

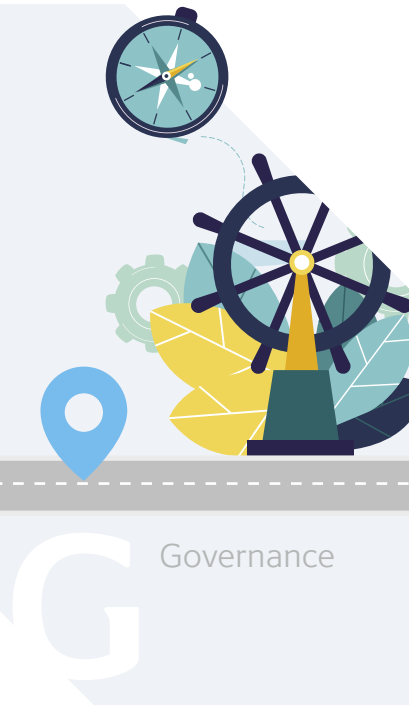
Shinhan Financial Group 2020 ESG Highlight

FINANCE for **IMPACT**

E Environmental



S Social



G Governance

How can a financial institution reduce greenhouse gas emissions? It doesn't even have plants....



Why is a financial company incubating startups? Wouldn't it be better to invest in fully-grown companies instead?



If you are asking these questions, think of something that is not quite visible yet clearly exists. Like branches swaying and morning coming every day, our economy moves by invisible force, and at the center of which is finance. On the strength of finance, the economic cycle continues, nations grow, and people prosper.

Many companies are drawn to ESG¹⁾ management of late. Can't it negatively affect corporate earnings performance?



Yes, that might be the case in the short run. However, companies should be able to manage their earnings performance from a long-term perspective in response to an increasingly unpredictable business environment. Rather than chasing a quick profit, we should look for ways to grow together with all our stakeholders over the long run. This is the reason why individual and institutional investors are paying a close attention to the ESG factors when it comes to corporate evaluation.



¹⁾ Stands for environmental, social, and governance (ESG), and a set of criteria that are known to influence business sustainability, and emerging as a key part of the management strategy of global countries, organizations, and companies.

Shinhan Financial Group pursues ESG management and seeks to change not only by itself but together with everyone as well. To this end, we have adopted “FINANCE for IMPACT” as the principle of our ESG management and set three strategic directions – green, win-win, trust – and five IMPACT tasks. On our journey toward sustainable future lies the ESG Way.

Shinhan Financial Group 2020 ESG Highlight is published as an interactive PDF format, allowing readers to move quickly and easily to pages in the report, and including links to related web pages and video clips.



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And we hope to take this path together with all our stakeholders.

Contents



Empowering a green future



Turning on a green light for green future

Extreme weather has become part of daily life, and the Earth's temperatures are steadily rising, flashing red lights. What is pushing Earth to a stop is us, the human race. However, Shinhan will not stop, and instead we will turn on the green light on the path to the future with the power of finance, and move forward on the path of green future.



At the 21st Session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change held in Paris, France, in December 2015, UN member countries signed a “Paris Agreement”, all pledging to keep the increase in global average temperature to below 2°C above pre-industrial levels and to even limit the increase to 1.5°C. In 2020, many countries around the world, including Korea, declared “Net Zero¹⁾”, with many governments and investors urging corporations to disclose climate change impacts on their financial health in accordance with TCFD²⁾.

However, the climate change report card is getting more dismal for the human race. In 2020, the temperature in Verkhoyansk, known as the coldest place on Earth, recorded 38°C; and forest fires in Australia either killed, harmed, or burnt the habitat of some 3 billion wild animals, including 60 thousand koalas. Korea also suffered a great deal from a monsoon season that lasted 54 days, the longest since 1973. As global warming continues, 2020 will very likely go down as one of the three hottest years in the history of meteorological records³⁾.

¹⁾ Net Zero: Balancing carbon emissions released by an equal amount of being taken out of the atmosphere
²⁾ Taskforce on Climate-related Financial Disclosure (TCFD): A climate change-related financial information disclosure initiative established by the Financial Stability Board (FSB), a consultative body of G20 finance ministers and central bank governors
³⁾ Source: World Meteorological Organization (WMO) Provisional Report on the State of the Global Climate 2020
⁴⁾ ECO Transformation 20:20: Shinhan Financial Group’s eco-friendly strategy established in 2018 to reduce its carbon emissions by 20% and provide financial support worth KRW 20 trillion by 2030

“Zero Carbon Drive” is Shinhan’s eco-friendly strategy to build a green future. The new strategy is an upgrade to “ECO Transformation 20:20⁴⁾”, and is our ambitious goals to not only reduce our own carbon emissions, but also help our corporate clients with low carbon transform, thereby achieving carbon neutrality of the Group asset portfolio.

In November 2020, Shinhan Financial Group became the first financial group in East Asia to announce a zero-carbon initiative. Going forward, we will actively take part in national and international efforts to overcome the global crisis of climate change while fulfilling our responsibilities as a financial company for future generations.



IMPACT 1

Zero Carbon Drive

Financial companies cutting CO₂ emissions? They aren't a part of a smokestack business, right?

A financial company provides funds. When companies use funds to produce products and individuals use these products, carbon is emitted. Shinhan takes responsibility even for carbon that is generated from its investments and loans, and seeks a pathway to a low-carbon economy. To this end, we urge our portfolio companies with large greenhouse gas (GHG) emission footprints to change their facilities to adopt eco-friendly facilities or recommend participation in eco-friendly management index disclosures. In addition, by expanding eco-friendly financial support, we are contributing to a transition towards an eco-friendly economy.

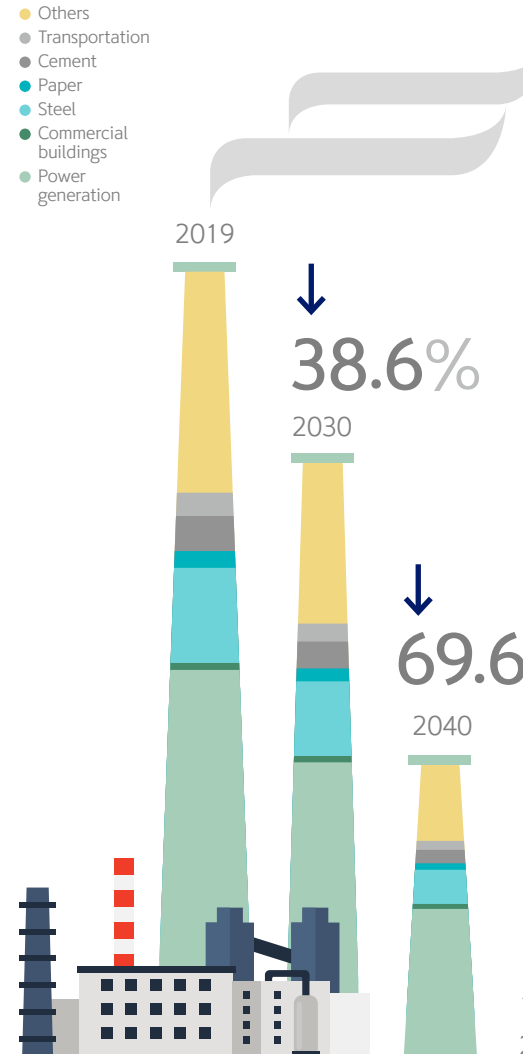
This responsibility of Shinhan is not a mere resolution, and is executed through the Zero Carbon Drive in a scientific way. By using SBTi¹⁾, a methodology in compliance with the Paris Agreement, we plan to reduce our own emissions by 46.2% by 2030, 88.2% by 2040, and to zero by 2043 while also seeking to reduce our asset portfolio²⁾'s aggregate carbon emissions by 38.6% by 2030, 69.6% by 2040, and to zero by 2050.

Zero Carbon Drive is a detailed eco-friendly strategy based on the experience and competency we have accumulated over the years. We have built and are managing a database of the carbon emissions of 1,042 companies in Korea that are allocated of CO₂ emissions allowances or under GHG/energy target management. Based on our industry-first "best practices for environmental/social risk management", established in May 2018, we thoroughly evaluate and manage the environmental and social impacts of the economic activities of companies to which we offer financial services. In particular, we have designated 12 areas which poses an environmental and social threat, and are monitoring the level of exposure to risks. We also have established the process by which to evaluate the negative impact of project finance (PF) deals on the environment and society as well as to reflect corrective measures in the formulation of PF contracts.

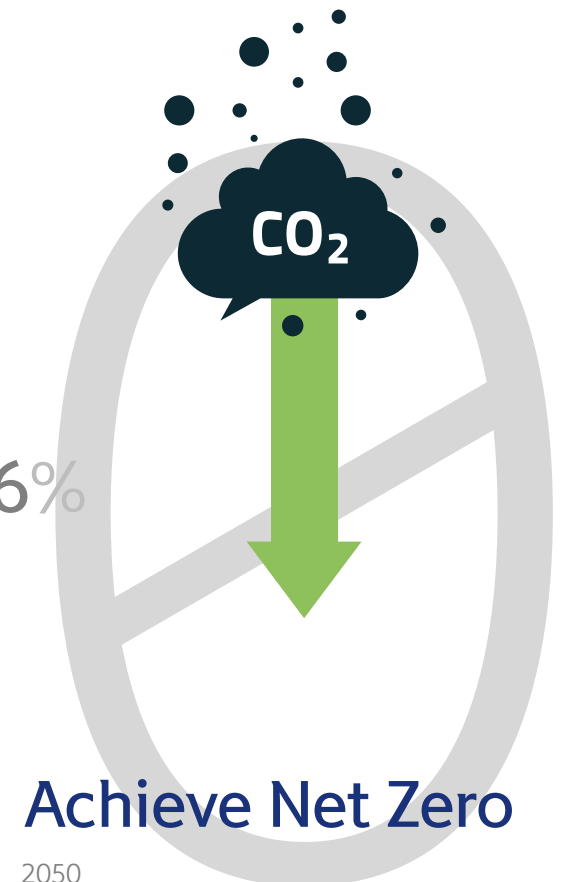
¹⁾ Science Based Target initiative (SBTi): A global initiative developed to help companies set a target in line with science-based reduction criteria and make transition to business operations suitable for a low-carbon economy. A greenhouse gas (GHG) reduction target is deemed "science-based" if is in line with the latest climate science in accordance with the Paris Agreement.

²⁾ Asset portfolio: A mix of assets invested by financial companies in the forms of loan and investment

Goal to reduce CO₂ emissions of the Group's asset portfolio



Set a plan to achieve carbon neutrality by 2050 aligned with 2°C scenario in accordance with Sectoral Decarbonization Approach (SDA) set by SBTi



On the strength of these competencies, Shinhan Bank became the first commercial bank in Korea to adopt the Equator Principles¹⁾ in September 2020; and accordingly measures and manages the environmental and social risks of PF deals with a price tag of over USD 10 million and corporate loans exceeding USD 50 million.

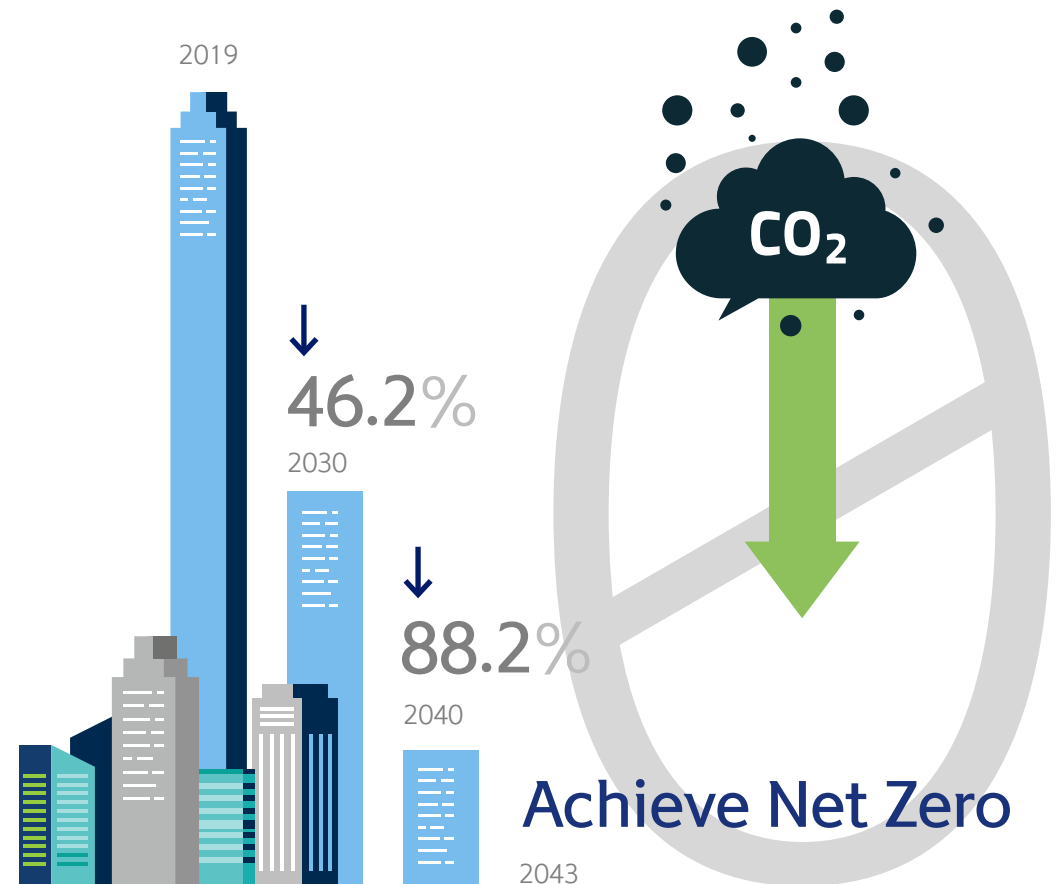
Going forward, Shinhan Financial Group will use a methodology recommended by the Partnership for Carbon Accounting Financials (PCAF) to further advance its carbon emissions measurement models. We will go a step further and focus more on eco-friendly finance, increasing loans to companies with carbon emissions-reducing technologies and providing financial support to companies and industries retooling their production with eco-friendly facilities. To this end, we will supply a total of KRW 30 trillion from 2020 to 2030. In 2020, KRW 2,677.3 billion was supplied in the forms of loan and investment.

We cannot pass on to our next generations a future where disasters are part of daily life. When a change of positive impacts is in need, finance is responsible for making the change happen.

Through finance, we will reduce the negative impact of industry on the environment and increase the positive impact in an eco-transition, thereby ushering in an eco-friendly society in which carbon emissions are zero.

Goal to reduce CO₂ emissions within the Group

Set a plan to achieve linear annual reduction rate of 4.2% per year aligned with 1.5°C scenario set by SBTi



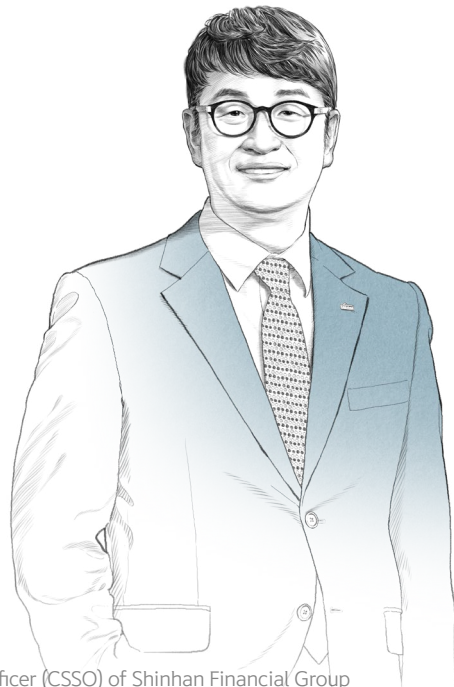
¹⁾ Equator Principles: An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights



For further information, please refer to the "TCFD Report" in the Special Report section



Opening the door to a zero carbon society through sustainable finance



Park Sung-hyun
 Chief Strategy & Sustainability Officer (CSSO) of Shinhan Financial Group
 UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative

Q

How does “Zero Carbon Drive” differ from eco-friendly strategies of the past?

A

The biggest difference is that Shinhan goes beyond measuring and managing its own carbon emissions and, for the first time among financial companies in Korea, seeks to scientifically measure, set target goals and accordingly manage the carbon emissions of its portfolio companies. Such plans require not only the ability to measure and manage, but also the will to reduce the carbon emissions. We will bolster and systemically manage such competencies in line with global standards, and strive to achieve the goals through proactive communications with our customers.

Q

Please elaborate on Shinhan’s efforts to achieve its goals.

A

Shinhan has been proactively responding to the recommendations of global initiatives such as CDP¹⁾ and TCFD. In 2021, we will encourage participation of various stakeholders, including corporate clients. I am currently serving as UNEP FI²⁾ Global Steering Committee (GSC) Asia Pacific Banking Sector Representative. We will implement various programs we deem applicable to Korea based on global cases, and identify more areas where finance can contribute to the environment in collaboration with global financial institutions. We are well aware of that we cannot achieve our zero-carbon goal on our own. We will therefore do our best to cooperate with various stakeholders in Korea and abroad, and together we push forward joint efforts toward achieving the goal.

¹⁾ Carbon Disclosure Project (CDP): UK-based non-profit organization with a world-renown carbon information disclosure platform

²⁾ UN Environment Programme Finance Initiative (UNEP FI): A public-private partnership between the UNEP and financial sector. Around 300 financial institutions across the globe are voluntarily participating in the initiative with the goal of expanding ESG management. GSC is UNEP FI’s top decision-making body setting strategic goals and setting up and approving annual program plans.

Steering in the desirable way

Walking together towards the direction of our desire

We become more alike when we travel together because we see strengths in others and adopt them. We become stronger when our strengths are combined. We can go far if we go together, some say. Together, we can envision a goal and reach there that we cannot arrive at alone. Shinhan Financial Group holds out its hands to people in difficulty and provides opportunities to people with dreams, safeguarding all hopes.



Apple and Amazon, top two companies of the 2020 Interbrand¹⁾ Global 100 Brand list, were once startups, too. Behind the meteoric rise of the world's top brands was the power of finance. If the two startups had been turned down for their bright ideas and future technologies being rather unfamiliar, or if the helping hand of finance had not fully extended for their untrodden paths, innovation that had changed the world would not have taken place.

Shinhan Financial Group pursues sustainable economy together with future innovative companies. With the power of finance, we are helping anyone with innovative ideas and technology find new opportunities to grow and achieve success. By discovering companies oriented toward the future, investing in visions that such companies will realize, we help people build a better world through innovation and with a can-do spirit.

This in turn enables both Shinhan and startups to pave the way towards sustainable growth.

Economic growth and technological development have enabled more prosperous and convenient lives, but also brought about substantial economic, environmental, and social inequality. Based on our mission, "Compassionate Finance, Your Companion for the Future", Shinhan Financial Group hopes for a society where no one is left behind. To this end, we full fill our responsibilities as a financial company so that the underprivileged can rediscover hope.

Hope Together SFG is aimed at helping companies and individuals who dream of a new "Start up" change into healthy financial consumers; enabling everyone to enjoy a stable economic life by being equipped with "Financial literacy"; and removing regional gaps by resolving social issues that "Group of community" faces.

As such, we hope to fulfill our responsibilities through Hope Together SFG.

**Hope.
Together.**



¹⁾ Interbrand: A world-renowned brand consulting company that measures the value of major brands of the world, and announces 100 major global brands every year



IMPACT 2

Triple-K Project

Sustainable growth of the national economy requires continued development of ventures. Amid an accelerating reorganization of the industrial structure in step with the Fourth Industrial Revolution, Shinhan strives to take the lead in building an innovation ecosystem in Korea by discovering and nurturing startups that will ride the innovation wave in the sea of change. Which is why we are executing "Triple-K Project", a mid- to long-term plan, with the goal of fostering ten unicorn companies¹⁾.

Korea Cross-Country

The first K crisscrosses the nation. Under the "Korea Cross-Country Plan" to expand the startup infrastructure concentrated in Seoul and establish the foundation for innovative growth nationwide, in 2020 we launched "S² Bridge". Symbolizing collaboration between two Ss, Shinhan and startups, S² Bridge is the new brand identity of Shinhan's startups-nurturing platform, relaunching the previous "Do Dream Space" as "S² Bridge: Seoul". "S² Bridge: Incheon" stands for the Incheon Startups Park, which Shinhan has established together with the Ministry of SMEs and Startups and Incheon Metropolitan City. S² Bridge: Incheon is a nurturing platform through which we support startups of the Incheon Startup Park throughout their business cycle, from startup launch to overseas expansion. In Daejeon as well, we are implementing the "D-Bridge" program to nurture startups in Daejeon. In 2021, programs will be run to nurture startups in major cities, including Busan and Jeju.

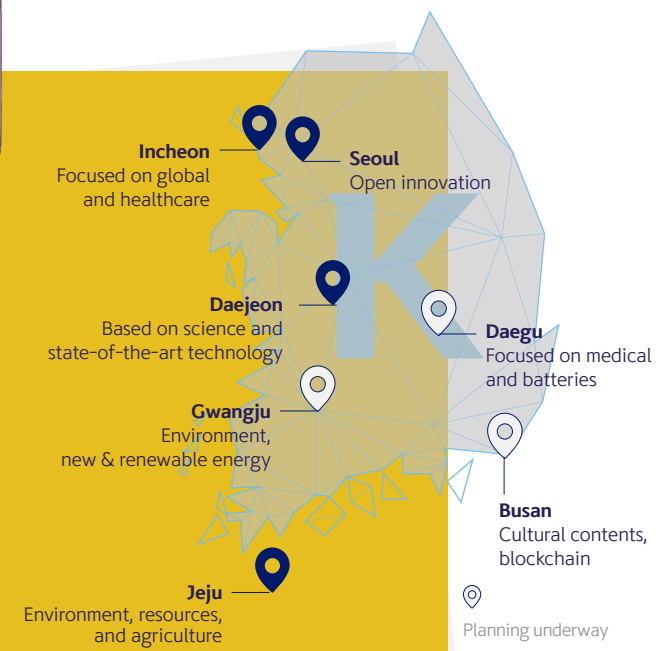
In building the innovative growth ecosystem, what is as important as launching is scaling-up startups. Shinhan Financial Group is therefore actively supporting the scaling-up of startups, including establishing dedicated funds. First, S² Bridge: Incheon and S² Bridge: Daejeon have established investment support funds of KRW 10 billion and KRW 20 billion, respectively. We plan to establish additional funds in step with the expansion of investments to a maximum KRW 50 billion and KRW 100 billion, respectively. We also have established "One Shinhan Future's Fund 1 and 2", funds dedicated to the Shinhan Future's Lab, managing a total of KRW 25 billion. In addition, by providing extensive tangible and intangible services, including free lease of office space and well-being facilities, IR consulting, and global accelerating programs, we will continue to support the growth of startups.



2020 Shinhan Financial Group Startup Conference



Korea Cross-Country Plan



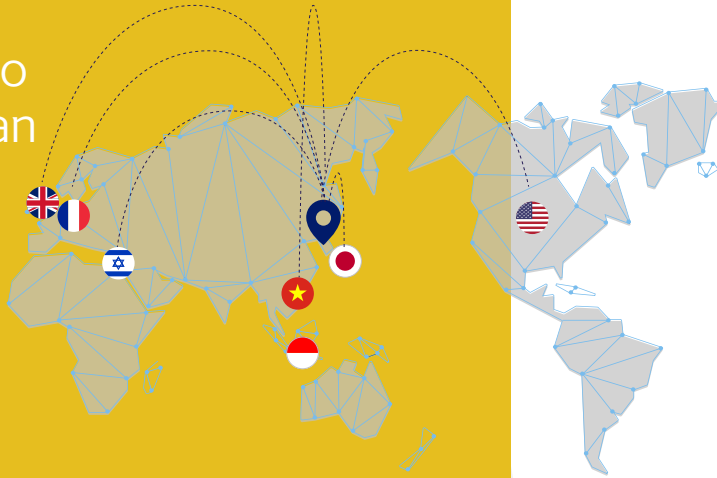
S² Bridge: Incheon



[S² Bridge: Incheon] Platform to nurture startups

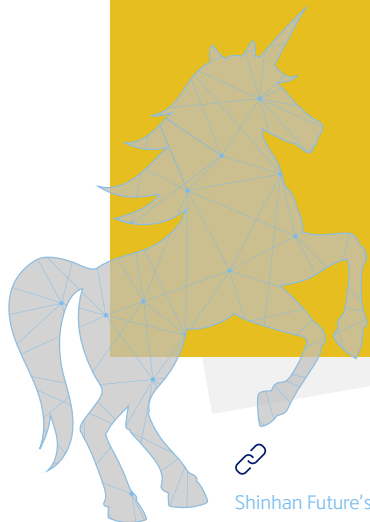
¹⁾ Unicorn company: Unlisted venture with a corporate value of at least USD 1 billion

Korea to Global Plan

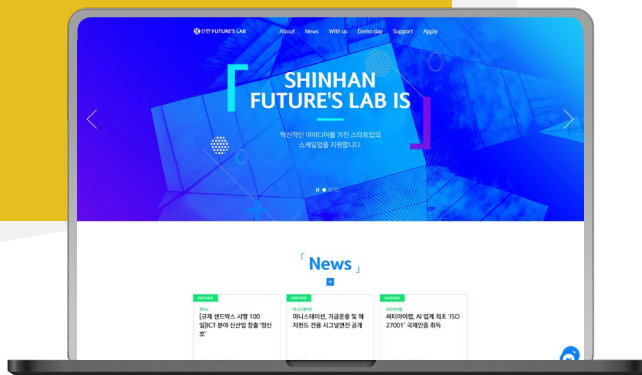


S² Bridge: Seoul

K-unicorn Project



Shinhan Future's Lab



Korea to Global Plan

The second K extends to the global market. Under the motto of “Korea to Global Plan”, we have launched Shinhan Future’s Labs in Vietnam and Indonesia to nurture global startups. In addition, we will research cases of innovation ecosystems together with overseas organizations and companies in Israel, France, and the UK, to provide meaningful milestones to startups. We will also help Korean startups successfully advance into the global market by continually improving and localizing intangible assets, including startups’ startup accelerating capabilities.

K-Uncorn Project

The third K soars high. The Group actively takes part in Ministry of SMEs and Startups’ programs for discovering and supporting promising startups through “K-Uncorn Project Participation Plan” and strives to further develop the startups that Shinhan helped to grow into Korea’s future assets. In 2020, we ran a “S-Uncorn Program” for companies that had participated in the Shinhan Future’s Lab program to provide diverse supports, including document creation, IR presentations, and one-on-one mentoring and consulting, thanks to which four companies – SsenStone, Mobiletoong, Visual Camp, and Copin Communications – have been chosen as baby unicorns by the Ministry of SMEs and Startups. SsenStone, which has received the highest grade, is a fintech startup specializing in verification and security technology. Since its 2015 launch, it has been fast growing on the help of Shinhan Future’s Lab.

Shinhan Future’s Lab is the industry’s first startups-nurturing program in Korea. Since its 2015 launch, a total of 214¹⁾ startups have been discovered and nurtured. Beginning with 2021, we are selecting startups that are advanced in technology and active in ESG value creation, including being eco-friendly and conscious of social issues. Until the day Shinhan-supported startups become a global unicorn, we will continue to root for their dreams by sparing no supportive efforts.

¹⁾ 166 in Korea, 48 overseas (40 in Vietnam, 8 in Indonesia)

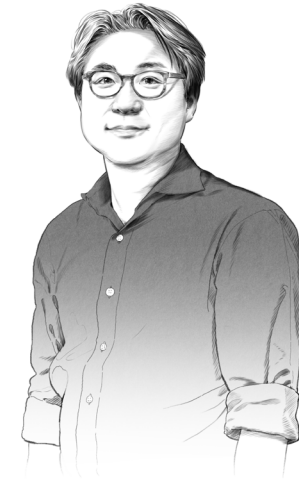


Helping startups grow into unicorns on the wings of sustainable finance

S² Bridge is a bridge that connects startups' ideas with innovation.

Like the technological leap we have made, from watching movies to playing games and enjoying videos, our goal is to make another such a leap, from listening to music to restructuring the music by listeners. Such a musical imagination is coming to reality through the help of S² Bridge. In particular, we have found our need for a space and means to test sound in the Startup Park equipped with proper equipment and facilities. ——— CEO of VERSES **Lee Seong-wook**

* Company with incubation membership that targets companies in the early startup phase among the first S² Bridge: Incheon Group



Start-up



S² Bridge connects the potential for innovative growth with reality.

We were working on a foreign language learning tool ideal for a contactless era. We are confident of our technological prowess but in need of willing investors, we were relieved to come across S² Bridge. We now are in the process of discussing what our performance evaluation indices should be with the mentoring team, and will identify what index improvements we should focus on in order to win over investors and continue to grow. ——— CEO of TEUIDA **Jang Ji-woong**

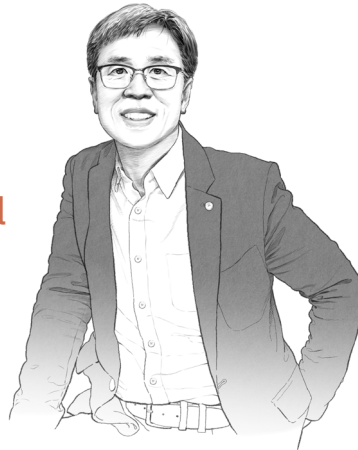
* Company with the accelerating membership that provides support from seed investment to Series A investment among the first S² Bridge: Incheon Group

Scale-up

Shinhan Future's Lab is special because it shares thoughts with us on a future enabled by startups.

It is an optimal platform where technology and finance find teach other. By applying the eye movement-tracking technology to ATMs, we collaborate with Shinhan Bank to create a future where there is no such inequality as the disabled cannot enjoy the convenience of financial services due to their physical restraints. We will continue efforts to become a K-Uncorn that builds a better future in a bigger market. _____ CEO of Visual Camp **Park Jae-seung**

* A leading Shinhan Future's Lab company selected for the S-Uncorn Program implemented in 2020

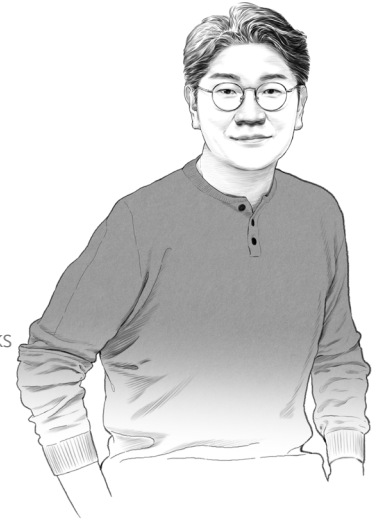


S-Uncorn Program gives innovative companies wings for global growth.

We were able to grow from a small startup in Korea to a competitive venture on the global stage, thanks to Shinhan Future's Lab's help with investment attraction, finding a mentor, collaboration, networking, and education. In 2020, our company was chosen as Korea's best baby unicorn thanks to support from the S-Uncorn Program, based on which we plan to further grow and become a truly global unicorn.

_____ CEO of SsenStone **Yoo Chang-hoon**

* A leading Shinhan Future's Lab company selected for the S-Uncorn Program implemented in 2020



Support

Shinhan Financial Group stands with startups to the very end.

We are building a very special base covering the entire nation to discover game changers that will lead change and innovation in our lives. This is S² Bridge. Startups building a new future must overcome various types of crisis. To help them turn their crises into opportunities, we will stand with startups to the very end as their reliable partner.

Team Manager of Shinhan Financial Group's Brand PR Headquarters, Shinhan Bank's Social Contribution Department Head, Shinhan Finance Hope Foundation's Vice Director **Park Sang-yong**



We imagine the future startups are working to bring about.

Shinhan's venture investment base is strong enough to support startups through the entire growth process, including follow-up investment initial public offering (IPO). I once started a business and maybe that's why I can better understand the needs of startups. It is very enjoyable and rewarding for me to think that together we are contributing to creating changes that are essential to the world.

Senior Manager of Shinhan Capital's Venture Investment Department **Lee Hyeon**



IMPACT 3

Hope Together SFG

Since 2017, Shinhan Financial Group has been running "Hope Society Project", a social contribution program that all Group subsidiaries take part in. In 2020, we became aware of that inequalities induced by COVID-19 continued to pose a threat to the quality of our daily lives, and subsequently chose "Start up, Financial literacy, Group of community" as core areas to focus. "Hope Together SFG", made of the first letter of the areas, speaks for our determination to jointly overcome the current crisis and safeguard people's hopes through the power of finance.

Start up Nurturing startups

For startups to grow into sustainable financial consumers, they need to first settle down and take root in the area of their specialty. Also needed are opportunities for social enterprises, small businesses, and youths to pursue their dreams. Determined to discover opportunities for Korea, in 2019 Shinhan Financial Group carried out an outside-the-box ad campaign that offered its advertising time and space to startups for free of charge. 12 ads selected from some 250 entries were able to reach more audiences on the combined strengths of the innovativeness of the startups and the brand value of Shinhan. In 2020, we opened "Discovering Opportunities Production" as a new brand channel that meet the standards of digital generations. Through the brand channel, we plan to continue to unveil projects that offer new opportunities for various members of Korea, including startups, youths, and small-business merchants.

We help startups grow into sustainable financial consumers that create future value of Korea's innovative economic growth.

Hope Together

S START UP

Helping companies grow into sustainable consumers

Support for startups in connection with Triple K Project, investment in social enterprises, support for small business and self-employed people

F FINANCIAL LITERACY

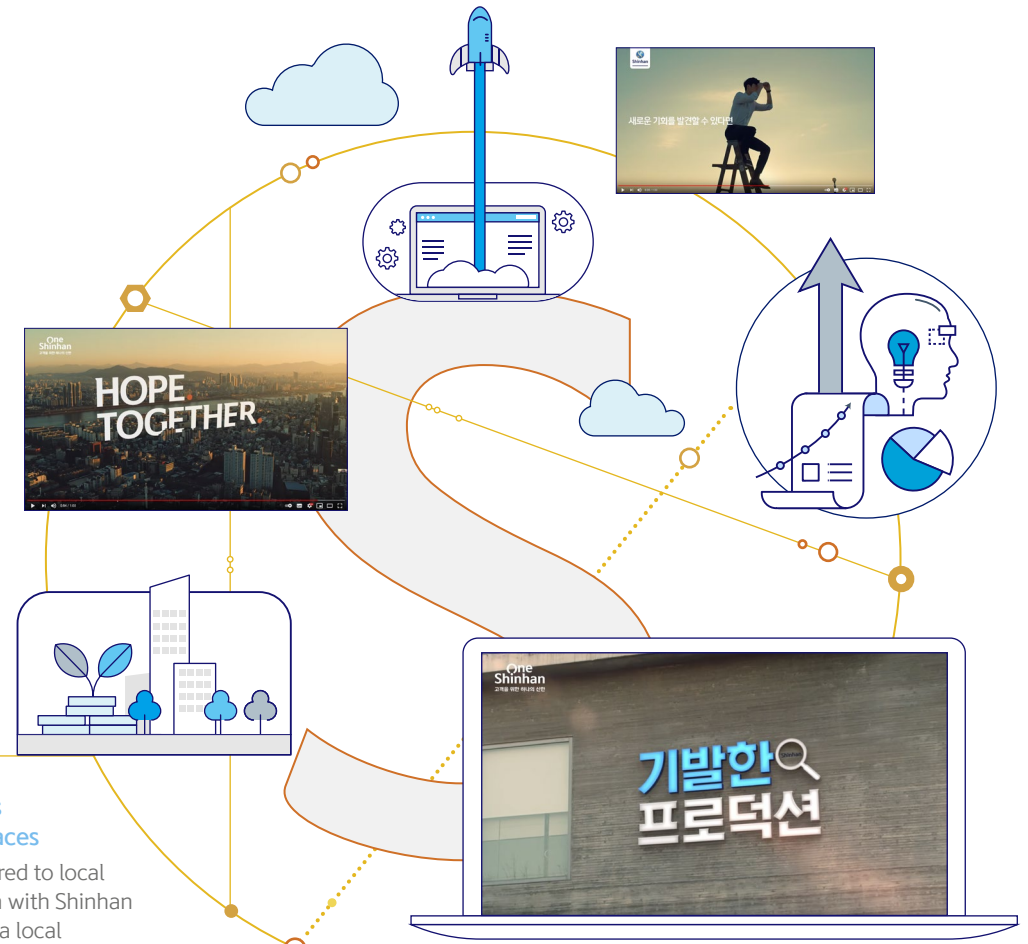
Enabling the underprivileged to be financially stable

Credit recovery support for youths, support for strengthening of job competencies and employment

G GROUP OF COMMUNITY

Solving social problems that local community faces

Job creation program tailored to local communities in connection with Shinhan network, establishment of a local community emergency support system



“Discovering Opportunities Production” brand channel

Financial literacy

Supporting the financially underprivileged

Shinhan Financial Group supports the financial stability of the underprivileged through the power of finance. Since 2018, we have been running credit recovery support programs in cooperation with the Korea Inclusive Finance Agency and Credit Counseling & Recovery Service, providing funds to tide credit recovery applicants and low-credit people over during their employment training, and assisting their restart efforts through debt payment deferrals and cuts. As of the end of 2020, a total of 5,266 people signed up for the program, of which 1,050 found a job and joined the growing rank of creditworthy consumers.

The heavy burden of youths is also shared. Since 2019, the Group has been implementing a project helping young people struggling with their tuition loan payments even after finding a job in partnership with the Korea Student Aid Foundation, Korea Credit Bureau, and CrePASS Solution. Rather than pay off their debt, the project focuses on helping them get back on their feet in the long run by offering programs related to credit management, job skills development, and monthly allowance. As of the end of 2020, around 300 project participants were current on their debt payments. We root for the students of real life learning the value of financial discipline.

We also focus on educating future generations. We are building a “One-Shinhan Integrated Financial Education” platform to help future generations increase their understanding of finance and grow into financially savvy consumers. With the holding company at the center, many of Group subsidiaries are combining their efforts and resources to build an on/offline financial education platform, developing digital educational content based on their respective business knowhow and tools. Meanwhile, they are using 101 Shinhan Childcare Centers¹⁾, 508 Shinhan Card Areumin Libraries²⁾, and other offline bases providing a distinctive financial education.

¹⁾ Shinhan Childcare Center: This joint childcare center is used to take care of elementary school children from double-income families after school. For the purpose of reducing the burden of childcare of low-income families and preventing women's career disruption, the Shinhan Finance Hope Foundation has been carrying out the Shinhan Childcare Center construction project since 2018 in collaboration with the Ministry of Gender Equality and Family.

²⁾ This leading social contribution program of Shinhan Card was commenced in 2010 for the purpose of developing children and youths into future leaders. As of the end of 2020, Shinhan Card set up 508 libraries and provided 620 thousand recommended books.

We support the financial stability of the underprivileged through the power of finance.

508

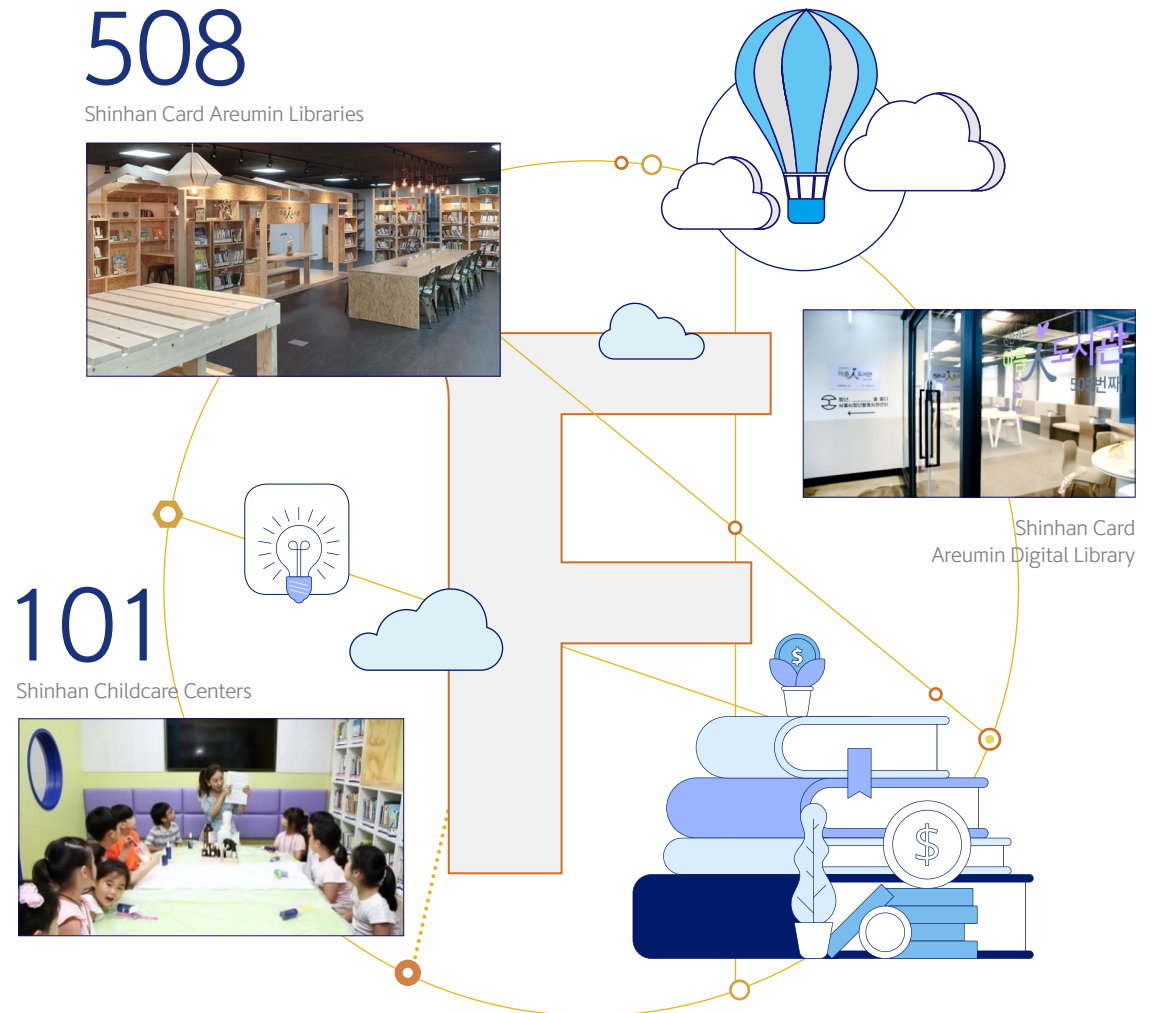
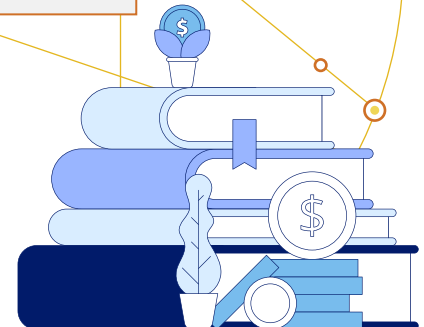
Shinhan Card Areumin Libraries



Shinhan Card Areumin Digital Library

101

Shinhan Childcare Centers



Group of community

Solving social issues

The flower of hope is blossoming in local communities by being cultivated through Shinhan's sustainable finance and networks. In January 2020, we started distributing masks totaling 200 thousand in a prompt response to what eventually spread into an unprecedented pandemic. "Hope Together", a donation campaign conducted in the form of crowd funding, was participated by all Shinhan employees, and it also quickly attracted the participation of many neighbors.

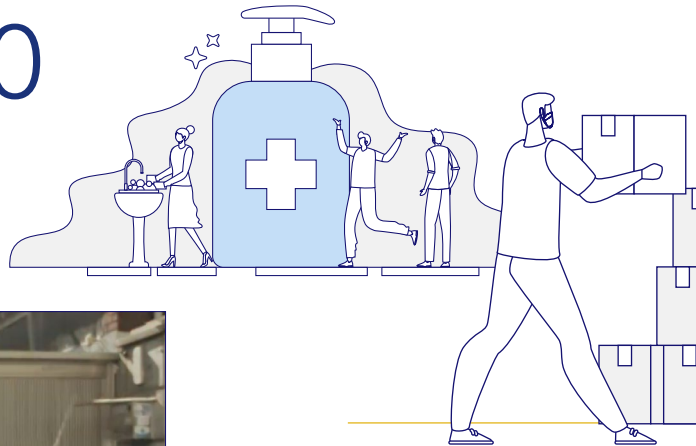
With the KRW 2.5 billion raised through the campaign, we delivered 5,000 daily necessity packages and 500 thousand medical supplies to medical personnel treating COVID patients in the Daegu and North Gyeongsang Province areas; 15,000 meal boxes to poorly-fed children; and 10,000 food packs and lunch boxes each to low-income seniors and the disabled, with a third campaign in the pipeline, as of now. In addition, we are holding a contest for alliance models for local community's post-COVID-19 response in an effort to find ways for local communities to address community issues induced by COVID-19.

The flower of hope is blossoming in local communities by being cultivated through our sustainable finance and networks.

15,000 meal boxes to poorly-fed children



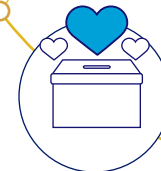
500,000 medical supplies



5,000 daily necessity packages to medical personnel



▶ Hope Together Campaign



2020
SPECIAL ISSUE

We can overcome COVID-19 pandemic through the power of sustainable finance.

As COVID-19 continues to take its toll on the people, hope is in need more than ever. Hope cannot be found in a world where people do not look after one another amid widening economic and social gaps. Leveraging the power of sustainable finance, Shinhan Financial Group is supporting the efforts of small and medium-sized enterprises (SMEs) and small-business owners, the backbone of the economy, to overcome the crisis, as well as sustainable growth of the Korean economy.



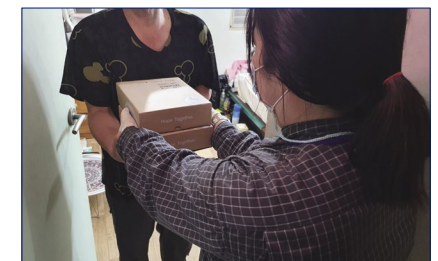
Hope Together Campaign for Daegu & Gyeongsangbuk-do

In particular, we set up a call center for SME clients experiencing funding difficulties due to COVID-19 in order to develop effective support measures. We also strengthened SMEs and small-business owners' access to banking and helped them overcome liquidity problems by introducing an easy-to-use online loan product. In addition, Shinhan Bank completely digitalized its secondary preservation loan process for small-business owners hit hard by COVID-19. Shinhan Card created a special section for SMEs and small-business owners on its online mall "All That Shopping" with an aim to facilitate support through digital technology. In July 2020, the holding company successfully issued a USD 500 million social bond, a first of its kind among domestic financial groups, to overcome COVID-19.

As such, we are sharing the strength with SMEs and small-business owners to overcome their difficulties, sending out a clear message that our society can win this together through the power of finance.



Special Section on All That Shopping



COVID-19 has changed our daily lives to an unprecedented extent. We need to not only overcome the crisis but also prepare a life afterward. To this end, in June 2020, Shinhan Financial Group announced “Shinhan N.E.O Project”¹⁾, the first of its kind in the financial industry, to support the development of the Korean economy’s new growth engines in a post-COVID-19 era. The Korean New Deal is a national project to foster future growth industries, including digital, green, and bio, opening the door to opportunities.

We will focus on three strategic tasks of the Shinhan N.E.O Project – financial support to innovative new businesses, advancing digital financial services, and building an ecosystem for new growth – thus supporting “New Economic growth supporting Operations” and take the lead in the great transformation of Korea.

Shinhan Future’s Lab demo day for startups
– N.E.O Renaissance



Direct and indirect financial assistance to industries²⁾ with the potentials to spur innovative economic growth

Financial support for new innovative businesses



Advancing new digital financial services

Fortifying digital economic infrastructure via accelerating the digital transformation of the financial industry

Building an ecosystem for new growth

Building and vitalizing the startup ecosystem through various means such as collaboration and support



¹⁾ Shinhan N.E.O Project: A Group-level project, meaning New Economic growth supporting Operations
²⁾ Including data-based, contactless sectors, industries related to digitization of SOC, and Green New Deal-related eco-friendly industrial sectors

Guiding toward sustainable change

G

Setting new coordinates on the path towards trust

In this age when change becomes normal, whether that change would lead to a better tomorrow or stop at the wall of fear and uncertainty depends on trust or lack thereof. Good-hearted efforts to move in the right direction are joined by Shinhan Financial Group's compassionate finance, which grows on trust.



Finance begins from customer trust. Knowing well that trust is the start and goal of finance, Shinhan Financial Group strives to build criteria for developing and earning trust from customers and other stakeholders, on which we grow further.

In addition, to ensure that all people are respected for what they are, we take the lead in creating a society where diversity is respected and difference is not a basis for discrimination.



IMPACT 4

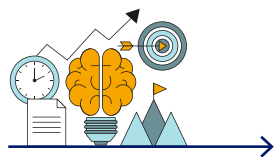
Respect for Diversity

We need each other to go far, and Shinhan Financial Group will create the trust that keeps us together.

Diversity is emerging as a keyword among business leaders pursuing sustainable growth, for it, along with inclusiveness, gives businesses a broader perspective on where to look for new growth drivers. Investors demand that the board of directors (BOD) comprises industry leaders of diverse backgrounds. The NASDAQ of the U.S., where over 3,300 businesses are listed, mandates that both listed and aspiring companies maintain at least two board members from minorities.

Shinhan Financial Group proactively pursues gender equality. We became the first company in Korea to be included in the Bloomberg Gender Equality Index (GEI) in 2019, and we have since remained on the list for three consecutive years. Our outside board directors, including a female member, are professionals from diverse fields, such as accounting, law, economy, and business management.

Mid-term goals & key tasks



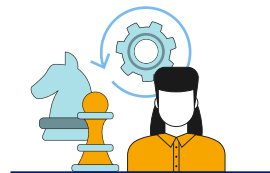
Build a platform to foster female leaders

Build foundations



More support for developing competencies

Fully implement



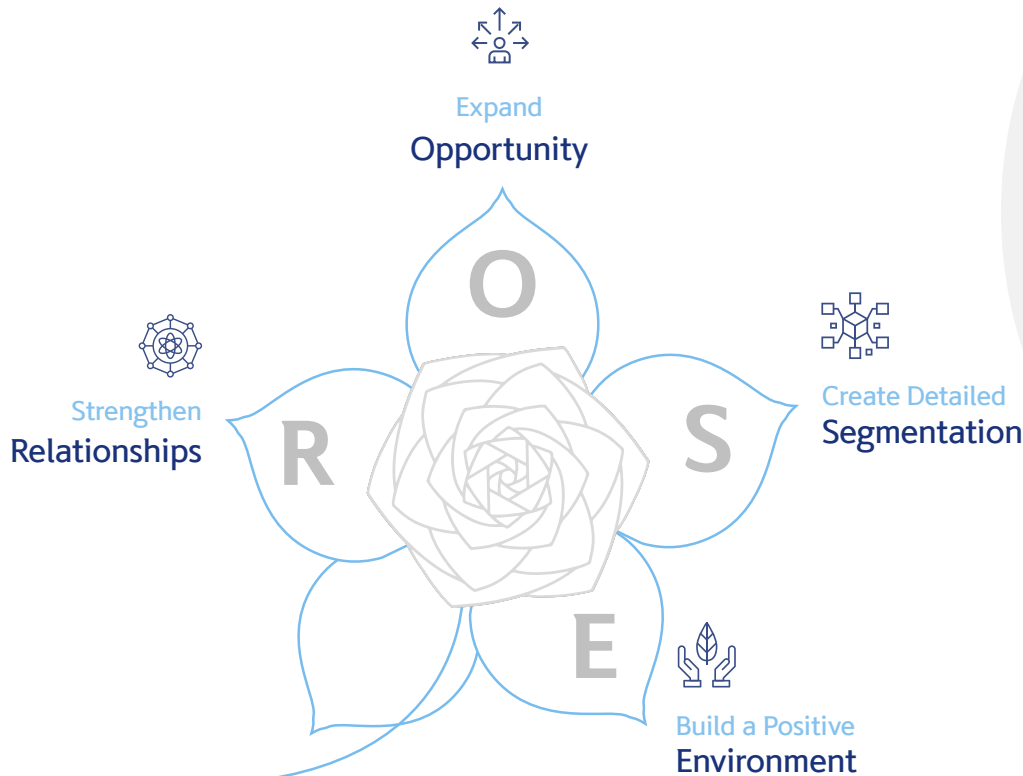
Continuous cycle of fostering female leaders

Build a healthy cycle



A composite of “Shinhan”, “she” and “heroes”, “SHeroes” represents the Group’s awareness of women’s contributions to its growth. The Group in 2018 became the first financial institution in Korea to launch a professional program to foster female talent, and has since been upgrading the program’s content and expanding its scale and scope. The beneficiaries of the program are given opportunities to practice their new skills and become leaders in diverse areas, while sharing their knowledge and experience with their junior colleagues and helping them grow into smart leaders themselves.

“Shinhan SHeroes” is a leadership program for female employees and clearly illuminates Shinhan’s advanced gender equality culture.



18

No. of new female executives and department heads developed through Shinhan SHeroes

* Cumulative figures from the first to third group of Shinhan SHeroes (based on current Shinhan employees)



“
I was able to understand the pride of Shinhan people through the SHeroes program, and also to look back on the roles and responsibilities of leaders.
”

I hope to fully demonstrate the creativity and sensitivity, and the ability to identify and communicate with others as a female leader, and will strive to contribute to further enhance diversity and flexibility of Shinhan’s corporate culture. In addition, I will support and make efforts for gender-equal society by helping reduce social inequalities rooted in gender differences and improve the social status of women.



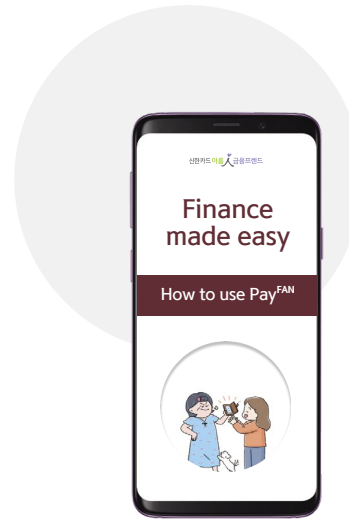
Ryu Jeong-hui
Center Head of Shinhan Bank
3rd Group of Shinhan SHeroes

Nurturing a healthy ecosystem of finance through sustainable finance

As society gets complex, diversity needs to be respected; and technology makes progress, inclusiveness needs to be protected to ensure everyone to enjoy benefits from the progress. Under the motto of “Compassionate Finance”, Shinhan Financial Group is expanding the target base and scope of its inclusive finance. In 2020, as non-face-to-face channels came to the fore amid the spread of COVID-19, the growing educational gap and the isolation of seniors from the tide of digital finance surfaced as social issues. In response, by leveraging our digital knowhow and infrastructure, we sought to keep the schooling of students uninterrupted and its financial services accessible for all.

A leading example is Shinhan Card’s “Areumin Financial Friend”, launched in 2020. An online education donation platform, Areumin Financial Friend describes actual cases of identity theft, illegal bank passbooks, voice phishing, and other irregularities in a story format to help customers with general learning disabilities avoid similar fates. Also, by improving services developed for senior customers, we are extending the reach of digital finance to seniors and thus enlarging the positive impact of finance. In 2020, we created and distributed a mobile channel manual to help senior customers easily access and adapt to the digital finance culture.

We are also improving our systems and expanding infrastructure so that even physically-challenged customers can enjoy our customer-centered services. We offer a sign language service for the hearing-impaired, and by applying text-to-speech barcodes to product provisions and booklets, help the visually-impaired fully understand their purchases. We also make sure all our online channels are available to all customers. For customers with disabilities, Shinhan Bank’s mobile channel, SOL, offers information on branches equipped with facilities designed for the physically-challenged as well as a service that reserve teller windows dedicated to the disabled.



Areumin Financial Friend is a website dedicated to helping customers with general learning disabilities avoid financial crime-related losses.



For further information, please refer to the "Diversity Report" in the Special Report section

IMPACT 5

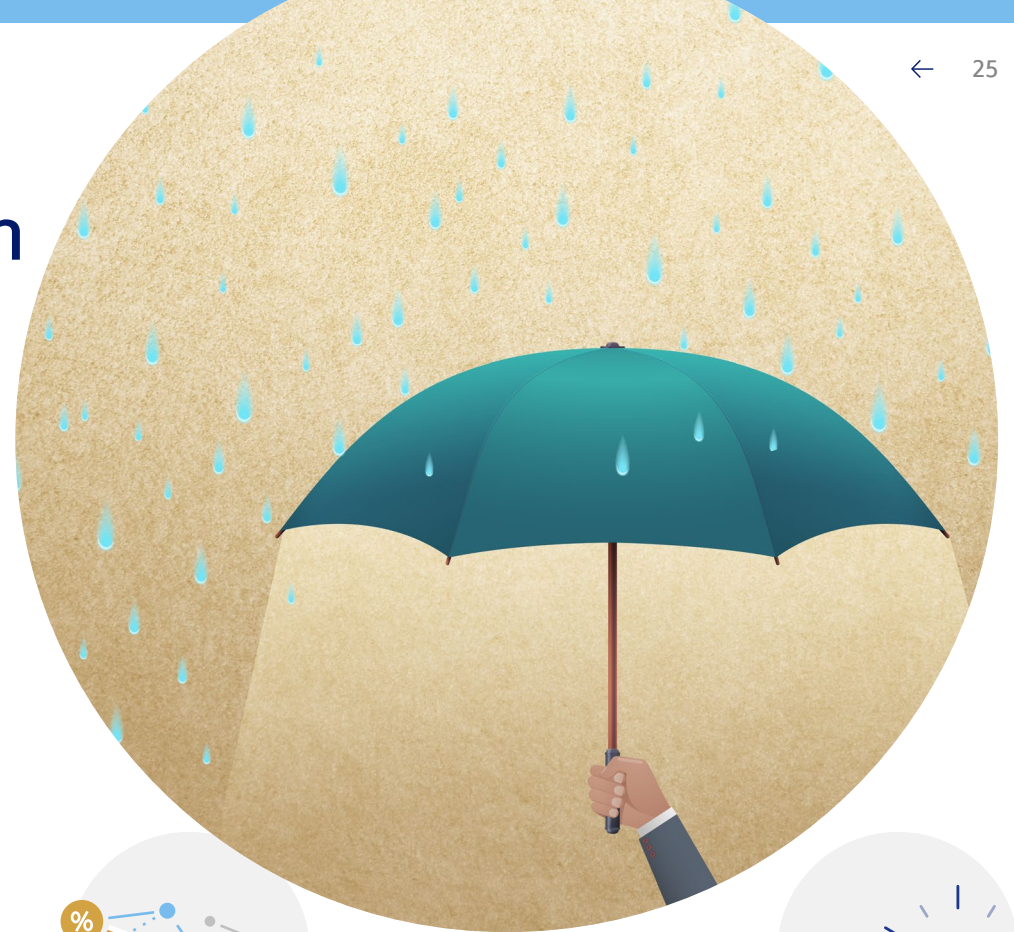
Financial Consumer Protection

In 2020, the Korean financial sector felt responsible for financial consumer more than ever.

This is because consumer trust in finance had been damaged by a series of incidents in which redemptions from a private equity fund were suspended. We deeply apologize for the grave concerns inflicted upon our customers. Shinhan Bank and Shinhan Investment, which sold the responsible product, are responding to the unforeseeable development with utmost sincerity, placing the highest priority on minimizing customer losses. Furthermore, we are overhauling the organization and strengthening competencies with a strong sense of responsibility to prevent reoccurrence of such an unfortunate incident. We will regain customer trust and repay customers for their valuable support by realigning all processes, ranging from product and service development to sale and post-management, from the customer's perspective.

We will consider customers more through preemptive compensation

In August 2020, the Financial Supervisory Service's Financial Disputes Settlement Committee recommended that banks and securities firms that sold Lime Asset Management's trade finance fund compensate customers for the entire loss, and financial companies accepted the recommendation. Earlier in May 2020, Shinhan Investment became the first large securities firm to establish a voluntary compensation measure for the fund, and Shinhan Bank also decided to first pay 50% of the principal to CI Trade Finance Fund customers in June, becoming the first to do so in the banking industry. Going forward, we will make our utmost efforts to recover the assets, and consider customers more in resolving the incident.



Shinhan Investment established a voluntary compensation measure regarding the Lime Incident

May 2020



Shinhan Bank decided on partial advanced payment of principal for the CI Trade Finance Fund

June 2020



Shinhan' financial consumer protection status

We will change into an organization that is based on checks and balances.

Not only the employee effort but also a stronger organizational foundation that can support and sustain the value is required to put consumer protection at the center of everything we do. To this end, Shinhan Financial Group has engaged in an organizational restructuring based on checks and balances. Shinhan Bank created a Consumer Protection Group in early 2020, and seeing consumer protection grow in importance, expanded the organization and strengthened its authority to such an extent that the group's Chief Customer Officer (CCO) can make final decisions on the entire process, from product selection, rollout, and post-sale management. Such bold steps exemplify that at Shinhan consumer protection comes before all other values. Shinhan Investment also has created a Financial Consumer Protection Headquarters, an organization dedicated to consumer protection, appointed a CCO, and is taking steps to further enhance systems that protect consumers.

Shinhan's efforts to prevent recurrence



Organizational overhaul

Shinhan Bank
Established the Consumer Protection Group and appointed a CCO to head the Group

Shinhan Investment
Established the Financial Consumer Protection Headquarters and appointed a CCO to head the Headquarters



Process overhaul

We will further solidify customer-centered product governance

Shinhan Financial Group seeks to meet customer needs throughout its operations, from product development to roll-out, marketing to post-sale monitoring. Shinhan Bank has established Non-Deposit Product Council and Non-Deposit Committee, for the first time among commercial banks in Korea. Non-Deposit Product Council, made of department heads, is tasked with releasing low-risk products, while Non-Deposit Product Committee, comprising group heads, reviews private equity funds and other high-risk products before their rollout. A product cannot be released even with the approval of the Committee without a green light from the head of the Consumer Protection Group. Shinhan Investment also consults an external advisory group of financial experts and customers and actively reflects their opinions before a product is rolled out.

CCO has the authority to approve and veto product release, formed an external advisory group (Shinhan Bank's Ombudsman system, Shinhan Investment's S-Friends)

Product launch



Customer-centered product governance



Product sales

Consumer Protection Officer (CPO) system, Shinhan Bank's creation of the system of temporary sales suspension of investment products, Shinhan Investment's implementation of Prior Happy Call



Post-management

Shinhan Bank's regular supervision of investment products, Shinhan Investment's disclosure of information on operation of private equity funds.



Once new products are thoroughly evaluated and rolled out, Consumer Protection Officer (CPO) and other advanced systems are responsible for protecting financial consumers in the sales phase. Shinhan Bank assigns CPOs to its 22 regional headquarters each tasked with examining branch sales of the products from a consumer perspective and preempting the possibility of incomplete sales. The Bank also conducts mystery shopping¹⁾, and thus monitors the sales practices of its branches, and temporarily suspends the branches from selling investment products, upon identifying branches with problematic practices, thereby strengthening the branches' responsibility towards product sales. Shinhan Investment also has strengthened sales document reviews to prevent incomplete sales, and implemented a "Prior Happy Call" system to check, within eight business days of product subscription, to see if the seller has provided an accurate explanation of the product and, if otherwise, to allow the customer to cancel the product subscription.

We also engage in thorough product post-management. By creating a Product Supervision Team, Shinhan Bank has in place the system of managing and supervising investment product sales, focusing on a monthly inspection of the sales status of all private equity fund products. Shinhan Investment also has built a digital information database, thereby fully disclosing information on its private equity fund management.

Shinhan Financial Group will make sure that all products have customer interest at the core, and manage them in line with the values customers pursue.

¹⁾ Mystery shopping: System where an investigator or supervising employee pretends to be a customer and evaluates the sales practices of respective company's or store's service level

HOW

ESG WAY

Are we going in the right direction?
How do we know?

Shinhan's ESG strategy is unique in that it is quantified and objectified.

Shinhan Social Value Measurement Framework

Shinhan Social Value Measurement Framework (SVMF) is similar to the aforementioned Zero Carbon Drive in that, in the implementation of the latter, carbon emissions are quantified in numbers.

What makes the strategy distinctive is that, instead of declaring an intent to eliminate carbon emissions in a certain period of time, it reveals how much CO₂ the Group itself emits and presents a detailed reduction timetable.

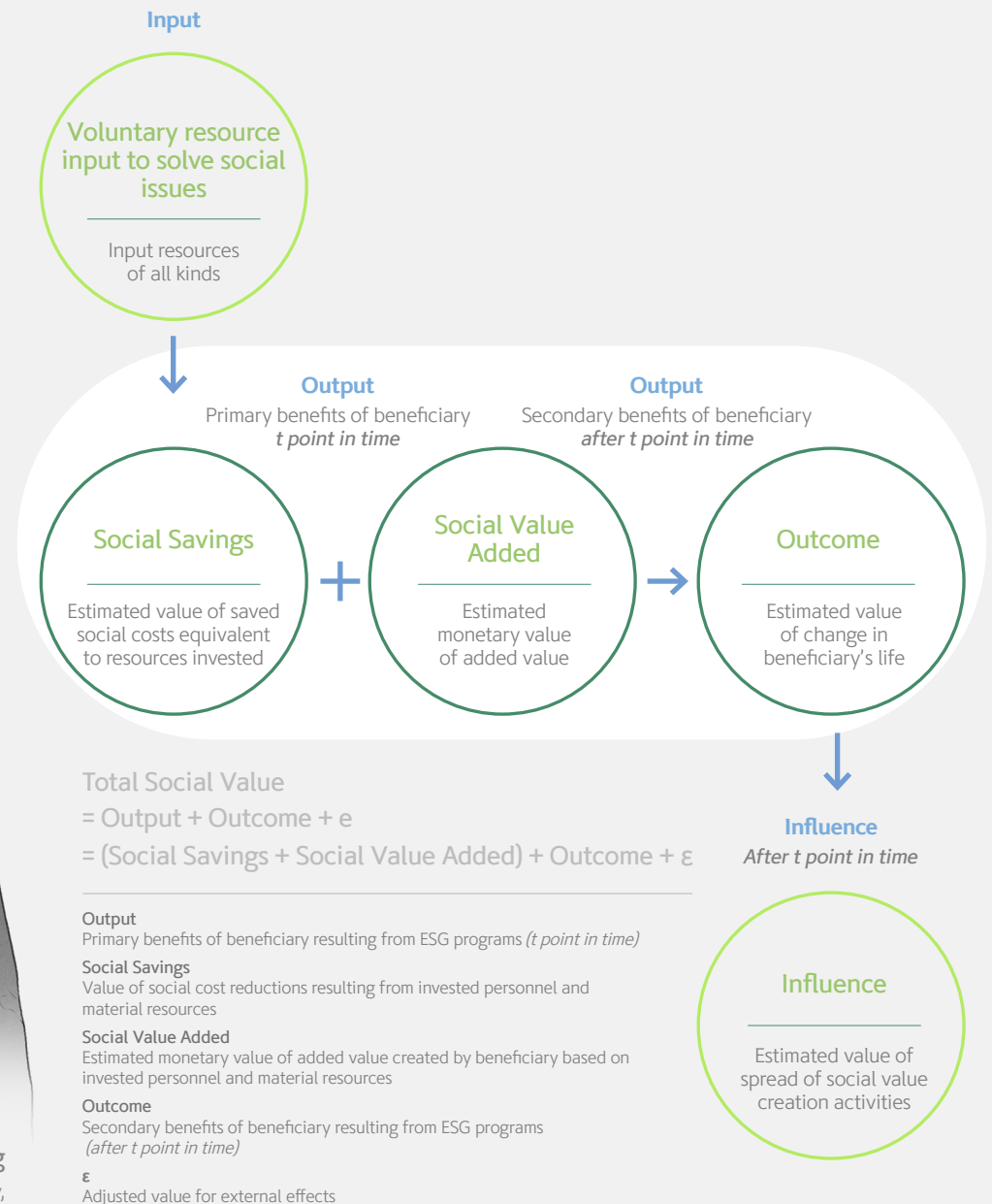
Once we figure out potential benefits of our efforts and what to do to reach intended goals, we can be much more sure of the steps we take. We can also be sure of our ability to identify activities of greater value, and thus better focus on what needs to be done. Shinhan Financial Group has therefore signed a memorandum of understanding (MOU) with the Center for Global Business Ethics and Responsibility of the Yonsei University School of Business on a project that measures the social value and degree of influence of social contribution programs in November, 2019, and commenced a joint execution of relevant research.



In the following six months, the joint research team measured and qualified the monetary value of the effect of 93 programs implemented in 2019 by Shinhan Financial Group, Shinhan Bank, and Shinhan Finance Hope Foundation, at a total cost of some KRW 760 billion in the form of ESG projects, products and services. Subsequent findings indicate that the monetary value of the social effects generated by the programs exceed the total cost, concluding that job creation, financial education and other ESG programs are more effective means of creating value for the good of society than donation of money. Encouraged by these research results, we in 2020 developed “Shinhan Social Value Measurement Framework (SVMF)” and adopted a social value measurement framework, a first in the global financial industry.

Going forward, we will more accurately quantify social value and better focus on ESG activities that are deemed high in social value by fine-tuning the Shinhan SVMF. The Shinhan SVMF will be used in conducting social contribution activities with a particular focus on programs that are expected to generate more positive social impacts. Also, the Shinhan SVMF is expected to play a significant role in the Group’s execution of its role as a “New Deal Finance Supplier” in support of the government’s Korean New Deal. We will go further and upgrade the Shinhan SVMF into a tool for evaluating sustainability management so that we can appropriately measure and manage the potential value of the ESG Way we are taking.

Social value measurement of the Group’s ESG programs



Shinhan Financial Group has been in the forefront of ESG management.

The fact that Shinhan was the first global financial company to work on the quantification of social value has proved once again that Shinhan is a leading ESG company. It gives me pleasure to have taken part in the Shinhan SVMF development, and I hope that this project serves as a good opportunity for Shinhan to enhance the effectiveness of its ESG projects. I also hope that the Shinhan SVMF becomes a precious, useful tool for sustaining our societies.



Professor Lee Ho-yeong

Head of the Center for Global Business Ethics and Responsibility,
Yonsei University School of Business



HOW

ESG WAY

How is it determined?

Is it different when Shinhan does it?

Shinhan's management strategy has always been in sync with ESG.

F
R E
S H 2020s

ESG Governance

An increasing number of global companies include ESG as part of their regular BOD agenda, viewing business strategies and goals from the perspective of ESG management. As a company that is always a step ahead of peers in ESG management, Shinhan Financial Group is also taking extraordinary steps in internalizing its ESG strategies. This is because ESG is not a trend but a belief and management philosophy that runs through the history of Shinhan.

In 2015, the Group became the first financial holding company to create a Corporate Social Responsibility Committee (the precursor to the current ESG Strategy Committee) as a sub-committee of the BOD, aimed at managing and supervising the Board, and has been operating based on ESG considerations by including them in the formulation of strategies since 2018. In 2020, we adopted "Sustainability" as one of the five pillars in "F.R.E.S.H 2020s"¹⁾, the Group's mid-term strategy, and managed Group operations with an eye on ESG considerations in an effort to keep them part of the Group strategy and to move towards the same direction. In addition, we have been reflecting ESG performance in the evaluation system (KPI) for the CEO of the Group and all Group subsidiaries since 2019 after discussing matters on reflecting ESG in the Group's major strategic tasks in 2018.

We are also focused on improving organizations and strengthening capabilities, both related to ESG management. Since 2019, the all 17 Group subsidiaries have had in place ESG councils each headed by a CSSO²⁾ and run by an ESG manager. In 2020, climate change and ESG-related workshops and external lectures were held for the BOD. The BOD chair met with institutional and global investors and actively communicated with them on Shinhan's ESG activity and implementation strategy, assuring them of Shinhan's sincerity in ESG management. In early 2021, we renamed the Corporate Social Responsibility Committee to be ESG Strategy Committee, and created Group ESG Implementation Committee under the Group CEO, consisting of CEOs of all Group subsidiaries, thereby completing the operation system for ESG management.

¹⁾ F.R.E.S.H 2020s: Shinhan's distinctive growth methodology consisting of fundamentals for qualitative growth, business resilience, digital ecosystem, sustainability, and human-talent
²⁾ Chief Strategy & Sustainability Officer (CSSO): Executive who performs the role of integrated management of the strategy and sustainability sectors

INTERVIEW

“ The more dire the situations are, the more important are the role and responsibility of the financial sector. ”

Lee Yoon-jae
Independent Director
of Shinhan Financial Group
Chair of ESG Strategy Committee

* As of February 2021



Q The role of ESG has been emphasized of late more than ever. Many companies are strengthening their ESG management, and we are curious as to why. Also, what do you think the function and role of finance should be during this process?

A The entire world went into a great shock when the COVID-19 pandemic brought daily life a stop. As a result, people started to take a fresh look at the tasks facing them and began to realize that the foundation of the economic abundance we have been taking for granted is extremely fragile and unsustainable at all. Ecosystems are being destroyed, and global-scale disasters are occurring one after another, with the socially vulnerable bearing the brunt of subsequent damages and hardships. We are getting dire warnings that, with the current systems and life patterns being what they are, our survival won't be guaranteed.

The more dire the situations are, the more important are the role and responsibility of the financial sector. The financial sector should not only innovate itself resolutely, but also use its functions and capabilities to induce and lead changes in other sectors.



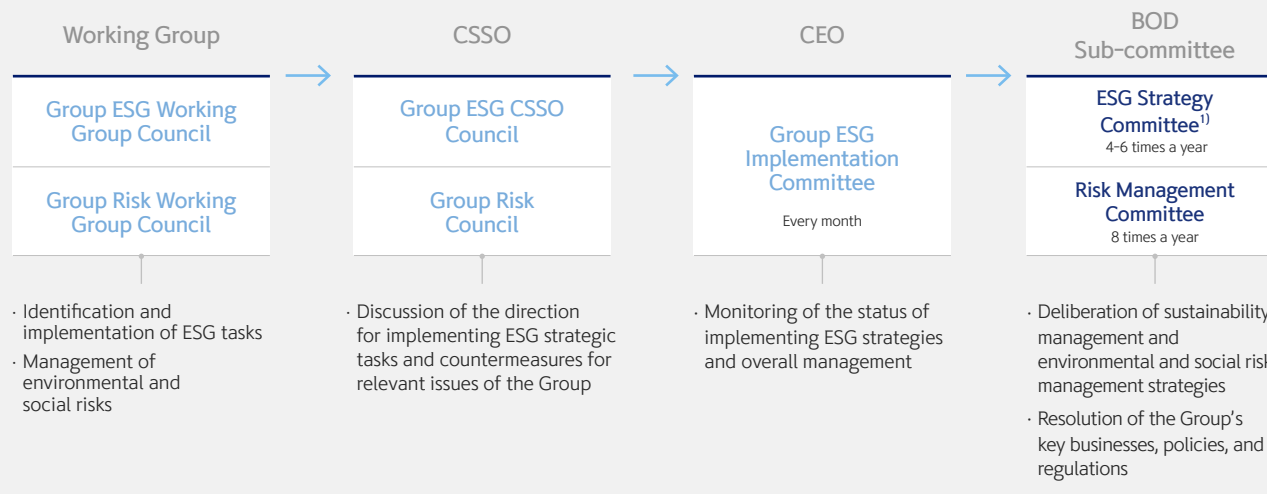
Q What efforts are Shinhan Financial Group making to fulfill its social roles and responsibilities as a financial institution? What are the leading examples of Shinhan activity that are different and possible mainly because Shinhan can do?

A **Shinhan Financial Group has been steadily improving its ESG management as part of its responsibility. The Group's BOD and management together lead the ESG improvements in close collaboration and communication with each other.**

The BOD finalizes basic strategies and execution processes, while management, under the direction of the CEO, establishes and executes detailed action plans. In particular, to help each subsidiary contribute to execute the Group's ESG strategies to its best ability in a consistent manner, the Group has in place councils each composed of and run by same level executives.

The ESG Strategy Committee under the BOD made a resolution on "Shinhan Financial Group's principles for responding to climate change" in 2019 in preparation for climate change, and declared the "Zero Carbon Drive" in December 2020 for execution of the principles. These activities plainly prove the determination of the ESG Strategy Committee to further upgrade and accelerate ESG management. Furthermore, the Committee had several engagement sessions with investors last year to ensure its commitment to ESG. The Committee will continue to examine and monitor Shinhan's proper ESG implementation, and steadily strengthen efforts for true change.

Shinhan's ESG Driving System



¹⁾ Became the first financial company in Korea to create an ESG-related sub-committee under the BOD in 2015 (former Corporate Social Responsibility Committee)

DESTINATION

ESG WAY

What is at the destination of this journey?

“0·10·100” – coordinates for the destination of Shinhan’s ESG Way

Each coordinate signifies the goal Shinhan seeks for different groups of interest through “FINANCE for IMPACT”, sustainable finance. “0” refers to carbon zero for society and future generations, “10” means 10 unicorn companies leading the economic growth of Korea through innovation, and “100” percent satisfaction for all Shinhan stakeholders.

ESG, a reliable vaccine protecting Shinhan in an uncertain business environment!

To Shinhan, ESG is like a vaccine. In 2020, we secured an “ESG 2.0” vaccine through ESG management. In 2021, we plan to introduce “ESG 3.0”, and develop and implement distinctive ESG business models for sustainable development together with stakeholders, and continually examine and manage the outcomes, thereby accelerating the pace of change towards the destination.

Like the name Shinhan¹⁾! Shinhan will stay ahead, unafraid of what’ to come.

ESG management is still in the process of finding the way in many areas. Even Shinhan Financial Group, the pathfinder of the ESG Way, is in the phase of finding a right direction. However, our destination is set. Based on the belief that “Because Shinhan can” and by using the power of finance “Because Shinhan can”, we will embark on a journey that others are afraid of, find the right path, and stride towards the ESG goal of “0·10·100”.

¹⁾ Shinhan, meaning new Korea

Shinhan’s ESG Ambitions



Zero Carbon Drive

Ten Unicorns

100% Stakeholder’s Satisfaction

ESG INVITATION LETTER



Dear stakeholders,

Hello,
this is Cho Yong-byoung, CEO of Shinhan Financial Group.
What do you think about the Shinhan ESG Way
that you have seen?

**I would like to take this opportunity
to make an “ESG proposal” to you.**

Last year, many people went through a lot of difficulties due to COVID-19, which nobody had expected. As I personally witnessed our customers as well as employees struggle at their job, I thought hard about “resilience” in connection to an uncertain business environment where nobody knows what will happen next.

I believe the answer lies in ESG management.

At a recent meeting with all CEOs of the Group subsidiaries, we shared opinions that ESG management is like a vaccine that enables us to prepare for future uncertainties in the business environment. As mentioned before, in 2021 Shinhan Financial Group will demonstrate its unique, distinctive ESG approach to produce practical results by taking on five major tasks with a focus on three strategic criteria – green, win-win, and trust.

Shinhan feels a heavy responsibility lately towards the Korean economy in an ESG transition. ESG risks induced by climate change, collectively called “green swan”, have grown into an immediate business risk to the power generation companies in Korea as well as manufacturing sectors. For this reason, many companies are rushing to become more eco-friendly, which is why they need a lot of help.



Shinhan will help everyone seeking an ESG-based change. Which is why, we are trying harder to understand all ESG-related values and to reflect ESG factors in our key businesses.

I remember a time when I began my career at Shinhan Bank. It was a time of growing together with customers, embodying the founding spirit of “Be Original, Productive, and Compassionate”. The spirit I have internalized has extended to the Group mission, “Compassionate Finance, Your Companion for the Future”. Shinhan’s history of building a better world through finance is aligned with ESG.

As implied in the African Xhosa saying, “Go alone if you want to go fast, and go together if you want to go far”, Shinhan’s ESG Way is a long journey that will take us far. It is a journey Shinhan can’t take alone, but will lead to the promising goal of “0·10·100” we can achieve together.

I plead with all Shinhan stakeholders reading this letter. Join us and together we will achieve sustainable growth and development, and create a better world for our future generations.

Be with Shinhan.

When people walk in one direction one after another, soon a new path will be made. And that path will become a sustainable way that more people will be taking together.

CEO, Shinhan Financial Group **Cho Yong-byoung**



The ESG Way leading to sustainable future, shall we go together?



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 - 38 ESG Milestones
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SPECIAL REPORT

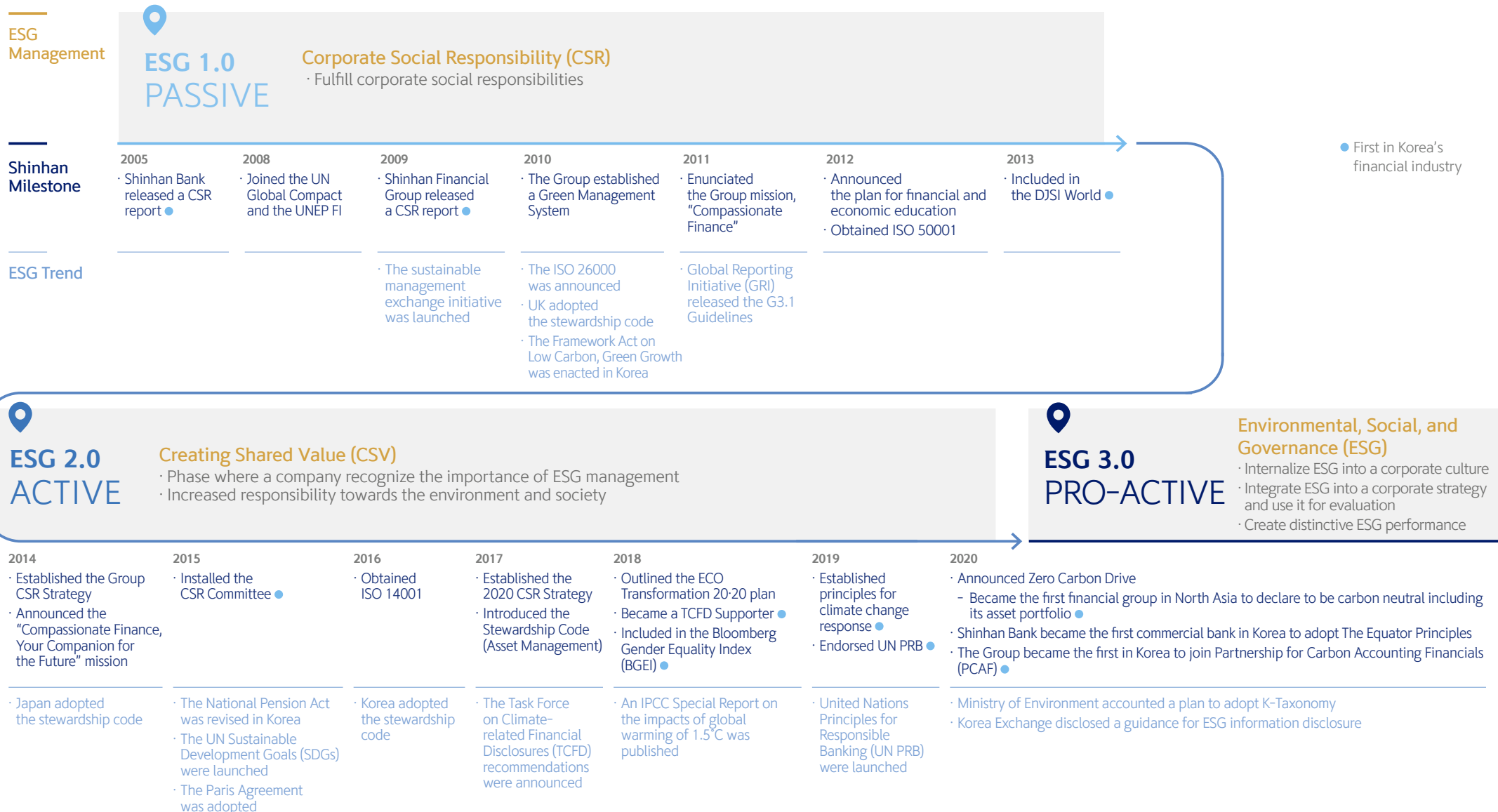
ESG Strategy Framework



Mid-term Goal	Excellence Shinhan		
ESG Principle	FINANCE for IMPACT		
	Positive impact of finance changing the future for the world		
Strategic Directions	Green	Win-win	Trust
5 Impact Tasks	<p>Zero Carbon Drive</p> <p>Achieve carbon neutrality by cutting down carbon emissions and expanding green investment</p>	<p>Triple-K</p> <p>Create an innovative ecosystem in Korea in partnership with stakeholders</p> <p>Hope Together SFG</p> <p>Provide inclusive finance</p>	<p>Respect for Diversity</p> <p>Reduce social inequality and eliminate discrimination</p> <p>Financial Consumer Protection</p> <p>Strengthen product governance and offer financial education</p>
Goals	<p>Cut down carbon emissions within the Group asset portfolio to 0</p> <p>0 Carbon</p>	<p>Nurture 10 unicorns by discovering and fostering innovative companies</p> <p>10 Unicorns</p>	<p>Ensure all stakeholders of the Group to be 100% satisfied</p> <p>100% Satisfaction</p>
Alignment with UN SDGs	<p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>13 CLIMATE ACTION</p> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>1 NO POVERTY</p> <p>4 QUALITY EDUCATION</p> <p>5 GENDER EQUALITY</p> <p>10 REDUCED INEQUALITIES</p>

ESG Milestones

On par with global ESG trends, Shinhan Financial Group will complete the ESG 3.0 system by incorporating ESG factors into its business strategy and management.



ESG Initiatives

Shinhan Financial Group voluntarily participates in a wide range of global initiatives in economic, social, and environmental areas which enables us to stay ahead in adopting best practices and thus being recognized by global ESG evaluation institutions. Going forward, we will align our ESG management with sustainable finance for strategic management of ESG.

Shinhan's Global Footprints

Global Recognition



Included in DJSI World for 8 consecutive years
(First time among Korean financial companies, 12 years for AP index)



Included in the BGEI for 3 consecutive years
(First time among Korean companies)



Selected Global 100 Most Sustainable Corporations by Davos Forum for 9 consecutive years
(The most among Korean companies)



Received A+ grade for 6 consecutive years
(2015-2020)



Included in the Honors Club for 7 consecutive years
(First time among Korean financial companies)




Included in the 4 companies with KRW 2 trillion in assets that received AA grade in 2020
(First time among Korean companies)



Received AA grade for 5 consecutive years

Global Initiatives

				
<p>Joined March 2007, and named Carbon Management Sector Honors in 2018</p> <p>Carbon Disclosure Project (CDP)</p> <p>A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies</p>	<p>Joined January 2008</p> <p>UN Environmental Programme Finance Initiative (UNEP FI)</p> <p>Public-private partnership between the UNEP and the financial sector</p>	<p>Joined May 2008</p> <p>UN Global Compact (UNGC)</p> <p>A UN pact that encourages businesses to fulfill their social responsibilities and be inspired for socially responsible policies</p>	<p>Joined September 2018</p> <p>Task Force on Climate-related Financial Disclosures (TCFD)</p> <p>A task force for disclosing financial information related to climate change</p>	<p>Joined September 2019</p> <p>UNEP FI Principles for Responsible Banking (PRB)</p> <p>A framework for ensuring that signatory banks' practice for the UN SDGs and the Paris Climate Agreement</p>
				
<p>Joined February 2020</p> <p>UNEP FI Principles for Sustainable Insurance (PSI)</p> <p>A guide for the insurance industry to align sustainability factors with operation strategy, risk management, product governance, and other management activities</p>	<p>Joined September 2020</p> <p>Equator Principles</p> <p>An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights</p>	<p>Joined November 2020</p> <p>Partnership for Carbon Accounting Financials (PCAF)</p> <p>A global partnership of financial institutions to develop an approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.</p>	<p>Joined November 2020</p> <p>Science Based Target initiative (SBTi)</p> <p>A global initiative developed to help companies set a target in line with science-based reduction criteria (1.5°C and 2°C scenarios)</p>	<p>📍 First in Korea's financial industry</p> <p>📍 First in Korea</p>

TCFD Report



TCFD Recommendations

The founding of the Task force on Climate-related Financial Disclosures (TCFD) was led by the Financial Stability Board, a consultative body of G20 Finance Ministers and Central Bank Governors, in 2015 for the purpose of establishing climate change-related information disclosure measures.

Through consistent disclosures of information on climate-related risk based on TCFD recommendations, the TCFD presents criteria that help investors and stakeholders make investment decisions in terms of green finance, while aiming to enhance resilience against external impact in preparation for climate and environmental impact. As of now, around 1,500 organizations from 37 countries are TCFD supporters.

The recommendations consist of four elements.

GOVERNANCE

The organization's governance around climate-related risks and opportunities



STRATEGY

The impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning



RISK MANAGEMENT

The processes used by the organization to identify, assess, and manage climate-related risks



METRICS AND TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



TCFD Implementation Status of the Group

Shinhan Financial Group has expanded its activities for climate change responses in accordance with the TCFD recommendations.

We became the first in Korea to declare to support TCFD in September 2018, and also was the nation's first to disclose a TCFD report according to the recommendations in 2019. In 2020, we declared the Zero Carbon Drive, making us the first in East Asia to move forward with carbon neutrality of our asset portfolio.

1 GOVERNANCE

Set science-based quantitative reduction targets and establish a system for carbon neutrality

Board of Directors
ESG Strategy Committee¹⁾

CEO
Group ESG Implementation Committee

Dedicated executives
Chief Strategy & Sustainability Officer (CSSO)
Group ESG CSSO Council

Team in charge
Group ESG Working Group Council
Group Risk Working Group Council

Dedicated teams
Shinhan Financial Group (holding company), Shinhan Bank, and Shinhan Card newly established an ESG-dedicated team

2 STRATEGY

“Zero Carbon Drive”, an eco-friendly strategy for carbon neutrality of the asset portfolio of the Group

Participate in the UNEP FI's second pilot program of TCFD implementation

Adopt best practices for environmental/social risk management

Establish the Group's principles for climate change response

- Equator Principles, TCFD, CDP, PRB, PSI, SBTi, PCAF

3 RISK MANAGEMENT

Analyze climate change-related physical and transition risks, and opportunities

Operate an environmental and social risk management system

- Select 12 significant environmental/social areas
- Exclude areas with significantly negative environmental/social impact from offering financial services and implement conditional support policies
- Conduct impact assessments by categorizing risk ratings for large-scale development PF, and include a reduction plan in financial contracts, if needed

Analyze the impact of climate change on the Group's asset portfolio and develop management measures

4 METRICS AND TARGETS

Goals for Zero Carbon Drive

Reduction

Reduce carbon emissions of the Group and the Group asset portfolio by 46.2% and 38.6%, respectively, by 2030 (compared to the figures in 20119)

Offset

Expand green finance performance to reach KRW 30 trillion (cumulative figure from 2020 to 2030)

Conduct investment portfolio monitoring that reflects climate change risk factors

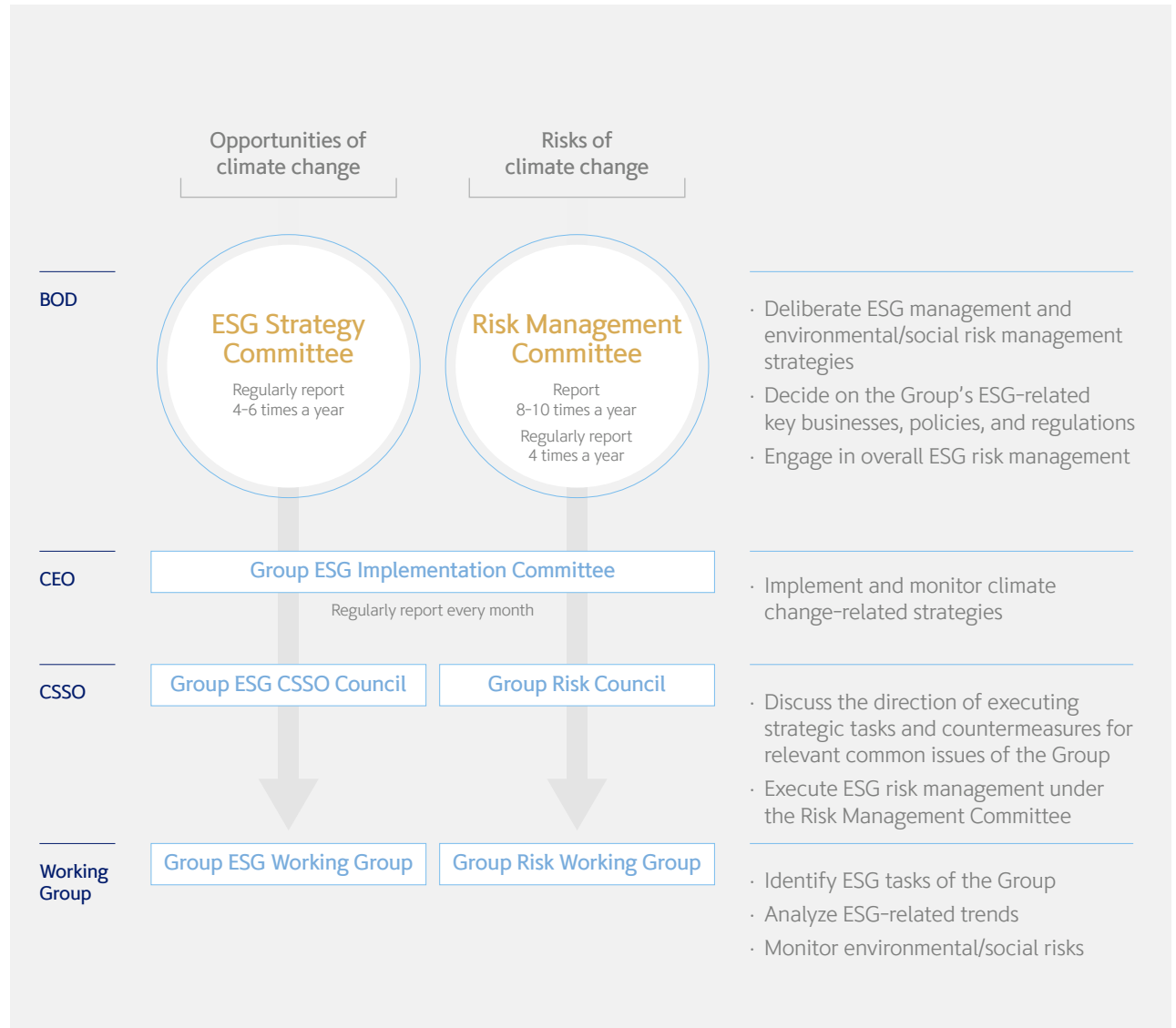
- Based on carbon emissions and carbon intensity

¹⁾ Became the first financial company in Korea to create an ESG-related sub-committee under the BOD in 2015 (former Corporate Social Responsibility Committee, the name will be decided after the annual general meeting held in March 2021)

1 GOVERNANCE

In 2015, Shinhan Financial Group became the first financial company in Korea to establish the Corporate Social Responsibility Committee (currently ESG Strategy Committee) and has been deliberating and deciding on ESG and climate change strategies.

In 2019, the Group became the first financial company to appoint a Chief Strategy & Sustainability Officer (CSSO), who is an executive in charge of strategies and sustainability, at all Group subsidiaries, and also designated working-level ESG officials and operated councils. In 2021, it launched the ESG Implementation Committee, participated by CEOs of all Group subsidiaries, to regularly review the status of executing climate change-related strategies, and to ensure detailed monitoring.



2 STRATEGY

Shinhan Financial Group is setting a new standard for green finance, with the goal of making the Group asset portfolio's carbon emissions "zero" by 2050. Through its distinctive Zero Carbon Drive strategy, the Group seeks to manage loans and investments for companies with large carbon footprints while expanding financial support for green industry, thereby contributing to the transition to a low-carbon economy. The Group also set a goal based on the SBTi methodology to achieve carbon neutrality of the Group asset portfolio, and will upgrade the measurement of carbon emissions by applying the criteria presented by the Partnership for Carbon Accounting Financials (PCAF).

TCFD Implementation Roadmap of the Group

2017-2018

Establishment of ECO Transformation 20·20 Strategy

Climate change agenda set by the Corporate Social Responsibility Committee

- Make eco-friendly investments worth KRW 20 trillion and reduce GHG emissions of the Group by 20% by 2030
- Adopt new products and services by sector

Establishment of the Group's environmental and social risk management system

- Designate and manage areas that need special attention
- Exclude areas, that require caution in terms of negative environmental/social impact, from offering financial services and implement conditional support policies
- Conduct environmental/social reviews for large-scale development PF

2019-2020

Assessment of portfolio impact from climate change

Advancement of climate change agenda for business impact assessment

- Analyze climate change-related portfolio impact and establish management measures
- Analyze the climate change-related status (carbon emissions, etc.) of companies with exposures of KRW 10 billion or more (including loans, bonds, and stocks)
- Monitor areas that require caution in terms of negative environmental/social impact

Declaration of Zero Carbon Drive in 2020

- Declare a plan to achieve carbon neutrality of the Group assets

2021-2050

Zero Carbon Drive implementation phase

Establishment of a Group-wide management system and reduction of emissions to achieve the reduction target

- Build a portfolio emissions management system and database
- Strengthen limit management to restrain emission increases and perform engagement
- Reflect ESG factors, including climate change, in business decision-making, such as loans and investments
- Develop and detail climate change scenario analysis methodologies
- Set a quantitative reduction target and reduce

Zero Carbon Drive goal for 2030

- **⊖** Reduce carbon emissions of the Group and the Group asset portfolio by 46.2% and 38.6%, respectively (compared to the figures in 2019)
- **⊕** Expand green finance performance to reach KRW 30 trillion (cumulative figure from 2020 to 2030)

2050 ZERO CARBON

Reduce carbon emissions

Manage carbon emissions of the Group's asset portfolio

Establish carbon leadership by achieving carbon neutrality of the Group

Customer engagement, participation in initiatives, and new business alliances

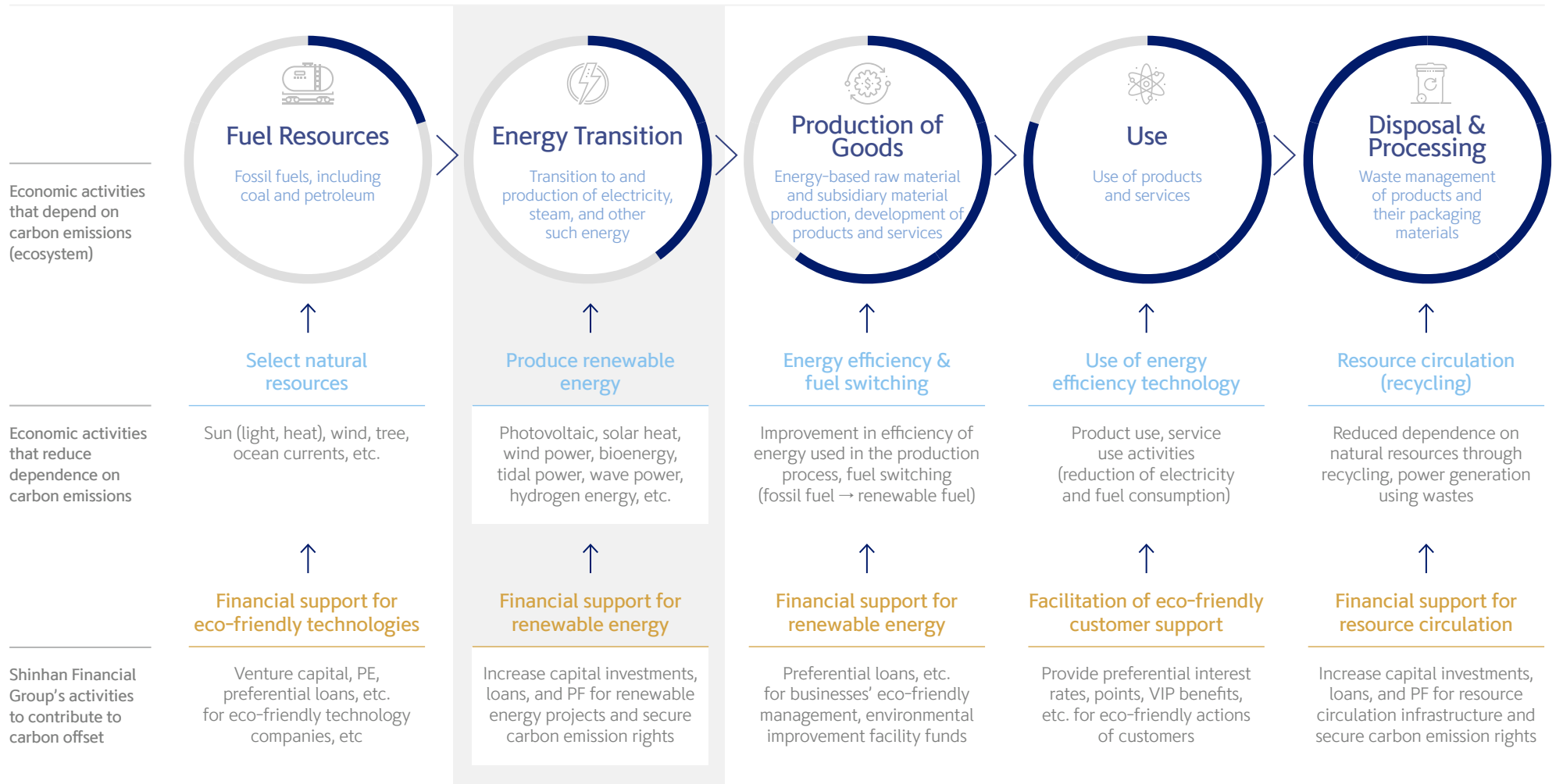
Expand green finance

Offset carbon emissions

2 STRATEGY

Analysis of opportunities of climate change

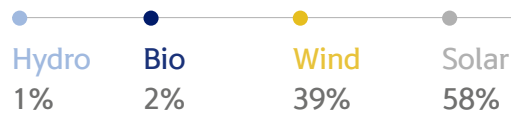
Shinhan Financial Group identified the following opportunities across the overall economic ecosystem that depends on carbon emissions. Of these, the Group discovered areas of opportunities to respond to climate change with a focus on the energy transition process that measures actual amount of carbon offset. Going forward, we will contribute to carbon offset through financial support that is needed for generating renewable energy, which can lower dependence on carbon emissions.



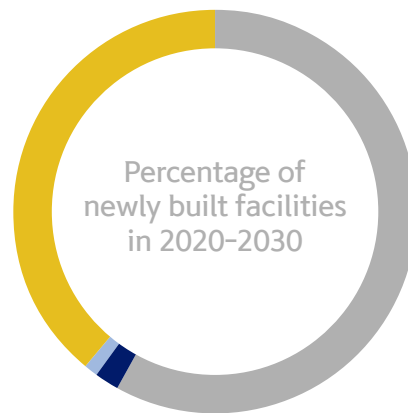
2 STRATEGY

Analysis of offset scenarios based on size of renewable energy investment

We will achieve the eco-friendly goal of Zero Carbon Drive by quantitatively analyzing carbon emission offset effects by financial support amount, in consideration of growth of the future renewable energy market.



Process and grounds for determining emission offset effects



Grounds for selecting technologies for offset renewable energy

Facility size per KRW 100 million (MW)	×	Annual power generation hours ¹⁾ (h)	=	Annual generation volume (MWh)
Annual generation volume (MWh)	×	Electricity emission factor ²⁾	=	Carbon emissions per KRW 100 million

¹⁾ Possible power generation hours in consideration of the amount of sunshine, etc.
²⁾ Amount of carbon emitted for producing 1 MW of energy

Expansion of eco-friendly financial investments with a focus on renewable energy projects

We will contribute to carbon offset by transforming risks into opportunities by expanding friendly financial investments centered on renewable energy. This has larger project size and more reduction effects compared to other projects, and enables prior estimation of carbon emission offset effects.

Backgrounds of selecting opportunities

- Such renewable energy projects as photovoltaic and wind power generation have the effect of reducing greenhouse gases that are generated by fossil fuel-based electricity, and therefore can secure carbon emission rights.

Project size and reduction effects

- Project's size is big and is developed on the premise of a financial institution's participation.
- Compared to energy efficiency projects or fuel conversion projects, GHG reduction effects are exceptionally high compared to input costs.

Estimation of reduction effects

- Measurement is possible, and reduction effect estimation is easy because there are preconditions established to estimate the carbon offset amount and investment amount.

3 RISK MANAGEMENT

Definition of risks

Transition risk

Risk that arises in the process of shifting to a low-carbon economy to respond to climate change at the global or individual country level

Increase in losses of loans and investments in companies that are exposed to transition risk or decline in the value of investment assets (bank, financial investment, life insurance company, etc.)

Physical risk

Risk where direct/indirect material damages in the physical sector extend to the financial sector, following natural disasters, long-term climate change, etc.

Drop in the value of collateral, including real estate, as a result of such natural disasters as flooding and forest fire (bank, financial investment, life insurance, etc.), rise in insurance payouts from an increase in climate-related illnesses (life insurance

Risk assessment and management

We have a management process in place wherein we evaluate environmental/social risks of project financing with significant environmental/social impact, and reflect reduction measures in financial contracts, if needed.

Environmental/social review

We perform environmental/social reviews on large-scale project financing according to the Group's Environmental/Social Risk Management (ESRM) framework, and identify impact based on a review checklist. The operation process is as follows:

- ① Identify the project outline
- ② Categorize the risk rating in environmental/social aspects
- ③ Conduct an environmental/social review by referring to environmental/social impact evaluation, etc.
- ④ If needed, reflect reduction measures in the financial contract
- ⑤ Follow-up monitoring

Equator Principles

Shinhan Bank became the first commercial bank in Korea to join the Equator Principles in September 2020. The Equator Principles is a voluntary agreement of financial companies wherein they pledge not to finance large development projects that carry a risk of environmental destruction or human rights violations. The process is as follows:

- ① Categorization of the rating according to the degree of environmental/social risk and impact is required (A-C ratings)
- ② (According to the rating) Conduct an environmental/social impact evaluation; build a management system; establish an action plan; and verify monitoring
- ③ Reflect in the financial agreement (comply with agreed matters, etc.); regularly report on the implementation status of the Equator Principles; and disclose information

Future Plans

Set and manage limits for management of asset portfolio emissions

Reflect ESG factors, including climate change, in loan and investment decision-making

Identify and manage climate change-related risks

Shinhan Financial Group will identify risks by measuring relevant indices, including carbon emissions/intensity, and build a management system as follows to execute the Zero Carbon Drive.

Risk identification

Regularly monitor and report emissions of the Group subsidiaries

Monitor each company's portfolio carbon emissions, carbon intensity, high carbon-emitting sector/company's emissions, exposure status, etc.

Monitoring of areas that require caution in terms of negative environmental/social impact

* 12 areas include mining (water pollution by heavy metal), tobacco (child labor/health), drift-net fishing (destruction of the marine ecosystem), infrastructure (air pollution/migration of natives), weaponry/munitions (mass destruction), power generation (air pollution/radioactivity), forestry (water pollution/destruction of the ecosystem), crop production (soil/water pollution), oil refining (sea pollution), coal processing (air pollution), wastewater and waste treatment (water pollution), manufacturing of chemicals (harmful substances)

Future Plans

Risk dashboard alert system

Prior alarm using a signal light system in case of a considerable increase in monitoring indexes (emissions, intensity, etc.)



Integrated management within the existing risk dashboard

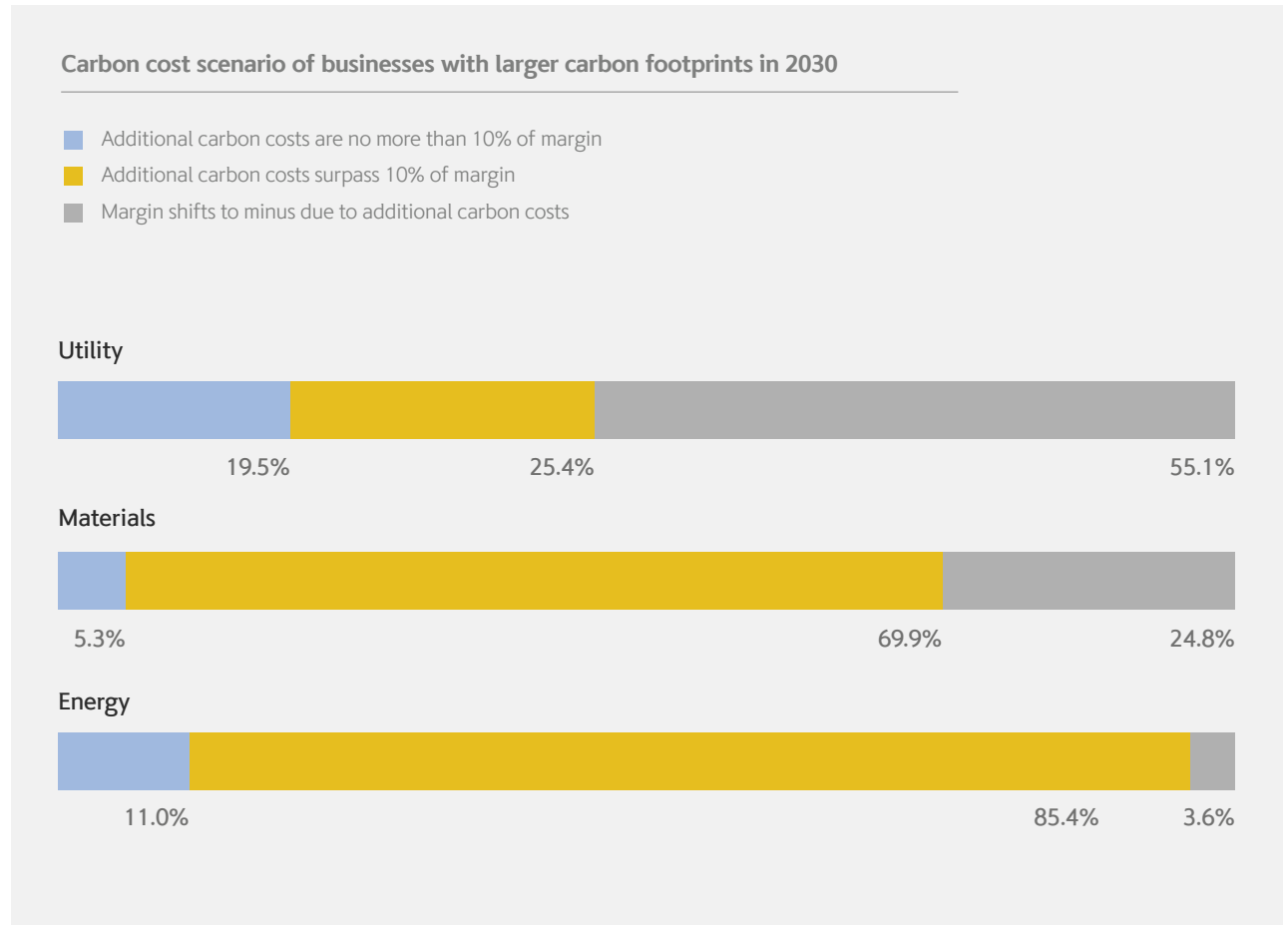
3 RISK MANAGEMENT

Analysis of climate change scenarios

Analysis of risk scenarios of the Group due to climate change

- Businesses with larger carbon footprints are forecast to be exposed to transition risk as a result of increased costs from future carbon price hikes. For this reason, Shinhan Financial Group analyzed risk scenarios in partnership with S&P Trucost.
- Carbon costs that portfolio companies of the Group asset as of 2019 need to additionally bear, in consideration of the future carbon price scenario¹⁾, are around KRW 1.16 trillion (year 2030). Considering additional carbon costs, these companies' EBITDA margin²⁾ will drop, as indicated by scenario analysis results.
- In particular, if companies in major businesses with larger carbon footprints maintain current-level carbon emissions, a considerable number of companies will likely be impacted, including reduced margins.

Trucost
ESG Analysis
S&P Global



¹⁾ Estimated price of International Energy Agency (IEA) was used for a simulation by Trucost (Based on 2°C scenario)

²⁾ Ratio of EBITDA against sales

3 RISK MANAGEMENT

Case of environmental/social review during the risk evaluation and management process and reflection in contract

○○ SRF¹⁾ Power Generation Project Case

OVERVIEW

Project involved with installing SRF production facilities and power generation facilities in Jeollanam-Do, and running a power generation program using the internally-produced SRF and externally-procured SRF

ENVIRONMENTAL ISSUE

Shinhan Financial Group arranged this project's financial advice in the second half of 2019, and categorized the risk rating as B in consideration of the project's type, size, etc.

Opinion after environmental/social review

- **Definition of risk**
There is a possibility of an environmental and social issue that has a negative impact on the air, soil, water, etc. from waste treatment facilities
- **Reduction measures**
Operate the business site in compliance with relevant laws
- **Environmental/social issue**
Create a separate operational responsibility commitment document and reflect it in the business contract so as to impose the project's management and operation company with law observance and management duties and to continually monitor the above to ensure normal operations



Reflection of environmental/social review opinion

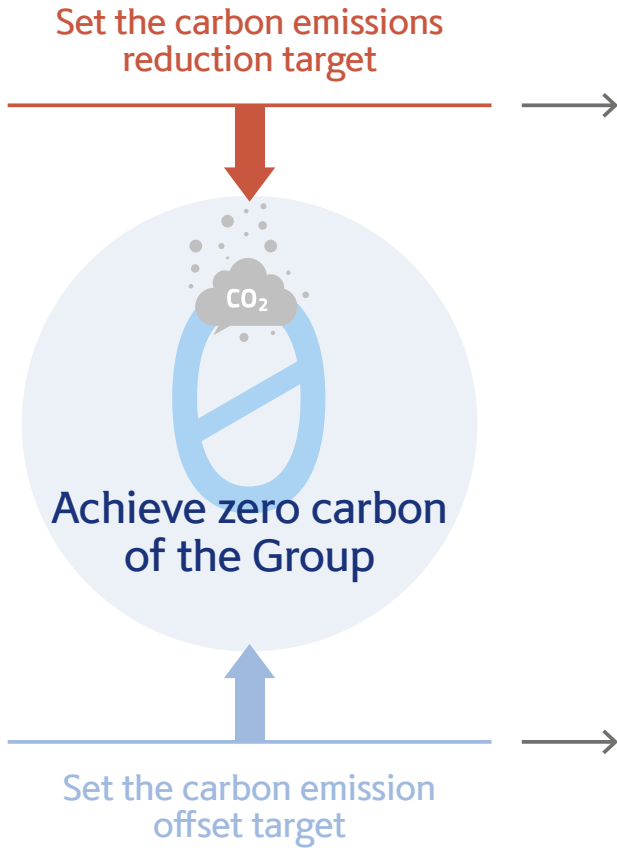
- **Progress**
As of February 2020, two companies commenced service as this project's EPC/O&M contractor, and construction is underway
- **Contractors were imposed with project management duties** (reflected environment-related conditions in the contract as follows)

Contractual duties to be implemented by the contractors

- Acquisition of approvals and permissions needed for construction completion, and relevant permit and approval work
- Establishment and observance of a health, safety and environmental (HSE) plan in accordance with quality management and relevant laws, and execution of resulting management work

¹⁾ Solid Refuse Fuel (SRF): Alternative fuel of fossil fuel that results from sorting, crushing, and drying combustible wastes

4 METRICS AND TARGETS



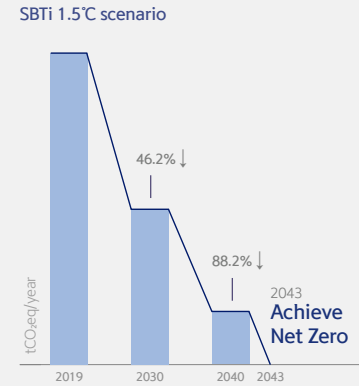
Management of the Group's carbon emissions

Set a reduction target using a scientific approach that is based on the Paris Climate Agreement (2°C scenario) (SBTi¹⁾ 1.5°C and SBTi SDA²⁾ 2°C scenario)

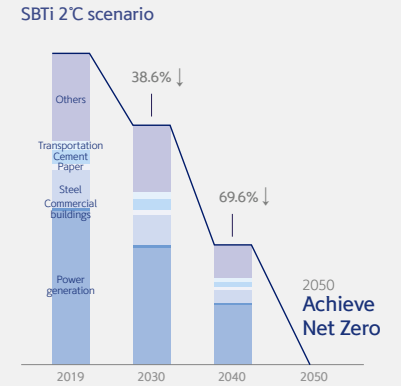
Internal carbon emissions of the Group
46.2%

Carbon emissions of the Group asset portfolio
38.6%
(compared to 2019)

Internal carbon emissions of the Group



Carbon emissions of the Group asset portfolio



¹⁾ Science Based Target initiative (SBTi), scientific scenario (Paris Climate Agreement)-based reduction target initiative
²⁾ SBTi Sectoral Decarbonization Approach (SDA): Financial assets' carbon emissions are categorized by industry (power generation/real estate/steel/cement, etc.), and a reduction target is determined according to the scenario by industry

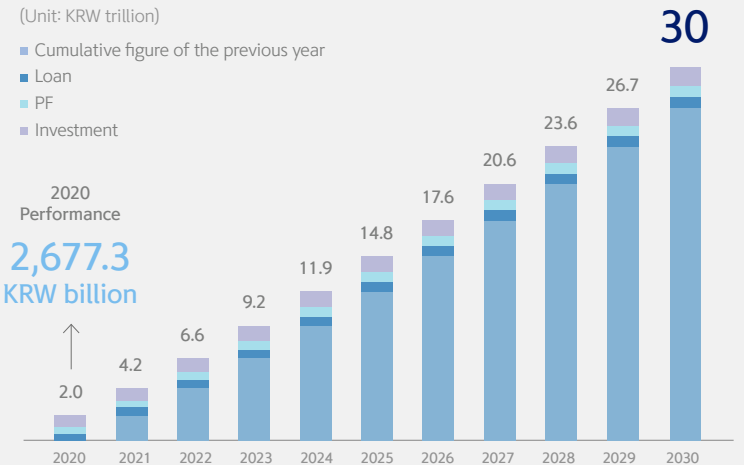
Expansion of eco-friendly asset size

- Develop new eco-friendly growth drivers
- Identify investment opportunities and companies in the area of eco-friendly new technology
- Expand equity investments in renewable energy
- Plan to manage performance in consideration of K-Taxonomy

Green finance
30 KRW trillion

(Cumulative figure of new investment from 2020 to 2030)

Cumulative figure of the previous year



* The offset target is the proportion of photovoltaic/wind power-based renewable energy PF. The level of carbon emissions that can be achieved without reduction efforts was estimated.

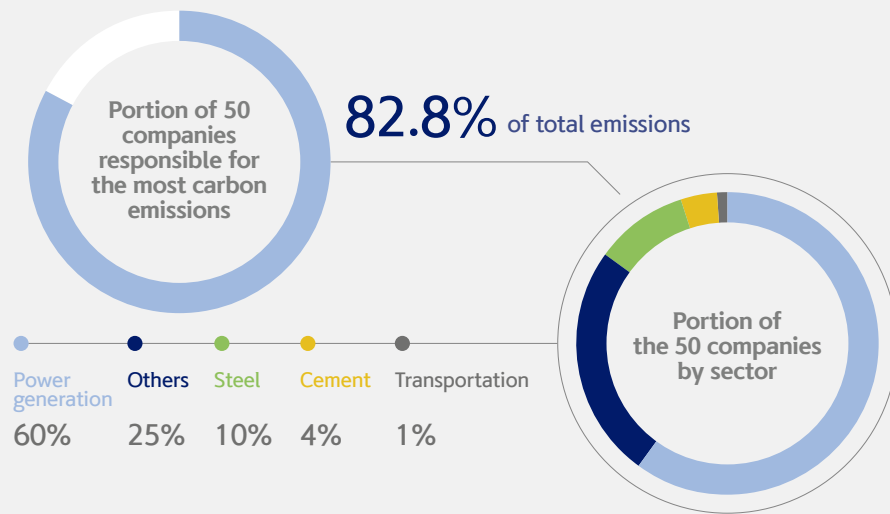
4 METRICS AND TARGETS

Measures to manage carbon emissions of the Group asset portfolio

To achieve its carbon emissions reduction target, Shinhan Financial Group manages it based on analyses of carbon emissions and carbon intensity of each industry sector of companies.

Analysis of the proportion of companies responsible for the most carbon emissions

- 50 companies contribute 82.8% of total carbon emissions, of which the power generation sector takes up 60%
- 10 companies contribute 53.9% of total carbon emissions



Efficiency of companies responsible for the most carbon emissions¹⁾

- There are many companies in the cement and power generation sectors among top 10 / top 50 companies in carbon intensity
- The carbon intensity of top carbon intensity companies is around 15-25 times²⁾ that of the total average

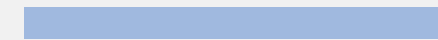
Carbon intensity

(Unit: tCO₂eq/KRW 100 million)

Top 10



Top 50



Total



0 200 400 600

Enhance the effects of managing carbon emissions of the Group portfolio through pinpoint management of companies responsible for the most carbon emissions and the power generation sector

Enable companies responsible for the most carbon emissions to pursue a transition to eco-friendly management

Manage carbon intensity of each Group subsidiary as a major index, and reflect it as a major review item when making loan and investment decisions

¹⁾ Refers to carbon emissions per unit, including production volume, sales, and investment (Here, it means portfolio emissions per KRW 100 million in investment)

²⁾ In case of the cement sector, it is managed as the Group's major sector outside power generation in Shinhan's asset portfolio

Diversity Report

Definition of Diversity

Diversity at Shinhan Financial Group

Shinhan has organizations in charge in relation to diversity and inclusiveness, including policies and execution for sustainability management (ESG Planning Team), CSR-related work (Brand PR Headquarters), and HR policy for gender equality and work-life balance (Shinhan Leadership Center), as well as a reporting system that is suitable for the organizations, each of which are continually discussing strategies. In addition, to prevent unreasonable discriminatory acts, we operate the Sexual Harassment Prevention Committee, Workplace Bullying Prevention Committee, Ombudsman and Grievance Settlement Process, and Employee Happiness Center, thereby establishing various guidelines.

Creation of diversity-related value

- Became the first in Korea in 2021 to be included in the Bloomberg Gender Equality Index (GEI) for three consecutive years
- Signed a gender balance inclusive growth partnership with the Ministry of Gender Equality and Family in 2019
- Chosen as a family-friendly certified company by the Ministry of Gender Equality and Family (Shinhan Bank, Shinhan Asset Management, Jeju Bank, Shinhan Credit Information)

Supporting customer diversity

Shinhan Female CEO Success-Supporting Loan

Shinhan Bank developed and is managing "Shinhan Female CEO Success-Supporting Loan" which was launched in 2016 aimed at supporting the diverse dreams of female CEOs.

OVERVIEW	DETAILS	PERFORMANCE
Loan that provides preferential support to companies owned or managed by female CEOs or family-friendly companies and outstanding employment equality companies	Preferential interest rate up to 1% (including a 0.3% preferential interest rate for member companies of the Korea Venture Business Women's Association)	652 cases, KRW 278.1 billion (As of December 31, 2020)

In addition, Shinhan Financial Group provides financial education and job support to the disabled as part of its efforts to make finance more accessible.

Financial Education

Supporting an independent financial life through a customized financial education program that has identified the characteristics of children with developmental disorders

Job Creation

Providing a space for a cafe and helping with business operations through "S with", a social cooperative, while also providing vocational training and job support to the hearing-impaired

Organizational Diversity

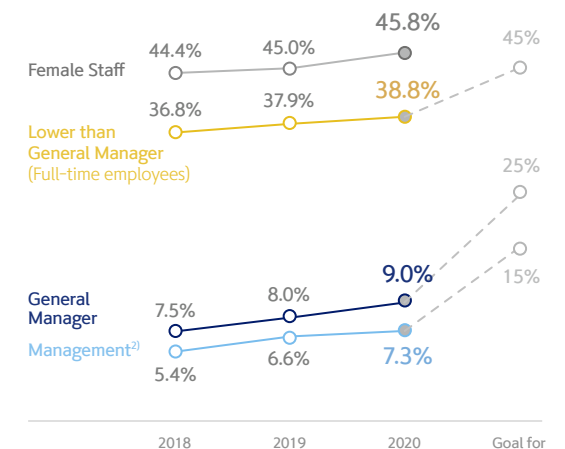
Diversity in BOD expertise

The eight major professional fields and experiences of the 13 BOD members of Shinhan Financial Group mainly consist of business administration, global, and finance. Based on this expertise, they are engaging in management that satisfies global standards and are making continued efforts for a better Shinhan Financial Group. Expertise in the subsequently main fields of economy and risk is contributing to the Group's gender diversity.



Women in the Workplace¹⁾

Shinhan Financial Group is steadily increasing the percentage of female employees. The Group implements competency-enhancing programs to develop more female managers and their capabilities, and is striving to build a foundation for quantitative, qualitative growth of female talent.



¹⁾ Based on 8 Group subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Capital, Shinhan Asset Management, Jeju Bank)

²⁾ Executives and Division Heads

Corporate Culture that Respects Diversity

Nurturing Female Talent

Shinhan Financial Group became the first in the financial industry to launch a female leader-nurturing program, called Shinhan SHeroes, and has been continually striving to identify leaders and foster female talent.

- 143 (cumulative figure) department head and higher position employees were chosen and were provided with support for strengthening leader capabilities, including mentoring and academic instruction. Also, the outcomes of nurturing female talent are shared at a conference held every year.
- Selected 27 persons for the 1st group, 49 for the 2nd group, and 67 for the 3rd group
- Plan to further strengthen the female network, while also striving to nurture female talent through career development program, fast-track system, and strategic selection of female leaders

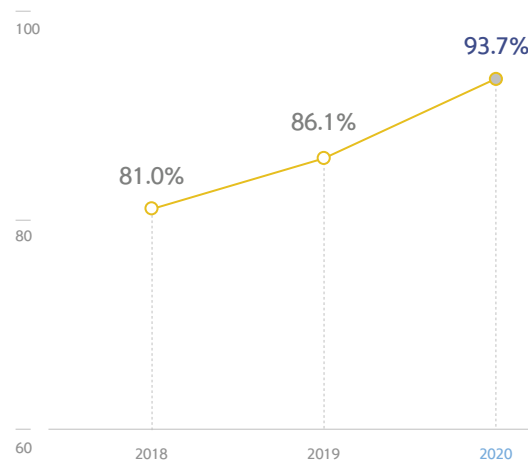
The Group distributes female talent training principles (R.O.S.E) and training guidelines, supports the operation of customized programs for each Group subsidiary, and examines training efforts and outcomes every year. In 2020, it established a mid-term roadmap to foster female talent from a long-term perspective for each Group subsidiary.

- A wide variety of internal programs are run by each company, including a program per position for nurturing of competent female talent, leadership training, coaching program, and meeting with executives
- Specialized programs of Group companies for prospective female leaders: Shinhan SHeroes Blue (Bank), S-Diva (Card), S-Wing (Life), Sai-Salon (Aitas), etc.

Corporate Culture that Promotes Work-family Balance

Shinhan Financial Group runs competency development programs and maternity protection systems that are suitable for the female lifecycle. We help female employees work without having to worry due to gender issues. The number of Group subsidiaries that are certified as a family-friendly company has been increasing, and we also improve our corporate culture by encouraging employees to use a five-consecutive-day leave and paternity leave. As of 2020, the 12-month retention rate among those who went on parental leave is as follows:

Retention rate after using parental leave



Systems to build a family-friendly corporate culture

- Systems to protect female employees, including reduced work hours during pregnancy, maternity leave, miscarriage leave, and parental leave
- Family-care leave, system of reduced work hours for employees with an infant, system of coming to work at 10 am for employees with a child in elementary school, work from home and flexible working hours system

COVID-19 Response

To win the fight against COVID-19 that is significantly impacting humankind's health and the global economy, Shinhan Financial Group is implementing comprehensive support measures at the Group level in addition to helping hands of Group subsidiaries.

Comprehensive Crisis Response System

In response to COVID-19, the Group established a comprehensive crisis response system and built a system of collaboration among major departments within each Group subsidiary.

Shinhan Bank launched the Crisis Management Council in a timely manner that is supervised by the Chief Risk Officer (CRO) and participated by around 20 major departments at headquarters. In addition, the Bank operated a comprehensive response team every week that was participated by relevant department heads at headquarters to take detailed responses against the crisis situation, and thus discussed and quickly executed countermeasures related to customer assets, liquidity, loan management, own assets, global, and IB. Shinhan Card launched the Business Continuity Planning (BCP) operation system to secure business continuity, and defined employee actions while also establishing and operating a response system for each disaster scenario. It also built a long- and short-term emergency crisis management system, and took other agile responses to the disaster situation, including dispersed work, which involved having core staff be separately stationed at headquarters and alternative business sites, and telecommuting. Furthermore, all Group subsidiaries are closely examining the status of risk occurrence as a result of the pandemic and the corresponding countermeasures, and carrying out activities to minimize damages.

Social Distancing Among Employees

Shinhan Financial Group is strictly observing "social distancing", in accordance with government guidelines, among all employees to prevent the spread of COVID-19.

To establish a work culture that promotes work-family balance, with top priority on protecting the health of employees, employee families, and customers, Shinhan Bank implements the family-care leave, system of reduced work hours during infant care period, system of coming to work at 10 am for employees with a child in elementary school, as well as telecommuting and flexible working hours. In addition, it is minimizing the number of people who come into face-to-face contact, such as by using online platforms, including ZOOM and Youtube, to operate systems that allow non-face-to-face training execution and evaluation for 7,648 persons at six occasions in 2020. Shinhan Card is minimizing the risk of the spread of the disease by strengthening the process for entering headquarters, building a smart office infrastructure for dispersion of workforce and rapid transition to telecommuting, and establishing such non-face-to-face systems as smart meeting rooms and video telephones for contactless communication between headquarters and regional areas.

Launching Shinhan N.E.O Project

Shinhan Financial Group launched "Shinhan N.E.O Project" to preemptively perform the roles of finance to overcome COVID-19 and strengthen new growth engines in the post-COVID-19 era. This project is based on three major directions – financial support to innovative new businesses, advancing digital financial services, and building an ecosystem for new growth – and is aimed at increasing financial support for industry sectors that can become the nation's new growth drivers, strengthening the economic infrastructure to accelerate the digital transformation of the financial industry, and establishing an ecosystem between new industries and finance by discovering digital startups.

KRW 23,574.0 billion

Loans to innovative companies and SMEs subject to the Korean New Deal

KRW 656.2 billion

Korean New Deal investment

KRW 549.9 billion

Innovative investment

* As of December 31, 2020

COVID-19 Response Status

Support for SME and SOHO clients

Shinhan Financial Group is implementing full-scale support programs so that customers, small and medium-sized enterprises (SMEs), and small office/home office (SOHO) clients can overcome the COVID-19 incident and return to daily life. Many Group subsidiaries, including Shinhan Bank, Jeju Bank, Shinhan Card, Shinhan Life Insurance, and Shinhan Capital, have been expanding financial support for SMEs and startups through maturity extensions, debt rescheduling, and interest payment deferrals. Total amount of interest payment deferrals from April 2020 to February 9, 2021 stood at KRW 6.7 billion.

Shinhan Bank

- Signed an MOU with the Korea Trade Insurance Corporation for financial support to overseas subsidiaries of SMEs that suffered losses due to COVID-19
- Implemented a quick settlement service for small business owners to help them with liquidity
- Collaborated with the Financial Supervisory Service to produce a video clip on self-employed people's response strategy in the post-COVID-19 era
- Contract or credit (technology) guarantee fund for automotive parts companies, and special guarantee for venture companies
- Strengthened contactless services to provide support in relation to companies that suffered from COVID-19 (established a non-face-to-face process for loans to support small business owners, created new deferment agreement criteria that can be done through non-face-to-face channels or telephone, provided the STAB video counseling service, launched new non-face-to-face new products for corporate clients, etc.)

Shinhan Card

- Provided credit card consumption monitoring data to Ministry of the Interior and Safety and other local governments for the purpose of boosting domestic consumption
- Conducted joint large-scale marketing with on/offline distributors through the "Shinhan Day" program

Support for customers who suffered losses from COVID-19

By providing special loans or operating exception criteria for customers who suffered losses from the COVID-19 incident, Shinhan Financial Group is engaging in diverse activities for relief.

- **SHINHAN FINANCIAL GROUP** "Neighborhood Restaurant" project to resolve the food issue of the underprivileged
- **SHINHAN BANK** "Hope Lunch Boxes", "Our Neighborhood-Rooting Program", "Kind Advance Payment Campaign", etc.
- **SHINHAN ASSET MANAGEMENT** "Global Sustainable ESG Fund" to offer a relief program

Issuance of ESG bonds aimed at COVID-19 response

(Unit: KRW billion)

	Date of Issuance	Issuance Amount	Note
Shinhan Financial Group	Jul. 10	586.8	Foreign currency bond, USD 500 million
Shinhan Bank	Mar.10	59.6	Foreign currency bond, USD 500 million
	Sep.29	332.5	Foreign currency bond, AUD 400 million
Shinhan Card	May 27	100	
	Oct. 15	458.2	Foreign currency bond, USD 400 million

* Based on the exchange rate on the date of issuance

Activities to boost consumption

All Group subsidiaries are striving to revitalize the household economy through various activities aimed at boosting domestic consumption, and to facilitate the circulation of small business owners and local economy.

- **SHINHAN BANK** Conducted a campaign where employees bought flowers for each other to support flower farmers
- **JEJU BANK** Used restaurants in the side streets near the Jeju Bank head office to revitalize the sluggish local economy
- **ORANGELIFE** Support for flower farmers, blood donation campaign, mind immunity-strengthening campaign, and holding of a digital forum to strengthen employees' digital capabilities for the post-COVID-19 era

Donation

Shinhan Financial Group is conducting a wide range of social contribution activities, including "Hope Together Campaign" – a social funding carried out in partnership with "wadiz" for a relay campaign among all Group subsidiaries. Through the campaign, we collected support funds with citizens totaling around KRW 2.5 billion which will be used for overcoming COVID-19.

- **SHINHAN FINANCIAL GROUP** Hope Together Campaign funding participated by all Group subsidiaries, Shinhan Meal Box
- **SHINHAN BANK** Donation of fund, worth VND 5 billion (KRW 250 million) to the Vietnamese government for COVID-19 relief, donation worth KRW 200 million to the Korean Red Cross
- **SHINHAN LIFE INSURANCE** Donation of 100 personal computers for underprivileged children, support for small business owners at traditional markets and the underprivileged

ESG Table

Detailed information on each activity is available at Shinhan Financial Group's website and its 2020 ESG Report that will be published at the end of the first half of the year.

We have categorized major sustainability management activities of Shinhan Financial Group into environmental, social, and governance (ESG) factors, in order to enable our stakeholders to understand them with ease.

Alignment with UN SDGs



ENVIRONMENTAL

Establishment of a green finance system for zero carbon

01 Green finance

- Green finance exclusive and guaranteed loans, expansion of infrastructure PF
- Investment in energy and eco-friendly means
- Issuance of green bonds
- Promotion of eco-friendly consumption (Shinhan Card)

02 Environmental risk system

- Establishment and operation of an environmental/ social risk management system
- Analysis of climate change-related impacts of the Group's asset portfolio
- Adoption of the Equator Principles (Shinhan Bank)

03 Green policies

- Declaration of Zero Carbon Drive
 - Transition from the previous ECO Transformation 20-20
- Establishment of the Group's principles for climate change response

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04 Environmental management

- Development/operation of a green management system
- Acquisition of the ISO 14001 certification (Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital)
- Creation of a paperless environment

05 Eco-friendliness leadership

- UNEP FI Principles for Responsible Banking and Sustainable Insurance
- UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative
- Efforts to achieve zero carbon of the Group's asset portfolio, including by joining SBTi, PCAF

06 Disclosure of environmental information

- Financial information disclosure following declaration of support for the TCFD and commitment to its recommendations (2018-)
- CDP Leadership A for seven consecutive years



Detailed information on each activity is available at Shinhan Financial Group's website and its 2020 ESG Report that will be published at the end of the first half of the year.

SOCIAL

Innovative/inclusive finance to support society, and creative open corporate culture

Alignment with UN SDGs



01 Innovative finance

- Launch of the Innovative Finance Promotion Committee
- Execution of Triple K Project
 - Establishment of an ecosystem through S² Bridge
- Shinhan Future's Lab – a venture-nurturing program
- Inno-talk – a venture platform

02 Inclusive finance

- Leading mid-interest rate loans for low-income households
- Success Do Dream Program (SOHO)
- All That Shopping – an exclusive platform for SMEs and small business owners

03 Support for the vulnerable

- Support for people with low credit to bounce back (Youth Debt Care, education allowance)
- Support programs for women whose career was interrupted and small business owners

04 Support for growth

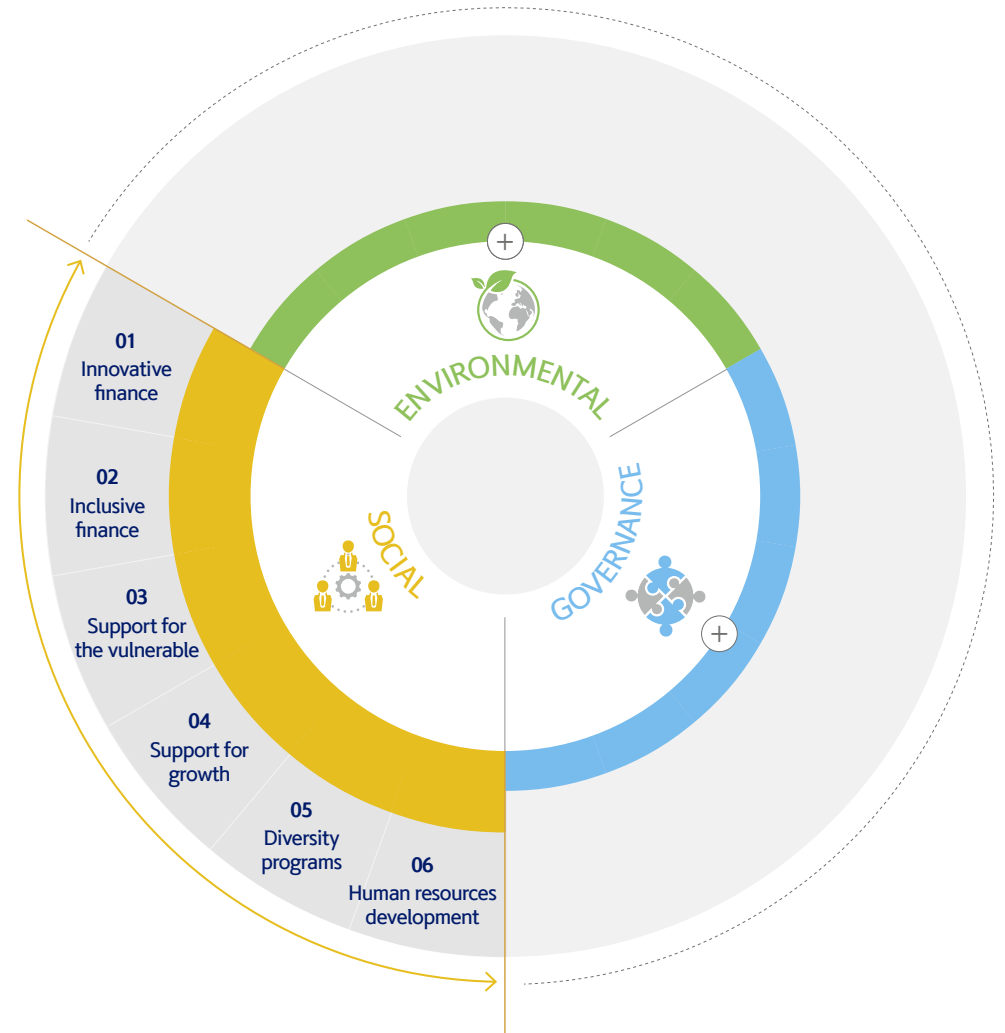
- Job creation programs
 - Support for youth's overseas employment, vocational school, and youth/senior job placement
- Investment in social enterprise fund
- Education support program
 - Financial education, Hope School software class, Shinhan Music Awards, scholarship programs, etc.

05 Diversity programs

- Establishment of a Group female leader training system
- Maternity protection and childcare support (Group daycare centers, reduced working hours, etc.)
- Inclusion in the Bloomberg Gender Equality Index

06 Human resources development

- Fostering of specialized experts
- Nurturing of digital talent
- Operation of a mobile in-house education platform
- Implementation of an in-house startup system



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Detailed information on each activity is available at Shinhan Financial Group's website and its 2020 ESG Report that will be published at the end of the first half of the year.

GOVERNANCE

Systematization of governance and leadership, and strengthened principles for ethics and compliance

Alignment with UN SDGs



01 BOD differentiation

- Strengthening of BOD expertise
 - Mandatory appointment of outside directors with expertise
 - Reinforcement of sub-committee expertise
- BOD diversity
 - Establishment of the principle of diversity in terms of nationality, gender, and age
 - System of shareholder recommendation on outside director candidates
 - At least 20% of director candidates accounted for by women

02 Stability in leadership

- Creation of a fair management succession system
 - Selection and fostering of CEO candidates
- Distribution of the authority to make director recommendations

03 ESG governance

- Establishment of ESG governance at the Group level
 - ESG Strategy Committee (formerly Corporate Social Responsibility Committee)
 - ESG Implementation Committee (CEOs of Group subsidiaries)
 - Group ESG CSO/Working Group
- Development of Shinhan Social Value Measurement Framework (SVMF)
- Adoption of the Stewardship Code

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04 Ethics & compliance

- Group Compliance Officer Council, Internal Control Committee
 - Code of Ethics, Standards of Conduct, Internal Reporting System
 - Fair Trade Compliance Rules
 - Promotion of ethics/compliance education
- Anti-money laundering system

05 Customer protection

- Financial consumer protection system
 - Creation of the Consumer Protection Group, system of financial product ESG examination, ombudsman system
- Establishment of an information security system
 - Designation of a Chief Information Security Officer (CISO) for each Group subsidiary
 - Customer, personal information processing policy
 - Integrated Security Control Center

06 Human rights

- Principles for shared development with partner companies and their Code of Conduct
- Establishment of a smart working environment
 - Expansion of the smart and flexible working hours system
 - Introduction of a PC shutdown system
 - Protection of employees' human rights
 - Mental health checkups for employees, human rights declaration, etc.

