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Disclosure of Financial Impact of Climate Change (TCFD)

Shinhan Financial Group has conducted various activities in accordance with the Recommendations of the TCFD (Disclosure on Financial Impact of Climate Change) In 2019, it disclosed information as recommended by the TCFD for the first time among local financial institutions. We are currently participating in the second pilot program designed for financial companies to implement the TCFD with the focus on the UNEP FI.

Status of Shinhan Financial Group's Implementation

1. Governance

- Integrated management of climate change issues and sustainable management
- Setting and monitoring of quantitative targets for climate change

Board of Directors : Corporate Social Responsibility Committee meetings (held 4 times per year)

Board of Directors : Risk Management Committee

<Council> Group Risk Council (Group CRO)

<Council> Group Sustainability Management Council (Group CSO/working level officials)

2. Strategies

- Declaration of the eco friendly management vision based on Transformation 20 · 20
 - Setting the goals of investing KRW 20 trillion in green industries and reducing the Group's GHG emissions by 20% by 2030
- Providing hybrid funds for renewable, high-efficiency energy business, companies, and projects.
- Adopting best practices for environmental/social risk management
- Setting the Group's principles for responding to climate change
- Participating in 2nd pilot program to implement the TCFD

3. Risk Management

- Establishing a green management system for conducting and managing diverse analyses of climate change-related conversion risks, physical risks, and opportunity factors
- Selecting 12 material environmental and social areas based on the IFC guidelines as well as various international standards
- Base financial exclusion and conditional support policies on monitoring results from various viewpoints
- Classifying risk ratings for projects with a large financial impact → Conduct specific impact assessments and reflect the results in financial contracts, if necessary
- Analyzing the impact of climate change on the Group's portfolio

4. Indicators and Reduction Targets

- Proactive implementation of 'ECO Transformation 20·20'
- Monitoring investment portfolios to reflect climate change risk factors



TCFD Recommendations

Governance

- Disclose the organizational governance structure affecting risks and opportunities related to climate change.

Strategies

- Share the real and potential impacts of climate change-related risks and opportunities on business, strategies, and financial planning for critical units.

Risk management

- Announce how the organization identifies, assesses and manages risks associated with climate change.

Indicators and reduction targets

- Disclose the indicators and reduction targets used to assess and manage risks and opportunities related to climate change.



*The TCFD is an organization established by the Financial Stability Board (FSB) to analyze market conditions, develop practical guidelines, and discover and disseminate benchmarking cases in relation to the disclosure of information on climate change.

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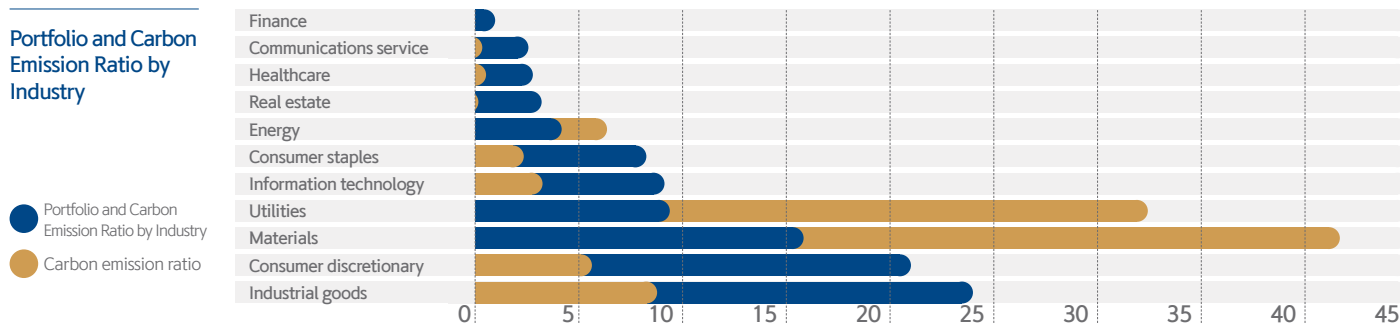
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Climate Change Risk Analysis

To analyze climate change scenarios according to the TCFD roadmap, Shinhan Financial Group conducted an analysis of carbon emissions across the Group's entire portfolio at the end of 2019 in association with Trucost, a UK company specializing in climate change risk analysis. Based on the carbon emissions of our various assets (loans, bonds, stocks, etc.), we plan to analyze the impact of the Group's portfolio on climate change and establish a risk management process for climate change.

• Shinhan Financial Group Portfolio Analysis

In order to analyze its climate change risks, Shinhan Financial Group is conducting a review of its transition risks. As a preliminary step to analyzing the conversion risks, we have looked closely at the carbon emissions of our Group portfolio. We selected analysis targets by taking into account the size and importance of exposure among the Group's portfolio, which includes not only bonds and equities, but also credit accounting for a significant portion of the Group's exposure. The analysis of the Shinhan portfolio's carbon emissions in 2019 indicates that out of the 11 industries concerned, the largest amount of carbon (74.1% of total emissions) was produced by the material and utility industries.



Source: Trucost, part of S&P Global Market Intelligence [June 2020]

• Analysis and Countermeasures of Conversion Risk Scenarios

Based on these results, Shinhan Financial Group plans to further analyze conversion risks for each industry by applying various scenarios (including the 2°C temperature rise scenario). Most notably, we will respond to long-term risks by analyzing changes in carbon prices and the energy mix by scenario for those industries with high carbon emissions. In the long term, we will integrate our climate change risk management efforts into the Group's entire risk management system, and organically align the endeavors with the Group's overall decision-making system which decides on such matters as governance, strategies, risk management, indicators, and reduction targets, as suggested in the TCFD Recommendations.



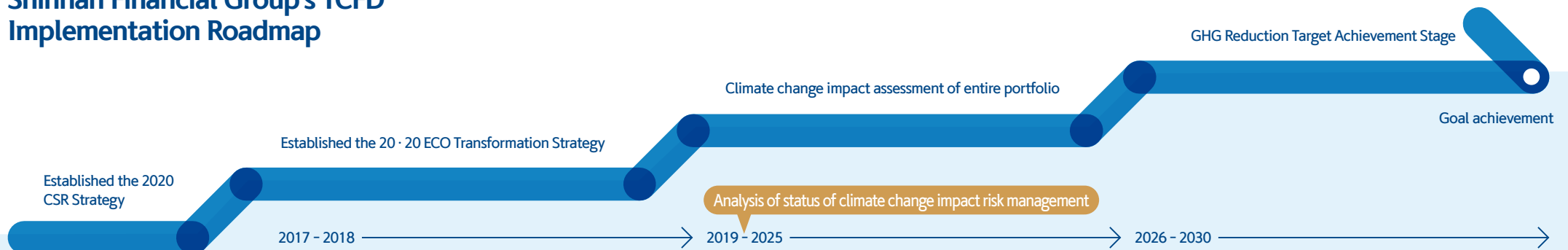
* A firm specializing in risk analysis based on carbon and environmental data.

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With the goal of integrating our risk management efforts relating to climate change into the Group's entire risk management system, Shinhan Financial Group has established an implementation roadmap for organizational governance, strategies, risk management, various indicators, and reduction targets as presented in the TCFD Recommendations. We will continue to disclose information on our actions and publicize our achievements under this roadmap annually.

Shinhan Financial Group's TCFD Implementation Roadmap



	2017 - 2018	2019 - 2025	2026 - 2030	
Corporate Governance		CSR Committee Set climate change agenda	Accelerate climate change agenda for business impact assessment	
Strategy		<ul style="list-style-type: none"> Active eco-friendly business investment Introduce new products and services by sector Establish environmental risk management system 	<ul style="list-style-type: none"> Analyze the current status of climate change (carbon emissions, etc.) for corporations with exposures of more than KRW 10 billion (including loans, bonds, and stocks) Analyze impact on climate change-related portfolio and establish management plans Manage portfolio risk weight 	<ul style="list-style-type: none"> Establish group-wide monitoring system to achieve reduction goals Check and re-establish quantitative indicators/reduction targets for the Group Disclose the results of efforts to achieve goals by stage
Risk Management		<ul style="list-style-type: none"> Low-risk portfolio: Enhancement of risk management High-risk portfolio Unmanaged risk: Expansion of the management area 		
Quantitative Indicators and Reduction Goals		Achievement Status as of 2019 <ul style="list-style-type: none"> Green business investment KRW 16.20 trillion GHG emissions 90,195 tCO₂eq 	Goals for 2030 <ul style="list-style-type: none"> Green business investment KRW 20 trillion GHG emissions 89,347 tCO₂eq 	

*GHG Emission Measurement Method : Greenhouse gases are measured by multiplying Group companies' consumption of electricity, gas, and gasoline by the CO₂ 'conversion factor'.



ECO Transformation 20 · 20

Shinhan Financial Group declared ECO Transformation 20 · 20 in 2018 to contribute to the nation's transition to a low-carbon economy. We aim to loan and invest some KRW 20 trillion in the green industry by 2030 and reduce greenhouse gas emissions by 20%.

ECO Transformation 20 · 20 Performance

Green Financial Support



KRW 16.2 trillion
(cumulative total since 2017)

Greenhouse Gas Emissions* Reduction Rate



19% (compared to 2012)

*Measured by multiplying the consumption of electricity, gas, gasoline, etc., by the CO2 conversion factor

ECO Transformation 20 · 20 Content

Vision



A virtuous cycle of win-win that creates environmental & corporate values

Target

KRW 20 trillion of loans/investments in the low-carbon green industry

By 2030

20% reduction in greenhouse gas emissions (compared to 2012)

Vision



I. Leadership in the low-carbon financial market



II. Expansion of eco-friendly management



III. Enhancement of environmental leadership and partnership

Core strategies

- Invigoration of eco-friendly industrial investment
- Introduction of customized new products & services by industry
- Establishment of an environmental risk management system

- Expansion of investment in eco-friendly facilities
- Creation of a virtuous cycle of sustainable resources
- Establishment of a carbon management system

- Promotion of cooperation and expansion of networks
- Promotion of eco-friendly brand communication
- Sharing of climate change-related financial information



Establishment of the Group-wide Principles for Responding to Climate Change

The planned conversion to a low-carbon economy is also a challenge to the financial industry as it is involved in diverse fields of business. The role of the financial industry, as well as that of a GHG multi-emission company, is very important. Furthermore, financial institutions should not be content with the management of climate change-related risks but should seek out new opportunities, too. 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.



PARIS2015
CONFÉRENCE DES NATIONS UNIES
SUR LES CHANGEMENTS CLIMATIQUES
COP21·CMP11

2°C scenario

*Paris Agreement: an international agreement to keep the average global temperature rise below 2°C compared to pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C.





Sustainability Management Governance

For the first time in the domestic financial industry, Shinhan Financial Group launched the Corporate Social Responsibility Committee under its Board of Directors in 2015, followed by the formation of the Group Sustainability Management Council and the Working Group Council in 2019.



Functions of the Sustainability Management System

Number of meetings of the Corporate Social Responsibility Committee in 2019

4



- Deliberation and resolution of the Group's sustainability management strategies, regulations, and policies
- Monitoring and supervision of sustainability management progress
- Promotion of sustainability management agenda for climate change, human rights, financial inclusiveness, sustainability finance, diversity, environmental/social risk management, information security, etc.

- Establishment and implementation of the Group's sustainability management strategies
- Monitoring and reporting of sustainability management performances
- Discussion of responses to sustainability management related issues

- Identification and implementation of the Group's sustainability management tasks
- Analysis and sharing of sustainability management trends
- Communication of the Group's sustainability management strategies and performance



Commitment to Global Initiatives

Shinhan Financial Group has joined various global sustainability management initiatives and is working closely with them. We will continue to benchmark the global best practices in order to discover strategies that have a positive impact on society, the environment, and the economy, taking the lead in promoting sustainability management in our industry.

	Description	Date of Membership	Overview
	UNEP FI (UN Environmental Programme Finance Initiative)	Jan. 2008	Public-private partnership between the UNEP and the financial sector * UNEP FI : United Nations Environment Programme Finance Initiative
	UN Global Compact	May 2008	A UN pact that encourages businesses worldwide to adopt sustainable and socially responsible policies
	The first among the country's financial institutions		
	CDP (Carbon Disclosure Project)	Oct. 2014	A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies * CDP : Carbon Disclosure Project
	The first among the country's financial institutions		
	TCFD (Task Force on Climate-related Financial Disclosures)	Sep. 2018	A task force for disclosing financial information related to climate change * TCFD : Task force on Climate-related Financial Disclosures
	The first among the country's financial institutions		
	UNEP FI PRB (UNEP Finance Initiative Principles for Responsible Banking)	Sep. 2019	The principles to which banks should adhere when implementing the Paris Climate Agreement and the UN SDGs * UNEP FI PRB : United Nations Environment Programme Finance Initiative Principles for Responsible Banking
	The first among the country's life insurers		
	UNEP FI PSI (UNEP FI Principles for Sustainable Insurance)	Feb. 2020	A global framework for promoting sustainability management in insurance companies' operational strategies, risk management, and development of products and services * UNEP FI PSI : United Nations Environment Programme Finance Initiative Principles for Sustainable Insurance

*In Korea, we have participated in the Renewable Energy Option Initiative which advocates the securing of renewable energy options for power users (corporations/citizens) and the expansion of their use of renewable energy.