

Dear Valued Shareholders,

Thank you for your continued support of Shinhan Financial Group.

We fully recognize that the most critical role of the Board of Directors is to establish sound corporate governance and ensure that both management and directors fulfill their responsibilities with the highest level of accountability.

On March 11, 2025, ISS, a proxy advisor, recommended voting against the re-appointment of the incumbent independent directors and audit committee members in their proxy report for our upcoming general meeting of shareholders.

In light of this, we would like to share the Company's position regarding ISS's perspective, as well as the engagement efforts we have undertaken with ISS to date, in the following pages.

We kindly ask our shareholders to take these perspectives into consideration when making their voting decisions.

Sincerely,



Chun Sang Yung

Chief Financial Officer
Shinhan Financial Group

Shinhan Financial Group's Stance on ISS Concerns

1. Overview

As ISS continues to recommend against the reappointment of the Board of Directors, we kindly ask you, our shareholders, to exercise your voting rights with careful and prudent consideration. To assist in this process, we have summarized ISS's reasons for opposition, provided the Company's position on the matter, and outlined our ongoing engagement efforts with ISS, as detailed below.

2. ISS Concerns

Through its report published on March 11, 2025, the proxy advisory firm ISS (Institutional Shareholder Services) recommended voting against all agenda items concerning the reappointment of directors and audit members, citing the following three reasons:

(1) Inaction ① : Matters Related to Former CEO Cho

ISS viewed the trial related to former CEO Cho Yong-byoung's hiring irregularities as a material failure of governance. It criticized the Board at the time for not dismissing former CEO Cho. As a result, ISS recommended voting against the reappointment of all directors who served concurrently with former CEO Cho for their "inaction".

(2) Internal Control Failure: Related to the Lime Fund Incident

ISS pointed out that CEO Jin Okdong, who was president of Shinhan Bank at the time of the Lime Fund incident, received a light disciplinary action (*cautionary warning*) from the Financial Supervisory Service. ISS viewed this as a *Material Failure of Governance* and oversight responsibilities.

(3) Inaction ② : Matters Related to CEO Jin

ISS criticized the Board for not dismissing CEO Jin Okdong after the Financial Supervisory Service imposed only a light disciplinary action against him during his time as president of Shinhan Bank concerning the Lime Fund incident. As a result, ISS recommended voting against the reappointment of all directors who served concurrently with CEO Jin for their "inaction" to remove him from the Board.

[Note] Changes in ISS's Perspective

ISS has revised its stance on key issues as follows:

(1) Reversal of Assessment on Improvement Measures Related to the Lime Fund Incident

During our 22nd Annual General Meeting held in 2023, when CEO Jin Okdong's initial appointment was on the agenda, ISS acknowledged in its proxy analysis report that he had contributed to minimize customer losses through preemptive action with relation to the Lime Fund incident. Based on this assessment, ISS recommended in favor of his appointment. However, since 2024, ISS reversed its position, now considering the same issue as an internal control failure and categorizing it as a *Material Failure of Governance*.

(2) Reversal of Position on Problematic Director Classification

In its 2023 report, ISS recommended in favor of the appointment of CEO Jin Okdong as an executive director. However, just one year after its supporting opinion, ISS reclassified him as a *Problematic Director*, and had been criticizing other directors for not taking the action to dismiss CEO Jin from the Board.

Although not mentioned in this year's report, in order to explain this abrupt shift, ISS stated in its 2024 report that the 2023 recommendation was an exception made due to the COVID-19 pandemic. However, this reasoning may lack credibility for the following reasons:

- ① The 2023 ISS report did not mention COVID-19 or any exceptional approval.
- ② By the time the March 2023 report was published, the impact of COVID-19 had largely subsided, making it difficult to justify an exceptional decision on this basis.

(3) Shift in Stance on Independent Director Reappointment

Under ISS' newly applied *Problematic Director* criteria, all independent directors who received a favorable recommendation in 2023 were reclassified as *Inaction Directors* in 2024 and onwards, solely because they did not dismiss CEO Jin Okdong.

Moreover, under this revised standard, all newly appointed independent directors will also face opposition from ISS regarding their reappointment indefinitely.

Shinhan Financial Group's Stance on ISS Concerns (Continued)

3. Actions taken by Shinhan's Board

(1) Board's Efforts Regarding Former CEO Cho's Trial

Former CEO Cho Yong-byoung's hiring-related case was ultimately ruled *not guilty* by the Supreme Court in 2022, resolving all governance-related risks associated with the matter. From the early stages of the trial, the Board closely monitored the proceedings in real time and conducted a comprehensive review from multiple perspectives, focusing on shareholder value and governance risks.

Following Former CEO Cho's reappointment, ISS issued its first recommendation against all reappointed independent directors at the March 2021 shareholders' meeting, citing the Board's decision not to dismiss him. In response, the Board conducted a thorough reassessment in May 2021.

During this May 2021 meeting, the Board determined that rather than holding an extraordinary shareholders' meeting to resolve CEO Cho's dismissal before any legal judgment had been made, it would wait for the court's final ruling before deciding on further actions. The Board carefully considered the procedural, factual, and governance stability implications of dismissing the CEO and decided to communicate these proceedings transparently with shareholders. Accordingly, in September 2021, the Board issued a shareholder letter outlining its position.

Subsequently, both the appellate court (November 2021) and the Supreme Court (June 2022) ruled in favor of CEO Cho, upholding his acquittal. Throughout each stage of the trial, the Board actively engaged with shareholders through letters and direct engagement efforts to ensure transparency.

From the beginning of the case to its conclusion, **the Board made decisions prioritizing shareholder value, maintaining open communication with shareholders, and working to ensure governance stability.** Despite these extensive efforts, ISS's mechanical recommendation to vote against all Board members, solely because they did not take action to dismiss Former CEO Cho, fails to fully reflect the context and the Board's efforts at the time.

Furthermore, continuing to issue blanket opposition recommendations against director reappointments **six years after the case was decided as *not guilty*** appears to be an excessive and unjustified decision, underscoring the need for a **Sunset Clause**.

Key Timeline of Former CEO Cho's Trial

Date	Key points
Oct. 2018	Prosecutors Indict CEO Cho Yong-byoung (Charges: Obstruction of Business and Violation of the Equal Employment Opportunity and Work-Family Balance Assistance Act)
Jan. 2020	First Trial Court Ruling: Partial Guilty Verdict for CEO Cho Yong-byoung (Acquitted on the Equal Employment Opportunity and Work-Family Balance Assistance Act Violation, Partially Guilty on Obstruction of Business)
Nov 2021	Appellate Court Ruling: Full Acquittal of CEO Cho Yong-byoung
Jun 2022	Supreme Court Ruling: Full Acquittal of CEO Cho Yong-byoung (Legal Proceedings Concluded)

(2) The Lime Fund Incident and Shinhan's Response

The Lime Fund incident involved a large-scale redemption suspension caused by illegal fund operations at Lime Asset Management, significantly impacting the domestic financial market. As both a prime broker and a seller, Shinhan accepted appropriate responsibility. Immediately after the incident, Shinhan acted swiftly by implementing personnel measures for those involved and preemptively compensating affected customers. Notably, **then-group CEO Cho Yong-byoung demonstrated accountability by withdrawing his candidacy for CEO reappointment.**

To prevent similar incidents and strengthen internal controls, Shinhan Financial Group promptly implemented the following enhancement measures:

- **Improvement of Internal Control Systems:** Introduced a product verification process and preemptive risk assessment framework to enhance preventive capabilities.
- **Strengthening Customer Protection:** Enhanced compensation programs and product suitability evaluation procedures to rebuild customer trust.
- **Organizational Restructuring:** Established a dedicated department for financial consumer protection.

Shinhan Financial Group's Stance on ISS Concerns (Continued)

3. Actions taken by Shinhan's Board (Continued)

(3) Strengthened Customer Protection and Internal Controls

During Former CEO Cho Yong-byoung's tenure, Lime Asset Management was the largest hedge fund in Korea. Shinhan Securities had been selling Lime Funds since 2016, and Shinhan Bank was also preparing to launch a Lime-related fund. Shinhan Bank had already finalized an investment management agreement and completed internal decisions regarding its sale. **When CEO Jin Okdong took office as President of Shinhan Bank on March 26, 2019, it was just 20 days before the fund's planned launch on April 15, 2019.**

While it was practically impossible to immediately assess the risks of every financial product upon assuming office, **CEO Jin reviewed the fund's suitability within a month of his appointment and took preemptive action by halting sales before Lime Asset Management announced its redemption suspension. Furthermore, through proactive post-sale management, Shinhan Bank recovered a portion of the invested funds in advance, minimizing losses for customers.** Even after the incident, Shinhan took comprehensive measures to strengthen internal control, with CEO Jin playing a key role in customer compensation, overhauling the internal evaluation system (KPI), and driving structural reform within the organization by establishing the Consumer Protection Group.

Former Group CEO Cho Yong-byoung took responsibility by withdrawing from CEO reappointment candidacy. Meanwhile, although CEO Jin's tenure as Shinhan Bank CEO overlapped with the Lime Fund sales period for only 4-5 months, he swiftly ordered a sales suspension and implemented proactive consumer protection measures, leading the bank's internal control enhancements.

Recognizing these efforts, FSS issued only a "cautionary warning" (a light disciplinary action) against CEO Jin, unlike the much harsher penalties imposed on other financial institution heads involved in the Lime scandal. Notably, an FSS cautionary warning does not restrict an executive's eligibility to serve at financial institutions.

However, ISS reclassified the Lime Fund case in its 2024 report as a *Material Failure of Governance* under CEO Jin despite recognizing CEO Jin's internal control improvements efforts as well as Former CEO Cho's resignation to take responsibility.

4. Engagement Efforts with ISS

Shinhan Financial Group has actively engaged in continuous and multifaceted communication with ISS to clarify the context of key issues, explain improvement measures, and rectify inaccuracies in ISS reports.

(2021-2023) Ongoing Communication with ISS

Method	<ul style="list-style-type: none"> - Official Letter by the Chair of the Board - Conference call with ISS (the Chair) - In-person meeting (CFO) - Written submission of opinion on Voting Policy amendments
Agenda	<ul style="list-style-type: none"> - Review of ISS Voting Policy and key issues (Former CEO's trial, investment product issues, etc.) - Explanation of Shinhan's efforts to strengthen internal controls and consumer protection - Need for introducing a Sunset Clause in ISS Korea Policy
Results	<ul style="list-style-type: none"> - Continued ISS recommendation against director reappointments - ISS reflected Shinhan's opinion in the ISS Investor Survey (Nov. 2023), but the Sunset Clause was ultimately not adopted <p>(Survey results : 36% opposed, 43% conditionally supported, 21% other/no response)</p>

(2024) ISS's Shift in Stance and Shinhan's Strengthened Engagement Efforts

Despite Shinhan Financial Group's continued efforts to communicate improvements and shareholder value enhancement initiatives, ISS adopted even stricter criteria in its 2024 proxy voting report compared to previous years.

< Sep 2024 >

Method	- In-person meeting and email communication
Agenda	<ul style="list-style-type: none"> - Requested explanation on contradictions between the 2023 and 2024 reports - Emphasized the need for amendments to ISS Voting Policy - Shared SFG's Value-up Plan and efforts to enhance shareholder value - Outlined internal control strengthening efforts, including the introduction of the Responsibilities Map
Results	- Maintained its previous stance, reiterating its position based on exceptional approval during the pandemic

Shinhan Financial Group’s Stance on ISS Concerns (Continued)

4. Engagement Efforts with ISS (Continued)

< Oct 2024 >

Method	- Submitted opinion to the ISS Feedback Review Board
Agenda	- Explained that engagement has stalled due to ISS Korea Team’s inconsistent and unconvincing responses - Proposed that amendments to the Voting Policy are necessary to ensure the credibility and consistency of ISS reports
Results	- The Feedback Review Board merely referred Shinhan’s request back to the ISS Korea Research Team, preventing meaningful discussion

Shinhan Financial Group has maintained continuous engagement with ISS since 2021.

5. Conclusion

The Board of Directors has consistently conducted immediate reviews and carefully considered response measures whenever key issues arose within the group. Notably, the Board’s deliberate and proactive efforts to minimize governance uncertainties during former CEO Cho Yong-byoung’s trial and its preemptive actions and internal control enhancements in response to the Lime Fund incident serve as strong examples of its commitment to enhancing shareholder value.

Moving forward, the Board of Shinhan Financial Group will continue to prioritize governance stability and shareholder value, making decisions that reflect these principles while actively engaging with shareholders and all stakeholders.

We kindly ask for your support in approving the proposed director reappointment resolutions recommended by the Board.

Contact us

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