do not offer discriminatory financial services to customers based on gender, ethnicity, religious beliefs, political inclination, etc. We do not excessively demand customers to provide information, and take technical/physical measures to protect personal information. We respect customers' genuine demands and expectations, and develop and offer the best products and services that meet the demands and expectations.
Stakeholder participation & Human rights impact assessments	<ul style="list-style-type: none"> Receive customer opinions through VOC on the website Receive customer-related reports through the Shinhan Guardian Customer focus group interview, customer satisfaction survey
Measures taken after the impact assessments	<ul style="list-style-type: none"> Strengthening information protection <ul style="list-style-type: none"> Inspecting the information protection status of the Group subsidiaries and partner companies Security trainings and awareness enhancement activities Reporting the quarterly status of customer information-sharing among the Group subsidiaries and results of examination to the BOD on a quarterly basis Voice phishing prevention activities Maum Matchoom Counter, meaning "matching hearts" Published a manual on handling customers who need social consideration "Easy Finance for All"
Outcomes & Improvements	<ul style="list-style-type: none"> Inspected all outsourced companies (Shinhan Bank) <ul style="list-style-type: none"> If work is outsourced, investigations are conducted on information protection management status of the outsourced companies 797 information security inspections on around 200 outsourced/affiliated companies were conducted (quarterly inspection) Information security training participation rate: 99.67% (Shinhan Bank) Mandatory training of at least 9 hours for employees in charge of ICT duties, 6 hours for employees in charge of general duties, and 3 hours for executives Operated 565 special counters (Shinhan Bank) <ul style="list-style-type: none"> Counseling counter service for senior and disabled customers Launched "Shinhan Easy", a financial education platform in 2022 <ul style="list-style-type: none"> An integrated financial education platform for the Group subsidiaries to effectively deliver financial knowledge across all generations Signed an MOU to prevent voice phishing <ul style="list-style-type: none"> Korean National Police Agency, Korea Road Traffic Authority Established an integrated management system for customers' voice (Shinhan Card)
Focus Issue	<ul style="list-style-type: none"> 2 (Protect customer human rights, Guarantee environmental rights)

SFG's Workplace Bullying Reporting Process



¹⁾ Conduct survey on employee perception towards ESG, including work & life balance and organizational culture, and strengthen human rights-related survey
²⁾ Various policies and programs being implemented by 8 Group subsidiaries

Partner Companies



Human rights principles for partner companies

- We value our partner companies as win-win partners.
- When we choose our partner companies, we do not force them to purchase the Group's products or services.
- We trade fairly from a mutually equal position rather than a superior position.

Stakeholder participation & Human rights impact assessments

- Socially responsible management diagnosis survey on partner companies (Shinhan Bank)
 - Conducted survey to 39 companies (adjusted for such reasons as COVID-19)
- ESG performance evaluation when signing an ICT purchase contract (Shinhan Bank)
- Win-win meetings, business relationship satisfaction survey

Measures taken after the impact assessments

- Operating the emotional worker protection system
 - Grievance handling hotline: Grievance Handling Committee (receiving reports on grievances/held once a quarter), anonymous grievance box on the Intranet
 - Counseling treatment system: Counseling and coaching by Korea Employee Assistance Program Association experts, operation of a healing center program
 - A manual on protecting emotional workers and health management education
- Operating a partner company VOC channel
 - Operating an anonymous grievance box, "Request to Shinhan Serve", on the Intranet
- Applying ESG evaluation indicators when signing purchase contracts (reflect 5-10%)

Outcomes & Improvements

- The emotional worker protection system was operated 100% at seven Group subsidiaries
- No. of partner companies that conducted a socially responsible management diagnosis: 39 partner companies of the Bank (adjusted due to such reasons as COVID-19)
- Ratio of new ICT purchase contracts in which ESG performance evaluations were reflected: 100%

Focus Issue

- 1 (Guarantee industrial safety)

Local Communities



Human rights principles for local communities

- We understand our responsibilities towards local community development as a financial group, and actively participate in social contribution activities as a member of the local community.
- We do not unfairly discriminate against vulnerable people in the local community in the provision of financial products and services, employment opportunities, and participation in financial education programs.
- For large-scale projects that may cause environmental and social issues of the local community, we make loan and investment decisions in consideration of their impact.

Stakeholder participation & Human rights impact assessments

- ESG survey
 - Conducted to 460 stakeholders in 2021
- Meetings with local communities and financial policy meetings

Measures taken after the impact assessments

- Reviewing environmental and social risks of large development projects (SFG's Environment and Social Risk Management Policy Framework)
- Conducting "Equator Principles Screening Process" screenings for relevant PFs (Shinhan Bank)
- Providing financial and economic education to the underprivileged

Outcomes & Improvements

- Conducted 45 environmental and social risk reviews that include the Equator Principles
- Launched "Shinhan Easy", a financial education platform, by integrating financial education programs of the individual Group subsidiaries in 2022
- Provided support to 71 schools through the Hope School Software Class, participated by 1,489 persons
 - The first software education program in Korea for special school students
- Youth Debt Total Care completed by 485 persons in the third class
 - Provided financial support and credit education programs to customers who are overdue on their tuition loan payment, with jobs and no more than 34 years old
 - Participated by 285 persons in the first class and 288 persons in the second class

Focus Issue

- 1 (Guarantee environmental rights)

Socially Responsible Management Diagnosis Survey on Partner Companies

Respect for workers' basic human rights

Evaluate whether the partner company protects and respects the basic human rights of all workers at its business site, and whether it makes efforts to improve working conditions to this end

Business site safety and health

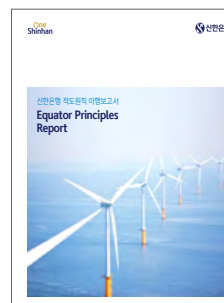
Whether the partner company is maintaining/improving workers' safety and health through a safe, healthy work environment, and whether it perceives the fact that these activities enhance the quality of its products and services

Environment

Whether the partner company is aware of its responsibility towards the environment, and whether it makes efforts to minimize negative impact on the environment

Corporate ethics and stakeholder communication

Whether the partner company is aware of the importance of corporate ethics for sustainable growth, and whether it is strengthening competitiveness through stakeholder communication at the same time



Hope School Software Class

Shinhan Bank
Equator Principles Report



