



PRINCIPLES FOR RESPONSIBLE BANKING

SHINHAN - Reporting and Self-Assessment

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Since its inception as Shinhan Bank in 1982, Shinhan Financial Group(SFG) has been making innovations and posting fast growth continuously as can be seen in its adoption of a holding company structure in 2001 and achieving of the No.2 scale in assets in the industry in 2003. 2008 global financial crisis revealed Shinhan Financial Group's differentiated asset quality supported by its watertight risk management and the Group came to become a player that represented Korea's financial industry by attaining a No. 1 position in profitability ever since.</p> <p>The Group will solidify market leadership in its core businesses while expanding into new markets through detailed market segmentation. It will also strengthen its insurance and real estate businesses, while enhancing performance in capital markets, in its efforts to identify new growth drivers and diversify earnings base.</p>	<p>www.shinhangroup.com/kr/introduce/history.jsp</p> <p>Check the Annual Report 2019</p>

<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Shinhan has established 'Your Companion for the Future.' as its motto. We have formulated and implemented the new 'ESG Strategy Framework' in 2020. In that framework, shinhan has adopted "FINANCE for IMPACT" as the principle of our ESG management and set three strategic directions – green, win-win, trust – and five IMPACT tasks. We pursue ESG management and seek to change not only by itself but together with everyone as well.</p> <p>Our 3 Strategic Directions with 5 impact tasks are aligned UN SDGs goals</p> <ol style="list-style-type: none"> 1. Green ▶ link to SDG7, SDG13, SDG16, SDG17 <ol style="list-style-type: none"> ① Zero Carbon Drive <ul style="list-style-type: none"> - Achieve zero carbon by cutting down carbon emissions and expanding green investment 2. Win-win ▶ link to SDG8, SDG9, SDG11, SDG12 <ol style="list-style-type: none"> ② Triple-K <ul style="list-style-type: none"> - Create an innovative ecosystem in Korea in partnership with stakeholders ③ Hope Together SFG <ul style="list-style-type: none"> - Provide inclusive finance as a financial company 3. Trust ▶ link to SDG1, SDG4, SDG5, SDG10 <ol style="list-style-type: none"> ④ Respect for Diversity <ul style="list-style-type: none"> - Reduce social inequality by fostering female leaders and supporting the handicapped and multi-cultural families ⑤ Financial Consumer Protection <ul style="list-style-type: none"> - Strengthen product governance and offer financial education for all generations 	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight - p 37</p>
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Principle 2: Impact and Target Setting
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

<p>2.1 Impact Analysis: <i>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</i></p> <ul style="list-style-type: none"> a) <u>Scope</u>: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) <u>Context & Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) <u>Scale and intensity/salience of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. 	<p><Positive Impact Analysis> Shinhan identified the following opportunities by step 5 across the overall economic ecosystem that depends on carbon emissions. Of these, the Group discovered areas of opportunities to respond to climate change with a focus on the energy transition process that measures actual amount of carbon offset. Going forward, we will contribute to carbon offset through financial support that is needed for generating renewable energy(step #2), which can lower dependence on carbon emissions.</p> <ul style="list-style-type: none"> 1. Step #1. Fuel Resources - Select natural resources: Sun (light, heat), wind, tree, ocean currents, etc. 2. Step #2. Energy Transition - Produce renewable energy: Photovoltaic, solar heat, wind power, bioenergy, tidal power, wave power, hydrogen energy, etc. 3. Step #3. Production of Goods - Energy efficiency & fuel switching: Improvement in efficiency of energy used in the production process, fuel switching (fossil fuel → renewable fuel) 4. Step #4. Use - Use of energy efficiency technology: Product use, service use activities (reduction of electricity and fuel consumption) 5. Step #5. Disposal & Processing - Resource circulation (recycling): Reduced dependence on natural resources through recycling, power generation using wastes <p><Negative Impact Analysis></p>	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight - p 45, 50</p>
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<p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>Shinhan selected 'Carbon Emmission' as the representative negative impact of asset. To repond to this, we declared the net-zero 'Zero Carbon Drive' for the first time in East Asia in November 2020.</p> <p>Shinhan is executed through the 'Zero Carbon Drive' in a scientific way. By using SBTi 1), a methodology in compliance with the Paris Agreement, we plan to reduce our own emissions by 46.2% by 2030, 88.2% by 2040, and to zero by 2043 while also seeking to reduce our asset portfolio 2)'s aggregate carbon emissions by 38.6% by 2030, 69.6% by 2040, and to zero by 2050.</p> <p>The Shinhan Financial Group's asset portfolio is divided by 7 sectors, Power generation, Commercial buildings, Steel, Paper, Cement, Transportation and others.</p> <p>Zero Carbon Drive is a detailed eco-friendly strategy based on the experience and competency we have accumulated over the years. We have built and are managing a database of the carbon emissions of 1,042 companies in Korea that are allocated of CO2 emissions allowances or under GHG/energy target management. Based on our industryfirst "best practices for environmental/social risk management", established in May 2018, we thoroughly evaluate and manage the environmental and social impacts of the economic activities of companies to which we offer financial services. In particular, we have designated 12 areas which poses an environmental and social threat, and are monitoring the level of exposure to risks. We also have established the process by which to evaluate the negative impact of project finance (PF) deals on the environment and society as well as to reflect corrective measures in the formulation of PF contracts.</p>	
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	<p>On the strength of these competencies, Shinhan Bank became the first commercial bank in Korea to adopt the Equator Principles 3) in September 2020; and accordingly measures and manages the environmental and social risks of PF deals with a price tag of over USD 10 million and corporate loans exceeding USD 50 million.</p> <p>Going forward, Shinhan Financial Group will use a methodology recommended by the Partnership for Carbon Accounting Financials (PCAF) to further advance its carbon emissions measurement models. We will go a step further and focus more on eco-friendly finance, increasing loans to companies with carbon emissions-reducing technologies and providing financial support to companies and industries retooling their production with eco-friendly facilities. To this end, we will supply a total of KRW 30 trillion from 2020 to 2030.</p> <p>Through finance, we will reduce the negative impact of industry on the environment and increase the positive impact in an eco-transition, thereby ushering in an eco-friendly society in which carbon emissions are zero.</p> <p>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. A greenhouse gas (GHG) reduction target is deemed “science-based” if is in line with the latest climate science in accordance with the Paris Agreement. 2) Asset portfolio: A mix of assets invested by financial companies in the forms of loan and investment 3) Equator Principles: An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights</p>	
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PRINCIPLES FOR RESPONSIBLE BANKING

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

<p>2.2 Target Setting</p> <p><i>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</i></p> <p><i>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</i></p> <p><i>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that</i></p>	<p>As in ‘ESG Strategy Framework’, Shinhan set three strategic directions with Goal targets.</p> <ol style="list-style-type: none"> 1. Green ▶ 0 Carbon <ul style="list-style-type: none"> - Cut down carbon emissions within the Group asset portfolio to 0 2. Win-win ▶ 10 Unicorns <ul style="list-style-type: none"> - Nurture 10 unicorns by discovering and fostering innovative companies 3. Trust ▶ 100% Satisfaction <ul style="list-style-type: none"> - Ensure all stakeholders of the Group to be 100% satisfied <p>Especially for responding to climate change, Shinhan set target of ‘Zero Carbon Drive’ by using SBTi 1), a methodology in compliance with the Paris Agreement. We plan to reduce our own emissions by 46.2% by 2030, 88.2% by 2040, and to zero by 2043 while also seeking to reduce our asset portfolio 2)’s aggregate carbon emissions by 38.6% by 2030, 69.6% by 2040, and to zero by 2050.</p>	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight - p 37, 6</p>
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PRINCIPLES FOR
**RESPONSIBLE
BANKING**

<p>it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>Shinhan Financial Group is setting a new standard for green finance, with the goal of making the Group asset portfolio’s carbon emissions “zero” by 2050. Through its distinctive Zero Carbon Drive strategy, the Group seeks to manage loans and investments for companies with large carbon footprints while expanding financial support for green industry, thereby contributing to the transition to a low-carbon economy. The Group also set a goal based on the SBTi methodology to achieve carbon neutrality of the Group asset portfolio, and will upgrade the measurement of carbon emissions by applying the criteria presented by the Partnership for Carbon Accounting Financials (PCAF).</p> <p>Zero Carbon Drive implementation phase</p> <ul style="list-style-type: none"> - Establishment of a Group-wide management system and reduction of emissions to achieve the reduction target • Build a portfolio emissions management system and database • Strengthen limit management to restrain emission increases and perform engagement • Reflect ESG factors, including climate change, in business decision-making, such as loans and investments • Develop and detail climate change scenario analysis methodologies • Set a quantitative reduction target and reduce <p>Zero Carbon Drive goal for 2030</p> <ul style="list-style-type: none"> ▪ Reduce carbon emissions of the Group and the Group asset portfolio by 46.2% and 38.6%, respectively (compared to the figures in 2019) 	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight - p4</p>
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	<ul style="list-style-type: none"> Expand green finance performance to reach KRW 30 trillion (cumulative figure from 2020 to 2030) <p>Shinhan Financial Group will identify risks by measuring relevant indices, including carbon emissions/intensity, and build a management system as follows to execute the Zero Carbon Drive.</p> <p>Risk identification Regularly monitor and report emissions of the Group subsidiaries Monitor each company's portfolio carbon emissions, carbon intensity, high carbon-emitting sector/company's emissions, exposure status, etc.</p> <p>Monitoring of areas that require caution in terms of negative environmental/social impact</p> <p>* 12 areas include mining (water pollution by heavy metal), tobacco (child labor/health), drift-net fishing (destruction of the marine ecosystem), infrastructure (air pollution/migration of natives), weaponry/munitions(mass destruction), power generation (air pollution/radioactivity), forestry (water pollution/destruction of the ecosystem), crop production (soil/water pollution), oil refining (sea pollution), coal processing (air pollution), wastewater and waste treatment (water pollution), manufacturing of chemicals (harmful substances)</p> <p>To achieve its carbon emissions reduction target, Shinhan Financial Group manages it based on analyses of carbon emissions and carbon intensity of each industry sector of companies.</p> <p>Analysis of the proportion of companies responsible for the most carbon emissions</p>	
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	<ul style="list-style-type: none"> • 50 companies contribute 82.8% of total carbon emissions, of which the power generation sector takes up 60% • 10 companies contribute 53.9% of total carbon emissions <p>Efficiency of companies responsible for the most carbon emissions</p> <ul style="list-style-type: none"> • There are many companies in the cement and power generation sectors among top 10 / top 50 companies in carbon intensity • The carbon intensity of top carbon intensity companies is around 15-25 times that of the total average 	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p>	<p>We provide milestones and targets that we set in our homepage and ESG report highlight 2020.</p> <p>Since Shinhan declared its support for TCFD for the first time in Korea in September 2018, it has also released the TCFD report for the first time in Korea in 2019. In 2020, we declared Zero Carbon Drive, the first East Asian company to drive carbon neutrality of its portfolio of assets based on TCFD recommendations.</p> <p>With the purpose of effectively responding to climate change at the group level, Shinhan Financial Group established and proclaimed its Principles for Responding to Climate Change in December 2019 for the first time in the domestic financial industry. We have thus laid a strong foundation for our</p>	<p>www.shinhangroup.com/en/csm/2020/csm_trace.jsp</p> <p>http://www.shinhangroup.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight - p 38</p>

<p><i>Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</i></p>	<p>systematic response to all potential environmental and social risks involved in the industry.</p> <p>Action for Zero Carbon Drive</p> <p>Equator Principles Shinhan Bank became the first commercial bank in Korea to join the Equator Principles in September 2020. The Equator Principles is a voluntary agreement of financial companies wherein they pledge not to finance large development projects that carry a risk of environmental destruction or human rights violations. The process is as follows:</p> <ol style="list-style-type: none"> 1 Categorization of the rating according to the degree of environmental/social risk and impact is required (A-C ratings) 2 (According to the rating) Conduct an environmental/social impact evaluation; build a management system; establish an action plan; and verify monitoring 3 Reflect in the financial agreement (comply with agreed matters, etc.); regularly report on the implementation status of the Equator Principles; and disclose information <p>Assessment of portfolio impact from climate change</p> <p>Advancement of climate change agenda for business impact assessment</p> <ul style="list-style-type: none"> • Analyze climate change-related portfolio impact and establish management measures • Analyze the climate change-related status (carbon emissions, etc.) of companies with exposures (including loans, bonds, and stocks) • Monitor areas that require caution in terms of negative environmental/social impact 	
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PRINCIPLES FOR RESPONSIBLE BANKING

	<p>At the end of 2020, Shinhan also joined PCAF and SBTi. Shinhan will carry out advanced work to measure the carbon emission of finance, and based on this, it will apply SBTi to reset the reduction target.</p> <p>Every year, we plan to communicate with major organizations through active finance carbon emissions measurement and reduction results.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets</p>		
<p>Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Planning to promote responsible relationships with customer To win the fight against COVID-19 that is significantly impacting humankind's health and the global economy, Shinhan Financial Group is implementing comprehensive support measures at the Group level in addition to helping hands of Group subsidiaries.</p> <p>1. Support for SMEs</p> <ul style="list-style-type: none"> • Signed an MOU with the Korea Trade Insurance Corporation for financial support to overseas subsidiaries of SMEs that suffered losses due to COVID-19 • Implemented a quick settlement service for small business owners to help them with liquidity 	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidia ry.jsp → 2020 ESG Highlight - p54</p>

	<ul style="list-style-type: none"> • Collaborated with the Financial Supervisory Service to produce a video clip on self-employed people’s response strategy in the post-COVID-19 era • Contract or credit (technology) guarantee fund for automotive parts companies, and special guarantee for venture companies • Strengthened contactless services to provide support in relation to companies that suffered from COVID-19 (established a non-face-to-face process for loans to support small business owners, created new deferment agreement criteria that can be done through non-face-to-face channels or telephone, provided the STAB video counseling service, launched new non-face-to-face new products for corporate clients, etc.) <ol style="list-style-type: none"> 2. Promoting consumption <ul style="list-style-type: none"> - Shinhan Bank : Supporting flower farm with Flower Farm Support campaign which their employees participated in. 3. Hope together <ul style="list-style-type: none"> - We conducted a relay campaign for all group companies, and together with citizens, we are collecting about 2.5 billion won worth of support to overcome Corona 19, and various social contribution and donation events. - 	
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>Planning to encourage sustainable economic activities</p> <ol style="list-style-type: none"> 1. Financial support for Green technology <ul style="list-style-type: none"> - Venture capital, PE, preferential loan for eco-friendly technology companies 2. Financial support for Green energy <ul style="list-style-type: none"> - Capital investment for green energy business, loan, Extending PF, Securing certified emission reduction 3. Financial support for Green business 	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidary.jsp → 2020 ESG Highlight – p56</p>

	<ul style="list-style-type: none"> - Green business of industries, preferential treatment for environmental improvement facility funds. <p>4. Facilitate green customer support</p> <ul style="list-style-type: none"> - Provide preferential interest rates, points, VIP benefits, etc. for customer's eco-friendly behaviour. <p>5. Resource Circulation Financing</p> <ul style="list-style-type: none"> - Capital investment, loan, PF expansion and carbon footprint for resource circulation infrastructure 	
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>Shinhan Financial Group has identified our most relevant stakeholders to achieve the sustainable goals, which is: Customers, employees, partners, local community and, etc. Since 2020 December, we have communicated and carried out a stakeholder interview and figured out which issues they are interested.</p> <p>Customers Shinhan Financial Group has actively responded to the recommendations of CDP and TCFD, representative eco-friendly global initiatives. This year, we plan to actively encourage the participation of various stakeholders including corporate customers.</p> <p>Employees Shinhan Financial Group is doing its best to reduce social inequality that employees experience due to the diversity. In addition, with interest in improving women's social status, we will endeavor and support our society to become a gender equal society.</p>	<p>http://www.shinhan-group.com/en/csm/2020/csm_sEngagem ent.jsp</p>



PRINCIPLES FOR
RESPONSIBLE
BANKING

	<p>Partners Shinhan Financial Group is building very special bases across the country to discover game changers who will lead change and innovation in our lives. By supporting the growth of various startups, we are preparing a foothold to work with our partners.</p> <p>Local community Shinhan Financial Group carried out the quantification of social values through collaboration with academia. Through the development of the Shinhan SVMF (Social Value Measurement Framework), we are creating a great opportunity to increase the effectiveness of ESG projects, and furthermore, the Shinhan SVMF aims to create a valuable and useful tool to increase the sustainability of our society.</p>	
<p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p>		
<p>5.1 <i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>Shinhan has operated a specialized strategic planning team which is dedicated to the bank’s implementation of the Principles. We also re-built the ESG management governance including Group’s ESG Working Council, ESG Promotion Committee and ESG Strategy Committee. The project for implementing the Principles is approved by the Shinhan’s management team and Committee. This team reports the progress of ESG related task, including implementing the Principles, to the management team on regular basis and to the Board.</p>	<p>http://www.shinhan.com/en/csm/csrreport/csr_subsidia ry.jsp → 2020 ESG Highlight - p32</p> <p>http://www.shinhan.com/en/csm/2020/csm_polish.jsp</p>

<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>Shinhan introduce the "Code of Ethics for Finance Officers and Employees (hereafter 'Code of Ethics')" in order to enhance the accuracy and transparency in accounting practices, maintain the reliability in our financial information, prevent conflict of interests, and protect corporate and customer information and again, we stress the importance of the standard of value and code of ethics as financial experts.</p> <p>With the purpose of effectively responding to climate change at the group level, Shinhan Financial Group established and proclaimed its Principles for Responding to Climate Change in December 2019 for the first time in the domestic financial industry. We have thus laid a strong foundation for our systematic response to all potential environmental and social risks involved in the industry.</p> <ul style="list-style-type: none"> - Direction of responses <ul style="list-style-type: none"> · Recognition of key tasks for sustainable development and major activities · Governance system, business strategy and risk management, GHG emission management and reduction - Five Principles of Climate Actions <ol style="list-style-type: none"> ① Establish and implement a strategy for responding to climate change at the Group level. ② Invigorate climate finance and green finance for eco-friendly businesses ③ Preemptively identify and manage risks related to climate change ④ Reduce GHG emissions and use renewable energy ⑤ Strengthen the governance structure for climate change risk and opportunity management. 	<p>http://www.shinhan.com/en/csm/2020/csm_polish.jsp</p> <p>http://www.shinhan.com/en/governance/rule3.jsp</p>
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PRINCIPLES FOR RESPONSIBLE BANKING

<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>In 2019, Shinhan Financial Group 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. In 2021, it launched the ESG Implementation Committee, participated by CEOs of all Group subsidiaries, to regularly review the status of executing sustainability/ESG strategies, and to ensure detailed monitoring.</p> <p>In March 2021, we announced the work on connecting our targets to some of the Sustainable Development Goals through the ESG highlight report. The bank will track its progress towards achieving our targets through the monthly reporting, which is reported quarterly to the Board. The bank will continue to develop procedures on targets that need remedial action.</p>	<p>http://www.shinhan group.com/en/csm/csrreport/csr_subsidia ry.jsp → 2020 ESG Highlight - p32, 56~58</p> <p>http://www.shinhan group.com/en/csm/2020/csm_strategy.jsp</p>
<p>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>We are in a process of fulfilling this requirement. The bank has established a governance structure for ensuring that the principles are implemented effectively, including manage significant impacts, and setting and monitoring targets. We have operated the related teams that is in charge of the implementation of the Principles. The management group is responsible to monitor for implementing the recommendations of the Principles through reporting from the working group. The PRB-related teams are reporting regularly, 4-6 times a year, to the board on progress made in the implementation of the Principles, and to the targets that are set for this year.</p>		
<p>Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>		
<p>1.1 Progress on Implementing the Principles for Responsible Banking</p>	<p>Since becoming a signatory in September 2019, Shinhan has been working on implementing the Principles. In this work, we have been using frameworks, guidance documents and models developed by UNEP FI. Internally, we have worked together with resources from our sustainability teams in Shinhan, who has experienced from working with TCFD, UNEP FI</p>	<p>http://www.shinhan group.com/en/csm/csrreport/csr_subsidia ry.jsp → 2020 ESG Highlight - p32, 40</p>



PRINCIPLES FOR RESPONSIBLE BANKING

<p><i>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</i></p> <p><i>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</i></p> <p><i>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</i></p>	<p>and S&P Trucost. The management group, including BoD, also participated and ensured engagement and commitment throughout the whole progress of implementing the Principles. Since the December of 2020 we have also been collaborating with KPC, who has helped us identifying our gaps against the requirements in PRB. In the gap analysis, we were compared to other global banks who we consider as best practice in our industry. This helped us see which areas we needed to improve the most and prioritize in our further work. The analysis reports would be announced in the early half of 2021.</p>	<p>https://www.koreati mes.co.kr/www/biz/2021/02/126_299348.html</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p> <p>Shinhan Financial Group has made huge progress over the first 18 months of implementing the Principles. We announced the Zero Carbon Drive to attain the goals to reduce the carbon emission to zero level according to the drive from the CEO. We have established an action plan, and we will continue our work with the Principles.</p>		



PRINCIPLES FOR
**RESPONSIBLE
BANKING**

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

Independent Assurance Statement

To the Stakeholders of Shinhan Financial Group:

The Korea Productivity Center (hereinafter the "Assurer") was appointed by Shinhan Financial Group (hereinafter the "Company") to provide independent assurance of its "Self-assessment reporting on its implementation of UNEP Financial Initiative's Principles for Responsible Banking" (hereinafter the "Report"), and hereby presents the following assurance statement.

Background and scope of this independent review

The Company has engaged the Assurer to provide an independent review of the bank's self-assessment reporting relating to the UNEP Financial Initiative's Principle for Responsible Banking ("UN PRB"). The reporting covers the bank's implementation of the principles (the "Principles") in addition to the setting and implementing of targets in two areas. The Company became a signatory to the Principles in September 2019 and is required to report to the UNEP FI within March 2021. This independent review is based on The Company's disclosures in accordance with the UN PRB's "Reporting and Self-assessment-template":

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target Implementation and Monitoring
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking

The Company is fully responsible for the reliability and accuracy of all the information and opinions presented in the Report. The Assurer is responsible solely for the third party assurance of the content in the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing the Report, nor in any conflicts of interest that may undermine our independence.

Limitations

We have specifically considered materials that the Company has shared with us and information provided to us by the Company's staff in interviews. We have not been engaged to make statements on the coverage, completeness, accuracy or correctness of the information the Company has reported in the form of an assurance report. The procedures that we have performed do not constitute an audit or a review made in accordance with any generally accepted standards on auditing or any generally accepted standards on review engagements and, consequently, no assurance will be expressed.

Methodology

The Assurer's responsibility was to assess whether the Company's reporting presented in the UN PRB's "Reporting and Self-assessment template" follows the guidance provided by the UNEP FI in the "Guidance for Assurance providers" dated 2021 and that the information provided aligns with the Assurer's findings from our analysis procedure as described below

The procedures applied by the Assurer included the following:

- Interviews with representatives of the Company at corporate and the bank division levels. The aim of the interviews was to gain insight into management's commitment to sustainability in general and the Principles of Responsible Banking in particular,
- Interviews with representatives of the various divisions of the bank including the heads of public sector and retail markets and the head of risk and compliance, to better understand how the principles are adopted in the organization.
- Conducted an analysis of the Company's gaps against the UN PRB's requirements. The gap analysis included an assessment of existing policies and practices, a media search and a benchmark analysis of selected peers.
- Assessment of the processes and working methods used to gather the information relating to points 2.1- 2.4, 5.3 and 6.1 in the UN PRB "Reporting and Self-assessment". The assessment also involved consideration of the Company's relevant internal documentation, including the impact assessment and related working documents.
- Comparison of disclosures relating to the above-mentioned points in the "Reporting and Self-assessment" and in the Company's annual report with information obtained in interviews and internal documentation

Findings and Conclusion

Our assessment indicates that the Company's disclosures relating to points 2.1- 2.4, 5.3 and 6.1, is reported in accordance with the UN PRB's "Reporting and Self-assessment template". The sample-based analysis and interviews indicate correctness of the disclosures. The Assurer recommends that the Company implements the actions and milestones in the bank's operations to meet the targets that are disclosed. These actions include:

- Increase awareness and competence of the sustainability and UN PRB amongst employees, management and board members;

- Continue the cooperation with other Korean Banks who are also UN PRB signatories;
- Strengthen target setting to be further aligned with the UN SDGs and underlying targets;
- Conduct the stakeholder analysis involving municipalities, labor and trade organizations.

Moreover, that progress on implementing targets is reported upon in next year's Reporting and Self-assessment



March 2021

노규성

CEO Kyoo-Sung Noh

D. S. Kim

Dong-soo Kim, Executive Director

S. T. Cheong

Seung-tae Cheong, Director

The Sustainability Management Initiative of the Korea Productivity Center is a fully qualified independent assurance agency. It is officially certified by AccountAbility that established AA1000, the international standard for stakeholder engagement and assurance. It has the Assurance Committee with of experienced experts who are qualified for the consultation and assurance of sustainability practice.