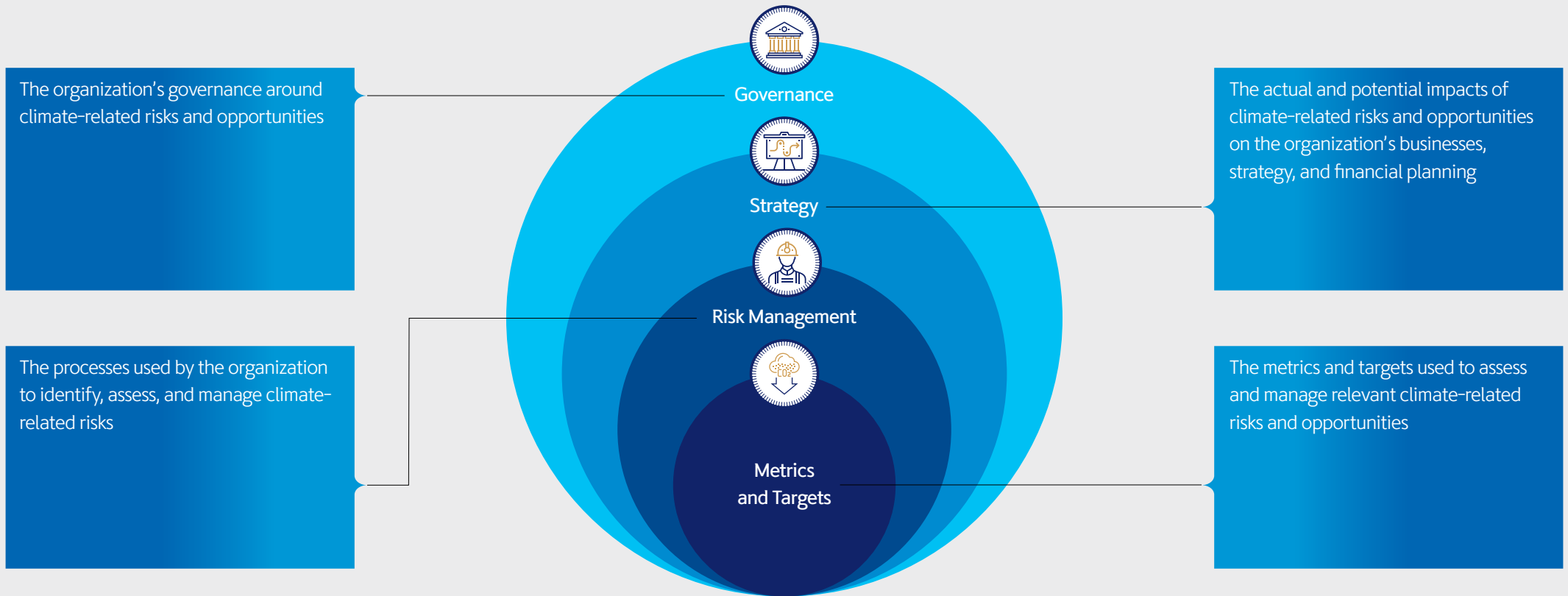


Disclosure on Financial Impact of Climate Change (TCFD)

Shinhan Financial Group was the first Korean enterprise that voluntarily participated in the Task Force on Climate-Related Financial Disclosure Recommendations (TCFD) in its effort to proactively respond to climate change and take the initiative towards fulfilling its responsibility. The Financial Stability Board (FSB) is a multilateral cooperative organization founded in the wake of the 2008 financial crisis and assumes a leading role in financial system stabilization and financial regulation system reforms. The TCFD launched by the FSB on December 2015 urged investors, lenders and insurers to disclose their financial impact relevant to the risks and opportunities of climate change in its recommendations released in June 2017.





Disclosure on Financial Impact of Climate Change (TCFD)

As of January 2019, a total of 580 businesses (including 318 financial companies) around the world were in favor of the TCFD recommendations, while inter and intra- governmental bodies such as the European Union (EU) and the Asian Development Bank (ADB) are preparing policies in consideration of the recommendation.

In recognition of the importance of social responsibility for a low-carbon financial market, Shinhan Financial Group is fully devoted to serving its role as a leading financial company by actively taking part in a global initiative to fight against climate change.

In September 2018, as it signed up for TCFD Recommendations as the first Korean enterprise, it externally demonstrated its commitment toward transitioning to a low-carbon economy by taking a leading role.

In 2019, Shinhan Financial Group plans to partake a 2nd pilot program, overseen by UNEP FI, to implement TCFD for the financial sector. The Group will organize a working group encompassing a strategic planning team, risk management teams and others from holding companies to carry out the TCFD Recommendations.

1. Governance

Shinhan Financial Group has a CSR Committee in place that takes care of issues pertaining to climate change in line with the Group's sustainability management in an integrated way. Established in May 2015, the Committee has the power to make a final decision on behalf of the Group and leads the way in taking action against ever aggravating climate change and in creating enterprise-wide environmental values with systematic environmental management undertakings.

As an umbrella body of the Board of Directors (BOD), the CSR Committee reviews climate change related countermeasures, policies, plans for company-wide activities, projects and others by holding three regular meetings per year. Also, it is responsible for checking and monitoring short and long-term targets and performance via the Risk Management Committee.

2. Strategy

In 2018, the Group announced, "ECO Transformation 2020," a Group-wide eco-friendly management vision to play a pivotal role in taking action against climate change and to ease the transition to a low carbon economy. The vision materialized in three directions of: leading low-carbon financial markets; spreading eco-friendly management and; consolidating environmental leadership and partnerships. It set up the quantitative goal to invest KRW 120 trillion in the green industry by 2030 and to slash its GHG gas emission volume by 20%.

To lead the way in the low-carbon financial market, the Group plans to beef up its support for investment and loan hybrid funds related to the new and renewable energy industry and businesses, projects, and to introduce new products and services that are tailor-made to different business types to establish an environmental risk management system. As for the promotion of eco-friendly management, it will establish a carbon management system with various efforts such as further investment in eco-friendly facilities and engaging in generating a virtuous cycle of sustainable resources.

In an attempt to strengthen its environmental leadership and partnership, the Group will secure an active eco-friendly brand communication channel while expanding its international cooperations and networks for tackling climate change. Moreover, the Group has built a continuous management system for climate change by disclosing relevant information in accordance with the framework on Climate-Related Financial Disclosures.

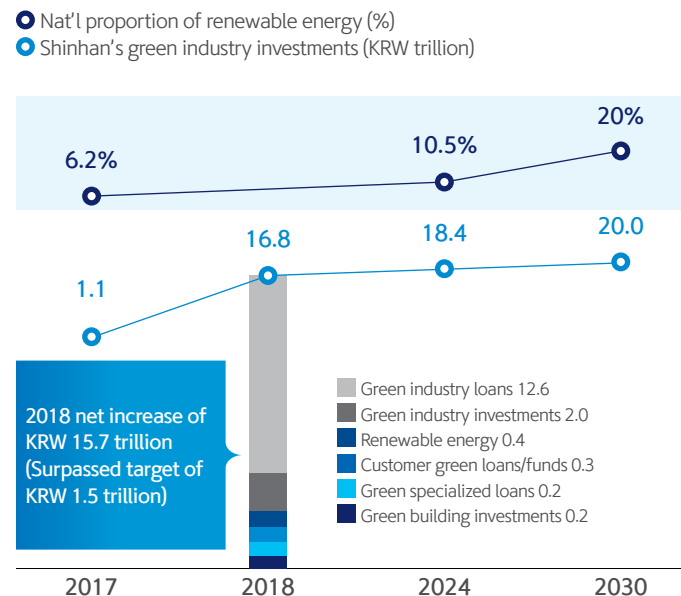
3. Risk Management

Shinhan Financial Group constructed a green management system to enable group-wide, multidimensional analyses and to effectively tackle risk and opportunity factors of climate change including transitional risk and physical risk. To control transitional risks, it classifies its asset portfolio by different items. Centering on the IFC guidelines for risk management, the Group selected 12 areas of interests on socio-environmental issues including global warming, fine dust, biodiversity, industrial safety, health, etc., by referring to various standards from global financial institutions, ESG rating agencies and research institutes, and others, and performs a monitoring of various perspectives covering everything from exposure to areas of interest, industrial and technological changes by socio-environmental issues, and regulative trends, and more. These observations will be used in setting up the appropriate measures: the complete withholding of or conditional financial assistance and; lowering the level of investment or support in an industry with sizable fossil fuel exposure. Furthermore, the Group conducts environmental and social impact assessments for projects that are subject to significant financial influence so as to classify the risk rating of the project for the tangible evaluation of its impact on the environment and society. If diminishing or controlling any environmental or societal risk factors is deemed necessary, it will be controlled in the form of a financial agreement. In addition, the Group manages ESG loans, bonds, investment products by relevant items and different subsidiaries and plans to phase in investments and support.

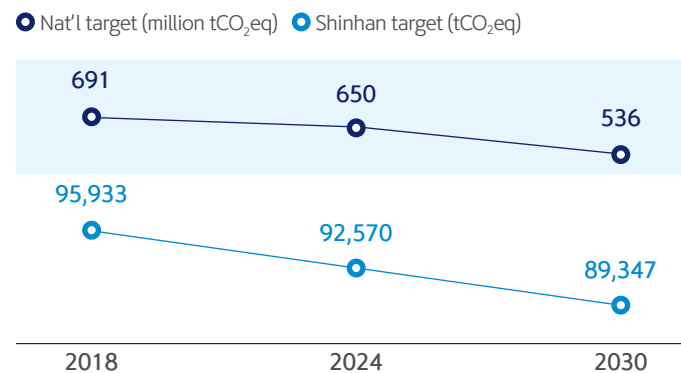
4. Metrics and Targets

Shinhan Financial Group will set in motion the transition to a low-carbon economy with full engagement from 'ECO Transformation 20·20', a vision to sharpen its competitive edge in finance and to ensure future-oriented, eco-friendly management. The transition into a low-carbon economy may give rise to both new market creation and greater investment opportunities accompanied by falling values of carbon emission related assets and the development of low-carbon and eco-friendly technologies. In this regard, the Group is preparing a loan portfolio in consideration of climate change. We will cut back on its investments and loans falling in the category of the carbon emission group while augmenting its investment in the eco-friendly industry and technologies (reducing its GHG gas emissions by 37% from BAU levels). The Group will raise financial support in new and renewable industries while expanding its investment scale in ESG funds, green bonds, and green buildings, etc. by investing KRW 120 trillion by 2030. It will also identify and actively invest in new areas of sustainable finance such as eco-friendly transport and eco-friendly buildings, etc.

Investments in Green Industries



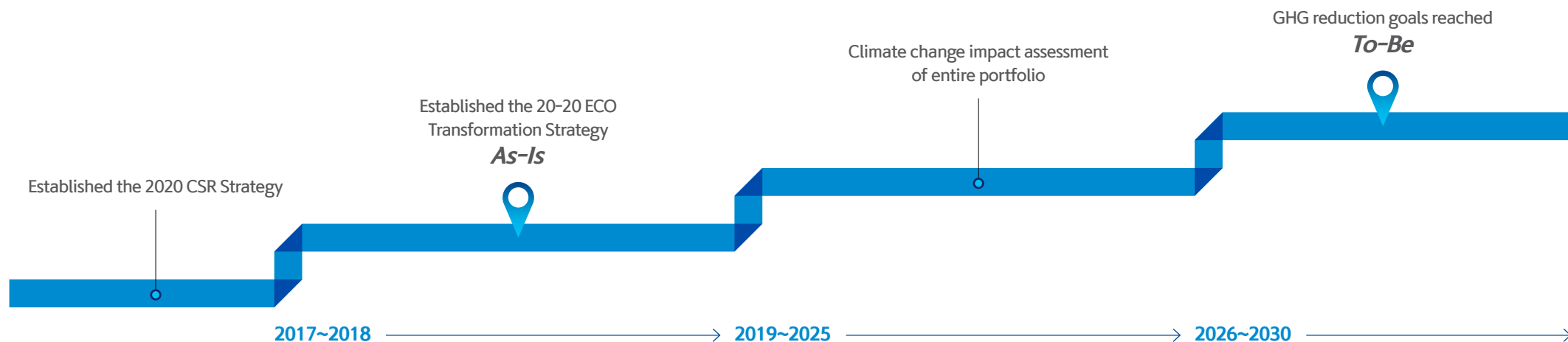
GHG Emissions



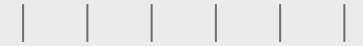


TCFD Promotion Roadmap

To implement the TCFD recommendations, we will systematically manage the financial impact of climate change by improving strategy and risk management and climate change governance.



	2017~2018	2019~2025	2026~2030
Corporate Governance	CSR Committee Set climate change agenda	Accelerate climate change agenda for business impact assessment	Establish group-wide monitoring system to achieve reduction goals
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"> Improve climate credit risk management Portfolio risk management by individual transaction and product unit 	<ul style="list-style-type: none"> Manage portfolio risk weight Reduce weight of business with high conversion risk
Risk Management		<p>Stronger risk management</p> <p>Expanded scope</p>	
Quantitative Indicators and Reduction Goals	<ul style="list-style-type: none"> Green business investment KRW 16.8 trillion GHG emissions 95,933 tCO₂eq 	<ul style="list-style-type: none"> Green business investment KRW 18.4 trillion GHG emissions 92,570 tCO₂eq 	<ul style="list-style-type: none"> Green business investment KRW 20.0 trillion GHG emissions 89,347 tCO₂eq



Announcement of “ECO Transformation 20·20”

Shinhan Financial Group proclaimed the “ECO Transformation 20·20,” a Group-wide eco-friendly management vision to contribute to an effective response to climate change and a transition into a low carbon economy. The Group resolved to implement “ECO Transformation 20·20,” a mid to long-term eco-friendly management vision through a CSR Committee and plans to provide KRW20 trillion in investment and support in the green industry by 2030 and to launch fully-fledged carbon management to cut down on GHG gas emissions by 20%.

Goal



Target

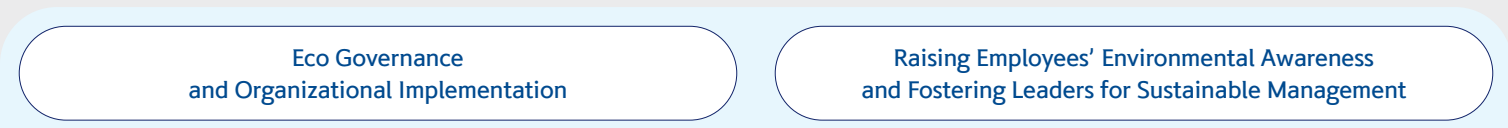


Direction



Strategy

Enablers



Announcement of “ECO Transformation 20·20”

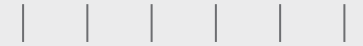
“ECO Transformation 20·20” takes three distinctive directions of: leading low-carbon financial markets; spreading eco-friendly management and; consolidating environmental leadership and partnerships. To proactively usher in a low-carbon financial market, the Group will bolster its support for investments and loan hybrid funds involved in the new and renewable energy industry and businesses and related projects while revitalizing ESG funds, green bonds and green building businesses. Green Bonds refer to financial instruments issued for the purpose of raising funds to invest in eco-friendly projects regarding climate change and renewable energy or infrastructure projects. The Group was the first commercial bank in Korea that issued KRW 200 billion in green bonds in August 2018.

To promote eco-friendly activities by customers, it will develop a range of financial products including deposit and installment saving accounts, credit cards, insurance, and mutual funds through Shinhan Bank, Shinhan Card and other Group subsidiaries. A broader eco-friendly financial service will be attained by expediting a paperless and digital transformation. Moreover, a fortified environmental society risk management system will help with the analysis, evaluation and management of the impact of economic activities by financial service providers. To promote eco-friendly management, it will undertake various initiatives covering the introduction of electric vehicles for business purposes, building infra for recharging these vehicles, and increase energy efficient facilities, while combining this with the virtuous cycle of resources by reducing disposable items and by promoting recycling to reduce the generation of waste that can adversely affect the environment.

Declaration of the Increased Use of Renewable Energy

On the other hand, Shinhan Financial Group participates in the Right of Choice for the RE Initiative to tackle the predicament of climate change and fine dust. The Right of Choice for RE Initiative led by the National Assembly’s Renewable Energy Forum and six NGOs was launched with the aim to legalize a new and renewable energy power procurement system that separates solar power, wind power, and other sources of renewable energy from other forms of power generation. The Group is geared toward promoting a wider energy choice by businesses by proposing directions to ensure the effective design of a new and renewable energy power procurement system, and a roadmap to encourage domestic firms to use renewable energy and take part in promoting the voluntary use of new and renewable energy.





Enactment of UNEP FI Principles for Responsible Banking

Shinhan Financial Group enacted 'Principles for Responsible Banking', the international Agreement in the field of finance initiated by the United Nations Environment Programme Finance Initiative (UNEP FI) as a core member of the 28 financial institutions. Principles for Responsible Banking is an international agreement to define the role of the financial sector in implementing the Paris Agreement and the UN Sustainable Development Goals(SDGs) and the group is committed to proactively carry out its responsibility based on its proper role and function as a financial group.

Principle 1. Alignment

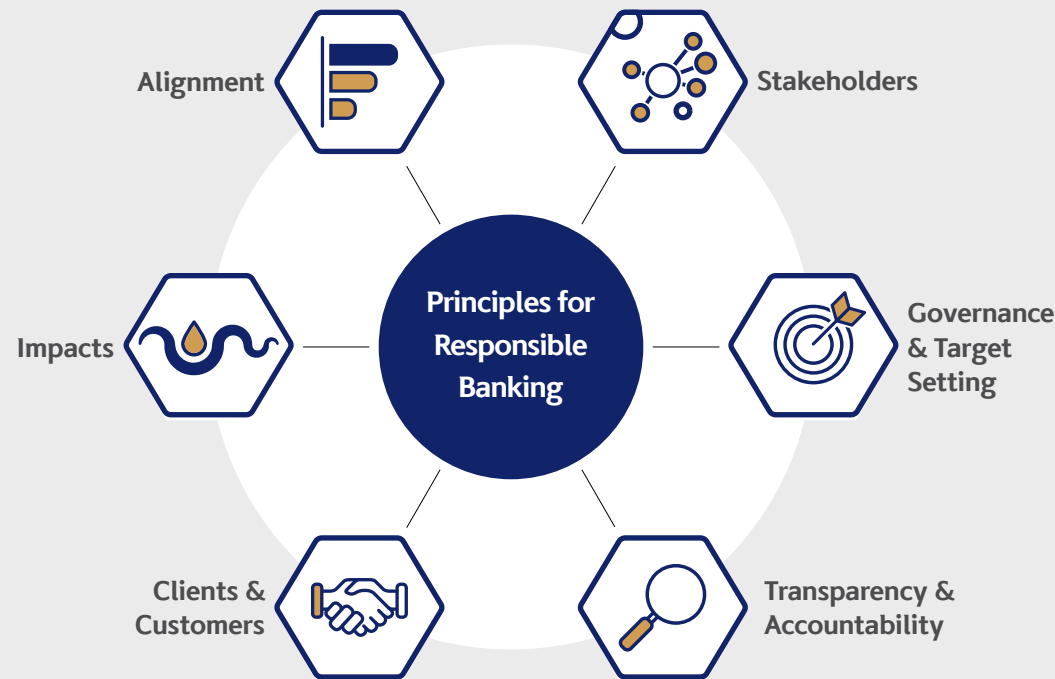
We will align our business strategy to be consistent with and contribute to the needs of individuals and social goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we will have the most significant impact.

Principle 2. Impacts

We will continuously increase positive impact while reducing negative impact on, and managing the risks for people and the environment resulting from our activities, products and services

Principle 3. Clients & 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



Principle 4. Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve social goals.

Principle 5. Governance & Target Setting

We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impact.

Principle 6. Transparency & Accountability

We will periodically review the individual and collective implementation of these Principles and be transparent about and accountable for positive and negative impact and our contributions to social goals.

Enactment of UNEP FI Principles for Responsible Banking

Shinhan Financial Group jointly enacted and announced the “Principles for Responsible Banking (hereinafter “PRB”)” at the Global Roundtable of UN Environment Programme Finance Initiative (hereinafter “UNEP FI”) held in Paris, France on November 26, 2018. This principle stipulates the roles and responsibilities of the financial industry in implementing the Paris Agreement and the United Nations Sustainable Development Goals. In conjunction with 28 global financial institutions such as the Industrial and Commercial Bank of China, BNP Paribas, and ING Group, Shinhan Financial Group seeks to establish these principles.

These Principles are set to offer global benchmarks for the financial sector that plays a pivotal role in the economic system to disseminate a positive influence over society and the environment and to contribute to the mitigation of negative factors by means of business strategies, products and services. Another notable significance of the Principles can be found in their suggestion for finance playing a leading role in ensuring a sustainable future.

After the review process and joint goal establishment by the financial sector, the PRB will be adopted and opened for signing and ratifying at the UN General Assembly in September 2019.

Discussion of the Topic of Transforming Banking

The Global Roundtable of UNEP FI under the theme of “The Role of Finance in Accelerating the Paris Agreement and the United Nations Sustainable Development Goals (SDGs)” was accompanied by various discussions to apply the issue of sustainability management to the financial industry in commemoration of the 3rd anniversary of the adoption of the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). There were about 1500 representatives from global central banks, CEOs of financial institutions, pension funds, asset management companies, but CEO Cho Yong-byoung of Shinhan Financial Group was the only Korean financial institution partaking the establishment of the Principles for Responsible Banking.

CEO Cho underscored the importance of the financial industry in the long-term development of a society and economy in the session discussion under the theme of “Transforming Banking” and introduced the current status of inclusive finance and productive finance support by Shinhan Finance as a model example. He also declared that the Group will be committed to assisting sustainable growth by tackling imminent challenges such as stagnant global growth, an aging society, youth unemployment, climate change and to build a co-prosperous, virtuous cycle where both socio-environmental values and corporate values are raised.

Shinhan Financial Group enacted ‘Principles for Responsible Banking’ as a core member of the 28 financial institutions. (2018.11)

