

## Financial Opportunities from Climate Change

Index	Contents
Value Chain	Downstream
Opportunity type	Products and services
Financial impact	Increased revenues resulting from increased demand for products and services
Company-specific description	<p>In 2012, a policy where generators must supply a certain percentage of energy from renewable sources known as the RPS (Renewable Portfolio Standard) was introduced. The RPS continues to be in effect along with the FIT (Feed-in Tariff) and after 2022 the government plans to increase the percentage of renewable energy supplied to 10%. Since 2007, SFG has seen growing trends of renewable energy in comparison to non-renewable energy and expect to find greater opportunities in the renewable energy generation business. By continuing investment in the renewable energy sector, Shinhan Bank, Shinhan investment Corp. and Shinhan Life Insurance strive to find new business opportunities. Recently, the ESG fund ratio increased by approximately 1% annually compared to the total fund of the Group. Consequently and the ESG fund size increased by approximately 50% annually. Shinhan Financial Group expects to see growing demands from our corporate clients for renewable energy PFs(remaining balances 805.7 billion KRW in 2020) and active promotion of related products can be big opportunities to create profits.</p>
Time horizon	2030 (ten years, Long term)
Potential financial impact figure (currency)	805,700,000,000 KRW
Explanation of financial impact figure	<p>As an effort to support renewable energy projects, Shinhan Bank participated in renewable energy projects as an investor in 2020 and provided approximately 805.7 billion KRW of loan, actively supporting the renewable energy sector. If such demands continue to grow, SFG expects to create higher profits in this area.</p>
Cost of response to risk	1,333,000,000 KRW
Description of response and explanation of cost calculation	<p>In order to support our clients' response to climate change regulations, SFG has been either participating as an advisor or making investment for 9 renewable energy generation projects such as solar, wind, fuel cell, and biomass which spread in Japan, Vietnam, etc in 2020. (ex. Japan Tanakura PV plant (25.5MW), Vietnam Quang Binh PV plant (49.4MW), etc.)</p> <p>In 2020, operational cost of climate change-related financial products was included in the total operational costs. Almost 1,333 million KRW was incurred as labor costs for renewable energy generation project investment (13 employees for a year and the other 2 employees for 2 months, average annual salary at 100,000,000 KRW/person).</p>

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Company-specific description	<p>Target companies of the GHG &amp; Energy Target Management Scheme with over 125,000tCO<sub>2</sub>eq of GHG emissions is subject to participate in the Emission Trading System and the GHG &amp; Energy Target Management Scheme comes into effect and becomes stricter on buildings with over 10,000 TOE of annual energy consumption. In addition, global warming will eventually increase clients' energy management expenses. Therefore it is expected that companies will show greater demands for installing GHG reduction facilities, hiring more experts in the area, and managing building energy consumption. Recently, the ESG fund ratio increased by approximately 1% annually compared to the total fund of the Group. Consequently and the ESG fund size increased by approximately 50% annually. Shinhan Financial Group expects to see growing demands from our corporate clients for eco-friendly loans(remaining balances 1,205.10 billion KRW in 2020) and active promotion of related products can be big opportunities to create profits.</p>
Time horizon	2030 (ten years, Long term)
Potential financial impact figure (currency)	12,821,590,000,000 KRW
Explanation of financial impact figure	<p>As of the end of 2020, the remaining balances of eco-friendly loans such as Green Remodeling Interest Subsidy Loan, Loan for companies with outstanding green environmental management, Green Energy Factoring, and New Green Corporate Loan etc are 1,205.10 billion KRW. If such demands continue to grow, Shinhan Financial Group expects to create higher profits in this area.</p>
Cost of response to risk	233,000,000 KRW
Description of response and explanation of cost calculation	<p>In response to the clients' growing demand for new financial products and services that can help them address climate change regulations, Shinhan Financial Group launched and is operating various products that can help its corporate clients focus on energy saving activities. Particularly, the Bank introduced new loans such as Loan for companies with outstanding green environmental management, Green Energy Factoring, and New Green Corporate Loan. For reference, Green Remodeling Interest Subsidy Loan is targeted at customer seeking to remodel his/her building to gain energy efficiency, assisting with the construction cost, while the customer is eligible for the government's support for 2~4% of the loan interest rate depending on the energy efficiency performance. Loan for companies with outstanding green environmental management is a loan product that applies prime rate to SMEs that receive a certain grade or more in the Ministry of Environment's environmental evaluation. Green Energy Factoring provides financial support for LED replacement works and allows customers to repay construction costs with the saving costs from electric bills. In addition, New Green Corporate Loan provides loans to green companies and new ventures in the environmental industry, so as to contribute to the revitalization of the industry.</p> <p>In 2020, operational cost of climate change-related products was included in the total operational costs. The labor cost for operating Loan for companies with outstanding green environmental management, Green Energy Factoring, New Green Corporate Loan, etc. was about 233million KRW (14 products, 2 employees per product for a</p>

## ● Renewable Energy PF

### ESG Project Financing<sup>1)</sup>

(Unit: KRW billion)

	2019	2020
Solar power	219.7	375.6
Waste	111.7	146.7
Wind power	82.5	69.6
Other renewable energy sources	167.7	213.8
<b>Total – New ESG PF amount</b>	<b>581.6</b>	<b>805.7</b>
<b>Total – Total new PF amount</b>	<b>3,653.9</b>	<b>1,188.5</b>
<b>New ESG PF rate (%)</b>	<b>15.9</b>	<b>67.8</b>

<sup>1)</sup> Including Group & Global Investment Banking (GIB) Division performance of Shinhan Financial Group and fund investment performance of the Group subsidiaries (KRW 659.7 billion if investment performance of the Group subsidiaries is excluded)

## ● Eco-friendly Loan

Segment	2019	2020
ESG Loans	1,194.80	1,205.10
(Bank) eco-friendly guarantee loans .etc	1,108.6	1,114.9
(Capital) Environment/Sustainable energy	72.5	87.6
(Jeju) Loans for solar power businesses	13.7	2.6