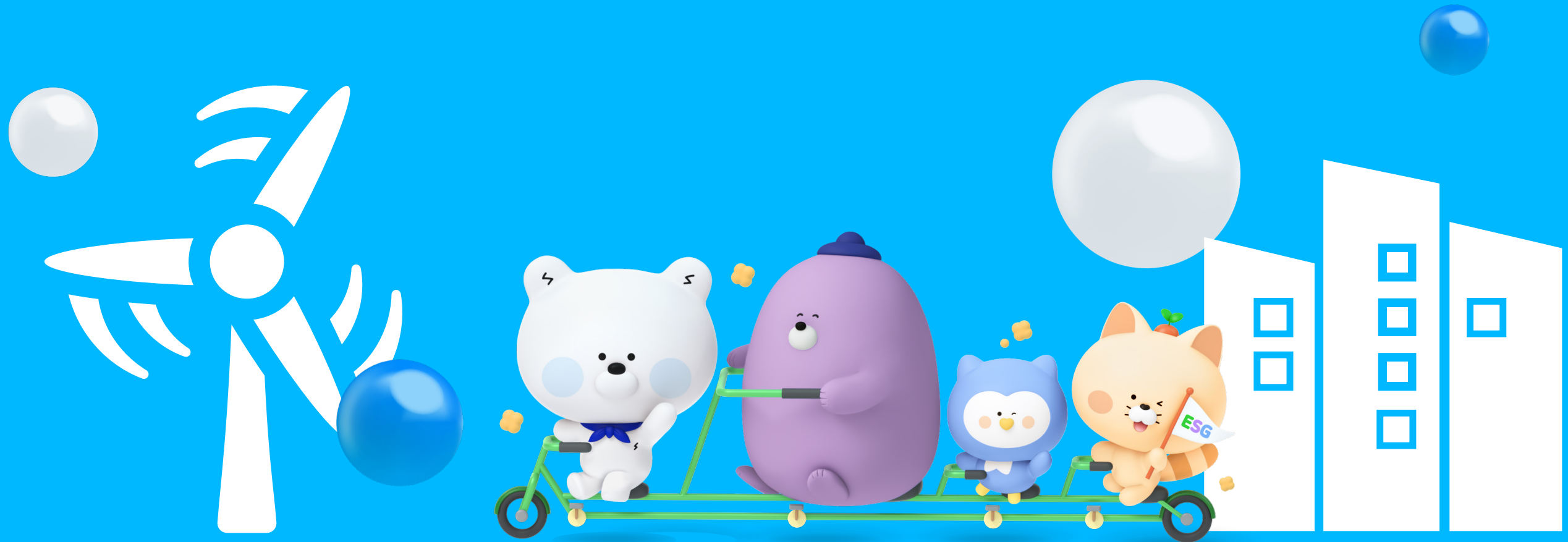


# SPECIAL REPORT



# Contents

Shinhan Financial Group 2023 ESG Report is published as an interactive PDF format, allowing readers to move quickly and easily to pages in the report and links related to web pages.

## TCFD Report

<b>Introduction</b>	<b>004</b>
2050 TCFD-based Net-Zero Roadmap	
<b>Governance</b>	<b>005</b>
Governance to respond to Climate Change	
Roles of the Management	
System and Capacity for Climate Risk Management	
<b>Strategy</b>	<b>009</b>
Strategy to Respond to Climate Change	
Climate Change Materiality Assessment	
Introduction of Climate Change Scenario Analysis	
Climate Scenario Analysis Results	
Resilience Analysis of Each Climate Scenario	
Progress of Climate-related Opportunities	
<b>Risk Management</b>	<b>026</b>
Process to Identify/Assess Climate Risks and Opportunities	
How to Segment Customers by Climate Risk	
<b>Metrics &amp; Targets</b>	<b>030</b>
Shinhan Financial Group's GHG Emission Targets	
Method of GHG Metrics Calculation and Internal Carbon Pricing	
Status of GHG Emission	
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities	
Exposure of Each Industry Caused by Transition/Physical Risks	
Asset Portfolio Industry-specific Reduction Target Roadmap	
<b>ISSB S2 Index</b>	<b>041</b>
<b>TCFD Index</b>	<b>045</b>

## Biodiversity Report

<b>Introduction</b>	<b>047</b>
2030 Shinhan Financial Group's Roadmap for Biodiversity Management	
<b>Governance</b>	<b>048</b>
BOD and Management Structure for Biodiversity Management	
Policy and Process for Engagement of Stakeholder	
<b>Strategy</b>	<b>050</b>
Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio	
Distribution of Portfolio in Biodiversity Map	
Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio	
Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio	
[Additional page] LEAP Analysis of Projects Subject to Reviews under Equator Principles	
<b>Risk Management</b>	<b>063</b>
Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System	
<b>Metrics &amp; Targets</b>	<b>065</b>
Biodiversity Indicators of Shinhan Financial Group	
Financial Institution's Directions of Setting Biodiversity Targets	
Biodiversity Targets of Shinhan Financial Group	
<b>TNFD Index</b>	<b>070</b>

## Shinhan ESG Value Index Report

<b>Introduction of Shinhan's ESG Value Index</b>	<b>072</b>
Shinhan's journey for creation of ESG value	
Direction of Shinhan's ESG Value Index	
<b>Shinhan ESG Value Index System</b>	<b>073</b>
Shinhan ESG Value Index Performance System	
Measurement Model and Structure	
Measurement Principles and Methods	
<b>2023 ESG Value Performance</b>	<b>075</b>
Shinhan ESG Value	
Major ESG Value of Group Companies	
Trends of ESG Value Performance	
Performance of Contribution to Reduction of Carbon Emissions	
Performance in Contribution to Resolution of Social Issues	
<b>Major Cases of ESG Activity Measurement</b>	<b>079</b>
Shinhan Financial Group, Serious About Energy	
Taeon Solar Power Complex Project	
Project for Conservation of Forest Ecosystem of Baekdudaegan	
Support for Case Management of Families in Crisis	
Shinhan Dream Dodamteo	
Legal and Financial Aid for Jeonse Scams	
<b>Shinhan ESG Value Steps toward Tomorrow</b>	<b>085</b>
Efforts for a Virtuous Cycle of ESG Value Creation	
Comments of Employees Who Participated in the Measurement	

## Diversity and Human Rights Report

<b>Diversity, Equity and Inclusion</b>	<b>088</b>
Shinhan's DEI	
DEI Implementation Framework	
DEI Targets and Metrics	
DEI Implementation Direction	
Establishing DEI Culture	
<b>Human Rights</b>	<b>102</b>
Shinhan's Human Rights Management	
Human Rights Management System	
Management of Human Rights Risks	
Remedies against Human Rights violation	
Internalization of Human Rights Management and Information Disclosure	

# TCFD REPORT

INTRO

004

GOVERNANCE

005

STRATEGY

009

RISK MANAGEMENT

026

METRICS & TARGETS

030



## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

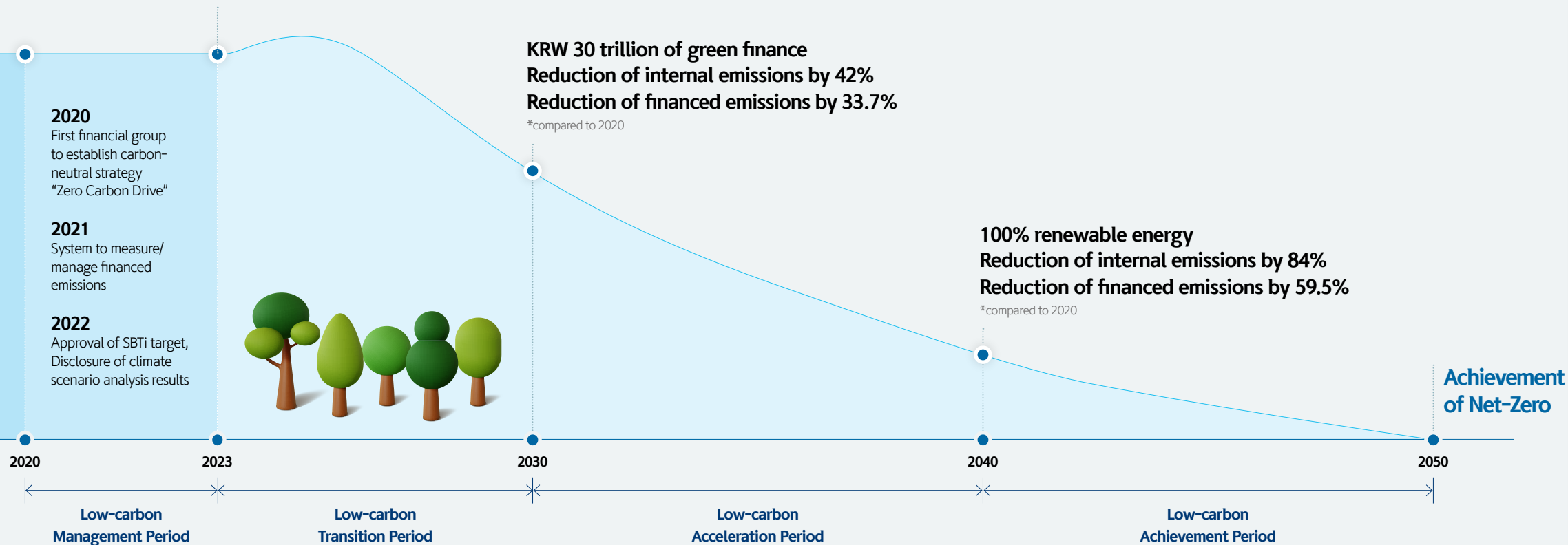
## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### 2050 TCFD-Based Net-Zero Roadmap

In order to achieve its global target of realizing “net-zero” in 2050, Shinhan Financial Group conducted various activities in 2023 for expansion of green finance, reduction of greenhouse gas emissions, reduction of use of resources, expansion of renewable energies, and green social contributions, etc. Since 2020, the Group has laid a foundation for low-carbon management, e.g. by establishing carbon-neutral strategies for the first time as a financial group, establishing a system to measure and manage finance emissions and obtaining the approval on SBTi target, etc. In 2023, it came up with a transition finance policy as a more practical policy for reduction of internal emissions and financed emissions with the aim of joining RE 100 and achieving data center RE 100, while implementing the “Shinhan Financial Group, Serious about Energy” project. From 2030, which is expected to become an important turning point for low-carbon transition, Shinhan Financial Group established its mid-term goals including KRW 30 trillion of green finance by 2030 and 100% transition to renewable energy sources by 2040 and established internal emissions and financed emissions targets for each year. Shinhan Financial Group will continue to be a reliable partner for the country and industry on the road to net-zero.

#### Transition finance policy Join RE100 and achieve Data Center RE100 Shinhan Financial Group, Serious about Energy” Project



### TCFD Report

#### Introduction

2050 TCFD-based Net-Zero Roadmap

#### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

#### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

#### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group’s GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# GOVERNANCE



Shinhan Financial Group is constantly strengthening its governance framework to respond to climate change and achieve relevant targets. Each member of the governance framework has distinct roles and responsibilities. For example, the ESG Strategy Committee and Risk Management Committee under the BOD make final decisions on establishment of strategies and risk management, respectively, while the management makes a quarterly report of major agenda of the Group Executive Committee chaired by the Group CEO to the ESG Strategy Committee. Further, for achievement of climate-related targets, the Group reflects climate change issues, e.g., “green finance”, “internal emissions (Scope 1, 2)” and “financed emissions (Scope 3)”, in its management assessment system based on a 3 lines of defense system.

6p

## Governance to Respond to Climate Change

- Roles and Responsibilities of BOD
- Status of 2023 ESG Strategy Committee

7p

## Roles of the Management

- Roles and Responsibilities of ESG Implementation Committee
- Climate-related Management Evaluation System

8p

## System and Capacity for Climate Risk Management

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

## Roles and Responsibilities of BOD

The ESG Strategy Committee and Risk Management Committee have authorities to make final decisions on important issues on establishment of strategic directions for climate change business strategy and transition to a low-carbon economy. The Committees supervise the business of the Group, with authorities to approve policies and processes on climate change and internal control policies.

The CSR Committee (now the ESG Strategy Committee), established in 2015 for the first time among Korean financial companies, holds four regular meetings a year, oversees all major decisions related to ESG and climate strategies, sets GHG emission targets, and reviews the achievement of targets in both quantitative and qualitative terms.

The Risk Management Committee comes up with policies for management of climate change risks by analyzing the climate-related issues it receives from the Group Risk Council.

## Status of 2023 ESG Strategy Committee

**03.23** **Report** 1. Appointment of Chairperson of the ESG Strategy Committee

**05.11** **Report** 1. Operation plan for ESG Strategy Committee  
2. ESG Promotion Dashboard of 2023 Q1  
3. Status of Environment (E) priority projects in 2023  
4. Status of Social Contribution (S) priority projects in 2023  
**Resolution** 1. Promotion of RE 100 membership (proposal)

**08.10** **Report** 1. ESG Promotion Dashboard of 2023 Q2  
2. Response to obligation for ESG disclosure  
3. Publication of 2022 ESG report  
4. Results of 2022 ESG Value Index measurements

**11.09** **Report** 1. ESG Promotion Dashboard of 2023 Q3  
2. Major projects and direction for environment (E) in 2024  
3. Major projects and directions for social contribution (S)s

## Governance Framework to Respond to Climate Change



## Major issues of BOD's management/supervision of climate change

Number of climate change agenda	Governance mechanism in which climate issues are integrated	Scope of BOD-level supervision
Regular – 4 times a year	<ul style="list-style-type: none"> <li>- Supervision of employee incentives and provision of relevant information</li> <li>- Review of strategies and provision of relevant information</li> <li>- Establishment of transition plan and provision of relevant information</li> <li>- Monitoring of transition plan implementation</li> <li>- Supervision of corporate goal</li> <li>- Monitoring of progress of corporate goal</li> <li>- Review of risk management process and provision of relevant information</li> </ul>	<ul style="list-style-type: none"> <li>- Climate change-related risks and opportunities that may arise in workplaces under direct operation</li> <li>- Climate change-related risks and opportunities that may arise in loan, investment and insurance activities</li> <li>- Impact of workplaces on climate</li> <li>- Impact of loan, investment and insurance activities on climates</li> </ul>

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

#### Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report


### Roles and Responsibilities of ESG Implementation Committee

Shinhan Financial Group directly reports the ESG agenda issued at the Group Executive Meeting (ESG Implementation Committee) chaired by the CEO to the ESG Strategy Committee and Risk Management Committee at each quarterly meeting of the BOD. The ESG Implementation Committee has been newly established to supplement the Group ESG Chief Strategy Officer (CSO) Council and the Group Risk Council, and CEOs of each group company participates to discuss and make decisions on overall ESG management issues (e.g., climate change) pursued by each of the companies. Further, the Group Chief Strategy Officer and Group Risk Part Manager have been designated as managers of the overall driving system and the climate risk management system, respectively.

<b>Chief Manager of Climate Issues</b>		Chief Executive Officer (CEO)
<b>Climate-related Responsibilities of that Position</b>		<ul style="list-style-type: none"> <li>· Provision of climate-related employee incentives</li> <li>· Establishment and implementation of climate transition plan</li> <li>· Integration of climate change issues in company strategies</li> <li>· Setup of corporate goals related to climate change</li> <li>· Monitoring of progress on climate-related corporate goals</li> <li>· Assessment of climate-related risks and opportunities</li> <li>· Management of climate-related risks and opportunities</li> </ul>
<b>Scope of Responsibilities</b>		<ul style="list-style-type: none"> <li>· Risks and opportunities related to loans</li> <li>· Risks and opportunities related to investment</li> <li>· Risks and opportunities related to insurance underwriting</li> <li>· Risks and opportunities related to workplaces under direct operation</li> </ul>
<b>Line of Report</b>		Directly reported to BOD
<b>Frequency of Reporting of the climate change-related issues to BOD</b>		Quarterly

### Climate-related Management Evaluation System

In order to achieve the goal of Net Zero by 2050, Shinhan Financial Group has included “climate change issues” as one of the criteria for performance evaluation of the Group CEO and CEOs each group company, and the results are reported to and approved by the Remuneration Committee. The key tasks included in KPI are “internal emissions (Scope 1, 2)”, “financed emissions (Scope 3)” and “green finance”, and the results of ESG assessments are reflected in incentives of all employees as well as the CEOs. The targets of the key tasks were set in 2020: internal emissions are to achieve net zero by 2044 and financed emissions are to achieve net zero by 2050, while the target for the amount of green finance is KRW 30 trillion by 2030.

<b>Performance Indicators</b>		<ul style="list-style-type: none"> <li>· Achievement of climate change plan KPI</li> <li>· Advancement towards the climate-related targets</li> <li>· Achievement of climate-related targets</li> <li>· Implementation of initiatives for emissions reduction</li> <li>· Reduction of absolute emissions</li> <li>· Reduction of emission intensity</li> <li>· Green finance performance: Increase in the ratio of profit from low-carbon products or services in the product or service portfolio</li> <li>· Infrastructure to respond to climate change</li> </ul>
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<b>KPI of the Management</b>	<ul style="list-style-type: none"> <li>· In 2018, Shinhan decided to reflect ESG in the Group’s major strategic tasks, and from 2019, it has reflected ESG performance in performance evaluation of the Group CEO and the CEOs of each group company.</li> <li>· In 2023, the ratio of ESG evaluation in the Group CEO’s key tasks was expanded to 15%, while including expansion of ESG finance and strengthened management of internal/financed emissions in major key tasks.</li> <li>· The ratios of ESG-related items in the evaluation are differentiated for CEOs of each group company, by taking into consideration the size and nature of business of each of them.<sup>1)</sup></li> </ul>
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1) 13% for Bank/Card/Securities/Life; 11.5% for Capital/Asset Management/Jeju/Savings/Asset Trust/REIT; 5% for others

- Introduction**  
2050 TCFD-based Net-Zero Roadmap
- Governance**  
Governance to respond to Climate Change
- Roles of the Management**  
System and Capacity for Climate Risk Management
- Strategy**  
Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities
- Risk Management**  
Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk
- Metrics & Targets**  
Shinhan Financial Group’s GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap
- ISSB S2 Index**
- TCFD Index**

## DO THE RIGHT THING

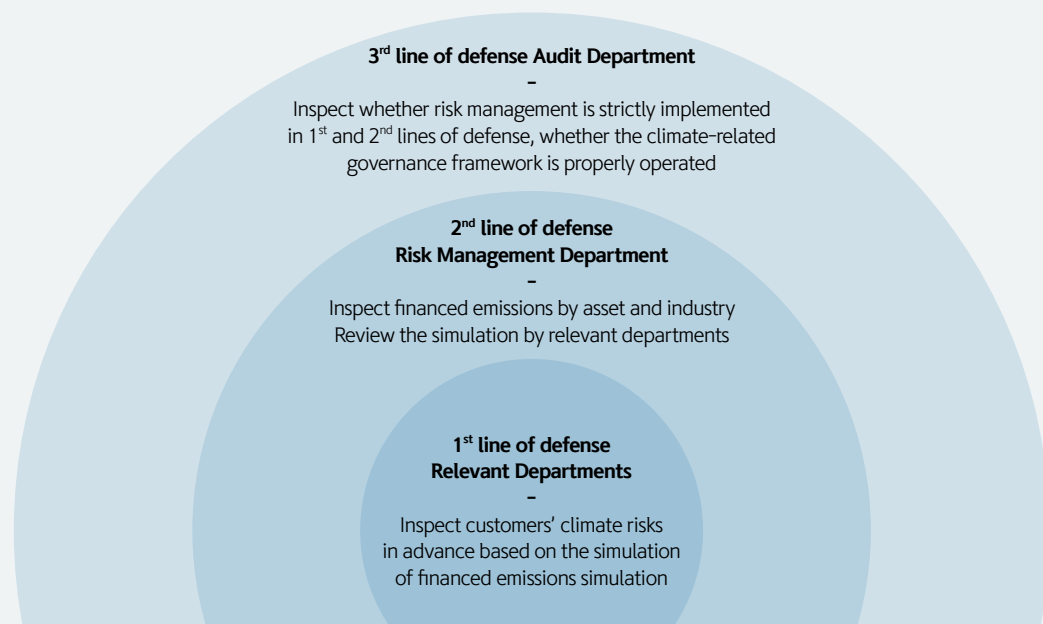
Shinhan Financial Group  
2023 ESG Report

### System and Capacity for Climate Risk Management

#### 3 Lines of Defense Model for Climate Risks

Financial companies may utilize a 3-lines of defense model for risk management and internal control to manage climate risks. In March 2022, Shinhan Financial Group became the first Korean financial group to create a system to measure financed emissions, and based on the system, it established a process for relevant departments to inspect climate risks of its corporate customers prior to execution of loans or investments through an emissions measurement simulation. After execution of loans and investments, as the second line of defense, the risk management department reviews the simulation by the relevant department and evaluates climate-related risks. The Compliance Support Team checks whether employees comply with climate and ESG policies based on the Group ESG Risk Management Regulations. As the third line of defense, the audit department monitors whether the above processes are strictly complied with and whether the climate-related governance framework is being properly operated. Scenario methodologies or emissions data quality audit are not performed at the moment, and the Group needs to adopt more advanced third line of defense.

#### 3 Lines of Defense Model for Climate Risks



#### Education for Climate-related Capacity Building

Ten sessions of climate-related capacity building education were provided for employees of ESG departments and other relevant departments of each group company.

Date	Details	Participants	Online/Offline
2023.01.10	ESG data requirements	82	
2023.01.19	Advancement of calculation of emissions (Scope 1, 2)	20	Online
2023.01.26	ESG data definition	34	
2023.02.15	Shinhan Financial Group's ESG data platform	20	Offline
2023.02.28	Financed emissions	35	
2023.03.30	Energy savings (Shinhan "Let's Save" Campaign)	20	Online
2023.05.18	Response to sustainable financial disclosure	45	Offline
2023.06.14	Energy savings (Shinhan Financial Group, Serious about Energy)	20	Online
2023.10.20	Sharing of results of energy saving activities	32	Online
2023.11.30	Resource circulation	20	Offline

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management

### System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

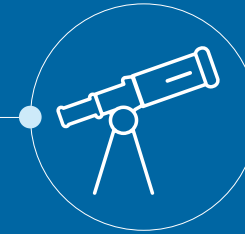
### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY



Risks and opportunities related to climate change affect the corporate management environment in various forms and Shinhan Financial Group engages in a wide range of activities under three strategies of carbon emissions reduction, financed emissions reduction and expansion of green finance, based on its goal to achieve net-zero by 2050, i.e. "Zero Carbon Drive." Further, the group has identified risks and opportunities related to climate change and conducted a materiality assessment to understand their financial impact for each period. It is currently establishing a resilient response system through a more detailed financial impact assessment based on climate change scenarios.

<p><b>10p</b></p> <p><b>Strategy to Respond to Climate Change</b></p> <ul style="list-style-type: none"> <li>· Zero Carbon Drive</li> </ul>	<p><b>11p</b></p> <p><b>Climate Change Materiality Assessment</b></p> <ul style="list-style-type: none"> <li>· Scope of Climate Change Materiality Assessment</li> <li>· Considerations for Climate Change Materiality Assessment</li> <li>· Recognition of Time Horizons for Climate Change Risks/Opportunities</li> <li>· Climate Change Materiality Assessment Methodology</li> <li>· Results of Climate Change Materiality Assessment</li> <li>· Identification of Climate-related Risks and Opportunities of Shinhan Financial Group</li> </ul>	<p><b>17p</b></p> <p><b>Introduction of Climate Change Scenario Analysis</b></p> <ul style="list-style-type: none"> <li>· Introduction of Climate Change Scenario Analysis</li> <li>· Explanation and Reasons for Selection of Transition and Physical Risks Scenario</li> </ul>	<p><b>20p</b></p> <p><b>Climate Scenario Analysis Results</b></p> <ul style="list-style-type: none"> <li>· Transition Risk Scenario Analysis Results</li> <li>· Physical Risk Scenario Analysis Results</li> </ul>	<p><b>22p</b></p> <p><b>Resilience Analysis of Each Climate Scenario</b></p>	<p><b>23p</b></p> <p><b>Progress of Climate-related Opportunities</b></p> <ul style="list-style-type: none"> <li>· Expansion of Green Finance</li> <li>· Transition Finance Policy and Relevant Performance</li> </ul>
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## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

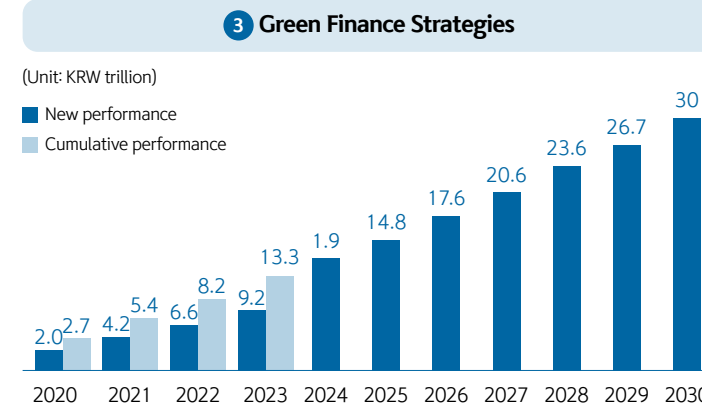
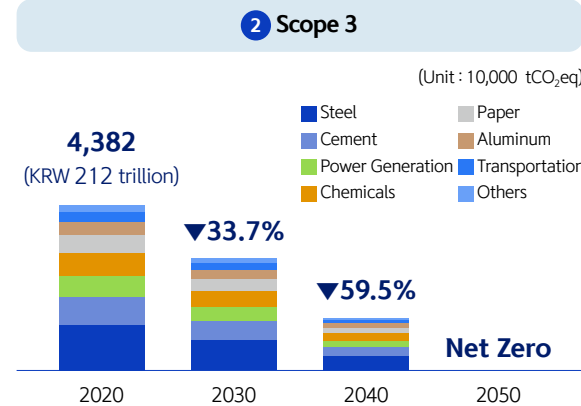
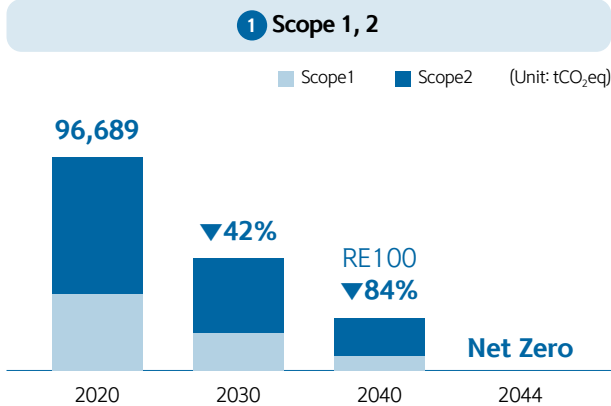
Shinhan Financial Group  
 2023 ESG Report

## Zero Carbon Drive

In 2020, Shinhan Financial Group announced its "Zero Carbon Drive" strategy, which is aimed at achieving Net Zero by 2050, for the first time among financial groups in East Asia. Its strategies to achieve the Zero Carbon Drive are divided into three categories: zero internal emissions, zero financed emissions, and support and investment of KRW 30 trillion for green finance. The Group is conducting its business operation in line with the detailed targets set under these strategies.

### Shinhan Financial Group's Strategies for Management of Risks and Opportunities to Achieve Net Zero

Directions of strategies



#### "Serious about Energy" Projects

##### Shinhan "Let's Save" Project

- Efforts to reduce internal emissions by all group employees
- After-hours lights-out campaign, savings on air conditioning, use of public transportation, reduction of single-use cups

**2,004** MWh saved in 2023

##### Data Center RE100 Project

- Conversion of 100% of electricity used by the data center to renewable energy
- LED lights, PV and solar thermal facilities, inverters, energy-efficient equipment, BEMS, etc.

**61,039** MWh of renewable energy used in 2023

#### "Advancement of Climate Risk Management System"

##### Advancement of system for financed emission measurement and scenario analysis

- Financed emissions, sovereign debt emissions, asset management emissions by industry in the PCAF-based asset portfolio
- Reflecting the system to analyze financial impact of climate risks based on scenarios, e.g., NGFS, RCP and SSP, etc.

##### Measures to manage high carbon emitting businesses

- Monitoring of carbon emissions by business with the highest amount of financed emissions and establishment of measures of control, e.g., support transition finance
- Analysis of corporate emissions trends by securing quantitative data

#### "Expansion of Transition Finance"

##### Green finance based on transition finance policy

- Financing of "transition" to facilitate decarbonization of customers based on the Korean Green Classification System and the UNEP FI Net Zero Transition Finance Guidelines, taking into consideration the domestic industrial environment

Achievement of KRW **2.17** trillion of transition finance as of the end of 2023

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

#### Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

ISSB S2 Index

TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Scope of Climate Change Materiality Assessment

Before coming up with Net Zero strategies, Shinhan Financial Group conducted a materiality assessment to analyze various impacts of climate change and estimate financial impacts by short-, mid- and long-term perspectives. The elements of the climate change materiality assessment are categorized into 30 risks and opportunities based on the Group's own evaluation criteria. These categories refer to the transition and physical risks and opportunities presented by the TCFD recommendations, and reflect the UNEP FI global climate change data and WEF's 2024 global risk report, etc. Instead of focusing on the climate risks and opportunities inherent in the finance business, Shinhan Financial Group's materiality assessment concentrates on climate risks and opportunities in the perspective of its customers (corporate, retail), which constitute the essence of the finance business.

### Climate Change Risks

### Climate Change Opportunities

#### Transition risks

- Policy and legal**
  - T1 Increase in the price of carbon emissions rights
  - T2 Increase in policy-based costs, e.g., carbon tax
  - T3 Strengthened environmental disclosure obligation
- Technology**
  - T4 Failure in transition into low-carbon technologies
  - T5 Increase in costs to improve energy efficiency
  - T6 Failure to investment in technologies for emissions reduction
- Market**
  - T7 Customer (corporate/retail) churn
  - T8 Increase in raw material prices
  - T9 Increase in energy costs (electricity, oil)
- Reputation**
  - T10 Withdrawal of investment
  - T11 Expansion of negative image among customers (public)
  - T12 Expansion of negative reputation among interest groups

#### Physical risks

- Acute risks**
  - P1 Typhoon(strong wind) / flood / torrential rain
  - P2 Forest fire / landslide
  - P3 Cold wave/ heavy snow
  - P4 Earthquake
- Chronic risks**
  - P5 Increased average temperature
  - P6 Rise in sea level



- Resource efficiency**
  - C1 Efficient use of energy
  - C2 Expansion of eco-friendly means of transportation
  - C3 Expansion of eco-friendly construction equipment
- Energy resources**
  - C4 Increased use of low-carbon energy
  - C5 Participation in carbon market
  - C6 Application of energy-related new technologies
- Products and services**
  - C7 Expansion of low-carbon product/service development
  - C8 Climate change adaptation and insurance solutions
  - C9 New services through technology innovation
  - C10 Changes in consumer preferences
- Market**
  - C11 Creation of climate change-related new markets
  - C12 Utilization of incentives in the public sector

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
**Climate Change Materiality Assessment**  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### Considerations for Climate Change Materiality Assessment

Shinhan Financial Group reflected the specific nature of financial companies in assessing the financial impacts of climate change, and considered not only the risks on Shinhan itself, but also a possible transfer of risks from its customers in assessing risk factors. The fact that each risk factor or opportunity may either appear or disappear according to the time of recognition of climate change, and that short-term impact may change in the long-term perspective has also been reflected.

Some risk factors may be underestimated in terms of their impact due to the lack of foundation for financial evaluation. Moreover, climate-related risks and opportunities tend to become more uncertain in the long term. Accordingly, financial impact varies significantly according to the time of assessment when conducting materiality assessment of climate-related risks and opportunities.

Physical risks and transition risks have an inverse relationship in terms of impacts, but in this financial materiality assessment, they are deemed independent, and their correlations are not considered.

### Recognition of Time Horizons for Climate Change Risks/Opportunities

In climate change scenario analysis, Shinhan Financial Group defines short-term as zero to one year from the year that follows the year of reporting, and mid-term as up to five years during which the financial impact (BIS ratio rate) significantly change. Long-term is defined to be over five years, which is out of the scope of estimation under the scenarios. The climate risks after five years are assessed in a more conservative manner. The same time horizons are used for opportunities as well. Transition factors in climate risks are deemed opportunities. The opportunities that arise while responding to regulatory risks are deemed short-term (0-1 year) opportunities, and the low-carbon transition is expected to accelerate due to the increase in the price of emissions rights and carbon tax, etc. The period in which many opportunities for eco-friendly businesses are expected to emerge is deemed mid-term (1-5 years). After five years, the carbon-neutral scenario is expected to see a delayed or disorderly transition. Therefore, more risks and opportunities are expected to exist at the same time in the long term.



Time Horizon			
Period	Short-term 0-1 year	Mid-term 1-5 years	Long-term After 5 years
Connection between strategies for each time horizon	To control the short-term internal emissions, Shinhan Financial Group is expanding its use of renewable energy by establishing the science-based target of 4.2%p reduction per year. For expansion of green finance, the Group is increasing loans and investment based on the financing targets.	Considering the financial impacts and expansion of low-carbon transition market, which are expected to be meaningful in the mid term, the Group has come up with strategies for management of financed emission intensity and expansion of transition finance.	In the long term, the Group plans to make its financed emissions (Scope 3) Net Zero by 2050, while achieving Net Zero of internal emissions (Scope 1, 2) at least by 2044, in line with the carbon-neutral scenario and the delayed or disorderly transition scenario.

### TCFD Report

#### Introduction

2050 TCFD-based Net-Zero Roadmap

#### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

#### Strategy

Strategy to Respond to Climate Change

#### Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

#### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index

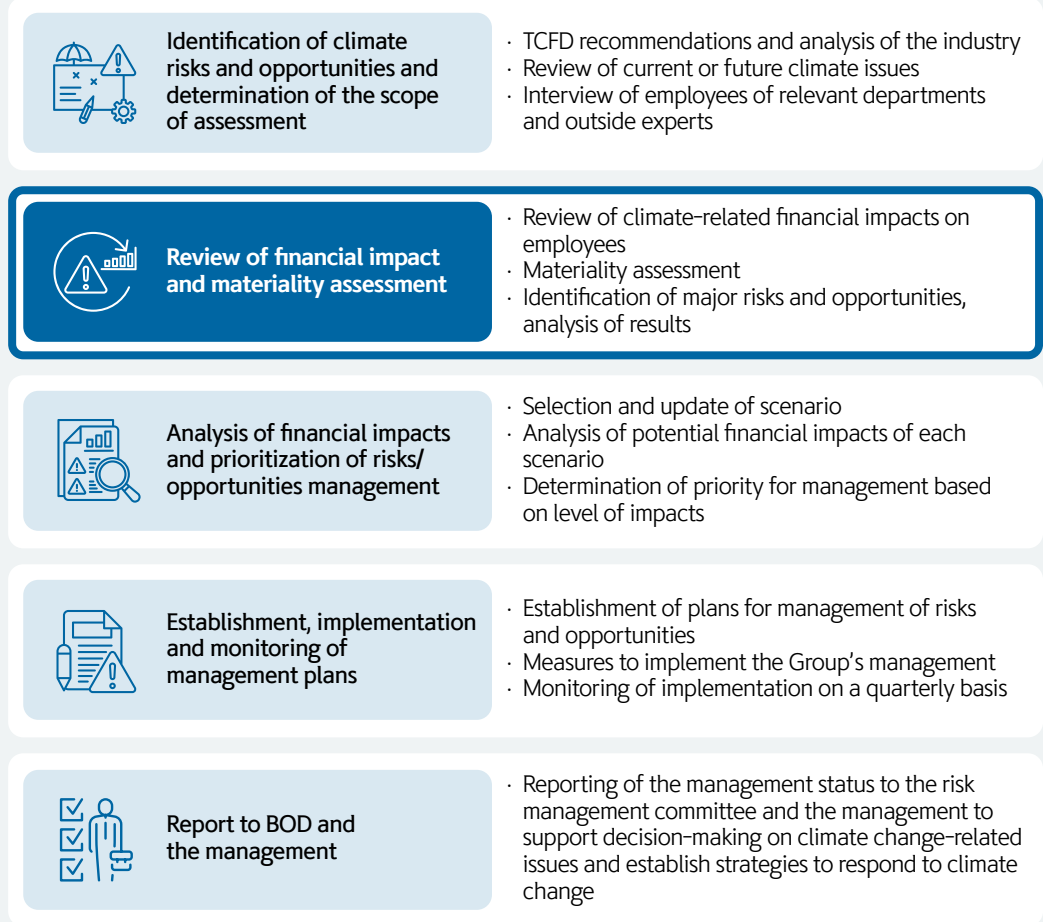
## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

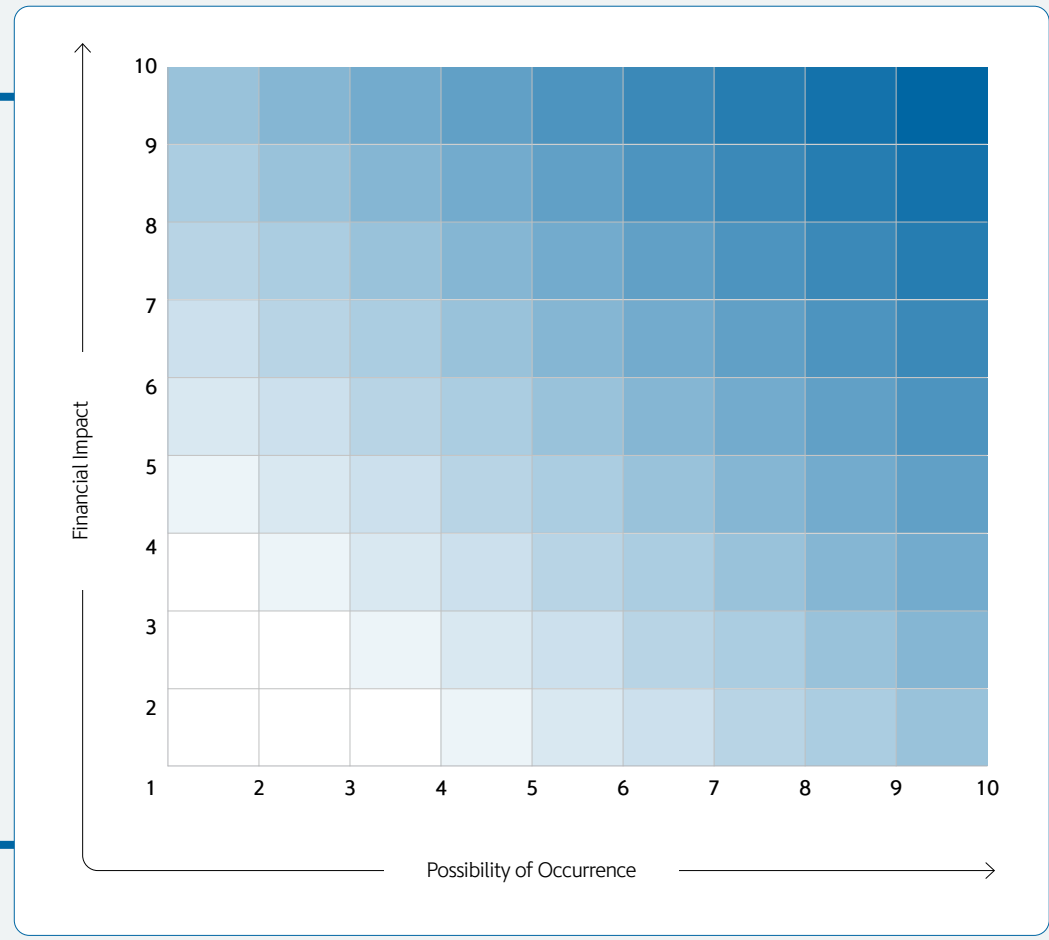
### Climate Change Materiality Assessment Methodology

Shinhan Financial Group is building a process to identify, evaluate, prioritize, and manage climate-related risks and opportunities. It has created the materiality assessment procedure in its climate change response process based on the TCFD recommendations, and under that procedure, relevant departments selected transition/physical risks and opportunities and examined financial impacts based on the assessment and opinions of internal/external experts. The materiality assessment was designed to analyze the short/mid/long-term changes on a scale of 0 to 10 based on possibility of occurrence and the consequent financial impacts on Shinhan Financial Group. Therefore, the materiality assessment may allow the Group to identify the climate factors to be preferentially managed.

#### Process of Climate Change Response



#### Materiality Assessment Matrix



### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
**Climate Change Materiality Assessment**  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

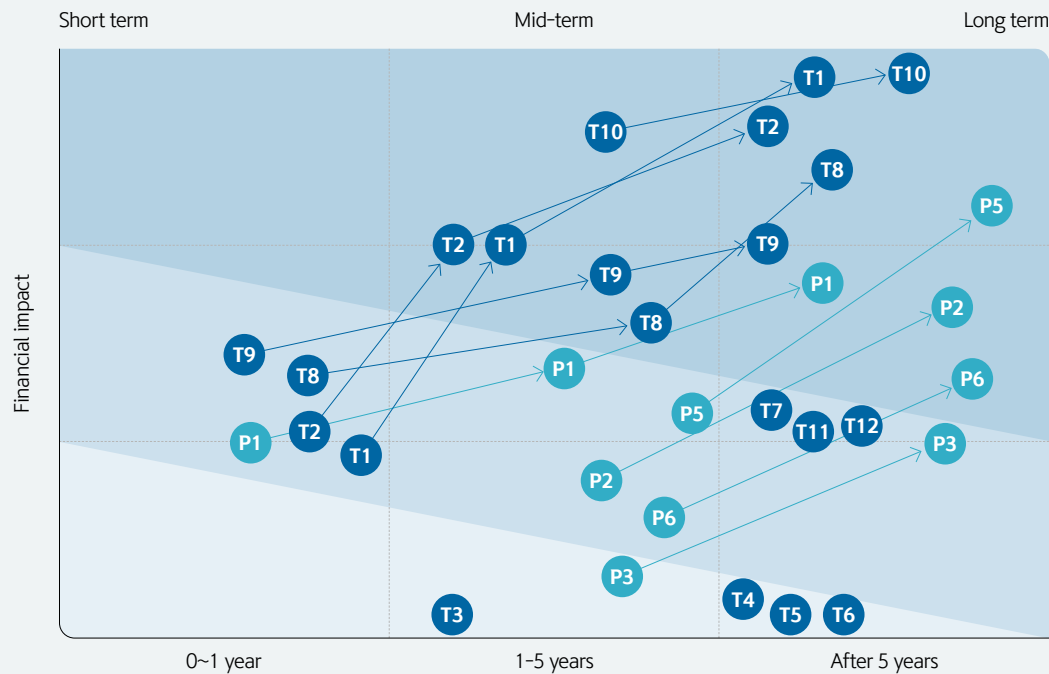
## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

Results of Climate Change Materiality Assessment

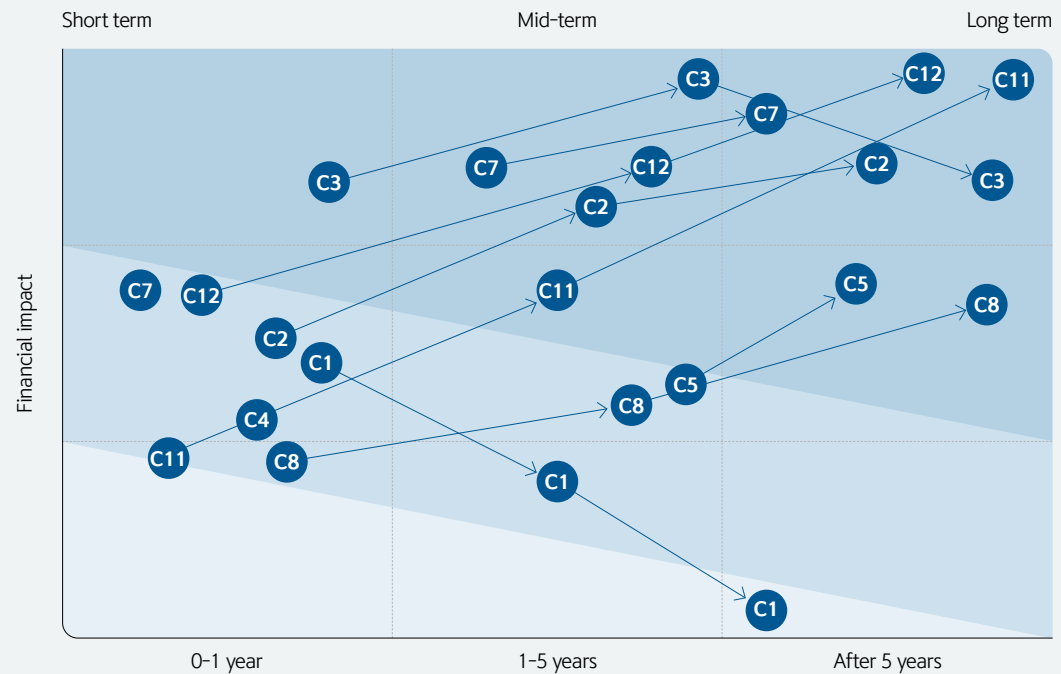
Climate Change Risks

Shinhan Financial Group conducted a materiality assessment of climate change risks in the short/mid/long term. Major risks in transition include “increase in the price of carbon emissions rights”, “increase in policy-based costs including carbon tax”, “increase in raw materials prices and energy costs” and “withdrawal of investment”, etc. In particular, at a time when the world is deemed to be following the “delayed transition” scenario as of 2023, the short and mid-term policy burden for achievement of carbon neutrality is expected to grow. Further, the constant rise in the average temperature is likely to cause an increase in raw material prices and energy costs. In such case, operational risks of a financing company as well as an increase in financial institution’s internal production cost may be passed onto financial risks. With respect to physical risks, typhoons and torrential rain, which occur the most frequently in Korea, are expected to have the largest financial impacts on companies in the short and mid-term, while in the long term, the rise in the temperature of the Korean Peninsula will likely undermine productivity of the overall industries.



Climate Change Opportunities

Shinhan Financial Group actively responds to climate-related risks while identifying opportunities arising in the course of GHG reduction and adaptation to climate change. Financial opportunities in the short term include increase in demand for loans/investment due to expansion of eco-friendly means of transportation and construction facilities, and financing and supply upon utilization of incentives in the public sector. In the mid- and long term, a new market related to climate change is expected to be created, and investment in new technologies, e.g., Carbon Capture & Storage (CCS) technology, is likely to increase considerably. Further, the markets for carbon-related futures and funds are expected to expand, and as the demand for adaptation to climate change would increase due to the delayed transition, new insurance solutions will become an opportunity in the long term, compared to the short and mid-term.



Introduction

2050 TCFD-based Net-Zero Roadmap

Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

Strategy

Strategy to Respond to Climate Change  
**Climate Change Materiality Assessment**  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

Metrics & Targets

Shinhan Financial Group’s GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

ISSB S2 Index

TCFD Index

DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

Identification of Climate-related Risks and Opportunities of Shinhan Financial Group

[Financial impact] Moderate: ○ Slightly important: ◎ Very important: ● / [Time horizon] Short term: 0-1 year; Mid-term: 1-5 years; Long-term: After 5 years

Identification of Climate-related Risks

Type	Code	Risk factors	Time horizon			Potential impact	Current response and plan
			Short-term	Mid-term	Long-term		
Policy and legal	T1	Increase in price of carbon emissions rights	○	◎	●	· Increase in the costs of customers in high-carbon industry due to the rise in the price of emissions rights	(Short-term) Collection of data on companies' emissions rights and analysis of trends (Mid-term) Expansion of transition finance for high-carbon businesses (Long-term) Management/adjustment of portfolio for high-carbon businesses
Policy and legal	T2	Increase in policy-based costs e.g., carbon tax	○	◎	●	· Increase in costs of exporting due to the increased carbon tax and regulations on high carbon-emitting industries · Increase in operating costs in the course of localization	(Short-term) Efforts to reduce emissions based on internal carbon pricing and decision-making on investment (Mid-/Long term) Expansion of investment in eco-friendly businesses and renewable energy projects
Market	T8	Increase in raw materials price	○	○	●	· Increase in production cost due to the increased raw materials prices and waste disposal costs	(Mid-/Long term) Continuous monitoring of carbon risks associated with core raw materials supplier
Market	T9	Increase in energy costs (electricity, oil)	○	◎	●	· Increase in overall costs due to unexpected rise in energy costs	(Short-term) Investment in facilities, e.g., energy-efficient air conditioning system (Mid-/Long term) Stability in RE100 through expansion of REC purchase and PPA; expansion of investment in renewable energy producers
Reputation	T10	Withdrawal of investment		●	●	· Reduction of investment due to concerns of customers and investors · Change of consumer preferences and economic damage due to negative images in the case of improper response to climate change	(Mid-/Long term) Commitment to strengthen climate information disclosure through constant participation in global initiatives, e.g., CDP, SBTi, TCFD
Acute	P1	Typhoon (strong wind) / flood / torrential rain	○	○	◎	· Successive occurrence of credit risks due to closure of workplaces under direct operation or on the supply chain · Decline in productivity and operating profits due to deterioration of workers' health · Increased operating costs and capital costs due to damaged equipment and early disposal of existing assets	(Mid-/Long term) Identification of regions with high/low risks of typhoon/flood/torrential rain and adjustment of investment ratio; establishment of the safety and health management system for the group and distribution of safety rules for employees and partner companies
Acute	P2	Forest fire / landslide		○	◎	· Increase in costs of restoration due to damage to facilities under direct operation or on the supply chain · Possibility of damage to facilities or human errors at the Jukjeon data center in mountainous area	(Mid-/Long term) Identification of regions with high/low risks of forest fire/landslide and adjustment of investment ratio; establishment of the safety and health management system for the group and distribution of safety rules for employees and partner companies
Chronic	P5	Rise in average temperature		○	●	· Increase in electricity and water use, decline in productivity · Increase in operating costs due to climate pattern change in the long term	(Mid-term) Identification of buildings and areas vulnerable to climate change (Long term) Analysis and constant monitoring of potential long-term risk factors based on location of each workplace

Introduction

2050 TCFD-based Net-Zero Roadmap

Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

ISSB S2 Index

TCFD Index

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Identification of Climate-related Risks and Opportunities of Shinhan Financial Group

[Financial impact] Moderate: ○ Slightly important: ◎ Very important: ● / [Time horizon] Short term: 0-1 year; Mid-term: 1-5 years; Long-term: After 5 years

#### Identification of Climate-related Risks

Type	Code	Opportunities	Time horizon			Potential impact	Current response and plan
			Short-term	Mid-term	Long-term		
Resource efficiency	C2	Expansion of eco-friendly means of transportation	○	◎	●	· Increase in corporate customers' demand for financing due to improved energy efficiency and recognition of the need for eco-friendly transportation and relevant infrastructure	(Short-term) Launch of financial products related to eco-friendly means of transportation; support for employees' purchase of electric vehicle, etc. (Mid-/Long-term) Investment in infrastructure related to eco-friendly transportation, e.g., EV charging station, bike lanes
Resource efficiency	C3	Expansion of eco-friendly construction facilities	◎	●	◎	· Increase value of fixed assets (e.g., energy-efficient buildings) · Reduction of operating costs and carbon emissions due to energy-efficient architectural design	(Short-term) Launch of financial products related to eco-friendly construction facilities (Mid-term) Expansion of US eco-friendly building certificate (LEED) for workplaces under direct operation or on supply chain
Energy resources	C5	Participation in carbon market		○	◎	· Expansion of transition finance for high-carbon businesses; increase in profits from emissions rights due to GHG reduction upon adjustment/management of high-risk portfolio	(Mid-/Long-term) Contribution to low-carbon society through creation of emissions rights market; creation of vicious circle through constant management of carbon emissions and donation of carbon emissions rights
Products and services	C7	Expansion of development of low-carbon products and services	○	◎	●	· Establishment of sustainable management strategies focused on development of eco-friendly products and securing of competitiveness · Higher profits from corporate customers' increased demand for eco-friendly financial products	(Short-term) Expansion of green finance products, e.g. eco-friendly theme funds, renewable energy infrastructure PF (Mid-/Long-term) Constant monitoring of performance of green finance products
Products and services	C8	Climate change adaptation and insurance solutions	○	○	◎	· Increase in profits through new solutions for the needs for climate change adaptation (products/services for insurance risk transfer)	(Mid-/Long-term) Development of customized insurance products to prepare for natural disaster risks, e.g. typhoon, flood
Market	C11	Creation of new markets related to climate change	○	◎	●	· Preemptive securing of customers for new markets through monitoring of the industry · Future market domination and increase in profits through diversification of financial products based on new technologies, e.g., fintech	(Short-term) Investment in, and support for, startups and innovative companies in low-carbon technologies and services sector (Mid-/Long-term) Expansion of long-term investment in infrastructure for renewable energy, e.g. PV, wind power
Market	C12	Utilization of incentives in the public sector	○	●	●	· Reduction of indirect operation costs through utilization of incentives in the public sector	(Short-term) Collection and analysis of information on public sector incentive and subsidy projects (Mid-/Long-term) Participation in local governments' energy-related public projects

### TCFD Report

#### Introduction

2050 TCFD-based Net-Zero Roadmap

#### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

#### Strategy

Strategy to Respond to Climate Change

#### Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

#### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Introduction of Climate Change Scenario Analysis

In general, a stress test conducted to analyze the impact of financial market crashes and recessions over a specific period, such as a financial crisis or COVID-19, are based on a short-term financial impact analysis of one to two years, but scenario analysis for climate risks is different in that it is based on a long-term observation period. Due to this long-term nature, risks manifest themselves over a long period of time and there is a gap between the maturity of credit instruments, an asset of financial institutions, and the analysis period. Furthermore, given the characteristics of climate risks, e.g., the fact that past patterns do not appear in the same manner due to the circumstances including domestic and international policies and companies responding to them, and the fact that the pathways and impacts of climate risks are highly complicated in scope, including industries, economies and markets, it is necessary to conduct analysis based on scenarios that make assumptions on future conditions. Accordingly, Shinhan Financial Group is analyzing the financial impact of climate risks by setting a wide range of variables for climate scenario analysis and deriving the pathways and impact levels for each of the scenarios.

### Characteristics of climate risks



**Non-linear risk development patterns (different from the past)**  
The past patterns do not appear in the same manner, as they are largely impacted by policy directions, etc.



**Risks are uncertain, but their occurrence is certain**  
The level of impact is uncertain, but there is a high possibility for transition risks and physical risks to occur.



**Pathways and impact of risks are highly complicated**  
The pathways and the impact of climate risks are highly complicated.



**Risks manifest themselves over a long period of time**  
There is a gap between the maturity of credit instruments (asset of financial institution) and the period of analysis.

**Analysis needs to be based on scenarios that make assumptions on future conditions**

### Description and Status of Climate Risk Scenario Analysis

#### Climate scenarios

· NGFS and IPCC scenario

#### Variables

· GDP  
· Carbon price  
· Carbon emissions  
· Electricity usage

#### Pathways of risks

· Increased costs of carbon emissions  
- Increased price of carbon  
→ Increased cost for direct emissions  
- Increased indirect energy/non-energy costs

#### Impact on portfolio

· Calculation of adjusted net income  
- Change in profits **Increase in low-carbon capital expenditure**  
- Increase in costs of carbon emissions

#### Change in credit rating

· Change of credit rating based on adjusted net income  
- Upgrade/downgrade of rating  
- Change in default rate

#### Results

· Results of analysis, e.g., profitability, capital adequacy, etc.  
- Impact on net profit/BIS ratio

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
**Introduction of Climate Change Scenario Analysis**  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

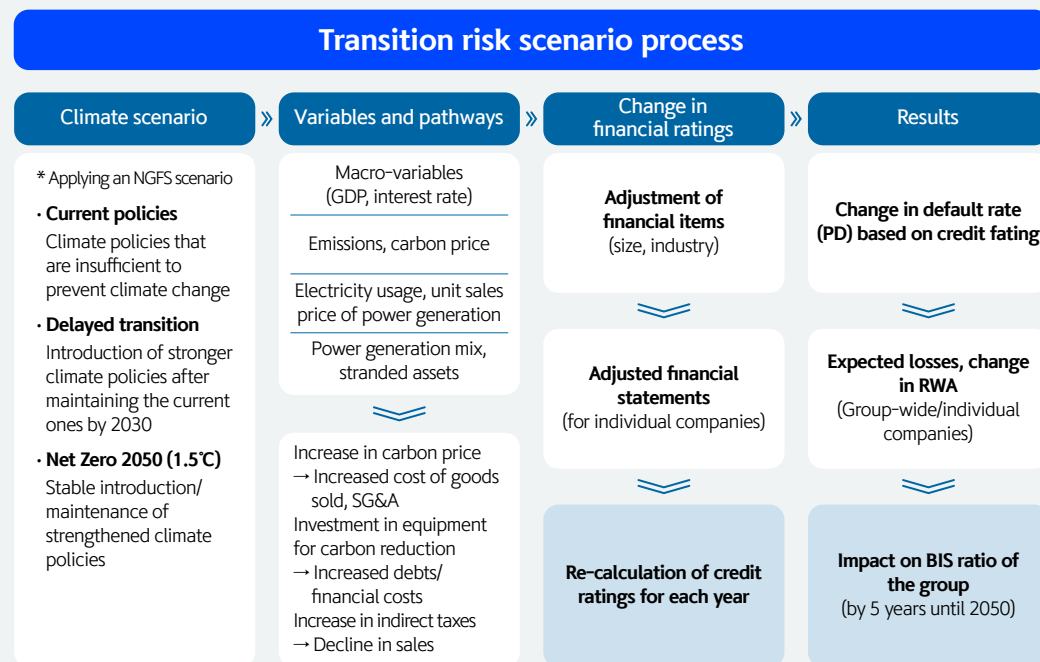
Shinhan Financial Group  
2023 ESG Report

### Introduction of Climate Change Scenario Analysis

#### Shinhan Financial Group's Transition Risk Scenario Analysis

By considering the characteristics of climate risks and benchmarking various stress test methodologies including the climate stress test<sup>1)</sup> of the European Central Bank (ECB), Shinhan Financial Group developed its own scenario analysis model that reflects the characteristics of its portfolio. The Group used the variables of the climate scenario developed by NGFS, e.g., GDP growth rate, market rate, carbon price and power generation mix, to estimate future financial statements of individual companies by separating the impact of (1) macroeconomic scenarios and (2) carbon policy scenarios. Based on the estimated statements of financial position, Shinhan Financial Group calculated the credit ratings of the companies and analyzed the risk-weighted assets (RWA) and expected losses based on such credit ratings to estimate its BIS ratios by 2050.

1) Economy-wide climate stress test, European Central Bank(ECB), 2021.9.

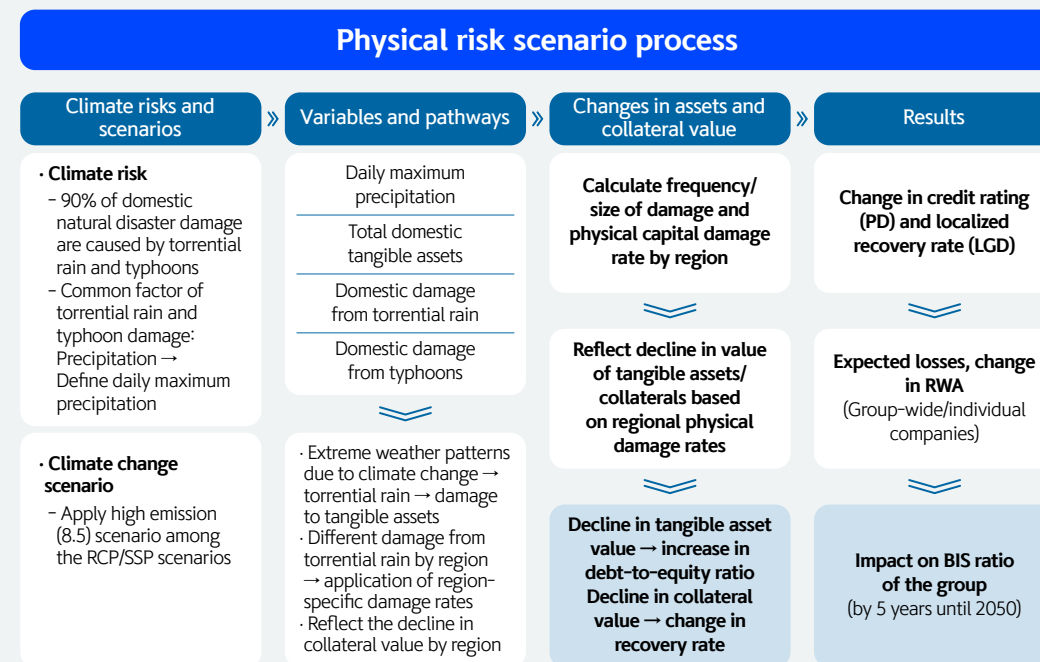


\* Formula to analyze financial impact of climate risks based on ECB stress methodology

(Total assets)  $TA_t^i = \exp[a + b_1 \log(TA_{t-1}^i) + b_2 \log(GDP_t) + b_3 CPI\%_t]$  (Revenue)  $S_t^i = \exp[a + b_1 \log(S_{t-1}^i) + b_2 \log(TA_t) + b_3 VAT_t + b_4 OIL\%_t + b_5 t]$   
 (Cost of goods sold)  $C_t^i = \exp[a + b_1 \log(C_{t-1}^i) + b_2 \log(TA_t) + b_3 t] + \Delta Cost_t^i(carbon\ cost) + \Delta Cost_t^i(energy\ cost)$  (Carbon reduction)  $\Delta Scope1_t^i = Scope1_{t-1}^i \times (1 + S\_YOY_t^i) - Scope1_t^i$

#### Shinhan Financial Group's Physical Risk Scenario Analysis

Shinhan Financial Group has developed its own physical risk analysis methodology by benchmarking the ECB's physical risk analysis methodology and reflecting the Korean climate environment, etc. The model derived the relationship between precipitation and torrential/typhoon damage events to estimate the frequency and scale of damage and calculated the annual physical capital damage rate of each region by 2050 using the RCP 8.5 / SSP5-8.5 daily maximum precipitation scenario and data on total domestic tangible assets. Based on the results, the impact on Shinhan Financial Group's BIS ratio has been identified by reflecting the change in debt-to-equity ratio upon changes in a company's tangible assets, the consequent change in credit ratings, and the decline in the value of collateral assets.



### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
**Introduction of Climate Change Scenario Analysis**  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### Explanation and Reasons for Selection of Transition and Physical Risks Scenario

#### Shinhan Financial Group's Transition Risk Scenario – NGFS Scenario 4

The NGFS (Network for Greening the Financial System), established by central banks and financial supervisory bodies of each country for the economic and financial sector's response to climate change, has developed and announced climate scenarios based on integrated assessment models for the purpose of supporting countries in climate risk assessment. As the scenarios were developed by a group of financial supervisory bodies, many financial institutions are utilizing NGFS scenarios for analysis, and Shinhan Financial Group also uses the NGFS scenarios to raise comparability.

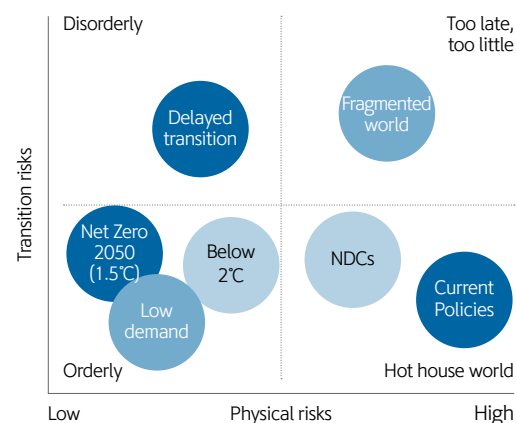
In November 2023, NGFS announced its 4th climate change scenario, which reflects different countries' climate change policies and technology development, etc. Given the slow pace of efforts to reduce carbon emissions, the 4th scenario raised the price of carbon necessary for Net Zero compared to the 3rd scenario and added the natural disaster impact.<sup>1)</sup>

The NGFS Scenario 4 consists of 7 low-carbon transition pathways, as two new ones (Low demand and Fragmented world) have been added to Scenario 3.

Shinhan Financial Group analyzed the financial impacts based on three scenarios that are the most representative, financially meaningful and comparable – (i) Current Policies, (ii) Delayed Transition, and (iii) Net Zero 2050.

	NGFS Scenario 3 (2022)	NGFS Scenario 4 (2023)
<b>Carbon emissions reduction</b>	Emissions reduction will significantly decline from '21 to '25 in transition pathways	Emissions reduction will be insignificant from '21 to '25 in transition pathways
<b>Carbon price</b>	USD 700/ton in 2050	Rise from USD 700 to 1,700/ton in 2050
<b>Impact of natural disasters</b>	Not reflected	Added the impact of natural disasters on real economy

Low-carbon transition pathways in NGFS Scenario 4



#### Shinhan Financial Group's Physical Risk Scenario – IPCC RCP (5th), SSP (6th) Scenario

With respect to physical risks, the Representative Concentration Pathways (RCP) used in the 5th assessment report of IPCC (Intergovernmental Panel on Climate Change), which reports natural disasters caused by increased carbon emissions and the rising average temperature, and the Shared Socio-economic Pathway (SSP) used in the 6th assessment report of IPCC were used. In disclosing its physical risk analysis, Shinhan Financial Group utilized high-emissions scenarios, i.e., RCP 8.5 and SSP-8.5, and the scope of scenario analysis was limited to the damage caused by torrential rain and typhoons, which accounted for 93.2% of the entire damage of natural disasters over the past 10 years.

#### RCP (Representative Concentration Pathways)

- The IPCC Fifth Assessment Report defines GHG concentrations as the amount of radiation that human activity imposes on the atmosphere and uses the term "representative" to infer that there can be multiple socio-economic scenarios for a single radiative forcing. The term "pathways" is used to emphasize the changes in GHG emission scenarios over time.
- The RCP figure represents the amount of additional global absorbed energy (W/m<sup>2</sup>) due to greenhouse gases.

Classification	Definition	Concentration (2100)
RCP2.6	Immediate action to reduce GHG emissions	450ppm
RCP4.5	Significant realization of GHG reduction policies	540ppm
RCP6.0	Realization of certain level of GHG reduction policies	670ppm
RCP8.5	Maintenance of current GHG emissions	940ppm

#### SSP (Shared Socio-economic Pathways)

- For the IPCC's Sixth Assessment Report, five scenarios are defined by future mitigation and adaptation efforts based on future socio-economic development in conjunction with radiative forcing in 2100 (the traditional RCP concept).
- Demographics, economic development, welfare, ecosystem factors, resources, institutions, technological development, social factors, and policies are considered.
- The first number of SSP represents the social/economic efforts to adapt to climate change, while the second number represents the radiative forcing (W/m<sup>2</sup>) in 2100, as in the RCP Scenario.

Classification	Definition
SSP1-2.6	Assuming that renewable energy technologies will minimize the use of fossil fuels and lead to environmentally sustainable economic growth.
SSP2-4.5	Assuming intermediate levels of climate change mitigation and socioeconomic development
SSP3-7.0	Assuming a social structure that is vulnerable to climate change due to passive climate change mitigation policies and slow technology development
SSP5-8.5	Assuming that rapid advances in industrial technology will lead to high fossil fuel use and urban sprawl

High-emission scenarios out of the RCP and SSP were selected because both assume 8.5 of radiative forcing as of 2100, which means, given that physical risks significantly increase in scenarios with high emissions and high temperatures, they would have the largest financial impact among the 8 scenarios. In general, the impacts manifest in a larger scale in SSP scenario than in RCP scenario.

<sup>1)</sup> Summary of NGFS 4th Climate Change Scenario (February 29, 2024), Jae-Yun Kim, Office of Sustainable Growth, Bank of Korea

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

### Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Transition Risk Scenario Analysis Results

The analysis of transition risk scenarios shows that the Group's BIS ratio is expected to fall by up to 1.90%p from 2023 in the Net Zero 2050 scenario (CET1 ratio: up to 1.59%p fall). This is meaningful in that even at the maximum level of decline (14.08%) under the Net Zero 2050 scenario, the BIS ratio is higher than the minimum regulatory level (12.5%), and that this analysis measured the impact of climate risks in detail.

### Financial impact of each NGFS scenario

#### Current Policies

**[Mid-term (5-10 years)]** As transition to a low-carbon economy does not occur, there is no increase in carbon price or change in energy price, which means there is no transition risk shocks; BIS ratio slightly declines due to the impact of macroeconomic variables, e.g., GDP, interest rate and price.

**[Long-term (After 10 years)]** Interest rate will stabilize after 2030 and GDP will rise in a stable manner; Therefore, there will be no significant change in financial impact on companies, but potential physical risks due to natural disasters are expected to gradually grow (continuous and gradually growing pattern after 2050).

**Decline in BIS ratio by 0.34%p (CET1 ratio: 0.29%p) in 2025 due to changes in macroeconomic variables, followed by maintenance of that level**

**(2025: Maximum credit RWA + KRW 5 trillion; expected loss: + KRW 285.3 billion)**

#### Delayed Transition

**[Mid-term (5-10 years)]** Without any policy change by 2030, the impact on companies is the same as "Current Policies"

**[Long-term (After 10 years)]** As GHG reduction policies are implemented after 2030, credit risk deteriorates significantly, especially for carbon intensive, high-debt companies, due to increased direct and indirect emission costs and rising interest rates (inflationary impact) caused by a surge in carbon prices, which reduces corporate operating income and increases financial costs. However, although the carbon price will continuously rise, after ten years of implementation, burden on companies will be gradually mitigated by adoption of low-carbon energy sources and investment in carbon reduction equipment, which will reduce the carbon emissions.

**Decline in the BIS ratio by 0.97%p (CET1 ratio: 0.83%p fall) due to implementation of reduction policies in 2030, followed by maintenance of that level (+KRW 8.1 trillion in max credit RWA, +KRW 323.5 billion in expected losses in 2040)**

#### Net Zero 2050

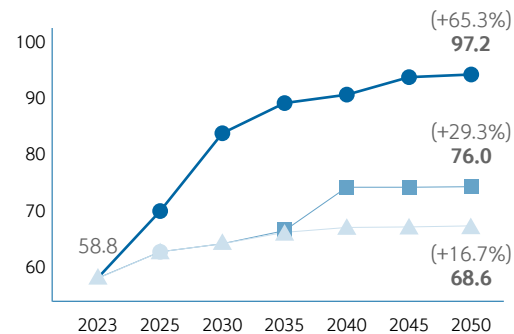
**[Mid-term (5-10 years)]** In the course of the gradual transition to a low-carbon economy, GHG emissions will decrease due to a rapid recovery (3-4 years from implementation) thanks to the increase in carbon prices and the creation of opportunities, but carbon prices will continue to increase.

**[Long-term (After 10 years)]** Burden on companies will decline despite the high carbon prices as GHG emissions will fall below "Zero" after 2047 due to investment in low-carbon industries and carbon reduction, etc. However, the BIS ratio will not recover as the interest rate surges, but the rate of reduction will slow down.

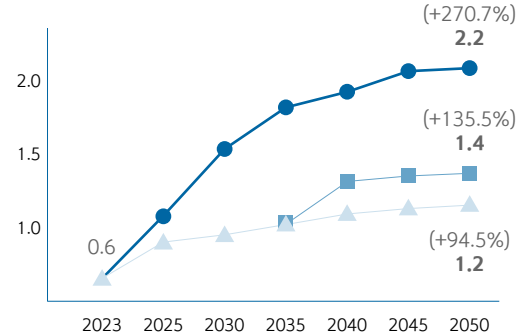
**Decline in the BIS ratio by 0.71%p in 2025 due to gradual implementation of carbon policies, followed by continuous fall to 1.90%p in 2050 compared to the reference point (+KRW 14.6 trillion in max credit RWA, +KRW 509.8 billion in expected losses in 2030)**

▲ Current Policies ■ Delayed Transition ● Net Zero 2050

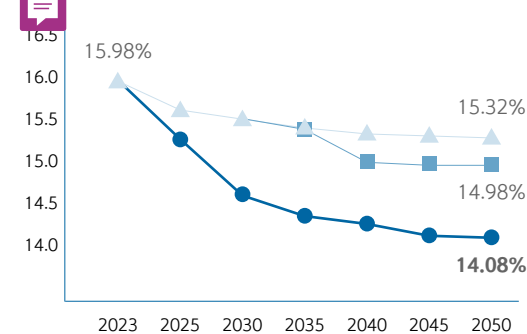
RWA Increase (Unit: KRW trillion)



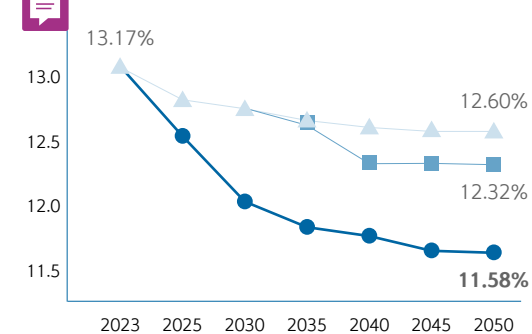
Increase in Expected Loss (Unit: KRW trillion)



BIS ratio (Unit: %)



CET1 ratio of (Unit: %)



This scenario analysis covers corporate customers of Shinhan Financial Group subject to or not subject to external audit for which the Group has meaningful financial information. It seems that it would accompany lower risks to maintain the current policies, but if current policies are maintained, the temperature of the earth is expected to rise by 2°C by 2050. In that case, physical risks, which are in an inverse relation with transition risks, will expand and spread, causing much larger damage globally. Therefore, comprehensive examination of the climate scenarios show that efforts for early transition to a low-carbon economy based on Net Zero 2050 scenario are needed.

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

### Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

# DO THE RIGHT THING

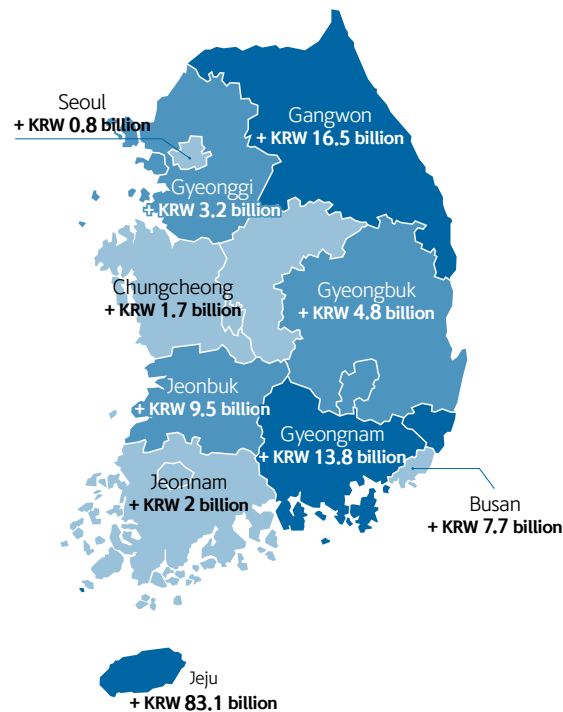
Shinhan Financial Group  
2023 ESG Report

Physical Risk Scenario Analysis Results

According to the physical risk scenario analysis, the Group's BIS ratio is expected to decrease by up to 0.01%p compared to 2023 under both RCP 8.5/SSP5-8.5 scenarios. The analysis shows that, under RCP 8.5 scenario, Group RWA and expected loss will increase by KRW 143.1 billion and KRW 3.8 billion, respectively, by 2050, while under the SSP5-8.5 scenario, the increase will be KRW 209 billion and KRW 8.5 billion, respectively. The physical risks are expected to have the largest impact on Gangwon-do and Jeju-do. In particular, physical damage that occurs frequently in Jeju area account for around half of the damage to Shinhan Financial Group, because Jeju Bank, a subsidiary in Jeju, has a relatively large exposure in the area. The physical risks are expected to have a minor impact on Shinhan Financial Group's BIS ratio. This is because (i) the analysis was limited to 2050, (ii) there are insufficient data on damage caused by natural disasters that occurred in Korea, and (iii) there are insufficient data on location of factories held by borrowers of the companies doing transactions with the Group, while physical risks manifest themselves over a long period of time. In this respect, if the scope of analysis of physical risks is expanded to 2100 and other types of risks such as heat wave, water shortage, coastal flooding, etc. are included in the risks, their impact may be larger. Therefore, it is a long-term task to secure additional climate data for accurate identification of impacts of acute disasters (flood, typhoon), and chronic disasters caused by long-term climate change and supply chain damage, etc., and to conduct more sophisticated financial analysis of physical risks through more well-designed analysis methods, etc.

Regional RWA Impact (RCP-8.5)

- Increase by over KRW 10 billion
- Increase by over KRW 3 billion
- Increase by less than KRW 3 billion

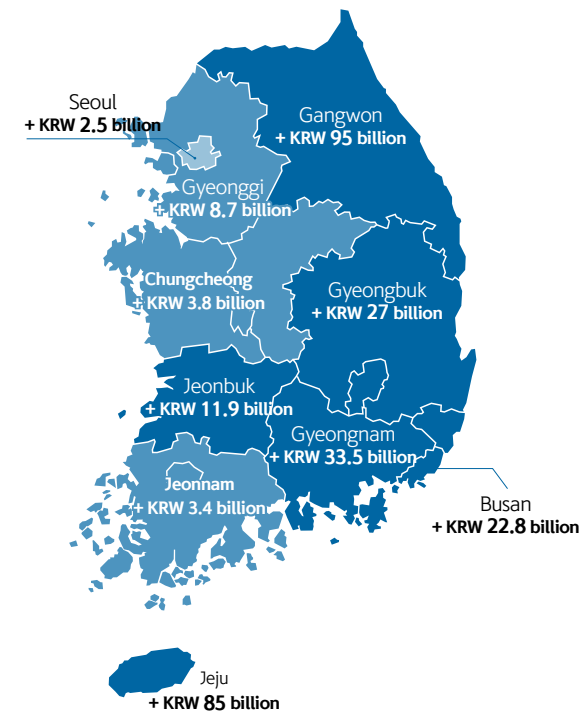


Impact on Group BIS ratio

RWA **+KRW143.1 billion**  
 Expected loss **+KRW3.8 billion**  
 BIS ratio **-0.01%p**  
 CET1 ratio **-0.01%p**

Regional RWA Impact (RCP-8.5)

- Increase by over KRW 10 billion
- Increase by over KRW 3 billion
- Increase by less than KRW 3 billion



Impact on Group BIS ratio

RWA **+KRW209 billion**  
 Expected loss **+KRW8.5 billion**  
 BIS ratio **-0.01%p**  
 CET1 ratio **-0.01%p**

Introduction

2050 TCFD-based Net-Zero Roadmap

Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

ISSB S2 Index

TCFD Index

DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### Resilience Analysis of Each Climate Scenario

Shinhan Financial Group establishes the strategies for capital management after climate stress tests based on the integrated crisis analysis procedure conducted for management of existing risks. It proactively creates a plan for each time point to address the factors expected from the climate stress test for each scenario, through which it strengthens resilience of the company against climate change.

#### Determination of scenario

Analysis by Shinhan Financial Group's own analysis model based on the NGFS and IPCC scenarios

**Transition risks**

- Scenario 1 (S1) **Normal**: NGFS Current policies
- Scenario 2 (S2) **Bad**: NGFS Delayed transition
- Scenario 3 (S3) **Worst**: NGFS Net Zero 2050

**Physical risks**

- Scenario 1 (S1) **Bad**: IPCC RCP 8.5
- Scenario 2 (S2) **Worst**: IPCC SSP 5-8.5

#### Climate stress test

Analysis on the assumption of maximum decline of each scenario

**BIS ratio analysis**

Scenario	BIS ratio (%)
Current level	15.98%
S1	15.32%
S2	14.98%
S3	14.08%
Regulatory target	14%

**CET1 ratio analysis**

Scenario	CET1 ratio (%)
Current level	13.17%
S1	12.60%
S2	12.32%
S3	11.58%
Internal target	13%
Regulatory target	11.5%

Need to establish a capital management plan

Legend: ● BIS ratio, ● CET1 ratio

Scenario	BIS ratio (%)	CET1 ratio (%)
Current level	15.98%	13.17%
S1	15.97%	13.16%
S2	15.96%	13.15%

#### Analysis of climate resilience

Expected to satisfy the regulatory BIS ratio of each scenario

Classification	Expected CET1 ratio in 2050	Plan to expand CET1 ratio			Internal target
		2030	2040	2050	
Current policies (S1)	12.6	0.2	0.36	0.4	13
Delayed transition (S2)	12.32	0.2	0.65	0.68	13
Net Zero 2050 (S3)	11.58	0.98	1.28	1.42	13

The CET1 ratio is likely to maintain the regulatory target level (11.5%), but in order to reach the internal target (13.0%), measures to expand capital and reduce risks are needed for each point of time.

Both BIS ratio and CET1 ratios are expected to maintain the regulatory target under any scenario.

#### Plan to strengthen climate resilience

Recognition of limitations of climate scenario analysis and monitoring due to underestimation of impact level

This scenario analysis has limitations that it is not capable of analyzing all variables caused by climate change, and this analysis may also underestimate the degree.

**Plan for capital management upon crisis**

- Measures to expand capital and reduce risk-weighted assets for each scenario based on the BIS ratio target
- Measures to fulfill the capital management plan reflecting the timing of proactive response in line with the crisis management system

**High-carbon are exposure management and prior action plan**

- Identification of risks of high-carbon industries of group companies under each scenario and response to the risks
- Connection with relevant departments' business strategies through scenario analysis and establishment/implementation of proactive measures
- Active expansion of green/transition finance to mitigate climate risks

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results

### Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

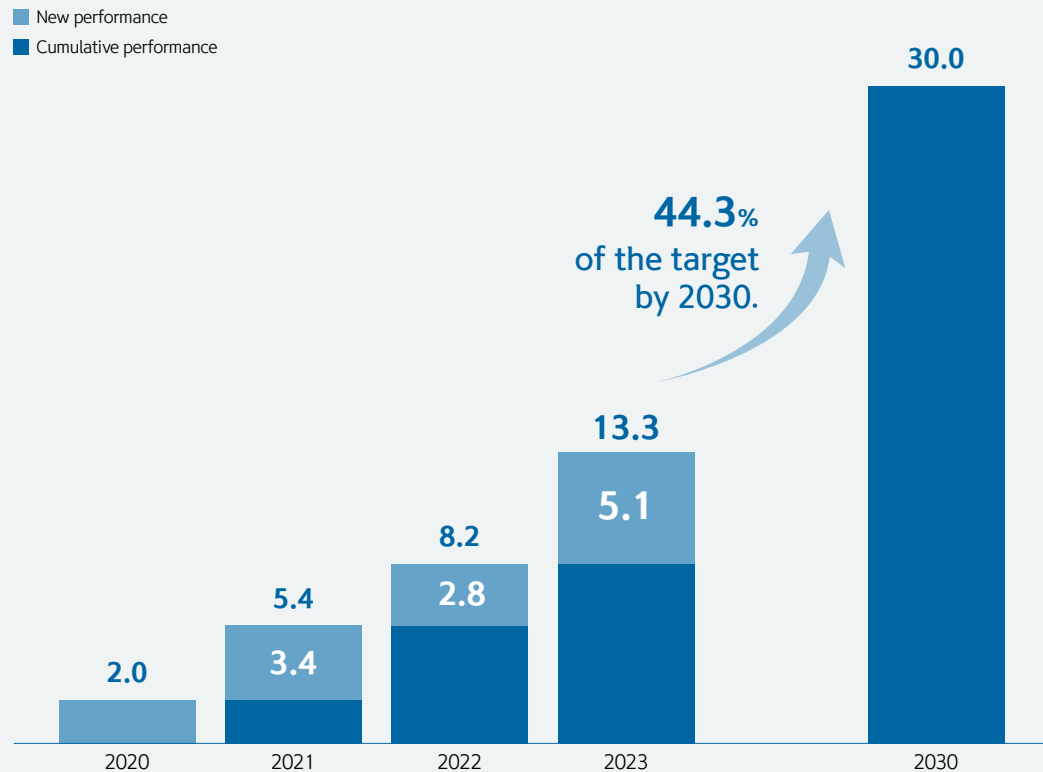
### Expansion of Green Finance

Shinhan Financial Group has thought about how a financial company may contribute to achievement of carbon neutrality. As a result, it has selected expansion of green finance as a key factor of its "Zero Carbon Drive" policy and plans to contribute to transition to low-carbon economy by managing loans and investment in high emitting companies and industries and expanding eco-friendly financial support.

As of the end of 2023, Shinhan Financial Group has recorded KRW 13.3 trillion of new green finance, which is 44.3% of its target of KRW 30 trillion by 2030. Accordingly, an early achievement of the target is expected. The Group will also increase its financial support for carbon neutrality and renewable energy projects based on the K-Taxonomy, while actively participating in investment in technologies for carbon reduction.

#### Group's performance on green finance

(Unit: KRW trillion)



#### Major New Green Finance Performance in 2023

Classification	Category of eligible companies/support	Amount
Green finance products e.g. renewable energy	Small- and medium-sized companies running the new and renewable energy power generating business under the Act on the Promotion of the Development, Use and Diffusion of New and Renewable Energy	KRW 1.7589 trillion (new/cumulative)
Eco-friendly theme funds	Renewable energy, energy efficiency, eco-friendly means of transportation	KRW 1.5455 trillion (AUM)
REITs products for Green-certification building	Shinhan L Tower, GREITS Pangyo, Wise Tower	KRW 916.9 billion
Renewable energy infrastructure PF	PV, wind power, waste, other eco-friendly business	KRW 647.2 billion (committed amount)
Green credit products	KRW 93.1 billion for environment/energy sustainability finance (Capital); KRW 4.7 billion for PV projects (Card)	KRW 195.5 billion (new/cumulative)
<b>Total</b>		<b>KRW 5.1 trillion</b>

#### Major Green Finance Performance in 2023



Issued KRW **150** billion of green bonds by participating in the MOE's green bond secondary conservation project



Identified KRW **400** billion of green credits through the "system for corporate credit application under K-Taxonomy"



Established a green **finance virtuous circle** based on the K-Taxonomy

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario

### Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Transition Finance Policy and Relevant Performance

#### Background of Transition finance policies

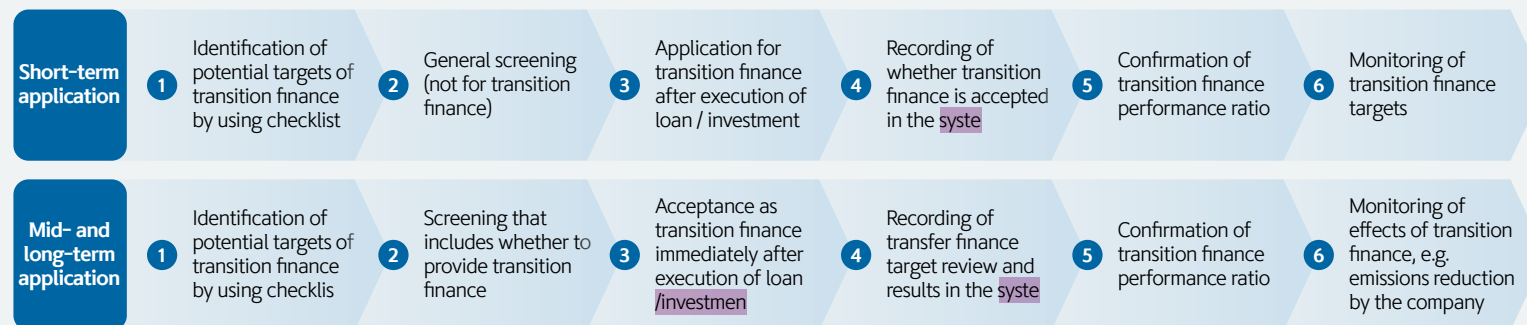
For reduction of financed emissions, which is one of the major climate risk related policy goals of financial companies, one may consider to remove exposure in carbon-intensive sectors and not provide loans, financial support or investment for those sectors. Meanwhile, "Transition Finance Guide" of NZBA (Net Zero Banking Alliance) states that the reduction of exposure alone cannot completely solve the decarbonization issues, and Shinhan Financial Group has paid attention to the three reasons that transition finance is needed.

- Factor 1** — **Divestment does not address the real economy decarbonization.**
- Factor 2** — **Carbon-intensive sectors can still receive funding from less regulated non-bank financial institutions, resulting in maintenance of the status quo or even higher emissions.**
- Factor 3** — **Upon reduction of exposure in carbon-intensive sectors, banks will no longer support the development of net-zero-aligned transition plans and solutions for clients in the sectors through financing or advisory services.**

Transition finance is capable of rapidly reducing financed emissions, and therefore can be an effective strategy to monitor the emissions and inspect the speed of transition of the relevant borrowers. Therefore, "real economy decarbonization" should be the key to support for the customers' transition in the course of "transition finance" to facilitate decarbonization.

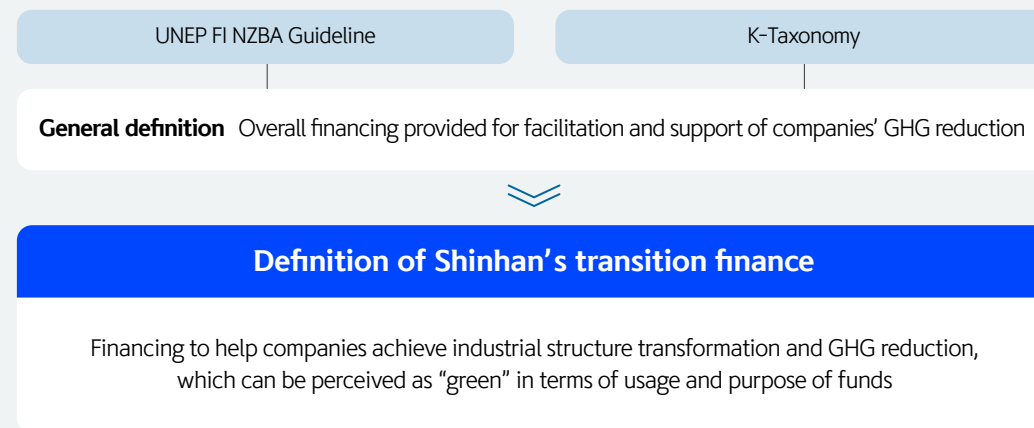
#### Shinhan Financial Group's Process to Determine Transition Finance

Shinhan Financial Group is applying a determination process to calculate its financial activities as transition finance. As transition finance is still on its initial stages, the Group plans to determine whether transition finance is required after screening of loans and investment in the short term and in the course of screening and execution of loans and investment in the mid- and long term.



#### Definition of Shinhan Financial Group's Transition Finance

Transition finance refers to a transition of financing such as loans and investment provided to promote and support companies' GHG remissions reduction. Shinhan Financial Group has defined the scope of its transition finance by considering the specific nature of domestic industries based on the Guidelines of UNEP NZBA (Net Zero Banking Alliance) and K-Taxonomy.



### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario

### Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

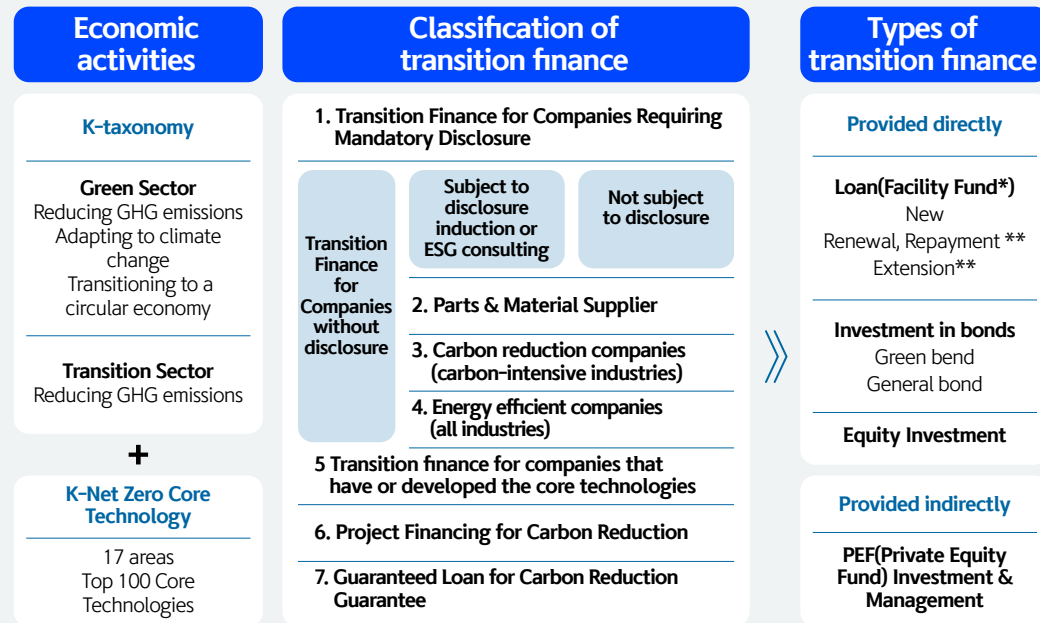
## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### Transition Finance Policy and Relevant Performance

#### Types of Shinhan Financial Group's Transition Finance

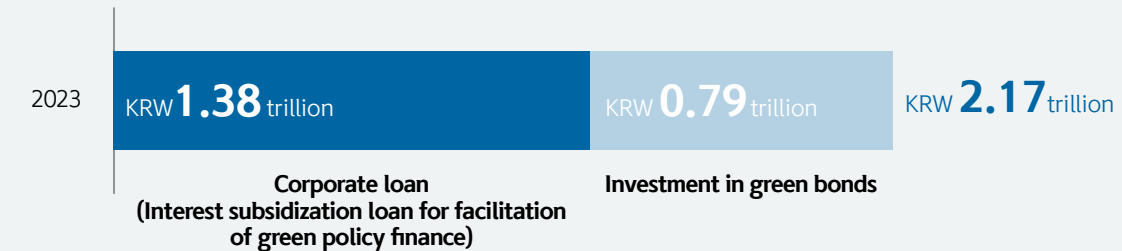
Targets of transition finance include economic activities that fall under the K-Taxonomy and Korea's core technologies for carbon neutrality and are divided into five categories in terms of corporate type and two categories in terms of product types. Although Shinhan Financial Group does not directly provide (1) loans, (2) bond investment and (3) share investment for the companies in the seven categories eligible for transition finance, it may provide transition finance of four different types through (4) investment in or operation of PEF, etc. that contribute to carbon neutrality.



\* 2 and 5 of the classification of transition finance include working capital loans  
 \*\* Refers to the renewal, repayment, or extension of a loan recognized as transition finance

#### Shinhan Financial Group's Transition Finance Performance in 2023

Shinhan financial Group calculated its 2023 performance in providing corporate loans and making investment in green bonds with respect to the leading sectors in low-carbon transition. The "Green Policy Finance interest subsidization loan" launched by Shinhan Bank in cooperation with MOE in June 2022 is provided to companies making efforts for Net Zero, e.g., use of equipment for GHG reduction, etc., and KRW 1.38 trillion in total was provided in 2023. In the same year, Shinhan Bank, Shinhan Securities and Shinhan Life made a combined investment of KRW 0.79 trillion in green bonds. As such, Shinhan Financial Group recorded KRW 2.17 trillion in 2023 as transition finance performance, playing an important role in supporting companies' transition to sustainable economy.



- Introduction
  - 2050 TCFD-based Net-Zero Roadmap
- Governance
  - Governance to respond to Climate Change
  - Roles of the Management
  - System and Capacity for Climate Risk Management

- Strategy
  - Strategy to Respond to Climate Change
  - Climate Change Materiality Assessment
  - Introduction of Climate Change Scenario Analysis
  - Climate Scenario Analysis Results
  - Resilience Analysis of Each Climate Scenario
- Progress of Climate-related Opportunities

- Risk Management
  - Process to Identify/Assess Climate Risks and Opportunities
  - How to Segment Customers by Climate Risk

- Metrics & Targets
  - Shinhan Financial Group's GHG Emission Targets
  - Method of GHG Metrics Calculation and Internal Carbon Pricing
  - Status of GHG Emission
  - Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities
  - Exposure of Each Industry Caused by Transition/Physical Risks
  - Asset Portfolio Industry-specific Reduction Target Roadmap

- ISSB S2 Index
- TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# RISK MANAGEMENT



Shinhan Financial Group has established a management system to respond to risks caused by climate change. The climate risk has been integrated in the existing risk management process, making it easier to identify and monitor the risks to be supervised. At the same time, the Group identifies climate risks by checking monthly fluctuation of assets and emissions with respect to financed emission, which is a major factor of climate risks. Those identified risks are reflected in the process of decision making for loans/investment process, etc. Further, it has prepared the guidelines for segmentation of customers based on transition risks and physical risks, respectively, in order to prioritize the targets of management, and is enhancing the management system by selecting high-carbon industries based on financed emissions and exposure data.

27p

## Process to Identify/Assess Climate Risks and Opportunities

- How Climate Risks are Integrated in the Overall Risk Management
- Identification/Response of Major Climate Risks/Opportunities

29p

## How to Segment Customers by Climate Risk

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

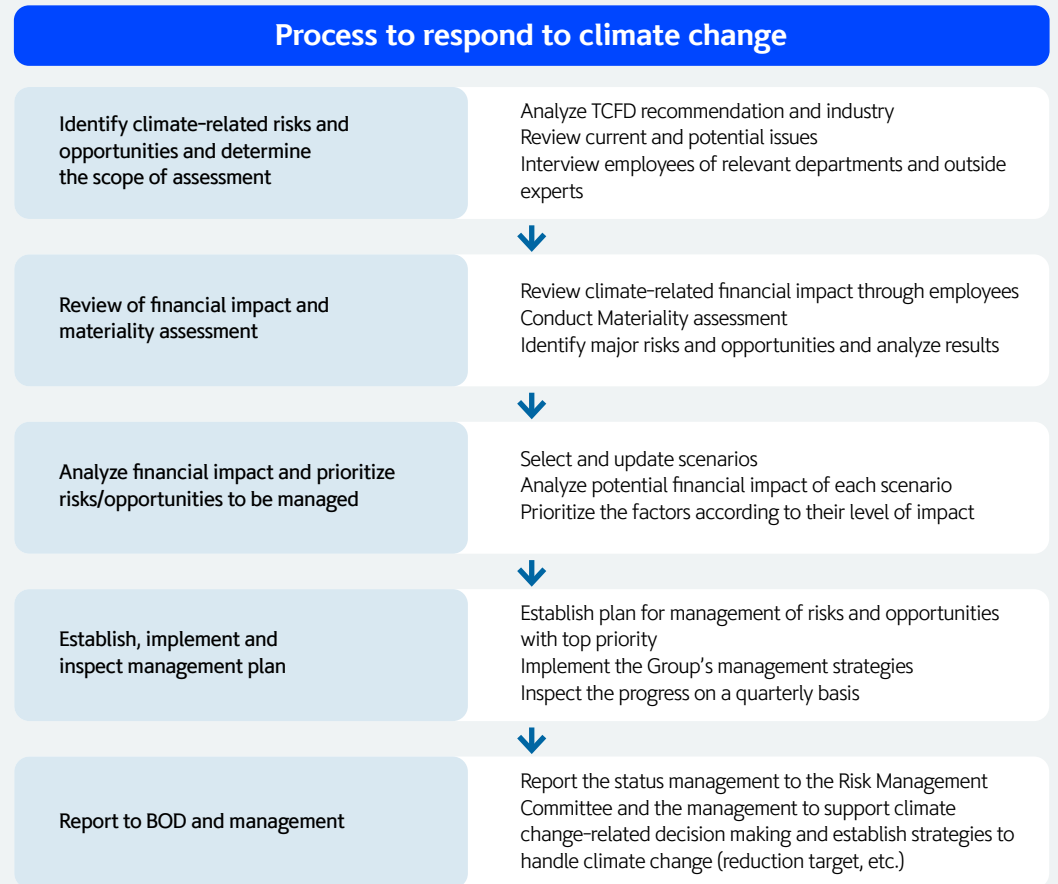
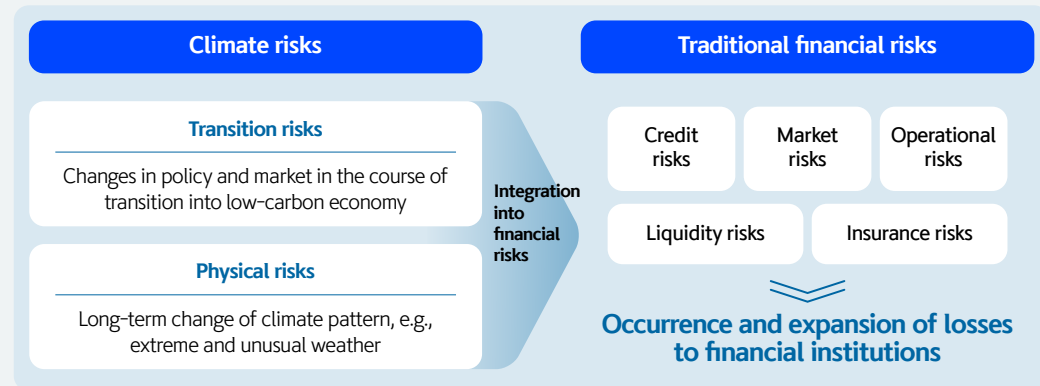
Shinhan Financial Group  
2023 ESG Report

# RISK MANAGEMENT

## Process to Identify/Assess Climate Risks and Opportunities

### How Climate Risks are Integrated in the Overall Risk Management

The Green Swan report published by BIS ratio (Bank for International Settlement) emphasizes that climate risks should be included in the traditional financial risks such as credit risks, market risks and operation risks. The report points out that climate-related risks including physical risks and transition risks may have a great impact on financial stability and that such risks should be integrated into the existing financial risk management framework used by banks and other financial institutions. Shinhan Financial Group effectively identifies and monitors climate-risks throughout its business by integrating the climate risks into its existing risk management process, and in order to manage the risks, it systematically defines the environmental and social risks based on the TCFD recommendations and assess the risks by developing appropriate methodologies. Further, it has advanced its risk management governance and regulatory system by establishing a measurement system of financed emissions and the climate risk management framework.



## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

#### Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index


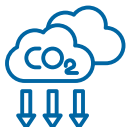


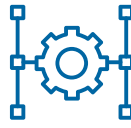



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Shinhan Financial Group  
 2023 ESG Report

### Identification/Response of Major Climate Risks/ Opportunities

ESG REPORT – Financed Emission Measurement System

Shinhan Financial Group has a process to determine and manage the priority of climate-related risks and opportunities after necessary assessment. The Group's risk management department examines the monthly fluctuation of "financed emissions", which is deemed a major risk factors of investment in, or loans to, corporate customers, while identifying various business opportunities arising from transition to a low-carbon economy and transition finance for high carbon-emitting businesses. Climate risks and opportunities are prioritized based on a materiality assessment. In particular, financial impacts of climate risks are assessed through NGFS or IPCC-based scenario analysis. Further, Shinhan Financial Group sets a limit on exposure of the high-emitting industry, as in the existing risk management process, and monitors whether the financed emissions exceed the pre-determined threshold by a risk dashboard. The management system for opportunities will be further enhanced by monitoring the progress of green finance on an annual basis and developing new green financial products, etc.

	Climate-related Risks – Financed Emissions	Climate-related Opportunities – Green/Transition
Identification of climate-related factors	 <ul style="list-style-type: none"> <li>Recognition of impact that carbon emissions can have on companies                             <ol style="list-style-type: none"> <li>Increase in costs, e.g., tax and emissions rights</li> <li>Unexpected climate-related losses</li> </ol> </li> <li>Reinterpretation of a transaction partner's emissions into risks on financial companies                             <ul style="list-style-type: none"> <li>Assessment of climate risks through financed emissions indicator (Scope 3)</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>Recognition of various business Finance unities that may arise from transition to a low-carbon economy                             <ul style="list-style-type: none"> <li>Green financial products, new technologies/businesses related to carbon neutrality</li> </ul> </li> <li>Recognition of low-carbon transition of high-emitting businesses and development of relevant technologies as opportunities                             <ul style="list-style-type: none"> <li>Expansion of financial support and investment to reach relevant target</li> </ul> </li> </ul>
Process for evaluation of factors	 <ul style="list-style-type: none"> <li>Measurement of financed emissions and designation of high-risk sectors based on total assets of the group                             <ul style="list-style-type: none"> <li>Applicable to all assets available for measurement of financed emissions- Inclusion of estimated data in the scope of measurement to avoid underestimation of climate risks</li> </ul> </li> <li>Integration of climate risks into the Group risk management system</li> </ul>	 <ul style="list-style-type: none"> <li>Management of annual green finance targets                             <ul style="list-style-type: none"> <li>Regular monitoring of green finance performance based on each group company's products</li> <li>Target of KRW 30 trillion of cumulative green finance on an annual basis (by 2030)</li> </ul> </li> <li>Examine the authenticity of green finance at the time of screening for loans/investment</li> </ul>
Determination of priorities	 <ul style="list-style-type: none"> <li>Materiality assessment related to climate risks                             <ul style="list-style-type: none"> <li>Determination of priorities through internal materiality assessment</li> <li>Monitoring of fluctuation in assets and emissions related to climate risks of each industry based on financed emissions</li> </ul> </li> <li>Climate scenario analysis                             <ul style="list-style-type: none"> <li>NGFS, IPCC-based climate scenario analysis</li> <li>Identification of financial impacts</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>Materiality assessment of climate-related opportunities</li> <li>Analysis of mid- and long-term market for green finance and transition finance</li> </ul>
Management plan	 <ul style="list-style-type: none"> <li>Strengthening of resilience based on the results of climate scenario analysis</li> <li>Establishment and management of exposure limit for high-carbon industry                             <ul style="list-style-type: none"> <li>Continuous management of climate risks through regular monitoring of risk dashboard</li> </ul> </li> </ul>	 <ul style="list-style-type: none"> <li>Establishment of the Group standards and system for green finance                             <ul style="list-style-type: none"> <li>Transition finance policy, etc.</li> </ul> </li> <li>Establishment of the Group green finance target and regular monitoring of progress                             <ul style="list-style-type: none"> <li>Identification of new green finance opportunities and expansion of new green financial products by each group company</li> </ul> </li> </ul>

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### How to Segment Customers by Climate Risk

Climate change has long-term impact on Shinhan Financial Group's asset portfolio, and the level of impact varies according to the customers in the portfolio and the collaterals provided by the customers. Accordingly, in order to determine priorities of management, Shinhan Financial Group has distinguished its customers from the perspectives of transition/physical risks and determined the level of management by combining those two types.

#### Segmentation of customers for identification/assessment of transition risks

Customer segmentation from a transition risk perspective is categorized into five levels of management intensity, TRR1-5, based on four factors: size, business type, disclosure of carbon emissions, increase or decrease in disclosed emissions. Size is a standard for importance, while business type determines whether a company is a carbon intensive industry as defined by Shinhan Financial Group. Disclosure of carbon emissions refers to whether a company is an emissions trading company or voluntarily discloses its emissions, and the increase or decrease in disclosed emissions addresses the reduction efforts of the companies that have disclosed their emissions.

Classification	Management intensity	Size of segmentation factors <sup>2)</sup>	Business type	Disclosure of carbon emissions	Increase or decrease in disclosed emissions <sup>3)</sup>
TRR <sup>1)</sup> 1	High	Above certain size	Carbon intensive businesses	Disclosed	Increase
TRR2	Mid-High			Undisclosed	Non-increas
TRR3	Mid-Mid		-	-	
TRR4	Mid-Low	Below certain size	Other than carbon-intensive businesses	-	-
TRR5	Low		-	-	-

1) TRR: Transitional Risk Rating; a lower number means a greater management intensity.

2) Size: Financed emissions of less than 50 tons or exposure of less than KRW 500 million

3) Increase or decrease in disclosed emissions: Determined by whether disclosed emissions have increased for two consecutive years.

#### Segmentation of customers for identification/assessment of physical risks

Customer segmentation from a physical risk perspective is categorized into four levels of management intensity, PHR1-4, based on four factors: size, geographic information of collaterals (whether it is at a high risk of natural disasters), business type (whether it is a natural disaster-sensitive industry) and collateral size. Size is a materiality standard as in transition risks, geographic information of collaterals is considered because the damage caused by natural disasters varies by region. Business type determines whether the relevant industry is sensitive to natural disasters, and collateral size refers to the size of the collateralized properties.

Classification	Management intensity	Size	Geographic information of collaterals	Business type	Collateral size <sup>2)</sup>
PHR <sup>1)</sup> 1	High	Above certain size	High-risk region	Industries at risk <sup>3)</sup>	-
PHR2	Mid-high			Other businesses	Above KRW 3 billion
PHR3	Mid-low		Other regions	-	-
PHR4	Low	Below certain size	-	-	-

1) PHR: Physical Risk Rating; a lower number means a greater management intensity.

2) Collateral size refers to the appraised value of the collateralized property.

3) Industries at risk include 'agriculture, forestry, fishery, manufacturing, and construction'.

### Shinhan Financial Group's Management of Carbon Intensive Industry

Shinhan Financial Group selected carbon intensive industries by considering financed emissions, exposure, and financed emissions intensity, which are used to prioritize its financed emissions management targets, manage risks, and adjust portfolios in the future. Shinhan Financial Group intends to enhance carbon emission monitoring for carbon intensive industries and encourage disclosure of emissions, especially for customers in carbon-intensive industries that do not disclose their emissions. For customers with increasing emissions, it will consider a separate screening process, and for customers whose emissions are decreasing or being properly managed, active support for transition finance, etc. will be considered.

#### Carbon-intensive industries (Standard Industrial Classification)

##### Thermal and other power generation

Primary steel manufacturing and foundries  
 Manufacturing of gas for fuel and supply of steam, hot and cold water  
 Manufacturing of cokes and briquettes

Basic chemicals manufacturing  
 Manufacturing of cement, lime, plaster and other products  
 Manufacturing of petroleum products, chemical fiber and non-ferrous metal

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

### How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS



Shinhan Financial Group has set mid-term (2030) and long-term (2040-2050) reduction target for internal carbon emissions and financed emissions for each industry based on the SBTi-based reduction roadmap and is calculating and disclosing its emissions. In particular, the Group measures financed emissions of each asset and each industry based on the PCAF guideline and calculates the sovereign debt emissions (Scope 3) and financed emissions arising from transition finance. Shinhan Financial Group is committed to continuously disclose its efforts to achieve the Zero Carbon Drive strategies and targets while actively communicating with various stakeholders.

KPI under Zero Carbon Drive	Target year				Base year	Achievement rate	Year of report
	2030	2040	2044	2050	2020	(%)	2023
Scope 1, 2 emissions(tCO <sub>2</sub> eq)	56,150	15,491	0	-	96,811	27.9	69,757*
Scope 3 Emissions(10,000 tCO <sub>2</sub> eq)	2,905	1,774	1,361	0	4,382	Increased	5,006
Financed emission intensity (tCO <sub>2</sub> eq/KRW 100 million)	13.7	8.4	6.4	0	20.6	3.0	20
Cumulative performance of green finance (KRW trillion)	30	-	-	-	2.7	44.3**	13.3

\*Market-based emissions \*\*Ratio of 2023 performance compared to 2030

31p

## Shinhan Financial Group's GHG Emissions Target

- Net-Zero Target
- Roadmap to Achieve Net-Zero Target

33p

## Method of GHG Metrics Calculation and Internal Carbon Pricing

- Method of GHG Metrics Calculation
- Internal Carbon Pricing

34p

## Status of GHG Emissions

- Scope 1 and 2 GHG Emissions Reduction Target and Implementation Results
- Scope 3 GHG Emissions Reduction Target and Implementation Results
- Shinhan Asset Management's Financed Emission Performance in 2023
- Other Scope 3 Emissions Status

38p

## Amount of Capital Expenditure and Financing Deployed for Climate Risks and Opportunities

39p

## Exposure of Each Industry Caused by Transition/Physical Risks

40p

## Asset Portfolio Industry-specific Reduction Target Roadmap

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

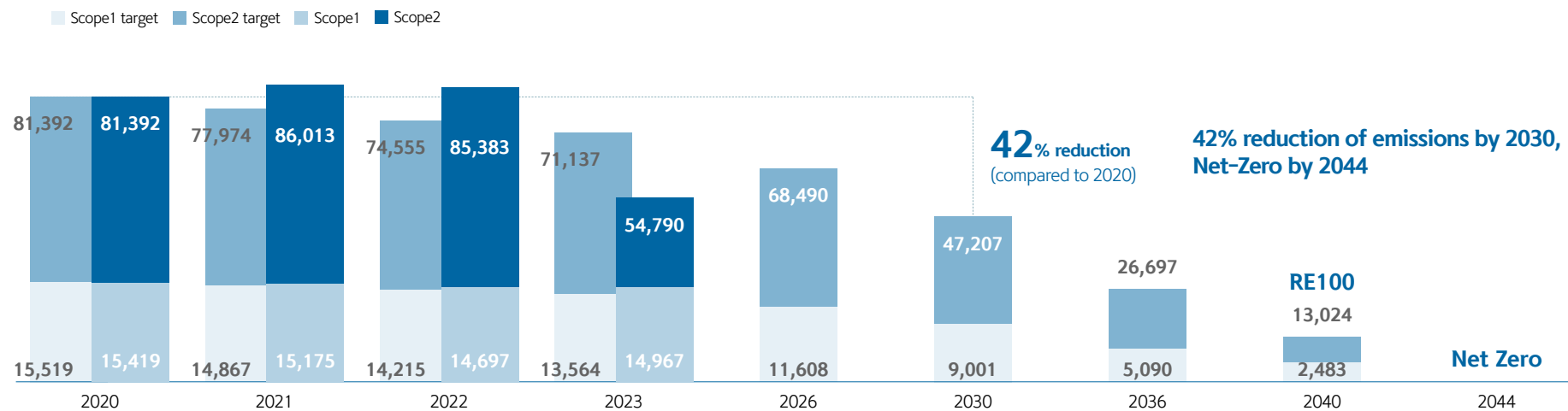
# METRICS & TARGETS

## Net Zero Target

In 2020, Shinhan Financial Group came up with Net Zero 2050 strategies for the first time among East Asia's financial groups and has monitored the relevant progress on an annual basis. In 2023, it focused on expansion of the use of renewable energy with the aim of reducing emissions in earnest. The Group intends to convert 100% of its electricity use into renewable energy sources by 2040 and achieve zero internal emissions by 2044. Further, using the SBTi methodology for financed emissions, the Group will achieve zero financed emissions for its asset portfolio by 2050.

### Scope 1, 2

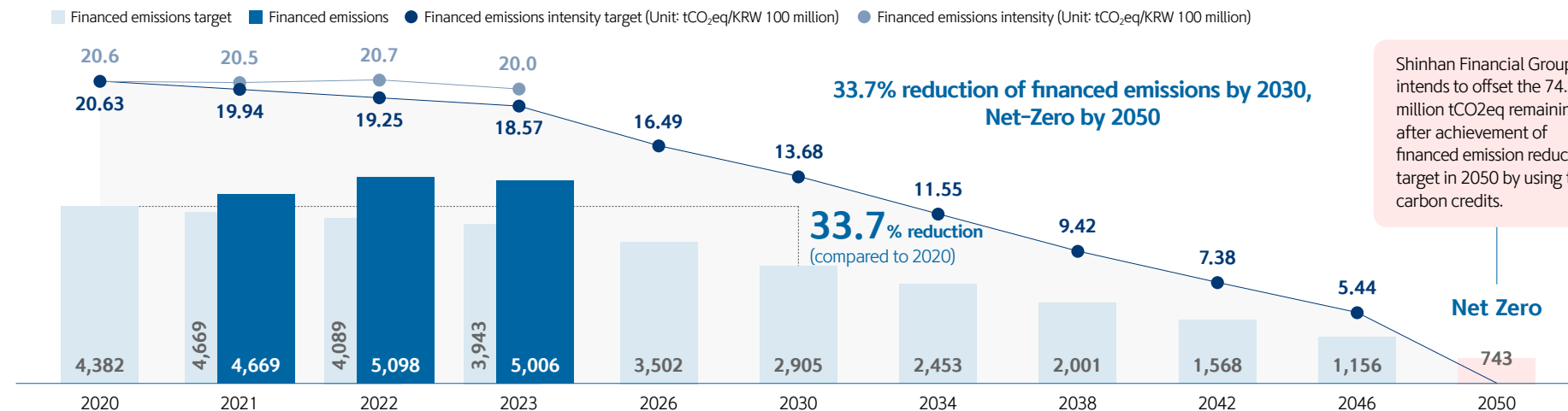
(Unit : tCO<sub>2</sub>e)



### Scope 3

(financed emissions)

(Unit : 10,000 tCO<sub>2</sub>e)



#### Introduction

2050 TCFD-based Net-Zero Roadmap

#### Governance

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

#### Strategy

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

#### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index

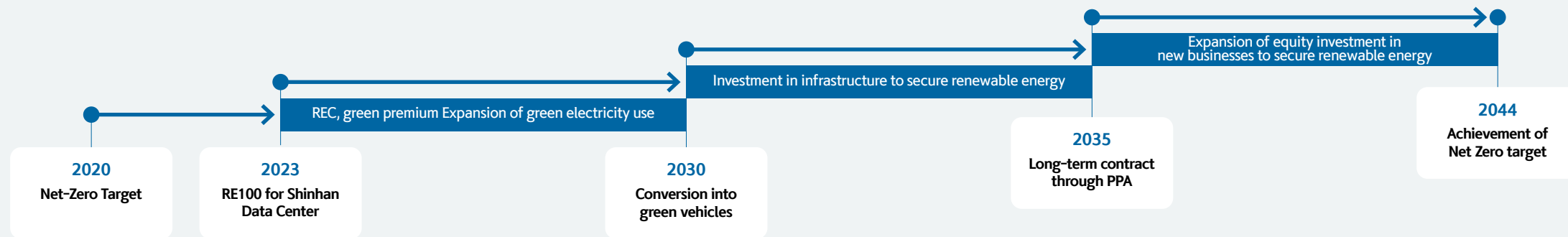
## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

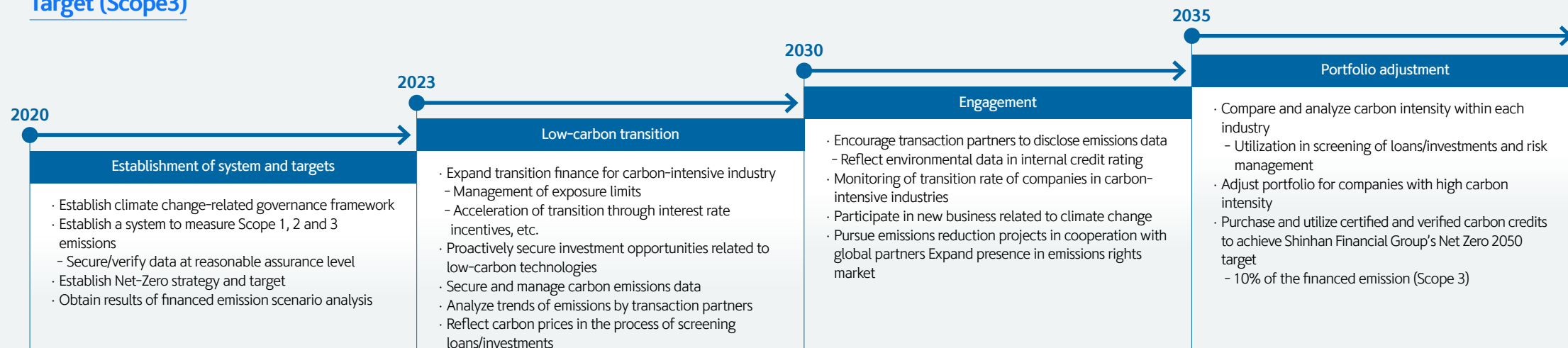
## Roadmap to Achieve the Net-Zero Target

### Target (Scope 1,2)

One of the major energy sources in Scope 1 of Shinhan Financial Group is gasoline for vehicles and Scope 2 is electricity usage. Shinhan Financial Group plans to convert all of its company vehicles into eco-friendly (electric or hydrogen) cars by 2030. Accordingly, the entire Scope 1 of Shinhan will be replaced by Scope 2 between 2030 and 2035 (mid-term). Furthermore, with respect to Scope 2, as an expansion of digital financing and integration with AI technologies, etc. are expected, it will achieve its Net Zero target by raising the share of renewable energy purchase and expanding its equipment investment and long-term PPA transactions.



### Target (Scope 3)



**Introduction**

2050 TCFD-based Net-Zero Roadmap

**Governance**

Governance to respond to Climate Change  
 Roles of the Management  
 System and Capacity for Climate Risk Management

**Strategy**

Strategy to Respond to Climate Change  
 Climate Change Materiality Assessment  
 Introduction of Climate Change Scenario Analysis  
 Climate Scenario Analysis Results  
 Resilience Analysis of Each Climate Scenario  
 Progress of Climate-related Opportunities

**Risk Management**

Process to Identify/Assess Climate Risks and Opportunities  
 How to Segment Customers by Climate Risk

**Metrics & Targets**

**Shinhan Financial Group's GHG Emission Targets**  
 Method of GHG Metrics Calculation and Internal Carbon Pricing  
 Status of GHG Emission  
 Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
 Exposure of Each Industry Caused by Transition/Physical Risks  
 Asset Portfolio Industry-specific Reduction Target Roadmap

**ISSB S2 Index**

**TCFD Index**

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

### Method of GHG Metrics Calculation

For Scope 1 and 2 metrics, Shinhan Financial Group has adopted the “Guidelines on Reporting and Certification under the GHG Emissions Trading System” (MOE Notification No. 2022-279) in line with the methodology used by Shinhan Bank, which is subject to the GHG target management system. These data include GHG emissions by both domestic and overseas subsidiaries under the control of the holding company. Furthermore, the disclosed emissions data have been verified by a third party at the reasonable assurance level. Scope 3 emissions are calculated based on the GHG protocol and the financed emissions, which is the 15th category of Scope 3, are calculated by PCAF’s GHG standards. The assets included in calculation of financed emissions consist of listed/unlisted shares, corporate loans, PF, corporate bonds, real estate for commercial use and car loans.

### Internal Carbon Pricing

Shinhan Financial Group distinguishes Scope 1, 2 and 3 GHG emissions under the GHG Protocol, and applies “internal carbon pricing” to both internal emissions and financed emissions or reduction, recognizing the company’s carbon emissions as expenses (profits).

In the case of carbon pricing for Scope 1 and 2, Shinhan Financial Group calculates the prices based on the cost of renewable energy to be purchased in the short term to achieve its Net Zero target and RE100. Accordingly, around KRW 100,000 – 130,000/ton of internal carbon price has been set based on green premium, REC and PPA, and this price is utilized in the course of participation in projects, purchase and decision making for reduction of internal emissions.

The carbon pricing for Scope 3 financed emissions is based on the national carbon price analyzed under the NGFS scenario and this price is reflected in incentives or contractual terms for loans or investments.

Among NGFS’s three integrated assessment models of climate and the economy, i.e., GCAM, MESSAGEix-GLOBIOM and REMIND-MAGPIE, Shinhan Financial Group uses GCAM (Global Change Assessment Model), which best reflects the climate status of Korea.

As such, Shinhan Financial Group will continuously adjust its strategies to achieve its Zero Carbon Drive by identifying and seizing low-carbon opportunities, e.g. investment and support based on relevant analysis.

### Overview of Internal carbon pricing

Type of internal carbon pricing	Shadow price
Method of carbon pricing	- Cost of taking measures required to achieve reduction targets - Price in the NGFS scenario
Purpose of introducing internal carbon pricing	- Change internal behavior - Drive energy efficiency - Stress test investments - Identify and seize low-carbon opportunities
Scope of emissions	- Scope 1, 2, 3(Upstream)
Method of pricing	- Evolutionary
Actually applied internal carbon price – minimum	KRW 1,156.06 (1 US\$2010/tCO <sub>2</sub> )
Actually applied internal carbon price – maximum	KRW 2,314,894.5 (2,002.4 US\$2010/tCO <sub>2</sub> )
Process for business decision making where internal carbon price is applied	- Operations - Risk management - Procurement - Opportunity management

### TCFD Report

#### Introduction

2050 TCFD-based Net-Zero Roadmap

#### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

#### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

#### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

#### Metrics & Targets

Shinhan Financial Group’s GHG Emission Targets

#### Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

#### ISSB S2 Index

#### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

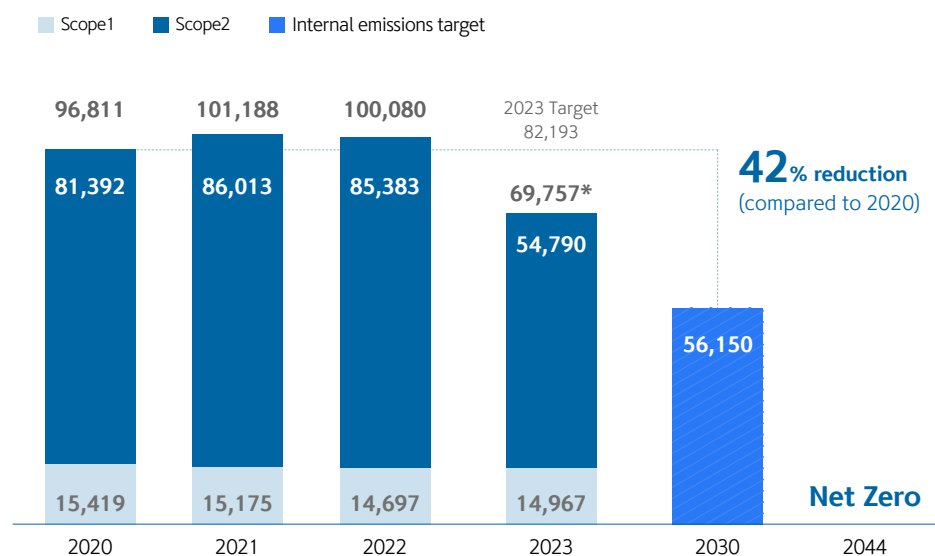
# METRICS & TARGETS

## Scope 1 and 2 GHG Emissions Reduction Target and Implementation Results

### Internal Emissions (Scope 1+2)

Shinhan Financial Group measures internal and external GHG emissions every year, making every effort to achieve Net Zero by 2044. The actual emissions by Shinhan Financial Group are on a constant rise compared to 2020. In accordance with the SBTi-approved roadmap, the Group plans to reduce the emissions by 4.2%p per year from 2020 and achieve Net Zero by 2044. Shinhan Financial Group also seeks to reduce internal emissions. This year, its internal emissions stood at 69,757 tons in domestic offices, which exceeded the SBTi target for 2023 and almost reached the emissions target for 2027 (68,349 tons) As part of its efforts to achieve Net Zero by 2044, Shinhan Financial Group is engaged in various activities promoting the use of renewable energy and a more efficient use of energy, e.g., Shinhan "Let's Save" project and Data Center RE100, etc.

### Shinhan Financial Group's Internal Emissions (Unit: tCO<sub>2</sub>e)



\*Market-based: Includes Scope 2 greenhouse gas emissions reflecting purchases of electricity generated from renewable energies (RECs and green premiums) in 2023.

### Shinhan Financial Group, Serious about Energy

#### Shinhan "Let's Save" Project

Shinhan Financial Group initiated Shinhan "Let's Save" project, which encourages employees to save electricity, gasoline, paper and water used at workplaces and donates the reduced energy to vulnerable people. The project continued for six months from April to September 2023, and the use of electricity and gasoline was reduced by 2,004Mwh and 163,000 liters, respectively. This is converted into approximately 1,264 tons of carbon emissions and KRW 900 million. The Group donated KRW 2 billion of matching grants to "small business owners vulnerable in energy use".



#### Shinhan's Digital RE100 (Group Data Center RE100)

Shinhan Financial Group Data Center records the largest emissions among the Group's buildings. As of the end of 2023, the use of electricity by the Data Center was 41,789MWh, which accounted for 46.1% of the Group's entire electricity use. This represents an increase by around 4% compared to 40,172 MWh of 2022, and given the nature of the financial industry, the electricity use of the Data Center is expected to increase constantly. Further, while an increase in the use of apps, digital banking and digitalization of the payment market enable a more convenient customer experiences, the use of electricity by financial companies increases. In order to turn this into a virtuous circle, Shinhan Financial Group commenced the Group Data Center RE100 project. In 2023, 61,039 MWh of renewable energy was used through each group company's utilization of REC and green premiums, and this helped the Group achieve RE100. Shinhan Financial Group is committed to achieve RE100 for its entire workplaces by continuously expanding its use of renewable energy sources.

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

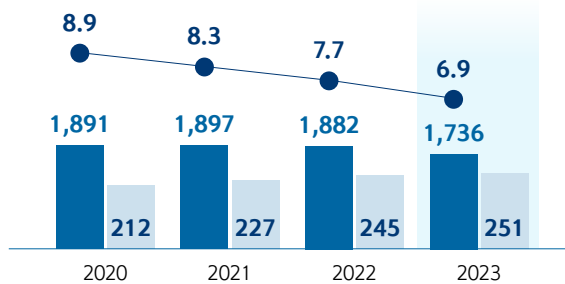
## Scope 3 GHG Emissions Reduction Target and Implementation Results

### Financed emissions of assets (Scope 3)

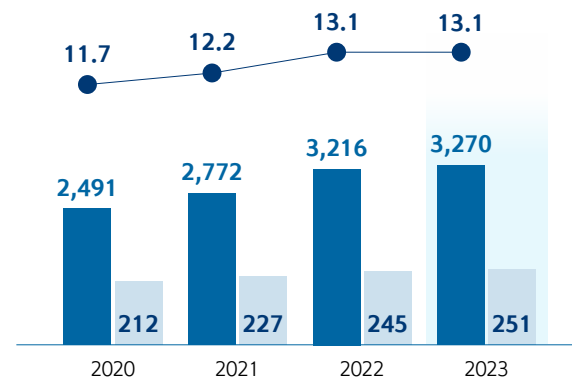
Shinhan Financial Group discloses the 15th category of Scope 3, i.e., "investment" category, which is deemed the most important in Scope 3, as its "Financed Emission". Financed emission means the amount of emissions, out of the transaction partners emissions, that correspond to Shinhan Financial Group's share in loans and investment. Due to this structure, the financed emissions increase in proportion to the increase in loans to or investment in a company. The Group is expanding the scope of financed emissions measurements out of its total assets for the purpose of measuring climate risks. The measured assets in 2023 were KRW 251 trillion, up 20% from KRW 212 trillion of 2020, while the financed emissions increased by 16% over the same period. Under these circumstances, Shinhan Financial Group has decided that instead of setting a goal of decreasing financed emissions in the absolute term, it would be more practical to reduce the emissions intensity compared to the total assets, given the Group's asset portfolio. The financed emissions intensity in 2023 is 20.0 tCO<sub>2</sub>eq/KRW 100 million, which represents a progress of 3% for achievement of Net Zero target compared to 2020, and Shinhan Financial Company will continue to reduce the intensity. At a time when the society is undergoing a transition to a low-carbon economy, it would be a highly passive policy to reduce financed emissions simply by suspending or withdrawing loans to companies. A more important role of financial companies is to supply funds to help companies successfully achieve green transition and expand relevant investment. Shinhan Financial Group is more focused on emissions from companies (Scope 1, 2) which can be more easily managed by the Group and intends to seek more accurate measurement of financed emissions by obtaining actual data on each company's emissions.

■ Financed emissions (10,000 tCO<sub>2</sub>eq) ■ Loan/investment assets (KRW trillion) ● Intensity (tCO<sub>2</sub>eq/KRW 100 million)

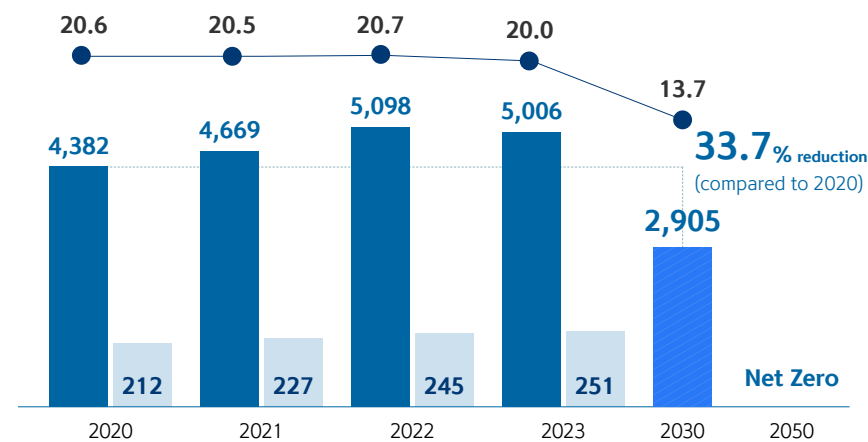
#### Emissions from loan/investment recipient companies (Scope 1+2)



#### Emissions from their supply chain (Scope 3)



#### Financed emission of Shinhan Financial Group (Scope 1+2+3)



### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing

### Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

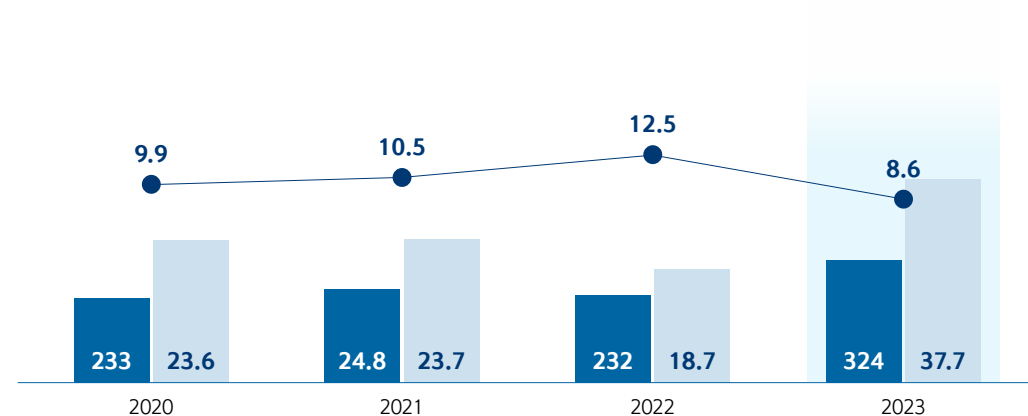
## Status of GHG Emission

### Shinhan Asset Management's Financed Emission Performance in 2023

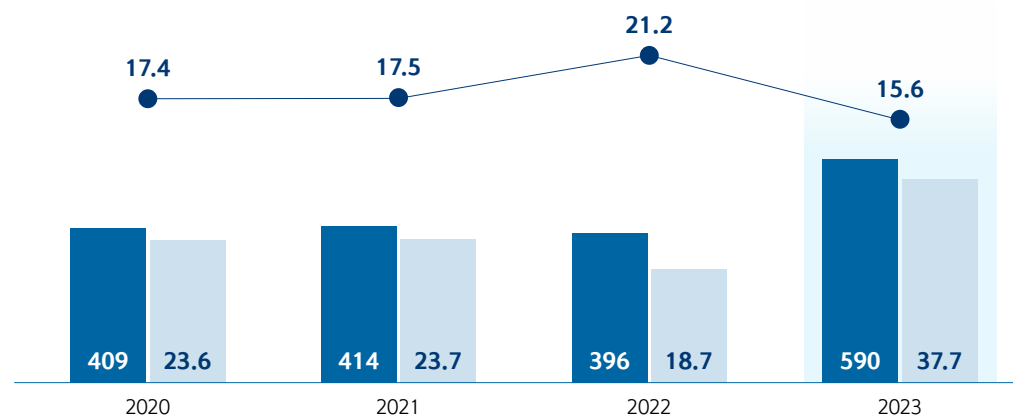
Shinhan Financial Group monitors customer assets as well as its own assets by measuring financed emissions of Shinhan Asset Management. Among its PCAF products, Shinhan Asset Management utilizes its portfolios for shares and bonds for measurement of financed emissions. According to the measurement of financed emissions and intensity, Shinhan Asset Management's financed emissions in 2023 recorded the highest since the reference year. However, from the perspective of intensity (ratio of financed emissions against the measured assets), the intensity of the emissions from customer assets declined by 31.2% compared to the previous year, and Shinhan Asset Management's financed emissions intensity fell by 26.4% compared to the previous year. Shinhan Asset Management is Korea first asset management company that joined the Net-Zero Asset Managers Initiative (NZAMI). It is encouraging low-carbon transition of its investee companies by sending shareholder letters on carbon neutrality, for the first time in Korea, for four years from 2020.

■ Financed emissions (10,000 tCO<sub>2</sub>e) ■ Loan/investment assets (KRW trillion) ● Intensity (tCO<sub>2</sub>e/KRW 100 million)

#### Emissions from customer assets (Customer Scope 1+2)



#### Financed emission from Shinhan Asset Management (Customer Scope 1+2+3)



#### Shareholder Letter and Analysis Report on Carbon Neutrality

- Advanced net-zero engagement activities through 33 questionnaires (measurement of GHG, establishment and management of targets, participation in initiatives, etc.) to 345 companies
- Companies obviously have intents to improve their response to climate change, but there is a gap between their targets and actual practices.
  - Most of the respondent companies (92%) are making efforts for GHG emissions management and reduction of GHG.
  - The number of companies that have a GHG reduction target increased by 12%p to 82.3% compared to the previous year.
  - However, only 58.6% of the respondents reflect their reduction targets in actual business plan.
- Companies expect that foreign markets will adopt obligations for climate-related disclosure prior to the domestic market.
  - An increasing number of companies are preparing climate response reports regardless of their obligation to disclose climate information in Korea.
  - Companies depending largely on exports or exposed to overseas markets due to listing on foreign securities market, etc. are likely to experience the strengthened obligation for climate-related disclosure.

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing

### Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks  
Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### Other Scope 3 Emission Status As of December 2023

#### Emissions of each group company

Company name	Size of relevant assets (KRW trillion)	Financed emissions (10,000 tCO <sub>2</sub> e)	Percentage of emissions (%)	Emissions intensity (tCO <sub>2</sub> e/KRW 1 trillion)
Shinhan Bank	214.3	4,486	89.6	20.9
Shinhan Card	5.8	63	1.3	10.8
Shinhan Securities	4.8	49	1.0	10.1
Shinhan Life	15.4	326	6.5	21.1
Shinhan Capital	6.4	38	0.8	6.0
Jeju Bank	3.3	39	0.8	11.7
Shinhan Savings Bank	0.5	5	0.1	8.7
Shinhan Financial Group Total	250.7	5,006	100	20.0

#### Shinhan Asset Management's financed emissions

Company name	Size of relevant assets (KRW trillion)	Financed emissions (10,000 tCO <sub>2</sub> e)	Emissions intensity (tCO <sub>2</sub> e/KRW 1 trillion)
Shinhan Asset Management	37.7	590	15.6

#### Emissions of each PCAF asset

Classification of assets	Size of relevant assets (KRW trillion)	Financed emissions (10,000 tCO <sub>2</sub> e)	Percentage of emissions (%)	Emissions intensity (tCO <sub>2</sub> e/KRW 1 trillion)	DATA SCORE <sup>1)</sup>
Listed equities and corporate bonds	45.6	448	8.9	9.8	2.5
Corporate loans and unlisted equities	146.1	4,261	85.1	29.2	3.6
Project finance	3.7	191	3.8	51.7	3.8
Real estate for commercial purpose	22.0	66	1.3	3.0	4.0
Mortgage	28.6	12	0.2	0.4	4.0
Car loans	4.7	28	0.6	6.0	4.2
Total	250.7	5,006	100	20.0	3.5

#### Sovereign debt emissions

Country	Size of relevant assets (KRW 100 million)	Financed emissions (10,000 tCO <sub>2</sub> e)	Percentage of emissions (%)
Korea	599,465	2,031	92.3
United States	26,343	70	3.2
Japan	5,148	13	0.6
China	3,934	19	0.9
United Arab Emirates	1,050	3	0.1
Australia	2,434	10	0.4
Others	14,395	55	2.5
Total	652,769	2,200	100

#### Transition finance emissions

Type of transition finance	Size of relevant assets (KRW 100 million)	Financed emissions (10,000 tCO <sub>2</sub> e)	Percentage of emissions (%)
Corporate loans	9,439	71.3	56.3
Investment in green bonds	10,513	55.3	43.7
Total	19,952	126.6	100

#### Carbon intensity of each industry sector and asset Unit: (tCO<sub>2</sub>e/KRW 100 million)

	Power generation	Aluminum	Cement	Steel	Paper	Transportation	Chemicals	Others
Listed equities and corporate bonds	111.2	69.8	264.2	185.9	93.2	8.6	93.2	3.4
Corporate loans and unlisted equities	127.9	62.6	125.4	149.9	63.1	52.5	83.5	20.6
Project finance	138.1	-	-	-	-	1.6	63.7	4.1
Real estate for commercial purpose	-	-	-	-	-	-	-	3.5
Total	124.9	62.7	125.4	153.6	63.6	35.6	84.7	16.1

1) Points are given on a scale of 1 to 5 based on the data of the declared emissions based on the PCAF standards, emissions based on physical activity, or emissions based on economic activity.

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

### Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

### Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

As of December 2023

#### Amount of capital expenditure related to climate risks and opportunities

Major risks and opportunities for which capital expenditure is deployed	Status of capital expenditure	Capital expenditure amount (KRW 100 million)
Measures to secure business continuity in case of disasters caused by climate change, e.g., torrential rain, typhoon, etc.	Introduced cloud system	149.9
Establishment of cutting-edge facilities for efficient consumption of electricity	Purchased hardware (server/equipment)	656.6
Regular investment in infrastructure to reduce internal carbon emissions	Purchased LED lightings	13.4
Introduction of eco-friendly IT products for efficient use of electricity at offices	Purchased eco-friendly products	60.5
Replacement of decrepit facilities with new ones to better respond to climate change	Replaced decrepit facilities	51.0
<b>Total</b>		<b>931.3</b>

#### Amount of financing related to climate risks and opportunities

Major risks and opportunities for which financing is deployed	Status of financing	Financing amount (KRW 100 million)
Expansion of support (loan/investment) for green finance	Issued green bonds (Shinhan Bank)	1,500
<b>Total</b>		<b>1,500</b>



## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

**Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities**

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Exposure of Each Industry Caused by Climate Risks

### Exposure of Each Industry Caused by Climate Risks

In order to identify the assets that are vulnerable to transition risks and physical risks, Shinhan Financial Group examined the data on exposure of companies in each industry. With respect to transition risks, risks of each industry have been identified based on carbon intensity, which is the most important indicator for companies in the course of low-carbon transition. As a result, total assets for which financed emissions are calculated account for 36% of the total Group assets. Shinhan Financial Group will build a system to monitor and manager the industries with high intensity and the average intensity of the Group.

■ 60 or higher ■ 50 or higher ■ 40 or higher ■ 30 or higher ■ 20 or higher ■ 10 or higher ■ Below 10

As of December 2023

Industry	Exposure (KRW 100 million)	Exposure ratio	Financed emissions* (tCO <sub>2</sub> e)	Intensity** (tCO <sub>2</sub> e/KRW 100 million)
Manufacture of basic metal	44,547	1.80%	5,825,157	50.7
Electricity, gas, steam and air conditioning supply	47,289	1.90%	5,546,210	101.5
Manufacture of chemicals and chemical products; except pharmaceuticals	59,567	2.40%	4,033,631	20.1
Manufacture of food products	44,737	1.80%	3,117,655	8.0
Manufacture of coke, briquettes and refined petroleum products	19,137	0.80%	2,633,086	45.5
Manufacture of other machinery and equipment	62,591	2.50%	2,062,143	3.3
Manufacture of motor vehicles and trailers	41,483	1.70%	1,861,861	4.0
Manufacture of fabricated metal products; except machinery and furniture	38,358	1.50%	1,846,957	7.6
Manufacture of electronic components, computer; visual, sounding and communication equipment	72,877	2.90%	1,800,680	8.0
Manufacture of non-metallic mineral products	18,004	0.70%	1,711,847	55.8
Manufacture of rubber and plastic products	31,183	1.20%	1,518,725	7.3
Special trade construction	18,380	0.70%	1,390,832	4.8
Human health activities	48,265	1.90%	1,368,869	5.1
Manufacture of electrical equipment	36,580	1.50%	1,355,180	3.5
Wholesale trade and commission trade	143,159	5.70%	1,321,485	3.7
Manufacture of pulp, paper and paper products	12,789	0.50%	813,292	27.1
Land transport and transport via pipelines	23,739	0.90%	690,588	7.7
Waste collection, treatment and disposal activities; materials recovery	10,055	0.40%	668,949	49
Manufacture of apparel, apparel accessories and fur products	14,948	0.60%	588,274	6.6
Manufacture of textile; except apparel	13,312	0.50%	576,473	9.2
Water transport	3,498	0.10%	445,433	73.6
Food and beverage service activities	27,767	1.10%	436,178	2.5
Other manufacturing	7,324	0.30%	375,521	9.9
Manufacture of furniture	6,413	0.30%	363,153	10.9
Sale of motor vehicles and parts	13,257	0.50%	339,328	6.8
Manufacture of medical, precision and optical instruments, watches and clocks	13,457	0.50%	318,388	3.5
Manufacture of pharmaceuticals, medicinal chemical and botanical products	11,730	0.50%	286,523	5.7
Publishing activities	23,924	1.00%	279,890	3.7
Education	20,064	0.80%	232,217	3.7
Manufacture of other transport equipment	8,307	0.30%	170,142	2.9
Accommodation	32,672	1.30%	167,776	2.8

Industry	Exposure (KRW 100 million)	Exposure ratio	Financed emissions* (tCO <sub>2</sub> e)	Intensity** (tCO <sub>2</sub> e/KRW 100 million)
Manufacture of wood and wood products; except furniture	3,716	0.10%	163,947	9.9
Printing and reproduction of recorded media	7,387	0.30%	132,263	4.6
Business support services	8,007	0.30%	118,671	2.4
Manufacture of leather, luggage and footwear	2,474	0.10%	117,329	4.8
Architectural, engineering and other scientific technical services	10,885	0.40%	109,038	2.0
Postal activities and telecommunications	13,954	0.60%	106,343	4.6
Manufacture of beverages	4,308	0.20%	95,477	4.7
Air transport	2,246	0.10%	85,159	32.6
Computer programming, system integration and related activities	5,535	0.20%	83,569	4.8
Maintenance and repair services of personal and household goods	8,179	0.30%	73,724	2.4
Fishing	1,468	0.10%	66,108	13.2
Production and publishing of video and sound recording	5,447	0.20%	64,769	2.5
Agriculture	1,178	0.00%	60,435	24.8
Information service activities	4,479	0.20%	46,854	2.8
Maintenance and repair services of industrial machinery and equipment	828	0.00%	37,666	8.2
Mining of non-metallic minerals; except fuel	960	0.00%	33,688	27.8
Research and development	2,966	0.10%	32,111	2.7
Broadcasting	2,702	0.10%	23,049	2.0
Sewage, wastewater, human and animal waste treatment services	710	0.00%	14,597	13.1
Social work	729	0.00%	11,741	2.9
Remediation activities and other waste management services	239	0.00%	8,691	20.5
Mining of metal ores	45	0.00%	1,929	35.0
Forestry	86	0.00%	1,403	9.3
Water supply	46	0.00%	750	13.0
Manufacture of tobacco products	1	0.00%	12	3.2
Activities of households as employers of domestic personnel	0	0.00%	1	5.6
Total exposure to major industries	1,057,988	42.20%	45,635,767	
Total assets of Shinhan Financial Group for which financed emissions are calculated	2,507,019	100.00%	50,060,685	20.0
Total assets of Shinhan Financial Group	6,917,953			
Ratio of exposure related to climate risks (total assets for which financed emissions are calculated) out of the total assets	2,507,019	36%		

\* The total financed emissions include Scope 1, 2 and 3 of the relevant companies in each industry.

\*\* Intensity is calculated based on Scope 1 and 2 of the relevant companies in each industry (except Scope 3).

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

### Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

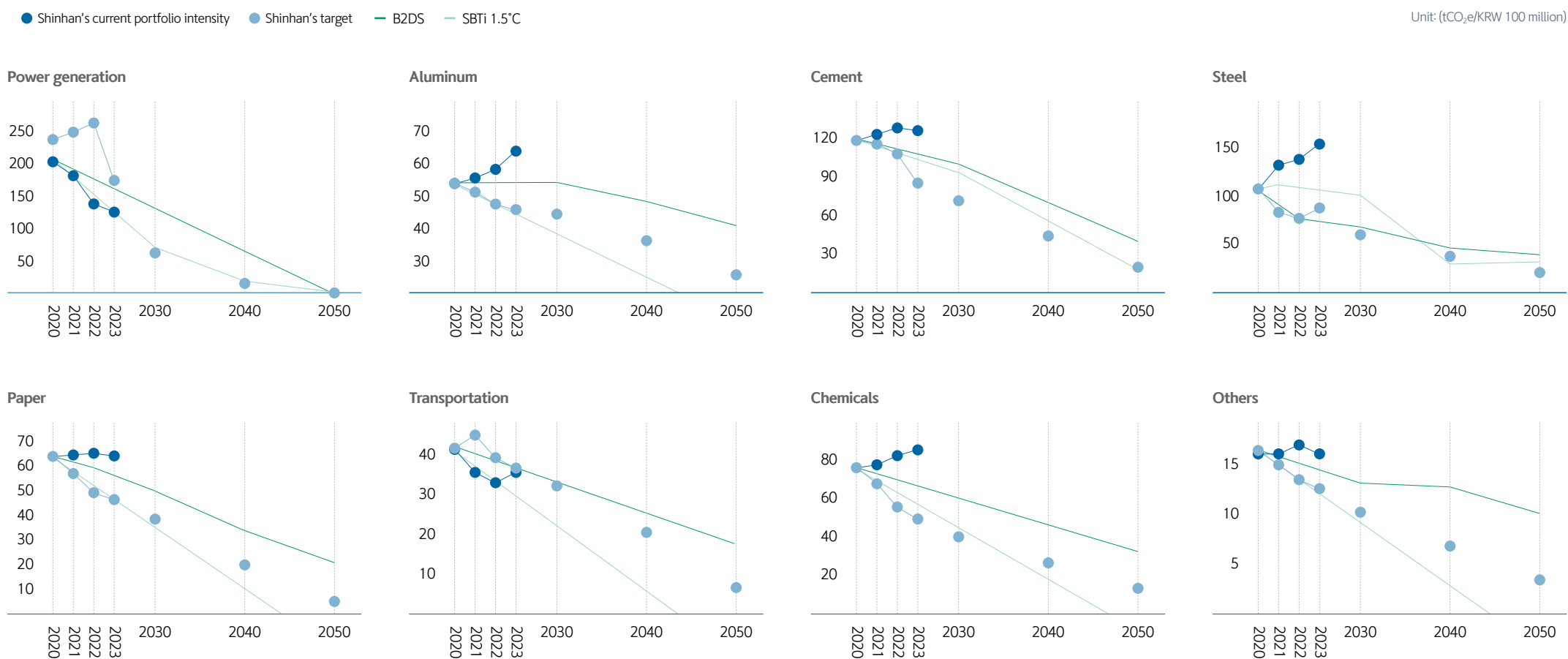
Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Asset Portfolio Industry-specific Reduction Target Roadmap

### Asset Portfolio Industry-specific Reduction Target Roadmap

In 2020, Shinhan Financial Group set a reduction target for each industrial sector in accordance with the SBTi sectoral decarbonization approach (SDA), and based on those targets, it has established a reduction pathway by 2050, under which it is managing its financed emissions. The SDA is a method of setting reduction targets for each industry sector by taking into account that each sector would reach Net Zero at a different pace. Financial institutions should assess and manage their portfolios based more specifically on the sectoral distinction. Shinhan Financial Group uses the carbon intensity of its asset portfolio as a major indicator to set a target of reducing 33.7% of carbon emissions in 2030 compared to 2020 and reaching zero financed emissions by 2050. Furthermore, it has established reduction targets for each industrial sector, e.g., power generation, aluminum, cement, steel, paper, transport, chemicals, real estate for commercial purposes, mortgage and car loans, etc. and corresponding pathways. However, it is facing difficulties in achieving the reduction target pathways, because many companies are expanding their scope of measuring emissions in line with regulations on disclosure of emissions, etc. and the low-carbon transition tends to occur more slowly than expected under the SBTi scenario. Shinhan Financial Group plans to keep analyzing the emissions trends to figure out the average intensity of companies in each industry and strengthen its monitoring in high-intensity companies of each industry.



\* In calculating the intensity targets for 2030, 2040 and 2050, the size of relevant assets is estimated based on the assets of 2023.

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change  
Roles of the Management  
System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change  
Climate Change Materiality Assessment  
Introduction of Climate Change Scenario Analysis  
Climate Scenario Analysis Results  
Resilience Analysis of Each Climate Scenario  
Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities  
How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets  
Method of GHG Metrics Calculation and Internal Carbon Pricing  
Status of GHG Emission  
Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities  
Exposure of Each Industry Caused by Transition/Physical Risks

### Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# ISSB S2 INDEX

Classification	IFRS S2 Climate-Related Disclosures	Reference Page
<b>Governance</b>		
6 (a)	The highest decision-making body overseeing climate-related risks and opportunities	2023 SPECIAL REPORT p. 6
6 (a)	The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information	2023 SPECIAL REPORT p. 6
6 (b)	Executives managing climate-related risks and opportunities	2023 SPECIAL REPORT p. 7
6 (b)	Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information	2023 SPECIAL REPORT p. 7
<b>Strategy</b>		
10	An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall:	
10 (a)	describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects	2023 SPECIAL REPORT p.11, 15, 16
10 (b)	explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk	2023 SPECIAL REPORT p.11, 15, 16
10 (c)	specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term— the effects of each climate-related risk and opportunity could reasonably be expected to occur	2023 SPECIAL REPORT p.15, 16
10 (d)	explain how the entity defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.	2023 SPECIAL REPORT p.12
	how these definitions are linked to the planning horizons used by the entity for strategic decision-making	2023 SPECIAL REPORT p.12
13	An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose:	
13 (a)	a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain	2023 SPECIAL REPORT p.15, 16, 20, 21
	a description of the current and anticipated effects of climate-related risks and opportunities on the entity's value chain	2023 SPECIAL REPORT p.15, 16, 20, 21
13 (b)	a description of where in the entity's business model climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	2023 SPECIAL REPORT p.20, 21, 23-25
	a description of where in the entity's value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	2023 SPECIAL REPORT p.20, 21
14	An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose:	
14 (b)	information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a).	2023 SPECIAL REPORT p.23-25, 38
14 (c)	quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a).	2023 SPECIAL REPORT p.30-32

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

Classification	IFRS S2 Climate-Related Disclosures	Reference Page
<b>Strategy</b>		
16	Financial position, financial performance and cash flows	
16 (a)	How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period	2023 SPECIAL REPORT p.20-22
16 (b)	The climate-related risks and opportunities identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements	2023 SPECIAL REPORT p.20-22
16 (c)	How the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration	2023 SPECIAL REPORT p.20-22
16 (d)	How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (for example, increased revenue from products and services aligned with a lower-carbon economy; costs arising from physical damage to assets from climate events; and expenses associated with climate adaptation or mitigation)	2023 SPECIAL REPORT p.20-22
22 (a)	The entity's assessment of its climate resilience as at the reporting date	2023 SPECIAL REPORT p. 22
22 (b)	How and when the climate-related scenario analysis was carried out	2023 SPECIAL REPORT p. 17-19
<b>Risk management</b>		
25	An entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities	
25 (a)	The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks	2023 SPECIAL REPORT p.28
25 (b)	The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities	2023 SPECIAL REPORT p.28
25 (b)	How the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities	2023 SPECIAL REPORT p.28
25 (c)	The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process	2023 SPECIAL REPORT p.27
<b>Metrics and targets</b>		
29 (a)	Scope 1 greenhouse gas emissions	2023 SPECIAL REPORT p.30, 31, 34
29 (a)	Scope 2 greenhouse gas emissions	2023 SPECIAL REPORT p.30, 31, 34
29 (a)	Scope 3 greenhouse gas emissions	2023 SPECIAL REPORT p.30, 31, 35-39
29 (b)	Climate-related transition risks	2023 SPECIAL REPORT p.39
29 (b)	The amount and percentage of assets vulnerable to climate-related transition risks	-
	The amount and percentage of business activities vulnerable to climate-related transition risks	2023 SPECIAL REPORT p. 23, 25

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# ISSB S2 INDEX

Classification	IFRS S2 Climate-Related Disclosures	Reference Page
<b>Metrics and targets</b>		
29 (e)	Capital deployment	
29 (e)	The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities	2023 SPECIAL REPORT p. 38
29 (f)	Internal carbon prices	
29 (f)	An explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis)	2023 SPECIAL REPORT p. 33
	The price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions	2023 SPECIAL REPORT p. 33
29 (g)	Remuneration	
29 (g)	A description of whether and how climate-related considerations are factored into executive remuneration	2023 SPECIAL REPORT p. 7
	The percentage of executive management remuneration recognised in the current period that is linked to climaterelated considerations	2023 SPECIAL REPORT p. 7
33	Climate-related targets	
33 (a)	The metric used to set the target	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (b)	The objective of the target	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (c)	The part of the entity to which the target applies	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (d)	The period over which the target applies	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (e)	The base period from which progress is measured	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (f)	Any milestones and interim targets	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (g)	If the target is quantitative, whether it is an absolute target or an intensity target	2023 SPECIAL REPORT p. 30, 31, 34, 35
33 (h)	How the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target	2023 SPECIAL REPORT p. 30, 31, 34, 35

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# ISSB S2 INDEX

Classification	IFRS S2 Climate-Related Disclosures	Reference Page
<b>Metrics and targets</b>		
35	An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance	2023 SPECIAL REPORT p.30, 31, 34, 35
	An analysis of trends or changes in the entity's performance	2023 SPECIAL REPORT p.34, 35
34	An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	
34 (a)	whether the target and the methodology for setting the target has been validated by a third party	2023 SPECIAL REPORT p.33
34 (b)	the entity's processes for reviewing the target	2023 SPECIAL REPORT p.33
34 (c)	the metrics used to monitor progress towards reaching the target	2023 SPECIAL REPORT p.30
34 (d)	any revisions to the target and an explanation for those revisions	-
36	For each greenhouse gas emissions target disclosed in accordance with paragraphs 33–35, an entity shall disclose:	
36 (a)	which greenhouse gases are covered by the target	2023 SPECIAL REPORT p.31
36 (b)	whether scope 1, scope 2 or scope 3 greenhouse gas emissions are covered by the target	2023 SPECIAL REPORT p.31, 32
36 (c)	whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. if the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target	2023 SPECIAL REPORT p.31
36 (d)	whether the target was derived using a sectoral decarbonisation approach	2023 SPECIAL REPORT p.40
36 (e)	The entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target.	
36 (e)	The extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits	2023 SPECIAL REPORT p.31

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# TCFD INDEX

Classification	Framework	Reference Page
Governance	a. Describe the board's oversight of climate-related risks and opportunities	2023 SPECIAL REPORT p.5-8
	b. Describe management's role in assessing and managing climate-related risks and opportunities	
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	2023 SPECIAL REPORT p.9-25
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks	2023 SPECIAL REPORT p.26-29
	b. Describe the organization's processes for managing climate-related risks	
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	2023 SPECIAL REPORT p.30-40
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	

## TCFD Report

### Introduction

2050 TCFD-based Net-Zero Roadmap

### Governance

Governance to respond to Climate Change

Roles of the Management

System and Capacity for Climate Risk Management

### Strategy

Strategy to Respond to Climate Change

Climate Change Materiality Assessment

Introduction of Climate Change Scenario Analysis

Climate Scenario Analysis Results

Resilience Analysis of Each Climate Scenario

Progress of Climate-related Opportunities

### Risk Management

Process to Identify/Assess Climate Risks and Opportunities

How to Segment Customers by Climate Risk

### Metrics & Targets

Shinhan Financial Group's GHG Emission Targets

Method of GHG Metrics Calculation and Internal Carbon Pricing

Status of GHG Emission

Amount of Capital Expenditure and Financing Deployed for Climate-related Risks and Opportunities

Exposure of Each Industry Caused by Transition/Physical Risks

Asset Portfolio Industry-specific Reduction Target Roadmap

### ISSB S2 Index

### TCFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# BIODIVERSITY REPORT

INTRO

047

GOVERNANCE

048

STRATEGY

050

RISK MANAGEMENT

063

METRICS & TARGETS

065



## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

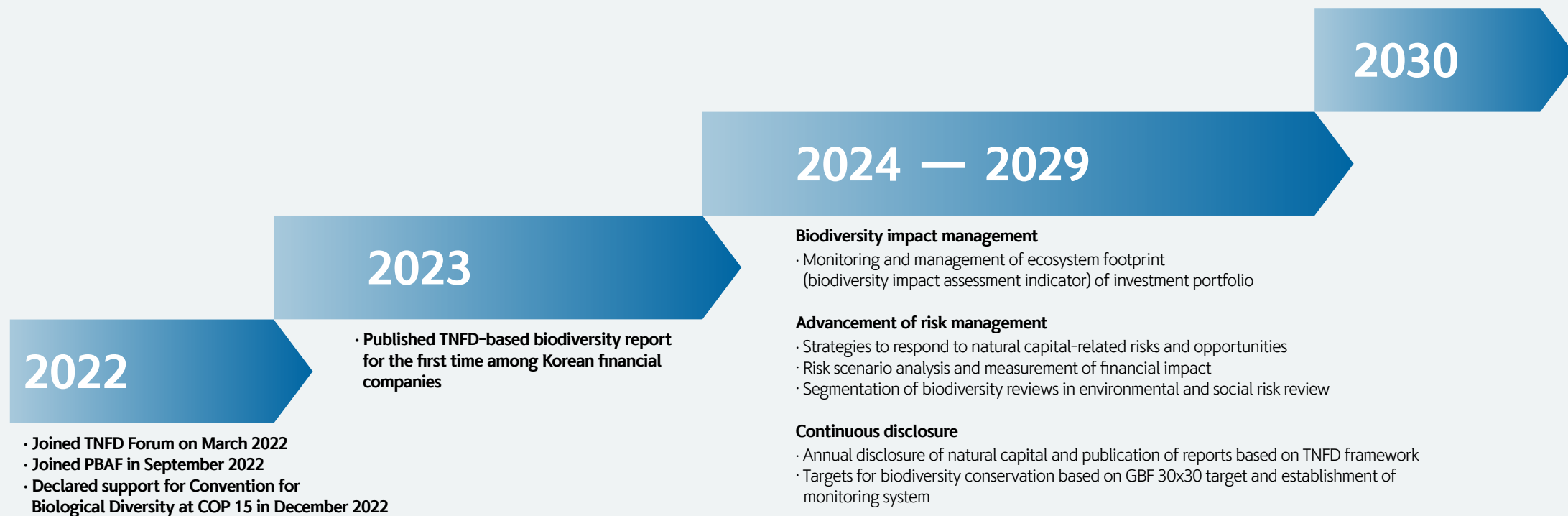
Shinhan Financial Group  
2023 ESG Report

# INTRO

## 2030 Shinhan Financial Group's Roadmap for Biodiversity Management

Shinhan Financial Group recognizes the importance and urgency of the issue of biodiversity loss due to environmental pollution and clearly understands the potential impact of natural capital on the various business sectors in which it operates and the society as a whole. In this context, natural capital refers to the total amount of renewable and non-renewable natural resources existing on the earth, and biodiversity refers to the diversity of living natural capital and ecosystems. To actively address biodiversity issues, Shinhan Financial Group joined the TNFD Forum in March 2022, and in September of the same year, it joined the Partnership for Biodiversity Accounting Financials (PBAF), a global biodiversity initiative, to cooperate on the development of an "international standard for biodiversity impact assessment." In December, it declared its support for the Convention on Biological Diversity through the Global Private Finance Statement at the 15th Conference of the Parties (COP 15) and published the first TNFD disclosure-based biodiversity report in 2023 for the first time among Korea's financial companies. Starting from this year, Shinhan Financial Group is presenting intensive management of its biodiversity footprint, advancement of risk management, and continuous disclosure as key strategies to meet the 2030 targets set under the Global Biodiversity Framework (GBF)\*. Based on the 2030 Biodiversity Roadmap, Shinhan Financial Group aims to actively respond to rapidly changing global ecosystems and biodiversity issues and build leadership in the environmentally friendly financial ecosystem

### 2030 Shinhan Financial Group Biodiversity Management Roadmap



\* Global Biodiversity Framework (GBF): Framework adopted at the 15th Conference of Parties to Convention on Biological Diversity (COP-15), which includes the "30x30 initiative" for governments to effectively restore at least 30% of damaged land and sea area under the 23 targets to stop and reverse the unprecedented global damage to the nature.

## Biodiversity Report

**Introduction**  
2030 Shinhan Financial Group's Roadmap for Biodiversity Management

**Governance**  
BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

**Strategy**  
Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
Distribution of Portfolio in Biodiversity Map  
Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio  
Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio  
[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

**Risk Management**  
Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

**Metrics & Targets**  
Biodiversity Indicators of Shinhan Financial Group  
Financial Institution's Directions of Setting Biodiversity Targets  
Biodiversity Targets of Shinhan Financial Group

TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# GOVERNANCE



Shinhan Financial Group is managing and responding to biodiversity issues under the same framework for climate change governance. Members of the governance framework have distinct roles and responsibilities; for example, the ESG Strategy Committee and the Risk Management Committee, both of which are under the BOD, establish strategies and make final decisions on risk management, while the management report major issues discussed at the Group Executive Committee, chaired by the CEO, to the ESG Strategy Committee on a quarterly basis.

Shinhan Financial Group also has policies and processes based on the principle of stakeholder engagement in assessing impacts and dependencies, risks and opportunities through the Equator Principles.

49p

**BOD and Management Structure for Biodiversity Management**

49p

**Policy and Process for Stakeholder Engagement**

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# GOVERNANCE

## BOD and Management Structure for Biodiversity Management

The ESG Strategy Committee of Shinhan Financial Group receives reports on activities and progress related to biodiversity and deliberates on major issues, while Group Chief Strategy Officer (CSO), the Group ESG CSO Council, and the Group ESG Working Group Council discuss and manage sustainability issues, including biodiversity.



## Policy and Process for Stakeholder Engagement

Shinhan Financial Group has policies and processes in place consider the opinions of stakeholders including indigenous peoples and local communities and to engage stakeholders in key decision making in reviewing the financing under the Equator Principles. In particular, Shinhan Bank joined the Equator Principles for the first time among Korea's commercial banks and has published the Equator Principles Implementation Report to identify and manage environmental and social risks such as environmental pollution, damage to the ecosystem, and human rights violations. Also, the bank reflects the principles of stakeholder engagement in its financing processes. More specifically, it conducts environmental and social due diligence, including obtaining free, prior, and informed consent (FPIC)\* from indigenous and local communities where its customers' operations have the potential to negatively impact them.

\* FPIC: Free, prior and informed consent

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

**BOD and Management Structure for Biodiversity Management**

**Policy and Process for Engagement of Stakeholder**

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY



Biodiversity issues may cause transition and physical risks to companies to which a financial institution has provided loans/investments, which may result a financial instability and a macroeconomic deterioration by affecting the financial institution's portfolios. Financial institutions should minimize the potential impact by proactively identifying, analyzing and managing the biodiversity-related dependencies, impacts and risks and establish a sustainable financial system by integrating this in their decision-making process. Shinhan Financial Group has analyzed the geographical connection between its portfolio and natural capital and how such connection may affect its natural capital.

51p

**Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio**

52p

**Distribution of Portfolio in Biodiversity Map**

53p

**Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio**

- Identification of dependencies and impacts of financial institutions
- Dependencies on Natural Capital of Shinhan Financial Group Portfolio
- Natural Capital Impact of Shinhan Financial Group's Portfolio
- Response to Shinhan Financial Group's Natural Capital Dependency and Impacts

58p

**Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio**

59p

**[Additional page] LEAP Analysis of Projects Subject to Reviews under Equator Principles**

In accordance with the TNFD's LEAP approach, Shinhan Financial Group conducted assessment of "Locate - Interface with Nature" and "Evaluate - Dependencies and Impacts" on its portfolio. In addition, as for the Equator Principles reviews related to renewable energy, it utilized the WWF Biodiversity Risk Filter tool to proactively analyze the "Assess - Material Risks and Opportunities" stage. For "Prepare - Response and Disclosure," the Group is responding by publishing a biodiversity report that complies with the TNFD format and aligning our activities with GBF targets. Shinhan Financial Group plans to further advance its response to the LEAP approach by strengthening the analysis of biodiversity risk scenarios and identification of financial impacts for its investment portfolio.

Risk and Opportunity Analysis Approach (LEAP)				
Scope of analysis	Locate - Interface with Nature	Evaluate - Dependencies & Impacts	Assess - Material Risks & Opportunities	Prepare - Response & Disclosure
Portfolio	Quantitative analysis		Advancement of implementation	Advancement of implementation (Disclosure of biodiversity report and response to GBF targets)
Review under the Equator Principles	Quantitative analysis			

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report


## Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Shinhan Financial Group analyzed biodiversity risks by utilizing the 'Nature & Biodiversity Risk Portfolio Assessment' model developed by S&P Global based on biodiversity-related data of UNEP-WCMC. The risk analysis targeted 35% of the KRW 66 trillion in equities, bonds, and loans of borrowers that are large companies or companies subject to external audit for which the Group has both financial data and biodiversity-related data (companies included in indices such as the KOSPI 200 and having asset data). First, financial institutions can conduct a biodiversity risk analysis by examining whether assets and business activities in their portfolios are located in areas of high natural importance, such as KBAs\* and PAs\*\*. Shinhan Financial Group identified the interfaces with KBAs and PAs for its integrated portfolio, including equities, bonds and loans, and assessed the risks by comparing the difference in overlap areas with the KOSPI200 benchmark, which is representative of domestic listed companies with different sizes of invested assets. In Shinhan Financial Group's portfolio to be analyzed, the overlap with KBAs is estimated to be about 15.03 ha and the overlap with PAs is about 7.25 ha. The overlap with KBAs was relatively remarkable in industrials and materials, and PAs in the energy sector. In addition, the Value of Holding (VOH) exposure, i.e., the share of investments in companies that overlap with KBAs or PAs, stood at 31%.




Equities, bonds and loans of large companies and companies subject to external audit

KRW **66** trillion



Share of assets with both financial data and biodiversity-related data

**35** %



VOH Share of companies overlapping with KBAs or PAs

**31** %

Sector ***	Overlap with KBA (ha)		Overlap with PAs (ha)		Share of investment in each sector by companies overlapping with KBAs or PA
	Portfolio	Benchmark	Portfolio	Benchmark	
Utilities	0.8395	3.1939	0.2376	9.4633	0.44%
Communications Services	0.0000	0.0000	0.0085	0.0148	1.90%
Consumer Discretionary	0.0000	0.2383	0.0191	0.3518	2.05%
Consumer Staples	0.0000	0.0000	0.0004	0.0001	1.31%
Energy	2.0393	0.0010	2.9828	0.0293	7.69%
Financials	0.0095	0.0138	0.0132	0.4312	0.41%
Health Care	0.0000	0.0000	0.0015	0.0000	0.06%
Industrials	5.2559	9.0003	1.4963	6.9642	5.58%
Technology	0.0000	0.0000	0.0269	0.0107	4.97%
Materials	6.8843	3.9563	2.4639	16.1637	6.68%
Real Estate	0.0000	0.0000	0.0000	0.0000	0.00%
<b>Total</b>	<b>15.0284</b>	<b>16.4037</b>	<b>7.2501</b>	<b>33.4291</b>	<b>31.09% (VOH)</b>

\* KBAs (Key Biodiversity Areas): Sites contributing significantly to the global persistence of biodiversity (IUCN 2016), and are identified at the national, sub-national or regional level by local stakeholders.  
 \*\* PAs (Protected Areas): Clearly defined geographical spaces, recognized, dedicated and managed through legal or other effective means to achieve the long-term conservation of nature with associated ecosystem services and cultural values  
 \*\*\* Top 11 economic sectors in the GICS (Global Industry Classification Standard) co-developed by S&P and MSCI

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
 Policy and Process for Engagement of Stakeholder

### Strategy

#### Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

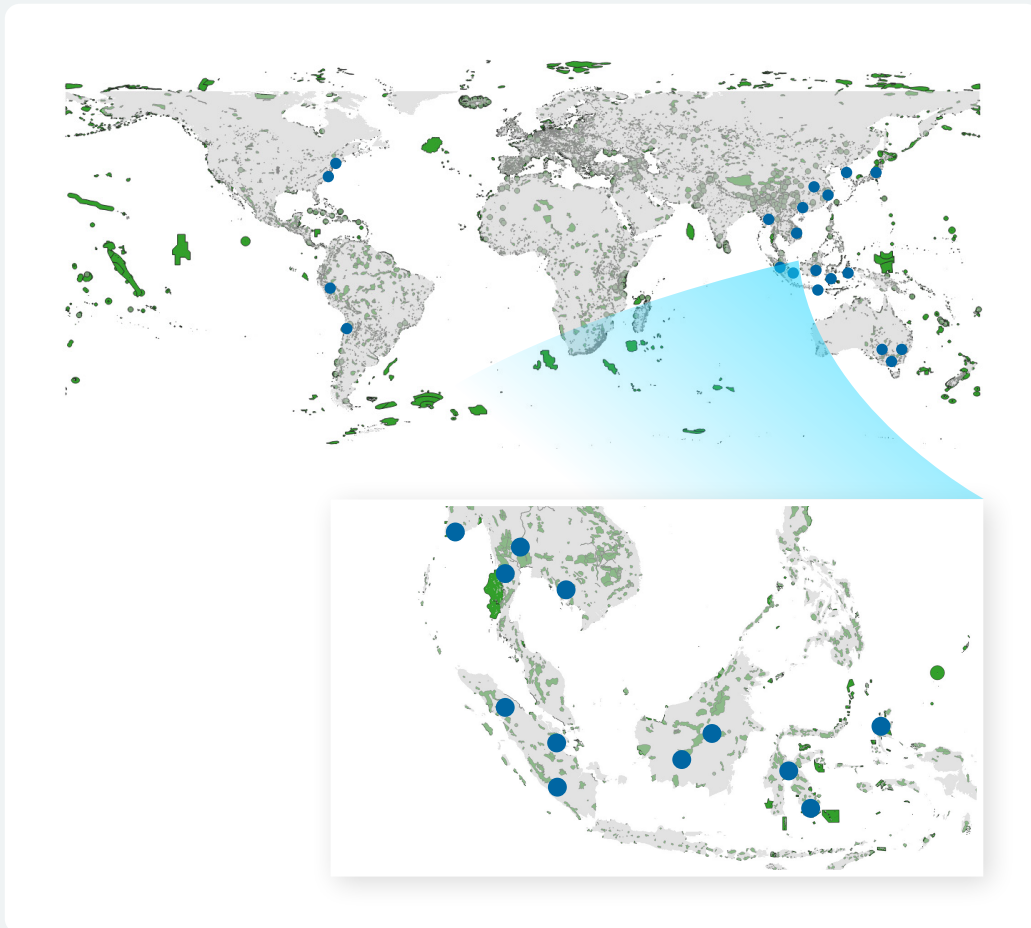
Shinhan Financial Group  
 2023 ESG Report

## Distribution of Portfolio in Biodiversity Map

Shinhan Financial Group identified the geographical connection of the interfaces with KBAs among the companies in its portfolio subject to biodiversity risk analysis (35% of the KRW 66 trillion in equities, bonds, and loans of borrowers that are large companies or companies subject to external audit for which the Group has both financial data and biodiversity-related data). To this end, Shinhan Financial Group's assets were categorized into global and domestic assets and their interfaces with KBAs were displayed on the map.

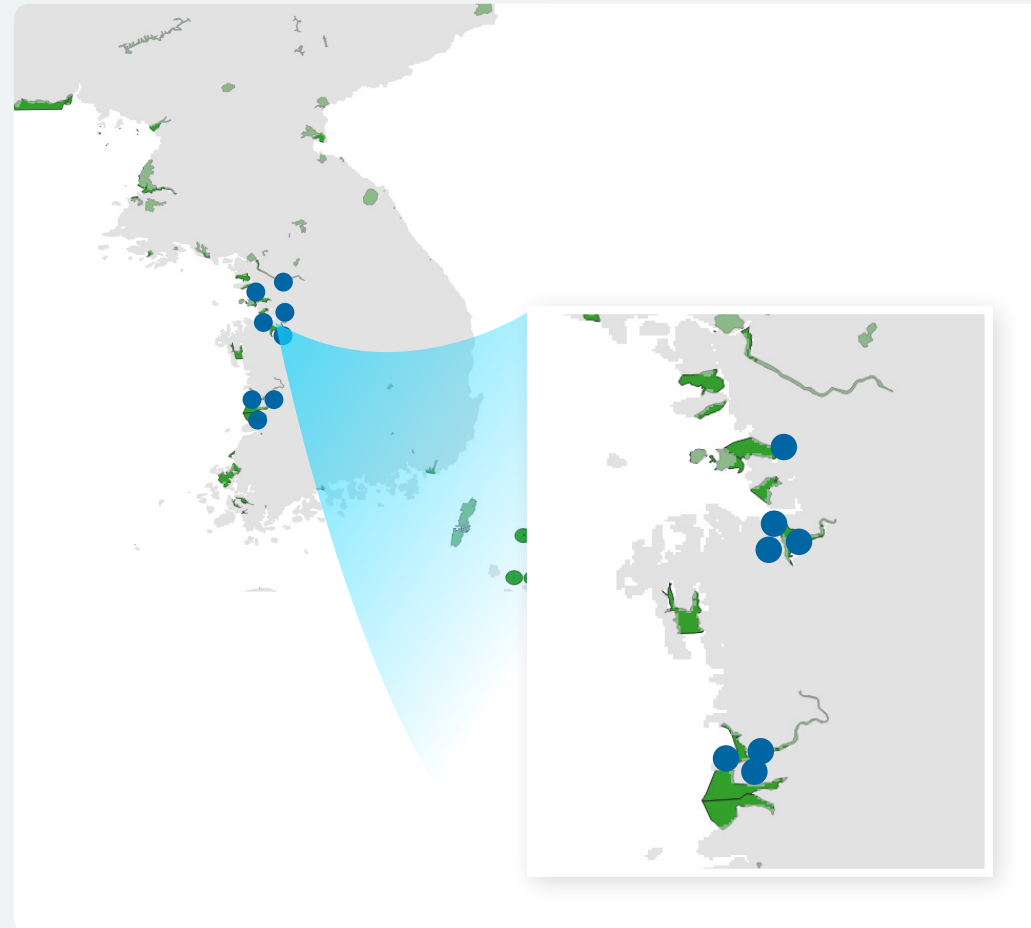
### Interface of global assets with KBAs

● KBAs(Key Biodiversity Areas) ● Assets located in KBAs



### Interface of domestic assets with KBAs

● KBAs(Key Biodiversity Areas) ● Assets located in KBAs



\* Not all assets that overlap with KBAs are shown on the map due to data availability and utilization. The size of the blue dots is not proportional to the size of the actual assets.

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

### Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY

## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

E(valuate)

### Identification of dependencies and impacts of financial institutions

Business activities of companies (customers) rely on natural capital and affect the entire value chain, from raw material procurement to transportation, manufacturing, sales, consumption, and disposal. Financial institutions, including Shinhan Financial Group, are exposed to risks not only in their own business activities but also in the activities of these customers and their supply chains in the course of providing investment and loans. Therefore, financial institutions need to understand their customers' dependencies and impact on natural capital in order to appropriately manage risks, and can create new business opportunities by providing financial products and services from the perspective of protection of natural capital.



## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

### Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY

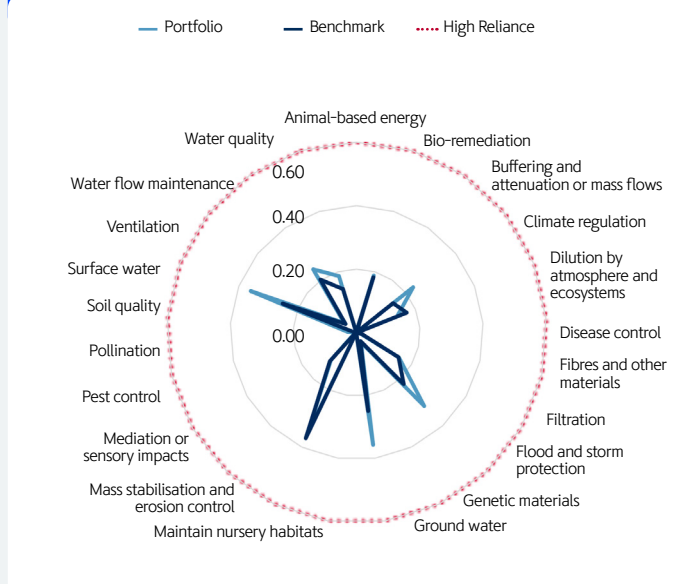
## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

E(valuate)

### Dependencies on Natural Capital of Shinhan Financial Group Portfolio

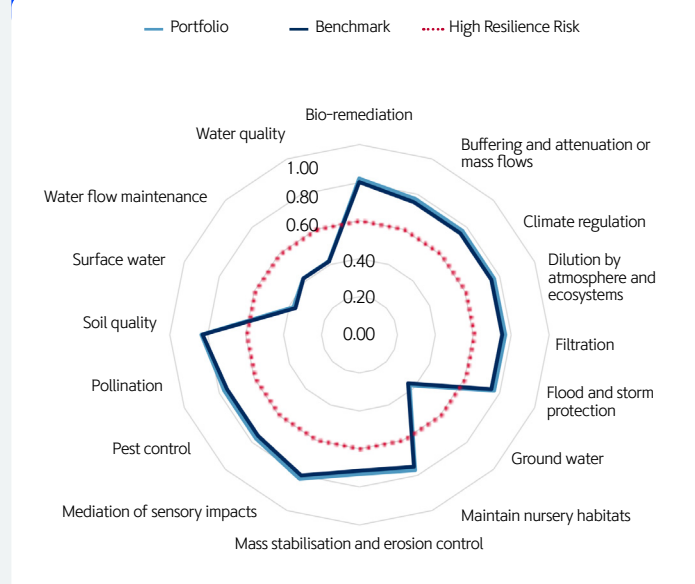
Companies entirely depend on ecosystem services provided by the nature, and the absence of the ecosystem services is a critical issue that can prevent economically sustainable production and operation. Therefore, understanding dependencies on the ecosystem service is useful in assessing risks on business activities caused by changes in biodiversity and natural environment. Here, "dependency" is assessed based on two key factors of "reliance" and "resilience" of each ecosystem service, and the Shinhan Financial Group's portfolio has been found to be depending largely on "mass stabilization and erosion control", "flood and storm protection", "bio-remediation", "surface water", "ground water", and "climate regulation".

#### Ecosystem Service Reliance



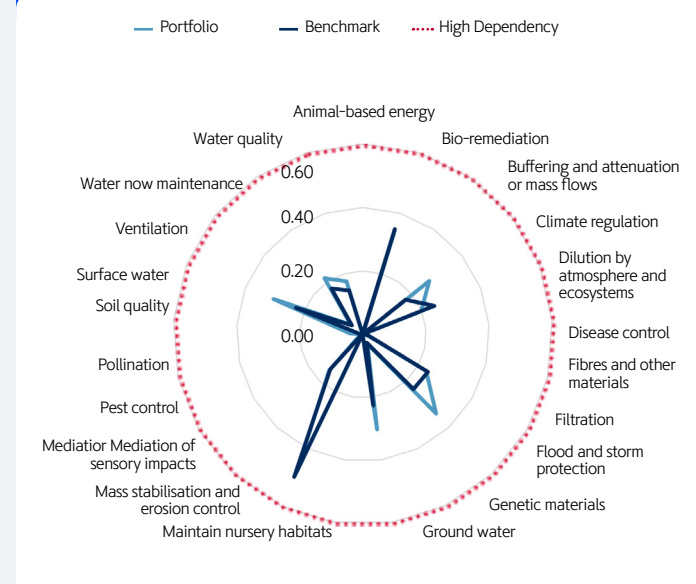
**Reliance** on ecosystem services assesses how important each service is to a particular sector and how relevant that importance is to the region. The ratings provided by ENCORE\* is used for ecosystem service importance, which varies by region. For example, flood protection services are important in flood-prone areas. A dependency score of 0.6 or higher is considered high, and while Shinhan Financial Group's portfolio has a dependency score of less than 0.4 for all ecosystem services, it relies relatively heavily on 'flood and storm protection', 'surface water', and 'ground water', which have the largest difference in reliance scores with the benchmark.

#### Ecosystem Service Resilience



**Resilience** refers to the ability of an ecosystem to continue to provide services. In other words, the more an ecosystem is damaged, the lower the resilience score becomes as it gets unable to provide services. As such, resilience is an indicator that depends on the capacity and geography of the ecosystem, and Shinhan Financial Group's portfolio and the KOSPI200 benchmark do not show significant differences in resilience scores as their assets are mostly distributed in Korea. Both Shinhan Financial Group's portfolio and the benchmark have high resilience risks in ecosystem services except for 'water quality', 'surface water', 'ground water', and 'water flow maintenance'.

#### Ecosystem Service Dependency



**Dependency** is calculated by combining reliance and resilience; after the geometric mean\*\* of the two scores at the level of asset or business activities is calculated for each individual ecosystem service, and then the final score in the overall company level is obtained, taking into account the share of investment. Based on the share of each sector in Shinhan Financial Group's portfolio, it appears to be relatively highly dependent on 'mass stabilization and erosion control', 'flood and storm protection', 'bio-remediation', 'surface water', 'ground water', and 'climate regulation'.

\* ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure): A tool that conducts analysis for diagnosis of natural capital dependencies and impacts based on the Global Industry Classification Standard. The importance of ecosystem services to sector, sub-industry and production process is divided into five categories of Very High, High, Medium, Low and Very Low. <https://encorenature.org/en>  
 \*\* Formula: (Dependency)<sub>i</sub> =  $\sqrt{((Reliance)_i * (Resilience)_i)}$ , i: Ecosystem services, n: Number of scores (1 or 2)

## Biodiversity Report

**Introduction**  
 2030 Shinhan Financial Group's Roadmap for Biodiversity Management

**Governance**  
 BOD and Management Structure for Biodiversity Management  
 Policy and Process for Engagement of Stakeholder

**Strategy**  
 Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
 Distribution of Portfolio in Biodiversity Map

**Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio**  
 Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio  
 [Additional page]  
 LEAP Analysis of Projects Subject to Reviews under Equator Principles

**Risk Management**  
 Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

**Metrics & Targets**  
 Biodiversity Indicators of Shinhan Financial Group  
 Financial Institution's Directions of Setting Biodiversity Targets  
 Biodiversity Targets of Shinhan Financial Group

TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

# STRATEGY

## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

E(valuate)

### Dependencies on Natural Capital of Shinhan Financial Group Portfolio

Ecosystem Service

#### Provisioning service

- Animal-based energy
- Fibres and other materials
- Genetic materials
- Ground water
- Surface water

#### Regulatory and maintenance services

- Bio-remediation
- Buffering and attenuation of mass flows
- Climate regulation
- Dilution by atmosphere and ecosystems
- Disease control
- Filtration
- Flood and storm protection
- Maintain nursery habitats
- Mass stabilization and erosion control
- Mediation of sensory impacts
- Pest control
- Pollination
- Soil quality
- Ventilation
- Water flow maintenance
- Water quality

Each sector's dependency on ecosystem services

Shinhan Financial Group compared the natural capital dependency of its integrated portfolio to the KOSPI200 benchmark to understand its relative risks. Natural capital dependency was identified for 11 sector classifications in Shinhan Financial Group's portfolio and the dependency score considers the level of reliance of a company's activities on 21 ecosystem services and the resilience of the ecosystems that provide these services. For example, if a particular ecosystem service is critical to a company's production process, its resilience is high, but if the resilience of the ecosystem (the ability to continue to provide the ecosystem service) is high, the dependency risk is reduced. The dependency\* calculation for each sector of Shinhan Financial Group's portfolio shows that the energy sector's dependency on the 'flood and storm protection' service is 0.728, the highest among all sectors analyzed. The share of each sector was not taken into account in order to provide a clearer picture of the differences in dependencies based on the characteristics of each sector. The overall portfolio's ecosystem service dependency, or comprehensive dependency, is relatively high (above 0.6) at 0.63, with 67% of investee companies identified as having a dependency of 0.6 or higher

### Dependencies on ecosystem services \*\*

	Utilities	Communication services	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information Technology	Materials	Real estate
<b>Provisioning services</b>											
Genetic materials	-	-	0.000	0.137	-	-	0.507	0.001	-	0.007	-
Ground water	0.578	0.082	0.224	0.410	0.286	0.097	0.575	0.281	0.210	0.511	0.439
Surface water	0.578	0.082	0.224	0.410	0.286	0.097	0.575	0.281	0.210	0.511	0.439
<b>Regulatory and maintenance service</b>											
Bio-remediation	0.409	0.123	0.224	0.286	0.510	0.036	0.375	0.299	0.401	0.362	0.478
Climate regulation	0.526	0.432	0.241	0.117	0.648	0.020	0.017	0.441	0.024	0.397	0.130
Filtration	0.366	-	0.147	0.292	0.496	0.018	0.352	0.210	0.207	0.278	0.284
Flood and storm protection	0.570	0.523	0.353	0.430	0.728	0.029	0.027	0.491	0.045	0.453	0.227
Mass stabilization and erosion control	0.565	0.210	0.391	0.425	0.627	0.548	0.528	0.509	0.550	0.420	0.565
Mediation of sensory impacts	0.172	-	0.227	0.007	0.447	0.012	0.014	0.234	0.046	0.261	0.300
Water flow maintenance	0.394	-	0.168	0.282	0.340	0.008	0.432	0.258	0.027	0.445	0.130
Water quality	0.183	-	0.180	0.271	0.423	0.005	0.354	0.150	0.024	0.324	-

### Composite dependency on ecosystem services\*\*\*

	Composite dependency	Utilities	Communication Service	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information technology	Materials	Real estate
Portfolio	0.63	0.77	0.53	0.5	0.59	0.77	0.44	0.7	0.66	0.59	0.74	0.69
Benchmark	0.61	0.7	0.44	0.69	0.69	0.8	0.46	0.69	0.67	0.61	0.69	

\* A dependency score closer to 0 indicates lower risks, and a score closer to 1 indicates higher risks. A dependency score of 0.6 or higher is interpreted as high dependency.

\*\* This is a reconstruction of the dependency analysis results for the types of ecosystem services with a sectoral dependency score of 0.4 or higher in at least one sector. \*\*\* Actual dependency score of Shinhan Financial Group's portfolio

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

### Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page] LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY

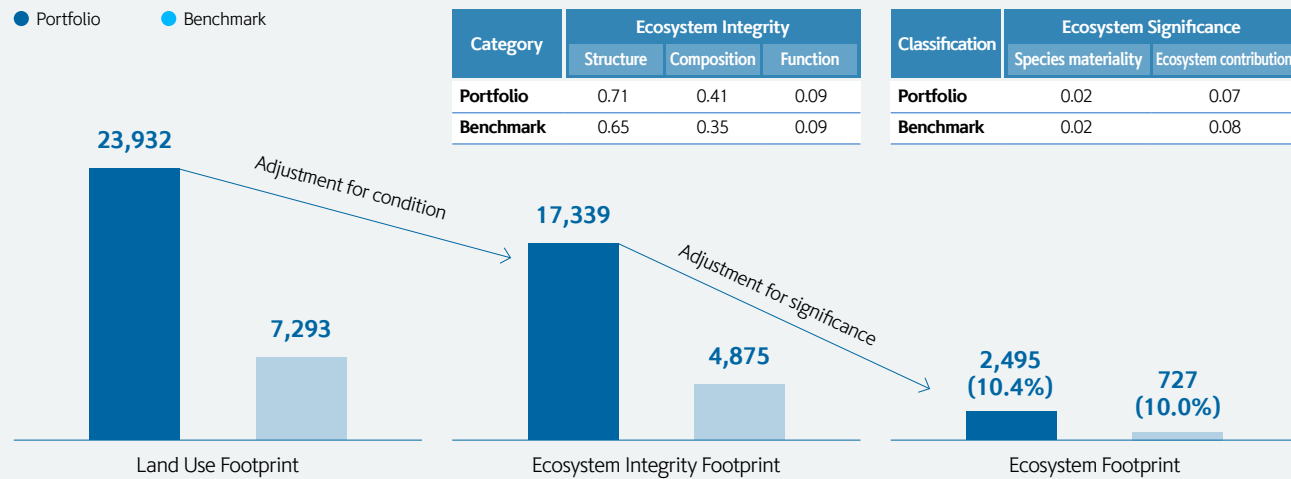
## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

E(valuate)

### Natural Capital Impact of Shinhan Financial Group's Portfolio

An impact on natural capital is defined as a change in the state of nature, which can be positive or negative, and the impact can be direct or indirect. In this context, companies need to understand the nature of their business activities from the perspective of nature and ecosystems and identify the ecosystem footprint of their activities. Ecosystem footprint is a metric that measures the impact of corporate activities on nature and biodiversity as adjusted to equivalent area units (ha eq.), which can be used to assess ecosystem destruction and loss. Ecosystem footprint intensity refers to the ratio of the ecosystem footprint against the land use footprint, which allows relative comparisons of the level of destruction between entities. The ecosystem footprint of Shinhan Financial Group's portfolio across 11 sector classifications was 2,495 ha eq., which was higher than the benchmark. The ecological footprint intensity\* of the portfolio is 0.10, the same level as the benchmark, while the utilities sector is the highest at 0.13 and is the most largely different from the benchmark. Shinhan Financial Group also calculates ecological footprint intensity based on the revenue (ha. Eq/KRW trillion) of portfolio companies as well as area and manages the data as a reference indicator, but revenue-based intensity has limitations in risk management\*\*. Through the ecological footprint indicator, Shinhan Financial Group aims to strengthen monitoring and management of the natural capital impacts of its portfolio.

### Adjustment of nature-related impact indicators



Sector	Ecosystem footprint intensity			
	Area-based intensity (ha eq. / ha actual)		Revenue-based intensity (ha eq. /KRW trillion)	
	Portfolio	Benchmark	Portfolio	Benchmark
Utilities	0.13	0.10	282.22	80.50
Communication service	0.13	0.12	7.38	6.76
Consumer discretionary	0.12	0.12	100.48	17.55
Consumer staples	0.09	0.09	303.89	342.59
Energy	0.11	0.11	73.46	87.64
Financials	0.10	0.10	4.39	1.48
Health care	0.11	0.10	5.64	7.24
Industrials	0.12	0.10	127.13	128.27
Information technology	0.10	0.10	4.53	4.69
Materials	0.09	0.09	15.77	21.18
Real estate	0.11		6.97	
Total	0.10	0.10	86.99	44.32

**The ecosystem footprint (EF)** is calculated through two stages of adjustments of the total area occupied by the assets and business activities. On the first stage of adjustment, the ecosystem integrity footprint is calculated by applying the highest of the structure (physical change of natural environment), composition (changes in biodiversity) and function (qualitative changes in natural environment) scores to the land use footprint (total area used by a company). In the next stage, the ecosystem footprint is calculated by applying the higher of species materiality (considering the impacts on a species is endangered in certain region) and ecosystem contribution (assessing the materiality of that area in terms of continuous provision of ecosystem services) scores to the ecosystem integrity footprint.

\* Area-based ecosystem footprint intensity: The ratio of ecosystem footprint against land use footprint. It is an indicator of ecosystem footprint intensity calculated by taking into account the level of ecosystem destruction and materiality of that region, and a score closer to 1 is deemed to refer to higher impact risks.  
 \*\*Unlike the benchmark, Shinhan Financial Group's benchmark includes a number of small and medium-sized companies, and as for the loans that account for a large portion of the portfolio to be analyzed, sales revenue was not considered as a major factor in making investment decisions, which means that the revenue-based intensity is unlikely to be substantially managed.

## Biodiversity Report

**Introduction**  
 2030 Shinhan Financial Group's Roadmap for Biodiversity Management

**Governance**  
 BOD and Management Structure for Biodiversity Management  
 Policy and Process for Engagement of Stakeholder

**Strategy**  
 Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
 Distribution of Portfolio in Biodiversity Map

**Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio**  
 Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio  
 [Additional page]  
 LEAP Analysis of Projects Subject to Reviews under Equator Principles

**Risk Management**  
 Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

**Metrics & Targets**  
 Biodiversity Indicators of Shinhan Financial Group  
 Financial Institution's Directions of Setting Biodiversity Targets  
 Biodiversity Targets of Shinhan Financial Group

**TNFD Index**

## DO THE RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

# STRATEGY

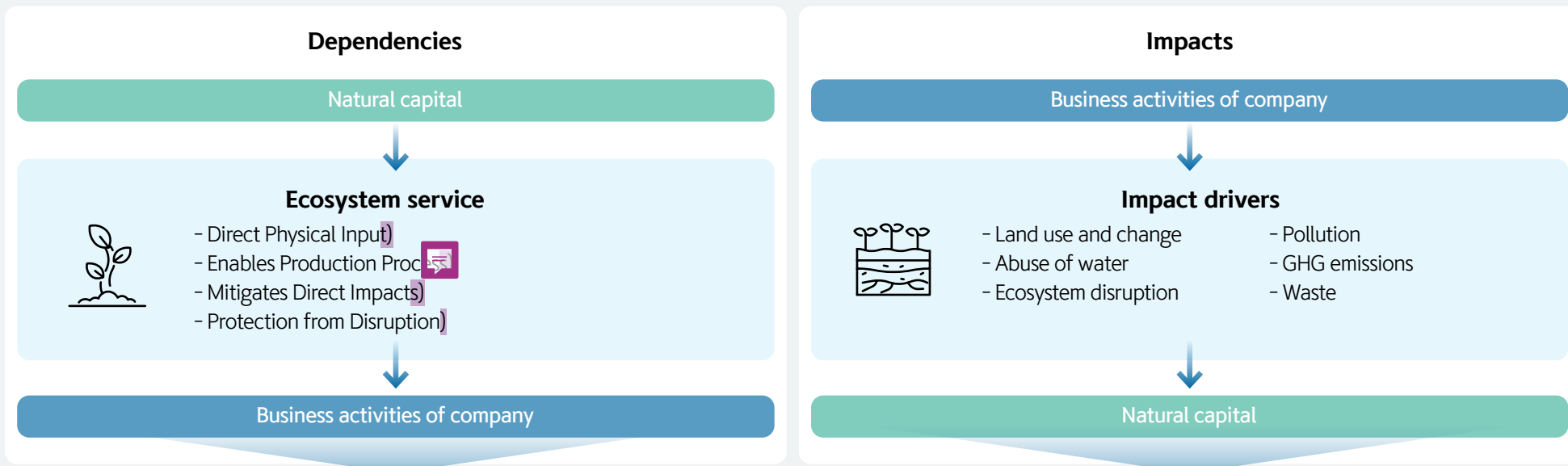
## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

E(valuate)

### Response to Shinhan Financial Group's Natural Capital Dependency and Impacts

Business activities of a company (customer) depends on and affects natural capital, and if Shinhan Financial Capital provides loans or investments to a company with high dependency and large impact on natural capital, the Group may face relevant risks. In order for a financial institution to manage biodiversity risks, it should evaluate individual companies' risks based on dependency and impacts of each sector of the portfolio analyzed and keep the risks at a level lower than the benchmark. Furthermore, to expand its opportunities, a financial institution may consider expanding investment in companies identified as having low dependency and impact on natural capital.

#### Dependencies and impacts of Companies in Shinhan Financial Group's Portfolio



#### Risks to Shinhan Financial Group



[Physical risks/acute]  
Closedown of business due to natural disaster, reduction in insurance benefits  
[Physical risks/chronic]  
Reduction in productivity and increase in production cost due to land degradation  
[Market risks]  
Price increase and change in business model due to disruption in raw materials supply



[Policy and regulatory risks]  
Litigation and fines due to strengthened nature-related regulations and standards  
[Reputation risks]  
Undermined brand value and reduction in sales due to changes in attitudes of customers and the society

#### Responses of Shinhan Financial Group

- Assessment of dependency risks of each investment sector and individual companies and constant monitoring
- Continuous management of sectors with higher dependency than the benchmark
- Expansion of investment opportunities for the sectors or individual companies with low dependency

- Assessment of risks of individual companies based on impact indicators (ecosystem footprint) and constant monitoring
- Continuous management of sectors with higher intensity than the benchmark
- Expansion of investment opportunities for the individual companies with low impacts

Example: Activities to find green economic activities contributing to "biodiversity", one of the 6 environmental targets under the K-Taxonomy

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

### Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY

## Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

A(ssess)

### Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

If the value of natural capital is decreased due to damage or depletion caused by a company's business activities, this can lead to increased business costs and increased severity of natural disasters, which can result in physical risks. At the same time, it may entail transition risks from government policies and regulations related to biodiversity. Meanwhile, a financial institution can have a positive impact on natural capital by supporting biodiversity through financial products and services. Shinhan Financial Group has identified the risks and opportunities it faces and the timing of their manifestation.

Type	Risks and opportunities	Potential financial impact	Time horizon		
			Short-term	Mid-term	Long-term
Physical risks	<b>Acute</b> · Increase in frequency and scale of natural disasters due to climate change	Suspension of business and decrease in insurance profits due to natural disasters including storm, flood and forest fire, etc.	●	●	
	<b>Chronic</b> · Rise in average temperature and sea level · Change in climate pattern, e.g., drought, heatwave	Decline in land productivity and increase in production costs  Decline in tourism and asset value due to undermined attractiveness of natural landscape		●	
Transition risks	<b>Policy/regulation</b> · Increase in litigations due to strengthened nature-related regulations and standards	Loss of management rights at a region with high importance of biodiversity	●	●	
		Litigations and fines due to direct impact on business	●		
		Increase in production costs due to regulations on items with high risks (e.g., use of fertilizer)	●	●	
	<b>Market</b> · Shortage, depletion and price increase of raw materials · Transition to decarbonized and symbiotic society	Deterioration of business performance of customer, investor and business partners and change of business model due to disruption in supply of raw materials	●	●	
		Deterioration of corporate value of customers vulnerable to transition to low-carbon markets and decrease in sales compared to rival companies		●	●
	<b>Reputation</b> · Change in customers' and society's attitudes towards efforts for transition to decarbonized and symbiotic society and improvement of resilience	Undermined brand value and decreased sales		●	●
Decline in share prices of investors			●		
Damage to social reputation due to demonstrations, etc.			●	●	
Opportunities	Financing under the Equator Principles	Increase in opportunities for expansion of portfolio and provision of loans to companies complying with policies to conserve biodiversity	●	●	
	Response to biodiversity-related regulations	Improved assessment of stakeholders, e.g., customers, society		●	●

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
Distribution of Portfolio in Biodiversity Map  
Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

### Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group  
Financial Institution's Directions of Setting Biodiversity Targets  
Biodiversity Targets of Shinhan Financial Group

### TNFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

### LEAP Analysis of Projects Subject to Reviews under Equator Principles

In order to disclose the connection between its business and natural capital in response to the TNFD recommendations, Shinhan Financial Group selected the Taeon Anmyeon Clean Energy Project and the Yangyang Suri Wind Power Project, which are subject to the review under the Equator Principles, for analysis under the LEAP approach.



#### Locate | Shinhan Financial Group identified the interface between the project site and nature.

## L1.

### Business footprint

Location from the perspective of operation of company

## L2.

### Nature interface

Interface with surrounding ecosystems

## L3.

### Priority location identification

Interaction with areas with high biodiversity importance

## L4.

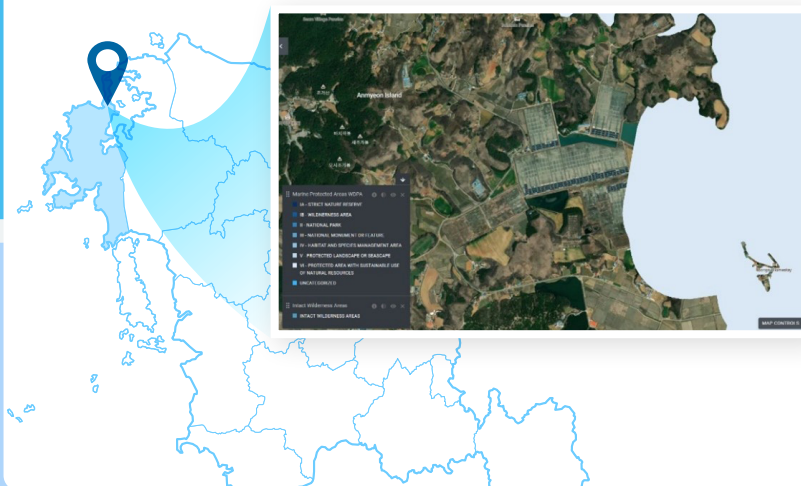
### Sector identification

Sectors with more interface with priority location

### Taeon Anmyeon Clean Energy Project

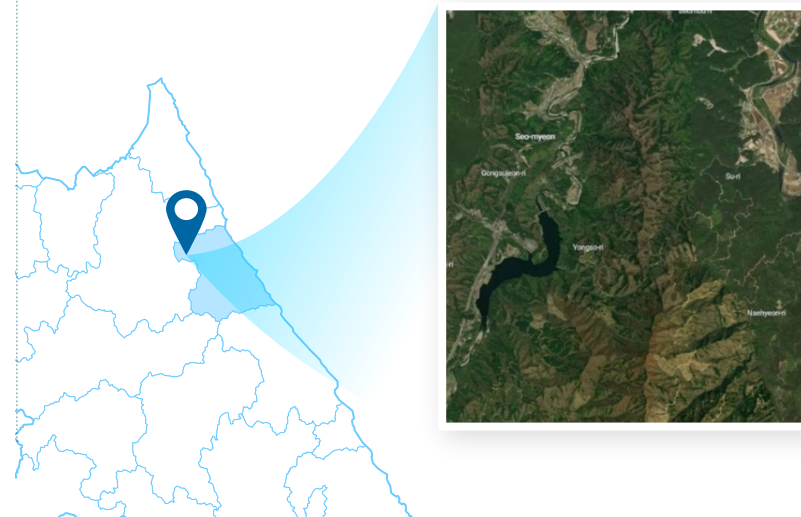
The site of the Taeonmyeon Clean Energy Project is located in Jungjang-ri, Anmyeon-eup, Taeon-gun, Chungcheongnam-do. **L1** Based on the UN Biodiversity Lab\*, it has been found that the project site includes part of a fishery resource protection zone classified as a Class VI marine protection zone.<sup>1)</sup> **L3** In addition, the environmental impact assessment shows that the boundaries of activities of bird species distributed and inhabiting the west coast area is expected to be reduced, but the direct impact will be minimal due to the presence of many alternative habitats in the vicinity. **L2**

1) The total area of the fishery resource protection zone in the project site is 532,200㎡ (124,451㎡ on the water and 407,749㎡ on land)



### Yangyang Suri Wind Power Project

The site of Yangyang Suri Wind Power Project is located in San 1, Suri, Seomyeon, Yangyang-gun, Gangwon-do. **L1** Based on the UN Biodiversity Lab, it has been found that marine protection zones and wildlife protection zones are all distant from the project site. **L3** In addition, the environmental impact assessment shows that impacts of the project, e.g., reduction of the boundaries of activities of some statutory protected species and loss of food sources are expected, but in the case of species highly dependent on aquatic systems, the project site is expected to have negligible impacts due to the lack of continuity in the aquatic environment and the long distance from the main aquatic system. **L2**



## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page] LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group 2023 ESG Report

LEAP Analysis of Projects Subject to Reviews under Equator Principles



**Evaluate | Shinhan Financial Group identified dependency and impact to understand the relations between its business and natural capital.**

## E1.

### Identification of natural capital and ecosystem services

Business activities and related natural capital and ecosystem services

## E2.

### Identification of dependencies and impacts

## E3.

### Dependency analysis

Size and scale of dependency

## E4.

### Impact analysis

Scope of impact

### Taeon Anmyeon Clean Energy Project

The Taeon Anmyeon Clean Energy Project is a solar energy provision project **E1**, and according to the ENCORE analysis, it is highly dependent on climate regulation among ecosystem services. It also shows a moderate level of dependency on other ecosystem services including flood and storm protection, and mass stabilization and erosion control. **E1**, **E2**

A solar energy provision project can have impacts on water use, terrestrial ecosystem use, and emissions of water and soil pollutants, which can lead to water shortage, damage to terrestrial ecosystems, and water and soil pollution. **E2** A solar energy provision project, in particular, can have significant impacts on habitats through land use. Solar power plants often have fences or other barriers around them, which affect the movement of animal species and lead to habitat fragmentation. In addition, the installation of solar power plants can cause soil compaction, which can lead to increased erosion and runoff. **E1**, **E2**

Related natural capital	Dependency on ecosystem service					Impacts			
	Ground water	Surface water	Climate regulation	Flood and storm protection	Mass stabilization and erosion control	Water use	Terrestrial ecosystem use	Water pollutants	Soil pollutants
Atmosphere			VERY HIGH			VERY HIGH	VERY HIGH	LOW	LOW
Land geomorphology			VERY HIGH	MEDIUM	MEDIUM	VERY HIGH	VERY HIGH	LOW	LOW
Marine geomorphology					MEDIUM	VERY HIGH	VERY HIGH	LOW	LOW
Marine topography							VERY HIGH		
Minerals						VERY HIGH	VERY HIGH	LOW	LOW
Soil			VERY HIGH		MEDIUM	VERY HIGH	VERY HIGH	LOW	LOW
Species			VERY HIGH			VERY HIGH	VERY HIGH	LOW	LOW
Water	VERY LOW	VERY LOW	VERY HIGH			VERY HIGH	VERY HIGH	LOW	LOW

VERY HIGH | HIGH | MEDIUM | LOW | VERY LOW

### Yangyang Suri Wind Power Project

The Yangyang Suri Wind Power Project is a wind energy provision project **E1**, which the ENCORE analysis shows is highly dependent on climate regulation among ecosystem services. In addition, it also shows a moderate level of dependency on flood and storm protection, mass stabilization and erosion control. **E1**, **E2**

A wind energy provision project can have impacts on terrestrial and inland water ecosystem use, water and soil pollutants, and disruption, which can lead to damage to terrestrial and inland water ecosystems, water and soil pollution, and ecosystem disruption. **E2** The analysis shows that habitat is the most relevant natural capital with respect to dependency and impacts of wind energy provision projects, and efforts should be made to ensure that habitat loss and fragmentation does not occur as a result of the construction site. Impacts on marine ecosystem were excluded as this project is an onshore wind power project. **E1**, **E2**

Related natural capital	Dependency on ecosystem service			Impacts					
	Climate regulation	Flood and storm protection	Mass stabilization and erosion control	Terrestrial ecosystem use	Freshwater ecosystem use	Marine ecosystem use	Water pollutants	Soil pollutants	Disturbances
Atmosphere	VERY HIGH			HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM
Habitat	VERY HIGH	MEDIUM	MEDIUM	HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM
Land geomorphology				MEDIUM	HIGH	MEDIUM	HIGH	LOW	LOW
Marine geomorphology					HIGH	MEDIUM	HIGH		
Minerals	VERY HIGH		MEDIUM	HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM
Soil	VERY HIGH			HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM
Species	VERY HIGH			HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM
Water	VERY HIGH			HIGH	MEDIUM	HIGH	LOW	LOW	MEDIUM

VERY HIGH | HIGH | MEDIUM | LOW | VERY LOW

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

LEAP Analysis of Projects Subject to Reviews under Equator Principles



**Assess** | Shinhan Financial Group analyzed risks and opportunities expected to arise based on the relations between its business activities and natural capital.

## A1.

### Risks and opportunity identification

Risks being addressed by companies

## A2.

### Existing risks mitigation and opportunity management

Solutions for risk mitigation and management

## A3.

### Additional risks mitigation and opportunity management

Response to additional risks

## A4.

### Risks and opportunity materiality assessment

Selection of material risks

### Taeon Anmyeon Clean Energy Project, Yangyang Suri Wind Power Project

Due to their dependency and impacts on natural capital, financial institutions face various risks. Shinhan Financial Group used the WWF Biodiversity Risk Filter tool to identify physical and reputational risks in its project financing business. Both solar and wind energy provisions are exposed to physical risks related to regulatory services in a moderate or higher level (3 or higher) as they are highly dependent on climate regulation, flood and storm protection, mass stabilization and erosion control as examined above. In addition, reputational risk from environmental factors related to biodiversity was also measured as high, as both projects have high potential impacts on ecosystems.

Type of risks	Classification of risks	No.	Indicator	Grade of risks			
				Taeon Anmyeon Clean Energy Project	Yangyang Suri Wind Power Project		
Physical risks	3. Regulatory services - Mitigation	S3_1	Landslide	3	4		
		S3_2	Fire	2	3		
		S3_3	Plant/forest/water pests and diseases	No dependency or impacts	3	No dependency or impacts	3.75
		S3_4	Herbicide resistance	No dependency or impacts		No dependency or impacts	
		S3_5	Heatwave	3	3		
		S3_6	Tropical cyclone	4.5	4.5		
Reputational risks	6. Environmental factors	S6_1	Protection/preservation zones	3	4		
		S6_2	Major biodiversity areas	3	3		
		S6_3	Other important designated area	1.5	1.5	4	
		S6_4	Ecosystem state	2.38	2.75		
		S6_5	Species richness based on scarcity	3	4		

Meanwhile, opportunities related to the implementation of the projects can be identified. Common opportunities for the two projects can be identified in terms of revitalizing the local economy, such as reducing greenhouse gases and fine dust from renewable energy generation, energy independence, and job creation in the course of construction and operation, and these opportunities should be actively utilized.

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
Distribution of Portfolio in Biodiversity Map  
Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio  
Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

### [Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group  
Financial Institution's Directions of Setting Biodiversity Targets  
Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# STRATEGY

Additional page

LEAP Analysis of Projects Subject to Reviews under Equator Principles



**Prepare** | Shinhan Financial Group plans to expand the analysis to other ongoing projects while setting targets and responding to disclosure obligations in accordance with global standards.

## P1.

### Allocation of strategies and resources

Allocation of strategies and resources throughout direct assets, operation plan and relevant value chains

## P2.

### Performance measurement

Establishment of targets and definition and measurement of performance

## P3.

### Report

TNFD-based report

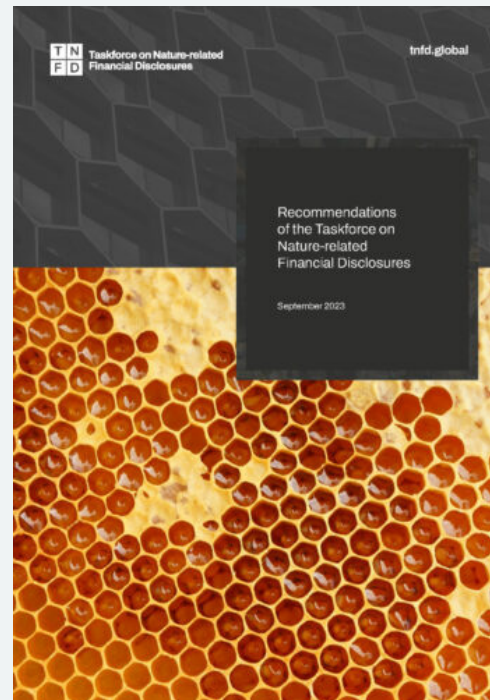
## P4.

### Disclosure

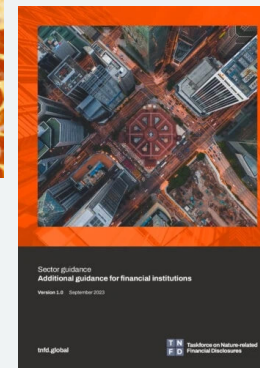
TNFD-based disclosure

Shinhan Financial Group publishes natural capital disclosures and reports based on the TNFD framework on an annual basis, **P3**, **P4** while setting biodiversity targets based on the Global Biodiversity Framework (GBF) and monitoring activities related to the GBF targets.

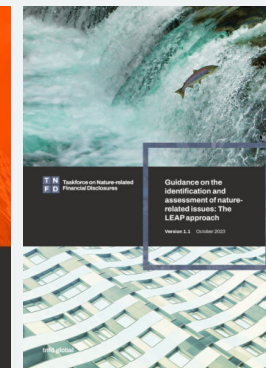
**P2** In addition, it plans to extend the scope of identification of interface of business and nature, dependencies, impacts, risks, and opportunities related to natural capital to all of the projects to which it allocates capital. In particular, when identifying dependencies and impacts, it will consider not only the nature of business (wind energy provision, solar energy provision) but also the direct impact of the location of the business on biodiversity, e.g., calculation of biodiversity footprint, to understand the scale and extent of dependencies and impacts. The Group is committed to address the weaknesses in its disclosure on each stage of L/E/A/P.



Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations



Additional guidance for financial institutions



Guidance on the identification and assessment of nature-related issues: the LEAP approach

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

### [Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group 2023 ESG Report

# RISK MANAGEMENT



Shinhan Financial Group has a risk management system to effectively respond to biodiversity risks. To this end, it has established a process for recognizing and monitoring the targets of biodiversity risk management, as well as a system for management of risks that may arise in the course of providing corporate loans for project financing. Furthermore, the Group is integrating the biodiversity risk management system into the existing risk management system to enhance its overall risk management capabilities.

64p

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

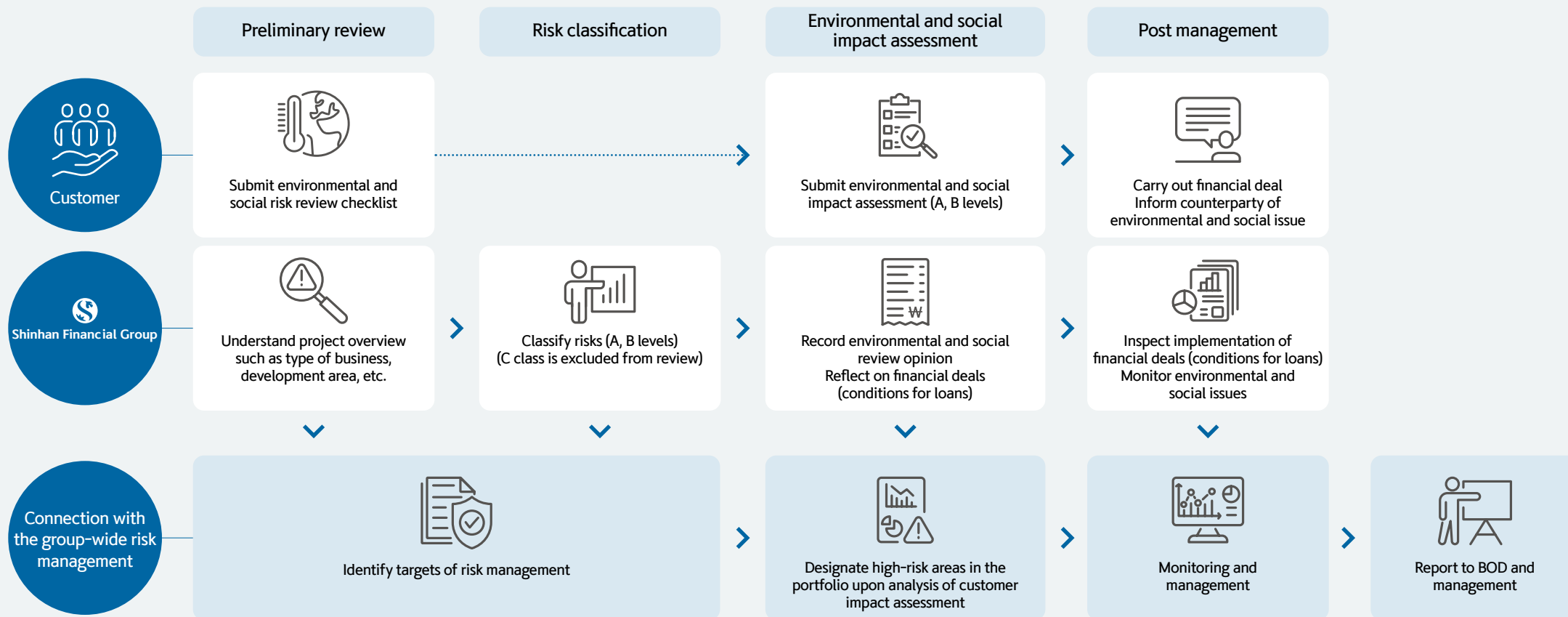
Shinhan Financial Group  
2023 ESG Report

# RISK MANAGEMENT

## Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

Shinhan Financial Group categorizes its environmental and social risk review into four steps of preliminary review, risk classification, environmental and social impact assessment, and post-management, based on which it decides whether to provide project financing or corporate loans. In addition, the Group monitors biodiversity risks that may arise in the course of its business operation on the stage of environmental and social impact assessment. By integrating the biodiversity risk into the existing risk management / escalation process, Shinhan Financial Group effectively identifies and monitors biodiversity-related risks across its business and reports them to the BOD and the management.

### Process for risk management / escalation in PF and corporate loans\*



\* Applicable to companies with certain amount of financing

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS



Biodiversity risks and opportunities identified by Shinhan Financial Group, as well as strategies and actions to respond to them, are measured and managed through specific indicators. The Group has conducted a risk analysis of companies in its portfolio with S&P Global, and calculated and disclosed the impacts of each industry based on the biodiversity footprint, a representative indicator. It also sets biodiversity targets and monitors its performance in accordance with the Global Biodiversity Framework (GBF). Shinhan Financial Group is committed to disclose its biodiversity indicators and implementation process to achieve the targets while constantly communicating with stakeholders.

66p

Biodiversity Indicators of Shinhan Financial Group

67p

Financial Institution's Directions of Setting Biodiversity Targets

68p

Biodiversity Targets of Shinhan Financial Group

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Biodiversity Indicators of Shinhan Financial Group

Setting and managing indicators enables more effective management by providing specific and measurable targets for biodiversity conservation to a company. Based on the above biodiversity risk analysis, Shinhan Financial Group has (i) identified the proportion of investments in companies located in key biodiversity areas, (ii) assessed the ecosystem footprint intensity to understand the level of natural capital impacts, and (iii) derived the comprehensive dependency on ecosystem services of its portfolio assets for each sector. These metrics were compared to benchmarks to identify relative risks. In particular, among the three indicators, Shinhan Financial Group recognizes the area-based ecosystem footprint intensity as a key indicator representing the natural capital impacts of corporate activities and plans to focus its efforts on risk management based on this indicator.

Sector	① Share of investment in each sector by companies overlapping with KBAs or PAs		② Ecosystem footprint intensity				③ Composite dependency on ecosystem service (0.0~1.0)	
	Portfolio	Benchmark	Area-based intensity(ha eq./ha actual)		Sales-based intensity(ha eq./KRW trillion)		Portfolio	Benchmark
			Portfolio	Benchmark	Portfolio	Benchmark		
Utilities	0%	1%	0.13	0.10	282.22	80.50	0.77	0.70
Communication service	2%	5%	0.13	0.12	7.38	6.76	0.53	0.44
Consumer discretionary	2%	4%	0.12	0.12	100.48	17.55	0.50	0.69
Consumer staples	1%	0%	0.09	0.09	303.89	342.59	0.59	0.69
Energy	8%	1%	0.11	0.11	73.46	87.64	0.77	0.8
Financials	0%	6%	0.10	0.10	4.39	1.48	0.44	0.46
Health care	0%	0%	0.11	0.10	5.64	7.24	0.70	0.69
Industrials	6%	3%	0.12	0.10	127.13	128.27	0.66	0.67
Information technology	5%	8%	0.10	0.10	4.53	4.69	0.59	0.61
Materials	7%	6%	0.09	0.09	15.77	21.18	0.74	0.69
Real estate	0%	0%	0.11		6.97		0.69	
Total	31% (VOH)	34%	0.10	0.10	86.99	44.32	0.63	0.61

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio  
Distribution of Portfolio in Biodiversity Map  
Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio  
Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio  
[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

#### Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets  
Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

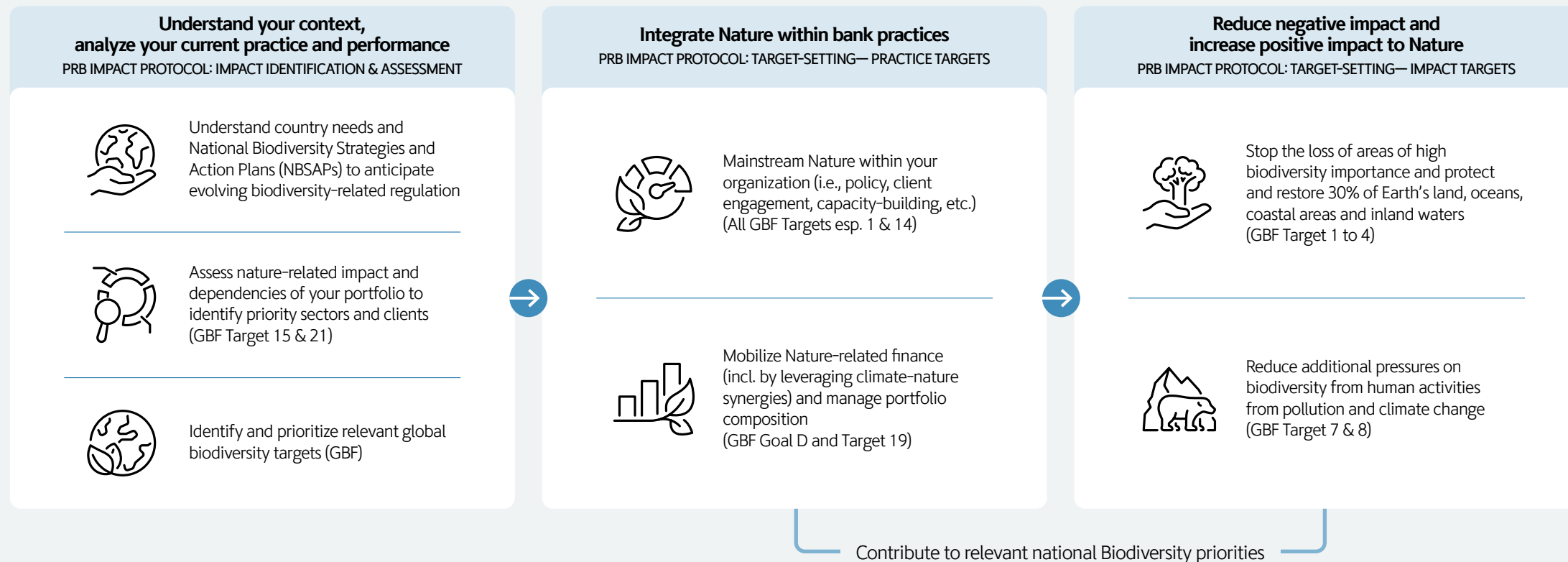
Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Financial Institution's Directions of Setting Biodiversity Targets

At COP-15 held in December 2022, governments around the world adopted the Kunming-Montreal Global Biodiversity Framework (GBF). This framework includes the "30 x 30" initiative aimed at effectively restoring at least 30% of degraded land and oceans by 2030 under 23 action targets to stop and reverse the unprecedented loss of nature observed globally. Financial institutions have a responsibility to manage biodiversity not only in their direct operations, but also in a broader context of their investments and financing. In this context, the UN Principles for Responsible Banking (PRB), a set of guiding principles for the banking sector, recommends that banking institutions internalize the achievement of the GBF targets into their frameworks for managing biodiversity impacts, and Shinhan Financial Group is committed to make every effort to internalize them.

### High-level approach to PRB Target Setting in the context of the GBF (UNEP FI, PRB Nature Target Setting)



## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

### Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Biodiversity Targets of Shinhan Financial Group

Shinhan Financial Group annually discloses its natural capital and publishes relevant reports based on the TNFD framework, sets biodiversity targets based on the Global Biodiversity Framework (GBF) and monitors its activities in line with the GBF targets\*. These biodiversity targets and disclosures are required by the stage of the L/E/A/P approach as well. Shinhan Financial Group will further enhance its response to the TNFD framework by expanding the scope of identification of interface with nature, dependencies and impacts of its businesses that are linked to natural capital to its entire portfolios, analyzing biodiversity risk scenarios and measuring financial risks.

### GBF Targets of Shinhan Financial Group

GBF No.	Description	Prepared by SFG	GBF No.	Description	Prepared by SFG
1	Ensure spatial planning based on biodiversity on land and sea and bring the loss of areas of high biodiversity importance to zero by 2030		12	Increase the area and quality of, access to, and benefits from green spaces in urban and densely populated areas	●
2	Restore at least 30% of all degraded inland water, marine and coastal, and terrestrial ecosystems	●	13	Take effective measures to ensure the fair and equitable sharing of benefits that arise from the utilization of genetic resources and from digital sequence information	
3	Ensure that at least 30% of terrestrial and inland water areas, and of marine and coastal areas, especially areas of particular importance for biodiversity and ecosystem functions and services, are effectively conserved and managed through other effective area-based conservation measures (OECM)**	●	14	Fully integrate biodiversity and its values into policies, regulations and planning, and environmental impact assessment, etc. in all levels of governments and all economic sectors to align all relevant public and private activities and fiscal and financial flows with the goals and targets of this framework	
4	Recover and conserve threatened species, actively manage wild and domesticated species to maintain their genetic diversity and effectively manage human-wildlife interactions to minimize human-wildlife conflict	●	15	Assess and disclose biodiversity-related dependency and impacts of large companies, transnational companies and financial institutions and provide necessary information to consumers	●
5	Ensure that the use, harvesting and trade of wild species is sustainable, safe and legal	●	16	Enable sustainable consumption choices and reduce waste and overconsumption of food and resources by improving education and access to relevant information	●
6	Eradicate or control invasive alien species to reduce their rates of introduction and establishment by 50%, and eliminate or reduce their impacts in priority sites	●	17	Establish, implement and strengthen measures to reduce potential negative impacts of biotechnology	
7	Reduce negative impact of pollution by reducing excess nutrients lost to the environment or the use of pesticides by at least half and eliminating plastic pollution	●	18	Identify subsidies harmful for biodiversity by 2025 and reduce such incentives by at least USD 500 billion per year	
8	Minimize the impacts of climate change on biodiversity, contribute to mitigation, adaptation and resilience through nature-based solutions and ecosystem-based approaches, and minimize negative impacts on biodiversity by efforts for mitigation and adaptation	●	19	Mobilize USD 200 billion per year for biodiversity, including USD 20 billion and USD 30 billion by 2025 and 2030, respectively, in support of developing countries	
9	Ensure sustainable management and use of wild species, provide social, economic and environmental benefits for people (especially those in vulnerable situations), and protect customary use by IPLC***	●	20	Strengthen capacity building, technology transfer, improvement of access and promote technical and scientific cooperation for implementation of GBF	●
10	Maintain sustainability in production activities (agriculture, fisheries and forestry) through sustainable use of biodiversity		21	Ensure that knowledge and information are available and accessible to guide effective decision-making on biodiversity to strengthen awareness-raising, education and research	
11	Restore, maintain and enhance ecosystem functions and services, such as the regulation of air, water and climate, protection from natural hazards and disasters, etc.	●	22	Ensure equitable access, representation and participation by women and girls, children and youth, persons with disabilities and IPLC*** among stakeholders	
			23	Recognize equal rights of women and girls with respect to land and natural resources and provide them with equitable access to decision-making	

\* GBF Targets: <https://www.cbd.int/gbf/targets>

\*\* Designation and management of nature coexistence areas that are not officially designated as protected areas for the purpose of contributing to conservation of biodiversity under the 30x30 targets of GBF

\*\*\* Indigenous Peoples and Local Communities

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management  
Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]  
LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

### Biodiversity Targets of Shinhan Financial Group

### TNFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# METRICS & TARGETS

## Activities of Shinhan Financial Group

Classification	Description	Related GBF Targets
<b>Shinhan Bank</b>		
Production of eco-friendly clothing through removal and recycling harmful organisms	<ul style="list-style-type: none"> <li>Part of MOU between Shinhan Bank and the Ministry of Oceans and Fisheries</li> <li>Total investment of KRW 1 billion over three years for ESG projects through discovery of oceans and fisheries-related startups and cooperation with them</li> <li>Environmental protection: Removal of harmful organisms (starfish) in cooperation with Coolbears (startup)</li> <li>Improvement of clothing habits of residents: Provided eco-friendly clothes made from yarns extracted by crushing and processing to over 8,000 youths and senior citizens</li> </ul>	6, 9, 20
"Save" campaign with SOL	<ul style="list-style-type: none"> <li>Participatory donation campaign to spread a good influence of Shinhan by telling stories about endangered species with Shinhan Bank's characters</li> <li>Donations are utilized to support vulnerable people and improve the marine environment</li> <li>163,702 cumulative donations with total donation amount of KRW 1,637,020,000</li> </ul>	4, 16
Support for UN Biodiversity Youth Forum	<ul style="list-style-type: none"> <li>Participated in biodiversity-related events hosted by UNEP and IUCN, etc.</li> <li>Provided biodiversity education programs to avoid biodiversity loss and gather the voices of the youths for living in harmony with the nature</li> </ul>	16
<b>Shinhan Card</b>		
Creation of 3rd Eco-zone in Hansaebong Agriculture & Eco Park in Gwangju	<ul style="list-style-type: none"> <li>Utilized the funds from Gwangju Buk-gu Green Campaign</li> <li>Created an eco-zone with a theme of "fern garden where people and the nature coexist"</li> <li>1,300m<sup>2</sup> space for ferns and various other tree species inhabiting around Hansaebong Agriculture &amp; Eco Park</li> <li>Planning to utilize the 3rd eco-zone to provide environmental education programs to local children</li> </ul>	3, 8, 9, 11, 12, 16
Project for conservation of forest ecosystem of Baekdudaegan mountain range	<ul style="list-style-type: none"> <li>ESG projects for forest protection in cooperation with the Korea Forest Service (2023-2025)</li> <li>Preserved native plants at places other than their natural habitat (forest garden) and conserved seeds at the Seed Bank</li> </ul>	3, 4, 5, 8, 9, 11, 16
<b>Shinhan Securities</b>		
Project for research to restore blue-carbon seagrass habitats	<ul style="list-style-type: none"> <li>Preserve seagrass habitats to achieve net zero by 2050</li> <li>Nurture and replant seagrass seeds in the Tongyeong marine protected area for 22 months</li> </ul>	3, 5, 8, 11, 20
Clean water and healthy ecosystem project; EM (Effective Micro-organisms) soil balls Saetgang Eco Park, Yeouido	<ul style="list-style-type: none"> <li>Part of employee campaign to restore rivers</li> <li>Contributed to water purification, removal of odor and fermentation and degradation of organisms by throwing EM (effective micro-organisms) soil balls</li> <li>Yeouido Saetgang Eco Park is Korea's first ecological park with an urgent need for conservation of ecosystem (kestrels (Nature Monument No. 323) and otters (Level 1 Endangered Species))</li> </ul>	4, 7, 11
Children's campaign to protect urban ecosystem	<ul style="list-style-type: none"> <li>Children and youth education program for dressing of street trees by using socks neck</li> <li>Contributes to creation of growing environment for street trees in urban areas and provides environmental education and opportunities to participate in environmental activities to underprivileged children</li> </ul>	7, 11, 16
<b>Shinhan Life</b>		
Shining Forest Campaign	<ul style="list-style-type: none"> <li>Linked to the "Shining One Step" employee campaign</li> <li>Create "shining forest" by planting tree at sites that have been neglected for a long time</li> <li>Shining Forest No. 2 (Onsu Park; Yangcheon-gu, Seoul) (March 2023) - Shining Forest No. 3 (Omok Park; Yangcheon-gu, Seoul) (October 2023)</li> </ul>	3, 8, 11, 12
'Cut the Link' Printed ad campaign	<ul style="list-style-type: none"> <li>Delivered intuitive message that an increase in the use of single-use masks due to COVID-19 may endanger wild animals</li> <li>Minister of Culture, Sports and Tourism Award for printed ads at the 31st Consumer's Choice Awards for Best Advertisement</li> </ul>	4, 7, 16
Donation to environmental groups to secure continuity of aquatic ecosystem of rivers	<ul style="list-style-type: none"> <li>Demolition of obsolete crossing facilities (Gap-cheon Taebong-bo) to improve water flows and secure long-term continuity of aquatic ecosystem</li> </ul>	2, 11

\* Effectively purifies fine dust and carbon dioxide, and provides shades and recreational space for local residents

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

**Biodiversity Targets of Shinhan Financial Group**

### TNFD Index

# DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# TNFD INDEX

Classification	Framework	Reference page
Governance	a Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	2023 SPECIAL REPORT p.48-49
	b Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	
	c Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	
Strategy	a Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	2023 SPECIAL REPORT p.50-62
	b Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	
	c Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	
	d Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	
Risk Management	a(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	2023 SPECIAL REPORT p.63-64
	a(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	
	b Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	
Metrics and Targets	c Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	2023 SPECIAL REPORT p.65-69
	a Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	
	b Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	
	c Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	

## Biodiversity Report

### Introduction

2030 Shinhan Financial Group's Roadmap for Biodiversity Management

### Governance

BOD and Management Structure for Biodiversity Management

Policy and Process for Engagement of Stakeholder

### Strategy

Geographical Connection with Natural Capital in Shinhan Financial Group's Portfolio

Distribution of Portfolio in Biodiversity Map

Dependencies on Natural Capital and Impacts of Shinhan Financial Group's Portfolio

Identification of Natural Capital Risks and Opportunities of Shinhan Financial Group's Portfolio

[Additional page]

LEAP Analysis of Projects Subject to Reviews under Equator Principles

### Risk Management

Risk Review and Monitoring Process and Their Connection to the Company-Wide Risk Management System

### Metrics & Targets

Biodiversity Indicators of Shinhan Financial Group

Financial Institution's Directions of Setting Biodiversity Targets

Biodiversity Targets of Shinhan Financial Group

### TNFD Index

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# SHINHAN ESG VALUE INDEX REPORT

Introduction of Shinhan's ESG Value Index

072

Shinhan ESG Value Index System

073

2023 ESG Value Performance

075

Major Cases of ESG Activity Measurement

079

Shinhan ESG Value Steps toward Tomorrow

085



## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# INTRODUCTION OF SHINHAN'S ESG VALUE INDEX

There is an increasing demand for companies to manage the environmental and social impacts of their business activities and enhance the value of various stakeholders. However, as the resources that companies can invest for ESG management performance are limited, quantified performance measurement and analysis are necessary for efficient utilization and management of resources. In 2019, Shinhan Financial Group established the 'Shinhan ESG Value Index' for the first time in the financial sector with the aim of measuring and evaluating ESG performance from various perspectives. This enables an annual measurement of the performance of ESG activities of all group companies, monitoring of ESG management and identification of areas for improvement, which contributes to establishment of mid- to long-term strategies. Furthermore, the Group is striving to achieve qualitative and quantitative growth in ESG management by internalizing the management of measurement and performance throughout the company.

## Shinhan's journey for creation of ESG value



## Direction of Shinhan's ESG Value Index



\* VBA (Value Balancing Alliance): International alliance of companies to develop standards for measurement of ESG monetary value

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2023 ESG Report

# SHINHAN ESG VALUE INDEX SYSTEM

## Shinhan ESG Value Index Performance System

Shinhan Financial Group has established the Shinhan ESG Value Index performance management system to align with its ESG management strategy. Based on the five key ESG impact issues, it has categorized ESG activities into nine categories and 20 sub-categories, while diversifying its social contributions by identifying the impact of each ESG activity on stakeholders. The Group also identifies the effectiveness of its ESG activities and manages their relative levels by identifying the resources invested compared to the ratio of values generated for the beneficiaries.

Categories	Sub-categories	Business innovation	Social contribution	Stakeholders							ESG Effectiveness* 2023
				Environment	Financially vulnerable	Socially vulnerable	Children/ adolescents	Companies (SME/startup/social enterprise)	Local community	Small business owner	
<b>Eco-friendly growth</b>	Support for green finance	●	●	●				●			●
	Eco-friendly products	●		●				●			●
	Spread of eco-friendly products	●	●	●				●	●		●
	Environmental protection		●	●					●		●
<b>Innovative growth</b>	Support for innovative finance	●						●			●
	Digital transition	●	●	●	●			●			●
	Support for startups	●	●					●			●
<b>Inclusive growth</b>	Support for inclusive finance	●	●		●	●	●	●	●	●	●
	Financial support for social enterprises	●						●			●
	Inclusive growth services		●		●			●		●	●
<b>Support for the socially vulnerable</b>	Support for the vulnerable	●	●		●	●	●	●	●		●
	Scholarship programs		●					●			●
<b>Community growth</b>	Connection between youth education and employment		●					●			●
	Job creation and resolution of local issues		●						●		●
	Facilitation of culture and arts ecosystem		●				●	●	●		●
<b>Donation for social contribution</b>	Charitable donation		●					●	●		●
	Other donations for social contribution		●					●	●		●
<b>Social diversity</b>	Social diversity		●					●			●
<b>Finance education</b>	Finance education	●	●	●	●	●	●				●
<b>Protection of financial consumers</b>	Protection of financial consumers	●	●		●	●				●	●

**Five key ESG impact issues**

- E** Carbon emissions reduction and expansion of green finance
- S** Ecosystem for innovative growth  
Social contribution through finance
- G** Social diversity  
Protection of financial consumers

\*ESG effectiveness scale: ● 100% ● 100% to 150% ● 150% to 200% ● 200% to 1,000% ● more than 1,000%

**Introduction of Shinhan's ESG Value Index**  
 Shinhan's journey for creation of ESG value  
 Direction of Shinhan's ESG Value Index

**Shinhan ESG Value Index System**  
**Shinhan ESG Value Index Performance System**  
 Measurement Model and Structure  
 Measurement Principles and Methods

**2023 ESG Value Performance**  
 Shinhan ESG Value  
 Major ESG Value of Group Companies  
 Trends of ESG Value Performance  
 Performance of Contribution to Reduction of Carbon Emissions  
 Performance in Contribution to Resolution of Social Issues

**Major Cases of ESG Activity Measurement**  
 Shinhan Financial Group, Serious About Energy  
 Taeon Solar Power Complex Project  
 Project for Conservation of Forest Ecosystem of Baekdudaegan  
 Support for Case Management of Families in Crisis  
 Shinhan Dream Dodamteo  
 Legal and Financial Aid for Jeonse Scams

**Shinhan ESG Value Steps toward Tomorrow**  
 Efforts for a Virtuous Cycle of ESG Value Creation  
 Comments of Employees Who Participated in the Measurement

**DO THE RIGHT THING**

Shinhan Financial Group  
 2023 ESG Report

# SHINHAN ESG VALUE INDEX SYSTEM

## Measurement Model and Structure

Shinhan Financial Group has established a model to measure the performance of ESG activities from the perspective of beneficiaries. It defines ESG Value Created as the value created by investing resources to solve social issues, which is calculated as the sum of the beneficiaries' direct output and derivative outcome. The direct output is divided into the beneficiaries' social savings and social value added, while the positive change for beneficiaries is measured as the sum of the social value added and the derivative outcome.

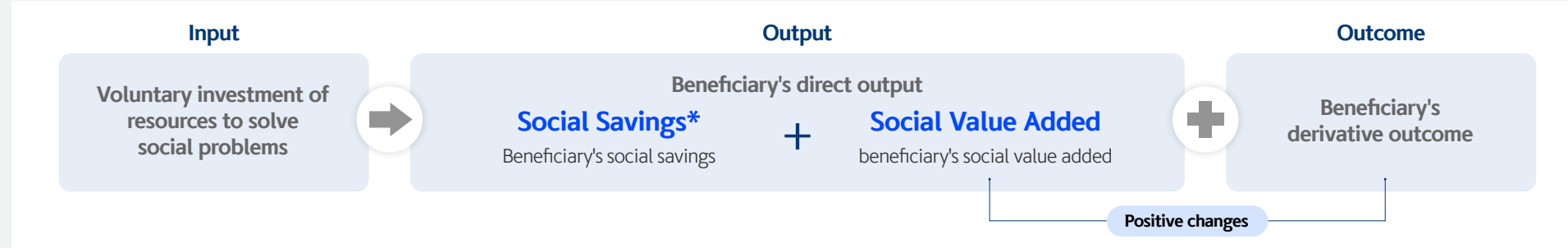
## Measurement Principles and Methods

Shinhan Financial Group has established and adheres to six measurement principles to maintain consistency in the process of measuring the performance of ESG activities and to manage the performance transparently. The measurement methodology is also based on the six measurement principles and uses the cost approach, market approach, and profit approach, and multiple methodologies can be applied at the same time depending on the nature of the relevant ESG activities.

 2022 Shinhan Value Index Report - Measurement Methodologies and Process

### ESG Value Created = Output + Outcome "Measuring ESG Value from the Beneficiary's Point of View"

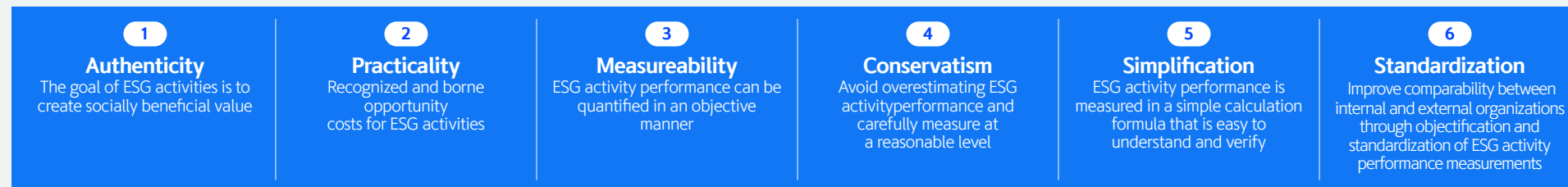
Measurement Formula



Measurement Methodology (3 methodologies)



Measurement Principles (6 Principles)



## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

### Measurement Model and Structure Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

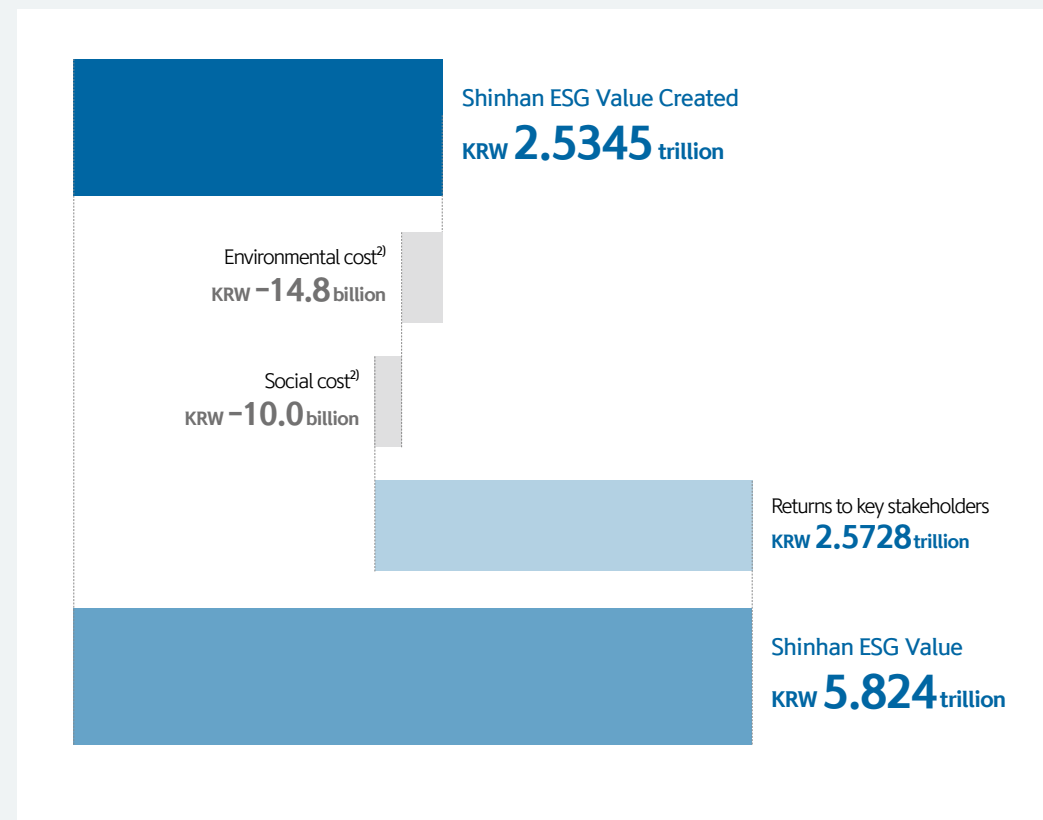
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Shinhan Financial Group  
2023 ESG Report

# 2023 ESG VALUE PERFORMANCE

## Shinhan ESG Value

Shinhan Financial Group defines “Shinhan ESG Value” as the comprehensive performance of its ESG activities. Shinhan ESG Value is calculated by deducting environmental costs (GHG emissions Scope 1, 2 and 3) and social costs (fines paid for violations of laws and regulations) from ESG Value Created as measured based on the Shinhan ESG Value Index, and adding the returns to key stakeholders<sup>1)</sup>, e.g., dividends and taxes. In 2023, the ESG Value Created from ESG activities amounted to KRW 2.5345 trillion, and Shinhan's ESG Value including this was measured at KRW 5.824 trillion.



1) Global measurement methods such as Impact-Weighted Accounts (IWA) were used to measure and calculate the returns to key stakeholders.  
 2) Shinhan ESG Value Created and environmental and social costs are calculated based on the Group's domestic operations, and financed emissions are not included in calculation of environmental costs.

## Major ESG Value of Group Companies

Each company of Shinhan Financial Group participates in ESG performance measurement to fulfill its social responsibility and pursue sustainable growth with stakeholders. Each of the companies will make efforts to discover industry-specific ESG performance through business innovation and continue its investment and support for activities that create ESG value.



## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

#### Shinhan ESG Value

#### Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

#### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

#### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

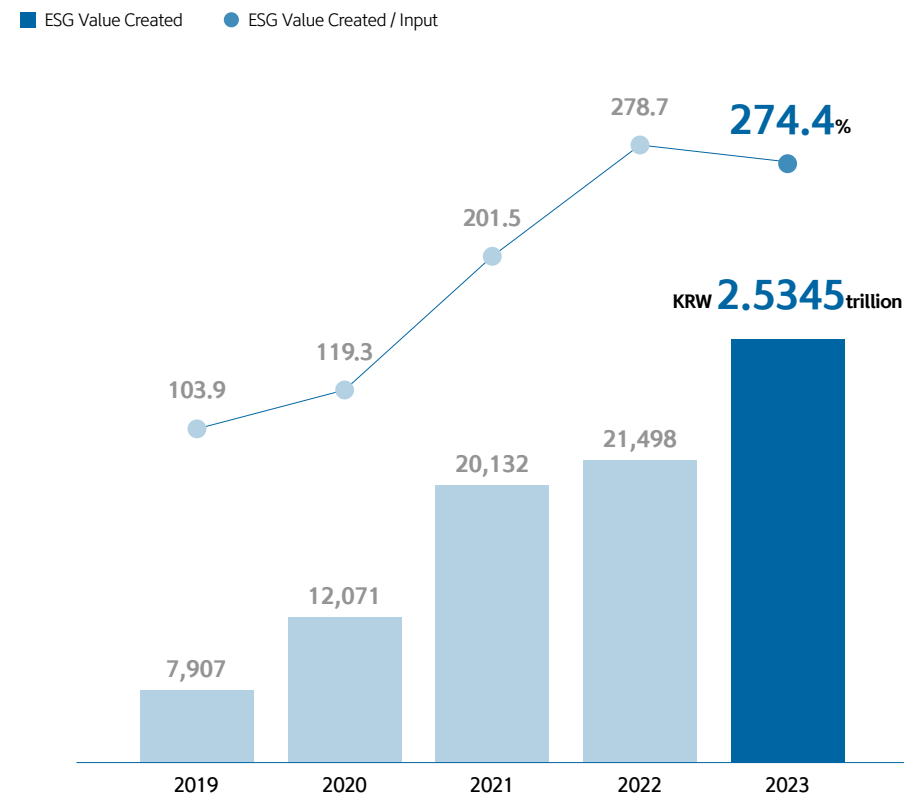
Shinhan Financial Group  
2023 ESG Report

# 2023 ESG VALUE PERFORMANCE

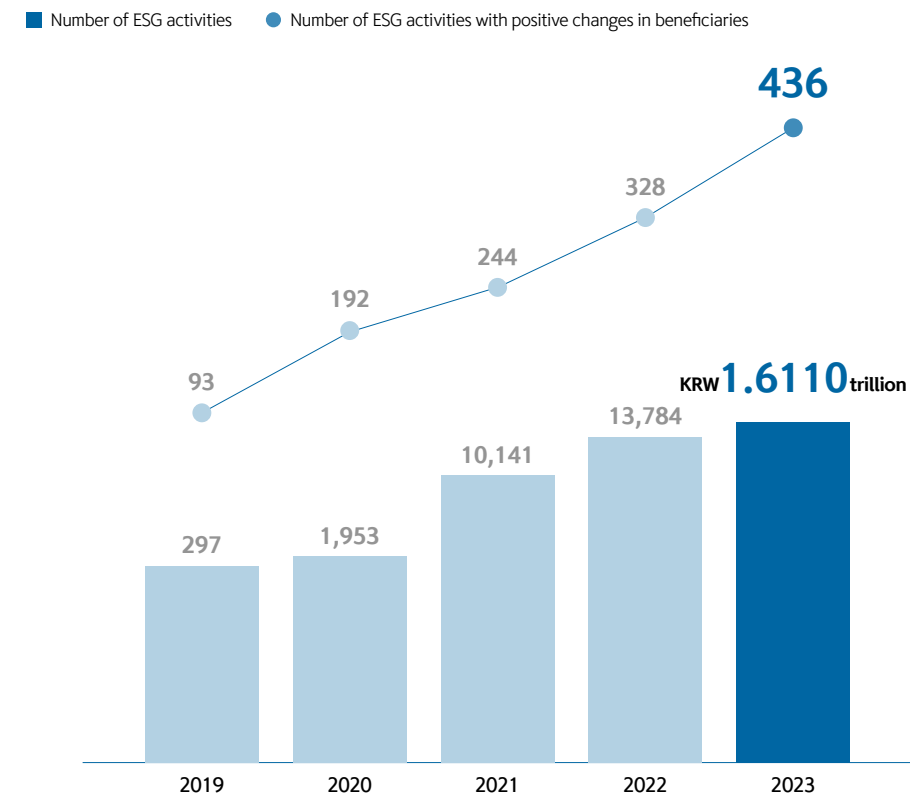
## Trends of ESG Value Performance

Shinhan Financial Group monitors performance trends over the past few years to improve its ESG activities and analyzes the results and impacts of ESG activities in depth. As the number of ESG activities increases every year, the Group is actively identifying and applying data and proxies for performance measurement. As a result, Shinhan Financial Group's ESG Value Created has steadily increased, and in 2023, it invested KRW 923.5 billion in 436 ESG activities, resulting in a total ESG Value Created of KRW 2.5345 trillion, which represents a 274.4% return on investment. In addition, the outcomes from activities that resulted in positive changes for beneficiaries amounted to KRW 1.6110 trillion, up 16.9% compared to the previous year. Shinhan Financial Group plans to continue to improve its performance by identifying priorities for each business sector and activity based on multi-year trends and reflecting them in actual course of business.

### Trends of ESG Value Created



### Trends of ESG activities that Showed Positive Changes in Beneficiaries



## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

### Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

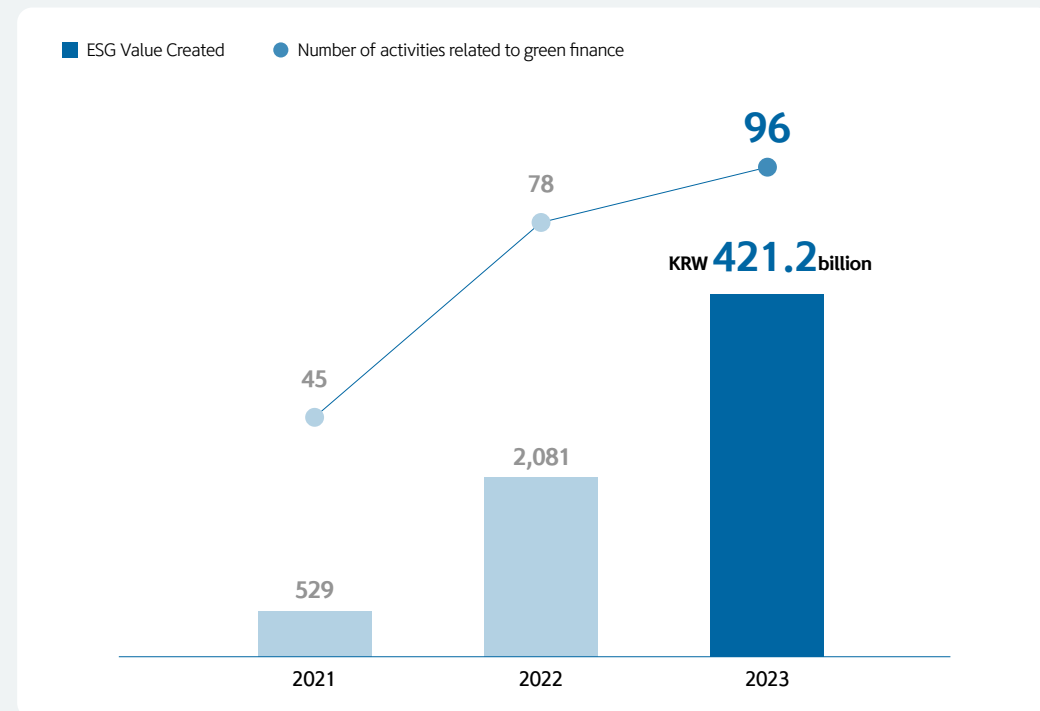
# 2023 ESG VALUE PERFORMANCE

## Performance of Contribution to Reduction of Carbon Emissions

The role of finance is essential in the course of transition to a low-carbon society. Shinhan Financial Group is promoting the expansion of green finance as a core task of ESG management, and is not only creating but also practicing green finance for genuine environmental management through various activities such as carbon emissions reduction and resource recycling. In addition, in order to analyze the results of expanding eco-friendly financing and environmental initiatives from various perspectives, it is actively monitoring the trends in activities and performance that contribute to reducing carbon emissions. Shinhan Financial Group will continue to identify eco-friendly businesses, improve its performance, and fulfill its role as a financial institution to advance transition to a low-carbon society.

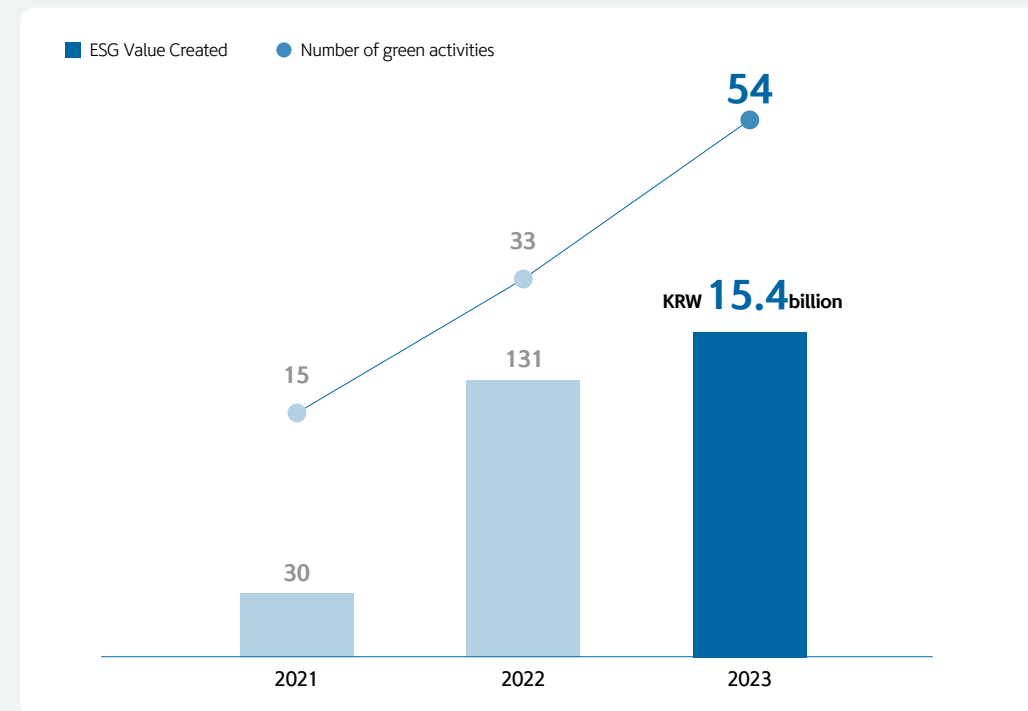
### Reduction of Carbon Emissions from Green Finance<sup>1)</sup>

Activities to support green finance for companies that operate business for reduction of carbon emissions and resource recycling have increased by 113% compared to 2021, and the consequent reduction in carbon emissions was equivalent to KRW 421.2 billion, up 697% compared to 2021.



### Reduction of Carbon Emissions from Green Activities

The number of Shinhan Financial Group's activities to internalize environmental management and reduce negative environmental impact, e.g., resource recycling, digital conversion of paper and employee campaigns, etc., have increased by 260% compared to 2021, and the consequent reduction in carbon emissions was equivalent to KRW 15.4 billion, up 409% compared to 2021.



<sup>1)</sup> Eco-friendly financing reflects only the performance generated by actual payments and investments made by eco-friendly loans or funds, etc. in the relevant year, and the measurement of performance in reduction of carbon emissions also strictly reflects the contribution of Shinhan Financial Group.

Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

DO THE RIGHT THING

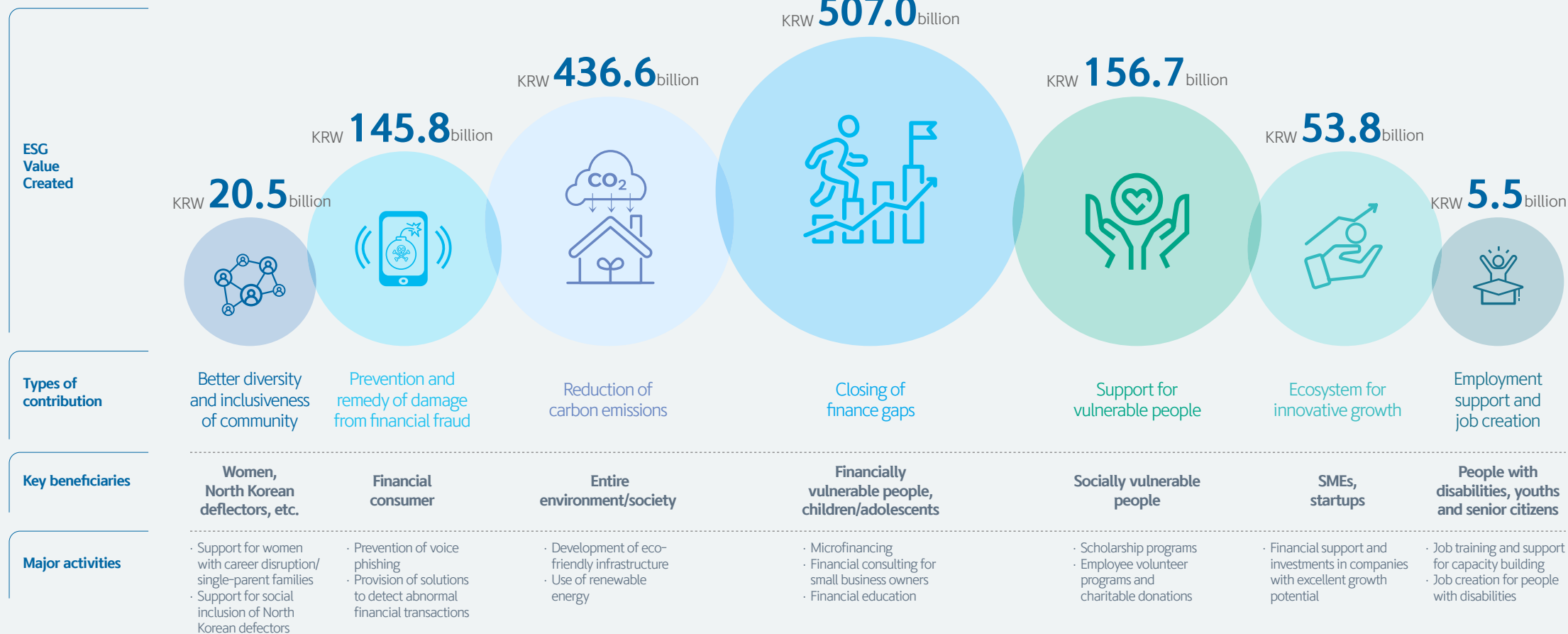
Shinhan Financial Group  
2023 ESG Report

# 2023 ESG VALUE PERFORMANCE

## Performance in Contribution to Resolution of Social Issues

ESG management requires a comprehensive analysis of the types of social issues that are important to stakeholders and an approach based on that analysis. To resolve social issues and create ESG value, Shinhan Financial Group allocates resources based on the nature of the issues, and strives to optimize business operations in a manner that creates better performance with a same amount of resources. It will continue to seek how it can contribute to resolution of social issues, and apply and manage them to enhance the usefulness of its business and become a socially responsible company.

### ESG Value Created for Each Social Issue



1) The size of the circles is not fully proportional to the size of the performance and is for illustrative purposes only. 2) The performance listed above are extracts of the Group's projects and performance for major types of social issues.

## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

### Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

## Shinhan Financial Group

### Net Zero Initiative

## “Shinhan Financial Group, Serious About Energy”

### Focus Issue

The role of finance is growing more important in environmental sustainability and climate change, key topics in ESG management. Financial companies can facilitate the transition to a low-carbon economy by providing financial support and investments that take environmental impacts into account. In addition, in the course of their business activities, financial companies need to make efforts to reduce negative environmental impacts. In particular, as financial companies do not directly consume much fossil fuel by nature, they need to find how to contribute to reduction of carbon emissions.

### Solution

Shinhan Financial Group declared "Shinhan Financial Group, Serious about Energy" to become a leader in environmental management and established a strategy to implement it. "Shinhan Financial Group, Serious about Energy" creates a culture of active participation and practice among employees by procuring "eco-friendly energy" for the energy that must be used, emphasizing "energy conservation" in the course of using it, and "supporting the people vulnerable to energy supply" with the resources saved through its conservation efforts. In addition, by supporting heating in the winter for the vulnerable groups, it reduces the burden of energy costs, while contributing to reducing electricity use and carbon emissions through the high-efficiency appliances provided.

### Energy strategies

#### Procurement

Use of eco-friendly energy



Use

Energy conservation



Sharing

Support for vulnerable groups

### Relevant programs

Data center operated by solar, wind and wave power  
**‘Shinhan Digital RE100’**

- Renewable energy for 100% of electricity used by data center, which accounts for 20% of the entire Group's electricity use



Voluntary conservation of energy by employees  
**“Let’s Save” Campaign**

- After-hours lights out campaign
- Reduction of fuel consumption by use of public transportation
- Minimization of single-use products



Good influence on community  
**Heating expense support for winter**

- Support for teenage breadwinners and senior citizens living alone



### Key Figures



Eco-friendly procurement of electricity <sup>1)</sup>  
**9,932MWh**



Inhouse power generation for data center  
**83MWh**



“Let’s Save” campaign for GHG reduction  
**1,238ton-CO<sub>2</sub>eq**

### ESG Value Created

Reduction in carbon emissions through use of eco-friendly energy <sup>2)</sup>

Electricity (MWh) supplied by REC (renewable energy certificate) x Electricity emission factor (ton-CO<sub>2</sub> eq /MWh) x Social cost of carbon emissions (KRW/ ton-CO<sub>2</sub> eq)

**KRW 530million**

Reduction in carbon emissions through energy conservation

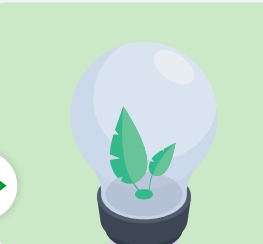
Energy use reduction x GHG emission factor of energy (ton-CO<sub>2</sub> eq /MWh) x Social cost of carbon emissions (KRW/ ton-CO<sub>2</sub> eq)

**KRW 150million**

Support for energy-vulnerable groups

Support for heating expenses and high-efficiency energy appliances in winter

**KRW 2billion**



**KRW 2.68 billion**

1) Electricity procured by REC-based method 2) Refers to contribution to the GHG reduction throughout the society by the use of eco-friendly energy, not direct reduction of carbon emissions by Shinhan Financial Group

## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

#### Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

## Shinhan Bank

### Investment in Eco-friendly Power Generation Considering Environmental and Social Impact Taeon Solar Power Complex Project

#### Focus Issue

Renewable energy generation is expanding in response to the climate crisis. However, indiscriminate installation of renewable energy facilities can damage plant and animal habitats and negatively impact ecosystems. Therefore, in installing renewable energy facilities, it is important to select sites that minimize environmental impacts, proactively identify possible impacts that may arise during operation, and make efforts to improve them.

#### Solution

Since 2021, Shinhan Bank has been involved in a project with local governments and private companies to build a solar power complex on Taeon Anmyeondo. The bank selected an abandoned salt field and an abandoned ranch, which had been neglected as a wasteland for many years, as the project sites, and made every effort to minimize damage to the terrestrial and marine ecosystems by examining environmental impacts from the planning stage. The project not only contributes to reducing GHG emissions by installing solar power facilities that can supply electricity to 100,000 nearby households, but also promotes win-win cooperation with local residents by expanding smart farms where they can work and ranches that can attract tourists.

#### Process for environmental impact assessment

In conducting a large-scale project financing, Shinhan Bank examines negative environmental and social impacts that a financed project may cause based on the Equator Principles<sup>1)</sup>. The Taeon Solar Power Complex project is one of the most representative examples where the Equator Principles is applied.

Shinhan

Review of the project's environmental and social risks and impacts

Classification of risks and determination of the scope of impact assessment

Customer

Environmental and social impact assessment

Shinhan

Review of results and post-management

#### Key Items of Environmental Impact Assessment

- Identification and monitoring of impacts on animals and plants around the project sites
- Identification of alternative habitats and distances from marine protection area and wildlife protection area

#### Effects expected from the win-win project with local communities

Increase in sales through engagement of local companies in the course of construction

Creation of jobs related to maintenance and management of solar power generation facilities

Expansion of public facilities through free lease of sites for local residents

- Smart farm
- Ranch experience facilities
- Solar power observation deck



#### Key Figures



Amount of investment in the project (cumulative)

**KRW 45.6 billion**



Eco-friendly electricity generated (2023)

**409,027 MWh**



Contribution to GHG reduction

**9,431 ton-CO<sub>2</sub>eq**

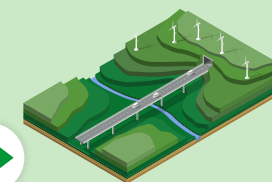
#### ESG Value Created

Opportunity cost of eco-friendly power generation project financing  
Investment amount x Rate of allowance for bad debts

**KRW 100 million**

Reduction of carbon emissions by eco-friendly power generation  
Quantity of electricity generated by solar power (MWh) x Electricity emission factor (ton-CO<sub>2</sub> eq / MWh) x Social cost of carbon emissions (KRW / ton-CO<sub>2</sub> eq) x Shinhan's Contribution (%)

**KRW 4.95 billion**



**KRW 5.05 billion**

## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

#### Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

1) A major risk management framework to identify and manage environmental and social risks that may arise from large-scale project plans, e.g., significant environmental pollution, ecosystem degradation, and human rights violations

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

## Shinhan Card

### Efforts for Restoration of Ecosystems and Conservation of Biodiversity

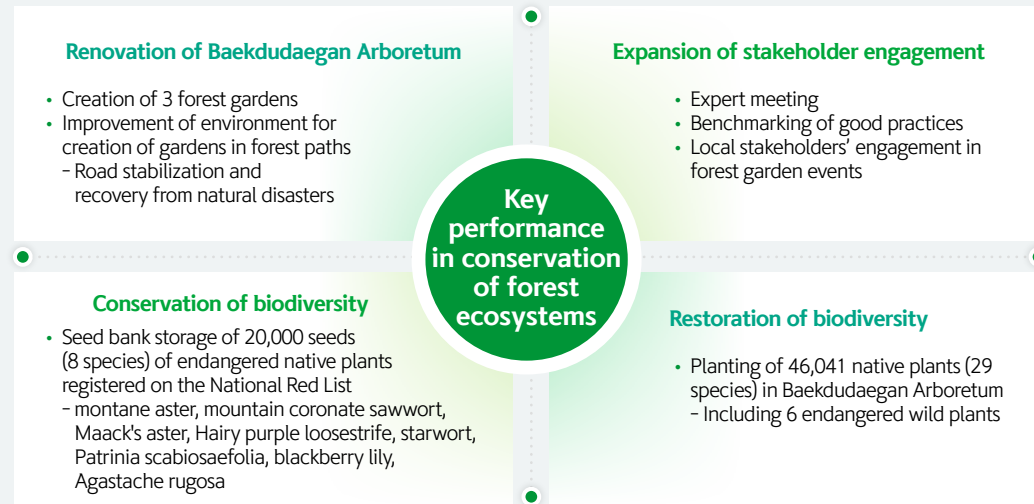
## Project for Conservation of Forest Ecosystem of Baekdudaegan

### Focus Issue

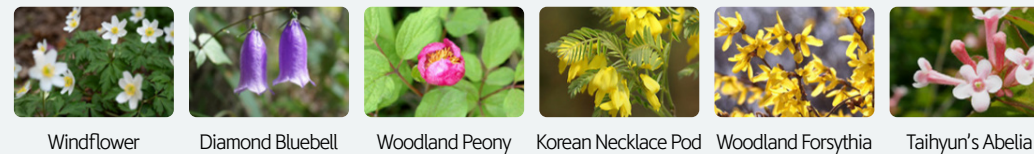
Biodiversity plays an important role in maintaining the balance and stability of ecosystems. Each species not only fulfills its own ecological roles, but also interacts with other species, providing additional ecological services that keep ecosystems sustainable. A loss of biodiversity leads to the disruption of ecosystem services, which has a devastating impact on the maintenance of ecosystems. This is why disappearing species need to be taken care of and protected constantly.

### Solution

Shinhan Card is working with the Korea Forest Service on a project to maintain forest ecosystems and preserve biodiversity. This project preserves the forest resources and vegetation of Baekdudaegan Arboretum to the maximum extent possible, creating three forest gardens, and in order to preserve forest life, selected rare and special plants that are vulnerable to climate change for planting and vegetation. Eight types of seeds have been stored in the seed bank<sup>1)</sup> in Baekdudaegan Arboretum for the vegetation and research of native plants, and in 2024, Shinhan Cards plans to permanently preserve native plant seeds in a seed vault<sup>2)</sup> to prepare for a possible extinction due to natural disasters and catastrophes.



#### 6 Endangered Wild Plants



### Key Figures



Planting of native plants in Baekdudaegan Arboretum  
**46,041**

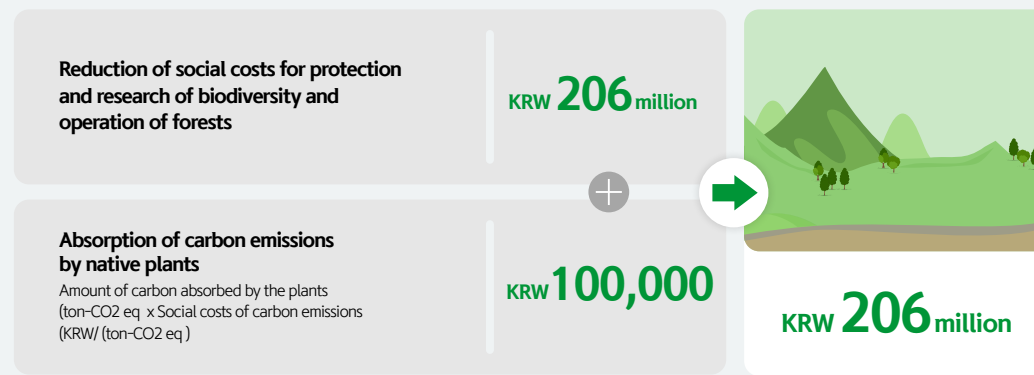


GHG absorbed to the plants  
**54.4 kg-CO<sub>2</sub>eq**



Seeds stored at the seed bank  
**20,000 (8 species)**

### ESG Value Created



## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

1) Seed bank: A facility that stores seeds for short- to medium-term for research, propagation, or other purposes 2) Seed vault: a facility that permanently stores seeds to prevent plant extinction in the event of a global catastrophe or disaster

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

## Shinhan Financial Group Hope Foundation

### Customized Emergency Support for Families in Crisis Support for Case Management of Families in Crisis

#### Focus Issue

Upon diversification of social issues, welfare blind spots are expanding. In response, the government operates case management programs<sup>1)</sup> centered on social welfare centers to help vulnerable people get necessary assistance. However, these programs have limitations in providing sufficient and prompt support to all eligible people. In urgent crisis situations, such as unemployment, business closure, or injury, etc., the cooperation of private companies can increase the effectiveness of these programs.

#### Solution

In July 2023, Shinhan Financial Group Hope Foundation signed an MOU with the Korea Association of Social Welfare Centers to support the case management project. In cooperation with social workers, the Foundation is operating the 'Case Management Emergency Support Program' to provide more effective and rapid support to the vulnerable, and helps them address difficulties in a timely manner by providing customized support for education, healthcare, and livelihood. It is also expected that social workers will be able to support the vulnerable people more quickly and effectively by streamlining the support process, simplifying complex administrative procedures, and reducing the time required for actual support.

### Process for supporting families in crisis

Classification	By	Description
<b>Step1</b> Identification of family in crisis	Social workers	Identify families in crisis that need emergency support
<b>Step2</b> Submission of application	Social workers Shinhan Financial Group Hope Foundation	Receive applications for the Shinhan Hope Society Project on the official website
<b>Step3</b> Selection of targets, provision of support	Shinhan Financial Group Hope Foundation	Provide tailored support for families in crisis - Living and housing, education, childcare, healthcare, Disaster relief
<b>Step4</b> Follow-up support	Social workers Shinhan Financial Group Hope Foundation	Categorize the cases into simple/intensive management cases according to the status of crisis and provide follow-up support

### Key Figures



No. of support for simple management case<sup>2)</sup>  
**1,310**

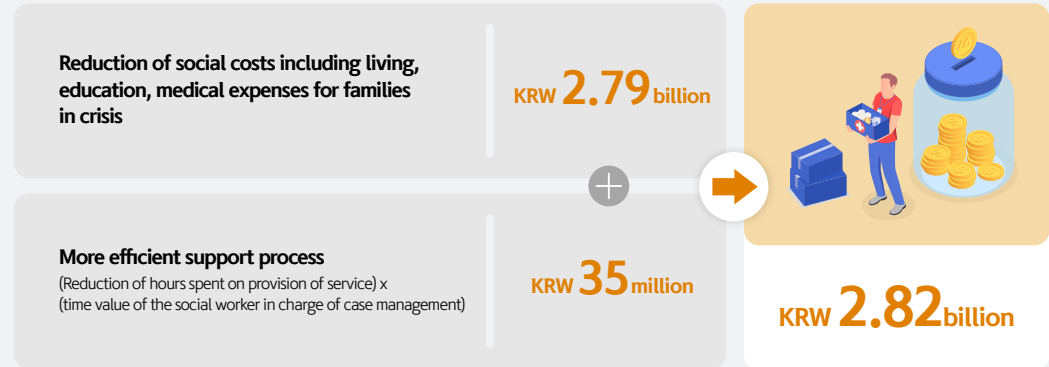


No. of support for intensive management case<sup>3)</sup>  
**354**



Reduction of time spent for support  
**1,873 hours**

### ESG Value Created



#### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

#### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

#### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

Performance in Contribution to Resolution of Social Issues

#### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

#### Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

#### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

1) A project that provides, manages, and monitors appropriate social services through the intervention of social workers to resolve complicated difficulties such as psychological, emotional or medical issues, and employment of socially vulnerable people

2) Cases that can be resolved through linkage of resources 3) Cases involving complicated problems that need to be intensively managed by social workers

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

## Shinhan Financial Group Hope Foundation

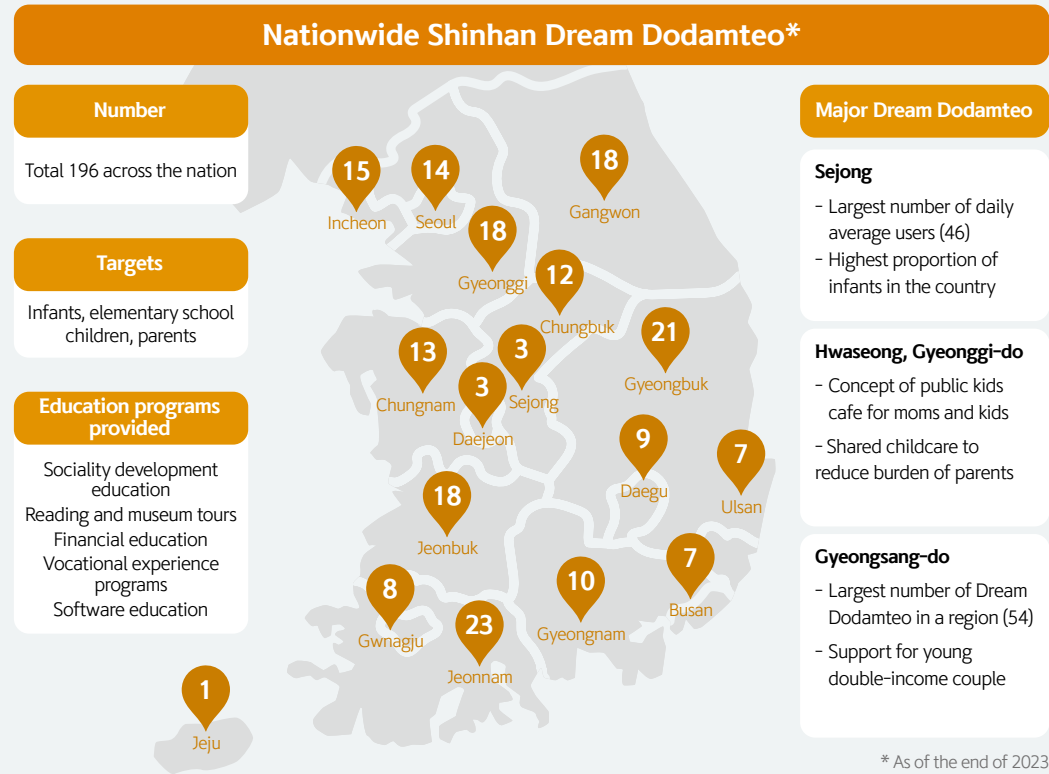
### Practical Solution for Low Birth Rate Shinhan Dream Dodamteo

#### Focus Issue

One of the main causes of the low birthrate is the burden of raising and educating children. Double-income families, in particular, have difficulties in balancing work and family life while caring for young children. This makes it difficult to devote enough time and energy to childcare and education, which in turn can lead to poor child care and career interruptions for women. Therefore, support to ease the burden on parents and minimize any vacuum in childcare is needed.

#### Solution

Since 2018, Shinhan Financial Group Hope Foundation has been building "Shinhan Dream Dodamteo", a space for shared childcare, across the country in partnership with the Ministry of Gender Equality and Family, with 200 locations scheduled to open in 2024. The Foundation is working hard to create childcare spaces where parents can rest assured by installing new facilities where children from double-income families can spend time after school, and by improving interior environment and providing equipment support for facilities that are aging or in need of remodeling due to disasters., It plans to provide quality services beyond simple childcare by offering various programs such as sociality development education, financial education, and coding education for children, and provide a broader support and care services for more families.



### Key Figures



Creation and operation of Shinhan Dream Dodamteo  
**196**

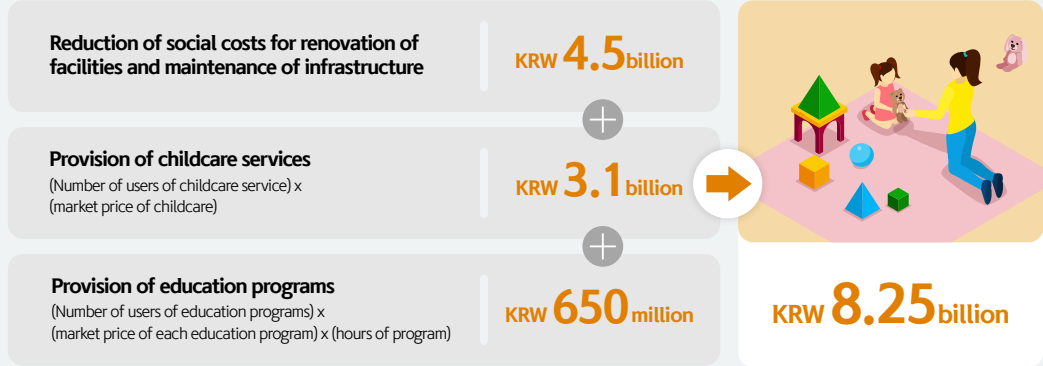


Number of users of the childcare service  
**707,400**



Number of users of the education programs  
**6,848**

### ESG Value Created



#### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

#### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

#### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

#### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

#### Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

#### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# MAJOR CASES OF ESG ACTIVITY MEASUREMENT

Shinhan Bank

## Diverse Support for Damage Relief of Jeonse Scam Victims Legal and Financial Aid for Jeonse Scams

### Focus Issue

Scams related to jeonse (lease of house on a deposit basis) are spreading across the country, and the number of victims is increasing. The victims can pursue damage relief through a legal proceeding, but the process is complicated, takes a long time to get their security deposit back, and incurs additional costs. These problems make jeonse fraud an important issue that needs to be addressed systematically, and victims need social and structural support to alleviate their housing insecurity and financial losses.

### Solution

Since 1997, Shinhan Bank has provided free legal services to approximately 270,000 vulnerable people in cooperation with the Korea Legal Aid Corporation, and in 2023, it expanded the scope of the services to the victims of jeonse scam. For those who were unable to receive legal services due to lack of legal knowledge or economic difficulties, Shinhan Bank not only provided legal counseling and litigation support, but also paid expenses incurred during the litigation process. In addition, in order to alleviate the financial burden on the victims, it has come up with a plan to reduce financial costs, e.g., by reducing or exempting interest rates on Jeonse loans, and also reducing interest rates for loans necessary for purchasing the relevant house or winning the auction for the house. Shinhan Bank intends to contribute to creating a stable residential environment for the victims through such support so that they can rapidly recover from the damages.

### Types of support for victims of jeonse scam

#### 1. Free legal consulting

- Legal consulting for relief of damage from jeonse scam
- Application by visiting or calling the Korea Legal Aid Corporation, or on the website

#### 2. Support for legal aid

- Support for investigation and litigation
- Expenses for litigation and attorney fees

#### 3. Reduction of interest rates on the loans for the victims

- Reduction of interest rate on jeonse loans by 2%p for up to 2 years upon submission of certificate of damage
- Reduction of interest rate on loans for purchasing, or winning auction for, the relevant house by 2%p for up to one year

### “60% of Defrauded Security Deposit Recovered... Shinhan Bank’s Legal Aid for Jeonse Scam Victims”

머니투데이 (December 26, 2023)

“The victim was at risk of losing KRW 18 million, which was over half of the security deposit, within one year after executing the lease agreement. The victim consulted with the Korea Legal Aid Corporation free of charge thanks to the support of Shinhan Bank, and raised a litigation for damage against the Korea Association of Realtors, ultimately obtaining the court decision for KRW 10.8 million in damage compensation.”

### Key Figures



Number of free legal consulting cases  
**3,807**



Number of support for legal aid  
**814**



Amount of jeonse loans subject to reduction of interest rate  
**KRW 13.2 billion**

### ESG Value Created

#### Provision of legal consultation for victims of jeonse scams

(Number of free consulting cases) x (market price of legal consulting services)

**KRW 190 million**

#### Support for legal aid

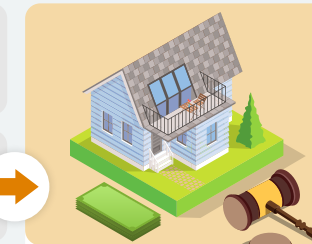
(Number of legal aid cases) x (market price of legal aid services)

**KRW 2.14 billion**

#### Reduction of burden of interest payment on the victims

(Total amount of relevant loans) x (rate of reduction of interest rate + rate of allowance for bad debts)

**KRW 400 million**



**KRW 2.73 billion**

## Shinhan ESG Value Index Report

### Introduction of Shinhan’s ESG Value Index

Shinhan’s journey for creation of ESG value

Direction of Shinhan’s ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Taeon Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

### Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

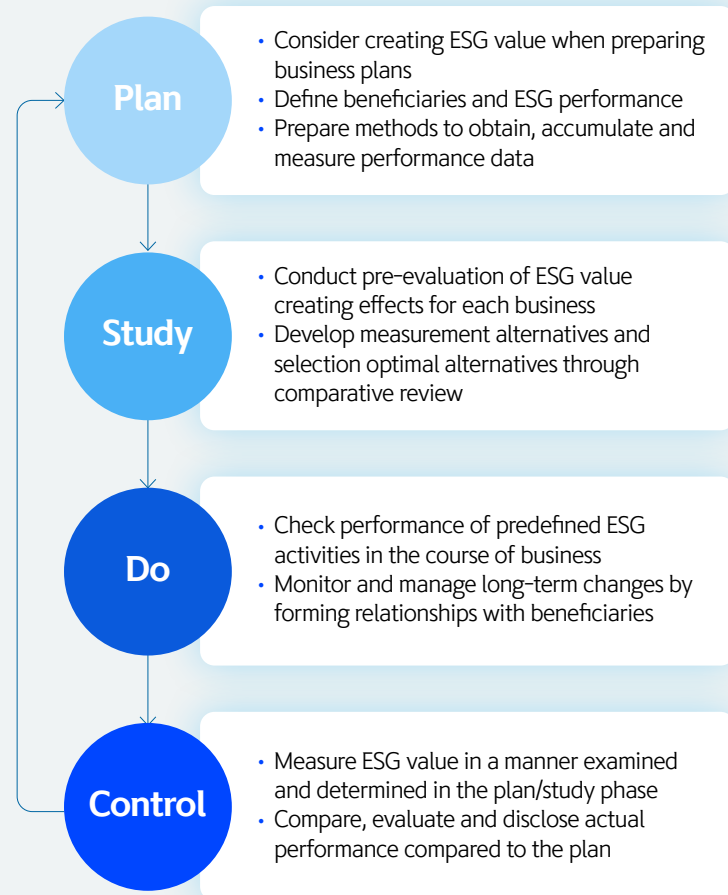
# SHINHAN ESG VALUE STEPS TOWARD TOMORROW

## Efforts for a Virtuous Cycle of ESG Value Creation

It has been six years since Shinhan Financial Group developed the Shinhan ESG Value Index in collaboration with Yonsei University's Center for Global ESG and Business Ethics and measured and managed ESG performance annually. The ESG Value Index conveys the results of ESG activities, which were previously considered non-financial, in monetary values that everyone can recognize and understand, and has become an important step toward implementing ESG management. Through the continuous development of the ESG Value Index, Shinhan Financial Group aims to establish a virtuous cycle of developing and implementing ESG activities and creating a greater value.

### Directions and Plans for Internalizing Shinhan ESG Value

#### Review Process of Shinhan ESG Value



To utilize the Shinhan ESG Value Index as a strategic decision-making tool, Shinhan Financial Group focuses on ensuring the relevance of measured data and building internal consensus. To this end, we systematized performance measurement and significantly expanded employee participation this year. We believe that greater ESG value can be created if the ESG performance measurement process is internalized throughout the work process and meaningful messages from the results are reflected in key decisions.



Jo Jung-hoon (Director of ESG at Shinhan Financial Group)

### Comments from External Parties Interested

The Shinhan ESG Value Index is a useful tool to contribute to the internalization of ESG management through quantified measurement and evaluation. Since 2019, Shinhan Financial Group has measured and managed ESG performance annually and advanced ESG management, setting an example for many companies. I look forward to Shinhan's continued efforts to further enhance the ESG Value Index so that it can be widely used as a standardized indicator for measuring corporate ESG performance.



Lee Ho-young (Professor, Business School, Yonsei University, Director of the Center of Global ESG and Business Ethics)

Measuring non-financial performance is essential to assess the ESG management challenges that companies are faced with. By quantifying and objectifying ESG management performance, Shinhan Financial Group has gained internal and external recognition on its commitment to ESG by measuring its performance in monetary value. I hope that the ESG Value Index will become a medium to contribute to the acceleration of Shinhan's ESG management and Shinhan continues to expand its ESG value.



Seung-kook Synn (Head of the ESG Center, Yoon & Yang LLC)

## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

#### Efforts for a Virtuous Cycle of ESG Value Creation

Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# SHINHAN ESG VALUE STEPS TOWARD TOMORROW

## Comments of Employees Who Participated in Measuring

Shinhan Financial Group has emphasized that employees should be interested in social issues, contribute to solving them through business, and create more value. As a result of these efforts, the scale and achievements of ESG activities have been continuously expanded, and employees came to proactively consider ESG effects from the business planning and development stage, leading to the gradual sophistication of the methodology to measure and manage ESG performance. Shinhan Financial Group will continue to identify valuable ESG activities and strive for sustainable growth in cooperation with various stakeholders.

### We consider measuring of ESG performance when setting the direction of our business.

After several years of measuring our performance through the ESG Value Index, we are working to internalize ESG value across our business and manage the data necessary for measuring. Shinhan Card's Baekdu Daegan Forest Ecosystem Conservation Project is a prime example that we prepared in advance the method of quantifying the social contribution of tree planting from the planning stage of a new project and managed performance data. From planning to measurement and evaluation of ESG projects, we utilize the ESG Value Index as a key tool to continuously develop effective solutions that contribute to social problem solving.



Senior Manager,  
ESG Team,  
Shinhan Card

Park Yoon-hee

### We monitor changes in stakeholders for sophisticated performance measurement.

Shinhan Financial Hope Foundation develops and operates various programs to provide practical help to the vulnerable in society. In particular, for the Joint Childcare Sharing Center project, we conducted a survey of actual users to precisely measure the value and usefulness of childcare as perceived by the beneficiaries, and used the resulting data for performance measurement. We expect that these multifaceted performance measurement efforts will help us upgrade the projects implemented by Shinhan Financial Hope Foundation.



Senior Manager,  
Shinhan Financial  
Hope Foundation

Seon Seok-geun

### We evaluate business performance through quantification of non-financial performance.

Measuring performance through the Shinhan ESG Value Index helps us plan, operate, and monitor our business. In the case of Shinhan Bank's real property lease (jeonse) fraud victim support project, we quantified and evaluated the impact on stakeholders by type of victim support, which was used as a decision-making tool to solidify the direction of the project and to expand the project. We will continue to closely examine the effectiveness of our projects through continuous performance measurement and seek ways to further contribute to solving the problems that our society is faced with.



Head,  
Department of  
Win-win Finance,  
Shinhan Bank

Kim Hyeong-gon

### Measuring ESG performance is now part of Shinhan's organizational culture.

Shinhan Financial Group's ESG performance measuring system has been continuously improved, and the evolving system is expected to be integrated into our daily work and bring about positive changes. While we have worked to ensure that Shinhan Life employees understand the usefulness and importance of measuring performance through the ESG Value Index, we plan to focus on internalizing the measuring process and strengthening communications to the point where each employee can identify indicators and prepare measures for measurement.



ESG Planning Team,  
Shinhan Life

Kim Young-jin

## Shinhan ESG Value Index Report

### Introduction of Shinhan's ESG Value Index

Shinhan's journey for creation of ESG value

Direction of Shinhan's ESG Value Index

### Shinhan ESG Value Index System

Shinhan ESG Value Index Performance System

Measurement Model and Structure

Measurement Principles and Methods

### 2023 ESG Value Performance

Shinhan ESG Value

Major ESG Value of Group Companies

Trends of ESG Value Performance

Performance of Contribution to Reduction of Carbon Emissions

Performance in Contribution to Resolution of Social Issues

### Major Cases of ESG Activity Measurement

Shinhan Financial Group, Serious About Energy

Tae'an Solar Power Complex Project

Project for Conservation of Forest Ecosystem of Baekdudaegan

Support for Case Management of Families in Crisis

Shinhan Dream Dodamteo

Legal and Financial Aid for Jeonse Scams

### Shinhan ESG Value Steps toward Tomorrow

Efforts for a Virtuous Cycle of ESG Value Creation

### Comments of Employees Who Participated in the Measurement

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY AND HUMAN RIGHTS REPORT

DEI Implementation Framework

088

DEI Targets and Metrics

091

DEI Implementation Direction

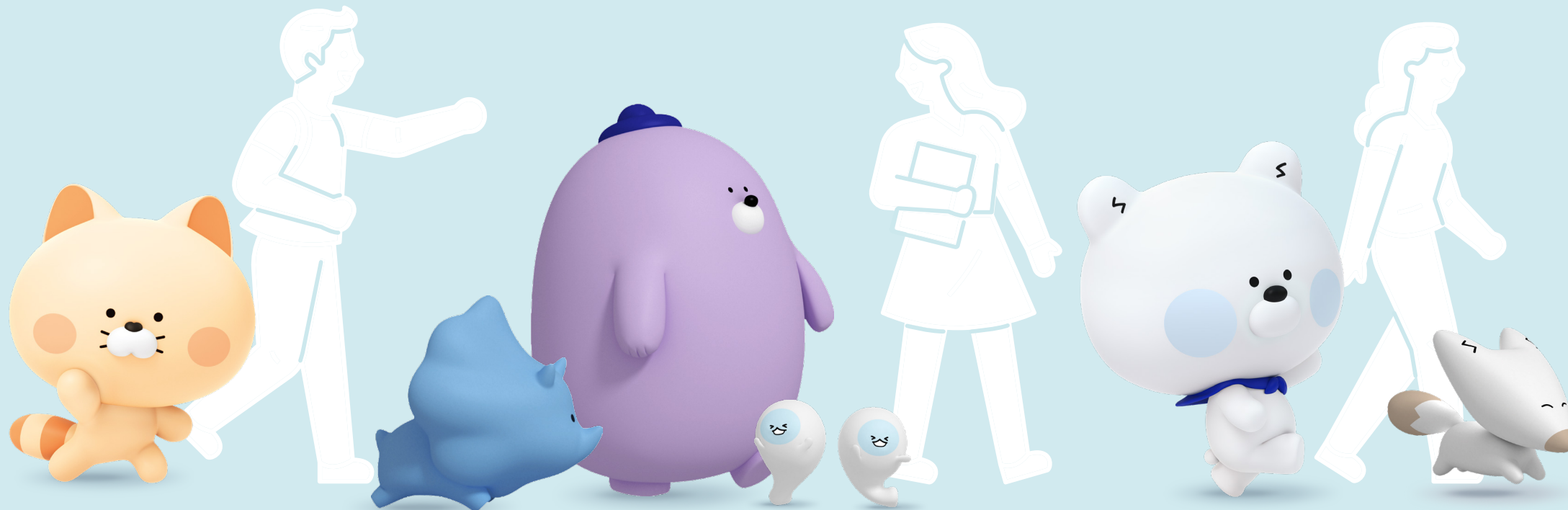
093

Human Rights Management System

102

Management of Human Rights Risks

105



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## Shinhan's DEI

Diversity, equity and inclusion (DEI) are core values that support Shinhan Financial Group's mission, "Compassionate Finance, Your Companion for the Future."

Attracting talented human resources with diverse perspectives and experiences is important for the understanding of global customers, improved corporate value and innovation while creating an inclusive and fair working environment has positive impacts on improving employee's satisfaction and productivity. Setting DEI as an important axis of corporate strategies, Shinhan Financial Group aims to create a culture in which the values of diversity and inclusion are respected and all employees can grow based on fair opportunities.

To strengthen the implementation of DEI, Shinhan Financial Group is supporting each group company's determination and continued implementation of the direction for improving DEI. In addition, we manage the mid- to long-term goals for the ratio of female executives and managers established through the resolution of the ESG Strategy Committee, and evaluate CEOs of group companies regarding the nurturing of female leaders to boost implementation of DEI.

We intend to continuously communicate with stakeholders by transparently disclosing Shinhan Financial Group's efforts to internalize DEI and conducting campaigns to spread DEI values.

[Shinhan Financial Group Youtube - Do the Fair Thing](#)



## DEI Implementation Framework

### Principles of Diversity and Inclusion

Shinhan Financial Group established "Shinhan Financial Group's Commitment to Diversity and Inclusion" in 2021 to express its willingness and continue its efforts to promote the spread of DEI values.

#### Shinhan Financial Group's Commitment to Diversity and Inclusion

Shinhan Financial Group pursues diversity in people and culture. We value and embrace all of our employees, customers and members of the society. Diversity and inclusion are core values that support our mission, "Compassionate Finance, Your Companion for the Future."

We will not be prejudiced nor discriminate in all affairs based on gender, disability, nationality, academic background, regional background, religion, sexual orientation, and other personal characteristics, backgrounds, identities or cultural differences.

- 1 We provide equal opportunities and make fair and transparent evaluations in employee recruitment and personnel management.
- 2 We pursue diversity in board and management. We will primarily establish gender diversity targets and focus on achieving these targets.
- 3 We create an inclusive culture where all members can work with respect and a sense of belonging.
- 4 We respect the individuality of all our business partners including clients, and treat them equally.
- 5 We embrace the socially vulnerable and actively support them to enrich their hope as members of the society.



## Diversity and Human Rights Report

Diversity, Equity and Inclusion  
Shinhan's DEI

DEI Implementation Framework  
DEI Targets and Metrics  
DEI Implementation Direction  
Establishing DEI Culture

Human Rights  
Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Framework

### DEI Governance

Shinhan Financial Group uses ESG governance to manage and oversee DEI and strengthen the execution of the entire group so that group companies can systematically pursue DEI. The ESG Strategy Committee is the final decision-making body that deliberates on and resolves important matters such as establishment of DEI strategies and policies, and the ESG Promotion Committee manages the implementation status of DEI strategies. The Group ESG CSO Council discusses ways to collaborate to ensure that the DEI strategies are embedded in the business.



### DEI Management System

Shinhan Financial Group examines and upgrades its DEI management system based on the DEI management process. We analyze the DEI progress and set targets for areas that need improvement, as well as determine policies and directions to identify and carry out action items. Furthermore, we continue to monitor their progress, trying to check and improve the level of DEI internalization in our organizational culture.



#### CASE

#### Building WBA-based DEI Management System

Shinhan Bank has established diversity management guidelines based on the diversity methodology presented by the World Benchmarking Alliance (WBA). Based on the guidelines, we examine the diversity management system and manage the factors that need improvement.

#### Check Points in Shinhan Bank's Diversity Management Guideline

##### Governance and Strategy

- Diversity policies and governance
- Grievance handling system
- Stakeholder engagement

##### Diversity Implementation Level

- Gender equality in leadership
- Integration with human rights
- Education
- Diversity data management and disclosure

##### Marketing Community

- Marketing content
- Financial services and community support projects (diversity in purchase, etc.)

#### Diversity, Equity and Inclusion

Shinhan's DEI

#### DEI Implementation Framework

- DEI Targets and Metrics
- DEI Implementation Direction
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#### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights
- Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Framework

### HIGHLIGHT Diversity in Governance

Shinhan Financial Group stipulates the board diversity principle in its Corporate Governance Code to realize the diversity and expertise in its governance. Candidates for independent directors are determined in compliance with the Board Diversity Guidelines, which requires them to have various experiences and perspectives in terms of nationality, gender, age, experience and background. In particular, the Guidelines clearly specify the criteria that women should account for at least 20% of all director candidates, and women have remained over 30% in candidates for independent directors since 2021. In March 2024, Shinhan Financial Group formed the board of directors with 11 experts with various backgrounds, including three female independent directors, and appointed a female independent director as the chairperson of the board. This is the second female appointment in the domestic financial sector since the first appointment of a female chairperson in 2010 and a major step forward for Shinhan Financial Group's governance diversity.

### BOARD DIVERSITY GUIDELINES

Shinhan Financial Holding endeavors to form the Board with diverse directors so that the Board can make important decisions from a broader perspective, taking into account the interests of shareholders, customers and other stakeholders.

#### 1 Whether directors have expertise

- 1) Essential expertise: Finance, management (organizational management), economy, law, accounting
- 2) Detailed expertise: Whether directors have expertise required as a director of a financial company, such as global experience and expertise in digital, IB, risk management and consumer protection.
- 3) Experience as an independent director: An understanding of duties of independent directors

#### 2 Diversity

- 1) Nationality: Finding candidates of various nationalities to build advanced global governance
- 2) Gender: Reflecting the principle of gender equality in order to operate the Board from diverse perspectives
  - Ensuring that female candidates account for at least 20%.
- 3) Age: Enhancing the efficiency of the Board by harmonizing flexible response to changes in the business environment and experience.
  - ±15 years on the CEO's age
- 4) Experience and background: Considering the characteristics of the Korean society, but avoiding an excessive percentage of a specific place of origin.
- 5) Others: Considering other diversity items such as race, religion, ethnicity, etc.

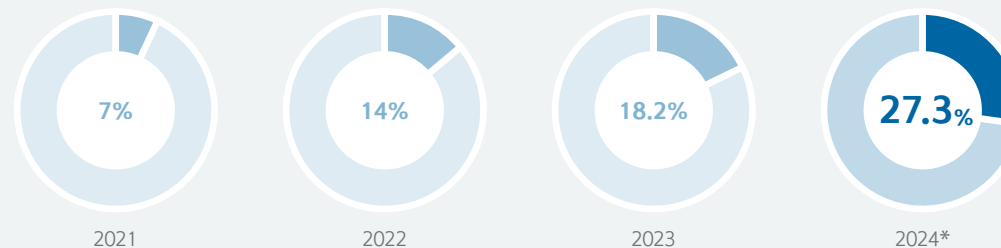
#### 3 Recommendation channels

- : Using diverse and independent channels for director recommendation in order to enhance the interests of various interested parties

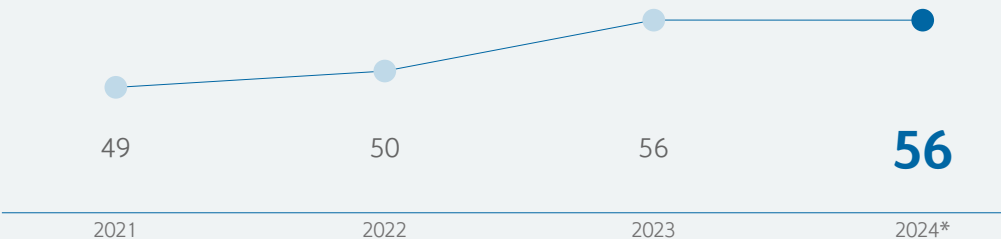
### Board Diversity Status

\*as of March 2024

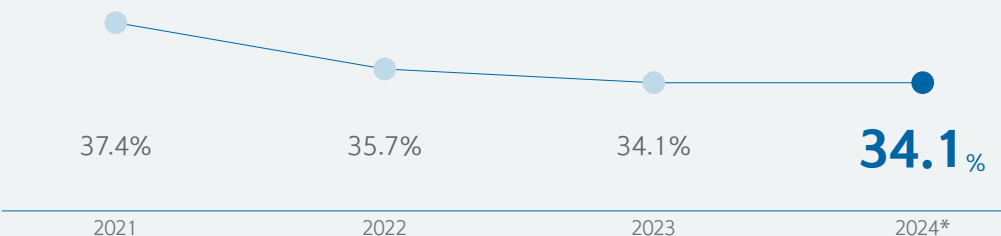
#### Ratio of female directors in the Board



#### Number of female candidates out of independent director candidates



#### Ratio of female candidates out of independent director candidates



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI

### DEI Implementation Framework

DEI Targets and Metrics

DEI Implementation Direction

Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management

Human Rights Management System

Management of Human Rights Risks

Remedies against Human Rights violation

Internalization of Human Rights

Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

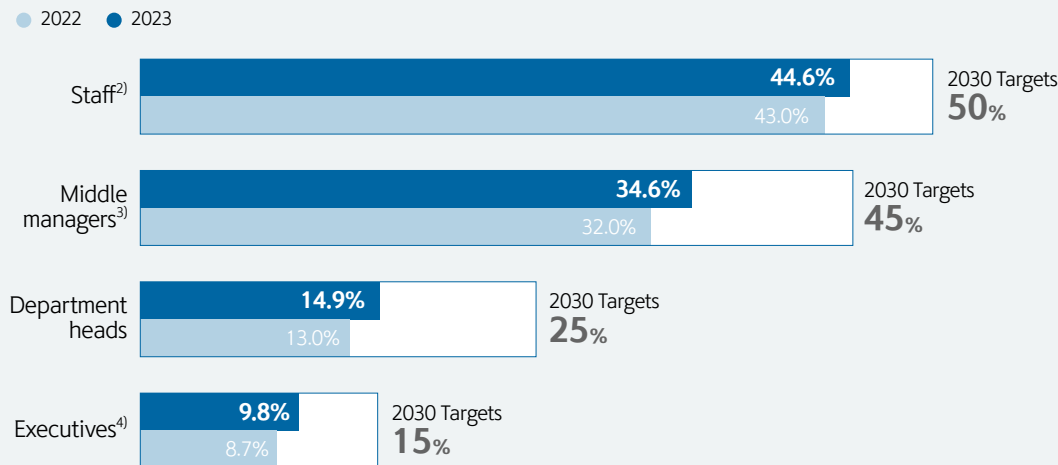
# DIVERSITY, EQUITY AND INCLUSION

## DEI Targets and Metrics

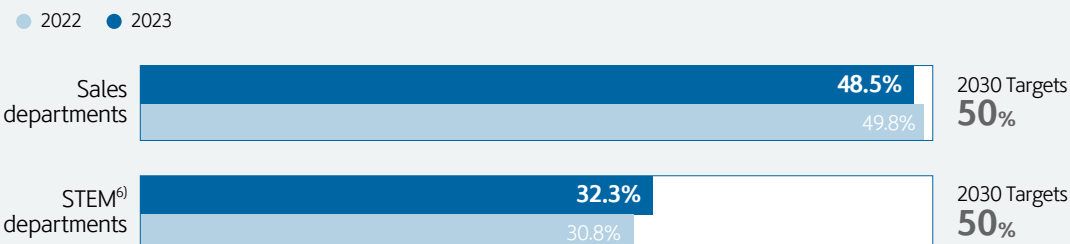
### Setting Diversity Targets

Shinhan Financial Group sets the ratio of male and female employees by management level and by role as an indicator to implement DEI and establishes and manages 2030 targets. The proportion of female employees by management level and by role has increased year-on-year in all areas and will continue to be managed to achieve the 2030 targets.

#### Status and Targets of the Female Employee Ratio by Management Level<sup>1)</sup>



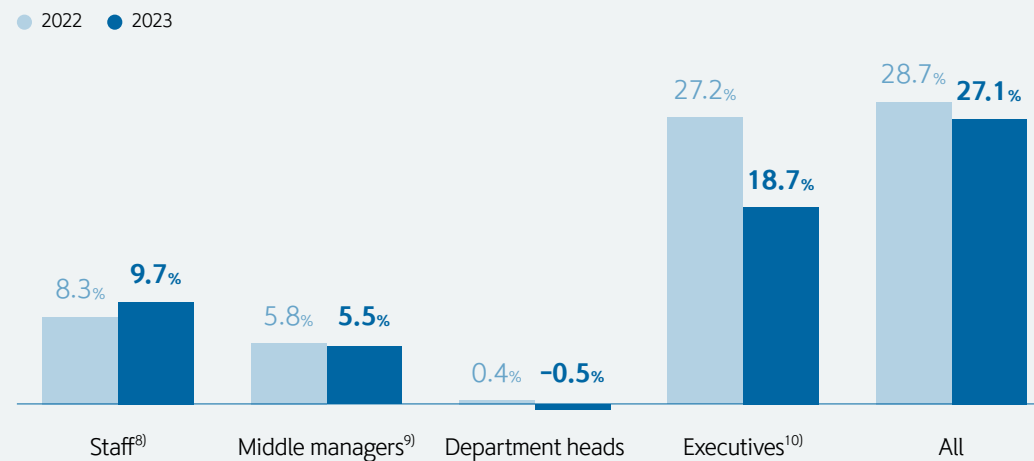
#### Status and Targets of the Female Employee Ratio by Role<sup>5)</sup>



### Controlling Gender Wage Gaps

Shinhan Financial Group pays the same level of wages to employees of the same level regardless of gender. We prohibit unfair differences based on gender, age, race, etc. in the evaluation of and compensation for employees' performance, and strive to manage and reduce gender wage gaps. As of 2023, the gender wage gap based on the average salary of executives and employees of all group companies was 27.1%, which is a slight improvement from the previous year, but there is still a gap. This is due to the large proportion of male employees in high-ranking positions, and Shinhan Financial Group is making efforts to improve the gap by increasing the proportion of female high-ranking executives through the programs to foster female leaders.

#### Gender Wage Gaps by Management Level<sup>7)</sup>



#### Average Gender Wage by Management Level

(Unit: KRW million)

Classification	Staff		Middle managers		Department heads		Executives	
	Female	Male	Female	Male	Female	Male	Female	Male
2022	62	68	120	128	184	185	225	309
2023	63	70	120	127	181	180	249	306

1) Eight companies: Holding, Bank, Card, Securities, Life, Capital, Asset Management, and Jeju Bank, Including 2023 achievements 2) Staff to Assistant Managers 3) Managers to Deputy General Managers 4) Executives and Division Heads  
5) All group companies 6) Science, Technology, Engineering and Math 7) In all group companies, (average male salary - average female salary) / average male salary x 100, there are differences from previous year's figures as the data calculation criteria changed.  
8) Staff to Assistant Managers 9) Managers to Deputy General Managers 10) Executives and Division Heads

#### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
**DEI Targets and Metrics**  
DEI Implementation Direction  
Establishing DEI Culture

#### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

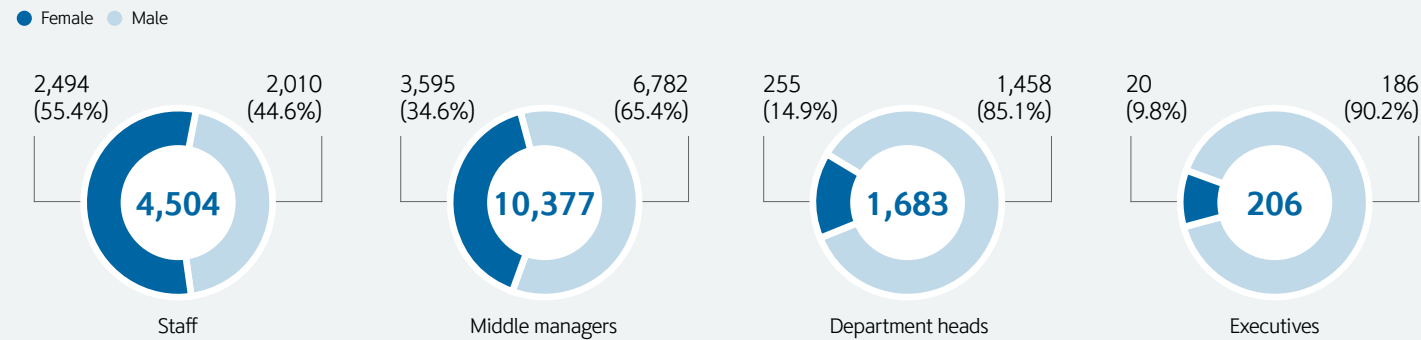
# DIVERSITY, EQUITY AND INCLUSION

## DEI Targets and Metrics

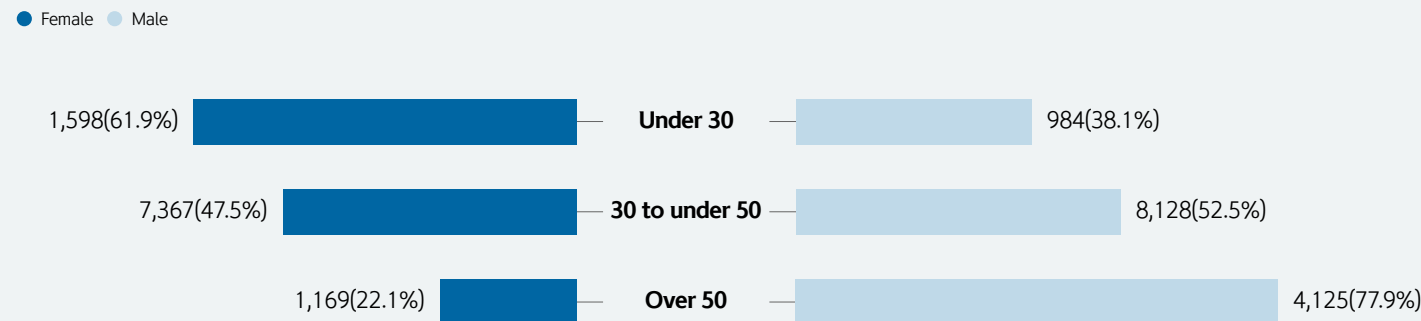
### Monitoring Metrics

Shinhan Financial Group monitors the diversity status by age, management level, and nationality as well as overseas localization to manage the diversity status.

#### Diversity by Management Level in 2023<sup>1)</sup>



#### Age Diversity in 2023<sup>2)</sup>



#### Diversity by Nationality at Overseas Corporations and Business Sites in 2023<sup>3)</sup>

Nationality	No. of Employees	No. of Managers <sup>4)</sup>	Nationality	No. of Employees	No. of Managers <sup>4)</sup>
Vietnam	4,140	759	Germany	7	7
Korea	701	470	UK	7	5
Cambodia	482	60	Canada	6	5
China	474	187	Australia	4	4
India	379	77	Nigeria	2	2
Myanmar	272	29	Russian Federation	2	2
Kazakhstan	197	102	Malaysia	2	-
Japan	186	72	New Zealand	1	1
USA	157	102	Ivory Coast	1	1
Mexico	43	32	Nepal	1	-
Philippines	22	4	Uzbekistan	1	-
Hong Kong	18	6	Hungary	1	-
Singapore	11	4	<b>Total</b>	<b>7,117</b>	<b>1,931</b>

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics**
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

1) Eight companies: Holding, Bank, Card, Securities, Life, Capital, Asset Management, and Jeju Bank (excluding office workers and extraordinary positions), Including 2023 achievements  
2) All group companies

3) Overseas local corporations and business sites of Bank, Card, Securities, Life, Asset Management and DS  
4) Manager and above.

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Targets and Metrics

### Localization of Overseas Networks in 2023<sup>1)</sup>

Country	No. of Employees	No. of Locally Hired Employees	No. of Korean Employees	Non-Korean Employees (Ratio)	No. of Managers <sup>2)</sup> (Ratio)
Vietnam	3,323	3,263	30	3,233 (99.1%)	497 (85.7%)
Indonesia	923	909	2	907 (99.8%)	262 (94.6%)
China	501	469	2	467 (99.6%)	186 (84.5%)
Cambodia	496	487	5	482 (99.0%)	60 (82.2%)
India	390	368	-	368 (100.0%)	71 (76.3%)
Japan	315	278	92	186 (66.9%)	72 (47.7%)
USA	311	282	14	168 (59.6%)	108 (52.9%)
Myanmar	276	273	1	272 (99.6%)	29 (90.6%)
Kazakhstan	205	200	1	199 (99.5%)	104 (94.5%)
Canada	111	107	91	16 (15.0%)	9 (23.7%)
Hong Kong	64	48	30	18 (37.5%)	6 (15.4%)
Mexico	48	43	-	43 (100.0%)	32 (86.5%)
UK	39	28	20	8 (28.6%)	6 (27.3%)
Singapore	33	23	10	13 (56.5%)	4 (23.5%)
Germany	29	26	20	6 (23.1%)	6 (37.5%)
Philippines	26	23	3	20 (87.0%)	3 (37.5%)
Australia	14	10	6	4 (40.0%)	4 (50.0%)
UAE	10	7	3	4 (57.1%)	2 (40.0%)
Hungary	2	1	-	1 (100.0%)	-
Uzbekistan	1	1	-	1 (100.0%)	-
<b>Total</b>	<b>7,117</b>	<b>6,846</b>	<b>430</b>	<b>6,416</b>	<b>1,461</b>

1) Overseas local corporations and business sites of Bank, Card, Securities, Life, Asset Management and DS  
2) Manager and above

## DEI Implementation Direction

### DEI Strategies and Tasks

Shinhan Financial Group has set DEI strategic directions and three key tasks in the area of resolving internal discrimination issues, connecting diversity to business, and social responsibility.

#### DEI Strategic Directions

Area	Resolving internal discrimination issues	Connecting diversity to business	Social responsibility
Core Value	Equality	Harmony	Inclusion
Direction	Remove internal discriminatory elements and make continuous efforts for improvement	Recognize the value of organizational diversity and reflect such value on the business	Expand inclusive finance based on compassionate finance
Action Items	<ul style="list-style-type: none"> <li>Increase the ratio of female managers and support systematic fostering of leaders</li> <li>Enhancing systems for work-family balance and the spread of a flexible working culture</li> </ul>	<ul style="list-style-type: none"> <li>Break away from the hierarchical organizational culture that causes class conflicts and workplace harassment</li> <li>Use diverse backgrounds and experiences including age and origin to lead innovation of financial solutions</li> </ul>	<ul style="list-style-type: none"> <li>Expand financial support for the socially underprivileged including people with disabilities and multicultural families</li> </ul>

#### Three Key Tasks

Key Tasks	Implementation Directions	Key Activities
Fostering female leaders	<ul style="list-style-type: none"> <li>Expand female executives and department heads</li> <li>Enhance fostering of female leaders</li> </ul>	<ul style="list-style-type: none"> <li>Expand the number of female executives and department heads, and increase the proportion of female managers</li> <li>Conduct interviews to foster management leaders and evaluate the fostering of management leaders of subsidiaries (as CEO evaluation)</li> </ul>
Supporting people with disabilities	<ul style="list-style-type: none"> <li>Expand employment opportunities</li> <li>Foster social enterprises</li> <li>Expand financial services</li> </ul>	<ul style="list-style-type: none"> <li>Identify roles to be performed by people with disabilities and provide them with opportunities for vocational education/field experience</li> <li>Increase trade with standardized workplaces for people with disabilities and promote social enterprises</li> <li>Provide financial education and services exclusively for people with disabilities</li> </ul>
Supporting multiculturalism	<ul style="list-style-type: none"> <li>Support social integration</li> <li>Expand financial services</li> <li>Support underdeveloped countries</li> </ul>	<ul style="list-style-type: none"> <li>Support invigoration of exchanges within local communities</li> <li>Provide specialized services to narrow the financial gap of foreign workers and to improve accessibility</li> <li>Provide jobs connected with countries/business with SFG presence, and invest in and support the expansion of infrastructure</li> </ul>

#### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
DEI Targets and Metrics  
DEI Implementation Direction  
Establishing DEI Culture

#### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Direction

### HIGHLIGHT Connecting Diversity to Business

Shinhan Financial Group provides financial products to support women, people with disabilities and foreigners and connect DEI directions to business.

#### Products that Connects DEI to Business



#### Women

##### Shinhan Women's Company Success Support Loan

Shinhan Bank provides financial support to companies with female CEOs and women- and family-friendly companies through the "Shinhan Women's Company Success Support Loan". This loan provides preferential interest rates to companies owned or managed by women, family-friendly companies certified by the Ministry of Gender Equality and Family, companies with excellent gender employment equality recognized by the Ministry of Employment and Labor and companies with excellent employment of R&D personnel recognized by the Ministry of Trade, Industry and Energy. Through this, we intend to reduce the financial burden of female entrepreneurs, support their stable business operations to promote economic independence and growth of female entrepreneurs, and support women's participation in economic activities.



#### People with disabilities

##### Shinhan S Life Care Trust for People with Disabilities

Shinhan Bank's "Shinhan S Life Care Trust for People with Disabilities" is a financial product designed to help disabled people achieve economic independence and stable lives. It allows disabled customers to receive stable living expenses without paying gift taxes and make early withdrawals for purposes such as medical expenses, nursing expenses and special education expenses. As such, the Bank manages the necessary funds for daily life to reduce the burden of asset management for disabled customers and help them lead a stable and independent life.



#### Foreigners

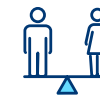
##### Shinhan Foreigner The Dream Package

As foreigners residing in Korea increase, Shinhan Bank provides a specialized financial product to foreign customers to support their economic activities and social integration. Shinhan Foreigner The Dream Package supports housing stability with "The Dream Mortgage Loan" and enables savings and overseas money transfers with "The Dream Installment Savings". Through this, we help foreign customers lead more stable and productive economic lives and convenient financial lives.

#### DEI Performance



Recognized as a Bloomberg Gender Equality Index (GEI) Leader for the fifth consecutive year in 2023



Made a partnership for gender balance and inclusive growth with the Ministry of Gender Equality and Family in 2019



Selected as certified family-friendly companies by the Ministry of Gender Equality and Family (Shinhan Bank, Shinhan Capital, Shinhan Asset Management, Jeju Bank)

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
DEI Targets and Metrics

### DEI Implementation Direction

Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

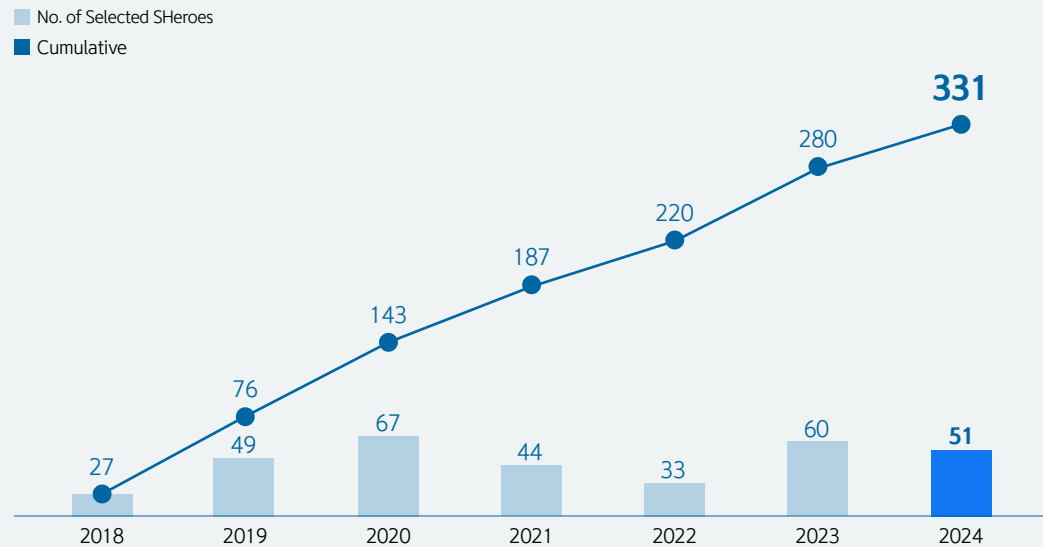
# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Direction

### Nurturing Female Leadership

Shinhan Financial Group actively supports female talent so that they can demonstrate their capabilities and play more important roles in the Group. Based on the 2030 mid- to long-term female leadership targets by management level and by role, we have established and operated systematic programs to foster female employees. Shinhan Financial Group has launched Shinhan SHeroes, the first female leadership development program in the financial sector, to support the expansion of female leadership in the Group, and has fostered a total of 280 female leaders from 2018 to last year. In 2022, we reformed the principles for fostering female leadership into "C.O.R.E", diversifying existing programs with a focus on enhancing expertise and qualitative growth of female leaders.

### Progress of Shinhan SHeroes Program



### Female Talent Development Programs in Group Companies

#### Fostering Executives

Develop female human resources who have financial expertise and leadership and promote their qualitative growth

##### Shinhan Financial Group SHeroes

- For department heads or higher
- Mentoring, academies, conferences, and networking

##### Shinhan Financial Group WIT(Women in Tech)

- For leaders in digital, ICT, and information protection
- Mentoring and sponsoring

#### Fostering Middle Managers

For female deputy general managers, deputy branch managers, etc. Provide coaching and mentoring to enhance leadership

##### Shinhan Bank SHeroes Blue

##### Shinhan Card PRIDE

##### Shinhan Life S-Wing

##### Shinhan Fund Partners Sai-Salon

##### Shinhan Savings Bank S-core



Appointed the first female CEO within SFG and 20 female executives



Expanded the base for the growth of female leaders in SFG



Boost female leaders' pride and will to grow

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction**
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Direction

### Shinhan's Female Leadership Development Principles and Programs

#### Confidence and Self-esteem

Pride and confidence as a female leader



Foster a sense of belonging and pride with annual International Women's Day (3.8) kickoffs and launches

#### More Chance for Growth

Expand growth opportunities through capacity development



Expand female leader insights through mentoring programs and academies and build stronger capacity for coaching and mentoring female leaders

#### Reinforce Mutual Growth and Relationship

Leverage on each other's growth



Strengthen networking among female leaders through internal and external mentoring programs

#### Build an Inclusive Culture

Build an inclusive culture based on diversity



Motivate female leaders for continuous growth based on diversity through year-end conferences and mentor appointment ceremonies

### Shinhan Bank's "Sheroes Blue"

Shinhan Bank operates the "Sheroes Blue" to improve the leadership capabilities of female employees who are expected to be promoted to department heads. In 2023, Shinhan Bank conducted female leadership development activities such as strength workshops, customized group coaching courses, special leadership lectures with external leaders, and mutual learning among colleagues with similar roles.

### Shinhan Card's "PRIDE"

In 2023, Shinhan Card reorganized its middle manager development program into "PRIDE" and further strengthened its female talent development system. PRIDE provides female managers including deputy general managers and deputy branch managers with various opportunities such as semi-annual CEO meetings, executive-female manager communication programs, online leadership courses, special lectures and women-specific conferences.



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction**
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

**DO THE RIGHT THING**

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Direction

### Supporting People with Disabilities

Shinhan Financial Group continues to support the improvement of treatment and economic independence of people with disabilities so that they can have fair opportunities. We lay the foundation for their economical self-reliance by expanding educational opportunities and creating stable jobs. We intend to create a more inclusive society by fostering social enterprises and strengthening their competitiveness. As it becomes more important to prevent damage to the vulnerable groups caused by financial frauds, we are expanding financial education and improving systems to eliminate inconveniences in using financial services.

#### Prevention of Financial Damage and Improvement of Financial Access

##### Hands-on financial education for people with developmental disabilities

Shinhan Bank provides financial education to help people with developmental disabilities adapt to rapidly changing financial services and achieve economic independence. In 2023, Shinhan Bank provided education to people with developmental disabilities who earn income so that they can form self-directed asset management habits. We provided 30 people with developmental disabilities working at "Paris", a protective workshop at the Seoul Welfare Center for the Disabled, opportunities to experience banking services in person, and also provided lectures on preventing financial fraud.

No. of offline education sessions in 2023 **11**

##### System to assist visually impaired customers in the preparation of contract documents

In June 2023, Shinhan Bank introduced a system to assist visually impaired customers in the preparation of contract documents so that they can handle financial transactions smoothly. This process is carried out at all branches nationwide, and the bank staff personally help visually impaired customers prepare contracts related to financial transactions except signing or affixing seals so that they can use financial services without inconvenience even if they visit Shinhan Bank without a helper.

##### Distributed Financial Glossary in Sign Language

Shinhan Card produced and distributed a booklet "Financial Terms Learned in Sign Language" to enhance the convenience of financial transactions for the hearing impaired and prevent financial damage. This booklet contains not only basic financial terms but also contents to help understand financial crimes such as terms related to financial frauds and the Ten Commandments of Smishing Prevention.

#### Fostering Social Enterprises and Strengthening Their Competitiveness

##### Social Enterprise Fund

Shinhan Financial Group creates and invests in investment funds for social enterprises contributing to social problem solving and environmental improvement. Through these funds, we aim to contribute to the creation and expansion of the ecosystem of social enterprises, and to help social enterprises stably secure funds and expand their businesses to create financial and social profits.

In 2023, managed 4 funds Invested approx. KRW **31.5** billion in **35** enterprises

##### Supported "Tranquil Mobility" a taxi service by the hearing impaired

In 2023, Shinhan Asset Management supports creation of jobs and economic independence of the hearing impaired in cooperation with a startup company, Coactus, which operates a taxi service "Tranquil Mobility" provided by the hearing impaired. Shinhan Asset Management provided tables for communication to support communications between disabled drivers and non-disabled passengers and actively use the Tranquil Mobility service when traveling for business.

#### Expansion of Vocational Education Opportunities and Creation of Jobs

##### Overseas training programs for disabled youth

Shinhan Financial Group operates the "Disabled Youth Dream Team," an overseas training program for disabled youth that provides opportunities for overseas experience to promote their global mindset and growth into future society leaders. In 2023, young people with and without disabilities made teams and completed the on-site training in four countries, USA, Canada, Germany and Japan, under the theme of digital inclusion.

No. of disabled, non-disabled teenager participants in 2023 **1,038** (Cumulative) 

##### Vocational education and jobs for people with disabilities

Shinhan Financial Group supports Cafe'S with, which is run by the Social Cooperative Swith, to help expand opportunities for people with hearing impairment to participate in the society. Cafe'S with creates a working environment where people with and without disabilities work together and can display their capabilities and be recognized for leadership without any discrimination in working conditions, salaries and promotions.

Employment rate of people with hearing impairment in 2023: **70%** 

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
DEI Targets and Metrics  
**DEI Implementation Direction**  
Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## DEI Implementation Direction

### Supporting Multiculturalism

Shinhan Financial Group carries out various activities for social harmony so that members with various social and cultural backgrounds can coexist in the community. We support children from multicultural families to have opportunities to access various cultures and information and to have equal educational opportunities. At the same time, we enhance financial access by improving systems and developing services to address language barriers to avoid difficulties in using financial services. We contribute to expanding educational opportunities not only in Korea but also for students in underdeveloped countries and building healthy communities through medical volunteer activities in areas that lack medical infrastructure.

### Enhancing Cultural Understanding and Supporting Education

#### Support for Korean language education and psychological counseling

Shinhan Bank provides the Multicultural Family Support Center in Ansan, Gyeonggi-do with funds necessary for Korean language education and psychological counseling for children from multicultural families. This program is conducted over a long period of time to help multicultural children achieve substantial independence, through which children understand the culture of the Korean society and recover their identity and confidence.

Total no. of trainees in 2023 **92** Supported education and counseling program **174** times

#### Areumin Library

Shinhan Card operates the Areumin Library in the Multicultural Family Support Centers and Woorideul School, an alternative school for multicultural youth from North Korea. The Areumin Library, a digital reading education space, supports children from multicultural families to participate in e-book reading and reading education programs to have educational opportunities.

In 2023, for multicultural families, **3** Areumin Libraries were operated

#### Learning Programs for Children

Shinhan Life operates learning programs for children from multicultural and non-multicultural families. These programs are operated during vacations to minimize care gaps and to help children from multicultural families interact with ordinary children, form peer relationships, and harmonize with society.

Participated by **415** children in 2023

### Bridging Financial Gaps and Improving Access

#### Established a system to verify foreigners' ID cards

Shinhan Bank established a "Foreign ID Verification System" in 2024. The existing real-time ID verification system for financial transactions was available only to domestic customers who have resident registration cards or driver's licenses, while the new system improved the convenience of foreign customers by allowing them to use fast services and contactless transactions.

#### Exclusive Call center for Foreigners

Shinhan Bank operates an exclusive call center for foreigners so that they can handle banking services without experiencing difficulties in communication. All branches of Shinhan Bank provide interpretation services for 10 languages (Mongolian, Vietnamese, English, Japanese, Chinese, Thai, Russian, Cambodian, Filipino, and Indonesian).

### Cultivating Overseas Human Resources and Supporting Disadvantaged Groups

#### Medical volunteer activities in developing countries

Shinhan Bank provides medical assistance and regular volunteer activities for the underprivileged in developing countries. In 2023, Shinhan Bank supported cleft lip and palate surgeries of children from vulnerable groups selected by Uzbekistan's Ministry of Health and dental treatment of children and adolescents to support the improvement of oral health of developing countries.

From 2008 to 2023, **3,658** patients in total

#### Swith Global CSR Project

In September 2023, Shinhan Bank launched the Swith Global CSR project, a global ESG project. Shinhan Bank awarded scholarships to students studying in Korea who are from Vietnam and Cambodia among major countries in which Shinhan Bank does business. In addition, Shinhan Bank also participated in sharing activities with scholarship students to produce Chuseok gift sets for low-income multicultural families in Korea.

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
DEI Targets and Metrics

### DEI Implementation Direction

Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## Establishing DEI Culture

### Supporting Work-Family Balance

Shinhan Financial Group aims to help its employees build a happy family while at the same time feeling a sense of accomplishment at workplace through work-family balance. To create this working environment, we operate effective systems and programs that apply equally to all employees, including full-time and contract workers. In addition, Shinhan Financial Group transparently discloses the childcare indicators and the status of family-friendly systems and programs so that stakeholders can understand our work-family balance policy.

#### Family-friendly Programs

Child care facilities and childcare expenses	Workplace childcare centers	• Operate five workplace childcare centers in Seoul and one in Gyeonggi-do
	Support for childcare expenses and educational expenses	• Provide childcare allowances (children aged 5 to 7) and school expenses for preschoolers and elementary, middle and high school students to support childcare
	Childcare subsidies for children with disabilities	• [Jeju Bank] Provide KRW300,000 per month for childcare support for children with disabilities
Breastfeeding facilities	Operating breastfeeding rooms	• [Shinhan Card, Shinhan Securities] Provide rest rooms for female employees and breastfeeding rooms
Childbirth and childcare	Support for pregnancy	• Provide paid leave for subfertility treatment up to three days a year • Provide leaves for prenatal diagnosis
	Support for childbirth	• Provide paid childbirth leave for 110 days before and after childbirth (exceeding the statutory leave of 90 days) • Provide 10-day paid paternity leave • Restrict overtime work and nighttime/holiday work of employees for one year after childbirth
	Parental leave	• Guarantee paid parental leave for children aged 9 years or younger or in the third grade or lower at the elementary school equally for male and female employees <sup>1)</sup> (equally for primary and secondary caregivers) • Provide additional leave for maximum 6 months (total parental leave of maximum 2.5 years) in case of the birth of a premature baby or a baby with disabilities. • Operate programs to minimize career gaps due to parental leave (provide mobile regular contents, training for returnees, lectures, etc.)
Family care	Leave of absence on request	• Provide paid leave of absence up to one year for family care, subfertility treatment, etc.
	Family care leave	• Provide paid family care leave for up to 10 days.
Reduced work hours	Reduced work hours for pregnant employees	• Allow reduction of work hours by two hours per day
	Reduced work hours at the school entrance season	• Allow employees who have children who enter the elementary school to come to office at 10:00 for two months between March and June (one hour reduction in work hours)
	Reduced work hours during childcare (Comfortable, 4 Hours system)	• Allow employees who have children in the third grade or lower at the elementary school to reduce work hours by four hours

1) Guarantee parental leave for a maximum of two years including maternity leave before and after childbirth (which can be taken in two installments)

#### Shinhan Financial Group's Status of Parental Leave

		2021	2022	2023
Number of employees scheduled to return to work in the current year after parental leave	Female	582	494	501
	Male	41	70	79
Number of employees who returned to work in the current year after parental leave	Female	547	463	481
	Male	41	64	72
Ratio of employees who have returned to work in the current year after parental leave	Female	94%	93.7%	96.0%
	Male	100%	91.4%	91.1%
Number of employees retained for over 12 months after returning to work in the previous year	Female	563	447	418
	Male	25	38	58
Ratio of employees retained for over 12 months after returning to work in the previous year	Female	93.7%	81.7%	90.3%
	Male	92.6%	92.7%	90.6%

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI  
DEI Implementation Framework  
DEI Targets and Metrics  
DEI Implementation Direction  
**Establishing DEI Culture**

### Human Rights

Shinhan's Human Rights Management  
Human Rights Management System  
Management of Human Rights Risks  
Remedies against Human Rights violation  
Internalization of Human Rights  
Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## Establishing DEI Culture

### Smart Work System

Flexible work hours	Flexible work hours	<ul style="list-style-type: none"> <li>Determining work hours according to a shift schedule (unit period of three months or shorter)</li> </ul>
	Optional work hours	<ul style="list-style-type: none"> <li>8 standard work hours per day multiplied by the specified number of work days during the unit period are considered as the total work hours.</li> </ul>
	Staggered hours	<ul style="list-style-type: none"> <li>Employees observe daily work hours (8 hours) and determine their commuting time</li> </ul>
Smart work systems	Remote work / work at home	<ul style="list-style-type: none"> <li>Employees freely choose the place of work such as home, library, cafe, smart working center, etc.</li> </ul>
	Flexible schedule	<ul style="list-style-type: none"> <li>Adjusting commuting time in consideration of the employees' life patterns or time coordination with business partners</li> </ul>
Compressed work hours	Compressed work hours	<ul style="list-style-type: none"> <li>Centralized headquarters to increase work concentration and enhanced field support through concierge managers, compliance, internal control, etc.</li> </ul>

### Employee Welfare Programs

Health Promotion	Open consultation center	<ul style="list-style-type: none"> <li>Provide stress relief and online psychological care</li> <li>Provide online meditation and healing contents</li> </ul>
	Wellness program	<ul style="list-style-type: none"> <li>Program to control blood pressure and diabetes to prevent serious diseases</li> <li>Assist employees to establish health routines</li> </ul>
	In-house clinics	<ul style="list-style-type: none"> <li>Operate internal medicine and dental clinics in the company</li> </ul>
Vacation Support	Vacation expenses	<ul style="list-style-type: none"> <li>Provide vacation expenses and work-life balance allowances to encourage employees to have vacations</li> </ul>
	Vacation facilities	<ul style="list-style-type: none"> <li>Provide vacation facilities such as hotels, resorts, etc. during the vacation period</li> </ul>
Loan Support	Mortgage loan	<ul style="list-style-type: none"> <li>Provide mortgage loans for residential and living stability</li> </ul>

#### CASE

#### New employee training program with family

In 2024, Shinhan Bank made a two-day weekend training program for employees to learn while making memories with their families for the first time in the banking sector. Employees learned about the economic outlook with their spouses, and their children participated in financial experience education. In the evening, employees enjoyed various activities such as watching movies and playing board games with their families. Shinhan Bank will continue to conduct this training program with family members twice in each half year to help executives and employees continue their happy family life with their work.

**4** programs per year

#### CASE

#### "Shinhan Dream Dodamteo" for the work-family balance of local community members

Shinhan Financial Hope Foundation signed an MOU with the Ministry of Gender Equality and Family to operate the "Shinhan Dream Dodamteo" where parents can leave their children at ease to help local community members balance their work and family. Since 2023, this center has expanded targets from elementary school students to infants and toddlers, operated a "care sharing" program where residents can interact with each other, and become the community care center that anyone can use when they need it.

**196** centers in operation as of the end of 2023

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
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- DEI Implementation Direction
- Establishing DEI Culture**

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

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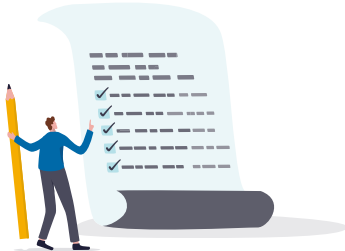
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2023 ESG Report

# DIVERSITY, EQUITY AND INCLUSION

## Establishing DEI Culture

### Building a Horizontal Corporate Culture

Shinhan Financial Group strives to spread and settle a horizontal corporate culture so that all members can communicate freely and show creativity. We intend to look back on existing practices and make changes by innovating our corporate culture to break away from the traditional organizational framework, and introduce various systems to create a flexible working environment. We identify problems that may arise within the organization through the diagnosis of the organizational culture conducted semi-annually and take improvement measures. With these efforts, we aim to create an environment in which employees can focus more on their work and improve productivity and efficiency of the organization.

Corporate culture innovation	Flexible working environment	Diagnosis of corporate culture
 <ul style="list-style-type: none"> <li>Eliminating obstacles to horizontal communications and implementing HR management systems to display commitment to performance and exercise creativity</li> <li>Securing strategic insights of various generations and creating an environment in which members can express their creativity and leadership</li> <li>Sharing achievements with members and presenting directions for development through the Shinhan Culture Forum</li> </ul>	 <ul style="list-style-type: none"> <li>Removing barriers to horizontal communications, such as positions, titles, and dress codes</li> <li>Using flexible work hours to support work-family balance</li> </ul>	 <ul style="list-style-type: none"> <li>Diagnosing the corporate culture level that members perceive through the semiannual Shinhan Culture Index Survey</li> <li>Promote activities to improve the corporate culture based on the results of diagnosis</li> </ul>

#### CASE

### Improved the corporate culture by operating Everyone's CoP

Shinhan Bank operates "Everyone's CoP" so that employees can voluntarily participate and improve the organizational culture related to HR management. In 2023, we developed existing CoP focusing on idea proposals and information exchange and provided opportunities for employees to resolve issues arising in the workplace. In addition, we clarify opinions from the CoP, draw improvement tasks and implement them, actively reflecting employees' ideas on management activities.

#### Everyone's CoP Operational Concept



**Connect**  
Connecting personal experiences of participating members and cooperate



**Fun**  
Developing ideas through free and voluntary immersion



**Real**  
Realizing a good workplace envisioned in our mind

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### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture**

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# HUMAN RIGHTS

## Shinhan's Human Rights Management

Human rights are fundamental rights that should be guaranteed to all people based on dignity and equality and should be protected throughout the world. In recent years, the international community is adopting various laws and policies to enhance the protection of human rights. In Korea, human rights-related standards, e.g., laws on corporate social responsibility, are being strengthened and the demand for disclosure of relevant information is also increasing.

For companies, human rights management is not just an obligation. Instead, it is an essential management principle for sustainable growth. Human rights management minimizes legal and financial risks, improves a company's reputation, and secures the trust of stakeholders. In addition, companies that comply with international standards can gain a competitive position in the global market.

Shinhan Financial Group has established 'Compassionate Finance, Your Companion for the Future' as its mission, which aims at 'building a better world through finance', and intends to achieve sustainable growth through the creation of customer value, Shinhan's value, and social value based on this mission, while maintaining a win-win partnership of customers, Shinhan, and the society. In order to continuously maintain and develop win-win relationships with customers and the society, Shinhan Financial Group understands the importance of human rights management and respects the fundamental rights of all stakeholders.

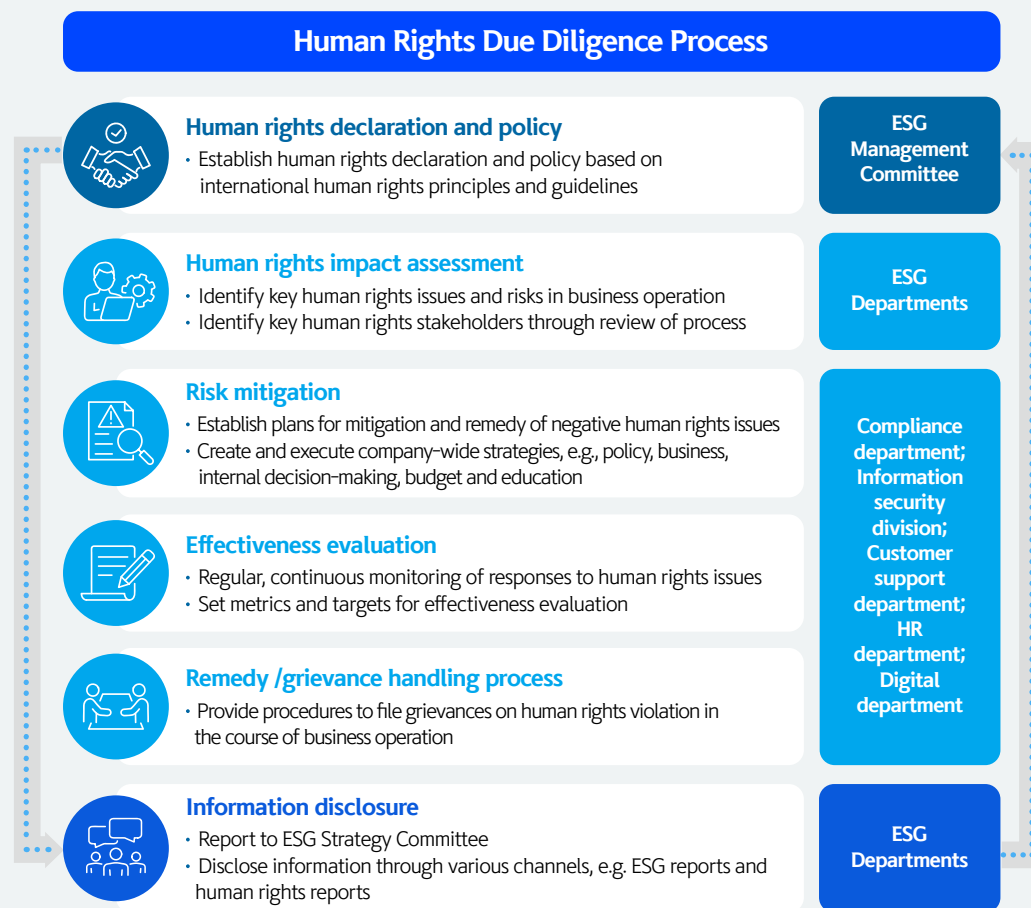
Shinhan Financial Group is committed to transparently disclosing the direction and performance of its human rights management to stakeholders through human rights reports and aims to build a leading human rights-friendly management culture by reflecting the views and opinions of various stakeholders.



## Human Rights Management System

### Human Rights Management Implementation Framework

Shinhan Financial Group conducts its business activities in compliance with the universal principles of human rights set forth in international human rights principles and guidelines, and has a human rights due diligence process in place to respect human rights and prevent human rights violations. The human rights due diligence process includes the foundation of human rights management, such as the human rights declaration and policy, as well as a series of implementation activities to manage human rights issues on an ongoing basis by managing negative impacts and establishing remedial procedures.



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# HUMAN RIGHTS

## Human Rights Management System

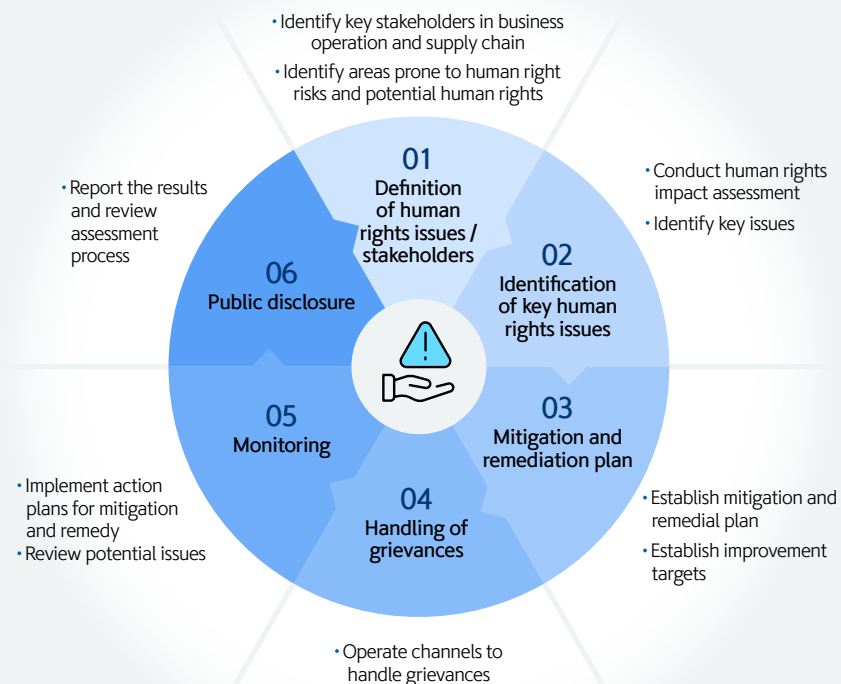
### Human Rights Management Declaration and Policy

Shinhan Financial Group has declared that it supports the basic principles for protection and respect of human rights as set forth in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights of the UN Human Rights Council and will make every effort to comply with them. In addition, it has established the Code of Ethics of Shinhan Financial Group, which contains the philosophy of protecting and respecting human rights of internal and external stakeholders. It operates the Code of Conduct for Partner Companies to ensure that our partners are in line with Shinhan's principles and philosophy of socially responsible management. In addition, the Group has established the 'Promise to Respect Human Rights', 'Human Rights Principles to Protect the Rights and Interests of Stakeholders', and 'Human Rights Risk Management Process' to eliminate human rights violations that may occur within its business activities, e.g., the sale of financial products and services, and to protect the rights and interests of stakeholders.

Based on these directions, Shinhan Bank has enacted the 'Human Rights Management Policy' and 'Detailed Principles of Human Rights Management' in consultation with internal and external experts and stakeholders, and annually reviews their appropriateness and revises them as necessary. In addition, it has developed the Human Rights Management System Guidelines, which addresses the establishment and implementation of the human rights management system, including the human rights policy, human rights management organization, procedures for remedying human rights violations, and human rights impact assessment.

-  Shinhan Financial Group Declaration of Human Rights
-  Shinhan Financial Group Code of Ethics
-  Code of Conduct for Partner Companies
-  Promise to Respect Human Rights, Human Rights Principles to Protect the Rights and Interests of Stakeholders, Human Rights Risk Management Process

### Human Rights Risk Management Process



### Shinhan Bank's Human Rights Management Policy

- 1 We comply with the international norms and rules for protecting human rights.
- 2 We respect and protect human rights and operate a remedial process against human rights violation.
- 3 We ban child labor and forced labor and strive to protect the health and safety of our employees and stakeholders.
- 4 We prohibit all kinds of discrimination on the basis of gender, age, race, ethnicity, physical disability, religion, political affiliation, sexual orientation, etc. and strive to boost diversity.
- 5 We guarantee freedom in the activities of the labor union and pursue growth upon the trust between labor and management.
- 6 We make fair transactions with suppliers on an equal footing as partners for mutual growth.
- 7 We strive to prevent social and environmental issues and promote the development of local communities.
- 8 We strive to build, implement and improve the human rights management system.
- 9 We disclose the human rights data to stakeholders transparently and reflect the voices of our stakeholders in human rights management.

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System**
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights
- Management and Information Disclosure

## DO THE RIGHT THING

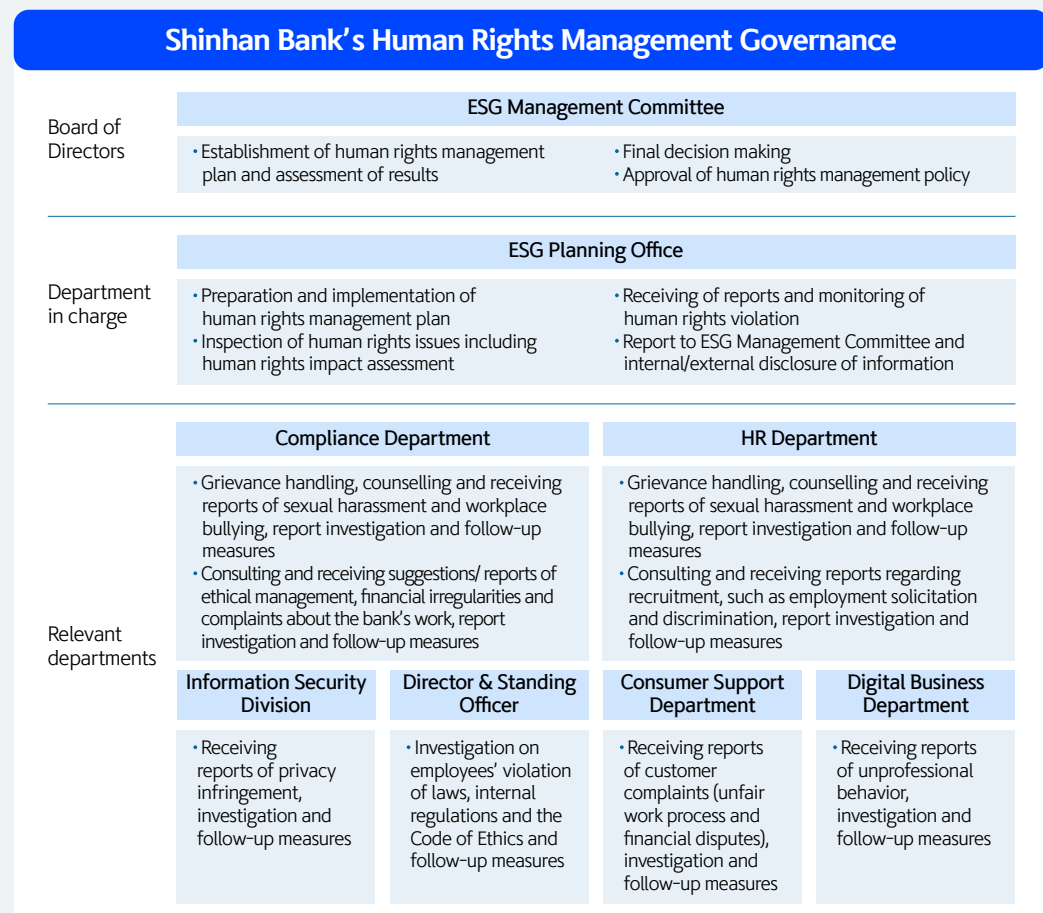
Shinhan Financial Group  
2023 ESG Report

# HUMAN RIGHTS

## Human Rights Management System

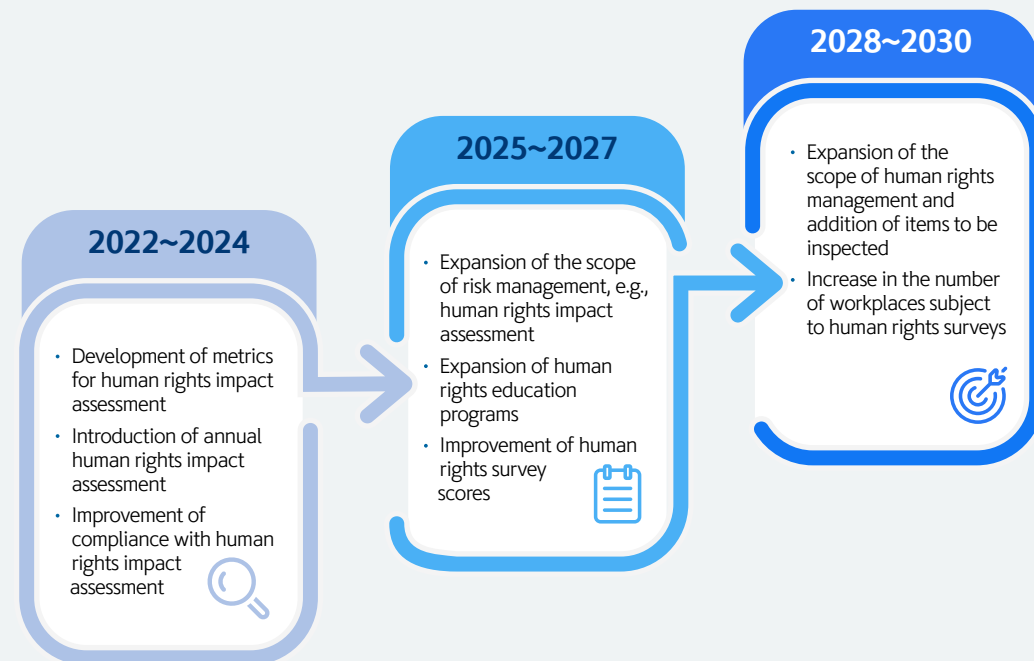
### Human Rights Management Governance

Shinhan Financial Group promotes unified human rights management at the group level through ESG governance from the BOD to the working teams, and ensures that human rights management is practically implemented by reflecting human rights elements in the strategic tasks of the CEOs of the holding company and other group companies. Shinhan Bank's ESG Management Committee, as the highest decision-making body, plays a supervisory role in human rights management, while the ESG Planning Office listens to opinions from internal organizations and stakeholders and reflects them in the human rights management plan.



### Mid- to Long-Term Goals for Human Rights Management

Shinhan Financial Group has established mid- to long-term goals to advance the level of its human rights management and continuously monitors the status of relevant progress. In order to strengthen the management of human rights risks, it plans to gradually expand the scope of human rights impact assessment and the items to be assessed, while continuing activities to establish a culture of respect for human rights and provide appropriate training.



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System**
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# HUMAN RIGHTS

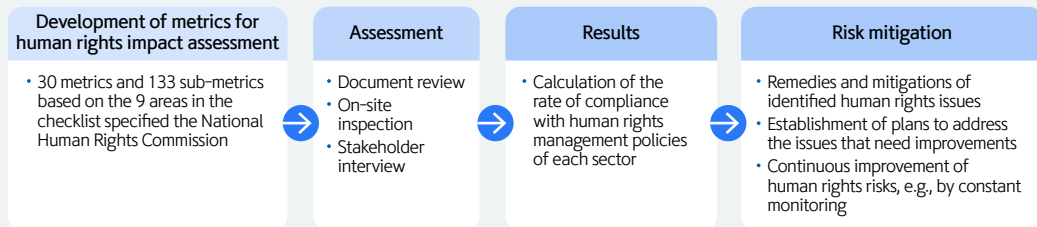
## Management of Human Rights Risks

### Human Rights Impact Assessment

A human rights impact assessment is a process that identifies and evaluates the negative human rights impacts of a company's business activities on stakeholders to find key human rights issues that need improvement and establish action plans to mitigate or prevent them. In 2022, Shinhan Bank became Korea's first commercial bank to conduct a third-party human rights impact assessment, followed by another in 2023. The bank developed metrics for human rights impact assessment based on domestic and international requirements and guidelines related to human rights, including the Human Rights Management Manual for Public Institutions issued by the National Human Rights Commission, domestic human rights laws and regulations, and the UN Guiding Principles on Business and Human Rights, and conducted a two-day on-site assessment.

According to the 2023 human rights impact assessment, measures to mitigate the issues identified in the previous year have been implemented. This is a result of internal improvement activities for continuous risk management since the previous assessment. The rate of compliance has improved in the establishment a human rights management system, prohibition of forced labor, and prohibition of child labor. The bank also came up with key improvement measures for 4 areas that showed relatively low compliance rates in the 2023 assessment. With respect to the areas for which the key improvement measures have been established, the bank will develop plans for improvement and mitigate relevant risks by monitoring the implementation.

### Shinhan Bank's Human Rights Impact Assessment Process



### Key findings of the 2023 assessment

- Employees' understanding of the human rights impact assessment has improved since the adoption of the Human Rights Management System Guidelines in 2022
- Company-wide improvement measures for the issues identified in the 2022 impact assessment have been implemented continuously.
- Employees show high satisfaction with the corporate culture to encourage work-life balance, e.g., maternity and parenthood support.

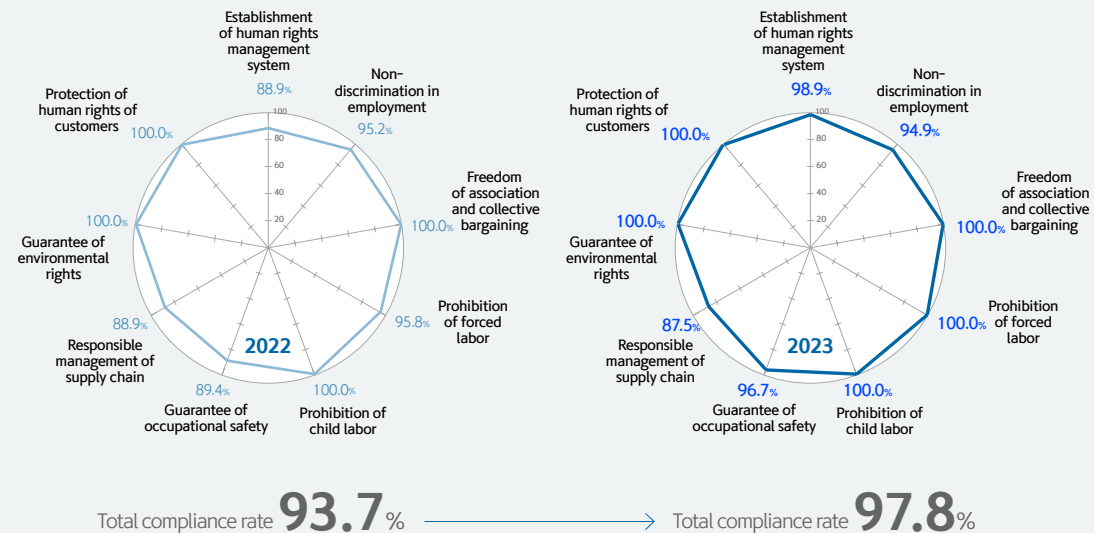
### Recommendation for further improvement

- Stronger inspection of fire-fighting facilities
- Monitoring of improvement measures upon the assessment for human rights protection by suppliers
- More detailed KPI in relation to human rights

### Shinhan Bank's Statement of Human Rights Impact Assessment



### Changes in Human Rights Impact Assessment Compliance Rate in 2022 and 2023



## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

- Shinhan's DEI
- DEI Implementation Framework
- DEI Targets and Metrics
- DEI Implementation Direction
- Establishing DEI Culture

### Human Rights

- Shinhan's Human Rights Management
- Human Rights Management System
- Management of Human Rights Risks
- Remedies against Human Rights violation
- Internalization of Human Rights
- Management and Information Disclosure

DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

# HUMAN RIGHTS

## Management of Human Rights Risks

### Identification of Human Rights Risks

Shinhan Financial Group identifies human rights risks that may arise in each major human rights area in consideration of the characteristics of the financial industry and each company. It identifies major human rights risks that may arise in the financial industry and the stakeholders that are primarily involved, while conducting management activities to mitigate their impacts.

Area	Description	Major human rights risks of the financial industry	Key stakeholders
Establishment of human rights management system	Reliability and effectiveness of corporate and human rights systems	<ul style="list-style-type: none"> <li>Lack of effectiveness of business and human rights declarations</li> <li>Lack of procedures to remedy human rights violations and an independent organization to deal with the issues</li> </ul>	Employees, Customers, Suppliers, Local communities
Non-discrimination in employment	Discrimination based on race, religion, disability, gender, place of birth, employment status, etc.	<ul style="list-style-type: none"> <li>Discriminations in recruitment and personnel evaluations based on race, religion, disability, gender, place of birth, employment status, etc.</li> <li>Discriminations based on contract types, such as subcontractors, temporary employment, non-regular employment contracts, etc.</li> </ul>	Employees
Freedom of association and collective bargaining	Freedom for unionization and union activities	<ul style="list-style-type: none"> <li>Obstruction of formation of labor unions and restriction of their activities</li> <li>Ineffectiveness and inefficiency of labor-management communication channels</li> </ul>	Employees
Prohibition of forced labor	Prohibition of labor in forced forms	<ul style="list-style-type: none"> <li>Risks arising from investments that do not take into account forced labor in decision-making processes</li> <li>Forced long working hours of employees, including those of suppliers</li> </ul>	Employees, Suppliers
Prohibition of child labor	Prohibition of child employment	<ul style="list-style-type: none"> <li>Risks arising from investments that do not take into account child labor in decision-making processes</li> <li>Exploitation of child labor and lack of opportunities for education</li> </ul>	Employees, Suppliers
Guarantee of occupational safety	Implementation of measures to guarantee occupational health and safety	<ul style="list-style-type: none"> <li>Safety accidents, industrial accidents, and poor working conditions for workers in the banking industry</li> <li>Violation of labor rights for suppliers or temporary workers, etc.</li> </ul>	Employees, Suppliers
Responsible management of supply chain	Efforts to maintain partnerships that do not cause human rights violation	<ul style="list-style-type: none"> <li>Issues arising from transactions with regions or industries where human rights issues have occurred</li> <li>Low bidding prices, bribery, and abuse of power by employer</li> <li>Violation of labor rights for suppliers or temporary workers, etc.</li> </ul>	Suppliers
Guarantee of environmental rights	Efforts to prevent environmental pollution and global warming	<ul style="list-style-type: none"> <li>Damage to community from large-scale infrastructure and land development and investments in high-carbon industries</li> </ul>	Employees, Customers, Suppliers, Local communities
Protection of human rights of customers	Guarantee of product safety and protection of rights and interest of customers	<ul style="list-style-type: none"> <li>Discrimination in access to and use of financial services</li> <li>Damage to customers due to financial frauds, such as voice phishing</li> <li>Damage to customers due to incomplete sales and unfair trade practices</li> <li>Data breaches, privacy violations, and consumer rights violations</li> </ul>	Customers

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI  
 DEI Implementation Framework  
 DEI Targets and Metrics  
 DEI Implementation Direction  
 Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management  
 Human Rights Management System  
**Management of Human Rights Risks**  
 Remedies against Human Rights violation  
 Internalization of Human Rights  
 Management and Information Disclosure

DO THE  
 RIGHT THING

Shinhan Financial Group  
 2023 ESG Report

# HUMAN RIGHTS

## Management of Human Rights Risks

### Communications with Stakeholders

Shinhan Financial Group has various communication channels to identify and respond to human rights issues of key stakeholders related to its business activities. Through these channels, the Group regularly collects opinions from stakeholders, encourages their engagement, and endeavors to avoid human rights risks.

Major Stakeholder Issues and Communication Channels		
Human rights issues of interest	Key Stakeholder Communication Channels	2023 Performances
Employee	• Fair wages and benefits • Safe and healthy workplaces • Protection from discrimination and bullying • Protection of labor rights, e.g., right to association and collective bargaining	• Shinhan Culture Index <sup>1)</sup>  1st Half 78.1 points 2nd Half 77.9 points
		• Labor-management council <sup>2)</sup>  9 Agenda Items for 1st Half 11 Agenda Items for 2nd Half
Supplier	• Fair contracting and unfair trade • Rights of supplier's employees • Cooperation on social and environmental impacts • Ethical procurement practices	• Ethical Management Hotline <sup>2)3)</sup>  6 cases received 6 cases processed
		• Whistleblowing <sup>4)</sup>  0 cases received 0 cases processed
Customer	• Safety and quality of financial products and services • Fair advertising • Privacy • Corporate transparency	• Receiving customer complaints <sup>5)</sup>  9,589 cases received 9,589 cases processed
		• Shinhan Ombudsman <sup>2)6)</sup>  3 councils opened 11 cases processed in council

1) Shinhan Financial Group and All Group Companies

2) Shinhan Bank

3) Confidential reporting channels for unethical behavior and human rights violations involving Shinhan Bank employees, customers, and partner company employees

4) Shinhan Card

5) Shinhan Bank, Shinhan Card, Shinhan Securities, Shinhan Life, Shinhan Capital, Shinhan Asset Management, Jeju Bank, Shinhan Savings Bank, Shinhan EZ Insurance

6) Committee composed of 6 experts from academia, legal profession, and other fields, 1 specialized investment firm, and 1 civic organization representative for financial consumer protection matters

## Remedies Against Human Rights Violation

Shinhan Financial Group has a hotline for reporting of human rights violations to assist stakeholders who experience negative impacts from its business activities in filing complaints. The hotline is available to all external stakeholders, including suppliers, as well as its employees. All reports are kept confidential, and the confidentiality of the complainant and the incident is strictly guaranteed.

Once a human rights violation occurs, the Group provides prompt and efficient remedies based on the remedy procedure for human rights violations. The reports submitted through the hotline are investigated in confidence and any identified problems are immediately corrected. In order to prevent repetition of similar incidents, follow-up actions are taken, e.g., reflecting the findings of the investigations in the ethics management and human rights management policies and provision of training to address the underlying causes.



## Internalization of Human Rights Management and Information Disclosure

### Human Rights Management Education

Shinhan Financial Group conducts online and offline human rights education for all employees at least once a year to raise awareness of human rights and spread a culture of human rights protection. It provides mandatory online training courses on sexual harassment prevention and disability awareness on an annual basis. In 2023, a total of 44,008 hours of online training was provided to employees of all group companies. In 2023, Shinhan Bank created a special ESG program, "Climate Finance, Diversity, Human Rights, and Disclosure," to make education more accessible to its employees.

### Transparent Disclosure of Information

Shinhan Financial Group regularly discloses information on its human rights management system, relevant performance, and monitoring status on the websites of its holding company and major group companies as well as in ESG reports. This shows Shinhan Financial Group's efforts respect human rights and strengthen the human rights management to its internal and external stakeholders.

## Diversity and Human Rights Report

### Diversity, Equity and Inclusion

Shinhan's DEI

DEI Implementation Framework

DEI Targets and Metrics

DEI Implementation Direction

Establishing DEI Culture

### Human Rights

Shinhan's Human Rights Management

Human Rights Management System

Management of Human Rights Risks

Remedies against Human Rights violation

Internalization of Human Rights

Management and Information Disclosure

## DO THE RIGHT THING

Shinhan Financial Group  
2023 ESG Report

